

ADB TA-4185-PHI

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

FINAL REPORT

JULY 2004

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FOREWORD

Among contemporary economic phenomena, none has had a more dramatic and significant effect on development than the movement of people into countries other than their own. In this age of dwindling world resources and tight credit, the billions of foreign currency earned by migrants in developed countries and sent back across oceans in stable and regular intervals profoundly impact the lives of their families as well as the societies in which they live. These remittances help to compensate for deficiencies left unaddressed by the low level of public services, foreign aid, or foreign direct investment. Thus, remittances have emerged as a new mantra for development. In the past 10 years, serious studies have explored how these remittances could be maximized and leveraged to increase their multiplier effect.

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.

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 have reduced 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, Spain, 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 might be considered, given its potential to cut remittance costs. However, ensuring equitable opportunities for banks to earn revenue from foreign exchange transactions—their main 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 markets, 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 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 Investment 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 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 nonbank 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.

I. INTRODUCTION

1. Migrant remittances provide the most direct, immediate, and far-reaching benefit to overseas workers, their families, and their countries of origin. Despite the social and other costs of migration, many families of overseas workers, particularly those in the low-income sectors, rely on remittances as the major—if not the main or primary—source of funds for their basic or daily needs. Remittances also enable them to acquire a house, fund the education of children, pay for medical or health needs, and put away some for savings or investments in small enterprises. Some or even all of that might not be possible without migration. Apart from reducing domestic unemployment, the principal rationale for sending countries in formulating foreign employment policy is clearly the foreign exchange earned and sent home by its overseas workers.¹

2. Annual remittances to developing countries more than doubled between 1988 and 1999, pushing officially reported remittances approximately 20% higher than official development assistance. Between 1995 and 1999, six of the top 15 developing countries in terms of remittances received were from Asia—India, Philippines, Thailand, Pakistan, Bangladesh, and People's Republic of China (PRC). Those countries accounted for more than half of worldwide remittances in that period (Table 1.1). Remittances are a more constant source of income to developing countries than other private flows and foreign direct investment (FDI). Official flows to developing countries reached an estimated \$88 billion in 2002, while flows through informal channels could be more than double this figure. Remittances are now second only to FDI as a capital flow into developing countries, and substantially exceed development aid.²

3. The sheer volume, stable growth over time, and anti-cyclical nature of remittances suggest that they hold tremendous potential as a source of external development finance. This also highlights the reality that developing countries need foreign exchange to bolster hard currency reserves, finance imports, and enhance the abilities of banks to finance loans, among others.³ With resources for development assistance dwindling, migrants' remittances are emerging as a new tool and strategy for uplifting economic conditions in developing countries.

4. This has spurred multilateral institutions, international organizations, foundations, universities, and even national governments to commission research on the size and flows of remittances, and to identify measures to harness these inflows for the development of migrants' countries of origin. The desire to tap huge remittance markets also has generated vibrant competition among banks, money transfer agencies, and other traditional remittance players. It also has drawn new actors—microfinance institutions (MFIs), credit unions, cooperatives, and other similar grassroots economic organizations—to serve as remittance conduits as well as entry points for the introduction of financial products and services to unserved sectors.

5. Aside from increasing the volume of remittances, these developments have (i) reduced significantly the remittance costs to the migrant remitter as a result of competition, (ii) increased access to the banking system of previously “unbanked” migrant workers, and (iii) spurred the emergence of new technology-based bank remittance products that offer reliable and

¹ Abella, Manolo. 1997. *Sending Workers Abroad*, International Labour Organization (ILO), 1997, Geneva.

² Gammeltoft, Peter. 2002. Remittances and Other Financial Flows to Developing Countries. Center for Development Research (CDR) Working Paper No. 02-II. Copenhagen.

³ Addy, Wijkstrom, Thouez, IMP Working Paper Prepared for the World Bank-DFID Conference on Remittances and Development. October 2003.

Table 1.1: Largest Developing Country Receivers of Remittances, 1995–1999

	Total Remittances (\$ Bn)	Remittances per \$ Aid (\$)	Remittances per GDP (%)	Remittances per Capita (\$)
1. India	45.9	Turkey 39.3	Lesotho 37	Antigua and Barbuda 3,997
2. Philippines	29.1	Mexico 33.9	Jordan 21	Jordan 1,714
3. Mexico	28.0	Costa Rica 23.9	Samoa 21	Jamaica 1,393
4. Turkey	21.0	Jamaica 15.4	Yemen 18	Samoa 1,305
5. Egypt	16.6	Barbados 14.7	Cape Verde 18	Barbados 1,212
6. Morocco	10.0	Dominican Republic 9.8	Albania 16	Cape Verde 1,105
7. Brazil	9.3	Croatia 9.3	Jamaica 13	Grenada 1,071
8. Thailand	8.0	Philippines 7.8	El Salvador 11	El Salvador 1,027
9. Pakistan	7.8	Antigua and Barbuda 6.9	Georgia 10	Lesotho 863
10. Jordan	7.7	Nigeria 6.8	Antigua and Barbuda 9	Dominica 771
11. Bangladesh	7.5	Brazil 6.5	Nicaragua 8	Dominican Republic 738
12. PRC	7.5	India 5.5	Dominican Republic 8	St. Lucia 708
13. Nigeria	6.5	El Salvador 4.9	Philippines 8	St. Vincent and the Grenadines 689
14. El Salvador	6.1	Tunisia 4.6	Grenada 7	Albania 662
15. Dominican Republic	6.0	Lesotho 4.3	Sri Lanka 6	Croatia 640

Bn = billion, GDP = gross domestic product, PRC = People's Republic of China

Note: If remittance, GDP, or population data is missing for any year, it is estimated based on the average of the years for which data was available.

Source: Peter Gammeltoft (footnote 2).

competitively priced money transfer services. According to some estimates, the average cost of sending \$200 to Latin America—fees plus foreign exchange spreads—fell to \$20 in 2002, about half the remittance cost in 1999.⁴ Since remittance costs often exceed 20%, reducing them by even 5 percentage points could generate annual savings of \$3.5 billion for workers sending home money.⁵

6. While scholars, researchers, and institutions have studied the migration and development nexus for some time,⁶ the Multilateral Investment Fund (MIF) of the Inter-American Development Bank (IADB) commissioned the initiatives that led to concrete multilateral support in recent years. These initiatives later provided the basis for MIF's funding and support of ongoing programs to reduce remittance costs, and the introduction of innovative, reliable, and accessible remittance products between the United States (US) and Mexico, and other Latin American countries.

7. MIF supplemented these programs by supporting financial literacy programs, linking remittances with small and medium enterprise (SME) development and microfinance, and increasing accessibility to banking services of previously underserved migrant communities. Major US banks' acceptance of consular identification cards, which are issued by Mexican consulates to its citizens, as valid identification for opening of bank accounts enabled some 1

⁴ Mellyn, Kevin. 2003. *Workers Remittances as a Development Tool, Opportunities for the Philippines*. Manila: ADB.

⁵ Ratha, Dilip, *Workers' Remittances: An Important and Stable Source of External Development Finance*, *Global Development Finance*, 2003.

⁶ Tamas, Kristof. December 2003. *Mapping Study on International Migration for the Institute of Futures Studies*. Stockholm.

million undocumented Mexican workers to open accounts and use these as remittance mechanisms.

8. In October 2003, the World Bank, in partnership with the UK's Department for International Development (DFID) and the International Migration Policy Programme, gathered more than 100 participants from 42 countries for a conference on migration, remittances, and development. Participants represented central and private banks, governments, policymakers, multilateral and bilateral aid agencies, international agencies, experts, academicians, nongovernment organizations (NGOs), cooperatives and microfinance networks, researchers, and other migration and remittance practitioners.

9. The growing concern about global migration issues also has prompted the United Nations (UN) to support the formation of a Global Commission on International Migration, an autonomous and independent initiative led by the governments of Sweden and Switzerland. Eleven other countries, including migrant-sending countries such as Mexico and the Philippines, also supported the initiative. The commission started a worldwide scoping study on migration and development through research and consultations in different regions. This will culminate in a set of findings, recommendations, and an action framework, which are scheduled to be completed in 2005. The first such consultation with stakeholders in the Asia and Pacific region was held 17–18 May 2004 in Manila. The consultation covered a wide agenda on crosscutting issues related to migration and remittances, some of which touched on the themes of this study.

II. CONTEXT AND DEFINITIONS

A. Definition of Remittances

10. The term “remittances” generally has come to refer to the transfers, in cash or in kind, from a migrant to household residents in the country of origin. The International Monetary Fund (IMF) has a broader definition, which includes three categories: (i) workers remittances or transfers, in cash or in kind, from migrants to resident households in the country of origin; (ii) compensation to employees or the wages, salaries, and other remuneration, in cash or in kind, paid to individuals who work in a country other than where they legally reside; and (iii) migrant transfers that involve capital transfers of financial assets as they move from one country to another and stay for more than 1 year.⁷ The Bangko Sentral ng Pilipinas (BSP), the Philippines' central bank, follows the IMF manual in recording remittances or migrant transfers in its balance of payments computation.

B. Definition of Filipino Migrant Population

11. The Filipino migrant population, or the universe of Filipino remitters, is divided into three main types:

- (i) **Permanent.** Filipino immigrants who hold permanent residence or landed immigrant status in a foreign country, and whose stay does not depend on work contracts. They include even those who already have acquired foreign citizenship;

⁷ Migration Policy Institute. 2004. *Migration Information Source*. Available at: <http://www.migrationinformation.org>.

- (ii) **Temporary.** Filipinos whose stay overseas is based or determined by a formal or informal contract of employment. These overseas contract workers, who may be land-based or sea-based, are now collectively referred to as overseas Filipino workers (OFW); and
- (iii) **Irregular.** Filipino residents or workers overseas who do not possess valid passports or documents; or, even if properly documented, lack valid residency or work permits; or have overstayed.

C. Categorization of Formal, Informal, and Unregulated Fund Transfers

12. The categorization of formal, informal, and unregulated fund transfers requires caution. Formal channels usually refer to banks or nonbank money transfer agencies, which are registered or regulated by authorities to engage in money transfers. Unregulated channels are those outside the regulatory environment. Such transfers usually are made through unlicensed money transfer agencies, or occur when money or goods are sent through friends or brought home personally by the migrant. However, the term “informal money transfer channels” could be mistaken for channels that are not regulated. Some informal or nonbank money channels are regulated, or require licenses to operate a money transfer business. In the US, for instance, nonbank money transfer agencies are regulated by the federal Government and, in many cases, by state governments. The 10 US states with the largest populations of Filipinos, with the exception of Hawaii and Washington, require proof of tangible net worth, pledged assets in the form of cash bonds, time deposits, or government securities before issuing a license (Appendix 1). Of course, banks are subject to more rigorous requirements, regulation, and monitoring than nonbanks. However, licensed nonbank money transfer agencies do have stringent licensing and know-your-customer requirements, and more transparent money and/or audit trails. These trails are often difficult to detect, or are absent, from unregulated money transfer systems. Therefore, when the study lists the shift of remittances from informal to formal channels as one of the objectives, it refers to facilitating the shift from unregulated to regulated or formal channels.

D. Remittances as Perspective of Study

13. The study viewed remittances as a starting point for identifying measures to maximize their development impact to a migrant-sending country, such as the Philippines. It examined the remittance behavior and personal profiles of the migrant, as well as the legal and regulatory environment of Philippines, Singapore, and US. The environment in each country could affect banking practices and costs—all of which ultimately influences a sender’s choice between a formal (or regulated) and an informal (or unregulated) channel.

14. The study also takes into account the value of largely unrecognized and untapped resources, such as philanthropic donations and fund mobilizations by thousands of Filipino overseas associations (FAO). These groups often send resources for humanitarian, community infrastructure, and other projects, which impact development in needy areas. These resources deserve to be included in the migration and development equation. The identification of barriers that discourage their entry, as well as the policies or incentives that would enhance these inflows, would augment the capital and resources available for developing local economies. The study—combined with data from government, private agencies, and interviews with a number of these associations—reflects the desire of a large percentage of the Philippine *diaspora* to contribute to their communities in addition to sustaining their families’ needs.

15. As of 2000, 46.9% of the Philippine population still was considered poor. This translates to 5.1 million poor families, or 30.8 million poor people. Poverty in the Philippines remains largely a rural phenomenon. Rural families account for 70.9% of all poor families,⁸ while 78.8% of food-poor families reside in rural areas. The Autonomous Region of Muslim Mindanao, Bicol, and Central Mindanao have the highest incidence of poverty. Since poverty reduction is the underlying objective of the study, and many of the OFWs and their families come from the countryside, the role of community-based financial or economic institutions (cooperatives, rural banks, and microfinance NGOs) in leveraging remittances also is examined. By virtue of their mandates and geographic location, these institutions are in a strategic position to offer simple financial products and services to financially unserved remittance-receiving households in rural areas.

16. The banking, or the formal and regulated sector, performs a major role in enhancing remittance flows and maintaining integrity in the financial system. Informal systems, though risky and dangerous to public security, have given remittance options to a large number of migrants who are financially disenfranchised or lack normal access to formal channels. Data gathered during the study provides useful primary information to analyze the reasons for choosing one channel over another. Moreover, the data gives banks and other formal institutions insights on the introduction of new remittance products and services that address remittance behavior, specific cultural practices, or inadequacies of the formal system.

17. Viewing remittances independently of the whole phenomenon of migration is difficult. The motivations of people in migrating and working overseas are keys to understanding remittance behavior and the potential to use remittances as a development tool. The motivations are largely economic, of course. Remittances, especially for many contract-based workers, are sent to feed, clothe, shelter, and educate millions of families in the Philippines. Other issues that might impede the flows of remittances, particularly through formal channels, include the globalization of the labor supply, migrants' rights, social costs, brain drain, and increases in irregular workers. This study seeks to present an opportunity to explore and implement future programs that will enable policymakers in the Philippines, host countries, and international organizations to maximize and properly harness migrants' resources for productive use, and also address these equally important issues on migration.

III. OBJECTIVES AND SCOPE

A. Objectives

18. The main objectives of the study are to review the flows of remittances; and to identify constraints in the policy, regulatory, and institutional framework that impact these flows. The study then will develop proposals to address the identified 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.

⁸ Philippine Progress Report on the Millennium Development Goals, National Economic Development Authority, United Nations Development Programme, January 2003.

B. Assumptions

19. The main assumptions are that sending remittances through formal channels would (i) reduce the cost of servicing these flows, while increasing net formal sector remittance flows; (ii) strengthen the integrity of the financial system by ensuring compliance with anti-money laundering (AML) and antiterrorist financing standards; (iii) encourage the use of banking facilities to enfranchise OFWs and their families; and (iv) mobilize savings for productive investments. The Philippines could explore applying the experience of Mexico and other Latin American countries, where remittance costs were reduced drastically through increased competition, the introduction of remittance products by formal financial institutions, and improved access to formal channels by previously unserved remitters.

C. Stakeholders Interviewed

20. The study amassed and developed considerable in-depth information, data, and insights through the review of related literature, market research, and focus group discussions (FGDs) with the OFWs—remitters and remittance recipients who are the most immediate beneficiaries of an enhanced remittance system. The study team also met with other stakeholders, including (i) the Government; (ii) Philippine and foreign regulatory agencies; (iii) international agencies and financial institutions; (iv) researchers; (v) banks; and (vi) nonbank financial institutions, including so-called grassroots financial organizations. These grassroots organizations consist of Government and private development banks, rural and thrift banks, MFIs, and cooperatives (Appendix 2).

D. Countries Studied

21. The study was conducted in the Philippines and in two foreign jurisdictions, Singapore and two US cities—San Francisco and Washington, DC. The choice of locations for the two foreign missions was driven by the following factors:

- (i) The two countries show different segments of overseas Filipino remitters, namely the contract-based temporary workers and the permanent settlers or immigrants. Examining these types of remitters was expected to yield marked differences in remittance behavior. Singapore, on the one hand, has a representative mix of contract-based workers—domestic workers as well as professionals—numbering about 128,000. The US, meanwhile, is home to more than 2 million Filipinos, many of whom are immigrants, high-income professionals, and ethnic Filipinos who have acquired US citizenship (including a large number of irregular workers).
- (ii) Under a memorandum of intent (MOI) on remittances signed in May 2003, the US and the Philippines agreed to pursue several goals: (a) reduce remittance fees through greater competition and increased efficiency; (b) enhance access to remittance services in the regulated financial system; (c) improve the resiliency of the critical financial infrastructure that supports remittances; and (d) ensure compliance with international AML laws, such as Republic Act 9160. The study could be considered an activity related to that MOI.

22. Other countries not included in the study have large numbers of OFW remitters, who appear to encounter regulatory and other practical issues that hinder or fail to enhance remittance flows. This strongly suggests that remittance situations in Middle East countries

(especially Saudi Arabia); Japan; Hong Kong, China; and some European countries might be suitable subjects for future studies.

IV. MIGRATION ISSUES

A. Effects of Remittances

23. Views diverge on the effects that remittances, or in a broader context migration, might have on the economy of migrant origin countries as a whole and on future migration.⁹ Some studies have suggested strongly that remittances create lasting negative effects on the country of origin (e.g., the Philippines). Remittances have been used mostly for excessive consumption, not to increase the productive capacity of the sending country.¹⁰ Migration also is said to have perpetuated a culture of dependence on remittances on the part of beneficiary families,¹¹ as well as on the migrant sending country. Propped up by large inflows of remittances, governments might conveniently postpone needed structural reforms to put the macroeconomic house in order.¹² The compensatory nature of remittances presents a moral hazard, or dependency syndrome, that could impede economic growth as recipients reduce their participation in productive endeavors.¹³ For those reasons, some researchers believe that unless governments are able to come up with policies that will induce migrants to invest productively, remittances are unlikely to be transformed into a significant source of capital for development (footnote 13).

24. However, other researchers point out that consumptive behavior has multiplier effects that increase the demand for goods and services, as well as indirect investment.¹⁴ This is true especially when remittances are used for health, education, and shelter, which impact human development.¹⁵ When remittances are invested or consumed, they contribute to output growth and generate positive multiplier effects as long as sound economic policies are in place and foreign exchange controls are relaxed. They also compensate for losses that a sending country might incur from brain drain or the skimming of its highly skilled workers (footnote 5).

B. Irregular Workers

25. The International Center for Migration Policy Development has estimated that up to 650,000 unauthorized migrants entered European Union countries in 2001.¹⁶ Receiving countries in South and East Asia are host to millions of irregular workers (Table 1.2). Both supply- and demand-side forces might cause the influx of unauthorized foreign workers. Some studies have suggested that irregular migration is driven more often by the demand for cheap

⁹ Stalker, P. 1997. *Global Nations: The Impact of Globalization on International Migration*. ILO.

¹⁰ Lamberte, M. 2002. *OFW Investments in Rural Banks*. Paper delivered at the International Conference on Identifying Economic Linkages Between Overseas Filipinos and Rural Communities in the Philippines, Davao City, April.

¹¹ Panganiban, A. 2002. *Overseas Filipino Investments for the Development of Local Economies*. A paper delivered at the International Conference on Identifying Economic Linkages Between Overseas Filipinos and Rural Communities in the Philippines, Davao City, April.

¹² Abella, M. 2002. Speech delivered at the Bagong Bayani Awards Ceremonies, Manila, November.

¹³ Chami, R., Fullenkamp, C. Jahjah, S. 2003. *Are Immigrant Remittance Flows a Source of Capital for Development*, IMF Working Paper/03/189, IMF, September.

¹⁴ Orozco, M. 2002. Presentation at the Roundtable: Remittances as a Developmental Tool in the Caribbean, Kingston, Jamaica, 17 September.

¹⁵ Stalker, Peter. 2003. Proceedings on the NOVIB Experts Meeting on Migration, Globalization and Development, The Netherlands, March.

¹⁶ Philippine Department of Foreign Affairs Briefing Paper on Global Migration.

Table 1.2: Estimates of Irregular Migrants in Selected Asian Countries

Source Countries	Destination Countries				
	Japan ^a	Republic of Korea ^b	Taipei, China ^c	Malaysia ^d	Thailand ^f
Bangladesh	5,864	6,939		246,400	
Cambodia					81,000
People's Republic of China	38,957	53,429			
Indonesia		1,013	2,700	475,200	
Republic of Korea	52,854				
Malaysia	10,926		400		
Myanmar	5,957			25,600	810,000
Pakistan	4,766	3,350		12,000	
Philippines	42,627	6,302	5,150	9,600 ^e	
Taipei, China	9,403				
Thailand	38,191	2,528	6,000	8,000	
Viet Nam		3,181			
Others	72,242	18,285	5,750	23,200	109,000
Total	281,157	95,627	20,000	800,000	1,000,000

Note: The estimates for the Republic of Korea, Malaysia, and Thailand might have grown smaller by the end of 1998. The International Labour Organization (1998b) estimates that the size of the migrant workers population declined by 117,000 in Republic of Korea, 400,000 in Malaysia, and 460,000 in Thailand (by mid-1998).

^a Overstayers, end of 1997 (Watanabe, 1998).

^b Overstayers, June 1998 (Park, 1998).

^c Estimate based on overstayers and apprehensions (Lee, 1998).

^d Estimate based on 1996 regularization (Kassim, 1998).

^e Add approximately 150,000 Filipinos still irregular in Sabah.

^f Estimate based on 1996 regularization.

Sources: Asis and Battistella, 1999.

labor in developed countries than by push factors in developing countries. Globalized economies are dependent to some extent on low-cost migrant labor. However, migrant contributions to the development of the host country—as suppliers of labor, as consumers, and even as taxpayers—are unrecognized. Likewise, access to socioeconomic and financial services, particularly for irregular workers, is curtailed largely.

C. Human Rights

26. Human rights violations against legal and irregular workers continue to be reported by studies and overwhelming anecdotal evidence. Some migrants work under severe employment conditions, which compromise their well-being and ultimately affect their capacity to maximize the amounts that they send to family members. The very nature of irregularity breeds abuse and exploitation. Many of these workers, especially women and others in vulnerable occupations (e.g., domestic work and entertainment), often receive low wages. Further, they are subjected to, or are open to, physical abuse.¹⁷ Irregular workers, who are most likely to send home small

¹⁷ Proceedings of the Regional Summit on Foreign Migrant Domestic Workers. Sri Lanka, August, 2002.

amounts, select unregulated remittance channels because they fear exposing their status, or are disqualified from opening bank accounts.

D. Brain Drain

27. The question remains whether the benefits of migration compensate for the costs to the sending country, such as brain drain and the social disruption of families. Draining some of the best and the brightest from a sending country reduces its capacity for long-term economic growth and human development. Countries in the Organisation for Economic Co-operation and Development have around 3 million migrants with a tertiary education. It has been suggested that if it costs about \$20,000 to educate someone to this level, then the total wealth transferred from poor countries to rich is roughly \$60 billion (footnote 9).

28. The study of unregulated and informal money transfer channels—or alternative remittance systems, as other studies call them—is important to governments and policymakers for three reasons: (i) ensuring the integrity of financial or remittance channels makes them less vulnerable to illegitimate uses, such as money laundering, terrorist financing, or capital flight, as well as to indirect effects on exchange rates and monetary policy; (ii) remittances through unregulated channels can cost a government and the private sector potential income, as well as the development value of the remittance; and (iii) the difficulty, if not impossibility, of obtaining reliable estimates of the volumes of unregulated remittances distorts the balance of payments figures for a sending country, and precludes the formulation of sound monetary policies.

29. Informal unregulated money transfer systems have been around for the past several centuries, and could date back to the Tang Dynasty (907–618 B.C.). Regardless of the different terminologies in different regions or countries, their existence reflects the need to provide monetary facilitation of trade between distant regions. The key attractions of informal remittance channels to many remitters, including migrants, are speed, low cost, cultural convenience, versatility, and anonymity.¹⁸

30. In the past, governments paid little attention to these transfers, because they were regarded as small. However, the events of 11 September 2001 prompted regulatory agencies, particularly in the US, to scrutinize informal transfer systems more closely as an actual or potential channel used by terrorist organizations. International financial groupings, mainly the Financial Action Task Force (FATF), also have taken a closer look at these informal channels.

31. The study and monitoring of unregulated money transfer systems by authorities at the very least have been challenging due to (i) the lack of transparency or audit trails, (ii) the difficulty of interpreting informal remittance records, and (iii) the characteristic practice of mixing legitimate businesses with remittance or value transfers effectively to conceal illegitimate transactions behind the veil of informality. This is not to say that all unregulated transfer systems are engaged in illegal activity. However, the potential for using these informal systems to evade financial regulations or finance terrorism might be quite real.

32. Despite the risks created by unregulated transfer systems, analysts warn that ill-thought licensing and reporting measures¹⁹ could deprive low-income immigrant providers of channels

¹⁸ El Qorchi, Maimbo and Wilson. 2003. Informal Funds Transfer Systems, An Analysis of the Informal Hawala System. Occasional Paper 222, IMF.

¹⁹ Maimbo and Passas. 2003. The Regulation and Supervision of Informal Remittance Systems. Paper delivered at the WB-DFID Conference, London, International Conference on Migrant Remittances: Development Impact and Future Prospects, October.

they have relied upon for many years, as excessive fees and lack of access to formal institutions have effectively blocked other alternatives. Despite some claims in the press about the methods used by the 11 September hijackers to transfer their funds, all available evidence suggests they used banks, wire services, credit card accounts, and other regulated remitters. The funding of terrorism might well occur through informal and/or unregulated fund transfer systems. However, there is little reason to believe that militants prefer to use this method, or that informal systems are more vulnerable than the regulated sector (footnote 19).

33. A recent 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.”²⁰

34. Thus, consensus-building consultations should precede the design, development, and implementation of regulatory standards, monitoring, and enforcement measures. Moreover, the wider public and policy implications of external interventions should receive particular attention. Informal remittances serve millions of legitimate and mostly poor recipients in developing countries, and constitute an important source of finance and foreign exchange that improve real incomes and build human and social capital.

35. Governments, particularly those of migrant-sending countries, have underscored the need to improve their capability, as well as resources, to systematically address the lack of data on remittance flows and their impact on development. Better data could form the basis for policy action. In addition to paying more attention to studies, governments should include brain drain in the remittance debate, as well as the need for host countries to respect basic human rights and internationally recognized labor standards.²¹

V. PHILIPPINE MIGRATION AND REMITTANCES

A. Migration Flows

36. As in other migrant-sending countries, many Filipinos continue to choose migration due to the lack of sufficient opportunities for economic or professional advancement at home. With adverse political and socioeconomic conditions hindering the economic growth of the Philippines, an average of about 2,700 Filipinos leave daily—or almost 1 million annually. They travel to foreign countries as immigrants, temporary contract-based workers, or simply tourists, hoping to find work in developed countries (Table 1.3).

B. Stocks

37. With almost 7.6 million Filipinos residing and/or working overseas, the Philippines has become the second-largest migrant-sending country in the world after Mexico. Roughly 2.9 million are overseas Filipino contract-based workers, 2.8 million are permanent residents or immigrants, and 1.6 million are classified as irregular (Figure 1 and Table 1.4). The Commission on Filipinos Overseas (CFO) compiled these figures from its own data on immigrants, the Philippine Overseas Employment Administration (POEA) data on temporary workers documented through the agency, statistics from receiving countries, and reports from Philippine diplomatic missions in at least 192 economies worldwide. The recording and monitoring of

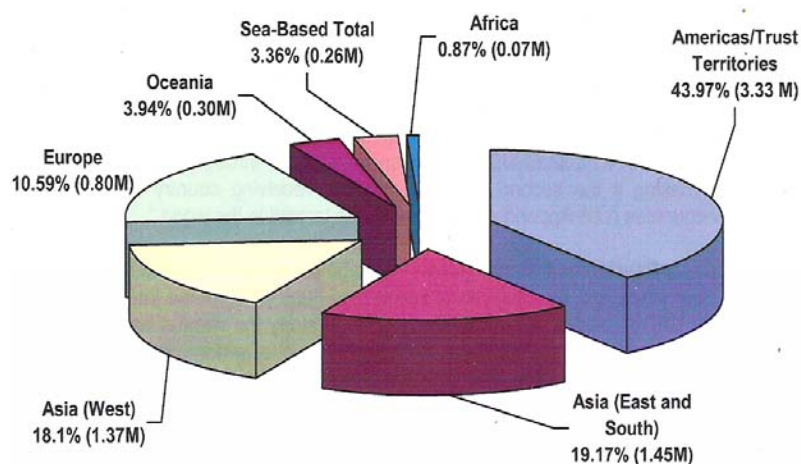
²⁰ Buencamino and Gorbunov. 2002. Informal Money Transfer Systems—Opportunities and Challenges for Development Finance, UN DESA Discussion Paper No. 26, November.

²¹ 17. IMP Working Paper, *ibid.*

stocks of overseas Filipinos, particularly the irregular workers, has been sketchy due to the complexity of migration flows, and system imperfections in the Philippines and host countries. However, this information is the most reliable that could be gathered given current resources and limitations.

38. The top five economies of destination for contract-based workers are Hong Kong, China; Japan; Kingdom of Saudi Arabia; Taipei, China; and the United Arab Emirates. For permanent residents, Australia, Canada, Germany, Japan, United Kingdom, and the US are the most popular countries. Irregular workers are also almost everywhere, with Italy, Japan, Malaysia, and the US registering high percentages.

Figure 1: Stock Estimates of Overseas Filipinos (2003)



Source: Commission on Filipinos Overseas, "Stock Estimate of Overseas Filipinos," Released in first quarter, 2003. Asia (West) includes Saudi Arabia and Middle East countries.

Table 1.3: Migration Outflows—Philippines (2002)

Migration Outflows	1975–1979	1980–1984	1985–1989	1990–1994	1995–1999
1. All Overseas Filipino Workers	379,823	1,580,306	2,129,925	3,163,803	3,730,503
A. Land-Based ^a	211,878	1,299,086	1,766,703	2,489,892	2,811,175
AFRICA	3,769	9,050	9,379	11,427	20,100
AMERICAS	13,829	18,020	31,257	60,080	47,102
United States	9,348	11,736	21,141	30,188	19,621
Canada	150	1,850	6,618	13,940	9,070
Others	4,351	4,434	3,498	15,952	18,411
ASIA	37,504	148,672	394,652	720,461	1,182,993
Brunei	444	11,483	23,817	44,501	53,294
Hong Kong, China	8,484	46,751	150,829	262,069	411,191
Indonesia	2,950	3,387	2,791	3,465	8,930
Japan	22,996	62,085	148,368	249,272	164,222
Republic of Korea	43	78	367	6,299	17,649
Malaysia	1,629	3,628	9,484	41,316	50,653
Singapore	657	19,778	55,868	43,943	86,865
Taipei, China	77	442	152	58,692	360,296
Others	224	1,040	2,976	10,904	29,893
EUROPE	10,485	9,996	28,847	59,535	91,443
England	5,317	478	956	1,068	3,060
Germany	615	582	513	798	777
Italy	1,589	3,430	13,323	37,307	63,430
Spain	1,144	810	2,993	2,972	6,694
Others	1,820	4,737	11,594	17,390	17,482
MIDDLE EAST	142,737	1,100,253	1,270,455	1,450,901	1,243,424
Bahrain	2,880	21,300	33,571	36,972	22,773
Iraq	3,576	69,109	15,023	513	38
Kuwait	6,585	40,840	90,947	58,440	65,859
Libya	932	32,715	29,005	29,943	34,386
Saudi Arabia	113,473	864,869	925,639	1,104,494	877,008
United Arab Emirates	5,051	42,672	99,138	130,387	153,001
Others	10,240	28,748	77,132	90,152	90,359
OCEANIA	1,215	4,056	5,948	10,881	10,556
Australia	144	73	315	738	652
Papua New Guinea	809	3,353	4,780	9,497	9,253
Others	262	630	853	654	651
TRUST TERRITORIES	2,339	9,039	26,165	31,869	31,271
Commonwealth of Northern Marianas Islands	1,635	7,198	23,269	23,293	22,759
Others	776	1,847	2,896	8,576	8,512
NOT REPORTED				139,917	144,526
B. Sea-Based	167,945	281,220	363,222	952,251	958,015

Continued on next page

Continued

Migration Outflows	1975–1979	1980–1984	1985–1989	1990–1994	1995–1999
2. Emigrants ^b	170,428	232,991	264,722	320,688	250,730
United States ^c	133,015	190,676	201,018	219,714	161,937
Canada	25,232	21,246	25,702	48,994	41,916
Australia	9,225	12,838	32,077	21,973	11,878
Japan		1,480	1,518	20,315	21,593
United Kingdom		1,480	1,874	1,115	913
Germany		936	577	3,013	2,879
Others ^d	2,956	4,335	1,956	5,564	9,614

^a Data from 1990–1997 refer to deployed overseas Filipino workers based on statistics on departing workers from the Labor Assistance Center of POEA on actual departures of OFWs at the international airports.

^b Refers to permanent migrants.

^c 1981–1991 includes Trust Territories of American Samoa, Guam, Marianas Islands, Saipan, and US Virgin Islands; 1992–1994 includes Trust Territories of American Samoa, Guam, Marianas Islands, Saipan, and US Virgin Islands.

^d The “Others” category for 1975–1979 includes Germany, Japan, and United Kingdom.

Sources: Philippine Overseas Employment Administration and Commission on Filipinos Overseas.

Table 1.4: Stock Estimates of Overseas Filipinos (2003)

	Permanent	Temporary	Irregular	Total
World	2,865,412	3,385,001	1,512,765	7,763,178
Africa	318	53,706	16,955	70,979
Egypt	54	2,383	1,280	3,717
Equatorial Guinea	0	1,471	150	1,621
Libya	75	5,982	485	6,542
Nigeria	18	10,939	586	11,543
Others or Unspecified	171	32,931	14,454	47,556
Asia East and South	85,570	944,129	503,173	1,532,872
Brunei	26	21,043	1,500	22,569
Hong Kong, China	404	185,500	2,500	188,404
Japan	77,310	197,268	30,100	304,678
Republic of Korea	4,561	28,540	9,015	42,116
Macau, China	56	16,000	1,000	17,056
Malaysia	311	59,599	363,000	422,910
Singapore	152	58,194	71,917	130,263
Taipei, China	1,992	151,824	4,300	158,116
Others or Unspecified	758	226,161	19,841	246,760
West Asia	2,290	1,361,409	108,150	1,471,849
Bahrain	63	28,238	5,000	33,301
Israel	104	9,186	23,000	32,290
Jordan	108	5,235	7,000	12,343
Kuwait	93	69,217	10,000	79,310
Lebanon	19	21,521	5,500	27,040
Oman	18	18,632	1,500	20,150
Qatar	13	44,279	1,000	45,292

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	Permanent	Temporary	Irregular	Total
Saudi Arabia	243	948,329	18,000	966,572
United Arab Emirates	389	172,755	20,000	193,144
Others or Unspecified	1,240	44,017	17,150	62,407
Europe	165,030	459,042	143,810	767,882
Austria	21,854	1,203	2,000	25,057
Belgium	3,473	2,524	4,933	10,930
France	1,082	4,808	26,121	32,011
Germany	42,489	7,015	4,392	53,896
Greece	88	15,527	7,500	23,115
Italy	4,075	70,113	50,000	124,188
The Netherlands	10,250	2,368	1,000	13,618
Spain	15,753	6,071	4,000	25,824
Switzerland	842	5,971	6,199	13,012
United Kingdom	46,234	38,256	7,125	91,615
Others or Unspecified	18,890	305,186	30,540	354,616
America/Trust Territories	2,386,036	286,103	709,676	3,381,815
Canada	359,118	30,027	2,975	392,120
United States	1,979,408	99,815	510,000	2,589,223
Commonwealth of Northern Marianas Islands	1,288	15,399	1,201	17,888
Guam	44,917	1,628	500	47,045
Others or Unspecified	1,305	139,234	195,000	335,539
Oceania	226,168	55,814	31,001	312,983
Australia	209,017	716	2,923	212,656
New Zealand	17,051	260	120	17,431
Palau	5	3,266	400	3,671
Papua New Guinea	64	4,140	7,339	11,543
Others or Unspecified	31	47,432	20,219	67,682
Region Unspecified		8,767		8,767
Sea-Based		216,031		216,031

Source: Commission on Filipinos Overseas, 2003.

C. Remittance Flows

39. The Philippines is the third-largest remittance-receiving country after Mexico and India, according to the World Bank publication *Global Development Finance 2003*. In 2003, the BSP recorded \$7.6 billion in remittances received through formal channels, an amount that is believed to be only half or even less than what is actually sent or received, due to money transfers through unregulated channels (Table 1.5). The largest sources of overseas Filipino remittances are Hong Kong, China; Japan; Saudi Arabia; Singapore; and US. Almost half of remittances are recorded to come from the US. However, the BSP believes that some of these funds could have emanated from other countries, given the practice by receiving banks of attributing remittances to the most immediate source, which are often US correspondent banks.

D. Sea-Based Workers

40. The Philippines is the country of origin of a substantial number of sea-based workers. The 255,267 Filipino seafarers account for 28.5% of the world's supply of seafarers—the largest percentage in the world. Of the \$47 billion that overseas Filipino remitted through formal channels from 1990–2001, 14% were sourced from Filipino seafarers.²²

E. Feminization of Migration

41. More than 65% of OFWs are women. Aside from traditional Middle East destinations, the newly industrialized economies in South and Southeast Asia have generated a demand for female workers for domestic work. In Japan, Filipino women are recruited as performing artists or entertainers.²³

Table 1.5: Overseas Filipino Workers Remittances
(\$ '000)

Country/Worker	1996	1997	1998	1999	2000	2001	2002	2003
TOTAL^A	4,306,491	5,741,835	7,367,989	6,794,550	6,050,450	6,031,271	7,189,243	7,639,955
Sea-based	251,244	257,612	274,549	846,209	926,677	1,093,349	1,226,182	1,294,140
Land-based	4,055,247	5,484,223	7,093,440	5,948,341	5,123,773	4,937,922	5,963,061	6,345,815
ASIA	535,959	454,791	401,419	645,566	831,779	1,049,551	1,092,381	927,000
Sea-based	21,290	20,537	17,426	86,233	81,418	54,036	56,106	44,227
Land-based	514,669	434,254	383,993	559,333	750,361	995,515	1,036,275	882,773
of which:								
Japan	114,609	131,375	107,807	273,831	370,097	391,871	469,080	413,055
Sea-based	10,941	8,873	7,333	43,820	46,739	18,248	26,087	23,230
Land-based	103,668	122,502	100,474	230,011	323,358	373,623	442,993	389,825
Hong Kong, China	221,009	189,230	171,353	176,738	146,831	248,337	278,949	216,025
Sea-based	9,766	9,076	7,955	27,286	20,334	12,739	14,817	11,981
Land-based	211,243	180,154	163,398	149,452	126,497	235,598	264,132	204,044
Singapore	129,654	93,329	69,288	80,180	105,351	194,702	166,929	140,444
Sea-based	477	2,259	1,540	10,364	11,987	13,838	10,672	5,878
Land-based	129,177	91,070	67,748	69,816	93,364	180,864	156,257	134,566
AMERICAS	2,579,792	4,127,656	6,443,587	4,929,671	4,000,022	3,300,327	3,866,270	4,292,449
Sea-based	167,070	183,678	202,335	611,564	734,460	949,341	1,053,189	1,144,505
Land-based	2,412,722	3,943,978	6,241,252	4,318,107	3,265,562	2,350,986	2,813,081	3,147,944
of which:								
US	2,564,467	4,109,430	6,403,215	4,868,879	3,944,639	3,201,698	3,681,652	4,094,821
Sea-based	166,949	183,509	202,260	609,910	733,199	944,871	1,051,596	1,143,298
Land-based	2,397,518	3,925,921	6,200,955	4,258,969	3,211,440	2,256,827	2,630,056	2,951,523
Canada	15,325	18,226	25,010	51,053	47,410	62,386	56,259	27,966
Sea-based	121	169	75	997	306	547	318	156
Land-based	15,204	18,057	24,935	50,056	47,104	61,839	55,941	27,810
OCEANIA	67,873	19,396	17,060	87,336	21,360	21,188	33,276	42,338
Sea-based	210	192	86	42,530	644	691	593	218
Land-based	67,663	19,204	16,974	44,806	20,716	20,497	32,683	42,120
Australia	65,920	17,934	13,924	22,276	16,255	10,023	30,848	39,831
Sea-based	210	192	74	1,059	626	680	552	199
Land-based	65,710	17,742	13,850	21,217	15,629	9,343	30,296	39,632

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²² DFA Briefing Paper on Global Migration.

²³ DFA/ILO Paper on Empowering Filipino Migrant Workers, 2002.

Continued

Country/Worker	1996	1997	1998	1999	2000	2001	2002	2003
EUROPE	574,062	436,050	329,317	457,671	534,675	406,194	659,616	743,763
Sea-based	52,587	48,555	50,505	98,330	105,009	73,975	97,555	93,629
Land-based	521,475	387,495	278,812	359,341	429,666	332,219	562,061	650,134
Germany	130,892	121,258	78,486	93,588	64,320	37,475	89,793	91,445
Sea-based	32,002	29,119	28,978	40,069	27,246	11,954	18,507	21,674
Land-based	98,890	92,139	49,508	53,519	37,074	25,521	71,286	69,771
United Kingdom	278,142	205,940	130,961	83,079	91,087	134,168	260,743	260,799
Sea-based	4,154	8,209	9,300	13,370	15,588	11,380	13,788	10,529
Land-based	273,988	197,731	121,661	69,709	75,499	122,788	246,955	250,270
MIDDLE EAST	39,188	25,375	60,682	263,004	594,198	711,918	725,238	978,514
Sea-based	33	357	15	3,214	2,933	2,944	3,126	4,487
Land-based	39,155	25,018	60,667	259,790	591,265	708,974	722,112	974,027
of which:								
Kuwait	21,469	16,998	13,550	21,264	36,107	19,147	27,690	78,188
Sea-based	0	25	0	2	330	0	0	21
Land-based	21,469	16,973	13,550	21,262	35,777	19,147	27,690	78,167
Saudi Arabia	14,515	5,723	33,433	183,304	494,032	609,600	590,836	691,309
Sea-based	0	328	1	2,294	1,042	1,643	1,611	1,817
Land-based	14,515	5,395	33,432	181,010	492,990	607,957	589,225	689,492
AFRICA	0	0	598	1,898	4,450	3,600	3,972	10,558
Sea-based	0	0	80	483	196	383	88	86
Land-based	0	0	518	1,415	4,254	3,217	3,884	10,472
OTHERS	509,617	678,567	115,326	409,404	63,966	538,493	808,490	645,333
Sea-based	10,054	4,293	4,102	3,855	2,017	11,979	15,525	6,988
Land-based	499,563	674,274	111,224	405,549	61,949	526,514	792,965	638,345

Notes:

1. 2002 data was revised as of 15 May 2003 to include reclassification from current transfers.

2. Data are based on bank reports submitted to BSP as contained in FED Form I prior to April 1999 and FX Form 1 from May 1999 onwards. Beginning 2001, transactions reported by thrift banks, offshore banking units and FOREX Corps. are included. Data are not truly reflective of the actual country of deployment of OFWs due to the common practice of remittance centers in various cities abroad to course remittances through correspondent banks mostly located in the US. Since banks attribute the origin of funds to the most immediate source, the US, therefore appears to be the main source of OFW remittances.

^aTotal may not add up due to rounding.

Source: Department of Economic Research, BSP, 2004.

42. The Philippines has an organized overseas deployment system, through which the Government monitors and seeks to protect the welfare of its OFWs. The Philippines would benefit from balancing its successes in opening overseas markets for its labor force with greater attention to implementing policies, programs, and incentives that will encourage its expatriate nationals to save, invest, or transfer acquired skills into productive use at home. This, after all, should be a major strategic reason for managed migration.

VI. PROFILES OF THE OVERSEAS FILIPINO WORKER

43. A market survey was conducted to learn about the remittance behavior of OFWs, particularly (i) their awareness of remittance channels and products, (ii) the reasons for selecting one remittance channel over another, (iii) the frequency and size of remittances, (iv) their savings and investment strategies, and (v) their receptiveness to contributing to development projects in the Philippines. The survey also attempted to learn the percentages of

workers who became indebted before departure and while working overseas, given that these issues might affect their remittances. This data could provide banks and money transfer agencies with insights on new products that could address the factors that drive remitters to unreliable transfer methods. Further, this information could enable policymakers to identify measures to eliminate unnecessary barriers, or introduce improvements to the formal system (The complete market survey report may be found in Volume II of this study.)

44. The surveys, as well as FGDs, were conducted from December 2003 to April 2004 in the Philippines, Singapore, and San Francisco in the United States. The respondents for the Philippine survey consisted of 1,150 OFWs, who were in the Philippines for the Christmas holidays in 2003, and 300 beneficiary households. The Philippine nationwide survey covered all regions and has a margin of error of plus or minus 3 percentage points. The Singapore survey had 200 respondents, including 37 who were interviewed while they were in the Philippines. The US survey had 434 respondents. The US and Singapore surveys have an estimated margin of error of plus or minus 5 percentage points.

A. Sociodemographic Profiles

45. Remittance behavior appears to depend on the occupation, visa, or occupation status of the OFW sender. To understand the variations in remittance behavior, demographic profiles of the survey respondents should be considered.

46. In the countries surveyed, 76% of Singapore respondents were domestic helpers. In the US, 46% were service workers, sales workers, clerks or technicians, while 25% were professionals. Retirees and housewives made up another substantial group in the US at 17% (Table 1.6).

Table 1.6: Occupation of Respondents
(%)

Occupation	Philippines	Singapore	United States
Domestic helpers	25	76	2
Seafarers	20	3	2
Laborers, unskilled workers, farmers, etc.	22	3	7
Service workers, sales, clerks, technicians, etc.	13	4	46
Entertainers, performers	10	1	1
Professionals and associate professionals	10	13	25
Others, retired, housewives, etc.	0	0	17
Total	100	100	100

Source: Asian Development Bank consultants.

47. A large percentage of the nationwide OFW survey respondents (89%) and Singapore survey respondents (84%) were contract workers. In the US, about 3 of 10 were immigrants or US citizens (Table 1.7). In the nationwide survey of OFW remitters, a majority of the respondents were married, Catholic, and had households with five to six members.

Table 1.7: Visa or Citizenship Status of Respondents
(%)

Visa or Citizenship Status	Philippines	Singapore	United States
Contractual OFW	89	84	69
Immigrant	5	11	27
Other Country Citizen	3	4	4
Others	4	0	1
Total	101	99	101

Note: Totals might not add up due to rounding.
Source: Asian Development Bank consultants.

B. Remittance Behavior

48. The terms “bank-to-bank” and “door-to-door” are commonly used by remitters. Bank-to-bank can mean an account-to-account mode of transfer, or any transaction involving the bank. In the same manner, remitters used the term door-to-door to refer to banking transactions where their remittances were delivered to the beneficiary’s doorstep. FGD participants and survey respondents revealed this insight when they were questioned on details of their door-to-door transactions.

49. In summary, 80% of the respondents in the nationwide survey of remitters regularly sent remittances through banking channels. The survey also found that 80% of respondents said that they remitted monthly. While only 65% said they were remitting bank-to-bank, upon further probing, an additional 15% said they used a bank’s door-to-door service (Table 1.8).

Table 1.8: Remittance Channels Commonly Used by Respondents
(%)

Channel	Philippines	Singapore	United States
Bank-to-bank	65	75	42
Door-to-door (bank)	15	8	5
Door-to-door (agency)	7	8	31
Money Transfer Agency	6	9	17
<i>Padala</i> ^a (sent through friends)	2	0	4
Others (inserted in mailed letters on cargo boxes)	4	1	2
Total^b	99	101	101

^a In Pilipino, the term *padala* means to send. *Padala* as a remittance practice, is explained in paragraph 65 under the section on Informal Remittance System and the *Padala* Practice.

^b Total might not add up due to rounding.

Source: Asian Development Bank consultants.

50. Like migrants of other countries, OFWs rated speed, trustworthiness, reliability, and efficient service as the most important criteria in their selection of remittance modes (Table 1.9). Beneficiary households considered speed in receiving remittances, trustworthiness, and good service the most important criteria.

Table 1.9: Top 3 Attributes in Selection of Remittance Modes

Rank According to Importance	Philippines	Singapore	United States
1	Speed in remitting and trustworthiness	Trustworthiness	Speed in remitting
2	Reliability	Good service	Reliability
3	Good service	Reliability	Trustworthiness

Source: Asian Development Bank consultants.

51. Gaps between expectations (rated on importance) and experience with the channels they used (rated on satisfaction) were most pronounced for exchange rates (Philippines), maintaining bank deposit accounts (Singapore), and trustworthiness (US). Accessibility to the beneficiaries also showed a noticeable gap between expectations and experience. These are possible areas of improvement for remittance modes (Table 1.10). Beneficiary households identified some key areas for remittance channels to improve: (i) establish low or no maintaining account balance, (ii) speed up receiving remittances, and (iii) offer better exchange rates.

Table 1.10: Top 3 Gaps Between Importance and Satisfaction Ratings

Rank According to Gaps (or Areas Needing Most Improvement)	Philippines	Singapore	United States
1	Best exchange rate	Low or no maintaining account balance	Trustworthiness
2	Location near the beneficiary, accessibility from workplace, speed in remitting, reasonable charges	Speed in remitting and trustworthy	Reliability
3	Accessibility to beneficiary	Good service	Accessibility to beneficiary and speed in remitting

Source: Asian Development Bank consultants.

52. Average monthly remittance did not vary greatly across the countries surveyed. The US survey respondents, however, remitted less frequently as the respondents included a relatively large group of retirees, housewives, immigrants, and citizens (Table 1.11). Seafarers remitted the highest average amount at about \$524 monthly, while OFW respondents from Kuwait reported the lowest at \$205 monthly.

Table 1.11: Remittance Behavior of Respondents

	Philippines	Singapore	United States
Average monthly amount	\$340	\$248	\$342
Monthly or more frequently	82%	83%	53%
Range of monthly remittance amount	\$5–\$2,090	\$27–\$1,933	\$4–\$1,500

Source: Asian Development Bank consultants.

C. Savings and Spending Behavior

53. In the nationwide OFW market study, about 90% said they were able to save money. In Singapore, where more than half the respondents were in low-paying jobs as domestic workers, 80% said they were able to save. A relatively high percentage of respondents appeared to keep their savings in their country of work.

54. A higher percentage of survey respondents in the US said they owned a savings account and an automated teller machine (ATM) card in their country of work than those surveyed in Singapore and the Philippines. Possibly due to their higher income levels, US respondents reported a noticeably higher ownership of personal effects and bank accounts compared to respondents from other countries (Table 1.12). However, the percentages on mobile phone ownership were quite close among survey respondents: US 63%, Philippines 65%, and Singapore 70%.

Table 1.12: Respondents' Ownership of Selected Items in Country of Work (%)

Item	Philippines	Singapore	United States
Car or vehicle	8	3	63
Personal computer	8	18	56
Laptop or notebook	4	8	23
Mobile phone (card)	57	36	63 ^a
Mobile phone (line)	8	34	63 ^a
Savings account	45	48	77
Current account	14	14	68
ATM card	33	35	75
Credit card	4	15	64

ATM = automated teller machine.

^a In the US survey, mobile phone ownership was not differentiated by card or line.

Source: Asian Development Bank consultants.

55. Far fewer respondents from the US survey reported owning savings accounts and ATM cards in the Philippines (Table 1.13).

Table 1.13: Respondents' Ownership of Selected Items in the Philippines

(%)

Item	Philippines	Singapore	United States
Car or vehicle	18	21	32
Personal computer	17	14	19
Laptop or notebook	4	1	4
Mobile phone (card)	64	30	36
Mobile phone (line)	13	9	12
Savings account	70	42	44
Current account	18	15	12
ATM card	52	24	27
Credit card	5	3	7

ATM = automated teller machine.

Source: Asian Development Bank Consultants.

VII. REMITTANCES AND OVERSEAS FILIPINO WORKERS

A. Remittance Players

1. Philippine Banks

56. In the first few years after the start of organized overseas deployment, OFWs had difficulty accessing remittance services of host country banks. Philippine banks, courier companies, and informal money transfer providers filled the gap. Philippine National Bank (PNB) started their remittance service in the early 1970s through their foreign offices, while several Philippine courier companies provided remittance services, including door-to-door deliveries, as an adjunct to their cargo business. Informal remittance systems, which appeared to be commonly used, were sometimes the only available and convenient vehicle for workers to send money to their families. In the early 1980s more banks, such as the Bank of the Philippine Islands (BPI), Philippine Commercial and Industrial Bank, Metropolitan Bank and Trust Company (Metrobank), and Allied Banking Corporation established offices and remittance partnerships overseas. Alongside Philippine banks, courier and cargo companies as well as informal transfer providers continued to prosper with door-to-door service that delivers cash directly to the beneficiaries' homes.

57. Today, we see a convergence of services offered by Philippine banks, licensed nonbank money transfer agencies, courier and cargo companies, and ethnic stores that act as agents for banks. Different types of alliances have been formed, and partnerships among stakeholders have become common. Exclusivity is no longer a common practice as revenues and profits are shared among the players in the alliance. All the major Philippine banks in the remittance business offer door-to-door services, while most nonbank agents are promoting bank credit-to-account transfers. Indeed, with industry estimates on annual remittance revenues between \$250 million and \$500 million, everyone has ample room to share in profits, not to mention related revenues from the use of other financial products and services, such as bank accounts, credit, or insurance (Box 1).

BOX 1: ESTIMATES ON REMITTANCE INDUSTRY REVENUE
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BOX 1: ESTIMATES ON REMITTANCE INDUSTRY REVENUE

The remittance industry's revenue from Philippine workers and migrant flows is estimated at between \$250 million and \$500 million per year. The industry is defined to include banks and money transfer agents, as well as courier companies and foreign exchange houses. The following information and assumptions were used in arriving at these estimates:

• Bangko Sentral ng Pilipinas remittance figures for 2004	\$7.6 billion
• Average transaction size	\$350
• Transaction volume	21.7 million
• Average price	\$8.00
• Average foreign exchange (FX) spread	1%
• Transaction revenue (21.7 million x \$8.00)	\$174 million
• FX revenue (\$7.6 billion x 1%)	\$76 million
• Total Revenue	\$250 million

Revenues could be as high as \$500 million for the following reasons:

1. Major remittance industry players estimate total remittance flows to be as high as \$14 billion.
2. Most money transfer agencies charge much higher than the \$8.00 per transfer.
3. Fees for other transfer methods, such as door-to-door or pick up, are much higher.
4. The FX spread might range from 0.7% to 2.7%.

FX = foreign exchange.

Source: Asian Development Bank consultants.

58. Currently, 17 Philippine financial institutions are involved directly in servicing remittances of overseas Filipinos through their branches, affiliates, or agents in 30 countries. Of the 44 commercial banks, 16 are involved in remittances. Only four of the 92 thrift banks handle remittances. Sixteen banks are members of the Association of Bank Remittance Officers Incorporated, which assists in bringing the concerns of the remittance industry to regulators and other stakeholders. The association's members include two specialized government banks, the Land Bank of the Philippines (LBP) and the Development Bank of the Philippines; as well as two branches of foreign banks, Singapore-based United Overseas Bank (UOB) and Taipei, China-based Chinatrust Commercial Bank Corporation. The six major remittance players are PNB, BPI, Equitable PCIBank, Metrobank, Rizal Commercial Banking Corporation (RCBC), and LBP. Combined, these banks service 80–90% of the market. PNB holds the largest share of the market, while each of the other banks handles at least \$700 million annually. Most of the banks have segregated the remittance business from their banking operations, and have set up separate operating facilities and corporate entities in the Philippines and overseas (Table 1.14).

Table 1.14: Top Banks in Remitter Countries

Banks^a	Overseas Presence (Countries)	Branches, Subsidiaries, and Affiliates	Tie-Ups and Agents	Total
Bank of the Philippine Islands	14	14 (6)	42 (14)	56 (20)
Equitable PCIBank	26	22 (3)	230 (150)	252 (153)
Land Bank of the	20	6	42	48

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Continued

Banks^a	Overseas Presence (Countries)	Branches, Subsidiaries, and Affiliates	Tie-Ups and Agents	Total
Philippines		(1)	(7)	(8)
Metropolitan Bank and Trust Co.	18	28 (11)	22 (0)	50 (11)
Philippine National Bank	16	92 (42)	20 (15)	112 (57)
Rizal Commercial Banking Corporation	22	13 (8)	184 (74)	197 (82)
	116	175 (71)	540 (260)	715 (331)
Total		(71)	(260)	(331)

^a Other banks in the remittance business are Allied Banking Corporation, Asia United Bank, Asiatrust Development Bank, Philippine Savings Bank, Union Bank of the Philippines, Planters Development Bank, Security Bank, Banco de Oro and LBC Bank.

Source: Asian Development Bank consultants.

59. Philippine banks, affiliates or agents, and remittance partnerships are known to have been established in about 30 countries, including the US and Canada in North America, 10 countries in Asia and the Pacific, and 9 countries each in the Middle East and Europe.

2. Philippine Money Transfer Agencies

60. A reliable list of entities engaged in the money transfer business is difficult to obtain due to the involvement of at least five Government agencies in a registration process that is not electronically interconnected. Furthermore, registration forms in some of the key agencies do not require applicants to specify that they are in the money transfer business.

61. Most of the Filipino companies now engaged in money transfers started as cargo companies, and quite a few still handle cargo and remittance transactions for Filipinos overseas. In the succeeding years, Filipino companies were established to concentrate purely on remittance services. Several companies, including iRemit Inc. and LBC Express Inc., are considered significant players in the industry, handling remittance volumes ranging between about \$25 million and \$500 million each annually, according to estimates of industry players. They have longer business hours than formal institutions, are nearer and more accessible to remitters, and offer banking services to remitters through their partnerships with banks.

3. International Money Transfer Agencies

62. Large international money transfer agencies also operate in the Philippines. The biggest, Western Union, has a distribution system comprising major agencies and a 6,000-strong subagent network that includes top Philippine commercial banks, such as BPI; several hundred rural banks; and even pawnshops. MoneyGram, through its Philippine representative PeraGram, has a network of 2,000 agents, including three commercial banks (RCBC, Equitable PCIBank, and Bank of Commerce), in addition to some 200 postal offices. Vigo, the third-largest money transfer company in the world, has been in the Philippines for several years working through New York Bay. Uniteller, on the other hand, operates locally through a thrift bank based in Metro Manila.

63. The main strengths of international money agencies are their ability to deliver remittances faster than other transfer agencies, a large distribution network in the US and Philippines, and competitive prices on low volume remittances.

4. Host Country Banks

64. Host country banks have limited participation in the Philippine remittance market. Generally, their costs are higher than those of Philippine banks and money transfer offices, unless programs are created specifically for migrant communities. Recently, the Development Bank of Singapore-PSOB (DBS-PSOB) opened its remittance service for Filipino remitters through a partnership with BPI. United Financial Japan accepts deposits from Filipino remitters in Japan through the use of ATMs for credit to Metrobank Japan's remittance account. Citibank, through its Hong Kong, China branch, has made their technology and systems available to create a low-cost remittance product offered by PNB and the 7-11 chain of convenience stores. In June 2004, Wells Fargo in the US launched a product specifically designed for the Filipino community.

B. Informal Remittance System and the Padala Practice

1. Definition of Padala

65. The practice of *padala*, which in Pilipino means to send, involves sending money or goods through relatives and friends returning home. It is an accepted practice in the Philippines that is generally reliable. Fees normally are not charged by the carrier as this is done to return a favor, or as a gesture of hospitality. In that sense, padala is different from a remittance transacted with a money transfer agency or a cargo company operating a remittance operation, which might or might not be licensed and where fees are charged. Remittance systems and the practice of padala in all likelihood will continue for as long as (i) formal institutions in remitter countries are not accessible, (ii) undocumented migrants are disallowed access to formal channels, (iii) the distribution system near the beneficiary is deficient, or (iv) cultural mindsets are unchanged.

2. Shift to Formal or Regulated Systems

66. The market study and interviews conducted with Philippine banks, foreign banks, and transfer agencies indicated that many remitters have shifted from informal or unregulated channels to banks and licensed transfer agencies, such as Western Union or MoneyGram. This shift was driven primarily by (i) improvements on cost, speed, and service by banks and money transfer companies; (ii) the growing financial literacy of remitters; and (iii) the closure of unregulated money transfer businesses in the wake of the 11 September terrorist attacks. Philippine-based banks' handling of last-mile distribution also has reduced operational costs of their US-based money transfer agents.

3. Estimates of Number of Remitters Using Informal Remittance Systems

67. Industry players provided estimates of how many remitters are using informal systems in selected countries (Table 1.15).

68. If these estimates are accurate, the amount coursed through informal systems and padala practices could total \$1.5 billion per year (424,812 remitters x \$300 average monthly x

12) for these countries, excluding the US. The US, with a stock estimate of 2.6 million, was excluded since the remittance behavior of a mostly migrant population differs greatly from those of the contract-based workers and professionals living in other countries, who frequently send remittances. The inclusion of other countries on the list would produce higher estimates.

Table 1.15: Industry Estimates of Informal Remittance Users in Selected Economies

Economy	Remitters Using Informal System	Stock Estimates of Filipinos as of December^a 2001	Estimates of Remitters Using Informal System^b
	A	B	C
United Kingdom	Less than 5%	90,345	4,517
Spain	30%	24,854	7,500
Italy	30%	151,411	45,423
Singapore	Less than 5%	128,446	6,422
Hong Kong, China	Less than 5%	173,889	8,700
Taipei, China	30%	122,733	36,800
Saudi Arabia	30%	915,242	274,571
Japan	10% (about 40% is cash brought home)	286,476	28,647
Republic of Korea	40%	30,581	12,232
Total			424,812

^a Commission on Filipinos Overseas stock estimates, December 2001.

^b C = A x B.

Source: Major Philippine remittance players.

C. Cash Brought Home

69. Most Filipinos personally carry cash after completing their work assignments, or when making temporary visits to the Philippines. A Philippine National Statistics Office (NSO) survey²⁴ in 2001 estimated that 24% of money flowing to the Philippines represents cash brought home by returning workers. Entertainment workers from Japan on 3- to 6-month assignments bring home large amounts of cash. Filipino workers in Taipei, China accumulate funds through a form of forced savings as their employers withhold a percentage of their wages, which are deposited on their behalf. Workers receive these as a lump sum upon the termination of their contracts, and personally bring them home as well. For sea-based workers, 80% of their wages are retained by shipping agencies and remitted to their designees in the Philippines. The remaining 20% and overtime pay received on board is usually brought home.

D. Remittance and Pricing Structures

1. Types of Transfer Mechanisms

70. Table 1.16 compares different types of transfer mechanisms offered by bank and nonbank institutions in the US, indicating the price, speed of delivery, and whether the product requires a deposit account for the remitter and the beneficiary. The comparison suggests that the credit-to-account system offered by Philippine banks is the most competitive in cost and speed. This comparison excludes foreign exchange spreads, which usually range from 1% to

²⁴ Survey on Overseas Filipino Workers, National Statistics Office, 2001.

1.25%. However, some international money transfer companies have spreads that range from 2% to 2.7%.

Table 1.16: Comparison of Transfer Mechanisms

Type of Transfer	Cost to Remit (\$)	Delivery Period	Account Required Remitter/Beneficiary
Philippine Banks			
Credit to account – same bank \$ to peso	6–8	minutes to 48 hours	No/Yes
Credit to account – different banks \$ to peso	6–15	2–3 days	No/Yes
Credit to account – same bank \$ to \$ (up to \$500)	15–20	minutes to 48 hours	No/Yes
Credit to account – different banks \$ to \$ (up to \$500)	22–30	2–3 days	No/Yes
Door-to-door cash \$ to peso	10–12 12–14 for provincial	24 hours to 3 days 3–5 days for provincial	No/No
Pick up at bank counters \$ to peso	6–12	24 hours to 3 days	No/No
Pick up at bank counters \$ to \$ (up to \$500)	15–20	24 hours to 5 days	No/No
Prepaid, reloadable credit/debit cards	8	24 hours	No/No
Internet – credit card to bank account (\$ to peso only)	8 (limit of 300)	minutes	No/Yes
Philippine MTOs			
Credit to account – same bank \$ to peso	7–12	minutes to 24 hours	No/Yes
Credit to account – different banks \$ to peso	10-15	12 hours to 3 days	No/Yes
Credit to account – same bank \$ to \$ (up to \$500)	15 (only one MTO)	24 hours	No/Yes
Door-to-door cash \$ to peso	11–12 11–16 for provincial	2–3 days 3–5 days for provincial	No/No
Prepaid, reloadable credit/debit cards	8	minutes	No/No
Internet – credit card account to bank account (\$ to peso only)	8 300 limit	minutes	No/Yes
Internet account to credit card \$ to peso	tiered 11–16 200–400	minutes	No/No
International MTOs			
Pick up at MTO agents \$ to peso	tiered 14 up to 400	minutes	No/No

Continued on next page

Continued

Type of Transfer	Cost to Remit (\$)	Delivery Period	Account Required Remitter/Beneficiary
Prepaid, reloadable credit/debit cards \$ to peso	tiered 8–16 200–400	10 minutes	No/No
Internet – bank account to bank account (\$ to peso only)	10	minutes	Yes/Yes
Internet account, credit card to bank account or cash pick-up \$ to peso	tiered 17–29 200–400	24 hours	No/No
Host Country Banks			
Credit to account – same bank \$ to peso	35–45	3–5 days	Yes/Yes
Credit to account – different bank \$ to peso	35–45	3–5 days	Yes/Yes
Credit to account – same bank \$ to \$	35–45	3–5 days	Yes/Yes
Pick up at bank counters \$ to peso	35–45	3–5 days	Yes/No

MTO = money transfer office.

Note: Cost to remit data as of March and April 2004.

Source: Asian Development Bank consultants.

71. Certain characteristics of these transfer mechanisms bear emphasis. First, most of the products do not require bank accounts for the beneficiary. As such, the product performs simply as a remittance mechanism without introducing remitters and their families to banking, savings, investment, or other financial products and services. Second, the somewhat low usage of door-to-door services might be attributed to the greater use of ATM and other low-cost banking products heavily marketed by banks. Nonetheless, door-to-door services will continue to be used as long as some remote areas are underserved by banks. Third, transfer fees from the US to the Philippines involving the payment of proceeds in US dollars are higher than when proceeds are paid in pesos, due to the absence of a foreign exchange spread on the dollar-to-dollar transaction. However, these costs are still lower than what remitters have to pay US banks, which is \$35–\$45 compared to \$6–\$15 if done through Philippine banks.

2. Pricing in Country of Remitter

72. The cost for a credit-to-account, dollar-to-peso transfer by Philippine banks or remittance agencies, with proceeds credited to a beneficiary's account in the same bank in the Philippines, differs from country to country, depending on the regulatory and competitive environment. In Japan, for instance, only three Philippine banks operate (two as branches, another as a representative office), and apparently only banks and post offices are allowed to engage in remittance transactions. In contrast, the presence of numerous banks and money transfer agents in Hong Kong, China has resulted in the lowest costs among those surveyed. Table 1.17 shows the cost of a credit-to-account, dollar-to-peso transfer as a percentage of remittance amounts, assuming a 1% foreign exchange spread.²⁵ Appendix 3 contains a complete comparison of the options for US- and Singapore-originated remittances, including fees charged by money transfer companies and host country banks.

²⁵ The 1% foreign exchange spread is the normal spread applied by commercial banks in Manila for retail transactions. This is also based on inquiries conducted among banks, which yielded a range from 0.7–1.5%.

Table 1.17: Cost of Credit-to-Account, Dollar-to-Peso Transfer from Selected Economies

	Cost to Remit (\$)	Cost as a Percentage of Remittance—\$200 (%)	Cost as a Percentage of Remittance—\$400 (%)
United States	7.00	4.5	2.7
Singapore	3.90	2.9	1.9
Hong Kong, China	2.60	2.3	1.7
Saudi Arabia	7.00	4.5	2.7
Japan	18.00	10.0	5.5
United Kingdom	13.00	7.5	4.3
Italy	9.50	5.8	3.4
Republic of Korea	9.00	5.5	3.3

Source: Asian Development Bank consultants.

3. Cost Components

73. The sustainability of players in the money transfer business is affected by variable costs and overhead expenses, which in turn affect remittance charges. Other than these, remittance players are concerned with the uncertainty of profit returns, prompting them to evaluate revenue and expense dynamics constantly to stay competitive. Long-established banks in the remittance business are concerned with money transfer agents, who typically may dictate terms of engagement, and with new players that operate with little overhead.

VIII. PHILIPPINE BANKING AND REMITTANCE FRAMEWORK

A. Regulatory Framework

1. Regulatory Agencies

74. Banks, remittance companies, and foreign exchange corporations must be registered with the Securities and Exchange Commission (SEC), the Government agency responsible for the registration, licensing, regulation, and supervision of all corporations and partnerships organized in the Philippines. Banks and foreign exchange corporations that are affiliates or subsidiaries of banks also require a license from the BSP, which supervises the operations of those banks and corporations. Remittance companies and foreign exchange corporations not affiliated with a bank are not required to have a license from the BSP. Single proprietorships engaged in remittance and foreign exchange operations simply register their businesses with the Bureau of Domestic Trade, an arm of the Department of Trade and Industry (DTI). Single proprietorships also must obtain a Mayor's Permit from the local government, and register books of accounts with the Bureau of Internal Revenue. To complete Government requirements, hired staff of all such establishments must be registered with the Department of Labor and Employment (DOLE) and the Social Security System (SSS).

2. Basic Laws and Regulations on Banking and Foreign Exchange

75. The General Banking Law of 2000 (Republic Act 8791) provides for the regulation, organization, and operations of banks, including thrift banks, rural and cooperative banks, and quasi-banks. Some categories of banks may have limited authority. Under the Central Bank Act (Republic Act 7653), the BSP's responsibilities and primary objectives are to provide policy

direction in money, banking, and credit, and to supervise the operations of banks and quasi-banks, including their subsidiaries and affiliates engaged in allied activities.

76. Central Bank Circular No. 1389, dated April 1993, contains the consolidated rules and regulations covering foreign exchange transactions. The circular provides for a liberalized regulatory environment, and allows foreign exchange to be freely sold and purchased outside the banking system. However, limitations remain, particularly on foreign exchange sourced from Government loan proceeds. For instance, under the Philippine Constitution, all public and publicly guaranteed private sector obligations to foreign creditors, including offshore banking units and foreign currency deposit units, must be referred to the BSP for prior approval and subsequent registration. Private sector bond or note issues offshore require prior approval and/or registration by the BSP if they are covered by any guarantee from local banks or are intended to be serviced using foreign exchange sourced from the domestic banking system. Foreign exchange sourced from the domestic banking system, however, is subject to certain limitations.

77. Foreign exchange receipts, acquisitions, or earnings may be sold for pesos to authorized agent banks or outside the banking system, or deposited in foreign currency deposit accounts in the Philippines or abroad, and may be used for any legal purpose by individuals or corporations. No mandatory foreign exchange surrender requirements are imposed on export earners. The exchange rate is not fixed, and varies daily due to market forces.

78. BSP Circular No. 388, dated 26 May 2003, consolidates and clarifies regulations on the sale of foreign exchange for non-trade transactions. It also establishes the authority to sell foreign exchange by authorized agent banks, BSP-supervised nonbank entities, and their subsidiaries and affiliated foreign exchange corporations. Under this circular, authorized agent banks may sell up to \$5,000 in foreign exchange to residents for any non-trade purpose without prior BSP approval. The sale of foreign exchange for payment of non-trade obligations that are related to a foreign currency loan or foreign investment—in which case the purchaser must present to the bank a notarized written application and supporting documents—is not allowed without BSP approval. For amounts less than \$5,000, other than a foreign currency loan or foreign investment-related transactions, only a written application is required disclosing the purpose of the purchase. Departing nonresidents may reconvert at ports of exit up to \$200 in unspent pesos without proof of previous sale of foreign exchange to banks. Philippine notes, coins, and checks and electronic transfer of funds, money orders, and other bills of exchange in excess of ₱10,000 that are drawn in pesos against local banks operating in the Philippines may not be brought out without prior BSP approval. Bringing foreign currency notes in or out of the country is not limited, except that amounts exceeding \$10,000 must be declared in writing to the Bureau of Customs, disclosing the source and purpose of such transport.

79. The Bank Secrecy Act (Republic Act 1405) prohibits parties and individuals from providing information to third parties on deposit accounts. This has been amended by the AML law, which will be discussed in the next section.

B. Anti-Money Laundering Laws

80. Republic Act 9160, which was signed into law on 29 September 2001, defined money laundering as a crime when proceeds from illegal activities are made to appear to have originated from legitimate sources. It created the Anti-Money Laundering Council (AMLC), which has the power to require the reporting of all suspicious transactions, irrespective of the amounts involved. The law defined covered transactions that are subject to mandatory reporting, which

could be a single, series, combination, or pattern of transactions exceeding ₱4 million. It also defined 14 unlawful activities, and provided penalties for money laundering. The amendments to AML law were signed into law (Republic Act 9194) on 7 March 2003. The amendments (i) defined the coverage of the law (banks, quasi-banks, trust entities, non-stock savings and loan associations, pawnshops, foreign exchange corporations, money changers, money payment, remittance, and transfer companies, among others); (ii) lowered the threshold for covered transactions from ₱4million to ₱500,000; (iii) authorized the BSP to inquire or examine any deposit or investment with any banking institution without court order in the course of a periodic or special examination; and (iv) removed the provision prohibiting the retroactivity of the law.

81. The AMLC is composed of the BSP governor as chairman, the commissioner of the Insurance Commission, and the SEC chairman. The AMLC's functions include (i) the receipt and analysis of reports; (ii) institution of civil forfeiture proceedings; (iii) filing of complaints with the Department of Justice (DOJ); (iv) the initiation of investigations of covered transactions, money laundering activities, and other violations; and (v) issuance of freeze orders on monetary instruments or property alleged to be proceeds of any unlawful activity. As of December 2003, the AMLC received 375,101 covered transaction reports and/or suspicious transaction reports and letters of advice. AMLC also had frozen 448 bank accounts, holding ₱1.1 billion.

82. The law created a financial intelligence unit and modified the Bank Secrecy Act by lifting the privacy of banking records when they are subject of an investigation for suspected money laundering activities. Covered institutions are required to keep a record of the true identity of customers based on official documents (original identification documents issued by an official authority and bearing a photograph of the customer), and establish appropriate systems and methods based on internationally compliant standards, and adequate internal controls to verify and record the true and full identity of customers. The minimum information that must be obtained from individual customers include name, present address, permanent address, date and place of birth, nationality, nature of work and name of employer (or nature of self-employment or business), contact numbers, tax identification numbers, SSS or Government Service and Insurance System (GSIS) number, specimen signature, source of funds, and names of beneficiaries.

83. A subcommittee on Anti-Money Laundering and Combating the Financing of Terrorism, composed of 19 Philippine Government agencies, was formed 15 August 2003 to ensure coordination in the investigation and prosecution of cases. Two special teams of DOJ prosecutors specialize in the prosecution and investigation of money laundering cases. The AMLC has nominated some Regional Trial Court judges to specialize in handling such cases. Appendix 4 summarizes other AMLC accomplishments.

84. Although the Philippines remains on the FATF list of noncooperative countries, the Government has exerted considerable effort to get delisted. Those efforts started with the passage of the amendment to the AML law, which effectively spared the country from FATF sanctions. In October 2003, FATF evaluated the amendments and found them to be at par with international standards, earning the Government a commendation for addressing the weaknesses identified in the original AML law. From 10 to 14 November 2003, the Asia-Pacific Group on Money Laundering (APG) conducted an on-site visit and evaluation of the implementation of anti-money laundering laws in the AMLC and other relevant Government agencies, such as the DOJ, Insurance Commission, and the Criminal Investigation and Detection Group. The final report of the APG's evaluation was to be released and discussed at the APG Annual Meeting in the Republic of Korea in June 2004. The Philippines also submitted an implementation plan for the Anti-Money Laundering Act (AMLA) to the FATF Regional Group

on 19 January 2004. The submission of the implementation plan is the second of three stages in the FATF's delisting procedure. The final stage is the FATF evaluation of the Philippines implementation of the AMLA and its amendments.

C. Tax on Banks and Nonbank Financial Intermediaries

85. Documentary stamp taxes (DST) of ₱0.30 for every ₱200.00 are imposed on all bonds, loan agreements, bills of exchange, drafts, instruments and securities, deposit substitute instruments, certificates of deposits drawing interest, and orders for the payment of any sum of money, except for loan agreements that do not exceed ₱250,000. Acceptance or payment of any bill of exchange, or order for the payment of money purporting to be drawn in a foreign country but payable in the Philippines, also are subject to the DST of ₱0.30 for every ₱200.00.²⁶

86. Taxes also are imposed on interest income. Republic Act 8424 provides for a final withholding tax rate of 20% on amount of interest from any currency bank deposit, yield, or any other monetary benefit from deposit substitutes, and from trust funds and similar arrangements for tenors less than 3 years. The tax rate is reduced for longer term deposits: 12% for 3 years to less than 4 years, and 5% for 4 years to less than 5 years. Terms of 5 years and more are exempt from taxes. The tax rate on interest income from foreign currency deposits is 7.5%.

D. Clearing Systems

87. The Philippine Clearing House Corporation (PCHC), a privately owned entity formed by member banks of the Bankers Association of the Philippines (BAP) in cooperation with the BSP, handles local, regional, and provincial check clearing for peso transactions. The banking industry uses three electronic clearing systems: (i) Philippine Domestic Dollar Transfer Systems (PDDTS); (ii) Philippine payment system (PHILPASS), which provides real-time gross settlement for high-value, interbank treasury and large corporate transfers; and (iii) Electronic Peso Clearing and Settlement (EPCS), which is an interbank account-to-account system that operates as a domestic giro facility.²⁷ The fully electronic EPCS system is a secure, efficient, and cost-effective way of handling payments and collections between commercial banks.

²⁶ On 17 February 2004, Republic Act 9243, entitled "An act rationalizing the provisions of the documentary stamp tax of the National Internal Revenue Code of 1997, as amended," was signed into law. The measures approved under the statute include (i) waiver of the DST on secondary trading of debt and equity issues for 5 years; (ii) increase of DST on primary government or private debt issuances to ₱1 for every ₱100 worth of security from ₱0.30 under the present system; (iii) reduction of DST on equity issues to ₱1 from ₱2; and (iv) a shift in the basis for computing taxes from the amount of the policy to premium payments for pre-need and insurance products. The law eliminated DST on secondary trading of financial instruments, lowering transactions cost. Consequently, the volume of financial transactions in the secondary market is expected to increase.

²⁷ The giro facility is a payment method where the payer provides payment instructions directly to the paying bank or financial institution, which transfers funds from payee's account to beneficiary's account electronically.

E. International Connectivity

88. Most local banks use the transfer systems of their major US correspondent banks and/or the SWIFT²⁸ interbank systems for their remittance transactions. Several banks also have established systems that facilitate online remittance transactions. Normally, remitters would go to the bank's agents or remittance centers and pay for the remittance by check or cash. Some remitters might have accounts with Philippine bank branches. Agents of banks all over the US would remit to the Philippine bank's US depository bank through the Automated Clearing House (ACH). Payments are consolidated by the local bank's remittance centers, which then remit funds (usually one batch a day payment) using SWIFT and/or a US depository bank's system, and credit the Philippine head office account with the correspondent bank. (The other types of flows are described in Appendix 5)

89. With the current remittance systems, local banks and money transfer agents are able to provide remittance service in minutes, or on average within 12 to 24 hours, as some institutions advance the funds to the beneficiary even before credits from various agencies have been verified.

90. International interconnectivity might be enhanced with the plans of the US Federal Reserve Bank to introduce ACH to the Philippine payment system, which would enable banks in the US to remit funds without requiring a correspondent bank in the Philippines.²⁹ As a transfer, clearing, and settlement system in one, costs are expected to be lower. Nevertheless, a thorough study should be made on the cost and benefits before it is implemented. Under ACH, foreign exchange normally is executed by a single entity or gateway bank. However, this could cut a large source of revenue for the local banking system, and discourage a major link that would ensure that remitter and beneficiaries receive the benefits of banking services for remittance and savings. Lessons could be learned from the ACH in Mexico, which was implemented early in 2004. A review of prices for domestic ACH transactions in the US showed that US remitting banks continue to price at the range of \$25 to \$30, with receiving banks normally charging an additional \$10. ACH implementation might be supported if the Filipino remitters and their beneficiaries will benefit directly from the system's features and costs. Appendix 6 provides a more detailed discussion of the ACH system in the US, and its implications on the Philippine system.

91. International connectivity with other regions and countries, especially in Asia and the Pacific, should be monitored closely and pursued. In 1993, the US National Automated Clearing House Association created the Global Payments Forum with the membership open to financial institutions, national trade associations, ACH associations, ACH operators, central banks, vendors, service and communication providers, and other industry stakeholders. The forum's mission is to establish the framework for the efficient exchange of cross-border, batch-oriented, and electronic corporate and consumer payment transactions. The forum is reviewing the environment to see what projects are being developed worldwide that might enable a global ACH to be established by linking existing or developing infrastructure, rather than creating a

²⁸ SWIFT (Society for Worldwide Interbank Financial Telecommunications) is the industry-owned cooperative supplying secure, standardized messaging services and interface software to 7,600 financial institutions in 200 countries. The SWIFT community includes banks, brokers/dealers, and investment managers, as well as their market infrastructure in payments, securities, treasury, and trade. Available: <http://www.swift.com>.

²⁹ Support for the international ACH interconnectivity is given high priority within the BSP, with responsibilities for implementation given to the managing directors of information systems technology and controllership departments.

new system. The project, which is in its early stages, is identifying projects in various regions that it can work with, such as the Pan European Payments Council.³⁰

F. Payment Methods

92. While the use of cash is still prevalent, the increased use of ATM cards and credit cards in the past 10 years has demonstrated the trend toward more use of technology. Filipinos have responded positively to the aggressive marketing of credit card companies, as shown in the increased gross billings. On the other hand, despite the introduction of the EPCS system in 2002, the volume of electronic payments has not increased significantly. Charges between ₱90 and ₱150 are reported to be levied on EPCS payments between banks, and the system remains underutilized despite the low price of ₱10 per transaction charged by the PCHC.

93. Several commercial banks have established their own electronic online systems between their branches in the Philippines and overseas. They prefer to encourage their customers—payers and payees—to establish accounts with their own banks to facilitate payments between parties and avoid revenue leaks. Three ATM networks—Bancnet, Megalink, and Expressnet—also have established their own e-payment systems to facilitate electronic payments. Appendix 7 shows transaction volumes and costs of various payment methods.

3. Remittance Distribution in the Philippines

G. Domestic Distribution

94. The formal banking system includes commercial banks, thrift banks, and rural and cooperative banks.

Table 1.18: The Philippine Banking System

	Head Offices	Branches	ATMs		Total
			Onsite	Offsite	
Commercial Banks	42	4,254	3,131	1,210	8,637
Thrift Banks	92	1,185	195	37	1,509
Rural and Cooperative Banks	765	1,156	0	0	1,921
Total	899	6,595	3,326	1,247	12,067

ATM = automated teller machine.

Source: Bangko Sentral ng Pilipinas, 31 December 2003.

95. To estimate the population in the Philippines not served by banks, an attempt was made to determine the extent of banking outreach. Although direct data on unbanked populations are not available or difficult to obtain, certain judgments might be made based on the geographic location of banks, and rough calculations on the number of people served by bank ATMs, post offices, and cooperatives.

96. Head offices and branches are concentrated in the National Capital Region (NCR). The BSP estimated that a banking office serves an average of 10,892 persons (as of the end of

³⁰ Source: NACHA, International and Corporate Payments.

December 2003), with a geographical disparity that is quite pronounced. Banks in the NCR service about 4,209 persons, while banks in several regions service more than 20,000 persons. The increase of ATM usage has improved banking access. For overseas Filipinos, taking into account the population of 7.6 million from the figures of the CFO, the ratio of overseas Filipinos to banks, ATMs, and post offices combined is 572.5 on the average, with further improvements if cooperatives are included (Table 1.19).

Table 1.19: Saturation Rate of Possible Remittance Retail Outlets in the Philippines

	OFWs	Bank Offices	ATMs	Total Banks and ATMs	OFWs per Banks and ATMs	Post Offices	Banks, ATMs, and Post Offices	OFWs per Banks, ATMs, and Post Offices	Coops	Total Outlets	OFWs per All Outlets
	Dec 2002 ('000)	Jun 2003	Dec 2003			Mar 2004					
Total	7,583	7,398	4,341	11,739	646	1,505	13,244	573	31,163	44,407	171
NCR	1,488	2,569	2,354	4,923	294	19	4,942	293	1,828	6,770	214
Cordillera Admin.	152	106	58	164	2,090	82	246	618	804	1,050	145
Region 1	955	368	89	457	1,648	99	556	1,718	1,439	1,995	479
Region 2	379	201	29	230	853	81	311	1,219	2,065	2,376	160
Region 3	910	791	276	1,067	777	145	1,212	751	2,231	3,443	264
Region 4	1,433	1,267	578	1,845	737	211	2,056	697	3,238	5,294	271
Region 5	205	214	64	278	1,240	88	366	560	1,163	1,529	134
Region 6	713	385	190	575	407	136	711	1,003	2,268	2,979	239
Region 7	318	485	297	782	829	123	905	351	1,730	2,635	121
Region 8	136	124	40	164	1,410	124	288	472	2,279	2,567	53
Region 9	227	108	53	161	291	110	271	838	1,277	1,548	147
Region 10	99	243	97	340	550	102	442	224	1,474	1,916	52
Region 11	197	236	122	358	858	101	459	429	3,874	4,333	45
Region 12	182	148	64	212	1,152	84	296	615	1,163	1,459	125
Region 13	152	104	28	132	2,717	—	132	1,152	969	1,101	138
Muslim Mindanao	144	49	4	53	—	—	53	2,717	3,361	3,414	42

— = not applicable, Admin. = Administration, ATM = automated teller machine, Coops = cooperatives, NCR = National Capital Region, OFW = overseas Filipino worker.

Source: Asian Development Bank consultants.

97. BSP figures for 2003 provide an overview of the participation of the formal banking system in remittance flows. Commercial banks have by far the largest share of the remittance market with a volume of \$7.15 billion (93.6%), followed by bank foreign exchange affiliates at \$444 million (5.8%), thrift banks at \$43.6 million (0.6%), and offshore banking units at \$1.0 million. Rural banks are conduits for remittances mainly by Western Union, and do not register any figures. Commercial bank figures include transactions of money transfer companies coursed through the banking system.

98. Despite their capacity to reach remote areas, courier companies sometimes might be unable to service certain areas, particularly when terrain is rough or security is an issue. In

these cases, the beneficiary has to travel to the town proper to use an ATM, or pick up remittance proceeds from banks, money transfer offices, or their agents.

H. Inter-Commercial Bank Connectivity

99. Seven of 37 banks with electronic banking services offer electronic interbank fund transfers across other banks in the Bancnet ATM consortium via the Internet, according to the BSP. The lack of physical presence of banks or other reliable remittance conduits in remote areas needs attention, as does the underutilized status of the EPCS system.

I. Interconnectivity of Banking System Members

100. Utilization of clearing systems is limited to the member banks of the PCHC. This clearing house consists of 42 commercial banks, which are stockholders and direct participants, and 39 thrift banks, which are not stockholders and associate members. Most of the thrift banks and all rural or cooperative banks have not joined due to the high cost of membership (₱8 million). The inclusion of small rural banks, which are not automated and undercapitalized, also could subject the system to settlement and operational risks. The Rural Bankers Association of the Philippines (RBAP) believes that rural banks first should interconnect before attempting to join the PCHC.

IX. REMITTANCE ENVIRONMENT IN COUNTRIES OF STUDY

A. Singapore

1. Regulatory Environment

101. A license from the Monetary Authority of Singapore is required to operate a money exchange business and a remittance business under Singapore's Money-Changing and Remittance Business Act. Violators are subject to steep fines and imprisonment. Aside from the required security deposit of S\$100,000, remittance licensees also must keep complete records of all business transactions and retain those records for at least 6 years. A current or deposit account also must be opened in the name of the licensee at a bank with the words "customers' account" added to the title of the account.

102. The Government of Singapore, which is liberalizing the financial sector, plans to provide licenses to new foreign banks. To encourage banks to service the needs of foreign workers and/or residents, the Government issued a notification on 27 June 2003 that allowed full banking license banks, wholesale banking license banks, and licensed offshore banks to operate a limited purpose branch for money changing and remittance business for an annual fee of only S\$1,000. Reforms in the money transfer business, coupled with greater coordination by agencies in investigative and legal procedures to demonstrate firm resolve to punish violators, seem to have enhanced competition, while ensuring the integrity of the financial system. The effects are being reflected in the lower costs for remitting money. Furthermore, all money remittance centers servicing OFWs are in one building, allowing easier monitoring by the monetary authority. The consolidated location also makes investigating inappropriate cases easier for the Suspicious Transactions Reporting Office, Singapore's financial intelligence unit, or other units of the police.

2. Filipino Remittances in Singapore

103. Most of the estimated 128,476 Filipino service workers and professionals use the remittance services of 21 money transfer agencies and banks, including PNB, at Lucky Plaza along Orchard Road—a virtual one-stop shop on remittances, where remitters are able to compare prices before making a transfer. The survey of workers and professionals in Singapore indicated that a majority send their remittances to accounts in Philippine banks. The remittance agencies in Lucky Plaza, most of which have tie-ups with Philippine banks, offer bank credit-to-account services.

104. Remittance agencies are required to deposit funds under “customers’ account” with banks in Singapore before remittance to the Philippines. Proceeds are then remitted to the foreign currency account of the remittance agency with the Philippine bank tie-up. The foreign exchange is bid out and sold through the tie-up bank, only if the foreign exchange rate offered is competitive. Nonbanks may be used for the sale of foreign exchange.

105. Despite its premium pricing of S\$8.00 for credit-to-account services—compared to other service providers’ price of S\$4.00–S\$6.00—PNB appears to have a major share of the remittance business in Singapore. The PNB branch has longer lines of remitters than other companies. To capture market share, DBS-PSOB is offering remittance services at almost half the price of PNB’s, following the market pricing of other smaller money transfer companies in Lucky Plaza.

106. Philippine branches of Singapore banks, such as UOB, are involved in the remittance business through tie-ups with remittance agencies in Lucky Plaza. Singapore Postal Office also services remittances, though its price and delivery period are not competitive with those of players in Lucky Plaza. Besides DBS-PSOB and UOB (through its remittance tie-up), other Singaporean and foreign banks continue to charge S\$30.00–S\$40.00 per remittance. By comparison, PNB, DBS-POSB, and other licensed remittance agencies in Lucky Plaza charge S\$4.00–S\$8.00 for credit-to-account transfers. MoneyGram and Western Union charge more than the transfer agencies in Lucky Plaza. (Appendix 3, Table A3.2)

B. The United States

1. Summary of Methods to Transfer Funds

107. Immigrants in the US use a wide variety of financial mechanisms to transmit funds back to their home country. These include banks, savings associations, and credit unions, which generally provide these services for customers who establish accounts at these institutions. Many national and regional money transmitting companies also provide domestic and international wire transfer services without requiring the sender or the receiver to establish an account. The US Postal Service has arrangements with several foreign postal organizations for the transfer of funds. In addition, numerous informal mechanisms for transferring funds are available. These include (i) hand delivery by the sender or by a relative, friend, or other associate of the sender; (ii) courier services; and (iii) fringe transfer services, such as the *hawala* or *hundi*,³¹ which do not rely on the traditional financial services sector to deliver funds.³²

³¹ Traditional informal remittance systems existed for hundreds of years, and are known by different names, depending on the region where used, such as *hawala* (India and the Middle East), *hundi* (Pakistan, Bangladesh),

108. Some of these transfer methods are used in combination with others. For example, transfers from a US bank to a foreign bank might also rely on the postal service, couriers, or other methods to provide direct delivery of funds to customers in a particular country. Western Union and MoneyGram, the two largest money-transmitting businesses in the US, often rely on banks in another country to act as their agents in making funds available to foreign recipients. Western Union has contractual arrangements with more than 170,000 agents in more than 190 countries.³³ MoneyGram accounts for millions of transactions each year through a network of more than 60,000 agents in 160 countries.³⁴

109. In the US, money transfer companies usually rely on independent agents to receive or disburse funds on behalf of their customers. These agents are generally retail businesses, such as grocery stores, check cashers, department stores, pharmacies, travel agencies, and convenience stores located throughout the country.³⁵ They perform this service on behalf of the money transfer company, and usually receive a nominal fee for this service.

110. US money services businesses account for more than \$200 billion in transactions annually, according to the most recent figures available.³⁶ The US Treasury Department estimates that the US has more than 200,000 money services business (MSB), which range in size from small businesses in one or two locations to large operations with numerous branches and large domestic and foreign agent networks.³⁷ Many businesses will provide more than one MSB service. For example, convenience stores, check cashers, and discount stores often act as agents for a money order issuer, as well as a money transmitter, or will serve as an agent for two or more money transmitting companies.

111. As with other MSB services, the money transfer industry is growing within the US for a number of reasons. Many lower-income US residents are not able to maintain sufficiently high deposits in banks to avoid high monthly service fees. Others find the charges for foreign transfers to be significantly higher than fees through the nonbank community. In many cases, nonbank transmitters are more conveniently located than banks, or provide more flexible hours of operation, including weekends and evenings. In addition, those who might have entered the country illegally (or stayed beyond the terms of their visa) fear that their status will be identified when they present identification documents to open a bank account.³⁸ As in many other

fei-chi'en (PRC), hui kuan (Hong Kong, China), and pheii kwan (Thailand). These are highly trust-based systems, using minimal or no documentation, facilitated by agencies and partnerships on the remitting and payments side, and using codes authorizing payments to beneficiaries. These informal systems have been the subject of recent scrutiny by regulators, and have been viewed as especially vulnerable to abuse by criminal and terrorist organizations. (Condensed from Maimbo and Passas' *The Regulation and Supervision of Informal Remittance Systems*, footnote 19)

³² Orozco, Manuel. 2003. Worker Remittances: An International Comparison. Working paper commissioned by the Multilateral Investment Fund of the Inter-American Development Bank, February.

³³ Frequently Asked Questions: Western Union Money Transfer. Available: <http://www.westernunion.com/info/faqMT.asp>.

³⁴ Travelers Express/MoneyGram, MoneyGram International Money Transfer, Retail Business Partners, Available: http://www.moneygram.com/servlet/DefaultApplyXSL?xslURL=/Display/temgweb.xml&URL=/Document/p4__Retail Business.xml.

³⁵ *Id.* at 6.

³⁶ Coopers and Lybrand, LLP. 1997. *Nonbank Financial Institutions: A Study of Five Sectors for the Financial Crimes Enforcement Network*. Quoted in 64 FR 45438 at 45439 (August 20, 1999). Coopers & Lybrand LLP is now PriceWaterhouseCoopers, LLP.

³⁷ 67 FR 21114, 21116 (April 29, 2002).

³⁸ Suro, Roberto. 2003. *Billions in Motion: Latino Immigrants, Remittances and Banking*, Executive Summary, Report prepared by the Pew Hispanic Center and the Multilateral Investment Fund.

countries,³⁹ some US residents face cultural or economic obstacles to their entry to the banking system.

2. General Legal Framework

112. In the US, banks, savings associations, credit unions, and other depository institutions are subject to comprehensive federal regulatory requirements that are designed primarily to (i) ensure the financial viability of these institutions, (ii) safeguard its customers' deposits, and (iii) protect the integrity of financial transactions conducted through the institution. Five federal banking agencies supervise and examine each member institution's compliance with these requirements.⁴⁰ While depository institutions primarily are subject to federal supervision and regulation, they also are subject to oversight by each of the state governments in which they operate.

113. With the exception of the equities markets (e.g., brokers or dealers in securities, investment companies, and futures or commodities firms), nonbank financial institutions (e.g., money transmitters, currency exchangers, check cashers, and issuers and sellers of money orders and travelers checks) largely are regulated and supervised at the state, rather than the federal, level. However, the federal Government has taken the lead in setting the AML rules for the nonbank industry. (Regulation in this area will be discussed in more detail in paras. 116–125.) To distinguish these financial businesses from other nonbank financial institutions, such as insurance firms, equities firms, or casinos, the US Treasury Department defined the former firms as “money services businesses” or MSBs.⁴¹

114. The degree of state regulation and oversight of MSBs varies substantially. All but four states supervise MSBs through state licensing laws that are aimed primarily at safety and soundness issues to protect consumers of these financial services.⁴² Many states also require the MSB to register with the state, to have a minimum net worth, and to obtain bonding sufficient to cover the funds at risk in the instruments or payment devices sold.⁴³ State regulators also impose specific recordkeeping and reporting requirements, and many regularly examine MSBs (and, in some cases, their agents) to determine their compliance.⁴⁴ Applicants for licenses also might have to provide photo identification, tax information, and, in some cases, fingerprints. Some states require detailed background investigations of the principal owners of MSBs to determine if the owner or owners committed financial fraud or other crimes, and might pose a

³⁹ Indian Express. 2004. Chequemate: Justice Can Wait, Not Bank Accounts. 24 April. The Indian Government attempted to compensate the survivors of a tragic stampede at a Government event. The Government presented checks to each of the 22 families. However, the Government's actions were unsuccessful, because none of the families maintained a bank account and were either unfamiliar with how to open an account or were unable to borrow funds to open an account.

⁴⁰ The Comptroller of the Currency, which charters and supervises approximately 2,200 national banks and 56 federal branches of foreign banks; the Board of Governors of the Federal Reserve System, which supervises bank holding companies, approximately 1,000 state banks, as well as the US activities of foreign banks; the Federal Deposit and Insurance Corporation, which supervises approximately 5,300 state chartered banks or savings associations that are not members of the Federal Reserve System; the Office of Thrift Supervision, which supervises approximately 928 federally chartered savings associations; and the National Credit Union Administration, which supervises more than 10,000 credit unions.

⁴¹ 31 CFR 103.11(uu). This definition includes the business that provides the service, as well each agent or branch of the business.

⁴² National Conference of Commissioners on Uniform State Law, Uniform Money-Services Business Act (final version), 4 August 2000.

⁴³ New York Banking Law 641. Many states also require each MSB to have at least \$50,000 in available funds for each MSB branch.

⁴⁴ *Id.* at 5.

risk to the customers. Many states also require each MSB to provide a detailed list of their agents.⁴⁵

115. Generally, states attempt to oversee MSBs by having state government auditors conduct on-site visits, review their procedures and sample records of customer activity, and ultimately evaluate their compliance with state regulatory requirements (Appendix 8). If violations are discovered, most states have the authority to require the MSB to take corrective steps or, in more serious cases, to assess civil money penalties for noncompliance. Some states have the authority to refer an MSB to state criminal authorities for investigation and potential prosecution. As a practical matter, because state resources are often limited, criminal proceedings against MSBs are rare. Criminal prosecution usually occurs only when the MSB has conducted, or knowingly facilitated, independent criminal activity.

3. Anti-Money Laundering Controls

116. Stated simply, money laundering is the act of disguising the source of money or funds derived from criminal activity. The money launderer's goal is to hide or obscure the illegal source of his funds, so that the underlying crime cannot be detected. Because nearly all crime is committed for profit, a money launderer generally must utilize one or more aspects of the financial services community to move his funds and place them safely under his control. In some cases, a money launderer might start with legitimate funds that are intended to be used to facilitate a crime. This situation occurs frequently with terrorist financing, for example, where legitimate funds might be raised to finance illegal terrorist operations. In any event, the launderer's goal is to distance the financial path from the underlying illegal operation.

117. Since the 1980s, money transmitters and other MSBs have been subject to a series of federal AML controls under regulations issued pursuant to the Bank Secrecy Act.⁴⁶ Many of these controls are similar or identical to the requirements governing banks. For example, MSBs are required to file reports with Treasury on any currency transaction that exceeds \$10,000.⁴⁷ MSBs also are required to keep records of the cash purchase of money orders, traveler's checks, and other monetary instruments that exceed \$3,000 in 1 day.⁴⁸ These reporting and recordkeeping requirements are designed to create an audit trail of cash transactions (and the relevant parties to those transactions), and require the MSB to verify the identity of the person conducting the transaction, as well as its beneficial owner. In addition, those MSBs engaged in money transfers are required to keep detailed records of the parties, their addresses and other identifying information, and the relevant details of any money transfer of \$3,000 or more.⁴⁹

118. Since the terrorist attacks of 11 September 2001, US AML efforts have increased substantially, due in large part to the passage of the Patriot Act.⁵⁰ Many of these new controls require a broad range of financial institutions to establish programs to detect and report suspected money laundering and terrorist financing. Although MSBs already were subject to

⁴⁵ *Id.*, New York Banking Law 641 *et seq.*

⁴⁶ 31 USC 5311 *et seq.* The Bank Secrecy Act is administered by the US Department of the Treasury through the Financial Crimes Enforcement Network. The statute is not self-implementing and Financial Crimes unit (and its predecessors) have issued a series of regulations that have imposed anti-money laundering controls affecting a large universe of financial institutions, including banks, savings associations, credit unions and other depository institutions, broker/dealers, casinos and card clubs, MSBs, and, more recently, mutual funds, operators of credit card systems, and the futures and commodities industries.

⁴⁷ 31 CFR 103.22.

⁴⁸ 31 CFR 103.29.

⁴⁹ 31 CFR 103.33. This rule also requires the MSB or other financial institution to include this information in the transmittal order and to send it to the next financial institution in the payment chain.

⁵⁰ Pub. L. 107-56 (26 October 2001).

Bank Secrecy Act requirements, the new law enhanced the controls substantially, and led to the promulgation of additional AML and counter-terrorism financial controls.

119. For money transmitters and other MSBs, the Patriot Act (and regulations issued by the US Treasury since its enactment) required three major changes: (i) an obligation for MSBs to establish AML compliance programs; (ii) an obligation for MSBs, except check cashers, to file suspicious activity reports; and (iii) a requirement that all firms that directly provide MSB services to participate in a new national registration.

120. In April 2002, the US Treasury promulgated a rule that required each MSB to establish a compliance program that contained four key elements: (i) internal controls and procedures to assure compliance with Bank Secrecy Act rules, (ii) the designation of a compliance officer with sufficient authority to effect day-to-day compliance with the program, (iii) training of all appropriate personnel, and (iv) an independent review of the MSB's compliance with these requirements.⁵¹

121. Since 1 January 2002, MSBs have been required to implement programs to detect and report suspicious activities. For money transmitters, the threshold for reporting is suspicious activity totaling \$2,000 or more. A report must be filed with the US Treasury when the MSB "knows, suspects or has reason to suspect" that funds (i) are derived from illegal activity; (ii) are designed to evade AML recordkeeping or reporting requirements; (iii) have no known legitimate purpose; or (iv) are designed to facilitate criminal activity, including terrorism.⁵² Suspicious activity reports are placed in a computer database that is accessible to law enforcement and financial institution regulators.

122. On 31 December 2001, MSBs were also required to register with the US Treasury by filing a form that identifies the MSB services that are provided to the public, the name and address of the business and its principal owners, and the states in which it conducts business.⁵³ This form must be renewed every 2 years. The registration requirement was broadly defined to include any form of money transmitter, including informal money transfer systems or networks that do not transmit or clear transactions through the mainstream financial system. The aim was to ensure that hawala, hundi, or other fringe transmitters are covered by these regulatory requirements, and are subject to oversight and enforcement. If a money transmitter or other MSB fails to register with the US Treasury, it is subject to substantial civil money penalties as well as criminal prosecution. Over the past year, several unregistered money transmitters, including some associated with funding terrorist operations, have been prosecuted in the US for failing to register.⁵⁴

123. On 1 October 2003, the US Treasury and the federal banking agencies promulgated new customer identification requirements. Although not associated directly with requirements pertaining to MSBs, these will make it difficult for US residents who are not authorized to be in the US to open accounts at these institutions.⁵⁵ The new rules require banks to obtain the name, address, age, and government identification number for all new customers before the institution can open an account. In addition, the institution must verify the customer's identity

⁵¹ 31 CFR 103.125.

⁵² 31 CFR 103.20(a)(2).

⁵³ 31 CFR 103.41.

⁵⁴ The criminal offense is defined at 18 USC 1960.

⁵⁵ 31 CFR 103.121 imposes customer identification requirements upon banks and other depository institutions. Similar requirements apply to accounts at securities brokerage firms, mutual funds, and futures and commodities firms.

before or shortly after an account is opened. If the institution is unable to do so, it must close the account.

124. For unauthorized residents, these new restrictions clearly make utilizing the banking system difficult as banks are required to obtain official documentation for the accountholder's identity (including nationality when relevant), and to confirm this information. One recent way to address these documentation requirements has been the issuance of government identification (or matricula) cards, usually with photographs of the resident. These cards are issued in the US by the embassy or consulate of a foreign, undocumented worker. Despite objections in some law enforcement circles, many banks that serve immigrant communities use this form of identification as a basis for opening accounts in the US when an undocumented customer is not able to provide any official form of identification.⁵⁶ In many cases, these identification documents have the support of local law enforcement, which otherwise might not be able to identify immigrants who are here illegally.

125. The US Treasury has remained silent on whether these matricula cards are sufficient documentation under the new customer identification rules, permitting each institution to make its own decision. Perhaps as a result, acceptance of these identification cards by banks appears to be growing. Although Philippine migrants do not have a counterpart to the matricula card, the Philippine Government has urged the State of California to allow the issuance of such cards.⁵⁷ This effort is designed to encourage Philippine workers to use the banking system for their own financial purposes, and to facilitate transfers to their home country.

4. Filipino Remittances from the United States

126. The US market study indicated that 42% of Filipinos use the banking system in remitting, lower compared to 75% in Singapore and 65% in the Philippine nationwide study. For door-to-door services, which are offered by Philippine banks and nonbank money transfer agencies, 31% of US respondents used the service by money transfer agencies and only 5% those offered by banks (Table 1.8). Respondents preferred money transfer agencies for door-to-door services despite a high percentage of ownership of savings accounts (77%) and current accounts (68%), as shown in Table 1.12. Among international money transfer agencies, Western Union is the agency of choice.

127. The geographic reach of Philippine banks and their remittance agencies in the US is limited, which might be due to the high cost of licensing fees and bonds required to open offices. Filipinos are found in 37 states,⁵⁸ of which 23 states have Filipino populations exceeding 5,000. Philippine bank branches and affiliates are found in only 12 states. Philippine banks are represented through agents and tie-ups with local entities in the other states.

128. The remittance behavior among different nationalities of migrants depends not only on regulatory factors, but also on demographic and educational profiles. The case of migrants from

⁵⁶ Suro, Roberto, *Id.* at 16.

⁵⁷ Filipino groups in Los Angeles (LA) started a movement for the acceptance of an identity card to be issued by the Philippine Consulate General in LA by the LA Police Department in the investigation of accidents. This follows the police department's acceptance of Mexican consular identity cards in investigations involving Mexicans. Eventually, many US banks accepted these identification, or matricula, cards issued by Mexican consular authorities in the US to an estimated 1 million Mexicans, who reportedly have opened US bank accounts and used these accounts to remit to their home country. Citing the precedent, the Philippine Consulate General in LA endorsed the Philippine request, which similarly could benefit Filipino remitters who lack proper identification to open accounts in US banks due to their visa status. LA authorities have not made a decision yet.

⁵⁸ US Census 2000.

the Philippines and Latin American immigrants in the US demonstrate the contrast. Latin American immigrants' infrequent use of banks is attributed to their limited ability to speak English, lower income and education levels, and large numbers with undocumented status. As the survey showed, 77% of Filipino migrants have savings accounts in US banks, 68% have current accounts, 75% use ATMs, and 64% have credit cards (Table 1.8 and Table 1.12). A Wells Fargo officer reported that Filipinos are one of the most highly acculturated and highly banked constituent groups within their bank. Nevertheless, a study on the unbanked Filipinos in the US should be undertaken to determine with certainty their banking behavior and the reasons why some do not have bank accounts.

X. RECORDING OF REMITTANCES

129. Discourses on the recording of remittances frequently, if not always, have been accompanied by expressions of difficulties and frustrations. Indeed, ambiguities and differences in definitions and treatment of remittances in various countries, weak tracking or statistical systems, and unregulated transfers have resulted in a lack of consistent or reliable data on remittance flows. In their compilation of remittance data, many countries use the IMF *Balance of Payments Manual (5th Edition, 1993)*. Workers' remittances are classified under the category of current transfers account, consisting of current transfers by a migrant who is employed and considered a resident in the host country—that is, a person who stays or is expected to stay for more than 1 year. Migrants staying less than that period are considered nonresidents whose remittances are reflected as part of the compensation for employees in the income account. Gifts and donations also might be commingled with workers remittances.

130. Estimates of Philippine remittances have varied, depending on the basis used by different authors. For instance, Puri and Ritzema⁵⁹ estimated that 42% of Filipino remittances eluded recording in the BOP statistics—a conclusion based on a 1993 survey by adding amounts of cash brought home and in-kind transfers. The National Money Transfer Association in the US indicated the average value of a single remittance to the Philippines was \$397. Based on this data, Mellyn (footnote 4) found it reasonable to assume a conservative average remittance of \$200, 10 times a year—or even an average of \$300 per remittance. Taking the stock of overseas Filipinos at 7.5 million, these estimates would establish a range of \$14 billion to \$21 billion for total market size. On the other hand, the market study⁶⁰ of this report, which does not include in-kind transfers, found that 80% of Filipino workers-remitters used formal channels. That percentage approximates the findings by the NSO (footnote 26), suggesting that actual flows should be at least \$10 billion annually.

131. Like most countries, the BSP follows the IMF's *Balance of Payments Manual*. Most information is provided by Philippine banks, which report transfers made through their agents abroad. Under current laws, foreign exchange received through other means—such as unregistered money transfer agents—are unreported, in the same way that money or goods sent through friends or physically brought home by migrants do not appear on the BSP radar. The BSP's ability to properly classify remittance data depends on the diligence of banks' staff in correctly tagging a remittance, whether it is a transfer by a resident, a nonresident, or a gift.

⁵⁹ Puri, Shivani and Tineke Ritzema. 1999. *Migrant Workers Remittances: Microfinance and the Informal Economy, Prospects and Issues*, Working Paper No. 21, Geneva, ILO.

⁶⁰ The market study included (i) a nationwide survey of OFWs, (ii) a nationwide survey of beneficiary households, (iii) a survey of OFWs in Singapore, and (iv) a survey of Filipino Americans and OFWs in the United States.

132. The value of measuring remittances should not be understated. Precise recording lends stability and integrity to the financial system by minimizing distortions that prevent the formulation of policies for a sound monetary system. Formal remittance flows can be harnessed for productive uses, and possibly as sound bases for securitization in the future.

133. Formal remittances recorded by the BSP are based on figures stated in remittance reports by banks. Table 1.20 details the manner of these recordings.

Table 1.20: Tagging and Recording Remittances

Remittances	Comments
<p>a. Remittances that are coursed through the remittance centers abroad of Philippine banks are reported as overseas Filipino workers (OFWs) remittances under the compensation income account, unless banks segregate remittances as gifts and donations.</p>	<p>Reported figures for OFW remittances might include the migrants' gifts and donations due to constraints on the part of the bank to determine the length of stay of the remitter. In the absence of any information to classify the OFW remittance as compensation income, some banks are using a tagging system based on country of origin (i.e., US OFWs are sometimes classified under current transfers since they are unlikely to come back to the Philippines every year). Similarly, Middle East and Asian OFWs are reported as compensation income, even if they stay more than 1 year in foreign countries.</p>
<p>b. Local banks are required to include remittances of money transfer operators (MTOs) in their foreign exchange Form 1 report submitted to the Bangko Sentral ng Pilipinas (BSP). Local banks report the transactions of around 50 MTOs, including Western Union, under compensation income or OFW remittances.</p>	<p>OFW remittance amount might include migrants' gifts and donations, because the MTOs receive bulk remittances. In that case, a separate classification as compensation income or current transfers is not possible.</p>
<p>c. Other individual remittances are coursed through correspondent banks abroad, not through remittance centers abroad of Philippine banks. The beneficiary bank might be a branch of the foreign bank or a local bank with correspondent relationship with the foreign bank abroad.</p>	<p>Individual personal remittances less than \$1,000 are classified as OFW remittances (or compensation income).</p> <p>Banks are encouraged to follow the guidelines on the classification of foreign exchange flows under the <i>Manual for FX1 Reports</i>, including procedures in classifying OFW remittances (e.g., amounts less than US\$1,000, recipient is an individual or an employment agency, and the frequency of remittance).</p> <p>Proper classification is dependent largely on the diligence of the banks' processing staff.</p>
<p>d. Cash brought home by workers is considered money not coursed through the banking system.</p>	<p>This is not captured by the report as OFW remittances or gifts and donations, even if</p>

Continued on next page

Remittances	Comments
	foreign currency is sold to banks or foreign exchange corporations. These transactions already are considered by banks as over-the-counter.

Sources: BSP, Department of Economic Research, and Asian Development Bank consultants.

134. The foreign exchange proceeds of remittances might not flow necessarily into the banking system, because individuals, money transfer companies, and nonbank foreign exchange agencies are not obliged to sell the foreign exchange to the banks given the country's foreign exchange liberalization policies. This could allow money laundering, as foreign currency can be freely purchased from registered or unregistered foreign exchange companies and shipped out without violating the law. However, disclosure is required for amounts of \$10,000 or more. Under AML regulations, foreign exchange companies or individuals engaged in the foreign exchange business are covered institutions, and must submit covered and suspicious transactions reports. Implementation of AML regulations could be difficult with more than 130 foreign exchange corporations registered with the SEC, and several thousand single proprietorships that might not be registered. Clearly, more resources will be required to monitor AMLA compliance after the BSP starts implementing the registration of nonbank money transfer and foreign exchange agencies within the year.

XI. DEVELOPMENTS IN THE REMITTANCE INDUSTRY

A. New Players

135. New participants have entered, or are poised to enter, the Philippine remittance market, including Philippine and foreign-based banks, Internet-based remittance service companies, a large international money transfer agency, and telecommunications and mobile phone-based money transfer systems. The new players bring into the industry more alliances among card companies, banks, insurance, and telecommunication companies. Some go beyond simply offering remittance services for migrant workers by linking beneficiary families to livelihood and franchising programs—as one Philippine thrift bank did—or linking seafarers to an investment and savings product—as a large Philippine insurance company did.

136. Many local and international players have entered the market, or are actively pursuing the business (Appendix 9). Banco de Oro, a Philippine bank, recently entered the market with the announcement of a tie-up with Chartered Forex, one of the largest Filipino remittance and cargo companies in the US.

137. Planters Development Bank, a thrift bank that built its banking reputation on services to small- and medium-sized enterprises, recently introduced remittance services that include a link to livelihood and franchising programs for the remitters' families.

138. In June 2004, Wells Fargo launched its Philippine ATM Remittance Account. Citibank Manila is planning to introduce to Filipino migrants in the US its Citibank Access program, which is used by Mexican migrants. New US-based remittance services, such as IKOBO and Yahoo/HSBC, are expected to attract the younger generation through use of the Internet. IKOBO reported that Philippine remittances have shown the highest growth among migrant populations in the US. Vigo, on the other hand, is restructuring its distribution network in the

Philippines to improve market share. Paypal also is looking at Asia for expansion of its business. Xoom, a California-based company, recently appointed Equitable PCI Bank as its distribution arm for its Internet-based product.

139. Credit card companies, such as Visa, are likewise active in the market, pushing for alliances with stakeholders, including banks, insurance companies, and telecommunication companies. Visa tied up with RCBC last year on an Internet-based product; with Philamlife (a large insurance company affiliated with AIG) for an investment and savings product for seafarers; and with BPI, PNB, and Equitable PCI Bank for other card products.

140. The two largest Philippine mobile phone companies, Smart Communications, Inc. and Globe Telecom, Inc. recently launched their text-based money transfer services, which reportedly are the first in the world.

141. Two Filipino companies, Paysetter International and Global Mobile Enterprises (under brand name REMITXT), are expected to launch their mobile phone-based remittance services this year in partnership with local banks.

B. Trends

142. Technology will be one of the main drivers of the remittance market in the future as competition escalates and remitters seek more convenience, speed, affordability, and access. Financial institutions with huge overhead costs will have to analyze the market trends carefully and invest wisely in new technology. The importance of physical presence might diminish over time as more remitters become comfortable with the use of the Internet and mobile phones. Technological innovations in the banking industry have been supported by (i) the early passage of the Electronic Commerce Act 2000 on 26 July 1999, which provided for the recognition and use of electronic commercial and noncommercial transactions and documents; and (ii) BSP's organized handling of applications for electronic banking products. BSP facilitates the approval of electronic and Internet products as long as security and control measures are in place.

1. Mobile Phones

143. Industry analysts estimate the Philippines had almost 22 million mobile phone subscribers as of December 2003, and 96% of these subscribers used prepaid cards. The country has been called the text capital of the world, because of the Filipinos' penchant for using the mobile phone short message service. About 153 million messages are registered a day, or an estimated seven messages per subscriber. Industry analysts projected a 40% increase in subscriptions in 2004, reaching a penetration rate of 30%. By 2008, the penetration rate is expected to reach 49%, or 43.7 million subscribers. The competition among mobile phone industry players has made mobile phones and prepaid subscriptions more affordable. The survey results indicated that 60–70% of remitters and their beneficiaries are mobile phone users. More companies and banks are expected to offer remittance services using mobile phones to transmit loads or credits to beneficiaries.

2. Internet-Based Services

144. The Internet penetration in the Philippines is low (3%), although about 230,000 of an estimated 1 million active Internet users engage in Internet banking.⁶¹ Studies also have shown

⁶¹ A.C. Nielsen News Archive, 5 December 2003.

that Internet usage is determined by the profession or age of an individual. With the proliferation of Internet kiosks and Internet-based products, remittance products on the Internet are expected to gain more of a following in the near future, even among overseas Filipinos. Industry players, however, have different opinions on the Internet's future as a medium for workers' remittance.

3. Card Products

145. ATM or debit card usage for remittances will continue to increase as cardholders are expected to begin using their cards for purposes other than withdrawing money from a bank ATM. Card-based products, especially store value and/or prepaid cards, are expected to be popular with Filipino remitters and their beneficiaries, particularly those who do not have access to bank accounts. With the anticipated interconnection of the three ATM networks in the industry, users will experience more convenience in transacting through ATMs.

146. In the past 5 years, credit card companies have marketed credit cards aggressively to individuals with personal incomes as low as ₱15,000 (equivalent to \$270) per month. Though the industry is consolidating, credit card payments for remittance transactions will continue to grow as overseas workers and their beneficiaries are made part of the banks' target market for loan and credit products.

4. Postal Office

147. The Philippine Postal Corporation (PPC) has embarked on a 5-year modernization program (2002–2006), which will introduce information technology, computerization, and mechanization to its business operations. In addition to its 1,505 regular delivery post offices, PPC has 1,080 other offices—141 non-delivery post offices, 255 extension post offices, 187 *barangay*⁶² post offices, 61 postal stations, 368 private mailing centers, and 68 satellite post offices. With the appropriate funding, PPC could contribute greatly to improving the last mile infrastructure to benefit remitter's beneficiaries. Their Electronic Postal Money Order (ePMO) project bears watching, although it is currently beset by funding problems.

C. Entry of Nontraditional Players

148. The World Council of Credit Unions is entering the Philippine remittance market with a forthcoming remittance product called IrNet, which promises low remittance costs for transfers made from US credit unions to those in the Philippines.

149. Cooperatives also will soon make their foray into the remittance market. The National Confederation of Cooperatives (NATCCO), a large network of cooperatives in the Philippines, forged a partnership with NTUC Income Insurance in Singapore for the use of NTUC software in servicing remittance requirements of OFWs in Singapore. The system, which will feature cooperative-to-cooperative, multicurrency transfers at low cost, is now being piloted in five Philippine cooperatives. Aside from its low cost, the system is expected to (i) contribute to the sustainability of cooperatives through fee sharing, (ii) encourage more cooperatives to join the confederation, and (iii) spur more migrant families to affiliate with cooperatives.

⁶² A *barangay* is the smallest local government unit in the Philippines. Each *barangay* is headed by a *barangay* captain (*punong barangay*), and has a law-making body called the *barangay* council composed of *barangay* councilors (*kagawad*).

XII. LEVERAGING REMITTANCES FOR DEVELOPMENT

A. Policies and Initiatives to Increase Remittance Volume and Formal Remittances

1. Mandatory Remittance Schemes

150. Sending countries have employed varied strategies to increase remittance volumes or draw them to the formal sector, including (i) mandatory retention schemes; and (ii) incentives, such as foreign currency accounts and foreign currency bonds, which allow migrant investors certain repatriation benefits (such as in India). The Republic of Korea employed a successful example of mandatory remittance requirements to attract remittances to the banking sector. As a condition for issuing exit permits to Republic of Korea construction workers bound for the Middle East during the oil boom, at least 80% of earnings had to be remitted through Republic of Korea banks. The success of the policy hinged on the Government's directly assisting domestic companies to win lucrative construction contracts in the Middle East. In turn, the companies deposited workers' salaries in foreign currency accounts, which ensured a high remittance rate and promoted savings. Excellent employment terms and high job morale due to short-term contracts worked as incentives for Republic of Korea workers to maximize remittances.

151. In the 1970s, the Philippine Government instituted a mandatory remittance scheme, which required migrant workers being redeployed to show proof that a percentage (depending on their occupation) of their wages were remitted. Passports were given a validity of 1 year, and could not be extended or issued unless proof of remittance was submitted. Employers, recruitment agencies, and banks were persuaded to cooperate in effecting remittances or even handling remittance operations themselves.⁶³

152. Migrant workers found the scheme oppressive, and many seemed to have been able to evade the law. With the exception of sea-based workers, the mandatory remittance scheme eventually was abandoned due to implementation difficulties. Sea-based workers' contracts contain a provision authorizing employment agencies to forward a certain percentage of their wages, typically 80%, directly to their designees.

153. Programs of state and private banks—from India, Morocco, Pakistan, and Portugal—reach out to their diaspora communities through the offer of incentives, such as home financing, tax breaks, public housing preferences, assured educational quotas in universities, expedited passport renewals, preferred traveling accommodations, and favorable exchange rates. Bangladesh reported a 22.43% increase in formal remittances in FY2003 after the Bangladesh Bank set up foreign exchange clearance houses overseas to speed up the delivery of remittances, as well as implement AML guidelines.⁶⁴

⁶³ Tan, E., *ibid.*

⁶⁴ *Informal Funds Transfers Systems in the APEC Region: Initial Findings and a Framework for Further Analysis*, World Bank, 2004.

B. Philippine Incentive-Based Programs

1. Homecoming Programs

154. After the mandatory remittance scheme was abandoned, several laws were passed that institutionalized programs luring Filipino expatriates to visit, live, spend, and invest their resources in the Philippines. The earliest initiative was the highly successful *Balikbayan* program, which was started in 1985. The literal Pilipino translation of balikbayan is return to country, and the term has come to refer to Filipinos who return home. Supported by a massive promotional campaign overseas, the program brought in—and continues to bring in—droves of overseas Filipinos, who come as ordinary visitors, tourists, retirees, or permanent settlers. The rediscovery of their roots by long-absent Filipinos rekindled an interest in their homeland, generating revenue and local employment in the tourism, manufacturing, handicrafts, hotel and restaurant, retail, and transportation industries. This long-running program offers balikbayans and returning workers exemptions from travel tax, as well as from duties and taxes on (i) the purchase of items from Philippine duty free shops, (ii) the importation of personal household items for those resettling permanently in the country, and (iii) the importation of capital equipment for use in enterprise. In 2003, figures from the airport duty free shop indicate that about 185,000 Filipino returnees purchased an estimated \$36 million worth of goods, a low figure compared to 1996–2000 when at least 250,000 visitors purchased items annually. Most purchases were liquor, cigarettes, chocolates, signature items, and other imported goods. While the Government promotes heavily discounted Philippine-made goods, the low volume of duty-free purchases might indicate that visitors are not ready to alter their preferences, or that more innovative marketing strategies for local goods have to be formulated by the agencies involved. Efforts to link purchasers of agricultural and small industrial tools to livelihood and credit programs of the Overseas Workers Welfare Administration (OWWA) also point to the need for more marketing programs and strategies to improve this area.

2. The Dual Nationality Act

155. On 29 August 2003, the Dual Nationality Act (Republic Act 9225) became law. Before this act was passed, former Filipinos who lost their citizenship for various reasons were allowed to reacquire Philippine citizenship. The Dual Nationality Act enables them to adopt Philippine citizenship without abandoning their foreign citizenship. However, if the host country laws do not recognize dual citizenship, renunciation of the host country citizenship is required. Philippine laws and the Philippine Constitution reserve the exploitation and use of the country's rich natural resources exclusively for Filipino citizens, or to Philippine corporations. However, huge, long-term outlays of funds and technology, which were largely unavailable domestically, were needed to develop natural resources, such as mining, oil, and other extractive areas; large manufacturing; and agriculture, aquatic, and industrial sectors.

156. The Philippine diaspora, which is roughly 10% of the young, economically productive, and highly educated portion of the Philippine population, could be considered a resource that would enable the country to strengthen its internal economies. However, the legal technicality that prevented Filipinos who have lost their citizenship from owning land or participating as equity-holders in a corporation or business venture might have contributed to the inability to effectively transfer these earnings, resources, and skills. While some were able to participate through nominee relationships, a greater number might have held back, fearing an inability to enforce their rights of ownership. The Dual Nationality Act was passed precisely to remove this major obstacle preventing more overseas Filipinos from participating in the development of their

native country through property ownership, investments, savings, and other productive undertakings that could generate livelihood and employment.

157. Before the passage of the Dual Nationality Act, the Philippine Constitution allowed former Filipino citizens who have acquired the citizenship of another country to own private land in the Philippines. Batas Pambansa No. 185 was passed in 1985, allowing former Filipinos to own up to 1,000 square meters of residential land or one hectare of rural land. The Foreign Investments Act of 1991 (RA 7042) limited this to 5,000 square meters for residential land and three hectares of rural land, provided it would be used in business, agricultural, or industrial enterprises. The Dual Nationality Act, in effect, eliminated these limitations.

158. The Foreign Investments Act also allowed former Filipinos to invest in rural banks, cooperatives, thrift and development banks, as well as in financing companies, which formerly were reserved for Filipinos. Furthermore, they have been allowed to invest in defense or law enforcement-related activities, or small- and medium-sized domestic market enterprises with paid-in equity capital of less than \$200,000—all of which had been reserved for Philippine citizens.

159. Unfortunately, determining the number of expatriates who have availed of these incentives is difficult. The agencies administering these incentives have not disaggregated such data on former Filipinos.

160. Theoretically, the Dual Nationality Act restored to former Filipinos all the privileges of their birthright. The implementing rules and regulations, which the Bureau of Immigration will execute, have been issued. However, the actual procedures—as well as their implications on the exercise of certain rights or privileges, such as property purchases, the practice of a profession, residence and visa status, taxation, and investments in sectors reserved exclusively for Filipinos—still need to be clarified. Achieving the desired positive effects of the law requires nothing short of a serious study of the implications of the act on property rights, tax aspects of dual nationality, investments, and documentation. This must be coupled with a massive information campaign on this new privilege among overseas Filipino communities, with the participation of the Government as well as the private sector. Government agencies administering these incentives also should disaggregate the data to allow easier retrieval of information on how many Filipinos participated.

3. Local Government Unit Initiatives

161. Local governments run local government units (LGU), which comprise provinces, cities, municipalities, and barangays. Regional Development Councils in the 16 regions of the country are also in place to coordinate the socioeconomic development thrusts of the political subdivisions within their region. Of the 1.6 million overseas contract-based workers recorded by POEA for 2002, slightly more than 1 million—or about two thirds—originated from the countryside (Table 1.21).

162. The economies of these political subdivisions almost certainly have benefited from the remittances of overseas Filipinos, who send home money to their families as well as for charitable, humanitarian, and public purposes in their respective communities. While the development impact of remittances on communities has not been researched extensively, the positive effects are visible in many rural municipalities, particularly in the areas of housing, public improvements, small enterprises, transportation, and consumption.

Table 1.21: Deployment of Overseas Filipino Workers by Region and Province

Region	Province	1998	1999	2000	2001	2002	Total
Total		198,325	456,845	479,158	259,356	217,042	1,610,726
Region 1 Ilocos		14,876	31,699	33,033	16,355	13,064	109,007
	Ilocos Norte	1,949	3,790	4,058	2,226	1,713	13,736
	Ilocos Sur	2,525	5,283	5,432	2,431	1,996	17,667
	La Union	2,177	5,233	5,627	2,764	2,176	17,977
	Pangasinan	8,225	17,393	17,916	8,914	7,179	59,627
Region 2 Cagayan Valley		8,148	18,627	20,328	9,947	8,117	65,167
	Batanes	5	12	10	7	6	40
	Cagayan	2,511	5,889	5,808	2,974	2,504	19,686
	Isabela	3,701	8,594	9,929	4,823	3,843	30,890
	Nueva Vizcaya	1,532	3,212	3,454	1,675	1,336	11,209
	Quirino	399	920	1,127	468	428	3,342
Region 3 Central Luzon		31,498	70,070	70,877	38,629	32,647	243,748
	Bataan	2,708	6,629	4,977	3,218	2,503	20,035
	Bulacan Province	8,640	20,478	21,336	11,728	10,194	72,376
	Nueva Ecija	5,345	12,281	13,288	7,435	6,598	44,947
	Pampanga	8,999	18,580	18,395	9,564	8,056	63,594
	Tarlac	3,714	7,798	8,483	4,218	3,373	27,586
	Zambales	2,092	4,304	4,398	2,466	1,950	15,210
Region 4 Southern Tagalog		34,714	79,713	80,584	41,729	36,684	273,388
	Aurora	151	456	450	235	181	1,473
	Batangas	7,950	17,991	16,479	7,249	6,929	56,598
	Cavite	8,117	18,660	18,885	10,246	9,299	65,207
	Laguna	7,025	16,033	17,268	9,221	7,904	57,451
	Marinduque	165	364	332	223	152	1,236
	Mindoro Occidental	204	423	398	244	198	1,467
	Mindoro Oriental	921	1,893	2,275	1,102	901	7,092
	Palawan	150	320	362	286	281	1,399
	Quezon	2,562	5,905	6,174	3,282	,908	20,831
	Rizal	7,393	17,502	17,745	9,527	7,836	60,003
	Romblon	76	166	180	114	95	631
Region 5 Bicol		3,621	8,858	10,313	6,084	5,259	34,135
	Albay	887	2,066	2,412	1,403	1,286	8,054
	Camarines Norte	492	1,325	1,549	887	740	4,993
	Camarines Sur	1,671	4,031	4,738	2,808	2,374	15,622
	Catanduanes	170	350	412	262	216	1,410
	Masbate	103	282	326	215	149	1,075
	Sorsogon	298	804	876	509	494	2,981

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Region	Province	1998	1999	2000	2001	2002	Total
Region 6	Western Visayas	6,702	16,387	18,657	10,411	8,432	60,589
	Aklan	228	845	802	509	429	2,813
	Antique	336	696	914	504	411	2,861
	Capiz	641	1,593	1,830	1,116	877	6,057
	Gumaras	119	302	302	147	96	966
	Iloilo	3,032	6,888	7,043	3,811	3,307	24,081
	Negros Occidental	2,346	6,063	7,766	4,324	3,312	23,811
Region 7	Central Visayas	5,411	13,232	12,490	7,364	7,455	45,952
	Bohol	651	1,736	1,910	1,124	1,120	6,541
	Cebu	4,225	9,971	8,824	5,262	5,448	33,730
	Negros Oriental	498	1,441	1,656	898	792	5,285
	Siquijor	37	84	100	80	95	396
Region 8	Eastern Visayas	1,154	2,764	3,330	2,018	1,888	11,154
	Biliran Sub-Province	33	95	82	60	62	332
	Eastern Samar	128	254	272	155	161	970
	Leyte	662	1,517	1,922	1,196	1,093	6,390
	Northern Samar	75	188	244	142	147	796
	Southern Leyte	154	410	474	276	323	1,537
	Western Samar	102	300	336	198	193	1,129
Region 9	Western Mindanao	1,765	5,341	7,692	4,874	4,190	23,862
	Basilan	217	912	1,314	812	910	4,165
	Zamboanga del Norte	286	944	1,109	758	689	3,786
	Zamboanga del Sur	1,262	3,485	5,269	3,304	2,591	15,911
Region 10	Nothern Mindanao	1,691	4,084	4,828	3,510	3,296	17,382
	Bukidnon	340	610	931	664	551	3,096
	Camiguin	39	106	142	110	85	482
	Misamis Occidental	270	752	990	642	619	3,273
	Misamis Oriental	1,042	2,616	2,765	2,094	2,014	10,531
Region 11	Southern Mindanao	5,555	16,565	21,631	14,163	11,550	69,464
	Davao del Norte	970	2,795	3,848	2,664	2,303	12,580
	Davao del Sur	3,217	9,681	12,476	8,389	6,561	40,324
	Davao Oriental	263	678	959	757	545	3,020
	Sarangani	105	400	446	235	141	1,327
	South Cotabato	752	2,361	2,870	1,800	1,721	9,504
	Sultan Kudarat	248	650	1,032	500	279	2,709
Region 12	Central Mindanao	2,964	8,455	9,908	6,803	6,934	35,064
	Lanao del Norte	657	2,029	1,686	1,183	1,145	6,700
	Lanao del Sur	372	826	796	619	487	3,100
	Maguindanao	1,404	3,980	5,567	3,777	4,313	19,041
	North Cotabato	531	1,620	1,859	1,224	989	6,223
Region 13	Caraga	1,074	2,862	3,047	2,245	2,127	11,355
	Agusan del Norte	486	1,282	1,407	1,070	992	5,237

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Region	Province	1998	1999	2000	2001	2002	Total
	Agusan del Sur	131	336	442	354	374	1,610
	Surigao del Norte	216	560	542	401	370	2,089
	Surigao del Sur	241	684	656	420	418	2,419
Cordillera Autonomous Region		4,490	9,945	9,830	4,525	3,658	32,448
	Abra	621	1,340	1,479	617	554	4,611
	Benguet	2,874	6,316	6,215	2,827	2,175	20,407
	Ifugao	349	776	678	338	250	2,391
	Kalinga-Apayao	362	924	940	498	470	3,194
	Mountain Province	284	589	518	245	209	1,845
Autonomous Region for Muslim Mindanao		158	838	984	597	678	3,255
	Sulu	136	782	908	533	617	2,976
	Tawi-Tawi	22	56	76	64	61	279
National Capital Region		74,504	167,405	171,662	90,122	71,063	574,756
	Kalocan City	6,870	15,578	15,824	8,807	7,561	54,640
	Las Pinas	2,962	6,570	7,151	3,881	3,145	23,709
	Makati	4,635	10,167	9,907	5,164	4,017	33,890
	Malabon	1,877	4,363	4,581	2,395	1,767	14,983
	Mandaluyong	2,240	4,856	4,884	,510	1,927	16,417
	Manila	16,689	37,339	37,593	19,911	15,383	126,915
	Marikina	2,661	5,766	5,946	3,054	2,519	19,946
	Muntinlupa	1,913	4,156	4,038	2,015	1,728	13,850
	Navotas	1,092	2,377	2,552	1,391	1,065	8,477
	Paranaque	3,196	7,194	7,544	3,990	3,098	25,022
	Pasay City	3,767	8,017	7,976	4,101	3,087	26,948
	Pasig City	3,710	8,090	7,855	4,133	3,375	27,163
	Pateros	263	512	748	280	172	1,975
	Quezon City	15,751	35,248	37,072	18,881	14,390	121,342
	San Juan	598	1323	1399	539	165	4,024
	Taguig	3,624	10,026	10,697	5,898	5,096	35,341
	Valenzuela	2,656	5,823	5,895	3,172	2,568	20,114

Source: Philippine Overseas Employment Administration.

163. In the municipality of Pozzorubio in the northern province of Pangasinan, for example, an estimated 10% of its population is overseas. Local government officials have attributed the visible public infrastructure, increase in business enterprises, and private housing structures to the remittances of its overseas workers and residents. Local executives have traveled to the US and other countries to make personal appeals to overseas Pozzorubio communities to help their town. Pozzorubio also has emerged as a major tax revenue earner for the province.

164. Abra is a largely agricultural province further north in the Cordillera region. It has a huge OFW population, many of whom work in domestic households in South Asian countries. Their remittances benefit their families, whose main source of income is agriculture. The mayor of

Bangued, the capital of the province, allocated funds to set up an OFW center that provides services to its OFWs and their families (particularly those in distress), such as conducting Predeparture Orientation Seminars (PDOS) and assisting in the documentation of job applicants. In the OFW-rich region of southern Luzon, several municipalities—for example, Mabini in Batangas Province, or San Pablo City and Alaminos in Laguna Province—boast of numerous improvements, especially in housing and small infrastructure, built by its overseas citizens.

165. Despite the tremendous potential for harnessing donations from hometown associations, a national effort to organize local governments to tap this potential does not seem to exist. A few LGUs have institutionalized mechanisms and incentives on their own to encourage its expatriate population to invest in enterprises, tourism, light industrial projects, and other provincial projects. The most visible example is the province of Bohol in the Visayas, which has set up an investment center and enacted a local investments code to assist investors in identifying, organizing, and matching their resources with local partners. The center also helps investors avail of incentives, such as exemptions from income and property taxes. LGU officials travel overseas to make personal appeals to its extensive expatriate community, and then provide assistance and guidance as visitors tour the islands or meet with their potential business partners. The Island Garden City of Samal, near Davao City, passed a similar local investments code geared toward developing the city's tourism and aquaculture potential.

166. The Local Government Code granted LGUs the autonomy and authority to raise their own revenues, in addition to their assured share of internal revenue allotments (IRA). However, the ability of local governments to use this autonomy in raising revenue through loans, guarantees, or other sources apart from taxation has been relatively limited. Nonetheless, with the assistance of financial managers, some LGUs in the past few years have floated LGU bonds guaranteed by their IRAs to build infrastructure, such as public markets, wharves, convention centers, and other public improvements. The projects were designed to generate revenues for the LGU, and the bonds were usually purchased by commercial banks and sold or traded on the secondary market.

167. These financial managers also are designing an LGU bond and a trust fund as a savings and investment vehicle to tap the resources of OFWs from their respective hometowns. The organizers of this initiative believe that OFWs would mobilize their resources if an appropriate savings and investment vehicle, which offers professional management, transparency, and attractive returns, is presented to them. This would benefit directly their families and the communities in which they eventually would retire or reintegrate.⁶⁵

C. Enhancing the Efficiency of Government Agencies

1. Agencies Involved in Deployment

168. Maximizing the gains of overseas employment for migrants and the sending country depends to a great extent on the effectiveness of Government agencies managing overseas deployment programs. This involves finding new markets for its migrant labor, and ensuring that their rights are protected during the recruitment and predeparture process, as well as in

⁶⁵ Preferred Ventures. 2002. Empowering Overseas Filipino Workers. DFA/ILO Paper, Manila. Among the criticisms of the Government's abandoned plan to sell small, dollar-denominated bonds to OFWs was that it was budgetary in nature, and that it had no direct relation to specific OFW concerns.

overseas workplaces. In addition, programs must be set up to prepare for the migrant workers' reintegration into their countries of origin upon their return or expiration of their contracts.

169. In the Philippines, at least 10 Government agencies are involved in the migration process. However, five main agencies have primary responsibility for managing overseas deployment, welfare protection, and reintegration. DOLE implements the Migrant and Overseas Filipinos Act (Republic Act 8042), which is the repository of policies, rights and obligations, and sanctions and regulations that govern overseas employment. Two attached agencies under DOLE—POEA and OWWA—also are involved in key aspects of the migration process. The BSP, meanwhile, records remittance flows.

170. POEA handles the documentation of land-based and sea-based contract workers recruited mostly by private, fee-charging recruitment agents, usually working for foreign principals. POEA also handles the licensing and regulation of recruitment agencies, and collects and compiles data of migrant and remittance flows to assist policy formulation. While POEA organizes predeparture orientation seminars for direct-hire workers, OWWA handles the orientation of OFWs under accredited recruitment agencies.

171. OWWA also is responsible for promoting the welfare of OFWs and dependents through the implementation of welfare programs for migrants and dependents. These programs consist of health or repatriation assistance, livelihood loans, skills training, scholarships, and reintegration initiatives for returned workers. Proceeds of an OWWA-administered trust fund, created from \$25 contributions by OFWs before their departure overseas, finance these programs. The fund, which began operating in 1982, is estimated to be worth ₱7–8 billion.

172. With offices in the 16 regions in the Philippines, POEA and OWWA process applications for overseas work, and administer benefits under the welfare program. Labor attaches are stationed in at least 34 diplomatic posts overseas, while welfare officers are posted in countries with large numbers of OFWs. Attaches and welfare officers work with foreign service personnel to promote the rights and welfare of overseas Filipinos.

173. The Department of Foreign Affairs (DFA), which is involved primarily in conducting foreign relations with other countries, also has the duty to protect the interests and welfare of Filipinos. While the protection functions of DFA, DOLE, OWWA, and POEA overlap, the Migrant Workers Act calls for these agencies (and other players, such as commercial and agricultural attaches) to operate under a "country team approach" to minimize redundancy. CFO, another small Government agency attached to DFA, documents and monitors Filipinos leaving the Philippines as immigrants or permanent residents. At the same time, CFO links overseas Filipino associations to humanitarian and infrastructure projects in the Philippines, particularly in rural areas, according to a profiling system it devised to match remittances with needs.

174. Given the size of Philippine migration flows, the problems associated with the effectiveness of the Government machinery vis-à-vis the migrant workers' demand for services are so complex and wide ranging that they probably merit a separate study. However, the concerns affecting migrant workers on departure, overseas, and post arrival⁶⁶ are perceived to have a direct impact, or pose actual or potential deterrents, on increased remittance flows.

⁶⁶ The study team interviewed the secretary of DOLE, the administrator of OWWA, the undersecretary for Migrant Workers Affairs, and the director of CFO, as well as other high-level officers of those agencies. The aim was to identify problems and issues of overseas deployment, migrant workers, and other areas in the Philippines and host countries that deter the maximization of remittance flows, or amounts that may be repatriated to their families. Aside from reviewing migrant literature, the study team interviewed heads of NGOs that provide humanitarian

2. Problem Areas in Deployment, Overseas, and Return

175. Before departure, a number of problems were cited:

- (i) Job applicants complained of excessive recruitment fees and expenses. Many incur debt, often at high interest, to pay for these expenses. They end up repaying them during the first 6 months or 1 year of employment abroad. The market study found that 45% of respondents in the nationwide survey borrowed money to go abroad, while 19% borrowed money while working overseas. The law allows recruitment agencies to charge the equivalent of a month's salary as recruitment fee. However, job applicants end up paying much more, especially those applying for high-paying jobs in Hong Kong, China; Taipei, China; or Europe. A study by the NGO Atikha looked at the predeparture expenses of aspiring domestic workers for Italy and Hong Kong, China. Atikha found that expenses ranged from ₱40,305–₱76,550 for Hong Kong, China, to ₱80,305–₱311,550 for Italy (Table 1.22). Anecdotal evidence suggests that the overcharging occurs in placement fees and other hidden and unauthorized expenses, such as those for escorting undocumented workers through the airport.

Table 1.22: Predeparture Expenses of Migrant Women Bound for Hong Kong, China, or Italy
(pesos)

Item Expense	Cost
Agency registration fee	100–500
Placement fee	30,000–65,000 (Hong Kong, China) 70,000–300,000 (Italy)
Passport	850
Video	750
Medical	1,100–1,800
National Bureau of Investigation clearance	55–200
Overseas Workers Welfare Administration contribution	5,000 (or \$100)
Philippine Overseas Employment Administration (POEA) administrative fee	1,250 (or \$25)
Predeparture orientation seminar fee	200
Mandatory Medicare fee	900
Overseas Employment Certificate from POEA	100
Total Expenses	40,305–76,550 (Hong Kong, China) 80,305–311,550 (Italy)

Source: Añonuevo and Añonuevo [eds.]. 2002. *Coming Home, Women, Migration and Reintegration*. BaliKaBayani Foundation and Atikha Overseas Workers and Communities Initiative, Inc. Manila.

assistance and psychosocial and economic-related services to land- and sea-based migrant workers to obtain a more balanced picture.

- (ii) Predeparture orientation of migrant workers was perceived to be inadequate, and would be better if started in the migrant's community. Nevertheless, PDOS offers excellent opportunities for providing savings education information or services on opening of bank accounts and financial or remittance products. The survey indicated PDOS has made some headway, as 22% of respondents attributed their knowledge or use of bank accounts for remittances to the seminar.
- (iii) Sea-based workers often complained about the lack of a centralized authority for processing documents, although this is being addressed slowly with the establishment of a one-stop processing center for seafarers. They also questioned the necessity of training programs, which many (especially experienced seafarers) viewed as an unnecessary, wasteful expense that deprived them of time with their families while awaiting the next contract. A Magna Carta for Seafarers, which was discussed and drafted in a Seafarers' Summit in 2003, is awaiting legislative approval.

176. Overseas, other problems were noted:

- (i) Employers often deviated from agreed wage and employment terms. Conditions in the employment contract signed by the worker and the employer were changed upon arrival at the workplace, a practice known as "contract substitution". Workers either resign themselves to the lower wage, or file cases against employers.
- (ii) Workers, particularly those in vulnerable positions such as women and domestic workers, are subject to abuse and exploitation. These cases were reported frequently to the Government or to NGOs, and often included the practice of withholding passports or similar ways of limiting the mobility and freedom of the migrant worker.
- (iii) The few labor and welfare officers overseas could not adequately service the needs of the thousands of migrant workers. This shortage undermines the Government's ability to deliver much-needed services.

177. Several NGOs engaged in advocacy for the reintegration of returning migrant workers to the Philippines considered OWWA programs on the reentry of migrant workers ineffective. Early in 2004, OWWA started granting loans of ₱50,000 worth of grocery items for OFWs to start grocery businesses. The loan, which carried no interest, was payable after 2 years with a grace period of 2 months. An earlier study by the International Labour Organization (ILO)⁶⁷ showed that repayment rates for a previous livelihood program were low, as borrowers perceived the loans as a handout. The new program supporting OFWs entry into the grocery business could suffer the same fate, as it is based on subsidized credit, which has not been proven to work.

178. In 2003, a consortium of migrant NGOs forged an agreement with OWWA to rationalize and coordinate a reintegration program for OFWs. The initiative, known as Philcorps, attempted to combine the experiences of civil society organizations and OWWA facilities to maximize and unify resources for the effective reintegration of OFWs.

⁶⁷ Bohning, W. R. 1999. From OFWs to Micro-Entrepreneurs. ILO-Southeast Asia and the Pacific Multidisciplinary Advisory Team, Manila.

179. Converting migrant workers into entrepreneurs overnight might be unrealistic. According to POEA, migrant returnees often experience severe economic reintegration problems due to their inability to adjust to the large differences in wages. Their social reintegration to their families after a long separation is likewise a struggle. Any savings they might have brought home are easily exhausted, especially if they are unable to find a source of livelihood. Large numbers of returnees have ended back in the recruitment lines, waiting for another overseas contract. Ironically, starting an enterprise could be the only option open for migrant workers who have returned after a long absence from the Philippines or are too old to rejoin the labor force. An effective mechanism is needed that would allow entrepreneurs to access credit, as well as entrepreneurship and skills training and business identification. Furthermore, the time to prepare a migrant worker for life after migration is not after return, but before departure and while still employed overseas. Although the websites and brochures of the DTI, the Technical Education and Skills Development Authority (TESDA), and the Technology and Livelihood Resource Center show the availability of such programs and services, information is lacking on whether many OFWs have used these programs.

3. Shared Government Information System

180. The Shared Government Information System, which covers all agencies involved in the deployment process, offers excellent potential for increasing the efficiency of the recruitment, deployment, and information sharing with the public. This legally mandated system is one of the many services established under the Migrant Workers and Overseas Filipinos Act (Republic Act 8042), which took effect on 7 June 1995. The objective of the system is to improve the monitoring and efficiency of Government agencies in enforcing the provisions of the act. Under this program, agencies must each build a database on Filipino migrant workers with (i) demographic information, (ii) an inventory of pending cases of Filipinos overseas, (iii) master lists of departing and arriving Filipinos, (iv) statistical profiles of Filipino migrants, (v) overseas Filipinos and tourists, (vi) legal systems in foreign countries, and (vii) a list of labor and other human rights instruments. The computer facilities would then be linked to allow data exchanges among agencies.

181. One phase of this process involves linking POEA, DFA, and NSO, which could automate processing of passports, credentialing of land-based and sea-based workers, and monitoring of departures and arrivals of OFWs—all of which reduce transaction time and costs for agency and applicant. Almost 9 years have passed since the Migrant Workers Act mandated this system. Considering the lack of funds and the possibility that other priorities could take precedence, implementing this project by the target date of March 2005 remains uncertain. Electronically linking the databases of the different agencies would benefit a great number of migrant workers and the Government. The benefits to the Government include (i) savings through a decrease in required person-hours; (ii) a reduction in interpersonal contact, which could improve good governance; (iii) improvements in measuring migrant flows and stocks; and (iv) a possible increase in remittance flows through the formal sectors, as Philippine institutions gain credibility and public trust.

D. Government Practices on Leveraging Remittances

1. Savings Mobilization Through Social Security and Housing Programs

182. If OFWs want to enroll in or continue their social security coverage while abroad, they can do so and remit their payments through the overseas offices of the SSS. SSS members are entitled to housing and livelihood loans at low interest rates. They also can participate in a

savings program called Flexifund, which pays 8% annually for a monthly contribution of ₱1,800 in addition to a pension and lump sum payment upon maturity. A simulation of projected yield indicates that members with ₱2,000 monthly contributions could receive about ₱349,000 in 10 years, and ₱1 million in 20 years.

183. The Pag-IBIG Fund (or Home Development Mutual Fund) entitles regular members to housing loans at low interest with maturities as long as 25 years. Contributions pay returns of 3% yearly if the contributions are paid in US dollars, or 7.5% on peso payments. SSS and Pag-IBIG were restructured to serve as savings mechanisms and to respond to two of the main uses for migrant remittances—retirement/health and housing. Migrant workers could access this fund through 35 diplomatic stations in the Middle East, Asia, Europe, and North America. Likewise, remittance agencies have been accredited as transferring agencies for payments to Pag-IBIG and contributions to SSS.

184. The Philippine Postal Bank, the PPC, and the RBAP developed the ePMO project 2 years ago. The service is designed to allow electronic transmission of payment orders from postal organizations in about 38 countries affiliated with the Universal Postal Union (UPU), a 190-member organization that serves as the primary forum for cooperation between postal offices in the world. ePMO also could accept transfer instructions from foreign banks and overseas remittance partners. The system leverages the distribution capabilities of the postal system—with 2,000 post offices and postal stations on the barangay level—and more than 700 rural banks. A third party will provide the software and hardware for ePMO, which is purported to use state-of-the-art Internet and electronic card systems and networks. Postal Bank will act as the settlement bank and foreign exchange bank to ensure that funds will enter the formal system. Postal Bank and the Philippine Post Office will conduct AMLA screening.

185. As envisaged, the ePMO project was to be implemented in phases, beginning March 2004. Postal identification cards, which will be sold for ₱150 each, will be used as remittance cards and as ATM cards using the Bancnet ATM platform. The success of the project will depend on marketing, as well as the acceptance by the OFWs and the general public of the postal system, which generally is perceived to be unreliable and unsafe. In addition, adequate funds are needed for the PPC's planned expansion of postal offices equipped with Internet facilities, and the proposed merger of Quick Cash (Smart card using mobile phones). If these factors are addressed immediately, the ePMO, could reduce local payment costs drastically and interconnect several areas in the countryside that are underserved by remittance agencies

186. Financial literacy, consumer awareness, and savings mobilization programs for OFWs and the general public could go a long way in maximizing the country's resources and improving its savings rate. Agencies such as OWWA, DOLE, POEA, DFA, BSP, and the Philippine Deposit Insurance Corporation (PDIC) are in a position to administer financial literacy and savings programs. In fact, the BSP approved in January 2004 the creation of the BSP Consumer Education Committee, which will (i) administer a program that addresses the basic financial literacy needs of consumers of financial products and services, and (ii) promote good banking practices and the protection of consumer rights. BSP and PDIC are encouraged to continue to widen the coverage of these programs, perhaps even collaborating with the Department of Education, Culture and Sports in introducing programs that promote the culture of savings among students.

E. Civil Society Practices on Leveraging of Remittances

1. Civil Society in General

187. The Philippines' legal environment is supportive of nonprofit organizations, a classification that includes NGOs or foundations engaged in charitable, educational, religious, or humanitarian objectives. An estimated 60,000 such organizations have registered with the SEC, and thousands more unregistered ones are operating for the same purposes. Nonprofit organizations subject to certain requirements might be entitled to tax incentives, such as exemption from income taxes and tax deductions claimed by recipients of donations. The largest NGO network in the Philippines, the Caucus of Development NGOs (CODE-NGO), counts among its member's six national networks and five regional networks, representing more than 2,500 NGOs and cooperatives nationwide. CODE-NGO is one of the leading advocates on important national issues that affect socioeconomic development. In 2003, the organization raised more than ₱1 billion from the issuance of bonds. The amount raised has been transferred to an endowment, which uses the proceeds for grant-making to smaller NGOs.

2. Migrant Nongovernment Organizations

188. While CODE-NGO focuses on advocacy for a broad national development agenda, other NGOs—both Philippines- and overseas-based—advocate issues and concerns of Filipino migrant workers, as well as the delivery of humanitarian, psychosocial, and economic services. Many of these NGOs started with rights-based advocacy. However, some introduced migrant workers to activities promoting savings mobilization and investments in community enterprises in anticipation of their return. Others directly linked migrants with service providers in business or legal counseling, skills training, microfinance, and credit access.

189. The Philippine nationwide market study of OFWs indicated that 70% of migrant workers have savings accounts, and 52% use ATM accounts. While a migrant's savings ultimately will depend on the maximization of earnings, the reduction of remittance costs theoretically could increase disposable income. However, extensive anecdotal evidence suggests that a considerable portion is spent for nonessentials and luxuries. Whether remittances pass through banking channels or not, they eventually end up in the country of origin with family members, who often have much discretion on how these amounts are spent. Relatives who lack the proper business attitude or appreciation for the hard-earned income often are asked to manage small enterprises, which eventually fail. Hence, leveraging remittances requires more than the enhancement of formal flows. Financial literacy, savings mobilization, and business counseling (at the point where spending decisions are made by the overseas remitters, or by the beneficiary families in the Philippines) also are needed.

190. In 1999, the ILO Southeast Asia and the Pacific Multidisciplinary Advisory Team organized a workshop entitled *Entrepreneurial Development for the Reintegration of Filipino Migrant Workers and Their Families*.⁶⁸ The workshop was held in the wake of the Asian financial crisis, which spawned widespread fears of a massive return migration by OFWs. The major findings, which generally are shared by migrant NGOs, were:

⁶⁸ Bohning, 1999. Some of these findings also were validated by a DFA paper published in 2002, entitled *Empowering Filipino Migrant Workers*.

- (i) Migrant workers are not necessarily more entrepreneurial in nature compared with other people;
- (ii) Spouses in the Philippines tend to be the entrepreneurs, who prepare for their spouses' return;
- (iii) Decisions to pursue self-employment are usually made at an early stage, so options and opportunities are not studied upon return;
- (iv) Business training should be conducted by trainers with practical business experience;
- (v) Advisory services, especially when conducted one-on-one, are very useful to migrant worker clients;
- (vi) Access to financing is crucial, along with well-made loan application packages; and
- (vii) Support to entrepreneurship requires professional skills, experience, and contacts.

191. For years, migrant NGOs advocated savings and investments in community-based enterprises among migrants, especially with the involvement of family members, when accumulated savings were large enough to start a business. Among the first to initiate a savings mobilization program for Hong Kong, China domestic workers was UnladKabayan Migrant Services Foundation, an NGO based in Quezon City, and with operations in Davao, Bohol, Cagayan, Iligan, and Zamboanga. Savings groups were mobilized in Hong Kong, China with their partner, Asian Migrant Center, coupled with training of migrants on business skills and savings habits. As funds saved reached higher levels, migrants were asked to identify possible business prospects within their own communities with the participation of family members left behind.

192. A similar initiative in San Pablo City was started by sister NGOs, Atikha, Inc. and BaliKaBayani Foundation. The program is based on savings mobilization and enterprise development, but it involves more than just family members left behind. LGUs, church groups, and regional offices of national agencies, such as DTI, TESDA, and OWWA, also are involved in the delivery of programs and services. The programs of these NGOs appear to have been integrated into the city development plan, and thus receive an allocation of city funds. The San Pablo City government granted them free use of an abandoned city government hospital for 5 years. Atikha and BaliKaBayani will run the facility as an OFW center, which will handle all services for predeparture, reintegration, and enterprise development. Linking the extensive San Pablo City expatriate community to possible investment projects in their community also is under negotiation. An Atikha Young Savers Club, comprising children of migrants, aims to develop financial literacy at an early age through participation in savings programs.

3. Filipino Associations Overseas

193. Thousands of FAOs raise and send cash or goods to the Philippines for humanitarian causes and infrastructure. The secretary of DOLE lists about 12,000 such associations, while CFO has a record of about 4,000 FAOs. CFO operates the Link to Philippine Development, which has raised about ₱1.19 billion in FAO donations over 13 years (Appendix 10). In the grant-making community, this phenomenon is known as "diaspora philanthropy." Common manifestations include (i) medical missions and book drives; (ii) shipments of medical

equipment and medicines; and (iii) public infrastructure, such as water systems, schools, hospitals, parks, sports facilities, churches, waiting sheds, and public markets.

194. Feed the Hungry, Inc. (FTH), a US-based charity in the state of Virginia, is the biggest donor to CFO's Link to Philippine Development. Since 1992, FTH has shipped more than ₱38 million in cash and in-kind donations, which have gone to feeding programs, scholarships, infrastructure, and some livelihood opportunities. FTH also partners with Filipino-American associations in the US.⁶⁹

195. Another example is the Butuan City Charities Foundation of Southern California, which partners with Ivory Charities Foundation in Butuan City, Agusan del Norte. Since 2000, the two charities have shipped more than ₱46.5 million in donations to Butuan City, including medical equipment, gifts, and funds for microlending.

196. In the Netherlands, the Stitching Kapatiran provides development support to peoples' organizations in Mindanao. Raising funds from Filipino-Dutch foundations in Holland, Stitching Kapatiran has shipped more than ₱2 million for scholarships for indigenous peoples, and livelihood funds for 11 peoples' organizations. Its Philippine counterpart group, Kapatiran Philippines, Inc., operates a small enterprise development program that engages in microlending among women in Bansalan, Davao del Sur, and neighboring municipalities.

197. Many FAOs—and even CFO itself—have complained that difficulties in mobilization, documentation, shipment, and release from Philippine customs have hindered more donations to the Philippines. The imposition of the value-added tax (VAT) on donated goods, which the donor ultimately must shoulder, also discourages such flows. CFO had submitted to the Department of Finance draft legislation recommending the exemption from VAT of legitimate donations from FAOs. The Philippine-based Ayala Foundation offers a solution by forming and registering a 501(c)3 nonprofit foundation in the US. Ayala Foundation USA coordinates the documentation, shipment, and release from Philippine customs authorities of the donated goods, sparing the donors of these tedious processes. Donors can claim the value of their donations as deductions on their US tax returns. By networking with Filipino associations in the US, and matching donations with beneficiaries in the Philippines, Ayala Foundation has raised more than \$700,000 from FAOs in the US for 2002–2003.⁷⁰

198. Related to diaspora philanthropy is the sister city program between a city in a developed country and another in the developing world. Former US President Dwight D. Eisenhower started this program in 1956 to develop ways of promoting positive international relations, world peace, friendship, and understanding through people-to-people contacts. At least 24 Philippine cities have sister city relations with US cities, while at least 25 Asian countries have such relationships worldwide, according to the Sister Cities International website.⁷¹ For instance, Daly City, California and Quezon City have such a partnership, which grants scholarships to needy students in Quezon City.⁷² In the Netherlands, the nonprofit group Ver. Haarlmeermeer-Cebu is attempting to stimulate lasting cooperation between the peoples of Haarlmeermeer in the Netherlands and Cebu City in the Philippines. The group supports projects on Cebu City schools, water, waste management, cultural activities, health, gender, and agriculture. Money is

⁶⁹ Feed the Hungry, 2004.

⁷⁰ Ayala Foundation.

⁷¹ Available: <http://www.sister-cities.org/scidirectory/Asia>.

⁷² Information from Medical Link Providers, Inc.

generated through fundraising, or allocated through a city ordinance by the local government overseas.

199. Despite these strengths, FAOs need to be more organized and integrated. Like Mexican hometown associations, FAOs are disparate organizations that are prone to internal politics, distrust, and other organizational weaknesses. But unlike Mexican migrants, who are mainly in one country (the US), Filipinos are in at least 192 countries. The heads of some FAOs interviewed for this study observed that more funds could be raised and sent back if incentives were offered. They also cited the need for an effective monitoring and feedback mechanism that will send accurate reports to donors. The impact of donations on the development of the recipient communities is not assessed adequately, leaving policymakers with a dearth of information to leverage these donations.

F. Role of Rural Banks, Cooperatives, Microfinance, and Other Grassroots Institutions on Remittances

1. Rural Banks

200. The study included rural banks to learn about the problems and barriers that could hinder an enhanced role for this sector in developing the remittance business and leveraging migrant resources for development. With more than two thirds of remittance-receiving families residing in the countryside, rural banks could play a significant role in reducing remittance costs through more direct links, and in providing beneficiary families with access to financial products and services that normally would be available only in urban areas.

201. Rural banks, which serve as conduits for huge money transfer agencies such as Western Union, do not service remittance payments directly. Rural banks have to advance payments to remittance beneficiaries. The basic requirement of interconnectivity to the main banking clearing systems is unaffordable or uneconomical to rural banks. (The PCHC membership fee is ₱8 million.) Setting up and maintaining ATMs, which could be used as payments systems on international transfers, also is too expensive.

202. In the meantime, the RBAP leadership has designed and is advocating a software project that would service payments in the countryside. The payments system targets an estimated 39.7 million Filipinos residing in rural communities, including (i) 11 million employed in agriculture; (ii) OFW family members, who are dependent on remittances; and (iii) SSS, GSIS, and Philhealth members, who are staying in the countryside. Called "Countryside E-Market," because it uses a secure electronic Internet-based payments and settlements system, the project reportedly is designed for other practical applications with far-reaching implications. These include using Countryside E-Market as a commodity price board, an agricultural exchange on future harvests between farmers and large processors; and an ordering and payment center to service buying and selling between rural and urban areas.

203. Aside from servicing remittances as conduits for Western Union, the vast majority of rural banks does not offer financial products and services that address or target specific needs of OFWs or their families. One possible exception is the New Rural Bank of San Leonardo in Nueva Ecija, which has a program specifically designed for departing, returning, or retiring OFWs. The program also is aimed at OFW families that wish to participate in microenterprises. Another is the Marikina Valley Rural Bank, which runs a program called Philsoven in partnership with a consortium of other rural banks. Through their field offices in Rome and Hong Kong,

China, OFWs obtain information on how their relatives in the Philippines could secure loans for housing, livelihood, and other purposes.

204. Milamdec Foundation in Cagayan de Oro City manages two rural banks in Bukidnon and Misamis Oriental provinces that are engaged in microfinance. Targeting OFW communities in Europe, the programs try to persuade migrants to open savings or time deposits, or make equity investments in the two banks. In April 2004, a group of Filipinos from Luxembourg and the Netherlands made placements totaling ₱600,000 in the form of 5-year time deposits, earning an annual interest of 8.5%. In addition, a worldwide organization of OFWs, Overseas Filipino Workers-International Management Corporation, was in negotiation to purchase ₱700,000 worth of common stock in the two banks.

205. The main barrier for rural banks in taking a more enhanced role in the banking system, particularly on remittances and financial services for migrants and their families, is interconnectivity. That requires a costly investment in physical infrastructure and capability building among its member banks. It would be useful for rural banks to find ways of leveraging remittances and introducing their products and services to migrant workers. As a start, the RBAP simply could conduct surveys among the clients of their member banks to determine which households have relatives working overseas, as well as their economic and other needs. Rural banks also could forge partnerships with NGOs in the Philippines and overseas.

2. Cooperatives

206. Since the Cooperatives Code was enacted in 1990, 57,500 cooperatives nationwide have registered with the Cooperative Development Authority. The Philippines now has more cooperatives than barangays, with about 4,000 new cooperatives being registered each year. While this growth might be regarded as phenomenal, many of these cooperatives are dead or dying. The Cooperative Development Authority classifies 35% of cooperatives as non-operating. Less than a fifth of the registered cooperatives—or about 11,500—were capable of submitting required annual reports and audited financial statements. Nevertheless, cooperatives play a vital role in poverty reduction as they enable citizens of little means to come together to put up economically viable businesses with a social purpose. Cooperatives also introduce citizens to enterprise and activities that address basic needs, and enable them to access factors of production, especially those needed to sustain agricultural or small enterprise projects, which they would be unable to afford individually.

207. The NATCCO network is a national apex cooperative confederation comprising 1,200 affiliated primary cooperatives engaged in savings and credit, retailing, agricultural production and marketing, housing, and other services. NATCCO has a membership of more than 1 million, mostly farmers, fisherfolk, self-employed, salaried workers, housekeepers, students, and others. The second tier of membership is composed of six regional development centers scattered throughout the country. Among its cooperative members are some of the most successful cooperatives in terms of assets and net surplus, with highly developed social services for members, such as health care plans, annual checkups and hospitalization benefits, old age pensions, disability and death benefits, and scholarships in technical and vocational courses. Eight of these successful cooperatives have a combined asset size of more than ₱1 billion, with many located in depressed provinces. The 31,000 active cooperatives, spread across all 16 regions of the Philippines with remittance-receiving households, could help identify programs that enhance remittance distribution, introduce households to financial services, and decrease the number of financially unserved migrant families.

208. Cooperatives do not have databases of their members who receive or are dependent on remittances from overseas breadwinners. As a result, services that address concerns of OFWs have not been on the horizon until recently. The Global Cooperative Payment System is a partnership between NATCCO and the NTUC Income Insurance Cooperative, a large insurance cooperative in Singapore, to service the remittance needs of the estimated 100,000 OFWs in Singapore.

209. The idea is to offer a remittance system with easy access through cooperative offices and Fair Price stores, retail stores in Singapore similar to 7-11 convenience stores. The system would use cooperative-to-cooperative money transfer software and electronic banking facilities that offer lower service fees and fast money transfer information (including bank-to-bank and door-to-door services). NATCCO says the system will allow payments in multiple currencies and foreign exchange at favorable interbank rates. It is supposed to allow daily settlement of global transactions between cooperatives, although participating cooperatives will have to advance payments to beneficiaries similar to Western Union's arrangements with its outlets.

210. NATCCO sees the partnership as an opportunity to (i) earn income from foreign exchange services; (ii) increase membership among OFW beneficiaries, as well as primary cooperatives that might wish to participate in the program; and (iii) enhance its role in the financial sector through its foreign exchange capabilities. NATCCO is to serve as network agent in the Philippines, with participating cooperatives as branch agents. The agents advance payments once the remittance deposits are known to be in the Philippines, as monitored by NATCCO through the Internet. As a result, beneficiaries' accounts with the paying cooperatives are credited virtually instantly, and the remittance deposit can be claimed immediately. The system is being piloted in five large cooperatives in Lingayen, Pangasinan; Quezon City; Cebu City; Dumaguete City; and Cagayan de Oro City. According to NATCCO, NTUC Income Insurance will levy only the actual operating cost during the trial phase, which is minimal. If the trial run is successful, remittance charges will be lower, or at least competitive, with rates offered by other money transfer agencies in Singapore.

3. Microfinance Institutions

211. For several years, institutions engaged in microfinance lending have serviced the capital requirements of thousands of poor families that set up microenterprises to escape from poverty or improve their living standards. These institutions include rural and thrift banks, cooperatives, and microfinance NGOs. In the Philippines, three or four large networks of microfinance NGOs have a combined clientele of 1 million–1.5 million borrowers, excluding others in church-based or other group initiatives. Microfinance-oriented banks are overseen by the BSP's Supervision and Examination Sector, which regularly examines them. However, microfinance networks or coalitions also actively review and evaluate the performance standards of their microfinance NGO members.

212. Financial sector reforms initiated by the Government in the 1990s, and some circulars issued in relation to the General Banking Law of 2000, established a much clearer policy framework for promoting microfinance. The Government sent clear signals that it intends to promote viable and self-sustaining MFIs. The BSP relaxed the moratorium on licensing new thrift and rural banks to allow the entry of microfinance-oriented banks. In addition, the BSP reconfigured its rediscounting facility to provide liquidity assistance to support microfinance programs. With funding assistance from multilateral institutions, Government lending institutions, such as the Development Bank of the Philippines, LBP, and the People's Credit and Finance Corporation, became instruments for providing financial services to microenterprises

and poor households. Rural banks, cooperative banks, thrift banks, as well as microfinance NGOs, serve as conduits for microcredit. Some pending legislation could improve the delivery of OFW remittances to beneficiaries. One of the major provisions of Senate Bill No. 442, for example, is the utilization of rural banks as remittance centers.

213. Do MFIs have a role to play in linking remittances to development? The study team concluded that, while caution should be exercised in having MFIs as remittance conduits, OFWs could use MFIs, particularly regulated ones such as rural and thrift banks, for savings and investments.⁷³ Microfinance reaches out to more marginalized people and others in the informal sector, whose only coping mechanism might be microenterprise. A portion of remittances could be invested in microfinance banks or institutions, and still manage a rate of return that is comparable to what commercial banks might offer. A 1-year investment of about ₱100,000, given the usual two microfinance cycles of 6 months each, could support about 20 microentrepreneurs in 1 year. As a strategy for asset buildup and financial literacy, linking migrants and their families to MFIs would provide remittance-receiving households with business mentoring and capital access. That might be precisely what an absentee migrant needs to make sure that the money he or she remits is used productively and not wasted.⁷⁴ While microfinance is important, microfinance practitioners must build on its strengths by improving service delivery through capability building programs. They also must be open to innovations, such as creating links between groups of suppliers and buyers, improving products, and expanding new markets. The systemic application of microfinance generates economies of scale, and more efficient ways of production.

G. Investment Channels

214. The market study found that 68% of beneficiaries are able to save, and 87% of them keep their savings in a bank. This is an indication that Philippine banks are successful in introducing their products to the beneficiaries and their families. By lowering the beginning and maintaining balances for savings accounts, Philippine banks are in a strategic position to tap the savings potential of OFWs and their families. Savings accounts and other bank products, such as insurance, housing loans, educational loans, and microloans, are introduced to the prospective remitters as early as the PDOS. Banks also market stable securities, such as Government treasury bills, treasury bonds, foreign currency deposit accounts, and other savings and investment instruments specifically designed for overseas workers. Other investment channels with programs specifically designed to encourage remitters and their families to set up small businesses could lessen the risks of failure, while minimizing the management burden for the remitters and their families. Planters Development Bank, for example, has a program that introduces migrant workers to franchised businesses.

215. The Philippine financial system is composed of financial and economic organizations delivering products and services to different socioeconomic levels of the Philippine population. The key to improving service delivery and leveraging resources, including migrant remittances, is to institute policies that will enable financial institutions at all levels to upgrade their capabilities. Policies that engender financial ascendancy, or monopolies that lessen competition, should be avoided.

⁷³ See also section on rural banks.

⁷⁴ Bagasao, I. 2003. Migration and Development: The Philippine Experience. Paper Delivered at WB-DFID International Conference on Migrant Remittances: Development Impact and Future Prospects, London, October.

H. Leveraging Foreign Currency Flows

1. Securitization

216. With predictable flows of more than \$7 billion per year, OFW remittances could be harnessed for developmental initiatives. Banks in Turkey (Is Bank) and Latin American countries (Banco de Credito del Peru, Banco Cuscatlan in El Salvador, and Banco Nacional de Mexico) have tapped the investment market successfully for amounts ranging from \$100 million to \$300 million through securitization.

217. A normal securitization transaction begins with the selection of a pool of assets or flows, such as OFW remittances. The originator (local bank) sells these assets to a special purpose vehicle (a remittance trust company), which in turn sells these assets directly to the capital markets. Securitization drivers include funding benefits (cost-effective funding, diversity of funding), capital and asset yield enhancements, and credit risk mitigation. Appendix 11 provides a general securitization structure,⁷⁵ which includes an overview, a list of the parties to securitization, the summary of the structure, a description of the eligible customer remittances, transaction structure for the initial and ongoing flow of funds, and a detailed flow description.

218. In the Philippines, several banks (Citibank, Credit Suisse First Boston, and Morgan Stanley) have been offering securitization transactions to local banks and the Government based on dollar flows from overseas workers remittances. Several structures have been put on the table, including those that use system-wide flows with the Government as the borrower. Local banks, on the other hand, are open to securitization transactions as long as the funding costs will enable them to reinvest the proceeds of the securitization with acceptable returns.

219. In an ideal structure, according to securitization experts, the originator should be the local bank with the actual remittance flows, as occurred in Latin American transactions. However, an investment grade rating is necessary to tap the capital markets at attractive rates. This creates an opportunity for multilateral institutions to provide credit enhancements to the transaction to achieve the desired investment grade rating. In return, the multilaterals can encourage the local financial industry to participate in development projects by requiring the local banks to reinvest proceeds in targeted developmental initiatives, or in MFIs. The MFIs also can use its own receivables from microborrowers for risk mitigation.

XIII. BARRIERS TO INCREASING REMITTANCE FLOWS

A. Regulatory Barriers

220. The study found a number of barriers that likely hinder the inflow of more remittances to the recipient country, the shift from informal to formal channels, and reduction in remittance costs. These barriers are related to regulatory, cost, industry, and financial infrastructure issues in remitting and recipient countries. Moves to revive the taxation of income of certain professionals might also pose threats to remittance flows.

⁷⁵ Citibank N.A. provided the securitization structure.

1. Anti-Money Laundering Issues

221. Many of the major Philippine commercial banks mentioned that the implementation of AML laws in the Philippines and in foreign countries has presented challenges for the banking sector, as well as its customers. Producing the required identification, especially in remote provincial areas in the Philippines, can be difficult, as the list of acceptable forms of identification is limited. The perception in the banking industry is that informal money transfer agencies, as well as money changers not supervised by the BSP, enjoy an advantage that could be likened to unfair competition. Although this issue should be addressed when the BSP enforces AML monitoring sometime in 2004, more resources must be employed to ensure compliance with AML regulations. In this connection, the BSP is studying proposals to regulate money changers and remittance agents, including collaborating with LGUs in the issuance and renewal of business permits.

222. Problems with AML compliance also were noted in remitting countries. Banks reported difficulties in opening new accounts—known as Nostro accounts from the Latin term for “ours”—with banks in the US and Europe or with a depository bank. These problems included tedious requirements that differ from country to country. In London, for example, one bank discovered that waiting periods could last up to 1 year. Difficulties also were experienced in France. Filipino remittance banks and centers in the US refuse remittance transactions when amounts exceed \$10,000. In addition, amounts exceeding the usual pattern of remittances invite close, and often embarrassing, scrutiny in the remitting country, which drives remitters to use nonbank channels to speed up the remittance process.

223. Implementation of AML regulations naturally has caused inconveniences that might have led many Filipino remitters to use nonbank money transfer agencies, which offer more geographical accessibility, less formal regulations, and longer business hours. International money transfer agencies also have acquired a reputation for fast and efficient delivery, and have more outlets in the Philippines.

2. Costs

224. The costs of licenses and bonds in remitting countries, including incremental costs related to AML compliance, also can pose a heavy burden. Banks incur more costs than nonbanks, because they have to maintain higher standards for their operating procedures, audit, and risk assessment of parties. Typically these are variable costs, such as (i) telecommunications and Internet costs; (ii) correspondent charges for credit or debit to account; (iii) clearing costs (with PDDTS, PCHC, and SWIFT); (iv) ATM network costs; (v) transportation; (vi) depository bank charges for notes counting; (vii) share of money transfer agent in fees; (viii) marketing and advertising expenses; (ix) processing and courier costs; and (ix) staff salaries.

225. The original receiving bank charges an EPCS fee, ranging from ₱90 to ₱150, when funds are transferred to another local bank where the beneficiary's account is maintained. The beneficiary normally absorbs these charges, which are advised to the remitter at the outset. Banks feel that the charges are justified as they incur operating costs, while revenues (remittance fee and foreign exchange earnings) are retained by the MTOs that receive the funds and payment instructions abroad. As the PCHC charges ₱10 for the credits, local banks should consider reducing these current charges. The local banks, on the other hand, use these charges to convince the remitters to ask their beneficiaries to open accounts with the original receiving local bank.

3. Regulatory Issues in Specific Remitting Countries

226. The Philippine Government could undertake initiatives with host country governments, bilaterally or through regional groupings, to identify measures that will address regulatory concerns. These efforts could be carried out through the Board of Investments and DFA, in coordination with BAP or the Association of Bank Remittance Officers. One of these initiatives could involve Philippine banks, or remittance entities, opening remittance windows or facilities in host countries heavily populated by overseas Filipino remitters, such as the US, Italy, Spain, Saudi Arabia, and other Middle Eastern countries. This would improve access by Filipino remitters to formal channels, and also drive down costs through enhanced competition.

4. Last Mile Issues

227. Approximately 30% of remittances are still sent through door-to-door services offered by banks or nonbank money transfer channels. This is usually the option when few banks or money transfer agencies are located near remitters' residences, or when beneficiaries live in remote areas. This will continue to be a concern unless the banking or money distribution system in remote Philippine areas is improved.

228. The inability to upgrade technology and infrastructure is a major barrier preventing the formal banking and remittance sector from improving efficiency, which could lower costs. For example, the establishment of online systems and straight through processing would enable banks to transmit and process payment orders more efficiently. Only one Philippine bank is reported to have completed system enhancements to enable straight-through processing. This kind of improvement could lower transaction costs and allow same day, real time, online credit, even if the source of funds is a foreign bank overseas. Ultimately, the high cost (estimated at \$1 million) is the major impediment to upgrading a bank. Projects that potentially could solve last mile problems through the use of postal offices and selected microfinance companies, or cooperatives as remittance payment conduits, also are stymied by funding problems.

229. The Philippine Government has granted tax breaks to its overseas workers. The Tax Reform Act (Republic Act 8424) exempts OFWs from tax on income derived abroad. Revenue Regulation No. 10-98 exempts nonresidents and OFWs from paying the 7.5% tax on interest income from foreign currency deposits. Overseas workers are also exempt from paying travel taxes when they have stayed less than 1 year before their departure. However, the Philippine Bureau of Internal Revenue's announcement that it plans to tax the income of highly paid Filipino professionals working abroad has been met with protests from those likely to be affected. The move might pose a threat to increasing remittance flows.

B. Nonbank-Related Barriers

1. The Demand for Filipino Workers

230. The flow of remittances, including those transferred through formal channels, can be affected by the increase or decrease in the demand for Philippine workers. Labor nationalization laws in other countries, such as Saudisation in Saudi Arabia or Emiratization in the United Arab Emirates, in time could reduce employment of Filipinos in these countries. Economic recessions in host countries, such as those caused by the Asian financial crisis that erupted in 1997, could result in the deportation of thousands of Filipino immigrant workers, or a downgrade in

salaries.⁷⁶ Competition from migrant workers of other countries, who might offer similar skills at a lower cost, also could constrain demand unless training facilities of Filipino overseas workers are upgraded and new labor markets are developed. In certain cases, Filipino workers receive less pay than other nationalities performing the same work due to unrealistic or arbitrary evaluations of their academic credentials by host country authorities.⁷⁷ The Philippine Government could push for a more appropriate evaluation of standards through negotiation or bilateral treaties.

2. Financial Burden on Departing Overseas Filipino Workers

231. The market survey indicates that nearly half (49%) of job applicants incur debts to pay recruitment fees and other predeparture expenses. Although the law limits the recruitment fees charged by recruitment agencies, monitoring these fees charged by illegal and legal recruitment agents traditionally has been difficult. Anecdotal evidence also suggests that in many cases applicants are charged fees, even though recruitment agencies already receive a fee or commission from overseas principals for every worker recruited. High recruitment and deployment costs could affect the number of potential remitters, and reduce amounts that are sent to their families due to the prioritization of debt payments.⁷⁸

3. Inadequate Financial Orientation on Departing Workers

232. The quality and content of PDOS need improvement, particularly in educating workers on savings instruments and other financial products. Banks observed that the rules and requirements, as well as the extent of their participation and roles, are not clearly explained. Different banks (and money transfer companies) sponsor each PDOS session, thus quality and consistency are not maintained. Overseas workers might be obtaining information at a less-than-ideal time before they are about to leave. In the long term, financial literacy programs might best be administered before the worker has considered overseas work as an option, preferably at the barangay or community level.

XIV. CONCLUSIONS AND RECOMMENDATIONS

A. Rationale of Policy Recommendations

233. This study covered two main areas: (i) a review of the flows of remittances by OFWs; and (ii) the identification of the constraints in the policy, regulatory, and institutional framework that influence or impact on these flows. The principal objective was to develop proposals to address the problems and constraints with a view to increasing remittance volumes, facilitating the shift from informal to formal channels, and leveraging remittances for sustainable poverty reduction. A review of the Philippine remittance environment, and a study of the profile and demography of Filipino remitters, strongly suggested that the Philippine remittance system has all the basic ingredients to achieve those objectives. The Philippine financial system is quite developed, and Philippine banks and money transfer agencies have established a strong presence in major cities worldwide. Moreover, Philippine banks have developed market mechanisms characterized by partnerships, the use of new technology, and revenue sharing

⁷⁶ Bohning, W., *ibid.*

⁷⁷ For instance, a Filipino professional who had undergone 5 years of academic training for accountancy might receive less pay than a worker from another country who went through training for shorter periods.

⁷⁸ The excessive charging occurs mostly in the placement fees and hidden fees, such as escorting expenses at the international airport, to facilitate departure of OFWs leaving as tourists.

between bank and nonbank remittance agencies—all of which has contributed to a healthy competitive spirit in the remittance industry and reasonable transaction costs. The market study also strongly suggested that the Filipino remitter, particularly the contract-based workers, generally are receptive to—and, in fact, are already using—formal remittance channels.

234. With formal flows running at \$7 billion dollars a year—and with actual flows estimated to be at least \$10 billion—OFW remittances have tremendous potential as a tool for poverty reduction. Some examples strongly suggest that remittances, when properly harnessed and leveraged, and coupled with fiscal discipline and mobilization of savings, could serve as a driver for economic reform for migrant countries of origin over the long term. Some migrant-sending countries have successfully leveraged their remittances to become net labor-importing countries. In the Philippines, the challenge lies in addressing the regulatory and practical barriers and gaps that hinder the flow of remittances and other migrant resources to be used for strategic economic purposes. Financial institutions, Government agencies, and civil society organizations must be put to maximum use to achieve the objectives. In this connection, the study team supports the multilateral development institutions' plan to initiate additional technical assistance for in-depth studies of other remitter countries. Also worthy of support are initiatives that the Philippine Government might take with countries hosting huge OFW populations, such as opening remittance windows for Philippine banks or remittance entities to give greater access to formal remittance channels, enhance competition, and lower remittance costs.

B. Breaking Down Barriers and Bridging Gaps

1. Licensing Costs and Restrictive Regulations

235. The main barriers to improvement on first mile issues are (i) the high costs of licensing; (ii) bonds; (iii) minimum capital requirements for Philippine banks and remittance companies; (iv) service charges imposed by host country banks; and (v) highly restrictive laws from remitting countries, such as the US and some European countries (France and the UK). Liberalization policies by Singapore could offer some insights into achieving a balance between liberalization and competition, on the one hand, and enforcement, on the other. A similar move by US, Middle East countries (especially Saudi Arabia), Japan, PRC, and several European countries would help open up remittance markets in areas that are underserved by Philippine banks or formal money transfer agencies. The increased volumes of business generated by higher remittances inflows through the banking sector, and the favorable impact on the economic standing of migrants and their families from possible increased usage of banking and financial services, should offset whatever might be lost through the reduction of service charges.

2. Irregular Workers

236. A solution must be found to enable millions of OFWs with irregular status in major remitting countries to gain access to banking or other formal remittance facilities. This lack of access drives these workers to use unregulated remittance channels, discourages savings, and encourages consumptive spending. This might be addressed through the introduction of low-cost technology-based products. US authorities also could consider seriously the proposal to accept identity cards issued by Philippine consulates (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 money transfer agencies, to introduce their Philippine-based savings and investment products, or allow the opening of Philippine-based accounts for remittance beneficiaries. This makes sense if the objective is to leverage remittances in migrants' countries of origin.

3. Anti-Money Laundering Compliance

237. Compliance with AML requirements has added incremental costs, especially to banks and remittance agents of banks in remitting countries. By some accounts, the transaction and processing costs of the Philippine banks have increased by as much as 10–20% due to the continued inclusion of the Philippines on the FATF's negative list. These costs result from (i) increased requirements for enhanced due diligence in the identification of clients, (ii) in-depth recordkeeping, (iii) quicker discrepancy resolution, (iv) audit readiness programs and training programs, (v) investments in more sophisticated software, and (vi) more senior management time spent looking into suspicious transactions. Moreover, FATF's inclusion of the Philippines on the list of noncooperative countries might have hindered remittance flows as well as foreign direct investments. While the Philippines' continued presence on the list might be justified, the Philippines (including representatives of the Philippine banking industry) should maintain clear communications and dialogue with US authorities and the FATF. This is the only way to address gray areas that impede communication and understanding of expectations and roles, and the lack of funds to upgrade Philippine technical capability to enforce AMLA. The threat of sanctions would only prejudice millions of remittance-receiving beneficiaries and the Philippine financial system. Sanctions also would drive more remitters to use unregulated money transfer channels.

238. Participation on the AML Council could be expanded to include the private banking sector, informal remittance practitioners, and even nonbank foreign exchange dealers. Notably, the WB-DFID conference last year proposed a conference involving formal and informal remittance sectors to (i) ensure wider sharing of knowledge, (ii) foster understanding of each other's situation, and (iii) exchange useful information on the implementation and refining of the AMLA. While BSP is considering the options and proposals for the registration and monitoring of nonbank money exchange and remittance agencies, the inclusion of such agencies in dialogue and discussions at this early stage might be useful. Many in the banking industry have complained that nonbank entities have an unfair competitive advantage in the remittance and foreign exchange market due to the application of AMLA and foreign exchange rules. Banks are subject to more stringent rules and costs than nonbanks. Agencies that deal with foreign exchange and remittance should be subjected to BSP rules, regulations, supervision, and examination. This does not mean driving the nonbank industry out of business, but simply making certain that liberalization of currency exchange is not abused to the detriment of the financial system. Regulating the nonbank-affiliated foreign exchange and remittance companies will also (i) facilitate recording of remittances and AML monitoring; (ii) encourage foreign exchange transactions through the banking system; and (iii) consequently, assist in increasing international reserves.

C. Remittance Cost Reduction

239. The study strongly suggests vibrant competition in the remittance market between the Philippines and other remitting countries, particularly from the US and Singapore (which rank first and sixth, respectively, among remitting countries to the Philippines). The entry of more players, including some nontraditional ones, should drive down costs further and increase the formal sector's share of the remittance flows, which is already high at 80%.

240. Aside from being unsafe, door-to-door services add an incremental cost of at least \$2 to the remittance price, which reduces the chances that the remitter or beneficiary will be able to save part of the remittance proceeds. Given that the Philippines is an archipelago with many underdeveloped areas, the door-to-door system will continue to be used. However, usage could

be reduced with greater participation of community-based institutions, such as rural banks, cooperatives, and MFIs, as well as postal offices, in the provision of remittances and other financial products and services to migrants' beneficiaries. The study team recommends that BSP work with the banking and nonbank associations to improve domestic interconnectivity, which would allow more efficient last mile distribution of remittance proceeds. Multilateral institutions, on the other hand, should consider assistance for technical studies and funding of interconnectivity projects. Improvement to roads, bridges, and the peace-and-order situation also would facilitate effective distribution.

241. Establishment of online remittance systems and straight-through processing enhances remittance systems and reduces costs significantly. However, commercial banks that wish to upgrade their capabilities are hampered by the huge investments required. By opening a window for financing alternatives (preferably in local currency), or providing other incentives such as a rating system for operational efficiency, banks might be encouraged to establish online remittance systems and straight-through processing. Factors for rating operational efficiency could include level of computerization, cost management, standard processing, and straight-through processing. Multilateral institutions might assist by funding technical studies by banking experts to create benchmarks, which BSP could utilize in the rating system. Banks also should consider outsourcing to reduce costs as BSP's current regulations allow outsourcing.⁷⁹

242. The initiative to extend the Federal ACH for US payments to the Philippines should be considered seriously, given its potential to drive down remittance costs. However, one key issue has to be resolved: ensuring equitable opportunities for banks to participate in revenue earnings from foreign exchange transactions, which frequently are their main source of revenues on remittance transactions. The effective implementation of ACH would require an industry benefit-cost analysis, and the participation of commercial banks in the formulation of relevant policies. It also would depend on the readiness of banks, particularly their level of computerization, capitalization requirements, connectivity, among others. Interconnectivity with automated clearing houses of other countries, including an Asia Pacific regional interconnectivity platform, should be explored.

1. Increasing Remittance Volumes

243. The volume of remittance flows can be influenced by several factors, such as (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, (iv) job credential issues that downgrade migrant wages, and (v) the cost of predeparture expenses. The Philippine Government could respond to these issues by upgrading the quality of preparatory education (and augmented by special skills training); identifying new labor markets, provided they do not endanger worker's welfare; negotiating with host governments for the proper accreditation of workers' academic and work experience; and reviewing predeparture expenses. Effective and meaningful reintegration programs by the Philippine Government, as well as civil society, must be put in place to absorb the eventual or sudden return of workers due to forced repatriation or contract completion. Savings mobilization (including studies to determine the size and profile of the unbanked population), enterprise development, skills training, and financial literacy programs also should be established. They could be linked to technical assistance or funding assistance from international and multilateral agencies.

⁷⁹ BSP Circulars 268, dated 5 December 2000; and 408, dated 13 October 2003.

D. Enhancing the Efficiency of the Government's Overseas Deployment System

244. The Philippine Government is mandated to set up and install the Shared Government Information System, which requires agencies involved in the overseas deployment system to establish databases and then link them. This would allow the exchange of vital information on migrant stocks and flows, enhance communications between home agencies and overseas offices, improve authentication of documents needed to process applications, as well as other services. By linking these databases, the Government and migrants would save money and person-hours. The Shared Government Information System also 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 returned migrants. Efficiency and transparency build the public's trust and confidence in the Government, and could generate an enabling climate for increased use of otherwise idle resources. In the long term, this could increase savings and investments in communities. Funding agencies and multilaterals should consider seriously studying and supporting the completion of this project.

245. Despite some limitations, the PDOS conducted under the auspices of OWWA offers opportunities to teach OFWs about financial literacy and the culture of savings. If possible, specialists should be given a more prominent role in handling financial literacy subjects. The fact that 22% of OFWs surveyed attributed their opening of savings accounts to the PDOS is indicative of its potential. Better still, financial literacy and education should be started at the barangay level, even before migration is considered as an employment option. Adding financial literacy to the curriculum of primary school students also makes sense. BSP and PDIC are encouraged to accelerate financial literacy and savings programs.

246. One of the main gaps in the formulation of policy is the difficulty in obtaining reliable information from Government agencies. This could be addressed through the systematic and purposeful recording of information from the public that transacts business with these agencies (e.g., SEC, DTI, POEA, and LGUs that grant business permits). 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.

E. Leveraging Remittances for Development

247. The role of community-based financial or economic institutions—rural banks, thrift banks, cooperatives, and MFIs—in linking remittances to development should be given a closer look. These institutions service millions of financially underserved sectors of society, yet they are not integrated fully into the financial system. Each of these sectors has self-regulatory mechanisms through networks that establish criteria for good governance. Government interventions should support their operations and projects to improve their interconnectivity, and open windows for programs initiated from these sectors linking migrant remittances to development.

248. Windows for funding or institutional support could be opened to encourage initiatives by NGOs or MFIs that link OFWs with their programs for savings mobilization, investments, credit access, or enterprise development in migrants' communities of origin. Such programs could complement the tax and other incentives offered under the recently passed Barangay Micro Business Enterprise Law. Funding and support also could be targeted at programs for new

products development, capability building of MFIs, and improving access of remittance-receiving families and households to community-based financial institutions, such as cooperatives and microfinance NGOs. These NGOs could offer simple, entry-level financial products and services, remittance services, or insurance. Lessons could be learned from the IADB's MIF program, particularly on leveraging remittances through enterprise development and capability building for NGOs engaged in service delivery to migrant families.

249. Multilaterals should look into the impact on development of FAO initiatives. Thousands of these regional or hometown associations are active in mobilizing funds, which are repatriated to the Philippines to fund socioeconomic projects, as well as infrastructure in needy areas. A separate study could be conducted to identify how these widely disparate organizations could be organized better to attain economies of scale through the pooling of resources. The Philippine Government already has a bureaucratic structure (CFO) that could be enhanced through technical assistance. The study could (i) assess the development impact of such donations; (ii) identify barriers or gaps that impede more donations; and (iii) propose policy measures to increase these flows, starting with the elimination of VAT on donations. Multilateral agencies also might consider study and support to match the funds donated by these overseas associations to enhance capital buildup.

250. Upon the expiration of their overseas contracts, 2.6 million–3 million contract-based workers will have to return to the Philippines. As shown during the Asian financial crisis, domestic employment opportunities could not accommodate the sudden influx of Filipino workers, who were deported or asked to leave by host countries hit by recession. In the Middle East, where some countries such as Saudi Arabia and the United Arab Emirates host millions of OFWs, programs for nationalizing the labor force are ongoing. The return of thousands of OFWs from those countries should be anticipated by concrete measures to reabsorb them into the Philippine labor force. Government efforts to reintegrate returning workers could be supplemented by technical assistance to fund a focused study on reintegration, and to support initiatives by networks of reintegration groups or others that render vital psychosocial services to migrant workers.

251. Philippine laws, regulations, and policies that have established a system of incentives in the form of tax exemptions and property privileges to expatriate capital must be evaluated to determine the expected impact on local economic development. The ability of these incentives to attract serious and long-term productive investments from overseas Filipinos (in the form of small and medium enterprises, or the transfer of acquired skills and technologies) also should be reviewed. Policymakers and overseas Filipino communities should discuss fully the effects and implications of the Dual Nationality Act on former Filipinos. These discussions could go hand-in-hand with programs supporting the local governments' initiatives to attract domestic and foreign investments to their respective communities. Linking expatriate capital with their communities would enable resources to trickle down directly, and more quickly, to the countryside, where these infusions of capital might be sorely needed. If properly designed and implemented, local governments could sell bonds (guaranteed by their IRAs) to OFWs originating from these communities as savings or investment vehicles. The proceeds then could be used to fund local infrastructure that would provide long-term benefits to migrant families and the communities where migrant workers will reintegrate eventually.

252. With expected flows of more than \$7 billion per year, OFW remittances could be securitized for developmental initiatives, as Turkey and some Latin American countries have done. Securitization drivers include funding benefits (cost-effective funding, diversity of funding), capital and asset yield enhancements, and credit risk mitigation. Several foreign banks based in

the Philippines have been offering securitization transactions to local banks, multilateral institutions, and the Government based on dollar flows from overseas workers' remittances. Multilateral institutions could provide credit enhancements to achieve the desired investment grade ratings. MFIs or local development projects could be the targeted areas of investments.

F. Regional Cooperation

253. Migrant origin countries 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 labor to fill labor shortages and to enable its local employment to shift to more productive occupations. The Philippine Government and certain host countries have entered into bilateral agreements, which are essentially government-to-government arrangements containing procedures and general guidelines on recruitment terms and conditions without any commitments on the number of workers to be recruited. It is in the interest of host and origin countries to address issues and concerns on remittances, as well as other core migration issues, such as irregular workers, illicit trafficking and downgrading of terms of employment and academic credentials of foreign workers. This could be achieved through bilateral initiatives or within the ambit of regional economic groupings, such as the Association of South East Asian Nations (ASEAN) or Asia Pacific Economic Cooperation (APEC).

254. Host countries have been reluctant to sign bilateral labor agreements. Meanwhile, regional institutions such as ASEAN and APEC are perceived to have not taken migration issues seriously. Thus, the report of the APEC Alternative Remittance Systems Working Group on informal fund transfer systems is encouraging. It might mark the first time that a migration issue was discussed in a major regional grouping such as APEC, which counts as members major host countries and migrant countries of origin. As a major development agency in Asia, ADB could support or sponsor conferences or discussions between host and sending countries on remittance and migration issues, including the identification of best practices that could be replicated in other countries.

STATE LICENSING REQUIREMENTS
Top 10 States with Documented Filipinos

Parameters	California	Hawaii	Illinois	New Jersey	New York	Washington	Texas	Florida	Virginia	Nevada
Filipinos--Actual Census 2000	918,678	170,635	86,298	85,245	81,681	65,373	58,340	54,310	47,609	40,529
Estimated by CY2003	1,003,864	186,457	94,300	93,150	89,255	71,435	63,750	59,346	52,024	44,287
License Requirement	Yes	No	Yes	Yes	Yes	No	Yes	Yes	Yes	Yes
Regulatory Agency	Dept. of Financial Institutions	—	Dept. of Financial Institutions	Dept. of Banking and Insurance	State Banking Dept.	—	Dept. of Banking	Dept. of Banking and Finance	State Corp. Comm. (BFI)	Dept. of Business and Industry
Applicable Statute	California Financial Code	—	Illinois Transmitters of Money Act	New Jersey State Act	New York Banking Law	—	Texas Finance Code	Florida Statutes	Code of Virginia	Nevada Revised Statutes
Minimum Required:										
- Tangible Network	\$250,000	—	\$35,000	\$50,000	\$500,000	—	\$25,000	\$100,000	\$100,000	\$100,000
- Pledged Assets	\$250,000	—	\$100,000	\$25,000	\$500,000	—	\$300,000	\$12,500	\$25,000	\$10,000
- Cash	Yes	—	No	No	No	—	No	Yes	No	Yes
- Bond	No	—	Yes	Yes	Yes	—	Yes	Yes	Yes	Yes
- Time Deposit	No	—	No	No	No	—	No	Yes	Yes	Yes
- Govt. Securities	Yes	—	No	No	Yes	—	No	Yes	Yes	Yes
License Fee	\$2,500	\$150	\$100	\$1,200	\$500	\$75	\$500	\$1,000	\$750	\$100
Application Fee	\$5,000	0	\$100	\$300	\$1,000	0	\$1,500	\$500	\$500	\$250

— = not applicable, BFI = Bureau of Financial Institutions (Virginia, US), CY = calendar year.

Source: Association of Bank Remittance Officers Incorporated (ABROI).

Notes:

- Total number of documented Filipinos in the US is 1,847,952 (2000 Census).
- Filipinos rose from 1,419,711 in 1990, for an annual average of 3.0164% (2000 Census).
- Estimate for CY2003 is based on average annual growth rate of 3.0%.
- Fee for Hawaii and Washington refers only to city business permits.
- Undocumented Filipinos estimated at between low of 200,000 to high of 350,000, mostly in California, Nevada, and Hawaii.
- OFWs only in Florida does not include Filipino crewmen aboard cruise liners; estimated to be at least 16,000 in ports of Miami, Fort Lauderdale and Tampa.

LIST OF STAKEHOLDERS

Agency or Organization	Objectives	Desired Results
Philippine Migrant Regulatory Agencies Department of Labor and Employment (DOLE)	To understand DOLE's role in setting policies and measures, and enforcement of laws on recruitment, deployment, and protection of the welfare and rights of overseas Filipino workers (OFWs), enforcement of labor contracts, and the effective repatriation of their earnings to their families.	An assessment of the problems, concerns, and constraints faced by the sending country in the deployment of overseas workers, and possible recommendations on measures for more effective protection of their rights, particularly the maximization of their earnings and resources for their benefit and their families.
Philippine Overseas Employment Administration (POEA)	To examine POEA's specific role in the recruitment, documentation, and deployment of OFWs; and the regulation of recruitment agencies and the orientation of OFWs on sociocultural environment, protective mechanisms, and remittance facilities available at the workplace.	An understanding of the problems and concerns characterizing the recruitment process, statistics, and numbers of OFWs.
Overseas Workers Welfare Administration (OWWA)	To understand the specific role of OWWA in protecting the welfare of OFWs in their foreign workplaces, and the mechanisms employed to achieve this purpose.	An assessment of the welfare programs and services of the Philippine Government relating to OFWs, and possible recommendations on improving its capability to administer and manage OFW contributions.

Continued on next page

Agency or Organization	Objectives	Desired Results
Department of Foreign Affairs (DFA)	To understand DFA's specific role in the deployment of OFWs, the protection of their welfare and rights, the role of diplomatic posts vis-à-vis OFWs, residents, and ethnic Filipinos overseas, and the other Government departments, such as DOLE and OWWA.	To obtain data regarding international or regional cooperation agreements entered into between the Philippines and migrant-receiving countries on migration and financial matters; to identify the DFA's role and possible measures for enhancing their capacity to improve OFWs' ability to maximize or repatriate their earnings.
Commission on Filipinos Overseas (CFO)	To obtain information on CFO's role in the documentation and outreach to overseas Filipinos; its programs and activities in encouraging, facilitating, and monitoring the economic contributions of overseas Filipinos to economic, humanitarian, and infrastructure projects in the Philippines, the size, nature, areas of deployment, and its assessment of the impact of these contributions to Philippine development.	An overview of the size, nature, and areas of deployment; and an assessment of the development impact of overseas Filipino philanthropic activities on local communities with a view to enhancing these contributions through links with current or future development programs, or financial counterpart mechanisms.
Securities and Exchange Commission (SEC)	To understand SEC's supervisory, monitoring, and regulatory role in the registration of entities, particularly money transfer and money exchange entities, its participation in inter-agency committees, if any, and in the enforcement of currency laws.	Policy recommendations to improve its capability in the monitoring and enforcement of SEC registration and compliance with currency laws.

Agency or Organization	Objectives	Desired Results
Department of Trade and Industry (DTI)	To identify DTI's monitoring and regulatory role in the registration of business entities, particularly money transfer and money exchange entities; overseas Filipino investments in the Philippines; statistics and numbers of OFWs who have registered investments and have availed of investment incentives; and programs and recommendations that will encourage overseas Filipino investments in the Philippines.	Identification of the DTI's role in the registration and monitoring of entities engaged in money transfer and exchange; an estimate of the geographical distribution of such entities; the services relating to OFW investments and trade that could be enhanced through future program support.
Formal Financial Institutions Commercial Banks	To discuss from their perspective the barriers or incentives in the legal, regulatory, and policy framework of the Philippine financial and banking system, the Philippine financial/payments infrastructure, including telecommunications infrastructure, if applicable, and how it assists banks in managing their various remittance products; barriers or disincentives in the remitting country, mainly the US and Singapore; factors which significantly affect the cost and speed of remittance delivery, trends in the market on migrants' remittances, including automated teller machines, smart cards, as well as the informal sector; an update on services and products, including any investment products offered, its market size and volumes of remittances, outreach within the Philippines and overseas.	To come up with policy and practical recommendations for the consideration of the Philippine Government and the regulatory agencies in remitting countries; for the adoption of measures that could reduce remittance cost, encourage more remittances to flow through the formal sector, and the generation of innovative remittance products, financial products, and services that will increase the reach of formal or regulated remittance services to migrant-remitting populations and their beneficiaries.

Agency or Organization	Objectives	Desired Results
Rural Banks, Development Banks, and Thrift Banks (including Microfinance Banks)	To discuss these sectors' activities, if any, on the servicing of the remittances of OFWs, accessibility of OFW families to their banking products and services, activities on microfinance and enterprise development, barriers or practical problems that hinder them from expanding operations, including interconnectivity issues.	To come up with recommendations on how rural banks, development banks, and thrift banks could take an enhanced role in the formal remittance system, and in leveraging remittances for the productive use among migrant families in the countryside.
Informal Financial Institutions Cooperatives and their networks	To obtain information on the Philippine cooperative system, particularly numbers, types, areas of operation, best practices, an estimation of the families with OFW breadwinners among coop members, and cooperatives formed by returned OFWs.	The identification of existing or potential programs where cooperatives could play an active role through links with remitters and other international cooperative agencies.
Microfinance Nongovernment Organizations (NGOs)	An overview on the current size of microfinance industry, the major players, its reach by geography and number of beneficiaries and areas of enterprise engaged in, barriers, gaps and deficiencies in the legal and regulatory environment; and an assessment of government policies on microfinance, current activities or potential activities on the servicing of remittances, and programs for linking OFWs and their families to microfinance services.	An understanding of the current and potential role of the microfinance industry in servicing savings, credit, and financial needs of OFWs and their families; and identification of current or potential best practices, which could lead to policy recommendations for programs to improve links between microfinance providers and remitters, and the offer of financial products and services.

Agency or Organization	Objectives	Desired Results
Money Transfer Agencies	To understand the nature of their operations and their relation to the formal or regulated sector; the nature, potential size, and characteristics of the markets served.	An assessment of their role and extent of their participation in servicing remittance needs of OFWs; and identification of measures or recommendations regarding the monitoring and regulation of these agencies.
Financial Regulatory Agencies		
Bangko Sentral ng Pilipinas (BSP)	To understand the role of the BSP, the problems and concerns in the registration and monitoring, as well as in the enforcement of Philippine laws and compliance with international commitments relating to banks and other financial institutions, including informal entities, such as domestic or foreign money transfer agencies, and money exchange centers.	To come up with policy recommendations that address the gaps and barriers in the legal and regulatory environment of remittances, its recording and reporting, the extent of its regulatory authority on banks, nonbank financial institutions, money transfer agencies and money changing entities, payments systems and the monitoring of compliance with Philippine and international currency laws and commitments.
Monetary Authority of Singapore	To identify and assess current monetary policies of Singapore as they relate to the regulation and monitoring of money transfer agents and banks, particularly Philippine banks engaged in money	An overview of Singapore monetary laws, regulations and practices as they impact on the

Agency or Organization	Objectives	Desired Results
US Treasury Department	<p>transfer; local laws, regulations and practices regarding the opening of bank accounts by foreign workers; local laws and practices on the tax and other monetary obligations assessed by the Singapore Government on foreign workers.</p> <p>To identify US laws, regulations, and policies as they relate to the regulation, registration, and monitoring of banks, particularly Philippine banks, money transfer agencies, money exchange entities, particularly fiscal or banking regulations that might impede or encourage the flow of remittances from the US to the Philippines; to identify current or future plans in the US to improve international financial infrastructure, and follow up of cooperation agreement between the finance departments of the Philippines and the US.</p>	<p>operations of banks and money transfer agencies, and on the remittance practices and behavior of OFWs.</p> <p>An understanding of the issues, concerns, and problems regarding the enforcement and identification of possible legal, regulatory, or practical gaps, or barriers as they may impact on the remittance flows from the US to the Philippines, and access by Filipino migrants to the banking or regulated sector; an assessment of the problems, issues and concerns in the enforcement of anti-money laundering (AML) and Financial Action Task Force (FATF) laws; possible recommendations to rationalize AML and FATF enforcement and the identification of potential best practices on US financial compliance.</p>

Continued on next page

Agency or Organization	Objectives	Desired Results
Multilateral Institutions Inter-American Development Bank (IADB)	To deepen knowledge and gain firsthand information on IADB's programs on increasing migrant remittance flows to the formal sector and leveraging these for development.	An understanding of the multilateral institution's role in supporting initiatives for remittance cost-reduction measures, increasing the multiplier effects of remittances through increased remittance flows, and linking these to development programs; an identification of best practices for possible replication in Asia.
Inter-American Dialogue (Manuel Orozco)	To learn about the approaches, methodologies, lessons, and the role of the Inter-American Dialogue in the Mexican/Latin American initiatives on remittances, and leveraging these for development in countries of origin, and in particular best practices and the Mexican counterpart programs	Identification of best practices for possible replication in Asia.
Overseas Filipinos Overseas Filipinos and their dependents	In general, to study market behavior regarding remittances and their use; how these are affected by the availability of banking services, decision-making regarding remittance channel options, economic and sociocultural incentives for remitters and recipients to channel remittances to productive use, profiling of remittance senders and remittance households, as well as to validate some remittance behavior explained in existing surveys and studies, i.e. the average amount and frequency and mode of remittance.	An overview of the problems, issues, concerns, and other factors that might affect the remittance and use of migrant earnings, including savings, investments, and other financial products and services.
Civil Society Organizations (NGOs and Migrant People's Organizations) engaged in service	To identify and understand the role of migrant NGOs and people's organizations in facilitating and assisting socioeconomic activities of OFWs, the	An identification of barriers, practices, and disincentives that prevent NGOs

Agency or Organization	Objectives	Desired Results
delivery to Filipino migrant workers	extent of their outreach overseas and in the Philippines.	from effectively delivering services to OFWs; emerging best practices in helping OFWs leverage earnings and remittances for savings, investments, or enterprise
Overseas Filipino Associations (based in the Philippines and receiving countries)	To deepen knowledge about existing or potential Filipino migrant activities that support development or humanitarian projects in the Philippines or in their specific communities of origin; and their motivations, size, and nature.	development; and policy recommendations on how the work of migrant NGOs could be enhanced through support and links with existing development programs. An overview of the size, nature, areas of deployment, and the impact of contributions by overseas Filipino association on development of local communities in the Philippines; to identify problems and issues, as well as gaps and barriers, and recommendations on how to increase the flow of such philanthropic contributions, which could be addressed by private or public sector support.

Table A3.1: Summary of Remittance Fees and Charges from California to the Philippines (March 2004)
($\$$)

Item	Philippine Bank Affiliates			Filipino Remittance Agencies			US Remittance Companies			US Banks		
	Average Price \$200	Price Range	Average Price as a % of \$200/\$400	Average Price \$200	Price Range	Average Price as a % of \$200/\$400	Average Price \$200	Price Range	Average Price as a % of \$200/\$400	Average Price \$200	Price Range	Average Price as a % of \$200/\$400
Credit to Acct \$/₱	7.00	6-8	3.5/1.7	8.60	7-12	4.3/2.1	8.50	7.45-23.4	4.2	40.00	35-45	20/10
Same Bank FX Charge	2.10		1.0	2.50		1.25	2.10		1.00	2.10 ^a		1.00
Total	9.10		4.5/2.7	11.10		5.6/3.4	10.60		5.2/5.2	42.10		21.0/11.0
₱:\$ rate	55.79 ^b	55.70-56.00 ^b		55.70 ^c	55.60-55.80 ^c		55.79 ^d	55.17-56.41 ^d		55.79 ^e		
Pick up at branch \$/₱	9.60	6-12	4.8/2.4	—	—	—	—	—	7/3.5	—	—	—
FX Charge	2.10	—	1.0	—	—	—	5.30	—	2.60	—	—	—
Total	11.70		5.8/3.4				19.30		9.6/6.1			
₱:\$ rate	55.79						54.89 ^f					
Door-to-Door \$/₱ Metro Manila	11.60	10-12	5.8/2.9	11.8	11-12	5.9/3.0						
FX Charge	2.10		1.0	2.50		1.25						
Total	13.70		6.8/3.9	14.30		7.1/4.2						
Door-to-Door \$/₱ Province	13.60	12-14	6.8/3.4	13.60	11-16	6.8/3.4						
FX Charge	2.10		1.0	2.50		1.20						
Total	15.70		7.8/4.4	16.10		8.0/4.6						

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Item	Philippine Bank Affiliates			Filipino Remittance Agencies			US Remittance Companies			US Banks		
	Average Price \$200	Price Range	Average Price as a % of \$200/\$400	Average Price \$200	Price Range	Average Price as a % of \$200/\$400	Average Price \$200	Price Range	Average Price as a % of \$200/\$400	Average Price \$200	Price Range	Average Price as a % of \$200/\$400
Credit to Acct \$/\$	17.40	15–20	8.7/4.3	15.00	15	7.5/3.8	14.00 ^g	14	7.0/3.5	40.00	35.45	20/10
Same Bank												
Up to \$500												
Credit to Acct \$/\$	24.20	17–30	12.1/6.0				40.00			40.00	35.45	20/10
Different Bank												
Other Bank	2.50		1.2/0.6				2.50			2.50	1.2/0.6	
Total	26.70		3.3/6.6				42.50			42.50	21.2/10.6	
Up to \$500												
Acct to Acct \$/₱	9.50	6–15	4.7/2.3	11.60	10–15	5.8/2.8						
Other Bank												
FX Charge	2.50		1.2/0.6	2.50		1.2/0.6						
Total	14.10		6.9/3.9	16.60		8.2/4.8						

— not applicable.

Acct = account, FX = foreign exchange, ₱ = Philippine peso.

^a Beneficiary bank FX rate. Additional charges by Philippines beneficiary bank may be imposed.^b Actual FX rates quoted on 26 March 2004.^c Actual FX rates quoted on 26 March 2004.^d Internet for remitter/ATM for beneficiary.^e US Bank, Philippine Bank to be nominated by remitter.^f Actual FX rates quoted on 26 March 2004.^g Pick up at agent, up to \$400.

Note: FX average rate in Philippine Dealing System (PDS) for 26 March 2004 is ₱56.40 for \$1.0.

Source: Asian Development Bank consultants.

Table A3.2: Summary of Remittance Fees and Charges from Singapore to the Philippines (April 2004)
(\$)

Type of Remittance ^a (S\$ to ₱)	Money Transfer Companies with Philippine Bank Tie-Ups		Philippine Local Bank		Singapore Bank with Philippine Tie-Up		International Money Transfer Agent		International Money Transfer Agent	
	Ave Price \$200	Price Range	Ave Price \$200	Ave Price as a % of \$200/400	Ave Price \$200	Ave Price as a % of \$200/400	Ave Price \$200	Ave Price as a % of \$200/400	Ave Price \$200	Ave Price as a % of \$200/400
Credit to Account (Same Bank)										
Fee	3.00	2-5	4.70	2.35/1.12	2.64	1.30/0.65				
FX	1.43		2.20	1.11/1.11	1.84	0.92/0.92				
Total	4.43		6.90	3.46/2.23	4.48	2.22/1.57				
Credit to Account (Different Bank)										
Fee	3.00	2-5	5.29	2.6/1.32	3.53	1.80/0.88				
Other Bank Fee	2.50		2.50	1.2/0.6	2.50	1.2/0.6				
FX	1.43		2.20	1.11/1.11	1.84	0.92/0.92				
Total	6.93		9.99	4.9/3.03	7.87	3.92/2.4				
Door-to-Door Cash (Metro Manila)										
Fee	5.43	4.23-7.05	6.47	3.23/1.62	4.41	2.20/1.10				
FX	1.43		2.20	1.11/1.11	1.84	0.92/0.92				
Total	6.83		8.67	4.34/2.73	6.25	3.12/2.02				

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Type of Remittance ^a	Money Transfer Companies with Philippine Bank Tie-Ups			Philippine Local Bank		Singapore Bank with Philippine Tie-Up		International Money Transfer Agent		International Money Transfer Agent	
	Ave Price \$200	Price Range	Ave Price as a % of \$200/400	Ave Price \$200	Ave Price as a % of \$200/400	Ave Price \$200	Ave Price as a % of \$200/400	Ave Price \$200	Ave Price as a % of \$200/400	Ave Price (AP)	Ave Price as a % of \$200/400
Door-to-Door Cash (Provinces) Fee	7.94	5.2–11.76	3.97/1.98	8.23	4.10/2.05	5.50	2.75/1.37				
FX	1.43		0.75/0.75	2.20	1.11/1.11	1.84	0.92/0.92				
Total	9.37		4.72/2.73	10.43	5.21/3.15	7.34	3.67/2.29				
Pick up at same bank branches											
Fee	5.23	5.23	2.61/1.30	5.88	2.94/1.47	4.41	2.20/1.10	7.50	3.75/1.88	15.00	7.5/3.75
FX	1.43		0.71/0.71	2.20	1.11/1.11	1.84	0.92/0.92	3.80	1.90/1.90	2.00	1.00/1.00
Total	6.66		3.32/2.01	8.08	4.05/2.58	6.25	3.12/2.02	11.30	5.65/3.78	17.00	8.50/4.75
FX Rate	33.29			33.16		33.22			32.89		33.19

Ave = weighted average, FX = foreign exchange, ₱ = Philippine peso.

Note: FX average rate in Philippine Dealing System (PDS) for 7 April 2004. ₱33.53 per S\$1.00, ₱56.29 per \$1.00, S\$1.70 per \$1.00.

^a Remitter gives S\$, beneficiary receives PHP.

Source: Asian Development Bank consultants.

KEY ACCOMPLISHMENTS OF THE ANTI-MONEY LAUNDERING COUNCIL

A. Helped in Amending the Anti-Money Laundering Act (AMLA)

1. Republic Act (RA) No. 9194 was amended by RA No. 9160, which took effect on 7 March 2004. The amendments sufficiently addressed the main legal deficiencies in the Philippines' anti-money laundering (AML) regime previously identified by the Financial Action Task Force (FATF).

B. Helped in Drafting the Revised AMLA's Implementing Rules and Regulations

2. Implementing rules and regulations took effect 7 September 2003.

C. Established Anti-Money Laundering Desk

3. Upon Anti-Money Laundering Council (AMLC)'s initiative, an AML desk was created in all relevant law-enforcement, regulatory and other government agencies which serves as AMLC's contact point in the investigation of money laundering cases, which includes the sharing of vital information.

D. AMLC Becomes Member of the National Law Enforcement Coordinating Committee (NALECC)

4. NALECC is a policy-coordinating and action-monitoring mechanism for all Government agencies with a role in formulating law enforcement and regulatory policies, providing inputs and recommendations, and enabling the passage of important legislation affecting the country's peace and order, economy, and environment. NALECC had 50 member-agencies as of 31 March 2004.

E. Antiterrorism Financing Subcommittee Created

5. Upon AMLC's request, the NALECC created the Subcommittee on Anti-Money Laundering/Combating the Financing of Terrorism on 15 August 2003, with the AMLC Secretariat executive director as chairman, to ensure closer coordination and enhanced cooperation in the investigation and prosecution of money laundering cases and predicate crimes.

6. Composition of the Subcommittee

- (i) Bangko Sentral ng Pilipinas (BSP)
- (ii) Securities and Exchange Commission
- (iii) Insurance Commission
- (iv) Bureau of Immigration
- (v) Bureau of Internal Revenue
- (vi) Criminal Investigation and Detection Group (CIDG), Philippine National Police
- (vii) Bureau of Customs
- (viii) Department of Justice (DOJ)
- (ix) Department of Finance
- (x) Department of Foreign Affairs
- (xi) National Bureau of Investigation

- (xii) National Intelligence Coordinating Agency (NICA)
- (xiii) Intelligence Service Armed Forces of the Philippines
- (xiv) Philippine Center on Transnational Crimes
- (xv) Philippine Drug Enforcement Agency (PDEA)
- (xvi) Philippine Postal Corporation
- (xvii) Anti-Terrorism Task Force *Sanglahi*
- (xviii) Police Anti-Crime and Emergency Response (PACER)
- (xix) National Anti-Kidnapping Task Force (observer status)

F. Created Two Teams of Anti-Money Laundering Prosecutors and State Counsels

7. Upon request of the AMLC, DOJ created a task force against money laundering (composed of state prosecutors) on 5 July 2002.

8. Its tasks are:

- (i) To conduct preliminary investigation of money laundering cases filed by the AMLC; and
- (ii) To handle the prosecution, together with AMLC lawyers, of money laundering cases in court.

9. Likewise, upon AMLC's request, the DOJ established an AML Desk (composed of state counsels) on 6 August 2003, which was tasked to assist and coordinate with the AMLC in Mutual Legal and Assistance Treaty (MLAT) and extradition matters related to money laundering cases.

G. Designated Anti-Money Laundering Courts

10. Sec. 5 of R.A. 9160 expressly vests in Regional Trial Courts the authority to hear and decide money laundering cases.

11. AMLC nominated some judges handling money laundering and civil forfeiture cases to participate in domestic and foreign AML seminars and workshops.

H. Assigned Personnel of Law Enforcement Agencies to AMLC

12. Upon AMLC's request, the National Bureau of Investigation and the CIDG each detailed one financial investigator in AMLC to assist in the investigation and prosecution of money laundering activities and predicate crimes.

I. Directed All Covered Institutions to Report to AMLC Transactions and Assets of Any Person or Group With Links to Terrorist Organizations

13. The AMLC issued several resolutions requiring covered institutions to report to AMLC the transactions and assets of persons or group of persons identified with Osama Bin Laden, Al-Qaeda, Jemaah Islamiyah, the Taliban, and other terrorist organizations designated by the UN Security Council (UNSC), the US, and other foreign governments.

14. The AMLC also has circulated lists of designated terrorist individuals and organizations, relevant UNSC resolutions, and the US President's Executive Order No. 13224 and its Annexes.

J. Signed Extradition Treaties and MLATs

15. The Philippines has extradition treaties with:

- (i) Australia
- (ii) Canada
- (iii) Hong Kong, China
- (iv) People's Republic of China (pending ratification)
- (v) Indonesia
- (vi) Republic of Korea
- (vii) Federated States of Micronesia
- (viii) Switzerland
- (ix) Thailand
- (x) United States

and MLATs with:

- (i) Australia
- (ii) People's Republic of China (pending ratification)
- (iii) Hong Kong, China (pending ratification)
- (iv) Swiss Confederation (pending ratification)
- (v) United States

16. In this regard, the Philippine Government, through the AMLC and the DOJ, has extended assistance to, and shared valuable information with other jurisdictions, in their investigation and prosecution of predicate offenses and money laundering activities.

K. Ratified the International Convention for the Suppression of the Financing of Terrorism (ICSFT)

17. On 14 October 2003, the Philippine Senate ratified the ICSFT.

L. Trained AML Personnel and Personnel of Other Key Constituencies

18. In addition to sending its financial analysts and investigators to AML seminars, workshops, and courses, both domestic and foreign, the AMLC is conducting/sponsoring/cosponsoring AML seminars, workshops, trainings, and lectures for personnel of reporting institutions, police investigators, public prosecutors, compliance officers, industry associations, businessmen, members of the academe, civic clubs, the media, nongovernment organizations, charitable institutions, and the general public.

19. As of 30 April 2004, the AMLC had conducted, sponsored, or cosponsored 150 AML seminars, lectures, workshops, etc.

M. Set Aside ₱100 Million for AMLC's Transaction Monitoring and Analysis System

20. Upon instruction of President Gloria Macapagal Arroyo, the Department of Budget Management allocated ₱100 million for the procurement and establishment of AMLC's information technology system that will enable its analysts and investigators to readily detect and monitor money laundering patterns, indicators, and trends.

N. Submitted the Philippines' Anti-Money Laundering Implementation Plan

21. On 19 January 2004, the AMLC submitted to the Asia Pacific Review Group of the FATF the Philippines' Anti-Money Laundering Implementation Plan, which is the second of three stages in the FATF's Non-Cooperative Countries and Territories delisting process.

22. The first stage is the enactment of an AML legislation, which the Philippines had already done. The third stage is FATF's evaluation of the Philippines' implementation of the AMLA and its amendments.

O. Underwent Mutual Evaluation by the Asia Pacific Group on Money Laundering (APG)

23. The APG mutual evaluation of the Philippines was held on 10–14 November 2003.

24. The team conducted onsite visits and evaluation in AMLC and other relevant Government agencies (BSP, Department of Finance, DOJ, Insurance Commission, Bureau of Immigration, DFA, Philippine Stock Exchange, Ombudsman, NICA, ISAFP, NBI, Office of the Solicitor General, CIDG, PACER, Bureau of Customs, and PDEA) and private sector organizations (Bankers Association of the Philippines, Association of Bank Compliance Officers of the Philippines, Metropolitan Bank and Trust Company, and Hongkong and Shanghai Bank) to assess the Philippines' AML regime.

25. They also paid a courtesy call to Senate President Franklin M. Drilon and other members of the Senate, notably Senator Ramon B. Magsaysay, Jr., Senate Panel, Congressional Oversight Committee (COC), and to Congressman Jaime C. Lopez, Chairman, House Panel, COC.

P. Entered a Memorandum of Understanding (MOU) with Other Relevant Government Agencies

26. The AMLC has an MOU with CIDG, DOJ, PDEA, and Philippine Center on Transnational Crime.

Q. Entered a MOU with Other Financial Intelligence Units (FIUs)

27. To facilitate the exchange of information, the AMLC is entering into an MOU with counterpart FIUs, including with the Korean Financial Intelligence Unit (KoFIU) which was scheduled to be signed in March 2004, and the Australian Transaction Reports and Analysis Centre (AUSTRAC).

28. On 18 December 2003, the AMLC Secretariat's Executive Director was authorized by the President of the Philippines to conclude, sign, execute and deliver MOUs with financial intelligence units of other jurisdictions concerning cooperation in transnational investigation and prosecution of persons involved in money laundering activities and the exchange of financial intelligence related to money laundering and related offenses.

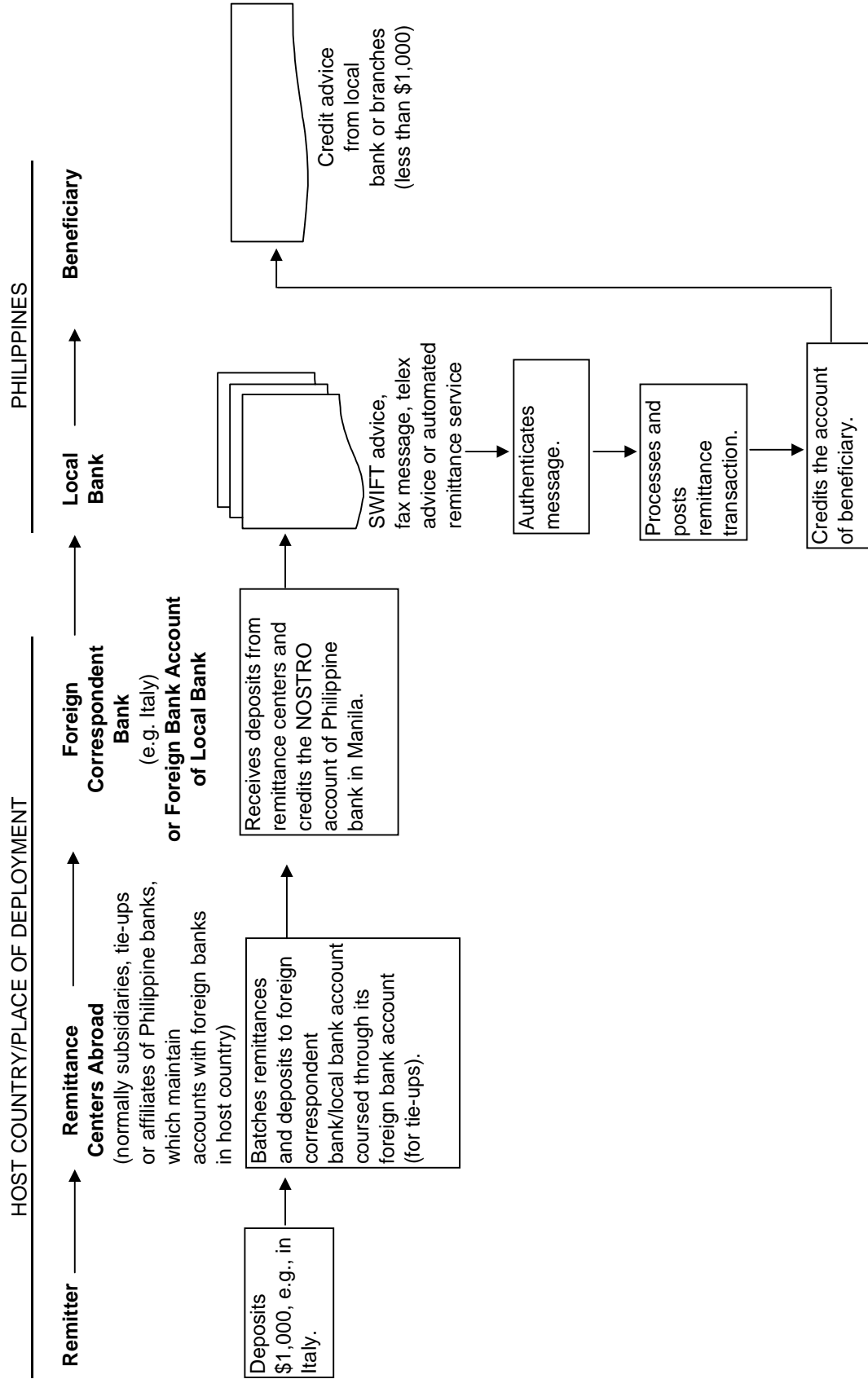
R. Underwent Egmont Assessment Visit

29. The US Financial Crimes Enforcement Network (FinCEN), in conjunction with the AMLC's other sponsor, FinTRAC (Canadian FIU), conducted an official Egmont visit to the AMLC for sponsorship purposes, on 1–5 March 2004. The team was composed of Heather Moye (FinCEN), Matthew Johnson (Office of the Comptroller of the Currency), Susan Ireland (FinCEN), Joseph Bognanno (FinCEN), and Rebecca Gieseler (FINTRAC).

30. AMLC experts' team was to submit its report to the Egmont Legal Working Group before Egmont's next Working Group Meetings in Denmark on 29 March–1 April 2004.

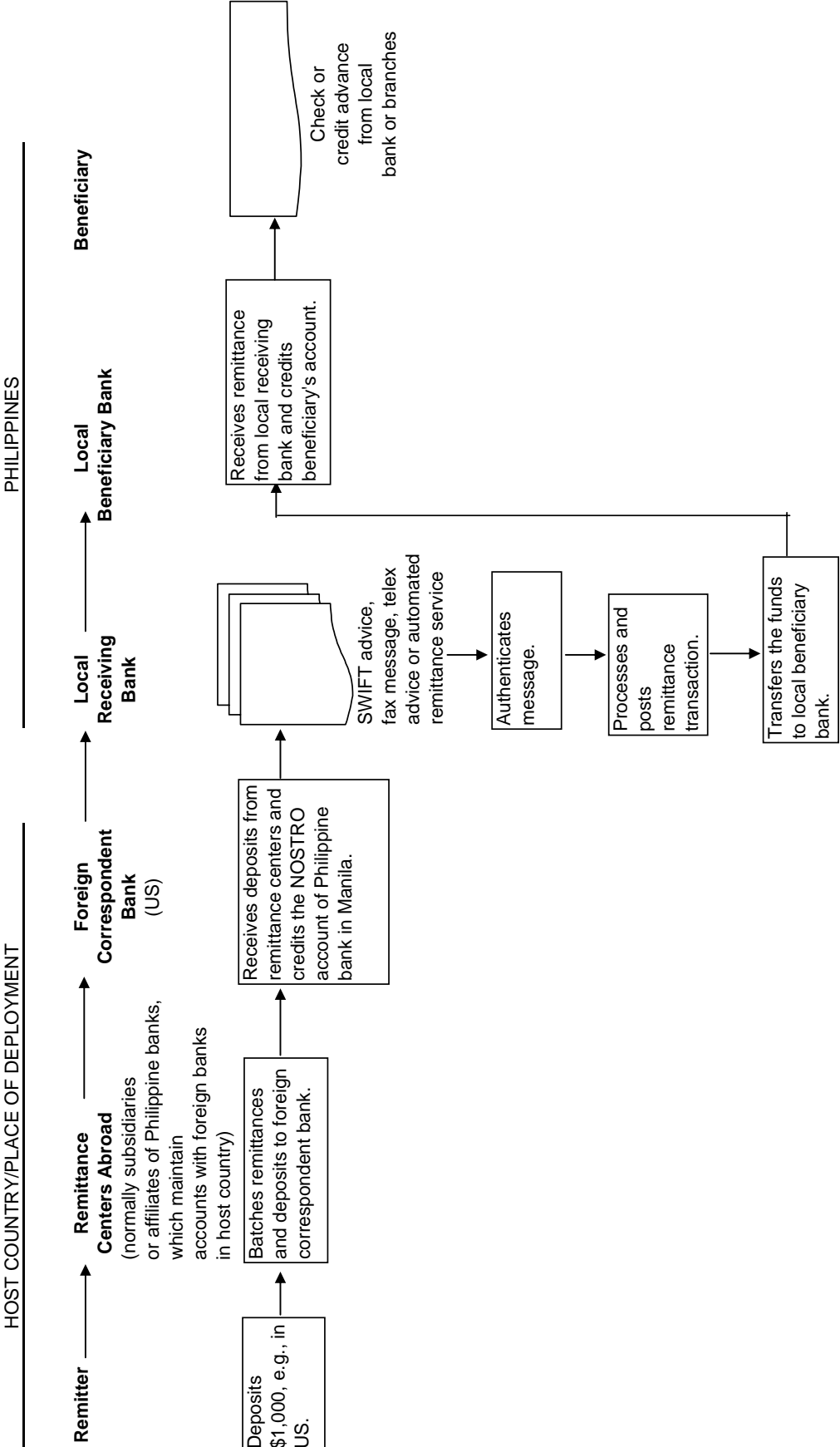
Source: Anti-Money Laundering Council, May 2004.

Table A5.1: Remittance Via Correspondent Bank



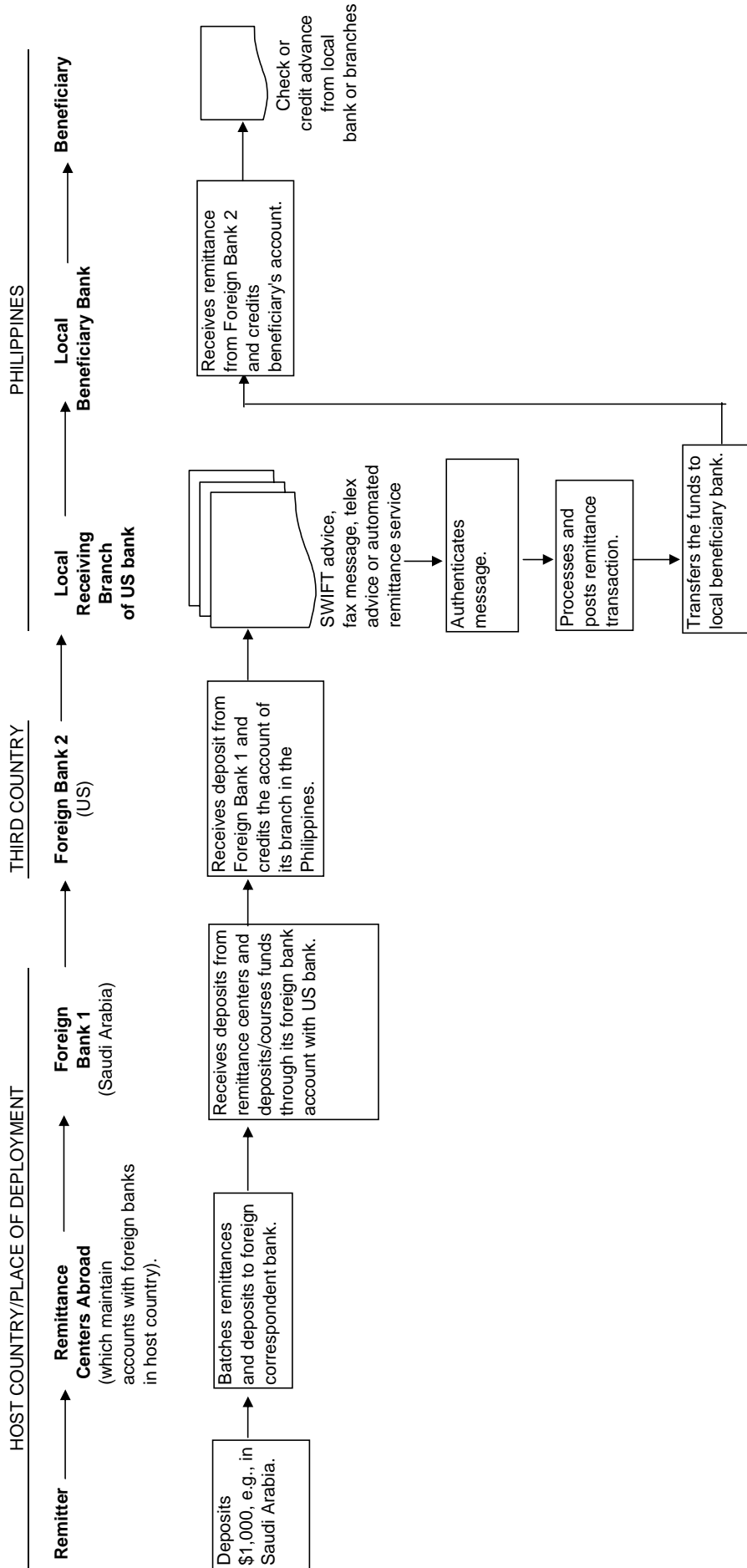
NOSTRO = Our, SWIFT = Society for Worldwide Interbank Financial Telecommunications.
 Source: Bangko Sentral ng Pilipinas

Case 2. Local bank affiliated with the foreign correspondent bank is not the beneficiary bank.



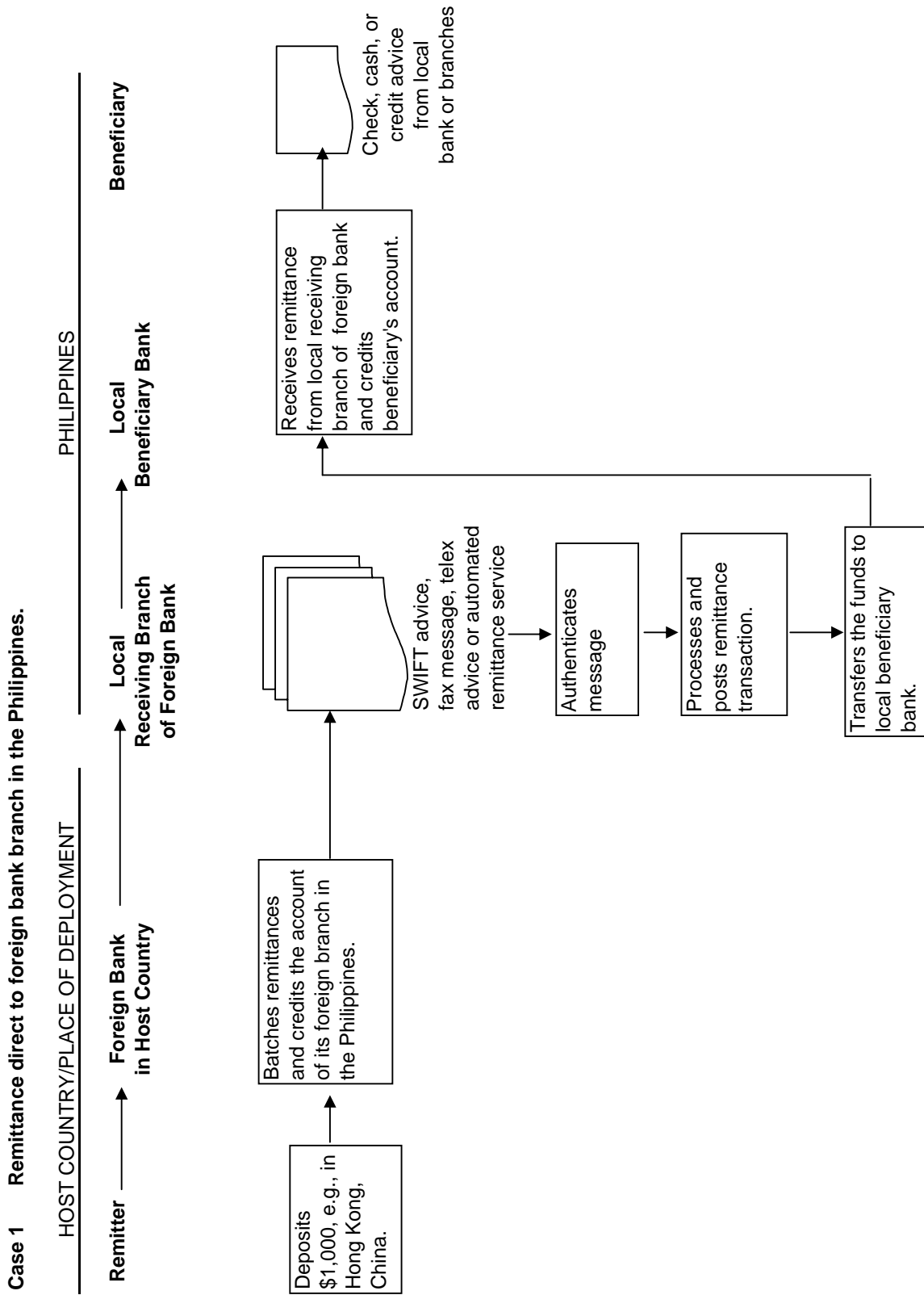
NOSTRO = Our, SWIFT = Society for Worldwide Interbank Financial Telecommunications, US = United States. Source: Bangko Sentral ng Pilipinas

Case 3. Depository foreign correspondent bank of remittance centers abroad has no local correspondent bank in the Philippines.



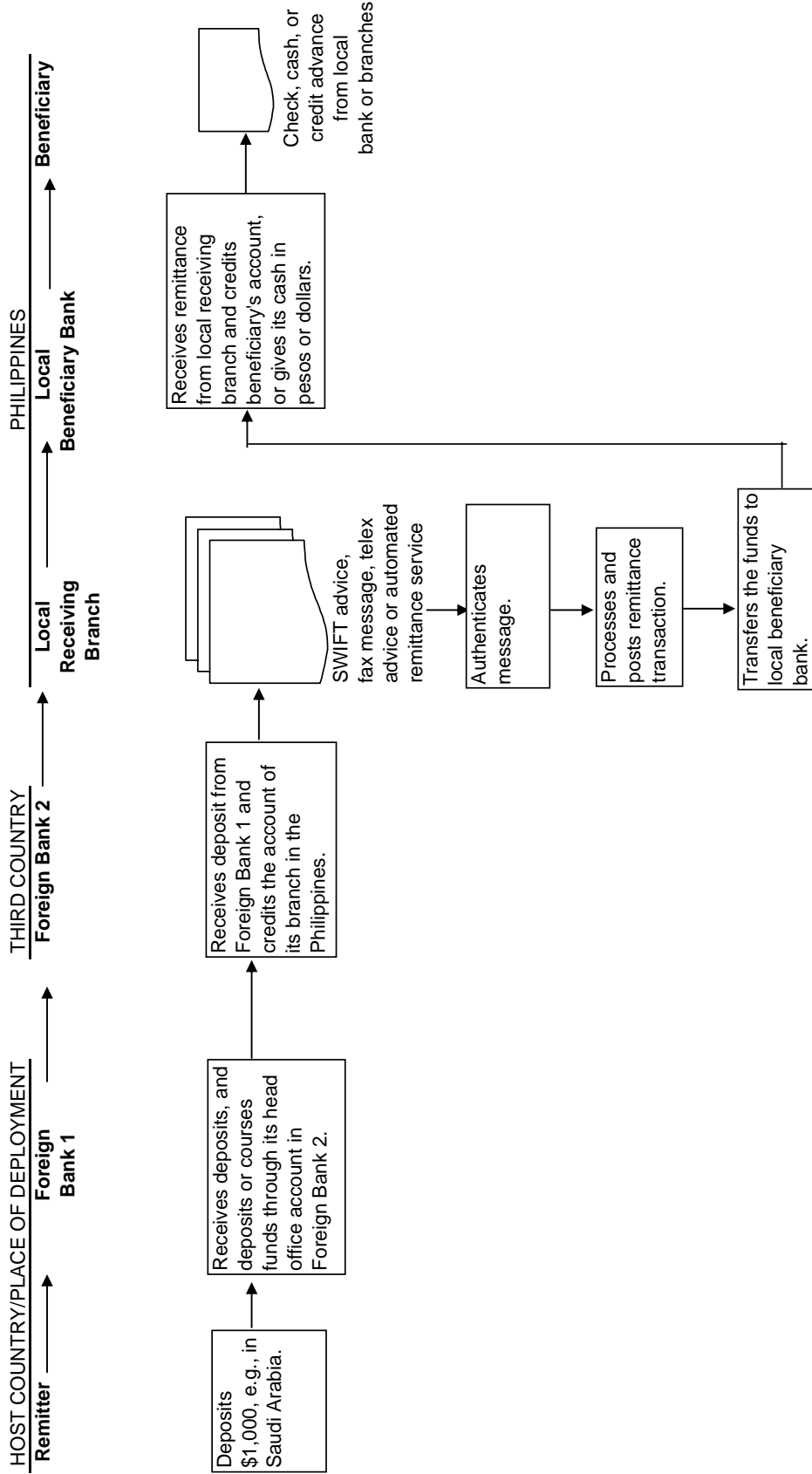
SWIFT = Society for Worldwide Interbank Financial Telecommunications, US = United States.
Source: Bangko Sentral ng Pilipinas

Table A5.2: Remittance Via Foreign Bank



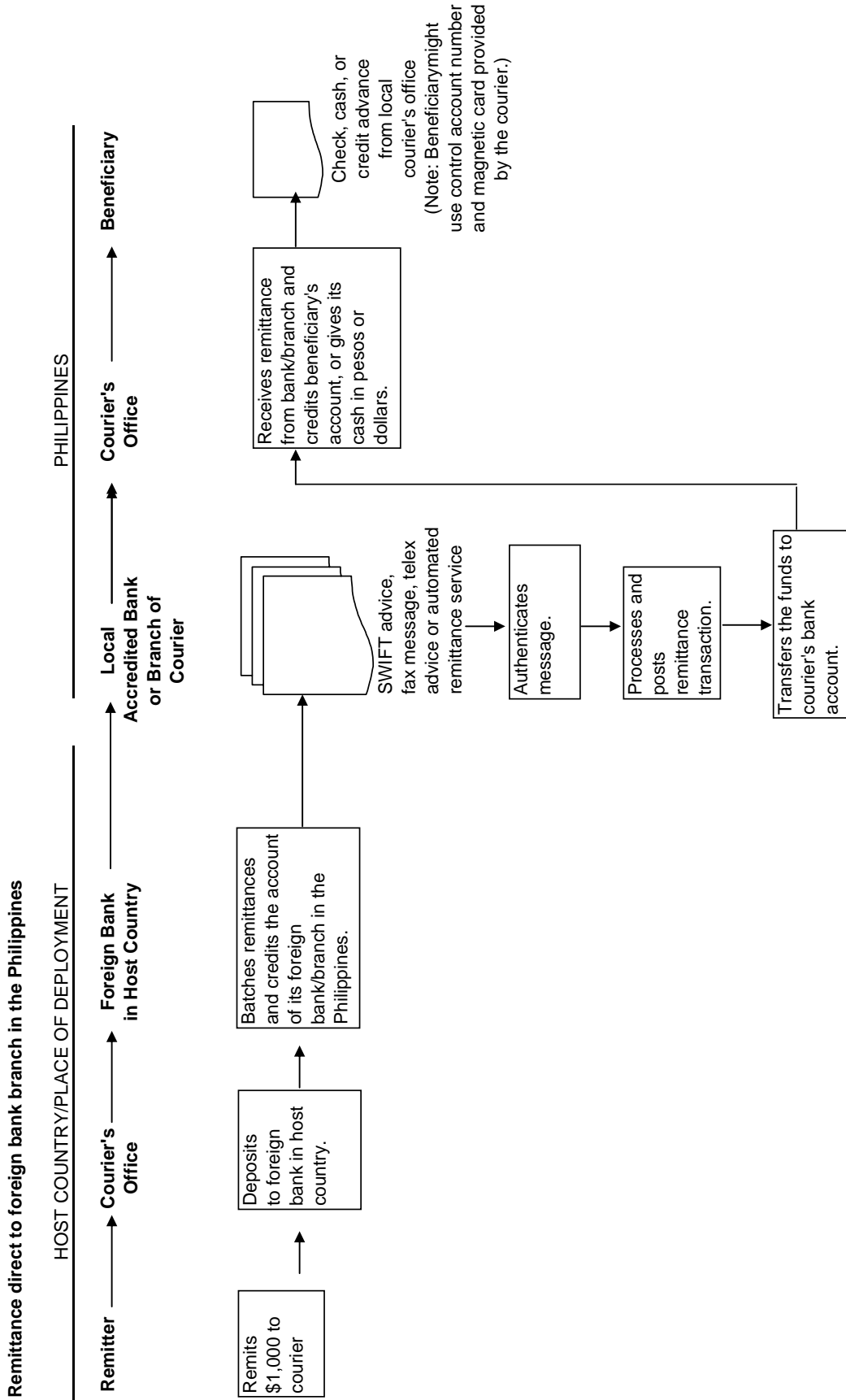
SWIFT = Society for Worldwide Interbank Financial Telecommunications.
 Source: Bangko Sentral ng Pilipinas

Case 2. Remittance coursed through its head office in the US.



SWIFT = Society for Worldwide Interbank Financial Telecommunications.
Source: Bangko Sentral ng Pilipinas

Table A5.3: Remittance Via Couriers



SWIFT = Society for Worldwide Interbank Financial Telecommunications.
Source: Bangko Sentral ng Pilipinas

**THE US FEDERAL AUTOMATED CLEARING HOUSE
(Basic Information and Philippine Implications)**

A. Basic Information

1. The Automated Clearing House (ACH) is an electronic payment mechanism used by banks in the US as an alternative to check or paper payments. ACH transactions are processed through the ACH network, a reliable, efficient, and secure nationwide electronic funds transfer system governed by the National Automated Clearing House Association.¹ A cross-border ACH was also introduced by the US for Canada. Aside from Canada and the US, international ACH destinations include Austria, Germany, Mexico, Netherlands, Switzerland, and UK.

2. In an ACH transaction, five to six parties are usually involved. These parties and their roles in the process are:

- (i) **Originator:** A person or organization that agrees to initiate ACH transactions into the payment system, according to an arrangement with a receiver.
- (ii) **Originating Depository Financial Institution (ODFI):** A financial institution that receives payment instructions from originators and forwards the transactions to the Federal Reserve ACH Operator.
- (iii) **Federal Reserve ACH Operator:** The Federal Reserve Bank receives the transaction from an ODFI, distributes the transactions to a Receiving Depository Financial Institution (RDFI), and performs the settlement functions for the appropriate financial institutions. (It also acts as a gateway operator for international ACH.)
- (iv) **RDF:** A financial institution that receives ACH transactions from the Federal Reserve Bank and posts them to the accounts of its customers, or receivers.
- (v) **Receiver:** A person or an organization that has authorized an originator to initiate an ACH entry to their account with the RDFI.
- (vi) **Gateway Operators:** For international ACH, a participant in the national payment system of the originating country and receiving country. Some gateway operators and the countries they service are:

Table A6.1: Gateway Operators and Areas Serviced

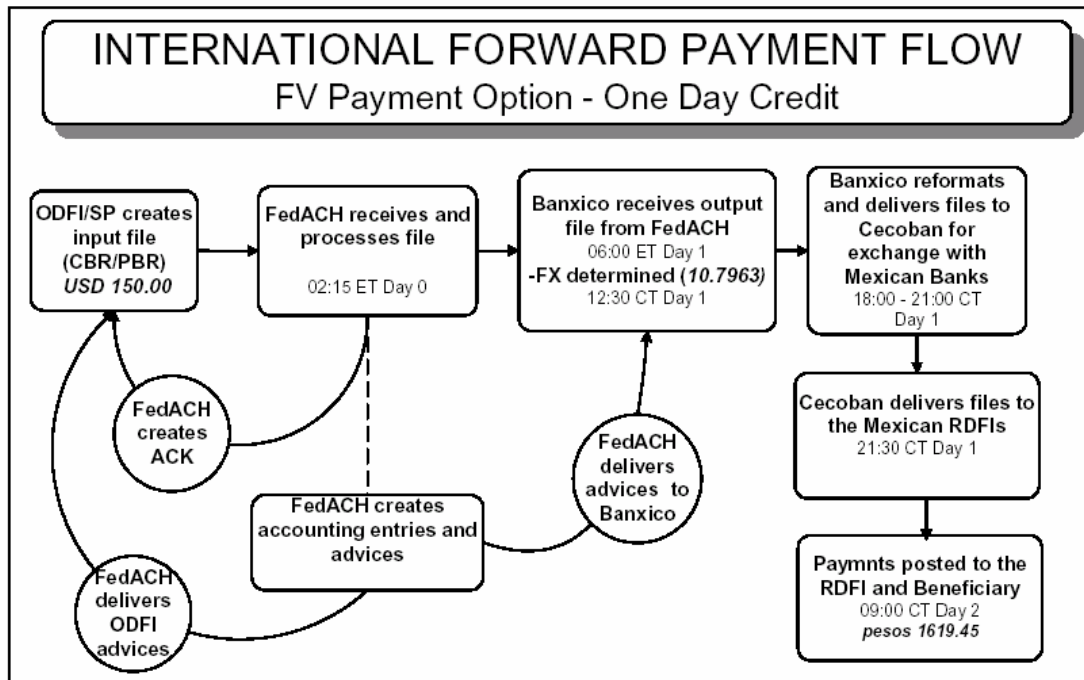
Country or Area	Gateway Operator
United States	Federal Reserve Bank of Minneapolis
Canada	Toronto Dominion Bank
Mexico	Banco de Mexico
Europe	Eurogiro ^a

^a Eurogiro is a gateway intermediary that links payments to the gateway operators in the European countries.
Source: FED web site.

¹ Federal Reserve Bank.

3. The Canada ACH took about 4 years before a pilot project began in 1999. The pilot test was declared successful in 2001, and it was opened to any bank that wished to use it.
4. The Mexican model in Figure A6.1 illustrates the payment flow, where transactions are originated in a fixed amount of \$ and credited in variable amounts in Mexican pesos.

Figure A6.1: International Forward Payment Flow in Mexico



Note: The above example is for illustration purposes only.

* The convention of "day 0" and "day 1 and 2" is used to distinguish the "day" in which processing occurs versus the "day" in which settlement takes place and reflects the FedACH processing day cycle (e.g. start of day "0" at 03:00 ET Monday, through close of day "0" at 02:15 ET on Tuesday). Subsequently, there is only short window between the FedACH end-of-day close and the 06:00 ET file delivery to Banxico on "day 1".

Source: FED web site – Mexican Service Manual

5. The chart in Figure A6.1 depicts the US-to-Mexico flow of a 1-day credit transaction using the FV (fixed dollar to variable local currency) payment option with FedACH (Federal Reserve Bank of Minneapolis) as the OGO (originating gateway operator). The US ODFI (Originating Depository Financial Institution) or sending point (SP) sends an ACH input file to FedACH, which edits and processes the file. This is done by 02:15 ET on Day 0 (the FedACH processing day). FedACH delivers an acknowledgement (ACK) of receipt to the ODFI/SP, creates the accounting entries, and delivers an ACH Advice to the ODFI and Banxico as the RGO (Receiving Gateway Operator). Banxico receives the Mexican items in the file from FedACH by 06:00 ET on Day 1. Banxico reformats the item, initiates the foreign exchange to pesos through its agent and delivers the payment to Cecoban (Mexican ACH operator) for exchange with the Mexican RDFI. Settlement with US participant is in US dollars. Funds are available in pesos to the RDFI and beneficiary on Day 2 by 09:00 CT (local time in Mexico).
6. In the Mexican model, transactions delivered to the Federal Reserve Bank are settled in the US on the value date indicated in the US—that is, 1 or 2 days after origination. Settlement

procedures from Banco de Mexico to the Mexican RDFI require 1 day after the US settlement date. The beneficiary's account in Mexico is also credited 1 day after the US settlement date for the full amount of the payment with no fees deducted by the Mexican RDFI. Banco de Mexico determines an official foreign exchange rate called the "FIX" daily. The daily foreign exchange rate applicable to 1-day ACH credit items is equal to the FIX minus a maximum 1% foreign exchange spread.

7. The Mexican model took about 2 years to put into production, and today handles mostly US Government payment and minimal commercial payments.

B. Philippine Implications

8. The US and Philippine Governments are seriously considering the introduction of ACH to the Philippines.² From the Philippine Government's position, the ACH seems applicable since an electronic payment system, the Electronic Peso Clearing and Settlement, is already operational. The review of its application should focus instead on cost savings for the remitter and/or beneficiary, the effects of a centralized foreign exchange function with Philippine gateway operator, and the delivery period.

9. From the US perspective, the ACH provides an end-to-end payment, which includes settlement for domestic and international payments unlike swift and correspondent banking systems. This implies that the "international service also includes a foreign exchange translation as well as conversion from one format (e.g. NACHA in the US) to another (e.g. TEF in Mexico) and SWIFT format in Europe.

10. Large commercial banks also have their own international payment products that require a correspondent bank in another country, and all payments must be funneled through that correspondent bank. The ACH, on the other hand, enables any originating bank to make a payment to any other bank without having to maintain a correspondent relationship.

11. FED ACH also imposes international surcharges (i.e. for Canada \$.0039, for Mexico \$.0067, and for Europe \$2.00) over the standard rate of \$.0025. It would still have to be determined if all originating banks in the US have additional charges. Also, foreign exchange rate is 1.0% to 1.25% over wholesale rates depending on the country.

12. Aside from these considerations, the laws of the country to which a payment is sent prevail for reclamations. Payments are also considered final after they are settled in the US, and the country that wishes to receive ACH payments must have an electronic payments network through which accounts of all member banks are accessible.

13. The ACH costs tend to be lower unless the originating bank does not pass on the lower costs to the customer or originating party. Working with a central bank authority in the receiving country is ideal if they are participants in the payments system. However, any commercial bank can serve as a gateway operator, but should be able to provide assistance for format conversion to the local ACH or electronic payments network in addition to doing the foreign exchange conversion on the outbound payments.

² A member of the study team and Larry Schulz of the Atlanta Federal Reserve Bank exchanged information on the advantages of the ACH system over the existing systems in the Philippines for the overseas payments. In addition, discussions with the Bangko Sentral ng Pilipinas were held to review the applicability of the ACH system in the Philippines.

PAYMENT METHODS USED IN THE PHILIPPINES

	1999	2000	2001	2002	2003
Currency in Circulation	₱218.5 billion	₱192.3 billion	₱194.7 billion	₱220.0 billion	₱238.6 billion
Checks					
Check Volume	116.2 million	117.6 million	118.9 million	129.8 million	139.6 million
Check Value	—	₱16.1 billion	—	—	—
Electronic Payments					
Pesos					
Average Monthly Volume	₱12.3 billion	₱87.7 billion	₱143.5 billion	₱175.8 billion	₱22.6 billion
Average Monthly Tax Volume	39,978	40,155	42,205	45,766	53,290
Amount per Year	₱147.7 billion	₱1,052.6 billion	₱1,722.1 billion	₱2,100.3 billion	₱272.0 billion
Tax Volume per Year	478,537	481,863	510,722	549,197	639,477
US Dollars					
Average Monthly Volume	\$29.9 million	\$24.1 million	\$22.8 million	\$29.1 million	\$31.3 million
Average Monthly Tax Volume	8,161	8,040	8,797	8,422	8,758
Amount per Year	\$359 million	\$289 million	\$274.1 million	\$349.3 million	\$375.7 million
Tax Volume per Year	97,936	96,478	105,579	101,066	105,098
Credit Cards					
Number of Credit Cardholders	2.7 million	3.1 million	3.6 million	3.6 million	4.4 million
Gross Billings	₱77 billion	₱100 billion	₱118 billion	₱132 billion	₱141 billion
Number of Issuers (principal only)	16	15	14	13	15
ATMs					
	1990	1995	1999	2002	April 2004
Number of ATM cardholders	370,000	—	11.1 million	—	15.3 million
Number of ATM terminals	—	2,089	3,485	4,328	4,533

— = data not available, ATM = automated teller machine, BSP = Bangko Sentral ng Pilipinas, PCHC = Philippine Clearing House Corporation, RTGS = real time gross settlement.

Note: Volumes do not include RTGS volumes (large interbank treasury items administered by the BSP). Per PCHC the bigger volumes in years 2000–2002 were caused by a technicality as some banks included high value-treasury transactions. Banks began using Philippine payments and settlement system (Philpass) for treasury payments in late 2002. Philpass is being administered by BSP.

Sources: Megalink, Bancnet, Expressnet, Philippine Institute for Development Studies, BSP, and Credit Card Association of the Philippines.

STATE REGULATION OF MONEY SERVICE BUSINESSES IN THE UNITED STATES

State	Check Seller	Check Casher	Currency Exchange	Wire Transfer
Alabama	√			
Alaska				
Arizona	√	√	√	√
Arkansas	√			
California	√	√		√
Colorado	√			√
Connecticut	√	√		√
Delaware	√	√		√
Florida	√	√	√	√
Georgia	√	√		
Hawaii				
Idaho	√			√
Illinois	√	√	√	√
Indiana	√	√		√
Iowa	√			
Kansas	√			√
Kentucky	√	√		
Louisiana	√			√
Maine (Jan. 1, 1998)	√	√	√	√
Maryland	√			√

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Continued

State	Check Seller	Check Casher	Currency Exchange	Wire Transfer
Massachusetts	√	√		√
Michigan	√			√
Minnesota		√		
Mississippi	√			
Missouri	√			
Montana				
Nebraska	√			
Nevada	√			√
New Hampshire				
New Jersey	√	√		√
New Mexico	√			
New York	√	√		√
North Carolina	√	√		√
North Dakota	√			
Ohio	√	√		√
Oklahoma	√			
Oregon	√			
Pennsylvania	√			√
Rhode Island	√	√	√	√
South Carolina				
South Dakota	√			
Tennessee	√			√

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Continued

State	Check Seller	Check Casher	Currency Exchange	Wire Transfer
Texas	√		√	√
Utah	√			√
Vermont				
Virgin Islands				
Virginia	√	√		√
Washington ^a	√	√		
West Virginia	√			√
Wisconsin	√	√		√
Wyoming				

^a The District of Columbia Money Transmitter Law (DC Act 13-322) requires registration of businesses that provide check selling, check cashing, and wire transfer services.

Source: Information obtained by ADB consultants from various individuals and organizations through personal interviews, telephone calls, e-mails, as well as product brochures, and Internet sites.

NEW REMITTANCE PRODUCTS

Product and Status of Availability for Filipino Remitters	Type and Delivery Time	Price	Bank Account Opening Required	Description	
			Remitter	Beneficiary	
<p>1. Wells Fargo PARA. Specifically targeted for Filipino workers and migrant population in the US. Launched in June 2004.</p>	Dual ATM system, funds available next day. Alliance with HSBC.	\$8 charged for each deposit into Wells Fargo non-interest bearing account in the US. HSBC FX rate to be applied.	Yes	No	Depositor receives ATM card and Remittance ATM Cash Card for their beneficiary. Depositor can deposit any amount at Wells Fargo locations or through telephone. Beneficiary can withdraw only \$400 a day in local currency one day after deposit in about 4,000 ATMs in the Philippines.
<p>2. Times of Money. Indian company actively selling system to local Philippine banks.</p>	Online, real time Internet-based. Acts like an information engine for Philippine local banks.	\$10 charged for each transfer. Local bank FX rate to be applied. Local bank has no capital expenditure.	Yes	Yes	Web-enabled money transfer service, plug-and-play solution, white labeled to local bank. Can sign in many local banks. Customer account with US bank debited through NACHA by correspondent bank. Beneficiary withdraws through ATM of local banks.
<p>3. Philippine National Bank-7/11-Citibank. Launched in Hong Kong, China in December 2002. Collection and/or payment process using Citibank's data processing capability for convenience stores.</p>	Funds available next day. Electronic funds transfer can be withdrawn via ATM or over the counter at PNB Philippine branches. Funds available next day. Remitter registration at PNB offices required at counters or by phone.	\$2.60 (HK\$20) for each remittance—maximum HK\$3,000 (\$400). PNB Philippines minimum balance requirement: ₱100 (\$1.80). PNB FX rate to be applied.	No	Yes	Remitter calls PNB HK to obtain exchange rate. Gives cash and presents remittance card to 7/11 outlet. Available to remitter at 650 outlets of 7/11, open 24 hours.
<p>4. Bank of America</p>	Fund available in 6	Fee \$10.00 per	No	No	Beneficiary receives a card that can be

Product and Status of Availability for Filipino Remitters	Type and Delivery Time	Price	Bank Account		Description
			Opening Required	Remitter Beneficiary	
<p>Safesend. Available for Mexican migrants only. Plans to roll out to five major Latin American countries. No current plans to introduce to Filipino workers or migrants.</p>	<p>minutes. Started as international ATM service. Product has evolved into prepaid, reloadable card. Remitter can be a BA customer or noncustomer with a Visa or Mastercard debit or credit card.</p>	<p>transfer, \$1,500 limit per transfer, aggregate limit of \$3,000 per month. FX rate to be applied is BA's FX rate.</p>			<p>used to withdraw funds from 20,000 ATMs with Plus logo in Mexico, or to purchase products directly from merchants. Remitter registers and reloads at BA US through branch, phone, or Internet.</p>
<p>5. Citibank New Access, Global Transfers. Available in 17 countries, including Singapore and Indonesia. Will introduce to PRC soon. Exploring introduction to Filipino workers or migrants.</p>	<p>Real time electronic funds transfers. Beneficiary must have a Mastercard debit card for cash withdrawals.</p>	<p>Fee \$10.00 for countries other than Mexico. Fee \$5.00 for transfers through Banamex Mexico. No minimum balance requirement.</p>	Yes	No	<p>Beneficiary receives Mastercard debit card for cash withdrawal at ATMs and for purchases from merchants. Also gives remitter a wide range of Citibank services including a line of credit-linked secured credit card.</p>
<p>6. Philippine Electronic Postal Money Order (ePMO). Project of Rural Bankers' Association of the Philippines, Philippine Postal Corporation, and Philippine Postal Savings Bank. Targeted at US and Canada initially. Project stalled due to funding constraints.</p>	<p>Same day. Multi-remitter options: foreign postal offices, direct debit of foreign bank account, credit card account, Web or mobile interface offered by overseas remittance partners. Multi-beneficiary options.</p>	<p>Pricing not yet available.</p>	No	No	<p>Beneficiary can obtain remittance proceeds (i) over the counter at post offices, (ii) at Postal Bank branches, (iii) at rural banks, (iv) via postal money order, and (v) later through ATM/debit cards. Greatly improves last mile as each locality has a postal office.</p>
<p>7. OFW Visa E Card. All purpose card issued through partnership with Equitable Card, Visa Electron, and Department of Labor. Available now in the Philippines.</p>	<p>Same day. OFW permanent identification card issued by POEA, which signifies membership of OWWA and can be used to access Government</p>	<p>\$6-8 if funded by bank account-to-account transfer. Initial deposit of ₱50.00 (\$0.90). \$3.00 for every ATM withdrawal.</p>	No	Yes	<p>Initial partner bank is Equitable card. Other banks might be used. Funds can be withdrawn at ATMs of Bancnet and Megalink, and Expresslink and Visa Plus ATM abroad and be used for purchase at Visa Electron merchants.</p>

Continued on next page

Product and Status of Availability for Filipino Remitters	Type and Delivery Time	Price	Bank Account Opening Required	Description
<p>8. IRNet. A remittance service provided by the World Council of Credit Unions. In the implementation stage.</p>	<p>benefits, also an ATM and credit/debit card.</p> <p>Available the next day. Credit union may advance funds on first day and obtains reimbursement from MTO the next day. Credit Union in the United States to Credit Unions in the Philippines. Currently distributes from 38 states in the US into 6 countries in Latin America.</p>	<p>\$10.00 for remittance to El Salvador, Guatemala, and Honduras for amounts up to \$1,500. VIGO rate is used on day remittance is sent from US.</p>	<p>No</p> <p>Yes in Credit Unions</p>	<p>Uses VIGO and Travellex network infrastructure. Distribution to be done by credit unions in the Philippines, and is intended to service low-income people in remote areas.</p> <p>WOCCU links national credit organizations in other countries with VIGO, so that senders in the US can send funds from VIGO's 3,200 outlets in 38 US states for distribution through credit unions. WOCCU also connects US credit unions to VIGO as sending outlets. On receiving side, the national credit organizations have tripartite contracts with WOCCU and participating MTOs. The national credit union organizations receive the electronic data transfers from MTO partners and distribute them to their member credit unions, which in turn distribute the funds to credit union members and non-member remittance receivers. After transferring the funds to the credit unions, the national credit union organizations are reimbursed by the MTO (VIGO) via deposits into a clearing account at an international bank.^a</p>
<p>9. RCBC Telemoney Direct. Verified by Visa. Launched in early 2004 by local bank,</p>	<p>Online, real time, Internet-based. Remitter must have Internet access and</p>	<p>\$8.00 limit of \$300.00 per transaction and \$1,000 per week.</p>	<p>No</p> <p>Yes</p>	<p>Verified by Visa provides remitters password for Internet use. Beneficiary must have an account with any of</p>

Continued on next page

Product and Status of Availability for Filipino Remitters	Type and Delivery Time	Price	Bank Account Opening Required	Description
			Remitter	Beneficiary
				RCBC's 177 branches in the Philippines.
				a Visa credit card.
10. iRemit Visa Electron. Debit Card. Launched in 2003 (Philippines).	Same day debit and ATM card issued by Standard Chartered Bank.	Not Available.	No	No
				Reloadable. Cash sent to beneficiary's iRemit Visa Electron Card for every remittance. Funds can be withdrawn at all Visa-affiliated ATMs, Bancnet, Megalink ATMs in the Philippines. Also a debit card for Visa merchants.
11. Yahoo Paydirect. Launched in 2003.	Online real time, Internet-based. Remitter must have Internet access and debit or credit Visa Electron card.	\$5.95 plus \$1.5 withdrawal fee or total \$7.50.	No	No
				Payment through Visa Electron debit, ATM, or reloadable card mailed to beneficiary card. ATMs must have Cirrus sign.
12. Xoom/Paypal/Equitable-PCI Bank. Xoom is a California-based money transfer service company partnering with Paypal with service in 38 remitter countries with recipients in nine countries, including Bangladesh; Dominican Republic; Hong Kong, China; India; Nepal; Pakistan; and Sri Lanka. The Philippine service was introduced in April 2004 with Equitable PCIB as local partner. Launched in 2004.	Same day, Internet-based, remitter must have Internet access, a bank account or credit/debit card.	\$17.00 (for \$200) \$22.50 (for \$300) \$28.60 (for \$400)	No	No
				System uses Xoom website, Paypal for processing, and Equitable PCI Bank for distribution. Beneficiary picks up cash at designated Equitable PCI Bank 400 branches. Has email notification when money delivered or picked up by the beneficiary.
13. My Ayala. Remittance	Internet-based, online.	\$11.00 (for \$90 to	No	No

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Product and Status of Availability for Filipino Remitters	Type and Delivery Time	Price	Bank Account Opening Required	Description
			Remitter	Beneficiary
service in partnership with 12 local commercial banks, including the top remittance players in the industry. Door-to-door service added recently.	Remitter must have Internet access, and a credit card.	\$178.00, and \$16.00 (for \$178.00 to \$539.56). Charges quoted in pesos converted to \$ as fees are paid in local currency. FX rate used is credit card company's exchange rate.		account to account or through door-to-door service.
14. IKOBO. Atlanta US Internet-based money transfer service.	10 minutes. An online account, remitter must have Internet access and transfer money from a credit card, ATM card or bank account to an I-Kard, a debit card to be sent to beneficiary.	\$8.00 (for \$200) \$12.00 (for \$300) \$16.00 (for \$400)	No	Prepaid visa electron, reloadable ATM/debit card I-card mailed to beneficiary. Funds can be withdrawn from any ATM with Visa Plus sign.
15. Smart Padala. Mobile phone SMS-based service advertised as the "world's first international cash remittance through text." Introduced in July 2004 by Smart Communications, Inc., a Philippine-based company	Real time. Beneficiary receives confirmation of remittance via SMS at the speed of text messaging.	Beneficiary: ₱3.00 flat to ₱10.00 flat or ₱1.00 for every ₱100.00 amount remitted, depending on remittance center used in the Philippines. Remitter: \$8.00 for remittance amounts up to \$500.00 for remitters in the US. Fee quoted by Dollar American Exchange (DAX), one of Smart Padala's	No	Remitter must physically bring cash to Smart Padala partners abroad (Banco de Oro, Forex HK, DAX, New York Bay Remittance, CBN GRUPO). Beneficiary after activating Smart account number through SMS can obtain proceeds through Smart Padala Centers in the Philippines, which include Smart Wireless Centers, a fast-food chain, a department store, a convenience store, and a pawnshop. If beneficiary has a Smart Money Card, proceeds may be accessed through ATMs of Banco de Oro and ATM networks ExpressNet and

Product and Status of Availability for Filipino Remitters	Type and Delivery Time	Price	Bank Account		Description
			Opening Required	Remitter Beneficiary	
		remittance partners in the US. Fee differs from country to country.			Megalink. Settlement done through several banks in the Philippines.
16. G-cash. Advertised as the first wireless service that turns cell phone into electronic wallets. G-cash allows Globe or Touch Mobile subscribers to use their phone as a mobile wallet, facilitating purchases and payments, and sending and receiving money person-to-person and domestic and international remittance and partners with card and web based partners. Introduced by Globe Telecom, Inc. a Philippine based company, in October 2004.	Real time. Beneficiary receives confirmation of remittance via SMS at the speed of text messaging.	Pricing depends on the remittance partners and distribution centers. Regular pricing at Globe Business Centers for cash-in (putting cash in cell phone) and cash-out (receiving cash from centers) is ₱10 for transfers up to ₱ 1,000 and 1% of amount transferred for amounts above ₱ 1,000.	No	No	Remitter must physically bring cash to Globe Telecom partners abroad (I-remit, Express Padala, Gen-Ex, Far East Express, and CGN.) Debit to bank account abroad will soon be made available. Beneficiary, after registering with G-Cash via SMS, can obtain proceeds in the Philippines through Globe Telecom Business Centers, Globelines Payment and Service Centers, and through outlets of a cargo company, pawnshops, and a department store chain. Purchases can be made directly at several stores, including a major drug store chain and a book store chain through phone, POS, or Internet portals. Settlement done through several banks in the Philippines.
17. GTEL Card powered by G-Cash. Stored value debit card that transfers cash to mobile phone wallet with Globe. Launching of card to G-Cash in January 2005	Real time. Beneficiary receives notification and money on cell phone via SMS at the speed of text messaging.	Beneficiary to cash out at participating outlets: 1% of total value received. Remitter: \$5.00 for sending the card with additional non-remittance related fees	No	No	Remitter needs to sign forms and pass GTEL KYC compliance process. Beneficiary needs to register Globe phone with G-Cash via SMS. Once remitter has loaded the stored value card, he will be able to use the card in POS terminals and ATMs. Card will

Continued on next page

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

PART II

JULY 2004

I. INTRODUCTION

A. Background

1. Part II presents the results and analysis of the market study, which includes (i) the nationwide survey of overseas Filipino workers (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 United States (US). In addition to the surveys, the results of the focus group discussions (FGDs) also are summarized in Part II.

B. Market Research Objectives

2. The objective of the study was to conduct an in-depth baseline analysis of the behavioral characteristics of OFWs and OFW households and/or families on the subject of remittances.

C. Research Design and Methodology

3. To address the objectives of the study, integrated research was done that involved primary and secondary data gathering. This included (i) desk research, or review of secondary data, particularly market surveys and studies on OFWs and remittance behavior; (ii) FGDs in the Philippines, Singapore and US; and (iii) market surveys of OFWs and OFW beneficiary households.

1. Desk Research

4. Since this study started, a number of studies and surveys have been encountered on OFWs and remittance behavior. Relevant findings from these readings were referenced in the final report.

2. Focus Group Discussions

5. FGDs are qualitative research methods designed primarily to provide insights on market behavior. In an FGD, six to eight participants¹ who meet required characteristics (i.e., domestic helpers sending regular remittances) are invited to join in an informal group discussion led by a facilitator guided by a structured questionnaire. While this methodology does not provide conclusive data, FGDs can generate rich insights on OFWs and OFW households' decision-making process, as well as psychological and sociological behavior regarding the issue being studied.

6. For this study, FGDs were conducted to (i) understand generally the needs, motives, perceptions, and attitudes on remittances and their impact on OFWs and their households; (ii) provide inputs in developing the market survey questionnaire; (iii) generate ideas on possible efficiency improvements on remittances (i.e., process, proceeds, allocations, etc.); and (iv) cross-validate results from the survey.

7. Before the market survey, an initial FGD was conducted in Manila to generate inputs on developing the market survey questionnaire. Succeeding FGDs in other Philippine cities were conducted to coincide with trips for training field interviewers.

¹ Variations of FGDs are possible where less than six participants or more than eight participants join the group. Controlling the number of FGD participants is a common problem. In this case, the facilitator usually adapted and adjusted the FGD discussion.

8. Eleven FGDs in the Philippines, Singapore, and US were conducted to give the study team an accurate reading of the subgroups of the OFW market. The matrix in Table 2.1 details the group characteristics of the FGDs. The study team members were present in most FGDs, and have incorporated their understanding and learning from these FGDs.

Table 2.1: Details on Focus Group Discussions and Participants

Location of FGD		Number of Participants	Group Characteristics
1	Metro Manila, Philippines	4	Female domestic helpers and a shop worker from the Middle East with work experience in Asia.
2	Metro Cebu, Philippines	7	Mixed group of 4 male OFWs from Saudi Arabia (construction workers and professionals), a domestic helper from Singapore, a nanny from France, and a consultant based in South Africa.
3	Metro Cebu, Philippines	5	Mixed group of 1 domestic helper from Hong Kong, China and another from Singapore; a plumber working in Saudi Arabia; a radio operator; and a seaman in Europe.
4	Metro Cebu, Philippines	3	Two male OFWs involved in developmental work with previous extensive work experience in Iraq, Saudi Arabia, Europe, and Brunei; and a male beneficiary involved in developmental initiatives.
5	Metro Davao, Philippines	4	All female group of 3 entertainers based in Japan, and a nanny from Taipei, China.
6	Metro Davao, Philippines	7	Mixed group with 4 domestic helpers from Lebanon, Abu Dhabi, Kuwait, and Taipei, China; a female shop worker from Japan; a male construction worker from Saudi Arabia and Libya; and a male factory worker from Taipei, China.
7	Singapore	9	Mixed group with a married couple (both IT professionals); a male nurse; a male IT professional, who also worked in Saudi Arabia and Australia; a male engineer; a male office worker with previous work experience in Saudi Arabia; female accountant; a female office worker married to a Singaporean; and a dressmaker/designer (dependent). Several are active in Filipino associations in Singapore.
8	Singapore	7	All female domestic helpers.
9	San Francisco, US	8	Mixed group of mostly professionals in medical or health-related fields, including 2 married couples (husbands are engineers and businessmen; wives are doctors), a male and female caregiver, and a female nursing staff supervisor married to a retired air force professional. Several are involved actively in developmental work.
10	San Francisco, US	3	Mixed group comprising a male retiree (veteran) and a female retiree (dependent of a veteran), and a female office administrator active in Filipino-American community activities.

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Location of FGD	Number of Participants	Group Characteristics
11 San Francisco, US	6	Mixed group of US citizens with 2 couple retirees, a young male student, and a male retired widower. (FGD was conducted in the Philippine consulate before oath taking of the participants for dual citizenship.)

FGD = focus group discussions, IT = information technology, OFW = overseas Filipino workers.
Source: Asian Development Bank consultants.

3. Market Survey

9. Market surveys of OFWs in the Philippines, Singapore, and San Francisco were conducted. Beneficiary households in the Philippines also were surveyed.

10. The nationwide survey in the Philippines was conducted in December 2003 and January 2004 to capture the many returning OFWs for their Christmas holiday. Preliminary results from this survey in the Philippines also provided insights on how to improve the self-administered surveys to be done in Singapore and the US.

11. All other surveys (i.e., beneficiary respondent, Singapore, and San Francisco) were conducted from February to April 2004.

12. In the Philippines, 1,150 OFWs and 300 beneficiary households were surveyed. The nationwide OFW survey covered all regions in the Philippines, and had a margin of error of plus or minus 3 percentage points.

a. Sample Size (Philippine OFW Survey)

(i) In determining sample size for the nationwide survey, two methods were used—the confidence interval approach and the statistical analysis approach. For the confidence interval sample size estimate, the following assumptions were used:

(a) previous studies by the National Statistics Office (NSO) indicated that the proportion of OFWs using banks to remit was 70%, compared with 30% for other nonbank remittance modes; and

(b) a margin of error of plus or minus 3 percentage points at a confidence level of 95%.

(ii) Using the formula

$$n = \frac{z^2 (pq)}{e^2}$$

where n = sample size,

z = standard error associated with the chosen level of confidence,

p = estimated variability in the population,

$q = (1 - p)$,

e = acceptable error,

the sample size was computed as follows:

$$n = \frac{(1.96)^2 (0.7 (1 - 0.7))}{0.03^2} = 896.37$$

- (iii) This sample size was increased for better analysis of subgroups (e.g., region, land- and sea-based, urban and rural, gender, etc.). This sampling method using a statistical analysis approach used the following formula:

$$n = ((x_1) (x_2) \dots (x_n))^{30}$$

where (x_1) = number of classifications for category 1

(x_2) = number of classifications for category 2

:

(x_n) = number of classifications for category n

With the categories desired listed below, the sample size was estimated at 1,200 as indicated in

$$n = (2 \times 2 \times 2 \times 5)^{30} = 1,200$$

for increasing the probability of reliable findings of the following categories:

- (a) 2 categories of land- and sea-based;
- (b) 2 categories of gender;
- (c) 2 categories of urban and rural; and
- (d) 5 categories of regions (e.g., north Luzon, south Luzon, Metro Manila, Visayas, and Mindanao).

The final sample size for the nationwide OFW study was targeted between 1,000 and 1,200.

b. Sample Size (Philippine Beneficiaries Survey)

13. Sampling size estimates for the beneficiaries survey used the following statistical analysis approach:

- (i)

$$n = ((x_1) (x_2) \dots (x_n))^{30}$$

where (x_1) = number of classifications for category 1

(x_2) = number of classifications for category 2

:

(x_n) = number of classifications for category n

- (ii) With the categories desired listed below, the sample size was estimated at 300 as indicated in

$$n = (2 \times 5) 30 = 300$$

- (iii) For increasing the probability of reliable findings of the following categories:
- (a) 2 categories of occupation, i.e. professionals and technical and others, and;
 - (b) 5 categories of regions, i.e. North Luzon, South Luzon, Metro Manila, Visayas, and Mindanao.

c. Sample Size (Singapore and San Francisco Surveys)

14. Initial targets for the Singapore and San Francisco surveys were 300 and 900, respectively. With time and resource constraints, plus the difficulties in controlling sample size using a self-administered survey, the final sample size was 200 for Singapore and 434 for the US survey. The margin of error for these surveys was estimated at plus or minus 5 percentage points.

d. Sampling Design (Philippine OFW and beneficiary surveys)

- (i) In choosing respondents, a *barangay*² was randomly selected in the main city of the region, and an initial referral of the barangay captain of housing clusters or subdivisions with OFW households were obtained.
- (ii) Respondents were then approached using systematic random sampling without replacement. Considering resource and time constraints, the nearest rural area by public transportation also was chosen as a respondent site.

e. Sampling Design (Singapore and California self-administered surveys)

15. In Singapore and San Francisco, a self-administered survey was conducted. This survey method involved dropping off questionnaires with prospective respondents, who were asked to fill out the survey at their leisure. These completed questionnaires were returned within the timeframe specified by the researcher. In this method of surveying, the time and resource constraints make it difficult to control and achieve the desired sample size.

16. The self-administered survey in Singapore produced 163 respondents. Combined with the OFWs in the nationwide Philippine survey working in Singapore, the number of Singapore OFWs analyzed in this study was 200.

² A barangay is the smallest local government unit in the Philippines. Each barangay is headed by a barangay captain (punong barangay), and has a law-making body called the barangay council composed of barangay councilors (kagawad).

17. In San Francisco, the self-administered survey method yielded 113 respondents. Supplemented with the 71 respondents from the US in the nationwide Philippine survey, the questionnaires totaled 184.

18. Preliminary results from San Francisco indicated the presence of several subgroups (e.g., workers, immigrants, US citizens, professionals, caregivers, etc.) with apparently different remittance behavior. To better understand these market segments, a supplementary survey was conducted. Dr. Joaquin Gonzalez III, an associate professor and the director of the Executive Master of Public Administration Program of the Ageno School of Business of the Golden Gate University in San Francisco, supervised this survey. He has done several studies on migration and Filipino-American groups.

19. The questionnaire was revised to capture unique Filipino-American characteristics within the Bay area. The supplementary survey covered Sta. Clara, Alameda, San Mateo, and San Francisco, yielding a sample of 250. This brought the number of respondents for the US to 434.

20. Before the field survey, questionnaires were drafted, pretested, and finalized. Interviewers were briefed in Manila, Davao City, and Cebu City. A structured questionnaire was used in the face-to-face interviews conducted by trained and experienced field interviewers (Chapter IV of Part II). To validate the data quality, 10% of the interviewees were back-checked.

21. For the market surveys in Singapore and US, the Philippine questionnaires were shortened and simplified since the survey was to be self-administered, i.e., respondents had to fill out the questionnaires themselves without the guidance of interviewers.

22. For the Singapore and US surveys, the assistance of the Philippine embassy and consulate officials was requested. A list of Filipino organizations in these countries was obtained, and the officers from these organizations were contacted to help in disseminating the survey forms.

23. Data from the survey was encoded and processed using the Statistical Program for Social Scientists (SPSS). Selected data was cross-tabulated on relevant characteristics, such as occupation and country of work.

II. SURVEY FINDINGS

A. Findings of the Philippine Overseas Filipino Workers Survey

1. Remittance Behavior

a. Remittance Frequency and Amount

24. On average, the respondents sent \$340³ monthly. This value reflected the usual remittance amounts and frequency of remittances, and was converted to a monthly value for better comparison across classifications (Tables 2.2 and 2.3).

25. Remittance amounts varied widely, though the most frequent remittance amount mentioned was \$182 (or about P10,000 monthly).

³ Responses not denominated in US dollars were converted using currency conversion rates published in the Asian Wall Street Journal on 20 January 2004.

26. In addition to questions about their usual remittance amounts, remitters were asked how large their last remittance was to gauge possible variations in behavior. The average last remittance amount was \$455.

27. Seafarers remitted the highest amount at about \$524 monthly, while OFW respondents from Kuwait reported the lowest remittance amount at \$205 monthly (Table 2.4).

Table 2.2: Frequency of Remitting

Frequency	%
More than once a month	2
Monthly	80
Every 2 months	10
Quarterly	5
Less than 4 times a year	3
Total	100

Source: Asian Development Bank consultants.

Table 2.3: Remittance Amount
(% of Respondents)

Amount (\$)	Usual Amount	Occasional Amount	Last Amount
Less than 100	10	17	8
100–150	9	10	8
151–200	20	17	14
201–300	19	11	19
301–400	14	15	16
401–500	12	12	11
501–600	6	6	7
601–800	6	4	7
801–1,000	3	5	7
1,001 and above	1	3	3
Total	100	100	100

Source: Asian Development Bank consultants.

Table 2.4: Average and Frequency of Remittances by Country

Country	Usual Remittance Amount (\$)	Frequency	Monthly Remittance Amount (\$)	Last Remittance Amount (\$)
Total (n=1,143)				
Mean	350	Monthly	340	455
Mode	182	Monthly	182	182
Range	25–2,090	Weekly to < once a year	5–2,090	1–14,000
Saudi Arabia (n=259)				
Mean	295	Monthly	253	380
Mode	91	Monthly	182	364
Range	27–1,273	> 2x a month to quarterly	18–1,146	44–5,000
Seafarers (n=156)				
Mean	544	Monthly	524	563
Mode	500	Monthly	500	500
Range	50–1,500	2x a month to yearly	50–1,500	100–2,500
Japan (n=147)				
Mean	328	Monthly	302	434
Mode	182	Monthly	182	182
Range	28–1,422	2x a month to yearly	14–1,422	47–5,334
Hong Kong, China (n=95)				
Mean	247	Monthly	246	341
Mode	273	Monthly	182	273
Range	32–1,000	Weekly to 3x a year	28–1,546	27–2,200
US and Canada (n=87)				
Mean	408	Monthly to every 2 months	328	844
Mode	200	Monthly	200	300
Range	25–1,600	2x a month to < once a year	25–1,600	100–14,000
UAE (n=69)				
Mean	259	Monthly	217	274
Mode	182	Monthly	200	182
Range	36–1,962	Monthly to 2x a year	12–1,962	50–1,000
Taipei, China (n=66)				
Mean	265	Monthly	261	386
Mode	182	Monthly	192	182
Range	45–727	2x a month to every 2 months	45–712	10–4,000
Europe (n=58)				
Mean	440	Monthly	365	657
Median	364	Monthly	364	364
Range	61–1,784	2x a month to 2x a year	23–1,000	91–3,636

Other SEA (n=38)

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Continued

Country	Usual Remittance Amount (\$)	Frequency	Monthly Remittance Amount (\$)	Last Remittance Amount (\$)
Mean	276	Monthly to every 2 months	243	371
Median	182	Monthly	200	182
Range	45–1,500	2x a month to 2x a year	23–1,500	45–1,818
Singapore (n=37)				
Mean	297	Monthly	288	340
Mode	182	Monthly	182	182
Range	55–1,933	>2x a month to every 2 months	46–1,280	55–909
Other ME (n=33)				
Mean	364	Monthly	318	477
Mode	500	Monthly	182	273
Range	36–1,000	2x a month to yearly	36–1,000	55–2,709
Kuwait (n=32)				
Mean	269	Monthly to every 2 months	205	291
Mode	91	Monthly	91	364
Range	91–847	> 2x a month to 2x a year	30–819	73–678
Other Countries (n=25)				
Mean	571	Monthly	571	691
Mode	400	Monthly	400	455
Range	91–2,090	Monthly	91–2,090	218–2,400
Other Asia (n=22)				
Mean	399	Monthly	392	370
Median	182	Monthly	182	182
Range	55–1,501	2x a month to yearly	5–1,501	100–800

> = greater than, < = less than, ME = Middle East, n = number, SEA = Southeast Asia, UAE = United Arab Emirates, US = United States.

Source: Asian Development Bank consultants.

b. Remittance Channels

28. **Awareness.** In gauging their awareness of remittance modes, 66% of respondents had top-of-mind or first mention awareness of the bank-to-bank method. About 25% of the respondents were aware of the door-to-door mode of remitting money (Table 2.5).

Table 2.5: Awareness of Remittance Modes
(%)

Remittance Mode	Top-of-Mind	Top-of-Mind (probed question of those indicating door-to-door) ^a	Total Unaided Awareness
Bank-to-Bank	66	—	100
Door-to-Door	22	—	67
Bank-administered	3	67	17
Money Transfer Agency	5	27	27
<i>Padala</i> ^b	1	1	22
Others	3	5	14
Total	100	100	—

— = not applicable.

^a Among respondents answering they used the door-to-door mode of remitting, a probe question on the specific venue they used was asked. Respondents mentioning “bank” or bank product names were counted under bank-administered while those saying money transfer agencies were counted as such.

^b In Pilipino, the term *padala* means to send. *Padala* as a remittance practice is explained further in para. 65 of the section Informal Remittance System.

Source: Asian Development Bank consultants.

29. Interestingly, the survey found a majority of the door-to-door remittance channels mentioned were conducted by banking institutions.

30. Several respondents were aware of other modes of remitting money, including money transfer agencies, *padala*, and personal modes or informal channels. All respondents were aware of bank-to-bank remittances.

31. The main source of awareness of the remittance channels was people encountered abroad (32%). This includes people abroad—i.e., family, coworkers, and relatives overseas (28%)—and employers (4%) (Table 2.6).

Table 2.6: Sources of Awareness
(%)

Source of Awareness	First Mention	Total Mentions
People Abroad	28	71
Banks	27	27
PDOS	16	22
Government	6	21
People in the Philippines	7	16
Employer	4	16
Employment Agency	9	14
Advertisements and Others	3	7
Total	100	—

— = not applicable, PDOS = Predeparture Orientation Seminar.

Source: Asian Development Bank consultants.

32. **Usage.** Almost 7 of 10 respondents said they usually remit money bank-to-bank, while 2 of 10 said they usually use door-to-door services to remit their money (Table 2.7).

Table 2.7: Remittance Channels Used
(%)

Remittance Mode	Usually Used	Usually (door-to-door probed)	Have Used	Last Used
Bank-to-Bank	65	65	85	64
Door-to-Door	20	--	30	20
Bank-Administered	4	15	7	4
Money Transfer Agency	6	13	8	6
Padala	2	2	9	2
Others	3	5	4	4
Total	100	100	—	100

— = not applicable.

Source: Asian Development Bank consultants.

33. When questioned further, respondents indicated that most of these door-to-door transactions went through banks. This suggested that banks have an 80% share of the OFW remittance market.

34. More than 9 of 10 respondents (92%) have used formal banking channels in remitting money. Switching, however, doesn't seem to happen often.

35. The remittance channel patronized was likely to differ by country of work, although banks still posted the highest frequency of remittance across countries. Noticeable alternatives were observed for money transfer agencies in the US and other modes (e.g., post office) in Japan (Table 2.8).

Table 2.8: Remittance Channel by Country
(%)

Country	Bank-to-Bank	Door-to-Door (Bank)	Door-to-Door (Agency)	Personal	Others
All	65	15	13	2	4
Saudi Arabia	66	20	11	0	2
Japan	39	21	8	7	26
Worldwide	88	6	6	1	0
Hong Kong, China	73	10	17	0	0
United States	52	5	35	5	3
United Arab Emirates	49	27	24	0	0
Taipei, China	65	24	11	0	0
Europe	86	7	7	0	0
Other Southeast Asia	63	13	13	8	3
Singapore	73	14	13	0	0
Kuwait	66	25	6	0	3
Other Middle East	58	15	27	0	0
Other Asia	64	9	23	5	0
Other Countries	100	0	0	0	0

Source: Asian Development Bank consultants.

36. Since some occupation classifications were country specific, usage patterns also were likely to differ by occupation. Seafarers were the highest users of banks, while entertainers and performers were most likely to use alternative forms of remittance channels (Table 2.9).

Table 2.9: Remittance Channel by Occupation
(%)

Occupation	Bank-to-Bank	Door-to-Door (Bank)	Door-to-Door (Agency)	Personal	Others
All	65	15	13	2	4
Domestic Helper	69	14	15	0	1
Seafarer	87	6	6	1	0
Laborers and Unskilled	59	21	16	2	2
Service Workers and Sales	59	14	23	3	1
Entertainers and Performers	35	19	8	7	31
Professionals	68	20	10	1	1

Source: Asian Development Bank consultants.

c. Remittance Charges

37. The survey found that 86% of respondents had to pay charges to send money to the Philippines. The charges ranged from \$1 to more than \$20 for their last remittance. About a third of the market paid charges between \$1 and \$5 (Table 2.10a).

38. Of the 71% paying charges between \$1 and \$10 per remittance, most paid \$5 to \$7 for their last remittance (Table 2.10b).

39. A small percentage (about 5%) said their beneficiaries had to pay charges in the Philippines.

40. Almost all respondents (98%) said they knew how much their beneficiary received.

Table 2.10a: Charges for Remittances

Amount of Charges (\$)	Respondents (%)
1 to 5	33
6 to 10	38
11 to 15	11
16 to 20	7
More than 20	11
Total	100

Source: Asian Development Bank consultants.

Table 2.10b: Breakdown of Charges Between \$1 to \$10

Amount	%
1	2
2	3
3	7
4	7
5	14
6	7
7	13
8	6
9	9
10	3
Total	71

Source: Asian Development Bank consultants.

d. Factors Considered in Choosing a Remittance Channel

41. To measure the respondent's considerations in choosing their remittance channel, respondents were asked to rate several attributes or factors on importance and satisfaction. A gap analysis computed as weighted average of importance minus weighted average of satisfaction was done to assess possible areas of improvement for remittance channels. The larger the value of the gap, the higher the need to improve that attribute (Table 2.11).

42. **Attribute Importance Ratings.** The most important considerations in choosing a remittance channel were (i) sends remittance fast, is trustworthy; (ii) is reliable; and (iii) has good service.

43. **Attribute Satisfaction Ratings.** Considering their current mode of remitting money, respondents were most satisfied with the following attributes: (i) is trustworthy, (ii) is reliable, and (iii) sends remittance fast and has good service.

44. **Attribute Gap Analysis.** Computing for largest gaps among the attributes presented, the following could be improved: (i) offers best exchange rate; (ii) near my beneficiary, accessibility from the work place, sends my remittance fast, has reasonable charges; and (iii) accessibility to beneficiary.

Table 2.11: Attribute Ratings

Item	Importance					Satisfaction					Gap				
	5 VI	4 I	3 N	2 U	1 DNI	Total	Ave	5 VS	4 S	3 N	2 D	1 VD	Total	Ave	
Offers best exchange rate	795	306	37	1	1	1140	4.66	459	609	62	4	0	1134	4.34	0.32
Accessibility from workplace	695	397	21	7	12	1132	4.55	394	622	76	16	1	1109	4.26	0.30
Has reasonable charges	738	340	50	8	2	1138	4.59	425	607	88	5	2	1127	4.28	0.30
Near my beneficiary	737	383	13	4	1	1138	4.63	427	663	32	10	1	1133	4.33	0.30
Sends my remittance fast	927	198	14	1	1	1141	4.80	616	472	45	3	1	1137	4.49	0.30
Accessibility to beneficiary	664	449	14	2	0	1129	4.57	370	711	40	5	0	1126	4.28	0.29
Near my place of work	798	302	22	9	12	1143	4.63	508	504	78	19	2	1111	4.35	0.28
Reliable (delivers the money)	885	227	16	1	0	1129	4.77	610	471	36	9	1	1127	4.49	0.28
Has good service	876	246	13	1	0	1136	4.76	583	530	21	1	1	1136	4.49	0.27
Is trustworthy	926	197	14	2	0	1139	4.80	631	470	25	7	0	1133	4.52	0.27
Reliable (delivers whole amount)	891	234	16	0	0	1141	4.77	610	482	28	8	1	1129	4.50	0.27
Speaks Filipino or my dialect	413	500	174	30	21	1138	4.10	257	536	236	53	29	1111	3.85	0.26
Has low or no maintaining balance	605	422	86	13	10	1136	4.41	336	610	127	12	4	1089	4.16	0.25
Am used to this	661	369	90	16	3	1139	4.47	461	540	113	12	5	1131	4.27	0.19

Ave = weighted average, D = dissatisfied, DNI = definitely not important, I = important, N = neither, NI = not important, S = satisfied, VD = very dissatisfied, VI = very important.

Note: The values indicated under the column "Ave" are weighted averages. The nearer to 5.00, the higher in terms of importance and satisfaction. Importance ratings were 5 for very important, 4 for important, 3 for neither, 2 for not important, and 1 for definitely not important. Satisfaction ratings were 5 for very satisfied, 4 for satisfied, 3 for neither, 2 for dissatisfied, and 1 for very dissatisfied.

Source: Asian Development Bank consultants.

2. Income and Savings Profile

a. Income

45. About 90% said all their income comes from employment (Table 2.12).
46. Respondents did not report any interest income from bank savings or current accounts, or interest from loans given.
47. Of the few (44) who reported other income sources, they said it accounted for about 37% of their income.

Table 2.12: Income Sources

Income Sources	%
Employment	90
Business and consultancy	1
Donations from friends or relatives	1
Other sources, occasional business, and services	8
Total	100

Source: Asian Development Bank consultants.

48. On average, about 60% of the respondent's income went to remittances (Table 2.13).

Table 2.13: Percentage of Income Used For Remittances (%)

Income for Remittances	Respondents
20 or less	8
21–49	12
50	28
51–79	18
80	22
81–99	7
100	5
Total	100

Source: Asian Development Bank consultants.

b. Savings

49. About 9 of 10 respondents said they were able to save.
50. A majority (54%) reported that they had monthly savings between \$51 and \$200 (Table 2.14).
51. About 27% of the respondents said they saved half of their income from employment.

Table 2.14: Monthly Savings

Amount (\$)	%
50 and less	11
51–100	25
101–200	29
201–300	10
301–400	8
401–500	7
Above 500	10
Total	100

Source: Asian Development Bank consultants.

52. The survey found that 41% of the respondents said they borrowed money to go abroad.
53. In addition, 19% borrowed money while they were working abroad.

3. Retirement and Development Initiatives in the Philippines

a. Retirement

54. More than 8 of 10 (85%) of respondents said they were very likely or likely to retire in the Philippines (Table 2.15).

Table 2.15: Likelihood of Retiring in the Philippines

Likelihood of Retiring in the Philippines	%
Very Likely	48
Likely	37
Neither	8
Unlikely	5
Very Unlikely	2
Total	100

Source: Asian Development Bank consultants.

b. Development Initiatives

55. The survey found 26% of respondents were aware of OFW groups or associations in their country of work.
56. A fifth said they contributed to OFW groups in their country of work.
57. About 6 of 10 indicated they were interested in contributing to their communities' development, with 20% describing themselves as very interested in doing so (Table 2.16).

Table 2.16: Interest in Contributing to Development

Interest in Contributing to Help Community	%
Very Interested	20
Interested	41
Neither	18
Not Interested	14
Definitely Not Interested	7
Total	100

Source: Asian Development Bank consultants.

4. Market Profile

a. Sociodemographic Characteristics

58. OFW respondents were working in many countries worldwide. Seafarers were not likely to specify a country where they worked (Table 2.17).

59. Domestic helpers, seafarers, and laborers or unskilled workers were the most common occupations among the OFW respondents (Table 2.18).

60. Large groups of domestic helpers were working in Hong Kong, China; Kuwait; and Singapore. Entertainers and performers were prevalent in Japan, while the US had relatively more professionals (Table 2.19).

61. The average age of the OFW respondents was 36 years, though ages ranged from 18 to 82 (Table 2.20).

62. Female respondents (54%) narrowly outnumbered male respondents (Table 2.21).

63. Most respondents were from socioeconomic class DE⁴ (Table 2.22).

⁴ Socioeconomic classifications used in the study covered 4 classifications: AB (upper), C1 (upper middle), C2 (lower middle), and DE (lower). Identifiers for the classifications include house dwelling appearance, educational attainment of the respondents and spouse, total household monthly income, house ownership, ownership of items in the country and in their place of work, and number of household members.

Table 2.17: Country of Work

Country	%
Saudi Arabia	23
Japan	13
Worldwide (seafarers)	14
Hong Kong, China	9
United States and Canada	8
United Arab Emirates	6
Taipei, China	6
Europe (Italy, UK, and other Europe)	5
Other Southeast Asia (Malaysia, Brunei)	3
Singapore	3
Kuwait	3
Other Middle East	3
Other Asia (Republic of Korea; China, Macau)	2
Africa, South and Central America, Others	2
Total	100

UK = United Kingdom.

Source: Asian Development Bank consultants.

Table 2.18: Occupation

Occupation	%
Domestic helper	25
Seafarer	20
Laborers, unskilled workers, farmers, etc.	22
Service workers, sales, clerks, etc.	13
Entertainers and performers	10
Professionals and associate professionals	10
Total	100

Source: Asian Development Bank consultants.

Table 2.19: Country by Respondent Occupation (%)

Country	Domestic Helpers	Sea-farers	Laborers/ Unskilled	Service/ Sales	Entertainers	Professionals
Saudi Arabia	28	1	31	21	0	20
Japan	2	5	9	9	71	4
Hong Kong, China	85	4	6	2	0	2
United States	9	7	34	27	1	21
United Arab Emirates	43	3	29	19	2	7
Taipei, China	14	0	74	8	0	5
Europe	24	38	14	17	0	7
Other Southeast Asia	21	8	45	21	0	5
Singapore	60	11	11	5	0	14
Kuwait	59	0	16	22	0	3

Continued on next page

Country	Domestic Helpers	Sea- farers	Laborers/ Unskilled	Service/ Sales	Entertainers	Professionals
Other Middle East	42	6	15	15	6	15
Other Asia	5	18	36	14	18	9
Other Countries	4	36	36	8	0	16
All Countries	25	20	22	13	10	10

Source: Asian Development Bank consultants.

Table 2.20: Age of Respondents

Age (years)	%
Below 25	11
26–35	39
36–45	32
46–55	15
Above 55	3
Total	100

Source: Asian Development Bank consultants.

Table 2.21: Gender of Respondents

Gender	%
Male	46
Female	54
Total	100

Source: Asian Development Bank consultants.

Table 2.22: Socioeconomic Class of Respondents

Class	%
AB	2
C1	15
C2	39
DE	44
Total	100

Source: Asian Development Bank consultants.

64. More than half of the respondents had at least some college credits, while 10% said they had master's or graduate degrees (Table 2.23).

Table 2.23: Educational Level of Respondents

Educational Attainment	%
Graduate or Master's	10
Undergraduate or College	32
Some College	16
High School	28
Some High School	4
Elementary or Some Elementary	3
Vocational or Technical	7
None	0
Total	100

Source: Asian Development Bank consultants.

65. Most respondents had monthly household incomes between ₱15,000 and ₱50,000 (Table 2.24).

Table 2.24: Monthly Household Income

Monthly Income (₱)	%
8,000 and below	1
8,001–15,000	9
15,001–30,000	31
30,001–50,000	34
50,001–75,000	13
75,001 and above	12
Total	100

Source: Asian Development Bank consultants.

66. Respondent profiles were cross-tabulated by occupation classifications (Table 2.25a, Table 2.25b, and Table 2.25c). Some significant findings:

- (i) 99% of domestic helpers and 97% of entertainers and performers are women, while 97% of seafarers are male.
- (ii) A majority of domestic helpers belongs to socioeconomic class DE.
- (iii) 44% of professionals belong to socioeconomic class AB and C1.
- (iv) 49% of entertainers and performers are 25 years old or younger.
- (v) The monthly household income of entertainers and performers varied widely.
- (vi) Professionals reported the highest monthly household incomes.

Table 2.25a: Respondent Profile by Occupation
(%)

Occupation	Gender		SEC				Age				
	Male	Female	AB	C1	C2	DE	Below 25	26 to 35	36 to 45	46 to 55	Above 55
Domestic helpers	1	99	1	6	28	65	10	45	36	8	1
Seafarers	97	3	1	18	51	31	4	35	37	22	2
Laborers and unskilled	64	36	4	13	42	42	7	36	32	20	5
Service workers, sales	46	54	3	16	34	48	7	40	33	18	3
Entertainers & performers	7	93	1	10	42	47	49	39	8	4	0
Professionals & associates	60	40	5	39	39	17	4	34	40	20	2
All respondents	46	54	2	15	39	44	11	39	32	15	3

SEC = Socioeconomic class.

Notes:

1. Socioeconomic classifications used in the study covered 4 classifications: AB (upper), C1 (upper middle), C2 (lower middle), and DE (lower). Identifiers for the classifications include house or dwelling appearance, educational attainment of the respondents and spouse, household monthly income, house ownership, ownership of items in the country and in their place of work, and number of household members. These identifiers are regularly used by marketing researchers and market research agencies in the Philippines.

2. Interviewers were trained on classifying SEC considering the listed identifiers and assessing the sample. General guidelines in classifying include the following:

Indicator	AB	C1	C2	DE
House or dwelling appearance, location of home	Durable materials, fine workmanship, well-maintained, has lawn and garage, expensive furnishings	Durable materials, maintained, may have lawn/garage, less expensive furnishings	Less durable materials, no lawn/garage likely, not too well-maintained	Materials not long lasting (i.e., nipa), furnishings meager. Relatively rundown, poor neighborhood
Education of respondent and spouse	College graduate or master's	College graduate or master's	High school or some high school, some college	Some high school, elementary or some elementary, none
Household monthly income	₱50,000 and up	₱30,000 to ₱50,000	₱8,000 to ₱30,000	₱8,000 and below
House ownership	Own house	Own house/renting	Renting, staying with relatives	Renting, staying with relatives, squatting
Ownership of items, i.e., vehicle, computers, cell phones, freezer, air conditioner, water dispenser, water heater, etc.	Several items owned in the Philippines and in country of work	Several items owned in the Philippines and some in country of work	Few items owned in Philippines, and very few or none in country of work	Very few in the Philippines, and very few or none in country of work
Number of household members	Relative to household income, position as household head, and ages of household members			

Source: Asian Development Bank consultants.

Table 2.25b: Respondent Profile by Occupation
(%)

Occupation	Education							
	Elementary	Some High School	High School	Some College	College	Masters	Vocational	None
Domestic helpers	8	6	41	18	23	2	3	0
Seafarers	1	1	5	6	54	25	8	0
Laborers, unskilled, trade	3	4	35	21	23	4	10	0
Service workers, sales	4	3	35	18	24	7	9	0
Entertainers and performers	2	7	44	22	20	4	1	0
Professionals and associates	0	1	1	8	58	23	8	1
All respondents	3	4	28	16	32	10	7	1

Source: Asian Development Bank consultants.

Table 2.25c: Household Monthly Income by Occupation
(₱)

Occupation	Household Monthly Income (₱)						
	8,000 and Below	8,001 to 15,000	15,001 to 30,000	30,001 to 50,000	50,001 to 75,000	75,001 to 100,000	100,001 to 250,000 and Above
Domestic helpers	2	16	36	37	6	2	1
Seafarers	0	3	14	37	26	18	3
Laborers, unskilled, trade	0	9	41	31	9	5	3
Service workers, sales	1	8	35	29	13	10	2
Entertainers and performers	0	11	27	36	15	5	5
Professionals and associates	1	4	21	28	20	20	3
All respondents	1	9	31	34	13	9	2

Source: Asian Development Bank consultants.

67. Respondent profiles also were cross-tabulated by country of work classifications in Tables 2.26a, 2.26b, and 2.26c. Some significant findings:

- (i) Almost all sea-based OFWs are male. A majority of workers in Japan, Singapore, and Kuwait is female.
- (ii) A relatively large segment of the US-based respondents belong to socioeconomic class AB. A majority of respondents from socioeconomic class DE works in other Southeast Asian countries (aside from Singapore) and Kuwait.
- (iii) About 4 of 10 OFW respondents in Japan were younger than 25 years old.
- (iv) A relatively large segment of older respondents (above 55) were from the US.
- (v) A relatively large portion of respondents from Kuwait reported that their highest educational attainment was elementary school.
- (vi) Seafarers and European-based respondents reported a relatively bigger segment with master's or graduate degrees.
- (vii) 28% of respondents from Kuwait reported monthly household incomes between ₱8,000 and ₱15,000. A relatively large segment of US-based respondents reported monthly household incomes of ₱100,000 and above.

Table 2.26a: Respondent Profiles by Country of Work
(%)

Country	Gender		SEC				Age				
	Male	Female	AB	C1	C2	DE	Below 25	26 to 35	36 to 45	46 to 55	Above 55
Saudi Arabia	55	45	1	9	38	52	7	41	32	20	2
Japan	13	88	1	13	40	46	39	43	13	5	0
Worldwide (Seafarers)	98	3	0	21	49	30	4	33	40	22	1
Hong Kong, China	10	90	2	12	44	42	1	39	47	11	2
United States	50	50	14	32	31	24	4	16	35	28	17
United Arab Emirates	33	67	0	17	30	53	10	49	36	6	0
Taipei,China	38	67	0	14	27	59	11	57	26	6	0
Europe	48	52	9	21	45	26	5	37	39	18	2
Other SEA	55	45	0	3	18	79	16	32	34	16	3
Singapore	22	78	0	24	46	30	14	39	33	11	3
Kuwait	6	94	0	3	19	78	13	53	25	6	3
Other Middle East	33	67	0	6	31	64	13	34	41	13	0
Other Asia	68	32	5	9	55	32	9	41	18	23	9
Other Countries	84	16	4	16	68	12	0	1	4	21	0
All Countries	46	54	2	15	39	44	11	39	32	15	3

SEA = Southeast Asia, SEC = socioeconomic class.

Notes:

1. Socioeconomic classifications used in the study covered 4 classifications: AB (upper), C1 (upper middle), C2 (lower middle), and DE (lower). Identifiers for the classifications include house or dwelling appearance, educational attainment of the respondents and spouse, household monthly income, house ownership, ownership of items in the country and in their place of work, and number of household members. These identifiers are regularly used by marketing researchers and market research agencies in the Philippines.
2. Interviewers were trained on classifying SEC considering the listed identifiers and assessing the sample. General guidelines in classifying include the following:

Indicator	AB	C1	C2	DE
House or dwelling appearance, location of home	Durable materials, fine workmanship, well-maintained, has lawn and garage, expensive furnishings	Durable materials, maintained, may have lawn/garage, less expensive furnishings	Less durable materials, no lawn/garage likely, not too well-maintained	Materials not long lasting (i.e., nipa), furnishings meager. Relatively rundown, poor neighborhood
Education of respondent and spouse	College graduate or master's	College graduate or master's	High school or some high school, some college	Some high school, elementary or some elementary, none
Household monthly income	₱50,000 and up	₱30,000 to ₱50,000	₱8,000 to ₱30,000	₱8,000 and below
House ownership	Own house	Own house/renting	Renting, staying with relatives	Renting, staying with relatives, squatting
Ownership of items (i.e., vehicle, computers, cell phones, air conditioners, water dispensers, installed water heater, freezers, etc.)	Several items owned in the Philippines and in country of work	Several items owned in the Philippines and some in country of work	Few items owned in Philippines, and very few or none in country of work	Very few in the Philippines, and very few or none in country of work
Number of household members	Relative to household income, position as household head, and ages of household members			

Source: Asian Development Bank consultants.

Table 2.26b: Respondent Profiles by Country
(%)

Country	Education									
	Elementary	Some High School	High School	Some College	College	Masters	Vocational	None	None	None
Saudi Arabia	5	5	34	17	23	7	8	1		
Japan	1	5	41	22	23	7	2	0		
Worldwide (Seafarers)	0	1	5	6	57	21	9	0		
Hong Kong, China	0	2	38	21	28	6	5	0		
United States	5	2	30	16	34	11	2	0		
United Arab Emirates	7	6	29	13	33	6	7	0		
Taipei, China	2	3	14	28	35	9	9	0		
Europe	2	4	20	7	38	24	6	0		
Other SEA	5	5	42	11	18	8	11	0		
Singapore	0	0	35	16	38	5	3	3		
Kuwait	22	6	28	13	22	0	9	0		
Other Middle East	6	3	24	18	33	3	12	0		
Other Asia	0	0	30	20	35	10	5	0		
Other Countries	4	4	21	4	46	17	4	0		
All Countries	4	4	28	16	32	10	7	0		

SEA = Southeast Asia.
Source: Asian Development Bank consultants.

Table 2.26c: Respondent Profiles by Country of Work
(%)

Country	Household Monthly Income (₹)									
	8,000 and Below	8,001 to 15,000	15,001 to 30,000	30,001 to 50,000	50,001 to 75,000	75,001 to 100,000	100,001 to 250,000	250,001 and Above		
Saudi Arabia	0	13	42	30	9	4	1	0		
Japan	0	9	23	35	16	10	6	1		
Worldwide (Seafarers)	0	3	13	33	28	21	2	0		
Hong Kong, China	1	7	34	47	9	0	0	0		
United States	3	5	21	23	16	20	8	5		
United Arab Emirates	2	15	47	29	4	3	0	0		
Taipei, China	0	5	41	44	8	3	0	0		
Europe	2	4	14	37	19	16	5	4		
Other SEA	6	19	42	14	3	17	0	0		
Singapore	6	14	34	31	9	6	0	0		
Kuwait	0	28	28	38	0	3	3	0		
Other Middle East	0	17	38	38	3	3	0	0		
Other Asia	0	0	33	29	24	10	0	5		
Other Countries	0	0	13	46	29	4	4	4		
All Countries	1	9	31	34	13	9	2	1		

SEA = Southeast Asia.
Source: Asian Development Bank consultants.

68. About 7 of 10 respondents reside in urban areas (Table 2.27).

Table 2.27: Urban and Rural Classification of Respondents

Item	%
Urban	72
Rural	28
Total	100

Source: Asian Development Bank consultants.

69. More than two thirds of the respondents are married (Table 2.28).

Table 2.28: Civil Status of Respondents

Civil Status	%
Single	27
Married	68
Widow or Widower	2
Separated or Divorced	3
Total	100

Source: Asian Development Bank consultants.

70. The survey found that 83% of respondents were Roman Catholics.
71. The average OFW respondent had a household of about 5–6 members, comprising 2–3 adults, 2 children, and 1 household helper.
72. Almost all had immediate family members in the Philippines.
73. Sixty six percent said they were the head of the household.
74. The survey found that 40% of respondents had one income earner in the household, while 45% had two income earners in the household.
75. Half of the respondents reported that their spouses had some college education (14%), a college degree (27%), or a graduate degree (14%) (Table 2.29).

Table 2.29: Education of Respondents' Spouses

Educational Attainment	%
Graduate or Master's	9
Undergraduate or College	27
Some College	14
High School	33
Some High School	3
Elementary or Some Elementary	3
Vocational or technical	4
None	7
Total	100

Source: Asian Development Bank consultants.

b. Other Characteristics

76. Eight of 10 OFW respondents were land-based (Table 2.30).

Table 2.30: Land and Sea Classification

Item	%
Land	80
Sea	20
Total	100

Source: Asian Development Bank consultants.

77. The largest percentage of the OFW respondents resided in the National Capital Region (NCR) (Table 2.31).

Table 2.31: Residence and Birthplace of Respondents by Region (%)

Region	Residence	Birthplace
Ilocos	6	6
Cagayan	3	4
Central Luzon	12	11
Southern Tagalog	9	8
Bicol	1	2
Western Visayas	5	8
Central Visayas	14	14
Eastern Visayas	3	6
Western Mindanao	4	5
Northern Mindanao	3	3
Southern Mindanao	7	9
Central Mindanao	3	5
Agusan and Surigao	1	1
NCR	26	12
CAR	2	2

Continued on next page

ARMM	Residence	Birthplace
	1	4
Total	100	100

ARMM = Autonomous Region of Muslim Mindanao, CAR = Cordillera Autonomous Region, NCR = National Capital Region.
Source: Asian Development Bank consultants.

78. Respondents reported working as an OFW for as little as 6 months to as long as 36 years. A majority (54%) worked 1–4 years as an OFW (Table 2.32).

Table 2.32: Years Worked and Residing in Country
(%)

Years	Years Worked	Years Residing
Less than 1 year	4	2
1 to 2 years	30	42
3 to 4 years	24	24
5 to 6 years	13	11
7 to 8 years	6	7
9 to 10 years	7	4
About 11 to 15 years	10	7
About 16 to 20 years	4	2
More than 20 years	2	1
Total	100	100

Source: Asian Development Bank consultants.

79. Almost all respondents had been sending remittances for at least a year, and more than two thirds had been sending remittances for at least 3 years (Table 2.33).

Table 2.33: Years Sending Remittances

Years	%
Less than 1 year	6
1 to 2 years	26
3 to 4 years	23
5 to 10 years	27
11 or more years	18
Total	100

Source: Asian Development Bank consultants.

80. Contractual OFWs accounted for almost 9 of 10 respondents (Table 2.34).

Table 2.34: Respondent Category and Resident Status

Respondent Category	%
Contractual OFW	88
Emigrant	5
Other country citizens (natural born and naturalized)	3
Others, tourist working, etc.	4
Total	100

OFW = overseas Filipino worker.

Source: Asian Development Bank consultants.

81. Only 26% were aware of OFW groups or organizations in their country of work.
82. The survey found 16% were members of OFW groups, while 4% were members of other associations.
83. About 20% contributed to an OFW organization or group.
84. In the respondent's country of work, the items with the highest percentage of ownership among OFWs were a prepaid mobile phone (57%) and a savings account (45%). A third of the respondents also reported having an automated teller machine (ATM) card (Table 2.35).
85. Almost two thirds of the respondents (64%) reported owning a prepaid mobile phone in the Philippines.
86. Seven of 10 respondents had a savings account in the Philippines, while more than half (52%) had an ATM card.

Table 2.35: Ownership of Durables
(%)

Items	Ownership	
	In Country of Work	In Philippines
Car or vehicle	8	18
Personal computer	8	17
Laptop or notebook	4	4
Mobile phone (card)	57	64
Mobile phone (line)	8	13
Savings account	45	70
Current account	14	18
ATM card	33	52
Credit card	4	5

ATM = automated teller machine.

Source: Asian Development Bank consultants.

B. Findings on the Nationwide Beneficiaries Survey

1. Remittance Behavior

a. Remittance Frequency and Amount

87. On average, the survey respondents received \$292 monthly. This value reflected the usual remittance amounts and the frequency of remittances, and was converted to a monthly value for easier comparison and analysis (Table 2.36 and Table 2.37).

88. Remittance amounts varied widely, though the remittance amount received most frequently was \$182 (or about ₱10,000 monthly).

89. Aside from receiving about \$182 monthly, some beneficiaries said they also occasionally received about \$273.

90. The survey found 91% said that they received their remittances in pesos.

Table 2.36: Frequency of Remittances

Frequency	%
More than once a month	2
Monthly	84
Every 2 months	11
Quarterly	2
Less often than quarterly	1
Total	100

Source: Asian Development Bank consultants.

Table 2.37: Remittance Amounts

(%)

Amount (\$)	Usual Amount	Occasional Amount
Less than 100	5	8
100 to 150	11	5
151–200	24	11
201–300	27	25
301–400	11	13
401–500	11	10
501–600	5	8
601–800	2	6
801–1,000	3	12
1,001 and above	1	2
Total	100	100
Average Amount (in \$)	313	422
Modal Amount (in \$)	182	273
Range (in \$) ^a	55 to 500	36 to 818

^a Low and high.

Source: Asian Development Banks consultants.

b. Remittance Channels

91. **Awareness.** In gauging their awareness of remittance modes, 45% of the beneficiary respondents had top-of-mind or first mention awareness of the bank-to-bank remittance mode. The door-to-door service also was a familiar method of remitting money, registering with about 30% of the respondents (Table 2.38).

92. Several beneficiary respondents were aware of alternative modes of remitting money, including money transfer agencies, padala, or informal channels. All respondents were aware of bank-to-bank remittances.

Table 2.38: Awareness of Remittance Modes
(%)

Remittance Mode	Top-of-Mind	Total Unaided Awareness
Bank-to-Bank	45	100
Door-to-Door	30	85
Bank-administered	17	55
Money Transfer Agency	5	56
Padala	0	48
Others	3	6
Total	100	—

— = not applicable.

Source: Asian Development Bank consultants.

93. Beneficiary respondents became aware of the different remittance channels mostly from banks (46%) as “First Mention” and the OFW or remitter (58%) as “Total Mention” (Table 2.39).

Table 2.39: Sources of Awareness
(%)

Sources of Awareness	First Mention	Total Mentions
Bank	46	46
OFW or remitter	28	58
People abroad	18	34
People in the Philippines	6	35
Media, television, and print	1	16
Government	1	9
Others, saw along road, etc.	0	6
Total	100	—

— = not applicable, OFW = overseas Filipino worker

Source: Asian Development Bank consultants.

94. **Usage.** Two thirds of the beneficiaries received their money through the bank, including 52% through bank-to-bank remittances and 15% through a bank’s door-to-door facility. One in four respondents said they usually receive their money door-to-door (Table 2.40).

95. A huge majority of the respondents (82%) have used the bank-to-bank mode for receiving their remittance. Switching, however, does not seem to happen often as indicated by the minimal difference in the mode usually used and last used.

96. Considering the timeframe of the field survey, the padala system probably posted a relatively higher response (7%) as several OFWs were home during the Christmas holidays and extended holidays. The padala system also seemed to be a common channel over a beneficiary household's remittance experience.

Table 2.40: Remittance Channels Used
(%)

Remittance Mode	Usually Used	Have Used	Last Used
Bank-to-Bank	52	82	47
Door-to-Door	25	48	26
Bank-administered	15	25	13
Money Transfer Agency	5	20	4
Padala	0	43	7
Others	3	5	3
Total	100	—	100

— = not applicable.

Source: Asian Development Bank consultants.

c. Remittance Charges

97. The beneficiary survey found that 68% said that the sender paid charges abroad, while 23% said they did not know whether or not the sender paid charges. Only four beneficiary respondents said they paid charges to get their remittances in the Philippines.

d. Attributes Considered in Choosing a Remittance Channel

98. In unaided⁵ questioning, 43% of the respondents said receiving their remittance fast was their primary consideration in choosing their mode of remittance (Table 2.41).

99. Given a list of attributes, the respondents were asked to rate the attributes on importance and satisfaction. A gap analysis was done to assess possible areas of improvement for remittance channels (Table 2.42).

100. **Attribute Importance Ratings.** The most important considerations in choosing a remittance channel were (i) receives remittance fast, (ii) is trustworthy, and (iii) has good service.

101. **Attribute Satisfaction Ratings.** Considering their current mode of receiving money, respondents were most satisfied with the following attributes: (i) is trustworthy, (ii) has good service, and (iii) receives remittance fast.

⁵ Respondents were asked without a given list of choices.

102. **Attribute Gap Analysis.** Computing for largest gaps among the attributes presented, room for improvement was shown for the following attributes: (i) has low or no maintaining balance, (ii) receive my remittance fast, and (iii) offers best exchange rate.

Table 2.41: Factors Considered in Choosing a Remittance Channel (Unaided)

Factors	% (n = 112)
Receives money fast	43
Is trustworthy	11
Reliable: delivers the whole amount regularly	11
Reasonable charges	6
Door-to-door delivery	5
Remitter decision	4
Near my residence	3
Accessible from residence	3
Has good service	3
Low or no maintaining balance	2
Employment agency decision	2
Many branches or outlets	2
Has minimal ID requirements	2
Offers best exchange rate	1
Employer decision	1
With ATM, anytime withdrawal	1

ATM = automated teller machine, ID = identification, n = sample size.

Source: Asian Development Bank consultants.

2. Income and Savings Profile

a. Income

103. A majority (55%) of the beneficiary households had other sources of income other than the remittances that they receive.

104. About 4 of 10 beneficiary respondents received cash or gifts in the past 2 years in addition to regular remittances.

105. Beneficiary respondents did not report any interest income from bank savings or current accounts, or interest from loans given.

106. On average, remittances contributed about 80% to a beneficiary household's total income. Respondents reported a contribution range of 25% to 100% (Table 2.43).

Table 2.42: Attribute Ratings of Beneficiaries

Item	Importance					Satisfaction					Gap				
	5 VI	4 I	3 N	2 U	1 DNI	Total N	Ave	5 VS	4 S	3 N	2 D	1 VD	Total N	Ave	Gap
Has low or no maintaining balance	77	184	33	4	0	298	4.12	23	202	47	14	14	300	3.69	0.43
Sends my remittance fast	145	150	4	0	0	299	4.47	96	166	38	0	0	300	4.19	0.28
Offers best exchange rate	103	190	6	0	0	299	4.32	51	219	31	0	0	301	4.07	0.26
Accessibility to beneficiary	61	202	29	2	4	298	4.05	34	210	44	1	10	299	3.86	0.19
Has reasonable charges	109	176	12	1	0	298	4.32	71	196	28	1	1	297	4.13	0.19
Accessibility from workplace	43	177	52	19	5	296	3.79	12	192	51	11	14	280	3.63	0.16
Near my beneficiary	48	202	38	6	5	299	3.94	25	208	53	3	10	299	3.79	0.16
Has good service	117	183	0	0	0	300	4.39	79	217	4	0	0	300	4.25	0.14
Is trustworthy	126	171	1	0	0	298	4.42	86	210	3	0	0	299	4.28	0.14
Reliable: delivers whole amount	113	166	16	3	0	298	4.31	87	177	35	0	1	300	4.16	0.14
Reliable: delivers the money	116	163	17	3	0	299	4.31	90	175	35	0	0	300	4.18	0.13
Near my place of work	41	169	63	19	5	297	3.75	16	185	53	12	15	281	3.62	0.12

Ave = weighted average, D = dissatisfied, DNI = definitely not important, I = important, N = neither, NI = not important, S = satisfied, VD = very dissatisfied, VS = very satisfied.

Note: The values indicated under the column "Ave" are weighted averages. The nearer to 5.00, the higher in terms of importance and satisfaction. Importance ratings were 5 for very important, 4 for important, 3 for neither, 2 for not important, and 1 for definitely not important. Satisfaction ratings were 5 for very satisfied, 4 for satisfied, 3 for neither, 2 for dissatisfied, and 1 for very dissatisfied.

Source: Asian Development Bank consultants.

Table 2.43: Income Sources of Beneficiary Households

Item	No. of Responses	Average Amount (₱)	Average Percent of Total Income
Remittance	171	16,830	80
Salaries	62	9,475	38
Business and consultancy	27	9,389	22
Occasional employment	17	6,294	25
Rental income	18	5,363	24
Pension and retirement income	11	2,609	15
Donations from friends or relatives	7	5,429	19
Other sources	11	2,005	10

Source: Asian Development Bank consultants.

b. Expenses

107. Most respondents allocate their remittances for food consumed at home, utilities and other household operations, personal care and effects, communications, and transportation. The highest monthly allocations for expenses from remittances are food consumed at home (average of ₱5,360), rent⁶ (₱4,943), and education (₱2,733), among others (Table 2.44).

Table 2.44: Expenses Allocated from Remittances

Expense Item ^a	No.	Monthly Values (₱)			
		Average	Modal	Lowest	Highest
Food consumed at home	92	5,360	6,000	1,000	15,000
Food consumed outside home	45	1,100	500	100	4,000
Alcoholic beverage	6	283	300	100	500
Tobacco	7	389	200	120	1,200
Fuel, light, and water	88	1,272	1,000	200	4,000
Transportation	74	644	500	100	2,800
Communication	79	629	300	100	1,500
Household operations	85	943	1,000	50	2,500
Personal care and effects	79	675	500	50	3,000
Clothing, footwear, other wear	63	900	1,000	100	3,000
Education	58	2,733	1,000	100	20,000
Recreation	7	1,121	200	150	5,600
Medical care	44	511	500	100	3,000
Nondurable furnishings	18	556	500	100	1,666
Durable furniture and equipment	8	1,254	500	200	3,333
Rent	7	4,943	5,000	3,000	5,000

Continued on next page

⁶ Few respondents (7) mentioned rent allocations for their remittances.

Continued

Expense Item ^a	No.	Monthly Values (₱)			
		Average	Modal	Lowest	Highest
House maintenance and repairs	17	1,792	1,000	20	10,000
Taxes paid	5	937	150	150	2,500
Special occasions	29	1,672	500	250	10,000
Gift and contributions to others	27	483	500	100	1,000

No. = number of respondents.

^a Among those where 100% total income = 100% remittance (respondents = 92).

Source: Asian Development Bank consultants.

108. Among households where remittances supplement total income, these remittances usually were used for food consumed at home, household operations and utilities, and education. The highest allocations were for food consumed at home, rent,⁷ other expenses,⁸ and education (Table 2.45).

Table 2.45: Expenses Allocated from Remittances

Expense Item ^a	No.	Monthly Values (₱)			
		Average	Modal	Lowest	Highest
Food consumed at home	99	5,174	6,000	100	15,000
Food consumed outside home	28	1,095	1,000	100	3,000
Alcoholic beverage	10	420	500	100	800
Tobacco	13	464	300	100	1,000
Fuel, light, and water	82	1,526	1,000	300	5,000
Transportation	60	1,099	1,000	100	15,000
Communication	63	734	500	200	2,000
Household operations	83	1,481	1,000	100	5,000
Personal care and effects	59	925	500	100	3,000
Clothing, footwear, other wear	40	909	500	150	3,000
Education	77	3,037	2,000	100	20,000
Recreation	7	914	200	200	2,500
Medical care	36	1,465	500	200	6,000
Nondurable furnishings	8	675	500	200	1,200
Durable furniture and equipment	5	1,450	1,000	250	3,000
Rent	4	3,675	5,000	2,500	5,000
House maintenance and repairs	12	1,608	2,000	200	3,000
Taxes paid	6	1,520	3,000	200	3,000
Special occasions	16	1,644	1,000	500	5,000
Gift and contributions to others	9	378	500	17	1,000
Other expenses	9	3,522	1,000	200	10,000

No. = number of respondents.

^a Among those reporting total income >100% remittance (respondents = 99).

Source: Asian Development Bank consultants.

109. Aside from common household expenses, other usual allocations for remittances included fiestas and special occasions, and savings. The highest average allocations were for business investments, and lot or housing-related expenses (Table 2.46).

⁷ Only four respondents mentioned rent expense.

⁸ Only nine respondents answered other expenses.

Table 2.46: Expenses Allocated from Remittances

Expense Item	No.	Values (₱) ^a			
		Average	Modal	Lowest	Highest
Payment of debts	21	2,662	2,000	500	5,000
Purchase of land or lot	9	5,200	5,000	2,200	10,000
Purchase of house and lot	15	4,600	2,500	2,000	15,000
Construction or repair of house	18	5,111	2,000	1,000	20,000
Improvement of agricultural land	12	2,983	1,000	300	10,000
Education	11	4,431	1,000	250	10,000
Health-related expenses	5	600	500	500	1,000
Lend to family and relatives	18	1,944	500	500	10,000
Lend to friend(s)	2	2,000	1,000	1,000	5,000
Invest in business	13	9,331	5,000	2,000	30,000
Fiestas, marriages, birthday, etc.	43	3,718	2,000	200	30,000
Savings	44	3,594	2,000	208	25,000
Miscellaneous	13	1,438	2,000	200	2,000

^a Exact schedule not known, i.e., monthly, yearly, etc.

Source: Asian Development Bank consultants.

c. Other Expenses

110. OFWs are believed to contribute or send home money for expenses for celebrations, such as fiestas and special occasions of the family. About 28% allocate ₱2,000 for these expenses, while half of the respondents allocate 5% or less for this expense (Table 2.47).

Table 2.47: Allocations for Fiestas, Marriages, Birthdays, and Other Occasions

Total Amount (₱)	% Indicating (n=43)	As a % of Remittance	% Indicating (n=50)
500 and below	7	Below 5	24
600 to 1,000	21	5	26
1,500	7	6–10	18
2,000	28	15	10
3,000 to 4,000	14	20	14
5,000 to 6,000	12	25	6
10,000 and up	11	50	2
Total	100	—	100

— = not applicable, n = total number of respondents.

Source: Asian Development Bank consultants.

d. Savings

111. More than two thirds of the respondents said they were able to save money. For those who specified allocations, more than half saved between ₱1,000 and ₱3,000 monthly, or allocate 5–30% of the remittances they receive to savings (Table 2.48).

Table 2.48: Monthly Allocations for Savings in Pesos

Amount (₱)	% Indicating (n=44)	As a % of Remittance	% Indicating (n=76)
500 and below	5	Below 5	5
600 to 1,000	18	5	26
1,500 to 2,000	27	10	28
2,500 to 3,000	23	15–30	28
5,000 to 8,000	18	40–50	9
10,000 and up	9	60–70	4
Total	100	—	100
Average	2,709		

— = not applicable, n = number of respondents.

Source: Asian Development Bank consultants.

112. The survey found 87% of the respondents said they kept their savings in the bank (Table 2.49).

Table 2.49: Where Beneficiary Households Keep Savings

Location	%
Bank in the Philippines	87
At home	8
In wallet	5
Total	100

Source: Asian Development Bank consultants.

e. Other Budget Allocations

113. Almost a third of the beneficiary respondents (31%) said they had borrowed money for the OFW to go abroad. Only 4% said that the OFW borrowed money while he or she was out of the country. However, these respondents might not have known about loans made to the OFW.

114. The most popular financial instrument enrolled in by respondents was life insurance at 34% (Table 2.50).

Table 2.50: Financial Instruments

Plan	%
Life Insurance	34
Pension Plan	20
Educational Plan	20
Health Maintenance Plans (HMO)	21
Other Investment or Plans	5
Total	100

HMO = health maintenance organization.
Source: Asian Development Bank consultants.

3. Development Initiatives in the Philippines

115. Only 3% of the beneficiary respondents were aware of OFW groupings in their community, and just 1% joined an OFW organization.

116. Almost 3 of 10 said they were interested in contributing directly to help their communities (Table 2.51).

Table 2.51: Interest in Contributing to Development

Level of Interest	%
Very Interested	1
Interested	28
Neither	35
Not Interested	20
Definitely Not Interested	16
Total	100

Source: Asian Development Bank consultants.

4. Market Profile

a. The Overseas Filipino Worker Remittance Sender

117. The remitter for 28% of the beneficiary respondents worked in Saudi Arabia, the most popular destination for OFWs in the household survey. Further, more than half of the OFWs in this survey worked in Saudi Arabia, Japan, or US (Table 2.52).

Table 2.52: Country of Work of Remitter

Country	Volume	%
Saudi Arabia	84	28
Worldwide (Seafarers)	43	14
Japan	40	13
United States and Canada	32	11
Hong Kong, China	21	7
Taipei, China	20	7
United Arab Emirates	19	6
Singapore	14	5
Europe (Italy, United Kingdom, and other Europe)	9	3
Other Middle East	8	3
Africa, Australia, New Zealand, Palau, Fiji Islands, Saipan, etc.	6	2
Other Asia or SEA (Republic of Korea, Brunei)	3	1
Total	299	100

SEA = Southeast Asia.

Source: Asian Development Bank consultants.

118. Domestic helpers, seafarers, and laborers or unskilled workers were the most common occupations of the remitting OFWs, according to the household survey (Table 2.53).

Table 2.53: Occupation of Overseas Filipino Worker Sending Remittances

Occupation	Volume	%
Laborers and unskilled workers	62	21
Domestic helpers	53	18
Seafarers	51	18
Service workers, sales, clerks, traders, etc.	50	17
Professionals and associate professionals	34	12
Entertainers and performers	24	8
Plant machine operators, assemblers, etc.	16	6
Total	290	100

Source: Asian Development Bank consultants.

119. Almost 9 of 10 of the respondents reported that the OFW in their households was a contractual OFW (Table 2.54).

Table 2.54: Contract and Resident Status

Category	%
Contractual OFW	88
Emigrant	9
Tourist working abroad	1
Born in the Philippines and naturalized	1
Other country citizen	1
Total	100

OFW = overseas Filipino worker.

Source: Asian Development Bank consultants.

120. The OFW remitter had a relatively higher educational attainment than the beneficiary respondents in the survey (Table 2.55).

Table 2.55: Educational Attainment of OFW

Educational Attainment	OFW	Respondent
Graduate or Master's	1	0
Undergraduate or College	40	25
Some College	26	27
High School	28	33
Some High School	2	7
Elementary or Some Elementary	1	7
Vocational or technical	2	0.5
None	0	0.5
Total	100	100

OFW = overseas Filipino worker.

Source: Asian Development Bank consultants.

b. Sociodemographic Profile of the Beneficiary Respondents

121. More than half of the respondents (56%) were between 26 and 45 years old (Table 2.56).

Table 2.56: Age of Respondent

Age (years)	%
25 and below	7
26–35	27
36–45	29
46–55	23
Above 55	14
Total	100

Source: Asian Development Bank consultants.

122. In the beneficiary household survey, 80% of the respondents were female (Table 2.57).

Table 2.57: Gender

Gender	%
Male	20
Female	80
Total	100

Source: Asian Development Bank consultants.

123. More than three quarters of the respondents were married (Table 2.58).

Table 2.58: Civil Status of Beneficiary Respondent

Civil Status	%
Single	10
Married	77
Widow or Widower	11
Separated or Divorced	2
Total	100

Source: Asian Development Bank consultants.

124. More than half (55%) of the respondents belong to socioeconomic class DE (Table 2.59).

Table 2.59: Socioeconomic Class

Socioeconomic Class	%
AB	2
C1	4
C2	39
DE	55
Total	100

Notes:

1. Socioeconomic classifications used in the study covered 4 classifications: AB (upper), C1 (upper middle), C2 (lower middle) and DE (lower). Identifiers for the classifications include house or dwelling appearance, educational attainment of the respondents and spouse, household monthly income, house ownership, ownership of items in the country and in their place of work, and number of household members. These identifiers are regularly used by marketing researchers and market research agencies in the Philippines.

2. Interviewers were trained on classifying SEC considering the listed identifiers and assessing the sample. General guidelines in classifying include the following:

Indicator	AB	C1	C2	DE
House or dwelling appearance, location of home	Durable materials, fine workmanship, well-maintained, has lawn and garage, expensive furnishings	Durable materials, maintained, may have lawn/garage, less expensive furnishings	Less durable materials, no lawn/garage likely, not too well-maintained	Materials not long lasting (i.e., nipa), furnishings meager. Relatively rundown, poor neighborhood
Education of respondent and spouse	College graduate or master's	College graduate or master's	High school or some high school, some college	Some high school, elementary or some elementary, none
Household	₱50,000 and up	₱30,000 to ₱50,000	₱8,000 to ₱30,000	₱8,000 and below

Indicator	AB	C1	C2	DE
monthly income				
House Ownership	Own house	Own house/renting	Renting, staying with relatives	Renting, staying with relatives, squatting
Ownership of items (i.e. vehicle, computers, cellphones, air conditioners, water dispensers, installed water heater, freezers, etc.)	Several items owned in the Philippines and in country of work	Several items owned in the Philippines and some in country of work	Few items owned in Philippines, and very few or none in country of work	Very few in the Philippines, and very few or none in country of work
Number of household members	Relative to household income, position as household head, and ages of household members			

Source: Asian Development Bank consultants.

125. Almost two thirds of respondents (65%) had monthly household incomes between ₱15,000 and ₱50,000 (Table 2.60).

Table 2.60: Monthly Household Income

Monthly Income (₱)	%
8,000 and below	2
8,001–15,000	13
15,001–30,000	37
30,001–50,000	28
50,001–75,000	16
75,001 and above	4
Total	100

Source: Asian Development Bank consultants.

126. The household survey found that 28% of the respondents from these beneficiary households work. A majority is laborers and unskilled workers (Table 2.61).

Table 2.61: Occupation of Beneficiary Respondent

Occupation	Volume	%
Laborers and unskilled workers	53	63
Service workers, sales, clerks, traders, etc.	18	21
Professionals and associate professionals	13	16
Total	84	100

Source: Asian Development Bank consultants.

127. The average beneficiary respondent had a household of about 5 members, comprising 2–3 adults and 2 children. Eight of 10 households did not have household help.

128. Almost 4 of 10 had one income earner in the household, while 46% had two income earners.

129. In the beneficiary survey, 26% of the respondents said they were the head of the household.

130. The survey also found that 59% of the respondents said they were the main decision maker in budgeting household expenses, while the remaining 41% said they had a major influence on decisions regarding household budgeting and expenses.

131. Eighty seven percent of the households surveyed owned their homes (Table 2.62).

Table 2.62: Ownership Status of Residence

Ownership Status	%
Own house	87
Rent	10
Stay with relatives	3
Total	100

Source: Asian Development Bank consultants.

132. The largest percentage of OFW beneficiary respondents resided in the NCR (Table 2.63).

Table 2.63: Region of Residence

Region of Residence	Volume	%
Ilocos	17	6
Cagayan	6	2
Central Luzon	37	12
Southern Tagalog	50	17
Bicol	9	3
Western Visayas	19	6
Central Visayas	20	7
Eastern Visayas	8	3
Northern Mindanao	22	7
Southern Mindanao	2	1
Central Mindanao	1	0
National Capital Region	110	36
Total	301	100

Source: Asian Development Bank consultants.

133. The survey found that 69% of beneficiary respondents resided in urban areas.

134. Nine of 10 respondents were Roman Catholics.

c. Other Characteristics

135. Only 3% of the respondents were members of an OFW group.

136. Two thirds of the respondents had savings accounts, and about half (52%) had ATM cards (Table 2.64).

Table 2.64: Ownership of Durables
(%)

Item	Ownership	
	In Country of Work	In Philippines
Car or vehicle	4	8
Personal computer	5	17
Laptop or notebook	2	1
Mobile phone (card)	33	61
Mobile phone (line)	1	8
Savings account	24	67
Current account	3	8
ATM card	16	52
Credit card	2	9
Air conditioner	—	26
Water purification or dispenser	—	19
Installed water heater	—	10
Freezer	—	18
Microwave oven	—	34

— = not applicable, ATM = automated teller machine.

Source: Asian Development Bank consultants.

C. Findings on the Singapore Survey

1. Remittance Behavior

a. Remittance Frequency and Amount

137. Three quarters of the Singapore-based respondents said they sent remittances monthly. Compared with the nationwide Philippine survey, a relatively higher percentage of Singapore respondents said they remitted more often than once a month⁹ (Table 2.65).

138. The average remittance of Singapore OFWs was \$248 monthly. The usual amount sent ranged from \$36 to \$1,933. Averaged on a monthly basis, remittances ranged from \$27 to \$1,933.

⁹ In appropriate tables, two columns are shown to present a comparative analysis of the OFW nationwide Philippine survey findings and the Singapore survey.

Table 2.65: Frequency of Remitting
(%)

Frequency	Philippine Survey	Singapore
More than once a month	2	8
Monthly	80	75
Every 2 months	10	10
Quarterly	5	4
Less than four times a year	3	3
Total	100	100

Source: Asian Development Bank consultants.

139. Singapore-based OFWs remitted lower amounts compared with all respondents in the market study. Two thirds of Singapore respondents remitted \$200 or less, while only 39% in the Philippine survey said they remitted \$200 or less (Table 2.66).

Table 2.66: Remittance Amounts
(%)

Amount (\$)	Usual Amount	
	Philippine Survey	Singapore
Less than 100	10	22
100–150	9	13
151–200	20	33
201–300	19	16
301–400	14	5
401–500	12	2
501–600	5	4
601–800	5	2
801–1,000	4	2
1,001 or more	2	1
Total	100	100

Source: Asian Development Bank consultants.

b. Remittance Channels

140. **Awareness.** Almost 4 of 10 Singapore respondents said they learned about remittance modes from other people (e.g., friends, coworkers, etc.). Singapore respondents were more likely to mention advertisements and signs as a source for their awareness than Philippine respondents (Table 2.67).

Table 2.67: Sources of Awareness
(%)

Sources of Awareness	Philippine Survey	Singapore
People abroad or in country	71	39
Banks	27	34
PDOS	22	8
Government	21	0
People in the Philippines	16	0
Employer	16	5
Employment agency	14	2
Ads, saw along the road, etc.	7	13

PDOS = Predeparture Orientation Seminar.
Source: Asian Development Bank consultants.

141. **Usage.** Three quarters of Singapore OFWs used a bank-to-bank mode for remittances (Table 2.68).

Table 2.68: Remittance Channels Used
(%)

Remittance Mode	Usually Used		Last Used	
	Philippine Survey	Singapore	Philippine Survey	Singapore
Bank-to-Bank	65	75	64	75
Door-to-Door (Bank)	15	8	30 (combined for	5
Door-to-Door (Money Transfer Agency)	7	8	bank and money transfer agency)	13
Money Transfer Agency	6	9	—	6
Padala	2	0	3	0
Others	4	0	3	1
Total	99	100	1,050	100

— = not applicable.

Source: Asian Development Bank consultants.

c. Attributes Considered in Choosing a Remittance Channel

142. **Attribute Importance Ratings.** The most important considerations in choosing a remittance channel among Singapore interviewees were (i) is trustworthy, (ii) has good service, and (iii) is reliable.

143. **Attribute Satisfaction Ratings.** Considering their current mode of remitting money, Singapore OFWs were most satisfied with the following attributes: (i) has reasonable charges, (ii) is trustworthy, and (iii) sends my remittance fast.

144. **Attribute Gap Analysis.** Computing for largest gaps among the attributes presented, room for improvement was found for the following attributes: (i) has low or no maintaining balance, (ii) sends remittance fast and is trustworthy, and (iii) has good service (Table 2.69).

Table 2.69: Attribute Ratings of Singapore

Attributes	Importance										Satisfaction										Gap
	5	4	3	2	1	Total	Ave	5	4	3	2	1	Total	Ave							
	VI	I	N	U	DNI	N		VS	S	N	D	VD	N								
Has low or no maintaining balance	69	61	22	10	3	165	4.11	44	65	18	3	2	142	3.82	0.29						
Is trustworthy	140	28	6	1	0	175	4.75	85	44	9	2	0	140	4.51	0.24						
Sends my remittance fast	121	38	9	5	1	174	4.57	70	54	13	2	1	141	4.33	0.24						
Has good service	123	43	3	3	1	173	4.64	75	60	5	2	0	142	4.46	0.18						
Offers best exchange rate	99	54	14	3	1	171	4.44	58	68	14	1	1	142	4.27	0.17						
Am used to this	93	45	12	6	4	160	4.36	61	54	15	3	4	137	4.20	0.15						
Reliable: delivers the money	125	32	8	2	2	169	4.63	85	41	12	2	1	140	4.50	0.13						
Speaks Filipino or my dialect	105	34	23	3	5	170	4.36	73	39	19	2	5	138	4.25	0.11						
Reliable: delivers whole amount	124	30	15	3	2	174	4.56	83	43	14	0	1	141	4.47	0.09						
Near my beneficiary	88	35	26	7	3	159	4.25	58	53	21	7	0	139	4.17	0.08						
Accessibility from workplace	83	42	27	11	3	166	4.15	54	50	27	8	0	139	4.08	0.07						
Accessibility to beneficiary	89	44	29	4	1	167	4.29	61	54	21	3	0	139	4.24	0.05						
Has reasonable charges	103	52	14	1	4	174	4.43	53	72	14	0	2	132	4.52	-0.09						
Near my place of work	88	35	36	13	4	176	4.08	65	40	31	5	0	141	4.17	-0.09						

Ave = weighted average, D = dissatisfied, DNI = definitely not important, I = important, N = neither, NI = not important, S = satisfied, VD = very dissatisfied, VI = very important, VS = very satisfied.

Note: The values indicated under the column "Ave" are weighted averages. The nearer to 5.00, the higher in terms of importance and satisfaction. Importance ratings were 5 for very important, 4 for important, 3 for neither, 2 for not important, and 1 for definitely not important. Satisfaction ratings were 5 for very satisfied, 4 for satisfied, 3 for neither, 2 for dissatisfied, and 1 for very dissatisfied.

Source: Asian Development Bank consultants.

2. Income and Savings Profile

a. Income

145. A majority of Singapore respondents said they remitted half (21%) or less than half (37%) of their total income (Table 2.70).

b. Savings

146. The Singapore survey found that 80% were able to save some of their earnings. Almost half indicated that they keep their savings in banks in Singapore (Table 2.71).

Table 2.70: Total Income Used For Remittances
(%)

Income for Remittances	Philippine Survey	Singapore ^a
20 and below	8	25
21–49	12	12
50	28	21
51–79	18	14
80	22	18
81–99	7	10 (total for 81 to 100 category)
100	5	
Total	100	100

^a Scaling is different in questionnaire, but approximates the descriptions in the first column.
Source: Asian Development Bank consultants.

Table 2.71: Where Singapore Respondents Keep Savings

Location	%
Bank in Singapore	47
Bank in Philippines	44
Other Institution	1
Others, Home, Wallet, etc.	8
Total	100

Source: Asian Development Bank consultants.

147. More than 4 of 10 respondents (42%) said they borrowed money to go abroad.

148. One in 5 Singapore respondents said they had borrowed money while working abroad.

3. Retirement and Development Initiatives in the Philippines

a. Retirement

149. Almost 6 of 10 (59%) respondents from Singapore indicated they were likely to retire in the Philippines, significantly less than the 85% of likely future Philippine retirees among respondents in the Philippine survey (Table 2.72).

Table 2.72: Likelihood of Retiring in the Philippines
(%)

Likelihood of Retiring in the Philippines	Philippine Survey	Singapore
Very Likely	48	40
Likely	37	19
Neither	8	14
Unlikely	5	14
Very Unlikely	2	13
Total	100	100

Source: Asian Development Bank consultants.

b. Development Initiatives

150. More than three quarters (76%) said they contributed to community activities. Those contributions involved donations to charity, doing volunteer work or service, and putting up businesses in the future. Some said sending their remittances was their contribution to community activities (Table 2.73).

Table 2.73: Community Development Activities
(n = 55)

Type of Activity	%
Donating to children’s funds, charity, church, etc.	22
Sending remittances (\$)	15
Setting up a business	16
Doing volunteer work, sharing skills, etc.	16
Helping the Government, paying taxes, etc.	9
Others, having projects, joining organizations, etc.	22
Total	100

n = sample size.
Source: Asian Development Bank consultants.

151. Thirty six percent reported that they already were contributing to Philippine development projects. Of those specifying their contribution, half said remitting their earnings was their contribution (Table 2.74).

Table 2.74: Current Community Development Activities
(n = 35)

Type of Activity	%
Sending remittances (\$)	54
Donating to children's funds, charity, church, etc.	14
Helping the Government, paying taxes, etc.	9
Doing volunteer work, sharing skills, etc.	6
Setting up a business	3
Others, having projects, joining organizations, etc.	14
Total	100

n = sample size.

Source: Asian Development Bank consultants.

4. Market Profile

a. Sociodemographic Characteristics

152. About three quarters of the Singapore respondents were domestic helpers (Table 2.75).
153. Their average age was 38 years old, with ages ranging from 21 to 58. Almost three quarters were between 26 and 45 years old (Table 2.76).
154. Nine of 10 Singapore respondents were female (Table 2.77).
155. Half of the respondents were married (Table 2.78).

Table 2.75: Occupation
(%)

Occupation	Philippine Survey	Singapore
Domestic helpers	25	76
Seafarers	20	3
Laborers, unskilled workers, farmers, etc.	22	3
Service workers, sales, clerks, etc.	13	4
Entertainers and performers	10	1
Professionals and associate professionals	10	13
Others, retired, housewife, etc.	0	0
Total	100	100

Source: Asian Development Bank consultants.

Table 2.76: Age of Singapore Respondents
(%)

Age (years)	Philippine Survey	Singapore
25 and below	11	6
26–35	39	40
36–45	32	34
46–55	15	15
Above 55	3	5
Total	100	100

Source: Asian Development Bank consultants.

Table 2.77: Gender of Singapore Respondents
(%)

Gender	Philippine Survey	Singapore
Male	46	10
Female	54	90
Total	100	100

Source: Asian Development Bank consultants.

Table 2.78: Civil Status of Singapore Respondents
(%)

Civil Status	Philippine Survey	Singapore
Single	27	37
Married	68	54
Widow, Widower, Separated, or Divorced	5	9
Total	100	100

Source: Asian Development Bank consultants.

156. A relatively large group of Singapore respondents were from the northern Philippines, though the largest single region of residence still was the NCR (Table 2.79).

Table 2.79: Region of Residence
(%)

Region of Residence	Philippine Survey	Singapore
Ilocos	6	14
Cagayan	3	9
Central Luzon	12	12
Southern Tagalog	9	8
Bicol	1	1
Western Visayas	5	13
Central Visayas	14	5
Eastern Visayas	3	2
Western Mindanao	4	1
Northern Mindanao	3	2
Southern Mindanao	7	4
Central Mindanao	3	0
Agusan and Surigao	1	1
National Capital Region	26	19
CAR	2	7
ARMM	1	2
Total	100	100

ARMM = Autonomous Region of Muslim Mindanao, CAR = Cordillera Autonomous Region.
Source: Asian Development Bank consultants.

157. The Singapore survey found that 80% of the respondents were Roman Catholics.
158. Four of 10 married respondents had spouses who also worked.
159. Almost all (97%) had immediate family members in the Philippines.
160. Nearly half (47%) had one income earner in the household, while 40% reported having two income earners.

b. Other Characteristics

161. For Singapore OFWs, the number of years working in Singapore ranged from less than a year to more than 15 years, with relatively equal distribution of new and old-time OFWs (Table 2.80).

Table 2.80: Years Working in Singapore
(%)

Years	Philippine Survey	Singapore
Less than 1	4	7
1–2	30	15
3–4	24	22
5–6	13	14
7–8	6	11
9–10	8	12
About 11–15	9	16
About 16–20	4	3 (total for 16 to more than 20 years)
More than 20	2	
Total	100	100

Source: Asian Development Bank consultants.

162. Most respondents had work permits (Table 2.81).

Table 2.81: Respondent Category and Resident Status
(%)

Respondent Category	Philippine Survey	Singapore
Contractual OFW or Work Permits	88	85
Emigrant or Permanent Resident	5	11
Other Country Citizens (natural born and naturalized)	3	4
Others, Tourist, Working, etc.	4	0
Total	100	100

OFW = overseas Filipino worker.

Source: Asian Development Bank consultants.

163. A higher percentage of Singapore OFWs owned technology-based products, such as personal computers, mobile phones, etc., than the respondents in the Philippine survey (Table 2.82).

164. While the Singapore respondents had higher percentages of ownership of products in Singapore, they reported lower ownership levels of most products in the Philippines.

Table 2.82: Ownership of Durables
(%)

Item	Ownership			
	In Country of Work (Philippine Survey)	In Singapore	In Philippines (Philippine Survey)	In Philippines (Singapore Survey)
Car or vehicle	8	3	18	21
Personal computer	8	18	17	14
Laptop or notebook	4	8	4	1
Mobile phone (card)	57	36	64	30
Mobile phone (line)	8	34	13	9
Savings account	45	48	70	42
Current account	14	14	18	15
ATM card	33	35	52	24
Credit card	4	15	5	3

ATM = automated teller machine.

Source: Asian Development Bank consultants.

D. Findings on the United States Survey

1. Remittance Behavior

a. Remittance Frequency and Amount

165. Respondents from the US reported a wide disparity on frequency of remittances. While about 1 of 4 remitted monthly, others reported frequencies of remitting from weekly to less than once a year (Table 2.83).

166. The average remittance amount was \$342 monthly. The usual amount sent ranged from \$20 to \$15,000. Averaged out on a monthly basis, the usual amount ranged from \$4 to \$1,500.

167. A majority of the US respondents remitted between \$200 and \$300 (Table 2.84).

Table 2.83: Frequency of Remitting
(%)

Frequency	Philippine Survey	United States (n=413)
More than once a month	2	13
Monthly	80	40
Every 2 months	10	10
Quarterly	5	11
Less than four times a year	3	26
Total	100	100

n = number of respondents.

Source: Asian Development Bank consultants.

Table 2.84: Remittance Amounts
(%)

Amount (\$)	Usual Amount	
	Philippine Survey	United States (n=392)
Less than 100	10	1
100–150	9	6
151–200	20	8
201–300	19	61
301–400	14	4
401–500	12	4
501–600	5	2
601–800	5	8
801–1000	4	3
1001 and above	2	3
Total	100	100

n = number of respondents.

Source: Asian Development Bank consultants.

b. Remittance Channels

168. **Awareness.** Half of the US respondents said they learned about remittance modes from other people (i.e., friends, coworkers, etc., in the US). US respondents were more likely to mention advertisements and signs as a source of awareness than other respondents (Table 2.85).

Table 2.85: Sources of Awareness
(%)

Sources of Awareness	Philippine Survey	US (n=418)
People abroad or in country	71	50
Bank	27	21
PDOS	22	1
Government	21	—
People in the Philippines	16	—
Employer	16	0.2
Employment Agency	14	0.7
Media Advertisements	7 (for media	12
Others, saw along the road, etc.	advertisements and others combined)	17

— = not applicable, PDOS = Predeparture Orientation Seminar, n = number of respondents.

Source: Asian Development Bank consultants.

169. **Usage.** Slightly fewer respondents indicated they usually used the bank (47%) for remittances than door-to-door or money transfer agencies (48%) (Table 2.86).

Table 2.86: Remittance Channels Used
(%)

Remittance Mode	Usually Used		Last Used	
	Philippine Survey	US (n=423)	Philippine Survey	US (n=423)
Bank-to-Bank	65	42	64	39
Door-to-Door (Bank)	15	5	30 (for bank and MTA together)	4
Door-to-Door (MTA)	7	31		32
Money Transfer Agency	6	17		14
Padala	3	4	3	8
Others	4	1	3	3
Total	100	100	100	100

MTA = money transfer agency, n = number of respondents, US = United States.

Source: Asian Development Bank consultants.

c. Attributes Considered in Choosing a Remittance Channel

170. **Attribute Importance Ratings.** For US respondents, the most important considerations in choosing a remittance channel were (i) sends remittance fast, (ii) is reliable, and (iii) is trustworthy.

171. **Attribute Satisfaction Ratings.** Considering their current mode of remitting money, respondents were most satisfied with the following attributes: (i) sends remittance fast, (ii) is reliable, and (iii) is trustworthy.

172. **Importance and Satisfaction Gaps.** Computing for largest gaps among the attributes presented, room for improvement was evident for the following attributes: (i) is trustworthy, (ii) is reliable, and (iii) accessibility to beneficiary and sends my remittance fast (Table 2.87).

Table 2.87: Attribute Ratings of US Respondents

Item	Importance										Satisfaction										Total	Ave	Gap	
	5	4	3	2	1	Total	Ave	5	4	3	2	1	Total	Ave	5	4	3	2	1	Total				Ave
	VI	I	N	U	DNI	N		VS	S	N	D	VD	N		S	S	N	D	VD	N				
Is trustworthy	111	19	3	0	0	133	4.81	64	46	4	0	1	115	4.50	0.32						115	4.50	0.32	
Reliable: delivers the money	108	19	3	0	0	130	4.81	61	48	3	0	0	112	4.52	0.29						112	4.52	0.29	
Near my beneficiary	87	41	4	1	0	133	4.61	54	55	6	4	0	119	4.34	0.27						119	4.34	0.27	
Sends my remittance fast	114	22	1	0	0	137	4.82	71	49	3	0	0	123	4.55	0.27						123	4.55	0.27	
Reliable: delivers whole amount	105	22	4	0	0	131	4.77	60	52	2	0	0	114	4.51	0.26						114	4.51	0.26	
Accessibility to beneficiary	79	45	4	1	0	129	4.57	47	61	5	2	0	115	4.33	0.24						115	4.33	0.24	
Has good service	96	36	2	1	0	135	4.68	61	51	3	2	0	117	4.46	0.22						117	4.46	0.22	
Offers best exchange rate	86	35	8	0	0	129	4.60	54	54	9	0	0	117	4.38	0.22						117	4.38	0.22	
Accessibility from workplace	83	41	7	2	1	134	4.51	49	56	8	1	1	115	4.31	0.20						115	4.31	0.20	
Has low or no maintaining balance	67	46	9	2	2	126	4.38	42	49	17	2	0	110	4.19	0.19						110	4.19	0.19	
Has reasonable charges	86	36	8	2	0	132	4.56	50	55	1	2	0	108	4.42	0.14						108	4.42	0.14	
Near my place of work	95	32	4	3	2	136	4.58	65	44	9	0	1	119	4.45	0.14						119	4.45	0.14	
Speaks Filipino or my dialect	59	44	21	8	3	135	4.10	41	52	21	1	2	117	4.10	-0.01						117	4.10	-0.01	

Ave = weighted average, D = dissatisfied, DNI = definitely not important, I = important, N = neither, NI = not important, S = satisfied, VS = very dissatisfied, VI = very important, VD = very satisfied.

Note: The values indicated under the column "Ave" are weighted averages. The nearer to 5.00, the higher in terms of importance and satisfaction. Importance ratings were 5 for very important, 4 for important, 3 for neither, 2 for not important, and 1 for definitely not important. Satisfaction ratings were 5 for very satisfied, 4 for satisfied, 3 for neither, 2 for dissatisfied, and 1 for very dissatisfied.

Source: Asian Development Bank consultants.

2. Income and Savings Profile

173. Almost three quarters of respondents from the US remitted 20% or less of their total income (Table 2.88).

Table 2.88: Income Used For Remittances
(%)

Income for Remittances (%)	Philippine Survey	US ^a (n=154)
20 and below	8	73
21–49	12	16
50	28	6
51–79	18	3
80	22	1
81–99	7	1 (total for 81–
100	5	100%)
Total	100	100

^a Scaling was different in the questionnaire, but approximates the descriptions in the first column.
n = number of respondents, US = United States.
Source: Asian Development Bank consultants.

174. Nearly two thirds (64%) of the respondents said they were able to save some of their earnings. More than three quarters indicated that they keep their savings in banks in the US (Table 2.89).

Table 2.89: Where US Respondents Keep Their Savings

Location	%
Bank in United States	78
Bank in Philippines	4
Other Institution	1
Others, Home, Wallet, etc.	17
Total	100

Source: Asian Development Bank consultants.

175. Only 16% of the respondents said they had borrowed money to go abroad.

176. About 1 in 5 said they borrowed money while working abroad.

3. Retirement and Development Initiatives in the Philippines

177. About half (55%) of the respondents indicated they were likely to retire in the Philippines (Table 2.90).

Table 2.90: Likelihood of Retiring in the Philippines
(%)

Likelihood of Retiring in the Philippines	Philippine Survey	United States
Very Likely	48	39
Likely	37	16
Neither	8	21
Unlikely	5	9
Very Unlikely	2	15
Total	100	100

Source: Asian Development Bank consultants.

178. The US survey found that 44% of respondents said they contributed to community activities.

179. About 4 in 10 said they were interested in contributing to Philippine development initiatives.

4. Market Profile

a. Sociodemographic Profile

180. A quarter of the survey respondents in the US were professionals or associate professionals (Table 2.91).

181. The US respondents were significantly older than respondents from other countries. Almost half (47%) were 46 years old or older (Table 2.92).

182. Women accounted for 52% of the respondents (Table 2.93).

183. More than two thirds of the respondents were married (Table 2.94).

Table 2.91: Occupations of US Respondents
(%)

Occupation	Philippine Survey	US
Domestic helpers	25	2
Seafarers	20	2
Laborers, unskilled workers, farmers, etc.	22	7
Service workers, sales, etc.	13 (total for	15
Office supervisors and workers	service, office, and	8
Technical and skilled workers	technical workers)	23
Entertainers and performers	10	1
Professionals and associate professionals	10	25
Others, retired, housewife, student, etc.	0	17
Total	100	100

US = United States.

Source: Asian Development Bank consultants.

Table 2.92: Age of US Respondents
(%)

Age (years)	Philippine Survey	United States
25 and below	11	9
26–35	39	20
36–45	32	24
46–55	15	20
Above 55	3	27
Total	100	100

Source: Asian Development Bank consultants.

Table 2.93: Gender of US Respondents
(%)

Gender	Philippine Survey	United States
Male	46	48
Female	54	52
Total	100	100

Source: Asian Development Bank consultants.

Table 2.94: Civil Status of US Respondents
(%)

Civil Status	Philippine Survey	US
Single	27	23
Married	68	68
Widow, Widower, Separated, or Divorced	5	9
Total	100	100

US = United States.

Source: Asian Development Bank consultants.

184. More than a third of the respondents resided in the NCR (Table 2.95).

185. For US respondents, the number of years working in the country ranged from less than a year to more than 15 years, with relatively equal distribution among new and old-time OFWs (Table 2.96).

Table 2.95: Region of Residence
(%)

Region of Residence	Philippine Survey	United States
Ilocos	6	11
Cagayan	3	3
Central Luzon	12	18
Southern Tagalog	9	12
Bicol	1	1
Western Visayas	5	4
Central Visayas	14	7
Eastern Visayas	3	2
Western Mindanao	4	1
Northern Mindanao	3	1
Southern Mindanao	7	4
Central Mindanao	3	0
Agusan and Surigao	1	0
National Capital Region	26	35
Cordillera Autonomous Region	2	1
ARMM	1	0
Total	100	100

ARMM = Autonomous Region of Muslim Mindanao.
Source: Asian Development Bank consultants.

Table 2.96: Years Working in US
(%)

Years	Philippine Survey	United States
Less than 1	4	11
1–2	30	5
3–4	24	26
5–6	13	6
7–8	6	17
9–10	8	4
About 11–15	10	13
About 16–20	4	18 (total for 16 years to more than 20 years)
More than 20	2	

Source: Asian Development Bank consultants.

186. The US survey found that 93% of the respondents were Roman Catholics.
187. More than 9 of 10 (92%) had immediate family members in the Philippines.
188. More than a third (34%) had one income earner in the household, while 51% had two income earners.
189. About two thirds of the respondents had work permits (Table 2.97).

Table 2.97: Respondent Category and Resident Status
(%)

Respondent Category	Philippine Survey	United States
Contractual OFW or Work Permits	88	68
Emigrant or Permanent Resident	5	27
Other Country Citizens (natural born and naturalized)	3	4
Others, Tourist, Working, etc.	4	1
Total	100	100

OFW = overseas Filipino worker.

Source: Asian Development Bank consultants.

b. Other Characteristics

190. All items listed in the survey had high ownership levels in the respondents' country of work. Considering the relatively high number of permanent residents and citizens in the US, these levels were expected (Table 2.98).

191. These respondents, however, were less likely to own products in the Philippines.

Table 2.98: Ownership of Durables

Item	Ownership (%)			
	Country of Work (Philippine Survey)	In US	Philippines (Philippine Survey)	Philippines^a
Car or vehicle	8	63	18	32
Personal computer	8	56	17	19
Laptop or notebook	4	23	4	4
Mobile phone (card)	57	63 ^b	64	36
Mobile phone (line)	8	63 ^b	13	12
Savings account	45	77	70	44
Current account	14	68	18	12
ATM card	33	75	52	27
Credit card	4	64	5	7

ATM = automated teller machine.

^a Excludes respondents in the supplementary survey conducted in the San Francisco Bay Area.

^b In the US Survey, a distribution between card and line mobile phones was not made.

Source: Asian Development Bank consultants.

III. FOCUS GROUP DISCUSSION SUMMARIES

A. Background

192. The FGDs were conducted in Manila, Cebu City, and Davao City in the Philippines; and in Singapore and San Francisco. A wide range of OFWs participated—from domestic helpers to medical professionals. Several countries of work were also represented aside from Singapore and the US.

193. The transcriptions of the FGD proceedings were reviewed and summarized, focusing on several key issues: (i) reasons for becoming an OFW, (ii) the recruitment and employment process, (iii) adjustments made in the country of work, (iv) sending remittances, (v) retirement plans, and (vi) community development initiatives.

B. Reasons for Becoming an Overseas Filipino Worker

194. For most OFWs, the main reason for seeking employment abroad was a desire to earn a higher income and/or lift their families out of poverty.

195. OFWs seemed to be encouraged to work in areas where family members or neighbors were already based, according to FGD participants.

196. More highly educated and single FGD participants identified the perks of travel, a sense of adventure, and a willingness to take risks as reasons for becoming OFWs.

197. A few cited the then-unstable Philippine domestic situation as a motivator for leaving the country.

198. Several of the professionals based in the San Francisco area migrated in the 1980s or early 1990s. Some initially ventured to the US for education, and ended up staying and relocating with their families, or starting their families there. About five FGD participants in Singapore and Cebu shared that they went back to being an OFW when the businesses they had invested in failed.

C. The Recruitment and Employment Process

199. A majority of the domestic helpers and contract workers in the Middle East was employed through recruitment agencies. While some were referred by friends to specific recruitment agencies, an equal percentage said they saw the recruitment agency posters and leaflets.

200. The average length of time for the OFWs to be processed was about 2 months, though the processing period ranged from 3 weeks to 1 year.

201. A few of the professionals were directly hired by their employers after they applied to advertisements or were referred by friends. This direct hiring process usually took 1 month of processing.

D. Adjustments Made in the Country of Work

202. Most cited homesickness as the biggest hurdle to overcome when working abroad. Several of those based in the Middle East also mentioned difficulties in adjusting to the culture (i.e., food and language).

203. Homesickness and long adjustment periods were much more prevalent among domestic helpers, who had to work alone in households. OFWs working in organizations, particularly those with their countrymen, mentioned minimal or no adjustment problems.

204. FGD participants shared the ease by which they found their countrymen (*kababayans*) in their areas of work. In all countries, they mentioned specific places where OFWs usually gathered.

205. In particular, Singapore FGD participants—whether domestic helpers or professionals—were very likely to know each other, as several well-known organizations and associations were in the area. Lucky Plaza, a mall along Orchard Road with predominantly Filipino retail outlets, is a usual convergence site for Filipinos on Sundays.

E. Sending Remittance

206. The married OFW with school age children in the Philippines was the most regular remitter. Single professionals were less likely to send home money regularly, preferring to save their income in their places of work.

207. The seafarer participants had the least concerns. They were most satisfied with the remittances setup of their employers, which automatically sent 80% of their basic salaries to their families. Seafarers also managed to save a relatively larger portion of their incomes.

208. Several participants in the Philippine FGDs mentioned sending their remittances through banks. When queried on using alternative channels, such as padala or transfer agencies, they said they usually used these channels for “emergency” situations, where their beneficiaries required money aside from their regular remittances.

209. Several participants from Singapore mentioned an account-to-account transaction in sending their remittances. Some of the Singapore professionals had investments in real estate or other investment options, such as pensions, time deposits, etc.

210. Domestic helpers in the Middle East sent remittances through the bank with the assistance of their employers, who deposited money for them during weekdays when they did not have days off. While a few mentioned long lines inside the banks, another said that some banks had special counters for contract workers, which facilitated remitting.

211. Those who were relatively less educated, or were from lower socioeconomic classes, were more likely to use the cargo system,¹⁰ which subjected their remittances to high charges and lacked the assurance of receipt. Despite these apparent shortcomings, a number of participants said this channel was convenient and that they were used to it.

212. Information on how to send remittances usually was obtained in their area of work. While a few said the Predeparture Orientation Seminar helped to address the issue of sending remittances, the most important consideration once they were abroad was the bank nearest to their place of work.

213. Most of the FGD participants in the US were very “low involvement” remitters. Remitting was not a regular activity, and was not a major concern. They were not likely to compare charges or exchange rates, and usually used the most convenient remittance channel (i.e., nearest to home or work, along the way, etc.) when they needed to send money. This was observed even for participants who had family members in the Philippines.

214. Several factors were considered by the regular remitters. However, among those who had substantial household obligations, the fastest way to send money was most important, even if that meant incurring higher charges.

215. When asked if they brought home cash with them, almost all FGD participants in the Philippines said they did, as their families were expecting gifts (or *pasalubong*). Only three respondents said they did not need to bring substantial amounts of cash home as they had it deposited in a Philippine bank.

F. Retirement Plans

216. Almost all respondents said they would like to retire in the Philippines. While most realized the need to put their earnings into productive investments, very few had taken steps to start businesses or invest in assets.

217. Singapore-based professionals and, to a certain extent, the US participants were the most active long-term financial planners. The US participants were less likely to be permanent residents of the Philippines in the future, though they expressed a desire to regularly visit the Philippines for longer periods in their retirement. Younger participants did not entertain the idea of retiring or visiting, focusing instead on contributing services or goods for their communities, or other needy areas in the Philippines.

G. Overseas Filipino Worker Community Initiatives

218. US-based professionals were most active in initiating and implementing community development activities. Several belonged to an organization and regularly donated or shared time on worthy causes in their US communities or in the Philippines.

¹⁰ The cargo system implies that the remittance is treated much like the goods in transit. An assigned person records beneficiary details and provides an informal receipt of the remittance. The beneficiary can receive the remittance from as fast as 1 day to as long as 2 weeks.

219. Singapore participants also were active in community activities, though they were primarily involved in OFW communities in Singapore. Few shared with their Philippine communities aside from their families.

220. In the Philippine FGDs, few were aware of, or were members of, OFW associations in their country of work. Most were aware of church activities in their communities abroad and occasionally contributed to fundraising events for calamities or other worthy causes.

IV. SURVEY QUESTIONNAIRES

221. The survey questionnaires are available as appendixes.

- (i) Nationwide Remittance Senders Survey (Appendix 2.1)
- (ii) Nationwide Beneficiaries Survey (Appendix 2.2)
- (iii) Singapore Self-Administered Survey (Appendix 2.3)
- (iv) San Francisco Self-Administered Survey (Appendix 2.4)
- (v) San Francisco Senders Survey (Appendix 2.5)

NATIONWIDE REMITTANCE SENDERS SURVEY

PROJECT OPINOY!

OFWS / REMITTANCE SENDERS - PHILIPPINES

Gender: Male 1 Female 2 SEC AB C1 C2 DE

Occupation: Professional 1
 Technical / Associate Professionals 2
 Clerks 3
 Service Workers / Shop / Market / Sales 4
 Farmers, Forestry and Fishermen 5
 Traders and related workers 6
 Plant Machine Operators and Assemblers 7
 Laborers and Unskilled Workers 8
 Others 9

For all: Specify _____

Base Land 1 Sea 2

Region: 1 – Ilocos 6 – Western V 11 – South M 16 – ARMM
 Residence: 2 – Cagayan 7 – Central V 12 – Central M
 3 – Central L 8 – Eastern V 13 – CARAGA
 4 – South Tag 9 – Western M 14 – NCR
 5 – Bicol 10 – Northern M 15 – CAR

Occupation / s	Country / ies of Work	No. of Years		Country / ies residing in	Years in residence

Saudi Arabia 1 Singapore 5
 Hong Kong, China 2 United Arab Emirates 6
 Taipei, China 3 US, specify state and area _____ 7
 Japan 4 Others, specify _____ 8

How long have you been sending remittances to the Philippines? _____

Less than 1 year 1 5 to 6 years 4 About 11 to 15 years 7
 1 to 2 years 2 7 to 8 years 5 About 16 to 20 years 8
 3 to 4 years 3 9 to 10 years 6 More than 20 years 9

Name: _____ Contact Nos.: _____

Address: _____

Interviewer: _____ Time Start: _____ Time End: _____

Received Token: _____ Date: _____

Good Day! We are from (name survey research group), conducting a study on OFWs like you. We would like to ask you some questions about how you send remittances from abroad so we may consider ways of assisting you in this activity. We assure you that all your responses will be treated confidentially and will only be used for study purposes. May we have about 30 minutes of your time? Thank you!

SCREENING:

1) Do you have a valid overseas employment contract within the next 12 months? ()

Yes 1 No 2

2) Were you employed overseas in the last 6 months? Yes 1 No 2 ()

3) Which of the following do you belong to? [SHOWCARD] ()

- Contractual OFW 1
- Emigrant 2
- Tourist working abroad 3
- US Citizen 4
 - Born in the Philippines and Naturalized 5
 - Born in US and Naturalized 6
 - Born in Other Countries and Naturalized 7
 - Specify _____
- Other Country Citizen, specify _____ 8
- Others, specify _____ 9

4) Do you have immediate (primary) family members residing in the Philippines? ()

Yes 1 No 2

5) Do you regularly send remittances from your place of work to the Philippines? ()

Yes 1 No 2 – [TERMINATE]

A. Awareness and Patronage

1) What remittance channels / ways of remitting money are you **aware** of? ()

[PROBE AND WRITE DETAILS] [RECORD IN GRID]

2) What else? [PROBE] [RECORD IN GRID] ()

3) How did you learn about these mode/s of payment? () () ()

- | | | | |
|----|-----------------------------------|----|-----------------------------------|
| 1 | Bank | 12 | Recruitment Agency, specify _____ |
| 2 | PDOS | 13 | Ads, specify media / show _____ |
| 3 | POEA | 14 | Other Govt, specify _____ |
| 4 | OWWA | 15 | NGO, specify _____ |
| 5 | DFA | 16 | Others, specify _____ |
| 6 | Family / Relatives in Philippines | | _____ |
| 7 | Family/ Relatives abroad | | _____ |
| 8 | Friends in Philippines | | _____ |
| 9 | Friends Abroad | | _____ |
| 10 | Coworkers Abroad | | _____ |
| 11 | Employer Abroad | | _____ |

4) What mode of remitting money do you **usually use**? [ONE ANSWER ONLY] () ()

5) What mode of remitting money have you **ever used** in the last 2 years?

What else? [RECORD IN GRID] () () () ()

6) For your **last** remittance, what method did you **use**? [RECORD IN GRID] ()

[IF ANSWERS TO Q4 AND Q6 ARE DIFFERENT ASK Q7, OTHERWISE GO TO Q7]

7) Why did you use [Q6 ANSWER] when you usually use [Q4 ANSWER]? ()

8) On the average, how much do you send every remittance in US \$? [SHOWCARD] ()

Less than 100	1	301-400	6	1,001-1,500	11
100-150	2	401-500	7	1,501-2,000	12
151-200	3	501-600	8	2,001-2,500	13
201-250	4	601-800	9	2,501-5,000	14
251-300	5	801-1,000	10	more than 5,000	15

[SPECIFY AMOUNT] Usual _____ () Occasional _____ ()

[SPECIFY DENOMINATION IF US \$, HK \$, Riyal, ETC.]

9) How frequently do you send remittances to the Philippines? [SHOWCARD] ()

Weekly	1	Every 3 months	6
More than twice a month	2	Three times a year	7
Twice a month	3	Twice a year	8
Once a month	4	Once a year	9
Every 2 months	5	Less than once a year	10

ANSWER GRID FOR AQ1 to AQ6

Remittance Mode	AQ1 - TOM	AQ2 - Unaid	AQ4 Usually	AQ5 Ever	AQ6 Last
Bank	1	1	1	1	1
Express	2	2	2	2	2
Bank-to-Bank	3	3	3	3	3
Door-to-Door	4	4	4	4	4
Telegraphic Transfer	5	5	5	5	5
Demand Draft	6	6	6	6	6
Cashiers / Managers Check	7	7	7	7	7
Others, specify	8	8	8	8	8
PNB	9	9	9	9	9
Rapid Remit	10	10	10	10	10
Gift Cheque	11	11	11	11	11
Mabuhay Traveler's Cheque	12	12	12	12	12
Others, specify	13	13	13	13	13
Equitable PCI Bank	14	14	14	14	14
Express Padala	15	15	15	15	15
Bank-to-Bank	16	16	16	16	16
Advise and Pay	17	17	17	17	17
Direct Deposit	18	18	18	18	18
Moneygram	19	19	19	19	19
Express Regalo	20	20	20	20	20
OFW E-card	21	21	21	21	21
Others, specify	22	22	22	22	22
Bank of Philippine Islands	23	23	23	23	23
Metrobank	24	24	24	24	24
RCBC	25	25	25	25	25
Telemoney	26	26	26	26	26
Money Transfer Agency	27	27	27	27	27
Western Union	28	28	28	28	28
Aboitiz	29	29	29	29	29
EBusiness Services, Inc.	30	30	30	30	30
Lhuillier, Inc.	31	31	31	31	31
PetNet	32	32	32	32	32
RCPI	33	33	33	33	33
LBC	34	34	34	34	34
Friends	35	35	35	35	35
Coworkers	36	36	36	36	36
Relatives	37	37	37	37	37
Others, specify	38	38	38	38	38
NONE, Don't know any other	99	99	99	99	99

3) Considering [USUAL MODE OF REMITTING IN QA3], please rate the following attributes on your satisfaction level. Rate 5 as Very Satisfied, 4 as Satisfied, 3 as Neither, 2 as Dissatisfied and 1 as Very Dissatisfied [SHOWCARD AND ROTATE]

Attribute	VS	S	S/D	D	VD	NA
Near my place of work	5	4	3	2	1	NA
Near my beneficiary in Philippines	5	4	3	2	1	NA
Accessibility at place of work	5	4	3	2	1	NA
Accessibility to beneficiary in Philippines	5	4	3	2	1	NA
Reliable—delivers the whole amount	5	4	3	2	1	NA
Reliable—delivers the money	5	4	3	2	1	NA
Sends my remittance fast	5	4	3	2	1	NA
Has reasonable charges	5	4	3	2	1	NA
Has low or no maintaining balance	5	4	3	2	1	NA
Offers best exchange rate	5	4	3	2	1	NA
Has good service	5	4	3	2	1	NA
Is trustworthy	5	4	3	2	1	NA
Has somebody who speaks Filipino / my dialect	5	4	3	2	1	NA
Was recommended by my family	5	4	3	2	1	NA
Was recommended by my friend	5	4	3	2	1	NA
Was recommended by my coworker	5	4	3	2	1	NA
Am used to this	5	4	3	2	1	NA
Recommended / dictated by recruitment agency	5	4	3	2	1	NA
Recommended / dictated by employer	5	4	3	2	1	NA

C. Income and Expenditures

1) Does all your income come from employment? Yes 1 No 2 ()

2) [IF NO] What are your other sources of income and what percent do they contribute to your total personal income? ()
()

Percent (%)

- Business and consultancy _____
- Donations from relatives and friends _____
- SA / CA / TD _____
- Occasional employment _____
- Interest from loans _____
- Other sources, specify _____

Specify _____

3) About what percent of your total income goes to remittances? _____ % ()

4) Are you able to save? Yes 1 No 2 [PROBE WHY YES / NO] ()

5) About how much are you able to save (monthly)? _____ ()

6) Where do you keep your savings? _____ ()

7) Did you have to borrow money in going abroad? Yes 1 No 2 [PROBE] ()

8) Do you borrow money when you are abroad? Yes 1 No 2 [PROBE] ()

Now going back to the topic of remittances... [TRY TO STANDARDIZE NEXT QS TO SHOW SAME CURRENCY IF POSSIBLE I.E., ALL IN US \$ OR PHILIPPINE PESO] [DETAILS BELOW]

9) When did you last remit money to the Philippines from abroad? () ()
 Month _____ Year _____

10) Considering the last remittance you sent, may we please know the amount? _____

11) Did you pay charges to send to the Philippines? Yes 1 No 2 ()

12) How much was the charge? _____ ()

13) Do you know how much your beneficiary received? Yes 1 No 1 ()

14) Did your beneficiary have to pay charges in the Philippines? Yes 1 No 2 ()

D. On Overseas Filipino Worker Community Activities

1) Are you aware of any OFW grouping together in your country of work to help specific groups and/or communities in the Philippines? Yes 1 No 2 - [GO TO Q3] ()

2) What are these? _____

3) Have you ever contributed to any organization such as this? Yes 1 No 2 ()

4) Would you be interested in contributing directly to help your community? [SHOWCARD] ()

Very Interested	5	Neither	3	Not Interested	2
Interested	4			Definitely Not Interested	1

5) For what purpose would you want your funds to be used? _____

E. Psychographics

FOR THE FOLLOWING STATEMENTS, PLEASE INDICATE YOUR AGREEMENT OR DISAGREEMENT BY RATING AS 5 - STRONGLY AGREE, 4 - AGREE, 3 - NEITHER AGREE NOR DISAGREE, 2 - DISAGREE, 1 - STRONGLY DISAGREE [ROTATE AND SHOWCARD]

	SA	A	N	D	SD
a. Saving in the bank is good for overseas Filipinos like me.	5	4	3	2	1
b. It is important for me to save for my retirement	5	4	3	2	1
c. The government is assisting overseas Filipinos.	5	4	3	2	1
d. Investing in business is my goal in the near future.	5	4	3	2	1
e. I would like to help improve my community in the Philippines.	5	4	3	2	1
f. I keep up-to-date about news on the Philippines.	5	4	3	2	1
g. My friends value my opinion.	5	4	3	2	1
h. It is acceptable to borrow money for emergencies.	5	4	3	2	1
i. It is acceptable to borrow money for household needs.	5	4	3	2	1
j. I enjoy my current work / occupation as an overseas Filipino.	5	4	3	2	1
k. If I had a choice, I would rather work in the Philippines.	5	4	3	2	1
l. I usually like to try out new restaurants or eating places.	5	4	3	2	1
m. I should provide for the needs of my family.	5	4	3	2	1
n. It is the role of the husband to provide for his family's needs.	5	4	3	2	1
o. It is usual for the wife to supplement the income of the household.	5	4	3	2	1
p. I am usually up-to-date with new technological equipment.	5	4	3	2	1

F. Sociodemographic

Age: _____

Civil Status: Single 1 Married 2 Widow /er 3 Separated/Divorced 4

Region: 1 – Ilocos 6 – Western V 11 – Southern M 16 – ARMM
 Birthplace: 2 – Cagayan 7 – Central V 12 – Central M
 3 – Central L 8 – Eastern V 13 – CARAGA
 4 – Southern Tag 9 – Western M 14 – NCR
 5 – Bicol 10 – Northern M 15 – CAR

Respondent Education		Ownership Abroad		HH Ownership Phils.	
Graduate / Masters	9	Car / Vehicle	1	Car / Vehicle	1
College or Udergraduate	8	Personal Computer	2	Personal Computer	2
Some College	7	Laptop /Notebook	3	Laptop /Notebook	3
High School	6	Cellphone (Card)	4	Cellphone (Card)	4
Some High School	5	Cellphone (Line)	5	Cellphone (Line)	5
Elementary	4	Savings Account	6	Savings Account	6
Some Elementary	3	Current Account	7	Current Account	7
Vocational / Technical	2	ATM Card	8	ATM Card	8
None	1	Credit Card	9	Credit Card	9
		Specify		Specify	
R. Catholic	1	_____		_____	
Others _____	2	_____		_____	

Spouse Educational Attainment		No. of Income Earners in HH _____
Graduate and post graduate	9	
College or undergraduate	8	Respondent as HH Head Y N
Some College	7	Size of Household
High School	6	Respondent _____
Some High School	5	Spouse _____
Elementary	4	Other Adults _____
Some elementary	3	Children 8 – 17 _____
Vocational / technical	2	Children 0 – 7 _____
None	1	Househelp _____
		Total _____

Total HH Monthly Income [SHOWCARD]

P8,000 and below	1	Member of OFW group	Y	N
P8,001 to P15,000	2	_____		
P15,001 to P30,000	3	_____		
P30,001 to P50,000	4			
P50,001 to P75,000	5			
P75,001 to P100,00	6	Member of other associations	Y	N
P100,001 to P250,000	7	_____		
P250,001 to P500,000	8	_____		
P500,001 to P750,000	9			
P750,001 to P999,999	10			
P1 million and above	11			

THANK YOU !

NATIONWIDE BENEFICIARIES SURVEY**PROJECT OPINOY!****OFWS / REMITTANCE BENEFICIARIES - PHILIPPINES**

Gender: Male 1 Female 2 SEC AB C1 C2 DE

Occupation of OFW / Sender: Professional 1
 Technical / Associate Professionals 2
 Clerks 3
 Service Workers / Shop / Market / Sales 4
 Farmers, Forestry, and Fishermen 5
 Traders and Related Workers 6
 Plant Machine Operators and Assemblers 7
 Laborers and Unskilled Workers 8
 Others 9

For all: Specify _____

Base: Land 1 Sea 2

Region: 1 – Ilocos 6 – Western V 11 – South M 16 – ARMM
 Residence: 2 – Cagayan 7 – Central V 12 – Central M
 3 – Central L 8 – Eastern V 13 – CARAGA
 4 – South Tag 9 – Western M 14 – NCR
 5 – Bicol 10 – North M 15 – CAR

Current Area of Work of Sender:

Saudi Arabia 1 Singapore 5
 Hong Kong, China 2 United Arab Emirates 6
 Taipei, China 3 US, specify state and area _____ 7
 Japan 4 Others, specify _____ 8

Occupation of Respondent: _____

Name: _____ Contact Nos.: _____

Address: _____

Interviewer: _____ Time Start: _____ Time End: _____

Good Day! We are from (name survey research group), conducting a study on households receiving remittances from abroad like you. We would like to ask you some questions about how you receive remittances so we may consider ways of assisting you in this activity. We assure you that all your responses will be treated confidentially and will only be used for study purposes. May we have about 30 minutes of your time? Thank you!

SCREENING:

1) Do you regularly receive remittances in the Philippines? Yes 1 No 2 ()

2) How long have you been receiving remittances in the Philippines? _____

Less than 1 year	1 – [*]	5 to 6 years	4	About 11 to 15 years	7
1 to 2 years	2	7 to 8 years	5	About 16 to 20 years	8
3 to 4 years	3	9 to 10 years	6	More than 20 years	9

[* TERMINATE IF LESS THAN ONE YEAR]

3) From how many individuals do you receive remittances from? _____

4) Which of the following categories do you regularly receive remittances from? [SHOWCARD]

[ACCEPT MULTIPLE ANSWERS]

- Contractual OFW 1
- Emigrant / Permanent Resident 2
- Tourist Working Abroad 3
- US Citizen 4
 - Born in the Philippines and Naturalized 5
 - Born in US and Naturalized 6
 - Born in Other Countries and Naturalized 7
- Specify _____
- Other Country Citizen, specify _____ 8
- Others, specify _____ 9

5) Would you fall in any of the following categories?

- Main decision maker in household budgets / expenditures 1
- Have major influence in household budgets / expenditures 2

[TERMINATE IF NONE OF THE ABOVE/ ASK WHO IN THE HH TO BE INTERVIEWED]

CORE QUESTIONS:

A. Awareness and Patronage

1) What remittance channels / ways of receiving remittances are you **aware** of? () ()

[PROBE AND WRITE DETAILS] [RECORD IN GRID]

2) What else? [PROBE] [RECORD IN GRID] ()

3) How did you learn about these mode/s of receiving remittances? () () ()

- 1 Bank, specify _____
- 2 Remitter / OFW _____
- 3 Other Family / Relatives in Phil _____
- 4 Family/ Relatives residing abroad _____
- 5 Family / Relatives working abroad _____
- 6 Friends in the Philippines _____
- 7 Friends residing abroad _____
- 8 Friends working abroad _____
- 9 Government agencies, specify _____
- 10 NGOs, specify _____
- 11 Associations, specify _____
- 12 Television, specify show/channel _____
- 13 Radio, specify program/channel _____
- 14 Print, specify _____
- 15 Others, specify _____

4) What is your **usual** mode of receiving remittances? ONE ANSWER ONLY. [SEE GRID] ()

5) What modes of receiving remittances have you **ever experienced** in the last 2 years?

What else? [RECORD IN GRID] () () () ()

6) In the **last** remittance, how did you receive the money? [RECORD IN GRID] ()

[IF ANSWERS TO Q4 AND Q6 ARE DIFFERENT ASK Q7, OTHERWISE GO TO Q8]

7) Why did you receive your remittance through [Q6 ANSWER] when you usually get it through [Q4 ANSWER]? ()

8) On the average, how much do you receive every remittance in US \$? [SHOWCARD] ()

Less than 100	1	301-400	6	1,001-1,500	11
100-150	2	401-500	7	1,501-2,000	12
151-200	3	501-600	8	2,001-2,500	13
201-250	4	601-800	9	2,501-5,000	14
251-300	5	801-1,000	10	more than 5,000	15

[SPECIFY AMOUNT] Usual _____ () Occasional _____ ()
 [SPECIFY DENOMINATION IF US \$, HK \$, Riyal, ETC.]

9) How frequently do you receive remittances? [SHOWCARD] ()

Weekly	1	Every 3 months	6
More than twice a month	2	Three times a year	7
Twice a month	3	Twice a year	8
Once a month	4	Once a year	9
Every 2 months	5	Less than once a year	10

B. Importance and Satisfaction Ratings

1) In receiving remittances to the Philippines, what factors do you consider in choosing which method of receiving remittances to use? [PROBE. WRITE VERBATIM ANSWERS]

2) Considering your role in the remittance process, how would you rate your influence in deciding which mode of remittance to use? [SHOWCARD]

Very Influential	5	Neither	3	No Influence	1
Influential	4	Minimal Influence	2		

3) Please rate the following attributes on their importance in your choice of receiving remittances. Rate 5 as Very Important, 4 as Important, 3 as Neither, 2 as Not Important and 1 as Definitely Not Important [SHOWCARD AND ROTATE]

Attribute	VI	I	I/NI	NI	DNI
Near my place of work	5	4	3	2	1
Near my residence	5	4	3	2	1
Accessibility from place of work	5	4	3	2	1
Accessibility from residence	5	4	3	2	1
Reliable—delivers the whole amount	5	4	3	2	1
Reliable—delivers the money regularly	5	4	3	2	1
I receive the money fast	5	4	3	2	1
Has reasonable charges	5	4	3	2	1
Has low or no maintaining balance	5	4	3	2	1
Offers best exchange rate	5	4	3	2	1
Has good service	5	4	3	2	1
Is trustworthy	5	4	3	2	1
Has somebody who speaks Filipino / my dialect	5	4	3	2	1
Requires minimal ID requirements	5	4	3	2	1
Recommended by family / friend (not remitter)					
Am used to this	5	4	3	2	1
Remitter decision – [IF ANSWER IS “5” OR “4”, WHY _____ _____	5	4	3	2	1
Employer decision – [IF ANSWER IS “5” OR “4”, ASK WHY] _____ _____	5	4	3	2	1
Employment agency decision – [IF ANSWER IS “5” OR “4”, ASK WHY] _____ _____	5	4	3	2	1

4) Considering [USUAL MODE OF REMITTING IN QA3], please rate the following attributes on your satisfaction level. Rate 5 as Very Satisfied, 4 as Satisfied, 3 as Neither Satisfied nor Dissatisfied, 2 as Dissatisfied and 1 as Very Dissatisfied [SHOWCARD AND ROTATE]

Attribute	VS	S	S/D	D	VD
Near my place of work	5	4	3	2	1
Near my residence	5	4	3	2	1
Accessibility from place of work	5	4	3	2	1
Accessibility from residence	5	4	3	2	1
Reliable—delivers the whole amount	5	4	3	2	1
Reliable—delivers the money regularly	5	4	3	2	1
I receive the money fast	5	4	3	2	1
Has reasonable charges	5	4	3	2	1
Has low or no maintaining balance	5	4	3	2	1
Offers best exchange rate	5	4	3	2	1
Has good service	5	4	3	2	1
Is trustworthy	5	4	3	2	1
Has somebody who speaks Filipino / my dialect	5	4	3	2	1
Requires minimal ID requirements	5	4	3	2	1
Recommended by family / friend (not remitter)					
Am used to this	5	4	3	2	1
Remitter decision – [IF ANSWER IS “5” OR “4”, WHY _____ _____	5	4	3	2	1
q. Employer decision – [IF ANSWER IS “5” OR “4”, ASK WHY] _____ _____	5	4	3	2	1
r. Employment agency decision – [IF ANSWER IS “5” OR “4”, ASK WHY] _____ _____	5	4	3	2	1

C. Income, Expenditures, Savings, and Remittances

Now we would like to discuss some details about your household income and expenditures. Please be assured that we will treat these information confidentially and these will be used only for research purposes.

1. Income

1) Did you or any member of your household receive any cash, gift or other forms of assistance from abroad within the past 2 years?

Yes 1 No 2 – [GO TO Q3} ()

2) What were these?

3) Does all your household income come from remittances?

Yes 1 - [GO TO Q5] No 2 ()

4) [IF NO] What are your other sources of income and can we please have an indication () of their amounts? [IF REFUSED, ASK PERCENTAGES] ()

	Amount (Pesos)	Percent (%)
Remittances [IF 100%, GO TO OTHERWISE, GO TO]	_____	_____
Salaries and wages, specify employment and HH member _____	_____	_____

Business and consultancy, specify type and HH member _____	_____	_____

Occasional employment _____	_____	_____

Interest / Dividends from SA / CA / TD	_____	_____
Interest / Dividends from other investments	_____	_____
Interest from loans	_____	_____
Rental income	_____	_____
Pension and retirement	_____	_____
Cash gifts and other forms of assistance and gifts from relatives and friends in the Philippines	_____	_____
Other sources, specify _____	_____	_____
Other Details _____		

8) Is your family enrolled in any of the following? [AID]

- Life Insurance Plan
- Pension Plan
- Education Plan
- Health Maintenance Organization (HMO)
- Others, specify _____
- _____

9) [IF NONE] Why no?

2. Expenditures

5) **[100% REMITTANCES]** Here is a [list / showcard] of all relevant household expenditures. Can you please estimate how much you spend for each expense item? [SHOWCARDS AND AIDS]

Expenditure Item	Amount	Percent
Food consumed at home		
Food regularly consumed outside the home		
Alcoholic beverages		
Tobacco		
Fuel, light, and water		
Transportation		
Communication		
Household operations		
Personal care and effects		
Clothing, footwear, and other wear		
Education		
Recreation		
Medical care		
Nondurable furnishings		
Durable furniture and equipment		
Rent / rental value of occupied dwelling unit		
House maintenance and minor repairs		
Taxes paid		
Miscellaneous, special occasions of the family expenditure		
Miscellaneous, gifts, and contributions to others		
Other expenditures, specify		

SET B – REMITTANCES A PORTION OF TOTAL HOUSEHOLD INCOME

6) **[REMITTANCES AS PORTION]** Considering your remittance income only, may we please know which of the following expense items your remittances go to?

Expenditure Item	√	Amount	Percent
Food consumed at home			
Food regularly consumed outside the home			
Alcoholic beverages			
Tobacco			
Fuel, light and water			
Transportation			
Communication			
Household operations			
Personal care and effects			
Clothing, footwear and other wear			
Education			
Recreation			
Medical care			
Nondurable furnishings			
Durable furniture and equipment			
Rent / rental value of occupied dwelling unit			
House maintenance and minor repairs			
Taxes paid			
Miscellaneous, special occasions of the family expenditure			
Miscellaneous, gifts and contributions to others			
Other expenditures, specify			

[ASK ALL]

7) From the remittance you receive, and aside from the expenditure items you itemized previously, how much do you allocate for the following expense items? [AMOUNT OR PERCENT]

Expenditure Item	√	Amount	Percent
Payment of debts			
Purchase of land / lot			
Purchase of house and lot			
Construction or repair of house			
Improvement / repair of agricultural land			
Payment for education / training of members			
Contributions to health-related expenses			
Lend out to family / relatives			
Lend out to friend			
Invest in business			
Feasts i.e., fiestas, marriages, birthdays, etc.			
Savings			
Miscellaneous expenses, specify			

3. Savings

8) Do you have household savings / Are you able to save? Yes 1 No 2

9) [PROBE WHY YES OR NO?] ()

10) About how much are you able to save (monthly)? _____ ()

11) Where do you keep your savings? _____ ()

12) Did your household have to borrow money for [OFW] going abroad? Yes 1 No 2

[PROBE] ()

13) Does your [OFW / SENDER] borrow money when he is abroad? ()

Yes 1 No 2 Don't Know 3 [PROBE]

4. Remittances

Now going back to the topic of remittances... [TRY TO STANDARDIZE NEXT QS TO SHOW SAME CURRENCY IF POSSIBLE I.E., ALL IN US \$ OR PHILIPPINE PESO] [DETAILS BELOW]

14) When did you last receive money to the Philippines from abroad? () ()
 Month _____ Year _____

15) Considering the last remittance you received, may we please know the amount? In what currency was this?

[SPECIFY CURRENCY TYPE] _____

16) Did you pay charges in getting the money? Yes 1 No 2 - [GO TO Q14] ()

17) How much was the charge? _____ ()

18) Does the [OFW / SENDER] know about these charges? Yes 1 No 2 ()

19) Did your [OFW / SENDER] have to pay charges abroad? Yes 1 No 2 DK 3 ()

[ASK IF CURRENCY RECEIVED IS NOT IN PESOS]

20) Did you have the money you received into pesos? Yes 1 No 2 ()

21) Where did you have it changed? ()

Bank 1 Money Changer 2 Others, specify _____ 3

D. On Overseas Filipino Worker Community / Development Activities

1) Are you aware of any OFW grouping together in your community?

Yes 1 No 2 - [GO TO Q3] ()

2) What are these? _____

3) Have you ever joined in an organization such as this? Yes 1 No 2 ()

4) Would you be interested in contributing directly to help your community? [SHOWCARD] ()

Very Interested	5	Neither	3	Not Interested	2
Interested	4			Definitely Not Interested	1

5) For what purpose would you want your funds to be used? _____

6) Are you aware of any government assistance specifically targeting OFWs?

Yes 1 No 2 - [GO TO Q3] ()

7) What are these? _____

8) Have you ever availed of this assistance? Yes 1 No 2 - [GO TO Q5]

9) Were you satisfied with the assistance you received?

Very Satisfied	5	Neither	3	Dissatisfied	2
Satisfied	4			Very Dissatisfied	1

10) Why have you not availed of this assistance?

E. Psychographics

FOR THE FOLLOWING STATEMENTS, PLEASE INDICATE YOUR AGREEMENT OR DISAGREEMENT BY RATING AS 5 - STRONGLY AGREE(SA), 4 – AGREE (A), 3 - NEITHER AGREE NOR DISAGREE (N), 2 – DISAGREE (D), 1 - STRONGLY DISAGREE (SA) [ROTATE AND SHOWCARD]

	SA	A	N	D	SD
a. Saving in the bank is good.	5	4	3	2	1
b. It is important to save for retirement.	5	4	3	2	1
c. The government is assisting overseas Filipinos.	5	4	3	2	1
d. The government is assisting families of overseas Filipinos.	5	4	3	2	1
e. Investing in business is a good goal in the near future.	5	4	3	2	1
f. I would like to help improve my community in the Philippines.	5	4	3	2	1
g. I keep up-to-date about news on the Philippines.	5	4	3	2	1
h. My friends value my opinion.	5	4	3	2	1

i. It is acceptable to borrow money for emergencies.	5	4	3	2	1
j. It is acceptable to borrow money for household needs.	5	4	3	2	1
k. My spouse / family member enjoys his / her work / occupation as an overseas Filipino.	5	4	3	2	1
l. I would rather that my spouse / family member work in the Philippines.	5	4	3	2	1
m. I usually like to try out new restaurants.	5	4	3	2	1
n. I should provide for the needs of my family.	5	4	3	2	1
o. It is the role of the husband to provide for his family.	5	4	3	2	1
p. It is usual for the wife to supplement the income of the household.	5	4	3	2	1
q. I am usually up-to-date with new technological equipment.	5	4	3	2	1
r. My family prefers to wear imported clothes.	5	4	3	2	1
s. I love to go shopping for new household items.	5	4	3	2	1

F. Sociodemographic

Age: _____	Gender: M F	Civil Status: M S W D
Civil Status: Single 1	Married 2	Widow /er 3
		Separated/Divorced 4
Respondent Education	Spouse Education	OFW Education
Graduate / Masters 9	Graduate / Masters 9	Graduate / Masters 9
College or Undergraduate 8	College or Undergraduate 8	College Undergrad 8
Some College 7	Some College 7	Some College 7
High School 6	High School 6	High School 6
Some High School 5	Some High School 5	Some High School 5
Elementary 4	Elementary 4	Elementary 4
Some Elementary 3	Some Elementary 3	Some Elementary 3
Vocational / Technical 2	Vocational / Technical 2	Vocational / Tech 2
None 1	None 1	None 1

Ownership Abroad (accept DK)		HH Ownership			
Car / Vehicle	1	Car / Vehicle	1	Car / High AUV	10
Personal Computer	2	Personal Computer	2	Jeep / Other AUV	11
Laptop /Notebook	3	Laptop /Notebook	3	Air Conditioner	12
Cellphone (Card)	4	Cellphone (Card)	4	Water Purifier / Dispenser	13
Cellphone (Line)	5	Cellphone (Line)	5	Installed Water Heater	14
Savings Account	6	Savings Account	6	Freezer	15
Current Account	7	Current Account	7	Microwave Oven	16
ATM Card	8	ATM Card	8		
Credit Card	9	Credit Card	9		

R. Catholic 1 Others 2, specify _____
 Member of OFW group Y N _____
 Member of association Y N _____

No. of Income Earners in HH _____ Respondent as HH Head Y N

Total HH Monthly Income [SHOWCARD]		Size of Household	
P8,000 and below	1	Respondent	_____
P8,001 to P15,000	2	Spouse	_____
P15,001 to P30,000	3	Other Adults	_____
P30,001 to P50,000	4	Children 8 – 17	_____
P50,001 to P75,000	5	Children 0 – 7	_____
P75,001 to P100,000	6	Househelp	_____
P100,001 to P250,000	7	Total	_____
P250,001 to P500,000	8		
P500,001 to P750,000	9	House Ownership	
P750,001 to P999,999	10	Own house	1
P1 million and above	11	Rent	2
		Stay with relatives	3
		Others _____	4

THANK YOU !

Received token: _____ Date: _____

SINGAPORE SELF-ADMINISTERED SURVEY

PROJECT OPINOY!

Good Day! This is a survey being conducted by the Asian Development Bank (ADB) designed to help overseas Filipinos like you in improving the remittance process. If you regularly remit money to the Philippines, we would like to invite you to join this 15 minute survey. We assure you that all your responses will be treated confidentially and will only be used for study purposes. Thank you!

Mabuhay! Ito ay isang survey ng Asian Development Bank (ADB) na nais makatulong sa proceso ng pag-re-remit ng mga Pilipinong tulad niyo. Kung kayo ay nagre-remit ng pera sa Pilipinas, aaari bang maanyayahan kayong sumagot? Lahat ng inyong sinulat ay confidential at gagamitin lang sa pagsusuri. Maraming salamat!

I. Please encircle one answer for each question unless specified. Country
Pakibilugan ang isang sagot bawat tanong maliban kung maraming sagot ang kailangan.

1) Place of Birth / *Bansa ng kapanganakan*

Philippines 1 USA 2 Other Country, specify _____ 3

2) Current Citizenship / *Kasalukuyang Citizenship*

Filipino 1 US 2 Other Country, specify _____ 3

3) Occupation

Professional – health-related (doctor, dentist, nurse, PT, etc.)	1
Professional (lawyer, engineers, teachers, architects, CPAs, etc.)	2
Associate professional – health-related (nursing aides, caregivers, etc.)	3
Associate professional – others (paralegal, accountants, teaching assist., etc.)	4
Technical (computers, specialized machines, etc.) and skilled workers	5
Office supervisors and workers	6
Construction workers	7
Factory workers and laborers	8
Service industry (hotels, restaurants, salons, etc.) workers	9
Entertainers, musicians, singers, etc.	10
Domestic helpers, caretakers, etc.	12
Seafarers	13
Others, specify _____	14

4) Years working here / *Bilang ng taon na nagtrabaho dito*

Less than 1 year	1	7 to 8 years	5
1 to 2 years	2	9 to 10 years	6
3 to 4 years	3	11 to 15 years	7
5 to 6 years	4	More than 15 years	8

5) What specific remittance channel do you usually use?

Anong pamamaraan ng pagpapadala ng pera / pagre-remit ang kadalasan niyong ginagamit?

6) How would you classify this remittance channel / *Anong uri ang pamamaraan na ito?*

Bank-to-Bank	1	Money transfer agency	4
Door-to-Door (bank)	2	"Padala"	5
Door-to-Door (nonbank)	3	Others	6

7) How did you get to know about this remittance channel / *Paano niyo nalaman ang tungkol sa pamamaraan na ito?*

Predeparture orientation seminar	1	Recruitment Agency	5
Banks	2	Coworkers / Friends	6
Media (television, print, etc.)	3	Employer	7
Saw along the road / way	4	Others	8

8) For your last remittance, what channel did you use / *Sa inyong huling remittance, ano ang ginamit niyo?*

Bank-to-Bank	1	Money transfer agency	4
Door-to-Door (bank)	2	"Padala"	5
Door-to Door (nonbank)	3	Others	6

9) In what currency do you usually send your remittance / *Anong currency ang pinadadala niyong remittance i.e., pesos, US dollars, Singapore dollars?* _____

10) How much do you usually send / *Magkano ang kadalasan niyong pinapadala?*

11) How often do you send remittances to Philippines / *Gaano kadalas kayo magpadala?*

Weekly	1	Every 3 months	6
More than twice a month	2	Three times a year	7
Twice a month	3	Twice a year	8
Once a month	4	Once a year	9
Every 2 months	5	Less than once a year	10

12) Please rate the following attributes according to their importance for you using the scale given. (13) Then, considering the remittance channel you usually use, please rate your satisfaction level using the scale presented.

(13) Bigyan ng antas ang mga sumusunod ayon sa gaano ka-importante sa inyo. Gamitin ang antas na pinakita. (14) Pagkatapos antasan sa importansiya, paki-antasan naman kung gaano kayo kasaya sa mga katangiang pinakita.

Considerations when sending money to the Philippines / *Mga pinagiisipan kapag nagpapadala ng pera sa Pilipinas*

5 – Very Important / *Napaka importante*
 4 – Important / *Importante*
 3 – Neither
 2 – Unimportant / *Hindi Importante*
 1 – Definitely Not Important / *Talagang hindi importante*

5 – Very Satisfied / *Lubos na nasisiyahan*
 4 – Satisfied / *Nasisiyahan*
 3 – Neither
 2 – Dissatisfied / *Hindi nasisiyahan*
 1 – Very Dissatisfied / *Lubos na hindi nasisiyahan*

(12)

(13)

	High	Importance				Low		High	Satisfaction				Low
	VI	I	N	U	DNI		VS	S	N	D	VD		
Near my place of work <i>Malapit sa lugar ng trabaho</i>	5	4	3	2	1		5	4	3	2	1		
Near my beneficiary <i>Malapit sa pinadadalhan</i>	5	4	3	2	1		5	4	3	2	1		
Accessibility from place of work <i>Madali puntahan mula sa trabaho</i>	5	4	3	2	1		5	4	3	2	1		
Accessibility to beneficiary <i>Madali puntahan ng pinadalhan</i>	5	4	3	2	1		5	4	3	2	1		
Reliable – delivers whole amount <i>Maaasahan – binibibay ang buong halaga</i>	5	4	3	2	1		5	4	3	2	1		
Reliable – delivers the money <i>Maaasahan – binibigay ang pera</i>	5	4	3	2	1		5	4	3	2	1		
Sends my remittance fast <i>Mabilis napapadala ang remittance ko</i>	5	4	3	2	1		5	4	3	2	1		
Has reasonable charges <i>Tama lang ang singil</i>	5	4	3	2	1		5	4	3	2	1		
Has low / no maintaining balance <i>Mababa o walang maintaining balance</i>	5	4	3	2	1		5	4	3	2	1		
Offers best exchange rate <i>Pinakamagandang exchange rate</i>	5	4	3	2	1		5	4	3	2	1		
Has good service <i>Maganda ang serbisyo</i>	5	4	3	2	1		5	4	3	2	1		
Is trustworthy <i>Maasahan / Magaan sa kalooban</i>	5	4	3	2	1		5	4	3	2	1		
Speaks Filipino / my dialect <i>Nagsasalita ng Pilipino / salita ko</i>	5	4	3	2	1		5	4	3	2	1		
Recommended by family <i>Nirekomenda ng pamilya</i>	5	4	3	2	1		5	4	3	2	1		
Recommended by friend <i>Nirekomenda ng kaibigan</i>	5	4	3	2	1		5	4	3	2	1		
Recommended by coworker <i>Nirekomenda ng kasamahan sa trabaho</i>	5	4	3	2	1		5	4	3	2	1		
Am used to this	5	4	3	2	1		5	4	3	2	1		

	High	Importance				Low		High	Satisfaction			Low
	VI	I	N	U	DNI		VS	S	N	D	VD	
<i>Sanay na dito</i>												
Recommended by recruitment agency <i>Nirekomenda ng agency</i>	5	4	3	2	1		5	4	3	2	1	
Recommended by employer <i>Nirekomenda ng employer</i>	5	4	3	2	1		5	4	3	2	1	

14) About what percent of your total income goes to remittances / *Mga anong porsyento ng kabuuang kita niyo ang napupunta sa remittance?*

Less than 10 %	1	About 50%	6
About 10%	2	About 60%	7
About 20%	3	About 70%	8
About 30%	4	About 80%	9
About 40%	5	About 90%	10

15) Do you have savings / *May naitatabi ba kayong savings?* Yes No

16) Where do you usually keep your savings / *Saan niyo kadalasan naitatabi ang inyong savings?*

Bank here / <i>Bangko dito</i>	1	At home / <i>Sa bahay</i>	4
Bank in Philippines / <i>Bangko sa Pilipinas</i>	2	In wallet / <i>Sa wallet</i>	5
Other institution / organization <i>Iba pang organisasyon o institusyon</i>	3	Others / <i>Iba pa</i>	6

17) Did you have to borrow money going abroad? Yes No
Nangailangan ba kayong umutang para pumunta dito?

18) Do you borrow money in your country of work? Yes No
Umutang ba kayo dito?

19) How likely are you to retire in the Philippines / *Sa inyong palagay, gaano niyo kagustong magretire kayo sa Pilipinas?*

Very Likely / <i>Gustong gusto</i>	5	Neither Likely nor Unlikely	3	Not Likely / <i>Hindi Gusto</i>	2
Likely / <i>Gusto</i>	4			Definitely Not Likely / <i>Talagang Hindi Gusto</i>	1

20) If given a chance, would you want to contribute to community development activities in the Philippines / *Kung mabibigyan ng pagkakataon, gusto niyo bang makatulong sa pagpapaunlad ng mga komunidad sa Pilipinas?* Yes 1 No 2

21) In what way? Sa anong paraan?

22) Are you currently contributing to any Philippine development project? *Sa kasalukuyan ba ay nakakatulong na kayo sa Pilipinas?* Yes 1 No 2

23) In what way / form? Sa anong paraan?

24) Would you have any other concens regarding remittances that you would like to share? Mayroon pa ba kayong gustong ipabahagi tungkol sa remittances?

25) Would you have any other concens regarding Philippine development that you would like to share? Mayroon pa ba kayong gustong ipabahagi tungkol sa remittances?

II. The following questions will be used for classification only.
Ang mga sumusunod na tanong ay gagamitin sa klasipikasyon lamang.

1) Please check in the appropriate column if you own any of the following:
Paki check sa nararapat na kolum kung nagmamayari kayo ng mga sumusunod:

Item	Here in Country of Work	In Philippines
Car / Vehicle		
Personal Computer		
Laptop / Notebook		
Cellphone (Card)		
Cellphone (Line)		
Savings Account		
Current Account		
ATM Card		
Credit Card		

SAN FRANCISCO SELF-ADMINISTERED SURVEY

PROJECT OPINOY!

Good Day! This is a survey being conducted by Asian Development Bank (ADB) designed to help overseas Filipinos like you in improving the remittance process. **If you regularly remit money to the Philippines**, we would like to invite you to join this 15 minutes survey. We assure you that all your responses will be treated confidentially and will only be used for study purposes. Thank you!

I. Please encircle one answer for each question unless specified.

- 1) Place of Birth:
- | | | | | | |
|-------------|---|-----|---|------------------------------|---|
| Philippines | 1 | USA | 2 | Other Country, specify _____ | 3 |
|-------------|---|-----|---|------------------------------|---|
- 2) Current Citizenship:
- | | | | | | |
|----------|---|----|---|------------------------------|---|
| Filipino | 1 | US | 2 | Other Country, specify _____ | 3 |
|----------|---|----|---|------------------------------|---|
- 3) Occupation:
- | | | |
|--|--|----|
| Professional – health-related (doctor, dentist, nurse, PT, etc.) | | 1 |
| Professional (lawyer, engineers, teachers, architects, CPAs, etc.) | | 2 |
| Associate professional – health-related (nursing aides, caregivers, etc.) | | 3 |
| Associate professional – others (paralegal, accountants, teaching assist., etc.) | | 4 |
| Technical (computers, specialized machines, etc.) and skilled workers | | 5 |
| Office supervisors and workers | | 6 |
| Construction workers | | 7 |
| Factory workers and laborers | | 8 |
| Service industry (hotels, restaurants, salons, etc.) workers | | 9 |
| Entertainers, musicians, singers, etc. | | 10 |
| Domestic helpers, caretakers, etc. | | 11 |
| Seafarers | | 12 |
| Others, specify _____ | | 13 |
- 4) Years working here:
- | | | | |
|------------------|---|--------------------|---|
| Less than 1 year | 1 | 7 to 8 years | 5 |
| 1 to 2 years | 2 | 9 to 10 years | 6 |
| 3 to 4 years | 3 | 11 to 15 years | 7 |
| 5 to 6 years | 4 | More than 15 years | 8 |
- 5) What specific remittance channel do you usually use?
-
- 6) How would you classify this remittance channel?
- | | | | |
|------------------------|---|-----------------------|---|
| Bank-to-Bank | 1 | Money transfer agency | 4 |
| Door-to-Door (bank) | 2 | “Padala” | 5 |
| Door-to-Door (nonbank) | 3 | Others | 6 |

7) How did you get to know about this remittance channel.

Predeparture orientation seminar	1	Recruitment Agency	5
Banks	2	Coworkers / Friends	6
Media (television, print, etc.)	3	Employer	7
Saw along the road / way	4	Others	8

8) For your last remittance, what channel did you use?

Bank-to-Bank	1	Money transfer agency	4
Door-to-Door (bank)	2	“Padala”	5
Door-to-Door (nonbank)	3	Others	6

9) What currency do you usually send your remittance? Pesos 1 \$ 2 Others 3

10) How much do you usually send? _____

11) How often do you send remittances to the Philippines?

Weekly	1	Every 3 months	6
More than twice a month	2	Three times a year	7
Twice a month	3	Twice a year	8
Once a month	4	Once a year	9
Every 2 months	5	Less than once a year	10

12) Please rate the following attributes according to their importance for you using the scale given. (13) Then, considering the remittance channel you usually use, please rate your satisfaction level using the scale presented:

Considerations when sending money to the Philippines /	5 – Very Important	5 – Very Satisfied
	4 – Important	4 – Satisfied
	3 – Neither	3 – Neither
	2 – Unimportant	2 – Dissatisfied
	1 – Definitely Not Important	1 – Very Dissatisfied

	(12)					(13)				
	High	Importance			Low	High	Satisfaction			Low
	VI	I	N	U	DNI	VS	S	N	D	VD
Near my place of work	5	4	3	2	1	5	4	3	2	1
Near my beneficiary	5	4	3	2	1	5	4	3	2	1
Accessibility from place of work	5	4	3	2	1	5	4	3	2	1
Accessibility to beneficiary	5	4	3	2	1	5	4	3	2	1
Reliable—delivers whole amount	5	4	3	2	1	5	4	3	2	1
Reliable—delivers the money	5	4	3	2	1	5	4	3	2	1
Sends my remittance fast	5	4	3	2	1	5	4	3	2	1
Has reasonable charges	5	4	3	2	1	5	4	3	2	1
Has low / no maintaining balance	5	4	3	2	1	5	4	3	2	1
Offers best exchange rate	5	4	3	2	1	5	4	3	2	1

	High	Importance				Low		High	Satisfaction			Low
	VI	I	N	U	DNI	VS		S	N	D	VD	
Has good service	5	4	3	2	1		5	4	3	2	1	
Is trustworthy	5	4	3	2	1		5	4	3	2	1	
Speaks Filipino / my dialect	5	4	3	2	1		5	4	3	2	1	
Recommended by family	5	4	3	2	1		5	4	3	2	1	
Recommended by friend	5	4	3	2	1		5	4	3	2	1	
Recommended by coworker	5	4	3	2	1		5	4	3	2	1	
Am used to this	5	4	3	2	1		5	4	3	2	1	
Recommended by recruitment agency	5	4	3	2	1		5	4	3	2	1	
Recommended by employer	5	4	3	2	1		5	4	3	2	1	

14) About what percent of your total income goes to remittances?

Less than 10 %	1	About 50%	6
About 10%	2	About 60%	7
About 20%	3	About 70%	8
About 30%	4	About 80%	9
About 40%	5	About 90%	10

15) Do you have savings? Yes No

16) Where do you usually keep your savings?

Bank here	1	At home	4
Bank in Philippines	2	In wallet	5
Other institution / organization	3	Others	6

17) Did you have to borrow money going abroad? Yes No

18) Do you borrow money in your country of work? Yes No

19) How likely are you to retire in the Philippines?

Very Likely	5	Neither Likely	3	Not Likely	2
Likely	4	nor Unlikely		Definitely Not Likely	1

20) If given a chance, would you want to contribute to community development activities in the Philippines?

Yes	1	No	2
-----	---	----	---

21) In what way? _____

22) Are you currently contributing to any Philippine development project?

Yes 1 No 2

23) In what way / form? _____

24) Would you have any other concerns regarding remittances that you would like to share?

25) Would you have any other concerns regarding Philippine development that you would like to share?

II. The following questions will be used for classification only.

1) Please check in the appropriate column if you own any of the following:

Item	Here in Country of Work	In Philippines
Car / Vehicle		
b) Personal Computer		
c) Laptop / Notebook		
d) Cellphone (Card)		
e) Cellphone (Line)		
f) Savings Account		
g) Current Account		
h) ATM Card		
i) Credit Card		

2) Gender: Male Female

3) Age: _____

4) Civil Status: Single Married

Separated/
Divorced Widow /
Widower

5) Residence in the Philippines (city/ municipality and province)

6) Residence in this Country:

7) Do you have immediate family members residing in the Philippines? Yes No

8) Religion: _____ 28) Is your spouse working? Yes No NA

9) No. of Income Earners in Household: 1 2 3 4 more than 4

10) VISA Status: Permanent 1 Working 2 Others, specify _____ 3

Thank you very much!

SAN FRANCISCO SENDERS SURVEY

PERANG PADALA SA PILIPINAS SURVEY

Mabuhay! This survey is being conducted by the University of San Francisco (USF) and is designed to help improve the remittance system for Filipinos in America. If you remit money to the Philippines, we would like to invite you to answer this important survey. We assure you that all your responses are going to be strictly confidential. Salamat po.

A. Personal Information

- 1) Place of Birth:
- | | | | | | |
|-------------|---|----|---|------------------------------|---|
| Philippines | 1 | US | 2 | Other Country, specify _____ | 3 |
|-------------|---|----|---|------------------------------|---|
- 2) Citizenship(s):
- | | | | | | | | |
|----------|---|----|---|------|---|------------------------------|---|
| Filipino | 1 | US | 2 | Both | 3 | Other Country, specify _____ | 4 |
|----------|---|----|---|------|---|------------------------------|---|
- 3) Immigration Status:
- | | |
|-----------------|---|
| US citizen | 1 |
| Green card | 2 |
| Working (H1) | 3 |
| Tourist (B1/B2) | 4 |
| Others | 5 |
- 4) Gender: Male Female Others
- 5) Age: _____
- 6) Civil Status: Single 1 Married 2 Separated/Divorced 3 Widow /er 4
- 7) Occupation:
- | | |
|---|----|
| Professional/Managerial | 1 |
| Technical/IT/Computer | 2 |
| Sales/Marketing/Real Estate | 3 |
| Administrative support | 4 |
| Service (hotels, restaurants, salons, etc.) | 5 |
| Homemaker | 6 |
| Unemployed | 7 |
| Own a business | 8 |
| Retired | 9 |
| Disabled | 10 |
| Others, specify _____ | 11 |
- 8) Years working here:
- | | | | |
|------------------|---|--------------------|---|
| Less than 1 year | 1 | 16 to 20 years | 5 |
| 1 to 5 years | 2 | 21 to 25 years | 6 |
| 6 to 10 years | 3 | 26 to 30 years | 7 |
| 11 to 15 years | 4 | More than 30 years | 8 |

9) How many jobs do you have? _____

B. Remittance Information

10) What specific remittance channel do you usually use? _____

11) How would you classify this remittance channel?

Bank-to-Bank	1	Money transfer agency	4
Bank-to-Door	2	“Padala”	5
Door-to-Door	3	Others	6

12) Please rate your **satisfaction** level using the scale presented below:

Very Satisfied	5
Satisfied	4
Neither	3
Dissatisfied	2
Very Dissatisfied	1

13) How did you get to know about this remittance channel?

Filipino festival event	1	Flyer	5
Bank/Remittance Center	2	Relative/ Friends	6
Media (TV, radio, print, etc.)	3	Others	7
Saw along the road / way	4		

14) For your last remittance, what channel did you use?

Bank-to-Bank	1	Money transfer agency	4
Bank-to-Door	2	“Padala”	5
Door-to Door	3	Others	6

15) How often do you send remittances to the Philippines?

Weekly	1	Every 3 months	6
More than twice a month	2	Three times a year	7
Twice a month	3	Twice a year	8
Once a month	4	Once a year	9
Every 2 months	5	Less than once a year	10

16) How much do you usually send?

\$100–\$500	1	\$3,001–\$3,500	7
\$501–\$1,000	2	\$3,501–\$4,000	8
\$1,001–\$1500	3	\$4,001–\$4,500	9
\$1,501–\$2,000	4	\$4,501–5,000	10
\$2,001–\$2,500	5	\$5,001–\$5,500	11
\$2,501–\$3,000	6	\$5,500 above	12

17) Considering the average amount of your remittance, about how much in charges do you have to pay when you remit the money using your usual channel? _____

18) What province do you remit to? _____

19) Where do you think your remittance is used?

Housing	1	Medical care/medicine	4
Education	2	Recreation	5
Relative/Elderly care	3	Others, please specify_____	6

20) Rate the following attributes according to their **importance** for you using the scale presented below.

Remittance channel attributes or Areas to consider when sending money to the Philippines

5 – Very Important
 4 – Important
 3 – Neither
 2 – Unimportant
 1 – Definitely Not Important

	VI	I	N	U	DNI
Accessibility - work	5	4	3	2	1
Accessibility - home	5	4	3	2	1
Accessibility - beneficiary	5	4	3	2	1
Reliable - delivers whole amount	5	4	3	2	1
Reliable - delivers the money	5	4	3	2	1
Sends my remittance fast	5	4	3	2	1
Has reasonable charges	5	4	3	2	1
Has low / no maintaining balance	5	4	3	2	1
Offers best exchange rate	5	4	3	2	1
Has good service	5	4	3	2	1
Is trustworthy	5	4	3	2	1
Speaks Filipino / my dialect	5	4	3	2	1
Recommended by family	5	4	3	2	1
Recommended by friend	5	4	3	2	1
Recommended by coworker	5	4	3	2	1
Am used to this	5	4	3	2	1

C. Income Information

21) What was your gross annual income last year?

1. <\$5,000
2. <10,000
3. <\$20,000
4. <\$30,000
5. < \$40,000
6. < \$50,000
7. < \$60,000
8. < \$70,000
9. < \$80,000
10. < \$90,000
11. < \$100,000
12. < \$110,000
13. < \$120,000
14. \$120,000+

