International Dialogue on Migration 2016
"Follow-up and review of the migration-related targets of the SDGs"

Panel Discussion: Other relevant-migration related targets
Cabinet-rank Secretary Imelda Nicolas, Commission on Filipinos Overseas
Conference Room CR4, United Nations Headquarters, New York
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I have been invited to speak on how the Philippines may be able to achieve the migration-related targets of the SDGs, with particular focus on Goal 10, sub-target c, on lowering remittance costs. As time is short, I will be providing a general background on this topic especially the global effort towards this objective and then proceed to the multi-sectoral initiatives taken in my country to lower remittance costs.

Target 10.c calls for the reduction to less than 3% the transaction costs of migrant remittances and the elimination of remittance corridors with costs higher than 5%.

Global Remittances

According to the latest World Bank Factbook 2016, global remittances will exceed $601 billion this year, with developing countries receiving over $440 billion. The Philippines has consistently been the third largest-recipient country of annual remittances worldwide ($30 billion), next to India ($72 billion) and China ($64 billion) based on 2015 World Bank data.[1]

Global Initiatives in Lowering the Remittance Costs

Reducing remittance costs has become part of the development agenda of both the Group of Eight and Group of 20 leading economies, as demonstrated in the G20 Summit (2011, 2014), and even the Valetta Summit on Migration (2015)[2].

[1] International Migration at All-Time High, The World Bank Press Release, December 18, 2015 http://www.worldbank.org/en/news/press-release/2015/12/18/international-migrants-and-remittances-continue-to-grow-as-people-search-for-better-opportunities-new-report-finds;

[2] At the Valetta Summit on Migration (November 11-12, 2015) diplomats from the EU and 30+ African countries pledged to: reduce the transaction cost of migrant remittances to less than 3% and eliminate remittance corridors with costs higher than 5% by 2030.
http://www.consilium.europa.eu/en/meetings/international-summit/2015/11/11-12/;
http://blogs.worldbank.org/peoplemove/remittance-reality-getting-3-and-beyond

To make pricing more transparent, the World Bank has created the Remittance Prices Worldwide database, which monitors remittance prices across all geographic regions in the world. But with the prices remaining so obstinately high, particularly in the Sub-Saharan African Region, and given the typically low incomes of migrants, government market intervention is necessary to meet the SDG target of reducing the migrant remittances cost to 3% by 2030.

The Philippine Case: Initiatives in Lowering the Remittance Cost

Recognizing the significant contributions of our Filipino diaspora, the Philippine government's current initiatives to engage and re-engage our overseas Filipinos in our country's nation-building has been enshrined in the Philippine Development Plan (or PDP), our blueprint for development. The PDP has a specific provision on remittances which states:

"Policymakers will need to focus on leveraging remittances as a tool for economic development. While remittances are private transfers, the government can ensure that the policy environment is conducive to the use of remittances for investment in well-considered financial products, in productive activities such as entrepreneurial undertaking as well as in better housing, education and healthcare for remitters and their beneficiaries, improving the financial education of the overseas Filipinos community and implementing measures to further promote the flow of remittances through the financial system that would help catalyze the development role of remittances."

The Philippine remittance environment is characterized by partnerships, alliances or tie-ups, revenue sharing and convergence of services among different players in the remittance market such as the traditional commercial banks, non-bank financial institutions (cooperatives and microfinance institutions) and internet and mobile-based remittance systems.[3]

The latest data from the World Bank would show that as of 2015, there are already at least eight remittance corridors in the Philippines where remittance cost is playing at an average of 3%-5%. The remittance-sending countries include the US (4.63), Canada (5.12), Italy (5.35), Australia (5.64), Malaysia (3.27), Singapore (3.46), UAE (3.33), and Saudi Arabia (4.48).

[3] Ildefonso Bagasao, "Review of remittance products for overseas migrants and their development value", Philippines / ILO Regional Office for Asia and the Pacific. - Bangkok: ILO, 2013

Table 2: Comparison of Remittance Prices from Host Countries to the Philippines
(select remittance corridors)

Countries	2008 Remittance Cost	2015 Remittance Cost	Difference
US-Philippines	8.90	4.63	4.27
Canada-Philippines	9.95*	5.12	4.83
UK-Philippines	8.78	6.40	2.38
Italy-Philippines	10.04	5.35	4.69
Australia-Philippines	9.52**	5.64	3.88
Saudi Arabia-Philippines	4.78	4.48	0.3
UAE-Philippines	5.53*	3.33	2.2
Japan-Philippines	12.41	10.22	2.19
Singapore-Philippines	3.05*	3.46	-0.41
Malaysia-Philippines	5.61*	3.27	2.34

*2009 data
**2012 data

Source: *based on World Bank figures as of 2015

So what are the Philippine government and the other stakeholders doing to drive down remittance costs?

Early Initiatives of the Philippine Government

The harnessing of Philippine remittances has been a subject of numerous policy issuances by the Philippine government since the early 80s. But I would like to believe that the ADB study of 2004 on "Enhancing the Efficiency of Overseas Workers Remittances" has been instrumental in the passing of two executive policies (EO No. 446 issued in 2005[4] and AO No. 200[5] issued in 2007) with the goal of lowering

[4] EO Tasking the Secretary of DOLE to Oversee and Coordinate the Implementation of Various Initiatives for OFWs
[5] AO on Reducing Remittance Fees of OFWs

remittance fees borne by our overseas Filipinos. Specifically, AO No. 200 ordered several government agencies, government financial institutions to work with the Central Bank of the Philippines or Bangko Sentral ng Pilipinas and the Banker's Association of the Philippines on a plan for reducing OF remittance fees which were then as high as 20%.

Central Bank of the Philippines (BSP-Bangko Sentral ng Pilipinas)Remittance-related Initiatives

Here are some of the following measures taken by the Central bank of the Philippines (BSP) in reducing the cost of remittance fees and improving the Overseas Filipinos' (OFs) remittance environment:

1. **Enhanced transparency and promoted competition in the remittance market.** The Central Bank requires banks and non-bank financial institutions to post in their respective remittances and branches remittance charges, including corresponding foreign exchange commissions, to enable clients to make informed decisions or choices on which remittance channel to choose.[6] The BSP's web portal (http://www.bsp.gov.ph/about/advocacies_ofws.asp), which was launched in 2007 links all the banks' relevant pages on remittance services, products and remittance centers.

2. **Waived the fees imposed on commercial banks that use the Philippine Payments and Settlements System (Philpass) remit system.** Thru this initiative launched in 2010, the Central Bank partnered with participating banks to set up a local clearinghouse for credit-to-other-banks mode of remittances to eliminate the use of couriers in delivering remittances to beneficiaries.[7] The cost of using the system to transfer funds to beneficiaries' accounts with other banks is 90 percent lower, at P50 per transaction regardless of amount, with savings of between P100 and P500 per transaction.[8]

3. **Approval of the use of new technology to facilitate remittances.** The BSP approved the operations of alternative modes of sending remittances, thru mobile phones and stored value cards (e.g. Smart Padala, G-Cash) . The alternative modes also include internet-based remittance, the use of mobile phones for performing financial transactions utilizing the short messaging system (SMS) or

[6] Based on BSP Circular No. 534 issued in 2006.

[7] The MOA standardizes and reduces back-end processing fees presently ranging at P100-P550 to P50 per transaction.

[8] In 2010, the system reduced the charges to P50 for each remittance transaction as the current system then charges between P150 and P550 per transaction. Lawrence Agcaoili, "BSP waives bank fees on OFW remittances",
June 21, 2010, http://www.philstar.com/business/585861/bsp-waives-bank-fees-ofw-remittances#sthash.PFgTD9Cv.dpuf

text feature of cellphones for balance inquiry, fund transfer, withdrawals (cash-out) and bills payment.
Some banks using e-banking (e.g. BDO, PNB) created the so-called e-wallets, which helped mobile phone-owning Filipinos in the Philippines and overseas to transfer both cash with the flick of a mobile phone keyboard.

4. **Authorized qualified rural banks and cooperative banks to operate a foreign currency deposit unit or FCDU**. This gives Overseas Filipinos and their beneficiaries an option to maintain foreign currency deposits (FCD), instead of immediately exchanging their remittances into pesos.

5. **Facilitated interconnection of major ATM networks** to provide safe and convenient banking and to reduce transaction cost or service fees for all ATM-related transactions.

6. **Encourages banks to offer specialized investment products and services** (e.g., insurance, pension and real estate) to overseas Filipinos.

7. **Setting up of Micro-Banking Units as part of its strategy for better Financial Inclusion**. 73% of municipalities that have gained banking presence were due to the establishment of other banking offices (OBOs) or micro-banking offices (MBOs), which are scaled-down banking offices targeted for poor and low income clients, the unbanked or underbanked. As of 2015, there were 531 MBOs present in 337 municipalities. This year 2016, the BSP approved a new measure which would further liberalize the regulations of MBOs.

8. **Promotes Microfinance** to help channel remittances sent to rural households to investment in small scale businesses. The vast knowledge of microfinance institutions in small-scale lending and establishment of micro enterprises could play an important part in channeling remittances for productive uses by rural households to productive uses. **In addition, Republic Act 10693 (An Act Strengthening Nongovernment Organizations Engaged in Microfinance Operations for the Poor) passed last year (2015) and provides for Microfinance NGOs to engage in money transfer and other related remittance services, in partnership with authorized agents and entities.**

9. **National Strategy for Financial Inclusion (NSFI).** In 2015, the BSP organized public and private sector to agree and commit on the National Strategy for Financial Inclusion (NSFI). This serves as the Philippine roadmap toward an inclusive financial system which will grant effective access to a wide range of financial products and mainstream Filipinos across the country as regular clients of the country's financial system. This includes sectors which are typically unserved or under-served by conventional financial service providers such as overseas Filipinos and their beneficiaries, MSMEs, women, and the youth.

Commission on Filipinos Overseas remittance-related initiatives

The Commission on Filipinos which I head under the Office of the President of the Philippines initiated and actively takes part in the following migration and remittance-related projects and initiatives:

1. **PESO Sense: The Philippine Financial Freedom Campaign**. Recognizing the critical link between migration, remittances and development, we developed the Philippine Financial Freedom Campaign (or PESO Sense, for short) which is a Financial Education and Entrepreneurship program that utilizes new technology to reach out to all Filipinos, whether sender or receiver of remittances with regards to financial literacy. It uses the internet, social media and mobile applications. It is designed with 6 targeted profiles in mind: those of Students, Young Adults, Business Owners, the Employed, Home Makers and Retirees.

2. **Remittance for Development Council (ReDC)**. Considered by many experts to be the first of its kind in the world, the ReDC is a policy-recommending and advisory body composed of representatives from government, the private sector (especially banks and remittance service companies), civil society, academe and the Philippine-based international development agencies. ReDC serves as a forum for regular dialogue on remittance issues which include lowering of remittance costs, democratization of remittance channels and innovation in remittance services. ReDC is co-chaired by the CFO and the Central Bank.

3. **Joint Migration and Development Initiative Phase 2 (JMDI2)**. CFO is the national government partner that oversees the implementation of the Joint Migration and Development Initiative Phase 2 (JMDI2), a global program supported by the European Union and the Swiss Development Cooperation. It stresses the role of migration for development at the local level by upscaling and institutionalizing local migration and development initiatives. This means including M&D in the regional and provincial development plans and investment programs, the formation of local migration and development councils or committees, the establishment of one-stop migrants resource centers, among others. All these help create the enabling environment for the productive use of remittances, mobilization of diaspora investments, encouraging returned migrants and their families left behind to undertake business and livelihood activities, philanthropy and volunteerism for local development.

4. **BaLinkBayan One-Stop Online Portal for Diaspora Engagement.** To reach out to our dispersed 10 million overseas Filipinos worldwide, anytime of the day, the CFO set up its flagship program BaLinkBayan (www.balinkbayan.gov.ph). This is the one-stop online portal for diaspora engagement encouraging Overseas Filipinos to invest and do business, donate, volunteer and transact online with partner government agencies and local government units. BaLinkBayan provides information on business and investment opportunities at the local level, and needs-based diaspora philanthropy.

It was Bill Gates who said that: "We must continue lowering the transaction costs of remittances, so that this growing pool of money has as big an impact as possible on the poorest. Reducing these costs to an average of 5% would save $15 billion."

This was seconded by UN Secretary General Ban Ki Moon when he said "Imagine what we could achieve if those funds were put to work for development – to send a child to school, pay for a medical visit, or start a small business."

Thank you.

Sources:

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- Secretary-General's remarks to High-Level Dialogue on International Migration and Development, New York, 3 October 2013, http://www.un.org/sg/statements/index.asp?nid=7175