



# **Linking Overseas Filipinos/Families to Products/Services of Rural Banks and other Rural Financial Institutions for Sustainable Development of their Origin Communities**

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# The overseas migration phenomenon

- Estimated 10.4 million Filipinos in 220 countries and territories(Commission on Filipinos Overseas), with over 3000 leaving daily. This number is still increasing due to global demand for workers (Philippine Overseas Employment Administration)
- Over US\$200B in formal remittances from 1975 to 2012 (Bangko Sentral ng Pilipinas)
- The Philippines's US\$21 billion in remittances in 2012 made the country the fourth largest recipient of migrants' remittances, next to India, China, and Mexico (World Bank)

# Migration's mixed blessings: Positive

- Improved the country's fiscal position and dollar reserves (about US\$ 81 billion currently)
- Remittance dollars steadier than money earned from the export of goods and services
- Families of overseas Filipinos received about Php348 billion in 2006 (Family Income and Expenditures Survey 2006)
- Incomes from abroad are used to meet basic family needs like food, education, housing, health, and payment of debts.
- Remittances provide multiplier effects, especially when remittance recipients are used used for savings and investments. This will lead to increased demand for goods and services, employment, home construction, and in some cases, entrepreneurship (Robert E.B. Lucas, 2005)

# Migration's mixed blessings: Negative

- Perpetuate dependence on remittances (Moral hazard) by beneficiaries, and by the country itself
- Social costs due to separation of families/absence of parent/s
- Disincentive to foreign investors resulting from brain/brawn drain(Aldaba and Opiniano, 2008)

# Issues affecting Migration and Productive Use of Remittances

- Financial/political shocks affecting overseas employment, Arab spring, financial crisis
- Contract Substitution and Lack of Protection for rights of Migrant Workers.
- Low financial literacy resulting in low savings or entrepreneurship, even loss of investments on educational plans (Ercof and the International Labour Organization, forthcoming; surveys by TNS and by the Global Entrepreneurship Monitor)

# Rationale: Rural development

- 3.9 million families, or 23.1 million Filipinos, are living below the poverty threshold
- Php231 daily income needed for a family of five
- 78 percent of the Filipino poor are in rural areas
- Agriculture provides 40 percent of total employment; about 60 percent of the population relies on agriculture (a fifth of the country's population)

# Rural route



- ERCOF has believed early on that development of the countryside and its local economies is the way to go, and that one of our priorities, if we were to economically empower local economies through Overseas Filipinos' contributions, would be to link with development agents in the countryside.



- Founded as a non profit org in Geneva, Switzerland in 1999;  
Opened its PH office June 2003
- Focus on linking overseas Filipinos to the development of local economies of migrants' origin communities.
- Programs include linking overseas Filipinos to grassroots financial institutions (i.e. rural banks, microfinance institutions, cooperatives) and to dairy investments.
- Ercof operates locally and overseas through focal organizations in Belgium, the Netherlands, Luxembourg, Switzerland, Italy, Germany, Denmark, Malaysia, Singapore and the United States.



# Rural banks' role on poverty alleviation

- Most RBs are in microfinance/create jobs (67% of new employment generated by banking industry are from RBs)
- Some PhP6 billion had been lent out to about 800,000 micro-borrowers (as of 2008)
- Deposits and profits in rural banks are re-invested and stays in the communities they serve.
- Special savings and investment programs tied to housing, education, health, retirement and pensions
- Some 42 percent of RBs' portfolio are agriculture-related; 90 percent of deposits generated by RBs are from small savers

# **Rural banks' role on poverty alleviation**

- Assist in return/reintegration through asset buildup, entrepreneurship loans, business mentoring, savings/investments
- Predeparture loans
- Provide due diligence and reliability in offering foreclosed assets such as real estate and agricultural lands,

# Rural banks' role on poverty alleviation

- Rural banks have in-depth knowledge of the real needs of rural folk than bigger banks; offer products/services tailor fit to needs of OFWs
- Participation in financial literacy seminars in PEOS/PDOS.
- More deposits/increased relationships by overseas Filipinos can alleviate poverty in rural areas/multiplier effects
- Deposits are covered by PDIC up to Php500,000

# How rural banks can help overseas Filipinos?

- Monitoring, feedback and accountability for Overseas Filipino Assns sending funds to their origin communities, inc. specific projects such as alternative energy, tourism, founding of tertiary hospitals, and funded thru local govt bonds or foreign funding from social investors from diaspora groups or foreign investors;
- Trade Facilitation/ marketing arrangements/matching with rural bank client-suppliers and foreign buyers
- Ownership of shares in rural banks
- Servicing of Remittances (as agents of money transfer organizations, through mobile based remittances via Globe, Smart)

# How Ercof implements Linking

- Conducted orientation programs on the economic needs of overseas Filipinos for partner RBs, resulting in formation of migrant desks and set of products/services tailorfit for migrants' needs
- Set up dedicated website for partner RBs that links the overseas Filipino and the general public to the individual websites of rural banks([www.bayaningbayanihan.com](http://www.bayaningbayanihan.com))
- Operated dairy investment program for OFs
- Facilitated OF investments in MFI oriented banks. NL and Belgium
- Partnership with foreign social investors, e.g. MIF Luxemburg for investments in Phil RBs, coops, MFIs, (MIF this year invested USD250,000 in NPFC, a financing company servicing micro enterprises transitioning to small enterprises, with more projects under negotiation)

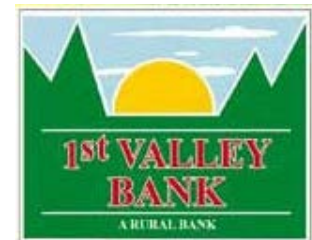
# Partners for countryside dev't



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# Role of cooperatives

- There were 20,792 registered coops with Php209 Billion in asset size; they're mostly in savings and credit operations (Cooperative Development Authority)
- While coops / coop banks mobilized only 2.61% (US\$1.27 billion) of total deposits, they served 9.44 million people (30.84%).
- There are at least 2,246 OFW family circles(OFC), with 27 registered as coops, and 179 federations of OFCs as of 2008.
- There are a number of local coops offering products and services tailor-fit to the needs of the migrant sector —ranging from savings and investment programs, microfinance, entrepreneurship and pre-departure loans.



# Role of microfinance institutions

- 14,934 microfinance institutions (MFIs) as of June 2010, servicing 4.9 million borrowers
- The Philippines is one of the more developed microfinance markets in the world
- Migrant beneficiaries would benefit being linked to MFI programs, e.g. microloans, business mentoring, establish credit records, asset buildup, housing, micro-insurance for agriculture, financial education

# Way forward for RBs

- Improve outreach overseas/image problem
- Improve on IT systems to enable tagging of overseas Filipinos from clients (work in progress)
- RBs must link with OF diaspora groups.
- Open stock ownership to more investors to improve financial standing and IT capability (under amendment to rural bank law) e,g, Ercof partnership with Meso Finance
- Facilitate trade and marketing arrangements for RB clients, suppliers and foreign buyers

# Systemic National Issues

- Excessive focus on jobs generation through labor export, resulting in severe disconnect between national, LGUs, and development agencies, on M and D in not integrating remittances/migrant resources as a factor in social and economic development (MAPID study, 2010).
- Majority of LGUs treat overseas workers as regular sources of inward flows funding consumption and real estate.

# Systemic Issues at LGU Level

- With the exception of the PESO orientation, Migration and Remittances are generally not considered for local development planning(Mapid study). Mindset is reactive, confined only to servicing victims of illegal recruitment, trafficking, financial assistance.
- Little or no programs on financial empowerment or literacy except among RBs , coops, MFIs , and NGOs in some provinces.
- No system of counting for deployed migrant workers originating from the LGU, a function done at the national level, probably with the support of regional offices.

# Recommendations on National level

- Evolve short, medium and long term roadmap on linking remittances to development leading towards self-sufficiency, mitigating social costs, and minimising forced migration;
- Institutionalisation of Serious Financial Literacy Campaign
- Conduct serious study on setting up a single agency to minimise turfing and attain coherence on policies, labor protection and implementing an migration and development mindset
- Address protection issues to maximise M and D potential, e.g. bilateral labor agreements with host countries;
- Support the work of Remittance & Development Council (REDC)

# Recommendations on LGU Level

- Migration should be made part of local policy development planning
- Enhance migration decision making process at the LGU level thru proper orientation involving OFWs and family members, including financial literacy and estate planning, etc.
- LGUs should institutionalise relationships between OFWs/family members with RBs, coops and MFIs, for savings, business and entrepreneurship mentoring, and asset growing.
- Information dissemination on trafficking, unethical recruitment practices, and blacklisted agencies.



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**Mataas ang pangarap ko kaya...**

**...Binigyan ako ng ERCOF at ng aking Rural Bank ng hagdan para maabot ko.**

Matagal ko nang pangarap ang magkaroon ng isang grocery. Hindi lang dahil may pagka-entrepreneur ako. Pero mahilig akong namamahala. Kaya naman enjoy na enjoy ako sa trabaho. Ko bilang isang manager sa hotel abroad.

Kaya naman nung nakauwi na ako, nagpatayo ako ng sarili kong maliit na grocery dito sa amin.

Maganda ang sahod sa trabaho ko. Pero kung hindi dahil sa tulong ng rural bank namin, baka kahit pang-grocery wala ako.

Wala kang talo sa rural bank namin. Hindi naiiba ang serbisyo. Sigurado kang safe na safe ang pera mo.

At malaki ang naitutulong sa pagunlad ng lugar namin. At sa pagunlad ko at ng aking pamilya.

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