

# Integrating Migration as a Competitive Advantage

into the the MSME Development Plan 2010-2016



commissioned by



Federal Ministry  
for Economic Cooperation  
and Development



Responsible

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## Acronyms

ADB	Asian Development Bank
ATM	Automatic <i>Tubig</i> Machine
BI	Bureau of Immigration
BMZ	German Federal Ministry for Economic Cooperation and Development
BOI	Board of Investments
BPI	Bank of the Philippine Islands
BPO	Business Process Outsourcing
BSP	Balik Scientist Program
BSP	Bangko Sentral ng Pilipinas
CALABARZON	Cavite Laguna Batangas Rizal Quezon
CAP	Credit Assistance Program
CBMS	Community Based Monitoring System
CDA	Cooperative Development Authority
CEDAW	Convention on the Elimination of All Forms of Discrimination Against Women
CES	Consumer Expectation Survey
CFO	Commission on Filipinos Overseas
CHED	Commission on Higher Education
CLSU	Central Luzon State University
COMELEC	Commission on Elections
CPI	Corruption Perception Index
DA	Department of Agriculture
DFA	Department of Foreign Affairs
DILG	Department of Interior and Local Government
DOE	Department of Energy
DOH	Department of Health
DOLE	Department of Labor and Employment
DOST	Department of Science and Technology
DOT	Department of Tourism
DTI	Department of Trade and Industry
ERCOF	Economic Resource Center for Overseas Filipinos
FDI	foreign direct investment
FGD	Focus Group Discussion
FIES	Family Income and Expenditure Survey
FLC	financial literacy campaign
GDP	Gross Domestic Product
GFMD	Global Forum on Migration and Development
GK	Gawad Kalinga
GNP	Gross National Product
GTZ	German Technical Cooperation
HTA	Hometown Associations

IMDI	Institute for Migration and Development Issues
IT	Information Technology
ILO	International Labor Organization
IOM	International Organization for Migration
JPEPA	Japan Philippine Economic Partnership Agreement
LCP	League of Cities of the Philippines
LDPO	Livelihood Development Program for OFWs
LGU	Local Government Unit
LFS	Labor Force Survey
LINKAPIL	Lingkod sa Kapwa Pilipino
Livecor	Livelihood Corporation
LMP	League of Municipalities of the Philippines
LPP	League of Provinces of the Philippines
MAPID	Migrants' Associations and Philippine Institutions for Development
MOU	Memorandum of Understanding
MRA	Mutual Recognition Agreement
MSME	Micro Small and Medium Enterprises
MTPDP	Medium Term Philippine Development Plan
NaFFAF	National Federation of Filipino American Association
NCR	National Capital Region
NEDA	National Economic Development Authority
NGO	nongovernment organization
NLSF	National Livelihood Support Fund
NRCO	National Reintegration Center Office (NRCO)
NSCB	National Statistical Coordination Board
NSO	National Statistics Office
ODA	Official Development Assistance
OF	Overseas Filipinos
OFW	Overseas Filipino Workers
OPPD	Office of Policy and Program Development in OWWA
OTOP	One Town One Product
OWWA	Overseas Workers Welfare Administration
PAASE	Philippine American Academy of Science and Engineering
PCC	Philippine Carabao Center
PDOS	Pre Departure Orientation Seminar
PEOS	Pre Employment Overseas Seminars
PHILCOMDEV	Philippine Consortium on Migration and Development
POEA	Philippine Overseas Employment Administration
PRA	Philippine Retirement Authority
PRRI	Philippine Rice Research Institute
PSD NPS	Philippine Sectoral Development and Needs Profiling System
PSE	Philippine Stock Exchange

PSP SMEDSEP	Private Sector Promotion Small and Medium Enterprise Development for Sustainable Program
RA	Republic Act
RBAP	Rural Bankers Association of the Philippines
SEAMEO	Southeast Asian Ministers of Education Organization Regional
RIHED	Centre for Higher Education and Development
SIDC	<i>Soro-Soro Ibaba</i> Development Cooperative
SIG	Savings and Investment Group
SIM	Savings and Investment Mobilization
SEPO	Senate Economic Planning Office
SOF	Survey of Overseas Filipinos
STAC	Science and Technology Advisory Council
TOKTEN	Transfer of Knowledge Through Expatriate Nationals
UAE	United Arab Emirates
UNDP	United Nations Development Program
US	United States
UST SRC	University of Santo Tomas Social Research Center
WB DBR	World Bank Doing Business Report
WP	Working Paper

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## Executive Summary

Despite consistent rise in deployment levels since 1974 when the Philippines first embarked on state sponsored labor out migration, the country still suffers from what economists refer to as *jobless growth*. This means that even in periods of relative growth, the economy does not produce enough jobs to absorb new entrants to the labor force. One contributing factor to this trend is that majority of Filipinos pursue educational opportunities with the intention to look for jobs but not to create them as entrepreneurs. Meanwhile, the huge annual inflows of remittances from overseas Filipinos, with a seven year average (2003 to 2009) of over USD 12.5 billion, have undoubtedly contributed to the economy, improving the balance of payments, boosting international reserves and domestic consumption. Today, consumption accounts for 70 percent of economic output, largely due to the multiplier effects of remittances. However, it is argued that consumption led growth, while having positive effects, does not necessarily result in long term sustainable growth as studies indicate that it breeds regional inequality, benefits upper income households and often results in moral hazard to families. Another drawback of a consumption led growth, however, is that it is said to be heavily reliant on imported goods that undermine growth of local investments, local agricultural production as well as manufacturing and generally tends to have a bias on relatively wealthy regions from which majority of migrant workers originate. Thus, this compellingly argues for the right policy mix to create an enabling environment to channel remittances to be an effective catalyst for sustained and equitable development. It is argued that the long term beneficial effects of remittances to families lie in channeling how they are used to harness the economy's productive capacity especially at the local government level.

An important component of this strategy is enhancing the potential of remittances and other migration benefits to develop the country's micro, small and medium enterprises (MSMEs). In fact, there is ample international evidence supporting the case that indeed remittances from migrants can be harnessed for generating local investment opportunities. However, despite policies providing an enabling environment for the growth of MSMEs, the sector suffers from low access to capital and technology, low productivity, unskilled workers and unavailability of raw materials. It is argued here that gains from overseas Filipinos such as remittances, new skills and technology and social capital can help create opportunities for enterprise development. Examples of concrete initiatives by the government, the private sector and nongovernment organizations are cited.

To successfully link migration and MSME development, a set of interventions are necessary. At the macro level, there is a need to institute a national migration and development framework which can then be mainstreamed in the Medium Term Philippine Development Plan (MTPDP). Government, nongovernment organizations

and the private sector that used to work separately in the sphere of labor outmigration (including the Department of Labor and Employment - DOLE, Philippine Overseas Employment Agency - POEA, Overseas Workers Welfare Administration - OWWA, placement agencies and migrant groups) and development (for example the National Economic Development Authority (NEDA), Department of Trade and Industry (DTI) as well as the regional and local development councils) need to hold dialogues and establish working linkages to institute a joint migration and development agenda. This will also help resolve the fragmented institutional support for migration and development. There is also a need to strengthen the role of local government units (LGUs) and to establish data management systems. Finally, there is a need to scale up protective mechanisms for migrant workers because, to a great extent, their conditions in their host countries determine their capability to be useful catalysts in enterprise development in the Philippines.

At the meso level, specific recommendations were made by the paper along the four pillars of MSME development as follows

- 1 To improve the business and investment enabling environment, there is a need to embed migration and development in the 2010 to 2016 MSME Development Strategy as well as in the annual provincial MSME Development action plans. Providing the appropriate policy environment is a necessary step to institutionalize the link between migration and development as a catalyst for spurring economic development both at the national and local level.
- 2 In order to maximize and channel remittances for MSME development, it is necessary to expand opportunities for Overseas Filipino Workers (OFWs) to increase their capacities to save, invest and do business. Interventions on strengthening the mechanisms to expand diaspora philanthropy and provide avenues for permanent migrants to do business in the country are suggested.
- 3 Beyond remittances, the Filipino diaspora has acquired ideas and networks abroad that can build or expand MSMEs. Therefore, programs must be developed that tap the Filipino diaspora as potential markets and distributors of MSME in the country. The purpose is to use migrants' social capital to enhance access to markets of MSMEs.
- 4 The skills and technology acquired by migrants abroad could in many ways, improve the productivity and efficiency of MSMEs. As such, policies and programs that enhance the links of overseas Filipinos to industry development in the country must be established. Capacity building of overseas Filipino entrepreneurs is also very important especially in terms of product and market development.

# 1 Introduction

## 1.1 Background

The Private Sector Promotion (SMEDSEP) Program aims to improve the business and investment climate for micro, small and medium enterprises (MSMEs) in the Philippines, especially in the Visayas, and contributes to the efforts of the Philippine Government in improving the framework conditions for private sector development in the country. The program is jointly implemented by the Department of Trade and Industry (DTI) and the German Technical Cooperation (GTZ) on behalf of the Philippine Government and the German Federal Ministry for Economic Cooperation and Development (BMZ), respectively.

The Philippine Government, through the DTI, has asked for German assistance, through the SMEDSEP, in mapping out the *National Strategy for the Development of Micro, Small and Medium Enterprises* for the period of 2010 to 2016. This represents a follow up on their request for evaluation of the 2004 to 2010 MSME Development Plan. The evaluation was supported by GTZ and was fully completed by January 2010.

This was seen as a unique chance, a window of opportunity to influence the new plan in the direction of migration concerns and MSME development, particularly, as there is a huge potential to tap migrants and remittances for the development of MSMEs in the Philippines. Therefore, SMEDSEP asked the GTZ Home Office in Eschborn based Sector Project Migration to support this process by financing a consultancy. The consultancy is in line with the BMZ measure objective to improve the framework for private sector development with a thematic focus on migration and development.

## 1.2 Objectives of the Consultancy

The consultancy seeks to capture the Philippine migration situation and provide recommendations on how the issue of migration and its gains (such as remittances, brain gain etc) could become part of the MSME Development Strategy for the new administration, in the form of a strategy paper. The consultancy will therefore process the collected information through the lens of and a strong focus on migration as a competitive advantage of the Philippines especially in the MSME sector. Specifically, the strategy paper aims to

- summarize the Philippine situation with regard to migration opportunities and MSME development
- recommend how remittances and other gains in labor outmigration such as the transfer of migrant skills and knowledge as well as their social capital can be incorporated into the 2010 to 2016 MSME Development Plan.

### 1.3 Methodological Notes

This strategy paper is a continuation of an earlier strategy brief that aimed to integrate migration and remittances into the new MSME development strategy that the consultant wrote for GTZ Philippines in January to February 2010. This shorter version served as the take off point for this more detailed and longer version.<sup>1</sup>

With the assistance of GTZ Philippines, the consultant conducted interviews and group discussions with representatives of government agencies namely the National Reintegration Center Office (NRCO), DTI, the Office of Policy and Program Development (OPPD) of the OWWA, and the *Bangko Sentral ng Pilipinas* (BSP). Nongovernment organizations (NGO) that are very much involved with migration and development issues and have pioneered enterprise development and financial literacy trainings were also consulted namely Atikha<sup>2</sup> and the Philippine Consortium on Migration and Development (PHILCOMDEV).<sup>3</sup> The consultant benefitted from the wealth of experience and knowledge shared by these agencies during the discussions. Two separate focus group discussions (FGDs) with migrant returnees were also conducted to seek information on migrants' needs and challenges in establishing enterprises.

The other part of the research work entailed reviewing and interpreting remittance data, OFWs profiles and remittance behavior as well as other relevant statistics on MSMEs in the Philippines.

### 1.4 Some Definitions

Effective migration and development initiatives necessarily have to distinguish among different types of labor migrants and how each can be tapped to contribute to desired outcomes. This is especially true for the Philippines where labor migrants are generally classified into two general types, each having distinct skills and potentials.

Hence, for the purpose of coherence and clarity, the following terms and their definitions are provided

- **Overseas Filipinos (OF)** refers to all types of migrant Filipinos including permanent residents, temporary contract workers and undocumented migrants. Data on remittances from the BSP, unless otherwise specified, cover those that were sent by OFs.
- **Overseas Filipino Workers (OFW)** refers to temporary contract workers engaged to work abroad only for a specific time period abroad.

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<sup>1</sup> In this paper, the consultant undertook desk review of secondary data on migration and development, as well as on current policies and programs on MSME development for OFs. National data on remittances, employment, poverty and migration trends were also gathered.

<sup>2</sup> <http://www.atikha.org/>

<sup>3</sup> <http://www.unladkabayan.org/>

## 2 Rationale for Integrating Migration Into MSME Development

Thirty six years of state sponsored labor export has transformed the Philippines into one of the world's top labor sending countries. Without a doubt, money transfers from OFs significantly improve the economy by increasing foreign exchange reserves and boosting consumption levels. Nonetheless, there is a growing concern that while remittances keep the economy afloat, it has not led to sustained and long term development. The following sections briefly discuss the background of this concern and the reasons why creating a policy environment conducive to linking migration into enterprise development could help address these issues.

### 2.1 Consumption

Studies have indicated that remittances sent to Filipino households are spent on consumption<sup>4</sup> rather than in income generating activities. Thus creating jobs in the short term do not necessarily sustainably contribute to long term equitable growth.<sup>5</sup> Domestic or personal consumption induced by OF remittances is a closely watched economic indicator because of its multiplier effects<sup>6</sup> for instance in retail trade and the housing sector. Consumption now constitutes 73.9 percent (*at current prices, 80.2 percent at constant 1985 prices*) of economic output or the country's gross domestic product (GDP). This is even higher compared to the 2008 level (Table 1). In fact, a consumption led growth is said to have saved the economy from falling into recession amid the global recession of 2008 and 2009.

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<sup>4</sup> Kapur, Devesh 2003, Bagasao, Ildefonso 2003 as cited in Opiniano, A Jr 2004. *Our Future Beside the Exodus: Migration and Development Issues in the Philippines*. Manila: Friedrich Ebert Stiftung.

<sup>5</sup> Ang, Alvin. 2009: 63 - 77 *Workers' Remittances and its Impact on Rural Development in the Philippines*, Asia Pacific Social Science Review. Volume 9. Number 2.

<sup>6</sup> Suki, 2005 in Alvin Ang 2009: 69.

**Table 1 Gross Domestic Product by Expenditure Shares, 2008 and 2009 at Current and Constant 1985 Prices, in million Pesos (PHP)**

	<b>AT CURRENT PRICES</b>				<b>AT CONSTANT PRICES</b>			
<b>Gross Domestic Product (GDP)</b>	7 423 213		7 669 144		1 418 952		1 431 978	
<b>Type of Expenditure</b>	<b>2008</b>	<b>% of GDP</b>	<b>2009</b>	<b>%of GDP</b>	<b>2008</b>	<b>%of GDP</b>	<b>2009</b>	<b>%of GDP</b>
<b>Personal Consumption</b>	5 281 072	71.14267	5 675 066	73.99869	1 107 569	78.05542	1 149 828	80.29649
<b>Government Consumption</b>	716 544	9.652747	813 824	10.61167	93 746	6.606707	101 753	7.105766
<b>Capital Formation</b>	1 131 490	15.24259	1 070 787	13.96228	256 244	18.05868	230 906	16.12497
<b>Exports</b>	2 736 310	36.86153	2 401 580	31.31484	663 324	46.74746	569 294	39.75578
<b>Less: Imports</b>	2 872 572	38.69715	2 341 600	30.53274	643 572	45.35545	606 283	42.33885

Source: National Statistical Coordination Board (NSCB)

Personal consumption is comprised of food, beverages, tobacco, clothing, footwear, fuel, light, water, household furnishings, household operations, transportation / communication and miscellaneous items. Using econometric analysis of number of housing permits and cumulative number of housing permits in the country's regions, Alvin Ang (2009: 70) was able to establish that remittances fueled the growth of the housing sector.

Consumption on food, housing and education improve human capital development. The drawback of a consumption led growth, however, is that it is said to be heavily reliant on imported goods that undermine growth of local investments, local agricultural production and manufacturing and generally tends to have a bias for relatively wealthy regions from which majority of OFWs originate. Specifically, a study by Ernesto Pernia (2006) that used regression analysis on regional domestic product per capita, remittances and poverty incidence, found that remittances have a positive impact on regional development via the multiplier effects of consumption through increased spending for consumption as well as investments in human capital and housing and consequent multiplier effects. However, overall regional development does not seem to benefit low income households as much as the upper income families. Moreover, Alvin Ang (2009: 73f) also found that there is an inverse relationship between the percent of labor force in agriculture and the number of OFWs per region, number of banks per region and educational participation rate confirming the belief by some that *"labor would rather wait for the opportunity to be an OFW than to work in the farms."*

Table 2 seems to mirror the abovementioned indicators on consumption at the OFW household level. From 2005 to 2009, food is at the top of the list of remittance utilization among OFW households surveyed by the BSP for its quarterly Consumer Expectation Survey (CES). Education ranked second, savings ranked third and medical expenses ranked fourth in the list. Notably, in the same period, an average of 22 percent of OFW families used remittances to pay debts. Presumably, these are debts incurred to cover the cost of migration, a typical concern of OFWs that has also surfaced in the focus group discussions (FGDs) for this study among migrants. It is even said that an average OFW has to spend about two to three contracts before they can repay their debts. According to *Migrante*, an estimate of PHP18 000 or almost USD 400 is the average cost incurred by OFWs to be employed abroad. This is not to mention some who agree to pay huge placement fees imposed by unscrupulous recruiters. Thus, any effort to link migration with development must consider and make urgent interventions on this reality.

**Table 2 Percentage of OFW Households According to Type of Use of Remittances, 2005 to 2009\***

Type of Use	2005	2006	2007	2008	2009	Ave
Food	90.7	93.8	93.8	95.8	95.1	93.8
Savings	41.4	34.9	15	27.8	40.7	31.6
Appliances / Consumer Durables	24.5	25	8	17.6	25.7	20.1
Education	15.9	10.1	42.6	65.2	68.9	40.5
Medical Expenses**	0.47	2.3	19.6	47.9	61	26.2
Others	6.9	4.7	1.4	5.4	5.9	4.9
Investment	4.1	5.8	4.2	4.2	7.2	5.1
House Purchase***	5.4	5.8	1.9	12.2	11.1	7.2
Car / Motor Vehicle Purchase	3.9	4.4	2	4.3	6.5	4.2
Debt Payment	****	****	21.7	38.8	49.7	22

Source: 2005 to 2007 CES Bangko Sentral ng Pilipinas (BSP)

Notes

- \* The figures were derived by adding the results of the quarterly Consumer Expectation Surveys in a given year and getting the average per item.
- \*\* Only Q4 has available data
- \*\*\* House Purchase – rentals were included in the 2008 survey
- \*\*\*\* Debt payment was included as an indicator from 2007 onwards

In other words, consumption led growth, while having positive effects, does not necessarily result in long term sustainable growth needed to transform the economy. Thus this compellingly argues for the right policy mix to create an enabling environment to channel remittances to be an effective catalyst for sustained and equitable development. It is claimed that the long term beneficial effects of remittances to families lies in channeling how they are used to harness the economy's productive capacity especially at the community level.

## 2.2 Moral Hazard

Related to Chapter 2.1., there is also the view that money transfers often result in *moral hazard* (Chami in Opiniano 2004) in which key members of the family become overly reliant on remittances and thus no longer participate in productive economic activities. Both the 2003 and the 2006 Family Income and Expenditure Survey (FIES)<sup>7</sup> showed that 43 percent of migrant household heads left behind are unemployed or not engaged in any economic activity. Notably, Table 2 indicates that while an average of 31 percent of OFW families saved part of their remittances for 2005 to 2009, only five percent of remittance dependent families invest their money. This seems to confirm the belief that many OFs are not knowledgeable of investment

<sup>7</sup> De Vera, Marianne Grace. *For the Family's Good: A Policy Brief on Overseas Filipinos' Households at Home* in Policy Brief Series No. 3. Institute for Migration and Development Issues (IMDI).

instruments or opportunities even if they have money to spend for them.<sup>8</sup> Moreover, this can also be a hesitance on the part of OFs to invest given perception of poor investment climate and governance in the country and its localities. Establishing more institutionalized financial literacy programs and campaigns, perhaps through the mass media, to encourage OFs to invest or to put up enterprises would potentially address this concern of a moral hazard. More importantly, addressing the investment and governance conditions in the country and in its regions could potentially increase OF investments.

### 2.3 Poverty and Regional Inequality

Studies have shown that remittance dependent households generally tend to have improved welfare. A recent Asian Development Bank (ADB) study argued that while indeed those who emigrate are the non poor, these families, numbering about 4 to 5 million, would have belonged to the poor if not for the remittances sent to them.<sup>9</sup> Nonetheless, Table 3 shows that poverty incidence continues to increase despite GDP growth largely fueled by remittances. Two studies can help explain this. Using regression analysis of OFW remittances and number of OFWs per region, Pernia (2006) found that richer regions tend to have more OFWs compared to poorer ones, resulting in greater shares of remittances to already well off parts of the country and as such contributing to regional disparities. Thus, Pernia maintained that the right institutional and investment climate and the reduction of transaction fees on remittances would harness remittances for investment purposes while at the same time improving policies for the protection of OFWs.

**Table 3 GDP Growth and Poverty Incidence, 1988-2006 (in percent)**

	1988	1991	1994	1997	2000	2003	2006
<b>GDP growth rate (in %)</b>	6.8	-0.6	4.4	5.2	6.0	4.5	5.4
<b>Poverty Incidence of Families (in %)</b>	40.2	39.9	35.5	28.0	27.5	24.7	26.9
<b>Poverty Incidence of Population (in %)</b>	49.5	45.3	40.6	33.0	33.0	30.4	32.9

Source: NSCB

<sup>8</sup> Notes during the FGD at GTZ PSP SMEDSEP Office in Makati City

<sup>9</sup> Kelly Bird. 2009. Philippines: Poverty, Employment and Remittances. Available from <http://www.bsp.gov.ph/publications/media.asp?id=2164>. Accessed on 10 January 2010.

## 2.4 Jobless Growth

Despite consistent deployment levels since 1974 when the state first embarked on labor export, the Philippines still suffers from unemployment. Economists speak about a *jobless growth* (Figure 1).<sup>10</sup> This means that even in periods of relative growth and despite continued labor outmigration, the economy does not produce enough jobs to absorb new entrants to the labor force. There are three key issues here

- Jobless growth can be partly attributed to the 1.9 percent population growth rate of the country, resulting in large number of entrants to the labor force every year. This situation is compounded by the fact that on the supply side, qualifications of new graduates are not enough for them to be hired locally or abroad. On the demand side, there are also not enough industries created to absorb them (Habito 2010)
- Majority of Filipinos are actually socialized and educated to look for and not to create jobs (Habito 2010)
- Emigration for work is also not an option for the poor because, generally, the cost of education and documentary requirements for migration could not be borne by the poor or those who do not have access to surplus income.

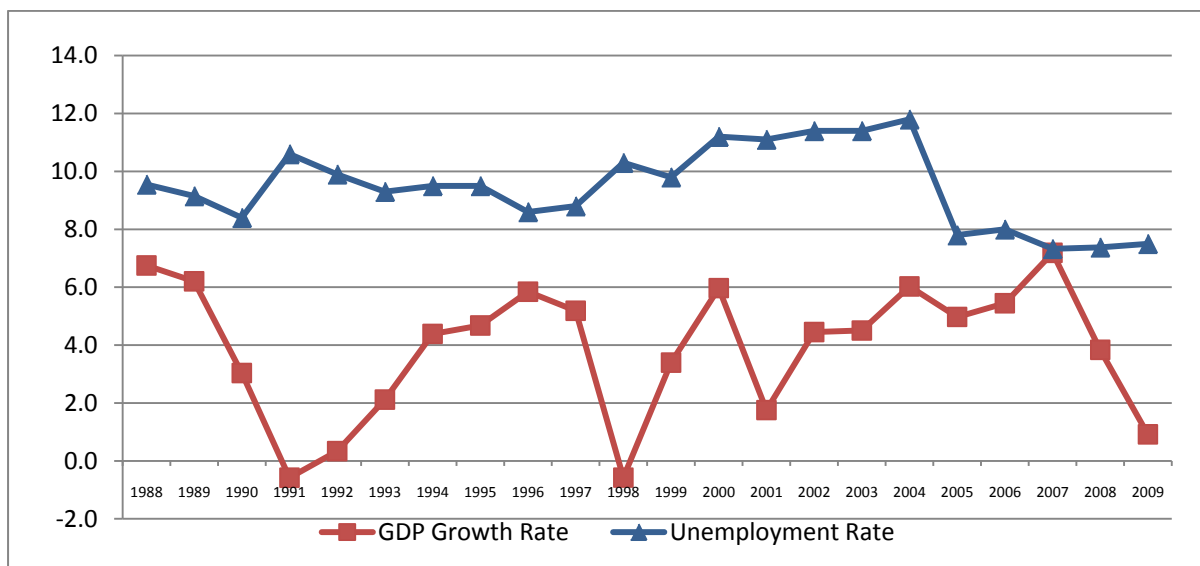


Figure 1 GDP Growth Rate and Unemployment Rate (in percent), 1988 - 2009

Source: NSCB

<sup>10</sup> The sharp drop in unemployment in 2005 was due to the revised definition of unemployment that the National Statistical Coordination Board (NSCB) adopted in the April 2005 round of the Labor Force Survey (LFS). Hence, data prior to 2005 used the old definition of unemployment.

As discussed in the next section, a big majority of local jobs are generated by the MSMEs. Thus, linking MSMEs with OF remittances will help the sector provide more local job opportunities to the poor who could not afford to migrate. Even if it is indeed true that not all OFs can be entrepreneurs, it could still be said that one OF enterprise created could generate at the very least ten jobs (the average employee size of microenterprises) in local communities in which they reside, thereby helping curb the jobless growth phenomenon.

## **2.5 Social Cost of Labor Outmigration**

Perennial reports of abuses and exploitation have hounded Philippine overseas migration, particularly among OFWs. This is not to mention the high profile cases that have generated media attention and nationwide protests that compelled the government to take specific courses of action. Even in ideal situations abroad for migrant workers, long periods of family separation and their effects on families left behind have always been a societal concern. Thus, the social cost of migration is an important issue that can be looked at in asserting for incentives to channel remittances to MSMEs. The possibility that the social cost of migration may also hamper the potential of families left behind to invest or establish enterprises is an area that can be explored in future researches. Increased savings due to investments in MSMEs has the potential to make OFWs decide whether to return for good in the country and shorten their stay abroad thereby minimizing their risks and ending the stress of family separation.

### 3 MSMEs and the Philippine Economy

#### 3.1 Economic Contribution

MSMEs comprise 99.6 percent of the total business enterprises and generated a total of 3.39 million jobs in the country as of 2009. Large enterprises account for only about 0.4 percent and a total of 2.1. million jobs. According to the DTI, MSMEs engage an estimate of 70 percent of the country's labor force. It is in the microenterprises where the bulk of jobs can be found followed by small and medium enterprises (Table 4). Nonetheless, microenterprises are mostly in the informal sector, are unregistered and are home based operations.

**Table 4 MSMEs, Percent to Total Businesses and Jobs Generated**

Type of Enterprises	Number of Businesses	Percent to Total Businesses	Number of Jobs Generated	Percent to Total Jobs Generated
Micro	697 077	91.9	1 663 382	49
Small	58 292	7.7	1 314 065	38.7
Medium	3067	0.4	418 058	12.3
<b>TOTAL</b>	<b>758 436</b>	<b>100</b>	<b>3 395 505</b>	<b>100</b>

Source: DTI

Half of MSMEs are engaged in the wholesale and retail trade (49.9 percent), manufacturing (14.7 percent), hotel and restaurants (12.3 percent), real estate, rental and business activities (5.9 percent) and others (17.2 percent) are the top MSME industries. The majority operate in the National Capital Region (NCR), followed by CALABARZON (Cavite, Laguna, Batangas, Rizal, Quezon), Central Luzon, Western and Central Visayas. Incidentally, NCR, CALABARZON and Central Luzon are also areas from which majority of OFWs originate.

Despite their capacity to generate jobs and its presence in a wide spectrum of industries, MSMEs are said to have low value added to the economy primarily because of problems besetting the sector. The DTI claims that MSMEs account for 30 percent of total sales to the manufacturing industry and only 25 percent of the country's export revenues. Despite policies providing an enabling environment for the growth of MSMEs, the sector suffers from low access to capital and technology, low productivity, unavailability of unskilled workers and raw materials.

#### 3.2 International Evidence Linking MSMEs and Remittances

Aside from the reasons mentioned above, there is ample international evidence supporting the case that indeed remittances from migrants can be harnessed for generating local investment opportunities. In rural Egypt, a study indicated that remittance recipient households have higher tendency to invest than nonremittance recipient households (Adams 1991: 9). Migrants in rural Pakistan also tend to save

more out of their remittances compared to those who get their income from rental activities and agriculture (Adams 1998 in Ang 2002). In Samoa, households receiving remittances have higher savings rate than those non remittance recipient households.<sup>11</sup> At the same time, in both Samoa and Tonga, remittances are used for business and farm investments.<sup>12</sup> This is also the findings of research among migrant households in Fiji and Tonga,<sup>13</sup> Albania, Bosnia-Herzegovina, Georgia, Moldova and the former Serbia and Montenegro.<sup>14</sup> In urban Mexico, remittances consist about 20 percent of capital invested in microenterprises with female owned MSMEs having a higher share. Finally, the World Bank (WB) has estimated that remittances account for a two percent increase in the share of domestic investment to GDP in Latin American countries from 1991 to 1995 and from 2001 to 2005. Interviews with return migrants in Morocco, Algeria and Tunisia showed that the share of entrepreneurs among the migrants increased from 1.8 percent at the time of departure to 11.1 percent among return migrants to Algeria, from 0.7 percent to 15.9 percent in Morocco, and from 1.2 percent to 28.2 percent in Tunisia.<sup>15</sup>

In Asia, China and India provide very good examples of successfully linking migrants and enterprise development. It is estimated that in 2000, nearly 50 percent of foreign direct investments in China came from remittances of Chinese diaspora all over the world which translated into USD 41 billion.<sup>16</sup> The role of the Indian diaspora, particularly in the United States (US) has been cited as the prime catalyst that led to the emergence of its now world renowned information technology industry.<sup>17</sup>

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<sup>11</sup> Brown and Walker, 1995 in Ang, et al.

<sup>12</sup> Ibid.

<sup>13</sup> Brown and Leeves in Ang, et al.

<sup>14</sup> EBRD, 2006 in Ang, et al.

<sup>15</sup> Flore Gubert and Christophe J. Nordman, *Return Migration and Small Enterprise Development in the Maghreb* (Badia Fiesolana, San Domenico di Fiesole: European University Institute, Robert Schuman Centre for Advanced Studies, 2008).

<sup>16</sup> Frank Pohl and Kirsten Schüttler. 2010. *Creating Value through Migration: Guidelines for Technical Cooperation for Promoting Value Chains in the Context of Migration*. GTZ Germany.

<sup>17</sup> Abhishek Pandey, Alok Aggarwal and Richard Devane, Yevgeny Kuznetsov. 2004. Available at <http://www.nrbvoice.org/wp-content/uploads/2010/01/India%27s%20Transformation%20to%20Knowledge%20Based%20Economy.pdf>. Retrieved on 08 July 2010.

## 4 Making the Link between MSME Development and the Benefits of Labor Outmigration in the Philippines

The problems identified in Chapter 3.1 may be addressed by the benefits of labor outmigration that will be discussed below. Specifically, aside from the OFs' savings and remittances which can serve as additional capital for MSME development, it can indeed be stated that access to new technologies and new skills, social capital acquired abroad coupled with OFs political resources could help create opportunities for MSME development. These opportunities can be tapped in the diverse mix of OFs and their wide presence in over 200 countries. As of 2008,<sup>18</sup> the stock estimate of overseas Filipinos (Table 5) is put to be 8.1 million or about ten percent of the country's population scattered over 200 countries. About 47 percent are permanent migrants. 46 percent are temporary migrants while seven percent are irregular migrants.<sup>19</sup> Nearly eight out of ten permanent migrants are in the Americas and its trust territories<sup>20</sup> of which 2.5 million or 80 percent are in the United States. More than 500 000 or 17 percent are in Canada. Only about 7.5 percent of permanent migrants are in Europe and of which the United Kingdom (91 206), Germany (44 619) and Spain (32 435) are the top destinations.

More than half or 58 percent of temporary migrants are in West Asia or the Middle East and of which 52 percent or 1.1 million are in Saudi Arabia. The second top regional destination of temporary migrants is South Asia and East Asia with 16 percent share of the total number in 2008. Of this, Hong Kong (125 000), Malaysia (89 681) and Taiwan (83 070) are the top destinations.

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<sup>18</sup> This is the latest official data from the Commission on Overseas Filipinos (CFO) in their website. Stock estimates are based on reports made by The CFO which regularly monitors OFW presence from different embassies and consulates of the Department of Foreign Affairs (DFA), Philippine Overseas Employment Administration (POEA), other government agencies from Filipino associations and organizations abroad, and censuses of foreign governments on their immigrant population.

<sup>19</sup> Notably, because of the huge number of irregular migrants, government data on stock and deployment flows remain purely estimates. Moreover, the government considers those who are directly hired by employers and did not go through processing at the POEA as irregular migrants. This is particularly true for nurses and other professionals who immigrate to the United States. This has been pointed out by Lorenzo, et al. (2007) who believes that due to the multiple entry points (student visas, tourist visas which many nurses utilize) to the United States, it is difficult to have an accurate assessment of nurse outflow to this country. For instance, the US Embassy in Manila reported in 2004 that it granted temporary H1B and permanent EB3 visas to 7,994 Filipino nurses. However, the POEA reported a mere 373 newly hired nurses deployed overseas.

<sup>20</sup> Trust territories are territories that are not part of mainland North, South and Central America such as Puerto Rico, Guam, British Virgin Islands, Cook Islands, Fiji, French Polynesia, etc.

**Table 5 Stock Estimate of Overseas Filipinos as of December 2008**

<b>Region / Country</b>	<b>Permanent</b>	<b>Temporary</b>	<b>Irregular</b>	<b>Total</b>
<b>World Total</b>	3 907 842	3 626 259	653 609	8 187 710
<b>Africa</b>	1986	44 303	8 265	54 554
<b>Asia, East and South</b>	247 097	581 330	256 622	1 085 049
<b>Asia, West Asia</b>	4599	2 144 625	112 700	2 261 924
<b>Europe</b>	294 987	299 468	98 624	693 079
<b>America / Trust Territories</b>	3 101 941	250 595	166 163	3 518 699
<b>Oceania</b>	257 232	44 325	11 235	312 792
<b>Seabased Workers</b>		261 614		

Source: Commission on Overseas Filipinos

In terms of deployment trends of new hires and rehires among OFWs from 2003 to 2009, Saudi Arabia, United Arab Emirates (UAE) and Hong Kong were consistently the top three destinations. They are followed by Qatar, Singapore, Kuwait, Taiwan, Italy, Canada and Bahrain (Table 6).

**Table 6 Number of Deployed Land based Overseas Filipino Workers by Top Ten Destinations, New Hires and Rehires 2003 - 2009**

<b>Land Based Total</b>	<b>2003</b>	<b>2004</b>	<b>2005</b>	<b>2006</b>	<b>2007</b>	<b>2008</b>	<b>2009</b>
<b>Saudi Arabia</b>	651 938	704 586	740 360	788 070	811 070	811 070	1 092 162
<b>UAE</b>	169 011	188 107	194 350	223 459	238 419	275 933	291 419
<b>Hong Kong</b>	49 164	68 386	82 039	99 212	120 657	193 810	196 815
<b>Qatar</b>	84 633	87 254	98 693	96 929	59 169	78 345	100 142
<b>Singapore</b>	14 344	21 360	31 421	45 795	56 277	84 342	89 290
<b>Kuwait</b>	24 737	22 198	28 152	28 369	49 431	41 678	54 421
<b>Taiwan</b>	26 225	36 591	40 306	47 917	37 080	38 903	45 900
<b>Italy</b>	45 186	45 059	46 737	39 025	37 136	38 546	33 751
<b>Canada</b>	12 175	23 329	21 267	25 413	17 855	22 623	23 159
<b>Bahrain</b>	4006	4 ,453	3629	6 468	12 380	17 399	17 344
	6406	8257	9968	11 736	9 898	13 079	15 001

Source: POEA 2009 Overseas Employment Statistics

The discussion also indicates that aside from financial remittances, there are other forms of gains from OFs in terms of skills and knowledge transfer and social network which can address problems of MSMEs and further contribute to enhancing the link between MSME development and labor outmigration. Notably, it is acknowledged that not all OFs can become entrepreneurs. What is presented in this paper is that

OFS can have many roles and can be tapped not only as entrepreneurs but more so as catalysts that can provide capital flows, skills as well as political and social network that can spur investments, enterprise development, job generation and productivity, specifically in the countryside.

#### **4.1 Access to Capital through Remittances**

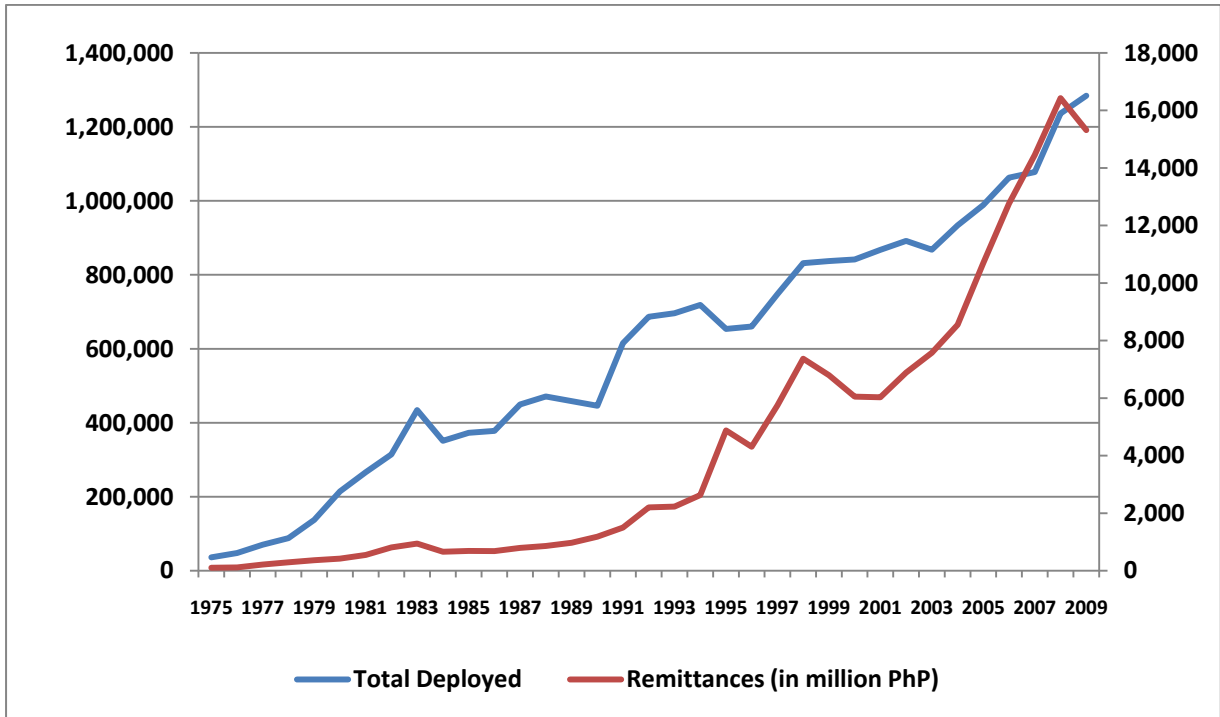
Indeed, money transfers sent by OFs have become an important feature of the economy as it is a vital source of foreign exchange and income for remittance dependent families. It averages ten percent of the country's GDP and has grown parallel with remittance trends since 1975. Table 7 indicates that remittances are a much bigger and are a stable source of external foreign exchange flows than official development assistance (ODA) and foreign direct investments (FDI). From USD 111 million in 1976 remittance flows have exponentially increased to USD 17.3 billion by the end of 2009 (Figure 2).

**Table 7 Remittances as a Percentage of GNP, FDI, Export and ODA Net Loan, 1997 - 2009**

<b>Particulars</b>	<b>1997</b>	<b>1998</b>	<b>1999</b>	<b>2000</b>	<b>2001</b>	<b>2002</b>	<b>2003</b>	<b>2004</b>	<b>2005</b>	<b>2006</b>	<b>2007</b>	<b>2008</b>	<b>2009</b>
<b>OFW Remittances (in USD billion)</b>	5.7	4.9	6.8	6.1	6.0	6.9	7.6	8.6	10.7	12.8	14.4	16.4	17.4
<b>GNP (in billion USD)</b>	82.3	68.8	80.2	80.7	76.0	81.8	84.7	93.4	106.8	128.3	157.1	186.4	182.6
<b>Export earnings (in billion USD)</b>	25.2	29.5	35.0	38.1	32.2	35.2	36.2	39.7	41.3	47.4	50.5	49.1	38.3
<b>Foreign Direct Investments (in billion USD)</b>	1.1	0.9	1.1	2.1	0.3	1.5	0.2	0.1	1.7	2.8	2.9	1.5	1.9
<b>ODA net loan amount (in billion USD)</b>	11.4	10.2	12.2	13.3	13.2	11.9	10.9	10.7	10.2	9.5	9.8	9.7	-
<b>Remittances as % of GNP</b>	7.0	7.2	8.5	7.5	7.9	8.4	8.9	9.2	10.0	9.9	9.2	8.8	9.5
<b>Remittances as % of Export Earnings</b>	22.8	16.7	19.4	15.9	18.8	19.6	20.9	21.5	25.9	26.9	28.6	33.4	45.3
<b>Remittances as % of FDI</b>	545.1	556.8	609.9	286.1	1800.4	466.2	4031.1	7844.4	642.0	452.8	2811.3	1078.9	1091.9
<b>Remittances as % of ODA net loan</b>	50.4	48.3	55.7	45.4	45.8	58.1	69.4	80.1	104.9	134.7	148.3	169.1	-

Sources: *Remittances and FDI* – BSP, *GNP* – NSCB, *Exports* – NSO, *ODA* – NEDA [www.neda.gov.ph](http://www.neda.gov.ph)

“-” not yet available



**Figure 2 Annual OFW Deployment and Remittances**

Source: Remittances - BSP, deployment data - POEA

Based on the 2006 Annual Family Income and Expenditure Survey (FIES), about 1.6 million Filipino households or 9.2 percent of the total 17.4 million Filipino families in 2006 received transfers from abroad. As the average family size during this period is 4.5, this means that about 7.2 million<sup>21</sup> Filipinos are estimated to be receiving OF incomes.

According to the 2008 Survey of Overseas Workers (SOFs),<sup>22</sup> OFWs working in Asia (Saudi Arabia, UAE, Singapore and Hong Kong) comprising 78.2 percent of all OFWs, sent the biggest cash remittance of PHP 69.9 billion. Among occupation groups, OFWs working as laborers and unskilled workers posted the highest cash remittance sent from 2001 to 2008 (Table 8). This occupational group, a big majority of them women, has consistently been the country’s top remitters according to the 2001 to 2008 SOF. They also receive the lowest pay among OFWs.

<sup>21</sup> This is based on the researcher’s computation based on available information from the FIES.

<sup>22</sup> The Survey of Overseas Filipinos (SOF) is a rider to the Q4 round of the Labor Force Survey (LFS) conducted by the National Statistics Office and was released in July 2009. The SOF aims to derive national estimates on the number of OFWs, their socioeconomic characteristics and the amount and mode of remittances, in cash and in kind, received by their families. The OFWs covered in this survey are those aged 15 years old and over and working abroad during the period 1 April to 30 September which covers the Q4 round of the LFS.

**Table 8 Total Cash Remittance of OFWs by Major Occupation Group and by Sex, 2005 - 2008 (in thousand PHP)**

PARTICULARS	2005		2006		2007		2008	
	Male	Female	Male	Female	Male	Female	Male	Female
<b>TOTAL</b>	39 239	21 065	50 211	25 649	55 621	26 281	64 573	35 508
<b>Laborers and unskilled workers</b>	2 742	9738	3321	12 674	4492	13 082	3963	15 528
<b>Service workers and shop and market sales workers</b>	3 799	3367	4174	4 492	5519	4739	6028	7986
<b>Professionals</b>	4855	3170	5425	3694	6254	3168	8015	5221
<b>Clerks</b>	1264	1450	1945	1448	1663	2055	2934	2361
<b>Technicians and associate professionals</b>	3 881	1997	5899	1769	6458	1422	6440	2011
<b>Plant and machine operators and assemblers</b>	10 435	539	12 226	725	14 543	809	14 551	999
<b>Trades and related workers</b>	9873	57 0570 (amazingly low, what are the numbers of OFW behind it?)	13 103	563	12 575	645	17 261	804
<b>Officials of government and special interest organizations, corporate executive, managers, managing proprietors and supervisors</b>	2 140	226	3833	284	3986	305	4693	474
<b>Farmers, forestry workers and fishermen</b>	168	-	221	-	131	56	688	124
<b>Special occupations</b>	82	8	64	-	-	-	-	-

Source: SOF 2005 - 2008

#### 4.1.1 Examples of how OF financial remittance have been tapped

According to Ildefonso Bagasao, head of the Economic Resource Center for Overseas Filipinos (ERCOF), the following three types of overseas Filipinos have different remittance and consequently savings and investment behavior

- **OFWs or contract workers** generally remit less amounts but in more frequent intervals than permanent residents. On investments, OFWs in the service sector, such as domestic workers, entertainers, factory workers and similar occupations are known to go into small business with their relatives taking care of the business. Contract workers, especially those in the service sectors raise or borrow large amounts to pay for recruitment expenses.
- **Permanent residents** generally earn more per capita but remit less frequently than contract workers, simply because their family members may have already joined them overseas. In terms of investment choices, permanent residents have in addition to the usual options and are also inclined towards sophisticated mechanisms such as stocks, mutual funds, trust funds, capital markets and the like. However, contract based workers who are professionals with higher educational attainments such as those working in Singapore, Hong Kong, the United Nations offices, North America, Europe and Australia, might have the same portfolio. They would also tend to remit electronically through their banks and generally have access to computers.
- **Undocumented workers** normally go to small remittance transfer agents or send money through friends returning home, simply because their irregular status prevents them from transacting with banks.<sup>23</sup>

There are various models that are already being implemented by NGOs in cooperation with the government that indicate the potential of remittances for MSME development.

- **OF and their families as individual investors in agribased industry** As noted above, not all OFs can be entrepreneurs. Lack of business skills and knowhow, for example, in doing feasibility studies can also discourage them. This type of knowhow is also not part of financial literacy trainings being conducted. Bearing this in mind, they can be encouraged to invest in local enterprise development while they are abroad, with their families doing the monitoring here in the Philippines. A case<sup>24</sup> in point is the investment scheme

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<sup>23</sup> OFW Money Flows to the Countryside. Ildefonso Bagasao. 2005. Presentation to the Rural Bankers' Association of the Philippines. This paper is available at the following webpage: [www.ercof.org/papers/files/RBAP\\_Presentation\\_Davao\\_Final\\_Draft.pdf](http://www.ercof.org/papers/files/RBAP_Presentation_Davao_Final_Draft.pdf)

<sup>24</sup> Notes during the FGDs at GTZ PSP SMEDSEP Office in Makati City

developed by Atikha, an NGO and their partnership with the *Soro-Soro Ibaba* Development Cooperative (SIDC), one of the largest agribased cooperatives in the Philippines. Atikha introduced the investment scheme as part of their financial literacy trainings among OFWs in Italy which they organized together with OWWA / NRCO and the Filipino Women's Council, an organization based in Italy. The scheme is organized as follows

Each migrant would become members of the cooperative and invest a minimum of PHP 100 000.00 payable in installments for a year, if there is no available spot cash. The money is able to buy the migrants a share in the egg layer farm business, the earnings of which could be monitored by the families left behind online (through the internet). Families of migrants are recruited in the cooperative and are provided training on various business opportunities provided by the cooperative in production and marketing of SIDC products. SIDC also went to Italy and presented the investment plan. Migrants who visited the country also went to SIDC in Batangas City to inspect the farms. This boosted the mutual trust which Atikha believes is very important especially when hard earned money of OFWs is involved.

- **Collective for profit investment schemes** Considering that the Philippines' top remitters are low income workers, collective remittances can be used for collective enterprise development. Indeed, aside from lack of capital, migrants are discouraged from availing of loans even from OWWA because they lack the collateral required.<sup>25</sup> Hence, remittances can be pooled by organizing hometown associations (HTAs) or migrant savings organizations and linking them to local investments, rural banks or microfinance institutions that can address these problems. Here are some examples
  - **Through migrant savings groups** Another NGO called *Unlad Kabayan*, undertakes a Savings and Investment Mobilization (SIM) program which involves travelling to countries of destination to meet with groups of OFWs to promote the benefits of saving and investing. It organizes migrant workers into Savings and Investment Groups (SIG), usually by the region in the Philippines they lived in or are returning to or by factory groups. The NGO pools a proportion of migrant savings and then choose to save their money through a bank or invest in successful enterprises that it has helped set up in the Philippines or to start their own enterprise. *Unlad Kabayan's* emphasis is for migrant resources to impact on local economic development. *Unlad Kabayan* also convinced 55 OFWs from Taiwan and South Korea through the help of a Korea based Filipino parish priest to form a migrant savings

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<sup>25</sup> Notes during the two FGDs on 25 June 2010 at NRCO and on 02 July 2010 at Star Mall

organizations to pool their savings of PHP 4 million to invest in a rice milling operation in Surigao del Norte. Eventually, one of the OFWs returned for good to serve as manager of the business. Today, it employs 23 regular workers and supports 139 farmer households. The same scheme was also used by *Unlad Kabayan* to pool the savings of 60 domestic workers in Hong Kong to invest in a 10 hectare bioresource integrated farm in Bukidnon that now employs 65 farm workers. *Unlad Kabayan* also runs a Credit Assistance Program (CAP) in which OFW investments are used for microcredit loans ranging from PHP 3000.00 to above PHP 1 million.

- **Through Hometown Associations (HTAs) linked to rural banks** An NGO, the ERCOF, which has linked HTAs with microfinance institutions in the country for the purpose of providing capital for microenterprises has convinced five Filipinos in Luxembourg and the Netherlands to invest in time deposit accounts in two rural banks operating in Bukidnon and Misamis Oriental.
- **Collective *not for profit* projects or diaspora philanthropy** In Latin American countries and particularly in Mexico, efforts of the federal and local governments in linking migrant HTAs have resulted in development projects such as for instance the famous *Tres Por Uno* program in which every dollar sent by Mexican migrants is matched by dollar for dollar by the state, municipal and national governments which are then spent for local development projects such as roads and infrastructure. In the Philippines, perhaps the best example would be *Gawad Kalinga (GK)*, one of the biggest nonprofit organizations in the Philippines and the Ayala Foundation USA, the nonprofit arm of the country's biggest conglomerate. GK was founded in 2000 originally as a social arm of a faith based group, now solicits donations mostly from Filipino Americans and other OFs (but it also now has corporate sponsors) for its housing and livelihood as well as enterprise development projects in the communities that it builds. Ayala Foundation USA also solicits donations from Filipino Americans but only two percent<sup>26</sup> of donations are earmarked for enterprise development. From 1990 to 2004, the *Lingkod sa Kapwa Pilipino (LINKAPIL)*, a project of the Commission on Overseas Filipinos (CFO) has solicited USD 1.5 billion from OFs for scholarships and livelihood projects, of which only four percent were allocated for livelihood and small scale infrastructure. Much of the amount was donated for health medical

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<sup>26</sup> Guillermo Luz. 2007. Philippine Diaspora Philanthropy: Engaging the Global Filipino The Ayala Foundation USA Experience. Paper presented during the meeting on "Turning Transnational: International Migration and Development Prospects in the Philippines" Pan Pacific Manila, 19 - 20 November 2007.

missions, scholarships, relief / calamity purposes. The biggest amount donated was for scholarship beneficiaries.

Under the LINKAPIL program, assistance to livelihood projects may be through any of the following

- grant of capital fund or capitalization to a specified beneficiary
- donations of equipment or resources needed to start or sustain livelihood projects or to improve productivity and income
- provision of low interest bearing loans to registered cooperatives and organizations. Repayment schemes for the loans would be arranged in cooperation with a local bank. Donations may be directed to local communities and barangays, nongovernment organizations and cooperatives. A list of projects for funding is available upon request at the CFO through its Philippine Sectoral Development and Needs Profiling System.<sup>27</sup>

Banks are also implementing diaspora philanthropy schemes. The Bank of the Philippine Islands (BPI), and its internet bank subsidiary, the BPI Direct has partnered with the National Federation of Filipino American Associations (NaFFAA) in its project called *Tulong sa Pinoy* (Help for the Filipinos). It seeks to engage the support of global Filipinos to help their countrymen become entrepreneurs. When an OF applies for a BPI *Tulong sa Pinoy* Dollar Account in the Philippines via BPI Direct Savings Bank, BPI's phone and internet bank for overseas Filipinos for a minimum of USD 1000.00, the bank matches this amount with peso funds for lending to accredited, reputable microfinancing companies in the Philippines. These microfinancing institutions relend the money to startups and small entrepreneurs needing capital.

Indeed, much of diaspora philanthropy is allocated for educational scholarship or church donation purposes. However, Atikha believes that if properly explained to OFs, donations for enterprise development can also increase. In a gathering of OFs in Batangas, Atikha was able to generate PHP 500 000.00 worth of donations to develop coconut based enterprises.<sup>28</sup>

- **Migrant Returnees as Startup Entrepreneur** There are success stories of migrant returnees who decided to return and live in the country for good. They were featured in the book by *Go Negosyo* (nonprofit NGO advocating

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<sup>27</sup> Lingkod sa Kapwa Pilipino Program. Available at [http://www.cfo.gov.ph/index.PHP?option=com\\_content&view=article&id=240&Itemid=43](http://www.cfo.gov.ph/index.PHP?option=com_content&view=article&id=240&Itemid=43). Retrieved on 20 July 2010.

<sup>28</sup> Notes during the FGDs at GTZ PSP SMEDSEP Office in Makati City

entrepreneurship) on *100 Inspiring Stories of Small Entrepreneurs*. There are four common denominators among their stories

- They have enough savings from working abroad for a startup
- They returned for good voluntarily and were not victims of repatriation
- Commitment to launch enterprises as a means of livelihood
- They had access to loans from microfinance institutions to sustain and expand their businesses. One couple also had access to trainings offered by the Department of Agriculture (DA). Here are two of these stories

***Ex OFW in Cassava Business in Cebu*** After working for seven years in Malaysia as a bulldozer operator, Cherry Yack decided to return for good in Pagadian City to put up a fish drying business with his wife. The startup did not prosper. It was when he moved to Cebu in 1998 that he launched his cassava cake business with a PHP 30 000.00 initial capital. He had only one worker to help him in baking. He also did the marketing and delivery of the products. It was when demand started to increase in 2002 that he took a loan from *Taytay sa Kauswagan*, Incorporated (located in Danao City, Cebu) to purchase additional ovens. Today, Yack's Cassava Cakes is a popular delicacy in Mandaue and Cebu cities with sales averaging 70 trays a day.

***Ex OFW Couple as Livestock Raiser in Zamboanga del Sur*** After earning retirement money from working in Libya, Annie and Felixberto Sitjar decided to return to Labangan, Zamboanga del Sur, Annie's hometown, to put up a rice mill on their property. Eventually, they ventured into piggery when they acquired hogs from the DA. The business soon grew as they also were able to buy a four hectare farm lot. Today, the couple is into livestock raising and raising various crops in her property. They have also been beneficiaries of trainings conducted by the DA and other NGO.

#### **4.2 Skills and Knowledge Transfer**

Indeed, as early as the 1970s, when mass exodus of Filipino professionals to the US had been observed, fears of a *brain drain* have already been discussed. But there is sufficient evidence to prove that if properly tapped, skills and knowledge gained by OFs in destination countries could help propel enterprise development and jobs generation in the country. In fact, this could have more positive long term consequences than the short term positive impact of financial remittances to the

economy. As noted earlier, the differing circumstances and skills mix of permanent and temporary migrants necessarily requires different sets of interventions.

**Skills and Knowledge Profile of Permanent Migrants<sup>29</sup>** The selectivity (educational attainment) and type (family reunification) of immigration policy particularly in the United States<sup>30</sup> and North America where the bulk of Filipino immigrants are located shows their skills profile and what they can contribute to the country. International literature on permanent migrants generally argues that they are well assimilated and have better protection of their rights since they are either permanent residents or citizens. Data from 1988 to 2007 indicate that there are a total of 1.2 million registered permanent migrants in the records of the CFO. More than 40 percent of which are at least college level and college degree holders, indicating the potential of a *brain drain*. The selectivity of past (Exchange Visitor Program to the US, the 1965 Immigration Act) and present immigration policies and demand for the educated and with specific skills such as medical professionals (nurses specifically), PhD holders (most of which previously studied in the destination countries but stayed to work for lack of opportunities in the home country due to underdeveloped research and development programs), information technology specialists and teachers likewise contributes to the *brain drain*. Some have achieved expatriate status since they occupy important positions in destination countries. Nonetheless, if properly tapped by the government with a high degree of private sector and civil society participation, the *brain drain* can actually be reversed and transformed into a *brain gain*.

**Skills Profile of Temporary Migrants or OFWs** The diversity of skills of OFWs is said to be one of the features of Philippine labor outmigration. From 1988 to 2004, data processed from the Labor Force Surveys (LFS) indicated that from 25 percent to a little over 30 percent of OFWs have college degrees (Maducon 2009). From 2003 to 2009, the top three occupational groups in terms of rehires are service workers, production workers and professional, technical and related workers (Table 9).

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<sup>29</sup> Beverly Jane Bulanday. A Policy Brief on the Occupations of Overseas Filipinos. Institute for Migration and Development Issues. Policy Briefs Series Number 3. The data was based on the computations made by the IMDI from reports of CFO from 1981 - 2007.

<sup>30</sup> In the remittance database of the Bangko Sentral ng Pilipinas (BSP), the US still remains to be the major source of remittance. This does not necessarily mean though that permanent migrants in the US are the top remitters. This is because banks in the Middle East still utilize the clearing system of US banks. Hence, transactions are recorded to be coming from the US.

**Table 9 Top Three Land Based OFWs by Major Occupational Category, New Hires, 2003 - 2009**

Major Occupational Group	2003	2004	2005	2006	2007	2008	2009
Service Workers	84 021	113 423	133 907	144 321	107 135	123 332	138 222
Professional, Technical and Related Workers	78 956	94 147	63 941	41 258	43 225	49 649	47 886
Production Workers	61 352	63 719	74 802	103 584	121, 15	132 295	117 609

Source: POEA 2009 Overseas Employment Statistics.

Service workers consist of household helpers, cooks and caregivers, predominantly women, most of whom are actually college graduates and have a fair degree of English proficiency, hence, the huge demand for Filipinos. Production workers include welders and flame cutters,<sup>31</sup> foremen and production supervisors. Professionals<sup>32</sup> consist of nurses,<sup>33</sup> teachers, computer programmers, engineers, choreographers and musicians.

While these figures indicate not only cases of *brain drain* but also of *de-skilling* since most are college graduates performing work that are not commensurate to their educational background, there are in fact a few examples of *brain gain* from OFWs. Some of them are cited in the section below.

In the past, there have been initiatives both by the government and the private sector to link to Filipino expatriates. Then President Ferdinand Marcos, wary of the exodus of Filipino professionals to the US resulting from the 1965 Immigration Law which emphasized skills, launched the *Balik (Return) Scientist Program*, through Executive Order 819. The program encouraged scientists, professionals and technicians of Filipino descent and origins to return and work for a specified period in the Philippines and share or diffuse knowledge. The program provides roundtrip airfare (including those for the spouse and two minor dependents), relocation allowance, housing allowance, health insurance and duty free importation of professional

<sup>31</sup> This is an occupation usually part of engineering work that involves cutting ferrous metals.

<sup>32</sup> The number of professionals has decreased in recent years owing to the decline in demand from Japan which revised its policy on entertainers working in Japan, resulting in the reduction of quota of entertainers coming from the Philippines. Notably, the term *professionals* must be clarified as this includes *entertainers*, some of which reportedly work as sex workers in Japan and other countries.

<sup>33</sup> Included in this category of nurses are doctors who have acquired a second degree of nursing and are now currently working as nurses abroad.

equipment. Currently, the program's (priority areas include alternative fuel, biotechnology, environment, pharmaceuticals as well as information and communication technology. Those who will stay for a longer period can bring their spouses and children. This program is still ongoing to date.

In 1987, then President Corazon Aquino, through Executive Order 239, urged the creation of Science and Technology Advisory Councils (STAC) chapters abroad. The aim was to organize overseas Filipino scientists to promote knowledge transfer activities to their homeland. At one point, STAC chapters were established in San Francisco, Vienna, Seattle, Boston, New York, Silicon Valley, Stockholm, Melbourne, Ottawa and Tokyo. Today, only the Japan STAC and Silicon Valley Chapter<sup>34</sup> are active.

The *Transfer of Knowledge Through Expatriate Nationals* (TOKTEN) was implemented by the DFA from 1988 to 1994 and funded by the United Nations Development Program (UNDP). It was the very first initiative to organize Filipino experts in specific fields abroad and link them up with local projects. Scientists were funded to visit the country and share their knowledge. The program ended when the undersecretary that spearheaded the project left the DFA.

#### 4.2.1 Examples of brain gain initiatives for enterprise development

Below are a few cases of brain gain initiatives

- ***Filipino Scientists as Mentors.*** One notable project of STAC Japan that has links with enterprise development is the *Mushroom Center* in Central Luzon State University (CLSU). STAC members came to the Philippines and trained CLSU students to develop their entrepreneurial skills while at the same time learning the technology of mushroom production. The proceeds generated by the center sustained the production operation of the project and supported deserving fourth year students doing research work on mushrooms. Another example is Dr Fiorello B Abenes, an emeritus professor of the CalPoly State University Pomona in California, and a *Balik Scientist Program* (BSP) awardee of the DOST. Dr Abenes together with Dr Perla C Florendo of Central Luzon State University (CLSU) and a research team from Philippine Carabao Center (PCC) have developed a method of producing bioethanol

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<sup>34</sup> In June 2010, Philippine Departments namely DFA, DOST and DTI plus two private sector groups in the US, like the Science and Technology Advisory Council of Silicon Valley (STAC) and the Philippine American Academy of Science and Engineering (PAASE) launched the Registry of Foreign Based Filipino Scientists, Engineers, and Technology Entrepreneurs (*Technopreneurs*). The Registry aims to recognize the outstanding achievements of Filipinos worldwide, especially in the fields of sciences, engineering and technology enterprise development.

from lignocellulose using the carabao. Essentially, the animal will be used for the commercial production of cellulosic or biomass ethanol from agricultural wastes. This is because according to the scientists, carabao has microorganisms in its rumen that transform lignocellulose into ethanol. The significance of the project to enterprise development is that *once commercialized, it also aims a partnership with smallhold farmers as well as local government units that will be involved in the digestion process. They will be provided with containers where they can collect the biomass feedstocks and start the digestion process right at their own farm using the rumen fluid that will be supplied to them by the Philippine Carabao Center at the Central Luzon State University. This way, they will earn additional income.*<sup>35</sup>

- **Brain Gain from OFWs or Temporary Migrants** A good example of brain gain linked to enterprise development is that of Ted Bergado, a former engineer in Saudi Arabia who returned to the country for good. He invented the Automatic *Tubig* (Water) Machine (ATM) or a coin operated water dispenser. He now owns the company that sells franchises all over the Philippines aside from employing several Filipinos. He has also patented his invention.

Another example is that of Myrna Padilla who was a domestic worker in Singapore and Hong Kong. In Hong Kong, a wealthy employer gifted her with a laptop to help her in her advocacy work in the Mindanao Hong Kong Workers Federation. This was after she trained in basic computer literacy skills offered by the Philippine Consular Office. Soon after, her computer skills became her passport to business opportunity. One day, she commented on a website of a US software company. Immediately, the company responded to her and told her that she has good skills in *bug testing*.<sup>36</sup> She found a US company that wanted more of her feedback. Finally, in 2006, she returned to the Philippines for good after discovering that she has a thyroid problem. She used her savings and the long service pay that her former employers gave her to establish a business process outsourcing (BPO) company in Davao called Mynd Consulting. Today, she employs 19 workers that include programmers, website administrators and graphic artists. She was awarded the Most Inspiring Davaoeno Award in 2009.

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<sup>35</sup> Agriculture Business Week. "Carabao Models Commercial Bio Ethanol Production". Available at <http://www.agribusinessweek.com/carabao-models-commercial-bio-ethanol-production/>.

Retrieved on 20 July 2010.

<sup>36</sup> This is a term used for errors or flaws in software.

#### **4.2.2 Business trends: potential drivers for brain gain and enterprise development**

There are bright and promising industries induced in part by the world renowned Filipino skills and English fluency. In these industries, migrants' roles can either be business development providers, investors, entrepreneurs or clients (medical tourism). These industries, if developed, could have high job generation potential that can address perennial labor surplus in the country.

**Filipino Medical Professionals and Medical Tourism Prospects** The Confederation of India and the McKinsey Company estimates that medical tourism around the world will grow from about USD 40 billion in 2004 to USD 100 billion by the end of 2012 (Lagace 2007). This fast growing industry is fueled by rapid rise in the number of elderly in wealthy countries in Europe, North America and Japan. The demand for healthcare abroad is also highly influenced by retirement policies, pension and health insurance schemes in these countries. Aside from elderly health care and retirees, the growing market in cosmetic surgery and the high cost of treatment in Europe and the US are also luring foreigners to seek services from other countries where they are cheaper. One and a half million Americans were estimated to have sought medical treatment outside the US in 2008 (Lagace 2007).

Currently, Thailand, Malaysia and India are the top countries of destination in terms of medical tourism. The Philippines is lagging behind because it entered relatively late<sup>37</sup> in the game compared to the three countries. The Philippine Medical Tourism Program, launched in 2006, has four domains: full hospital care and treatment; specialty clinics (like eye, dental and cosmetic services); wellness and spa centers; and retirement and long term care for the elderly.

At present, spa and wellness centers is a thriving industry in the country. The country's big hospitals such as the St Luke's Medical Center and The Medical City have been accredited by the US based Joint International Commission for the Accreditation of Health Care Organization. The comparative advantage of the Philippines in terms of medical tourism is not just in the competitive rates it can offer but also its English speaking health human resource professionals who are touted as among the best in the world. An evidence of this is the high demand for Filipino nurses abroad. However, despite the high demand, only 58 percent of the more than 300 000 registered nurses were either deployed abroad or are locally employed according to the National Institute of Health. Hence, the country has a net surplus of workers that can be potentially employed in the medical tourism industry, possibly, with a salary comparable to the average salary of a nurse in Saudi Arabia where the bulk of them go.

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<sup>37</sup> It was in 2006 when the Philippine Medical Tourism Program was launched. Four (4) government agencies were tapped to implement it: Department of Tourism (DOT), Department of Foreign Affairs (DFA), Department of Trade and Industry (DTI) and the Department of Health (DOH).

Filipino doctors and nurses who are retiring can also be potential investors in wellness centers and can even be tapped for skills transfer. The Philippine Nurses Association of the United States, for example, is willing to participate in the skills transfer programs (Scalibrini 2010: 339). A group of successful Filipino doctors from the US are said to be the primary investors of one of the country's biggest hospitals today, the Asian Medical Hospital. Medical tourism prospects, however, need infrastructure support, upgrading of hospital facilities in the country, an efficient tourism industry and immigration friendly policies.

**IT Specialists and Business Process Outsourcing** Business Process Outsourcing (BPO) has become one of the fastest rising industries in the country. The Senate Economic Planning Office (SEPO) estimates show that it generated around USD 6 billion in export revenues in 2008 up from around only USD 1.5 billion in 2004 (SEPO 2010). In 2008, it generated employment of 372 000. Between 2007 and 2008, total BPO employment grew by 24 percent when total employment in the country grew by only 1.6 percent in the same period. Despite its relevance to job generation and export, there is still a net surplus of labor that has not been absorbed by the BPO sector primarily due to declining proficiency in English among recent graduates and insufficient skills attuned to BPO work. Meanwhile, it is also argued that the industry can have more impact on the economy if higher level BPO functions such as accounting, finance and legal services could be provided by more Filipinos.

In this regard, the *Balik Scientist Program* discussed above can be utilized to entice top information technology specialists and software engineers that have left the country to invest in these enterprises (like the Indian and Chinese professionals in Silicon Valley) and also to provide knowledge transfers. The Philippine American Association of Scientists and Engineers as well as STAC Chapters abroad can be tapped in knowledge transfer activities.

**Education Tourism.** This is another area that has not been fully explored. Essentially, due to the country's reputation for good English speaking skills, competitive tuition fees, and of its medical professionals, thousands of students are already availing of cross border medical education in the country. The Commission on Higher Education (CHED) data indicates that there are a total of 1305 Korean students or 29.51 percent of the total foreign student population. Chinese students number to about 937 (21 percent) while Iranians number to 596 or 13 percent. Others include Indians with 369, Americans 173, and Indonesians with 147 students sent to the Philippines to study (Angeles 2009). Nursing and dentistry courses are among the most in demand courses chosen by foreign students. In fact, the World Citi College Medical School has signed a Memorandum of Understanding (MOU) with a school in China in which the first two years of general education will be enrolled by Chinese nursing students while the remaining two years of intensive nurse training will be availed in the Philippines.

In this regard, knowledge transfer activities among medical professionals can be tapped to increase the competitive advantage of Philippine higher education. Unemployed medical professionals can also be trained to serve as instructors in higher education institutions. Aside from this, the presence of students have also boosted tourism and enabled the mushrooming of Korean restaurants in the country, particularly in Baguio.

In Panglao, Bohol, 45 members of a migrant savings group in Korea has invested in a resort cum English language training center, named Galilea Center for Education and Development. Korean investors have also put in money (Garcia 2008). This was implemented through the encouragement of Father Eugene Docoy, a parish priest known to migrants in Korea.

### 4.3 Social Capital

Aside from financial remittances, skills and technology transfer, social capital<sup>38</sup> which is operationalized as social networks, norms, values and practices, trust (could be membership in formal associations) developed by OFs in destination countries could also serve the purpose of enterprise development. The geographic diversity and spread of OFs and the continuing ties they have in the Philippines augurs well for the transfer of social capital. Moreover, anecdotes of OFs still expressing their desire to retire in the Philippines after some time abroad are also encouraging.

#### 4.3.1 Examples of cases presenting gains from social capital of OFs

The following are examples of how OFs have transferred their social capital to the country

- **Former OF entrepreneur promoting environment friendly business practice** Knowledge that migrants can obtain from exposure to business practices abroad can be used to establish businesses with social relevance such as the case of the environment friendly Bohol Bee Farm. A former nurse in the US, Vicky Wallace established the farm using indigenous and ecologically friendly methods such as organic farming. Today, the farm has a bed and breakfast unit and is said to be worth PHP 10 million to 15 million and employs 128 workers. It also “*demonstrates good practices in inculcating work ethic and solidarity among the workers.*”<sup>39</sup>
- **OFs as market for ecotourism** The PHILCOMDEV<sup>40</sup> and its selected members is linking overseas Filipinos closer to the Philippines, through the EKOLIFE social enterprise initiative. The project aims to tap into the norm of ecologically friendly consciousness possibly imbibed by OFs in other countries. According to PHILCOMDEV, it “*will be offering ecotours in eleven (11) sites including: Ifugao, Metro Manila, Cavite, Laguna, Batangas, Marinduque, Camarines Norte, Camarines Sur, Albay, Bohol and Camiguin. The tours will combine sightseeing, adventure, and sampling of the local cuisine and culture, with community immersion and interaction as well as exposure to environment friendly and fair trade social enterprises.*”

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<sup>38</sup> Behzad Saheb Zadeh and Nobaya Ahmad. 2009. “Social Capital and Migrant,” in *European Journal of Social Sciences – Volume 10, Number 4*. Available at [http://www.eurojournals.com/ejss\\_10\\_4\\_15.pdf](http://www.eurojournals.com/ejss_10_4_15.pdf). Retrieved on 18 July 2010.

<sup>39</sup> Scalabrini Migration Center and the Commission on Filipinos Overseas. 2010. “Annex-Voices of Philippine Government Stakeholders” in *Migrants’ Associations and Philippine Institutions for Development (MAPID) Italian Report*.

<sup>40</sup> Philippine Consortium on Migration and Development. “The Ekolife Initiative.” Available at [http://www.philcomdev.org/index.php?option=com\\_content&view=article&id=76:the-ekolife-initiative-exploring-ecotourism-linking-it-to-migration-and-development-february-21-24-2010&catid=36:recent-activities&Itemid=58](http://www.philcomdev.org/index.php?option=com_content&view=article&id=76:the-ekolife-initiative-exploring-ecotourism-linking-it-to-migration-and-development-february-21-24-2010&catid=36:recent-activities&Itemid=58). Retrieved on 19 July 2010.

- **OFW using social network to build a business** A migrants' very own social network developed from working abroad could also be his or her market to put up a local business or serve as some form of business intelligence for potential ventures. A case in point is an OFW from Dubai who now manufactures soap in large quantities for hotels in Dubai, cashing in on the obvious social network she has developed in the Middle Eastern country where she used to work (Llamas 2010: 10). Elena Baluyot of the Center for Small Entrepreneurs noted

*“You can see the needs of your potential market. If you’re a nurse in an establishment, you can inquire about the material that they use in their beddings, for example. What are the needs of your fellow OFWs? If they’re living in the UK, what are their clothing needs, and can you send them material from the Philippines that can help them deal with the cold? Your friend has a friend who has a friend who has a friend.”* (Llamas 2010)

- **OF abroad serving as both sellers and market niche<sup>41</sup> for Filipino nostalgia products** An example of this is the Pinoy Agri-Kart<sup>42</sup> developed by the Department of Agriculture. For an investment of PHP 175 000.00 (USD 3763) an OF can avail of Filipino products such as coffee, native chocolate, organic cosmetics etc that is contained in a cart inspired by the Philippine jeepney. These products could be sold abroad to fellow Filipinos or even foreigners who have developed a liking for such goods through their association with Filipinos. The program is also aimed at countryside agricultural development by presenting agricultural products as well as link local and foreign buyers with local suppliers. The One Town One Product (OTOP) program of the DTI can also be promoted in this manner.

The Human Heart Nature,<sup>43</sup> an enterprise founded by the daughter of *Gawad Kalinga* founder Tony Meloto and her British husband, is the first manufacturer of organic beauty and healthcare products made exclusively from indigenous Philippine plants thereby helping farmers and cooperatives in rural communities. They are selling their products in the US market through OF distributors. They are even tapping OFWs in other parts of the world to sell their products. It entered the US market in November 2009. They have

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<sup>41</sup> This was also mentioned in the FGD on 28 June 2010 at GTZ SMEDSEP Makati Office.

<sup>42</sup> The Pinoy Agri-Kart was launched in May 2009 and has been showcased in agricultural events locally and abroad. It is now prominently displayed at the Duty Free Shop in Manila and in Loboc, Bohol. It is a project of the Agribusiness Exports Showroom under the Philippine Agricultural Development and Commercial Corporation of the Department of Agriculture.

<sup>43</sup> “OFWs Tapped to Sell Pinoy Organic Brand.” 18 June 2010. Cebu Daily News Online. Available at <http://globalnation.inquirer.net/cebudailynews/enterprise/view/20100618-276261/OFWs-tapped-to-sell-Pinoy-organic-brand>. Retrieved on 18 July 2010.

10 000 dealers in the Philippines. Cebu is one of their major areas of distribution.

### **4.3.2 Political capital**

While financial, social and skills remittances are usually discussed as benefits gained by OFs, political remittances or active citizenship engagement are seldom mentioned or appreciated. These are also potential political resources that can be used not only for enterprise development but to advocate a broader migration and development policy framework at the national and local levels as well as an improved business climate.

**Absentee Voting Law** In 2003, the Philippine Congress passed a law allowing Filipino citizens residing or working in other countries to vote. Data from the Commission on Elections (COMELEC) show that voter turnout in 2004 when it was first implemented was 64 percent. In 2007, it was only 16 percent. In the recent elections of 2010, it was 24 percent. The low turnout compared to the number of OFWs is attributed to implementation problems. Despite the low turnout, politicians were observed to have courted OFW votes both in their political advertisements and platforms, particularly during the 2010 elections.

OFW remittance senders are also found to be influential among families left behind. Mayor Nilo Villanueva of Mabini, Batangas is known to have campaigned among migrant workers in Italy who hail from Batangas. He won in the 2007 and 2010 elections. As a result, he put up an OFW Center in his town where migrant concerns are addressed and activities and programs are implemented. In 2003, in the entire province of Batangas, migrant households received an estimated income from remittances of PHP 8.3 billion<sup>44</sup> while the total income of the LGU was PHP 971.5 million. Their remittance to LGU income gap stood at PHP 7.4 billion. Governor Vilma Santos - Recto had also put up the first provincial level OFW Center. She was convinced of the link between migration and development when NGOs lobbied hard by emphasizing that the province is one of the top ten migrant sending provinces in the Philippines.<sup>45</sup>

**Dual Citizenship Law** Republic Act No 9225 or the Citizenship Retention and Reacquisition Act of 2003 grants natural born Filipinos who have lost their Filipino citizenship through naturalization in a foreign country the opportunity to retain or

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<sup>44</sup> Estimates of Remittance - LGU income gap computed by the Institute for Migration and Development Issues; Estimates of 2003 remittances computed by economist Alvin Ang of the University of Santo Tomas Social Research Center, using data from the 2000 Family Income and Expenditures Survey. For complete details, see Beverly Jane Bulanday. Policy Brief on Migrants' Remittances and Provinces' Incomes. Institute for Migration and Development Issues. Policy Brief Series No. 4.

<sup>45</sup> Notes during the FGDs on 28 June 2010 at GTZ PSP SMEDSEP Makati Office.

reacquire their citizenship. They can own property, engage in business, practice their profession, vote in elections and enjoy other privileges as Filipino citizens. However, some opine that the law's impact on development is still not maximized because Filipinos who have lost their citizenship are still barred from owning land or participate as equity holders in a corporation or business. Hence, there are suggestions to study the law's impact on property rights, taxes and investments.<sup>46</sup>

To date, there is no existing data that indicates to what extent this law has brought OFs to invest or do business in the country.

***Migrant Activism and Representation*** More than three decades of overseas employment has produced a vibrant migrant activism at the transnational and local levels. They come from a broad ideological spectrum – from the radical left leaning *Migrante* – to the development oriented ERCOF. There are also very active migrant NGOs involved in migration and development work (some of which are listed in Annex 2). During the 2010 elections campaign migrant NGOs have expressed their agenda to the candidates. Party list representatives of migrant organizations have also won seats in the House of Representatives. Currently, NGOs and other stakeholders involved in migration and development projects such as Atikha and the PHILCOMDEV, are working on a draft of an executive order seeking to establish a Presidential Task Force on Migration and Development which they intend to formally propose to the newly elected President Benigno Aquino III.<sup>47</sup>

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<sup>46</sup> Jeremiah Opiniano and Tricia Anne Castro. Chapter 3. Promoting Knowledge Activities Through Diaspora Networks: A Pilot Study on the Philippines, in *Converting Migration Drains into Gains: Harnessing the Resources of Overseas Professionals*. eds. C Wescott and J Brinkerhoff. Asian Development Bank: Manila. pp.91-92.

<sup>47</sup> Notes during the FGDs on 28 June 2010 at GTZ PSP SMEDSEP in Makati City

## 5 Challenges and Recommendations

Indeed, the discussion has provided concrete evidence on how the gains in labor outmigration can be harnessed for enterprise development. Nonetheless, OFs' success in acquiring financial resources, skills and social capital abroad is a necessary but not sufficient condition for them to establish and / or invest in enterprises. There are challenges in the Philippine context at the macro and meso levels that must be addressed beforehand to encourage more migrants to put their hard earned money, skills and ideas in enterprise development.

### Macro Level

#### 5.1 Weak Policy Environment for Migration and Development

Migration and development expert Kathleen Newland (2004) writes that *“The development strategy of the government of the Philippines is not Diaspora oriented. Its policy focus is on temporary labor migration. The policies of the Philippine government appear to treat the financial contributions of the diaspora and temporary workers alike primarily as income flows rather than potential investment stock. As income flows, they relieve poverty directly. While the Philippines does have an overseas labor export system that has become the model for other potential migrant sending countries, the government does not seem to have a strategy to maximize the development potential of established communities of Filipinos overseas, which have a more lasting impact on poverty reduction.”*

Indeed, there has never been an explicit connection between migration and development in the country's policy environment owing to the fact that when it was first instituted by then President Ferdinand Marcos, it was originally meant to be a *temporary* strategy to mitigate the balance of payment and unemployment crisis brought by the oil price shock of the 1970s. In fact, Republic Act 8042 or the Migrant Workers' Law approved in 1995 after the politically controversial Flor Contemplacion tragedy,<sup>48</sup> was clearly a welfare policy and has also explicitly noted in its provision that *“the State does not promote overseas employment as a means to sustain economic growth and achieve national development” and that the State therefore, shall continuously create local employment opportunities and promote the equitable distribution of wealth and the benefits of development.”*

Indeed, consistent with Newland's argument, the Philippine government since the 1970s has relied on using OFWs as a source of income flows in the form of tourism

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<sup>48</sup> In 1995, the public uproar and transnational protests of migrants all over the world over the hanging of a Filipina maid in Singapore accused of killing her ward and a fellow Filipina domestic, has resulted in a diplomatic impasse between the governments of Singapore and the Philippines. Key members of then President Fidel Ramos' cabinet resigned while Congress rushed to pass into law the Migrant Workers' Law or Republic Act 8042, which seeks to provide a range of protective services to OFWs.

revenues and revenues from foreign currency consumption in duty free shops as exemplified by President Marcos's initial version of the *Balikbayan (Return to the Nation)* Program. After Marcos, this has been further institutionalized with the passage of Republic Act 6768 in 1989 that provided travel tax exemption and tax-free duty free privileges of USD 1000.00 or its equivalent foreign currency to overseas Filipinos. In 2002, the government amended the *Balikbayan* law and passed Republic Act 9501. Significantly, the law provided additional privileges to visiting overseas Filipinos by raising the duty free shopping privilege to USD 1500. However, it instituted a *kabuhayan* or livelihood package by providing up to USD 2000 worth of duty free privilege to overseas Filipinos and / or their families who will purchase livelihood tools<sup>49</sup> that they can use in putting up businesses in the Philippines. Still, the intention was largely geared to generate income flows through revenues.<sup>50</sup>

Recently, there have been attempts, albeit fragmented, to integrate migration and development in the policy environment. In the 2004 to 2010 Medium Term Philippine Development Plan (MTPDP), the government already recognized the need to encourage OFWs and their families to utilize remittances more productively and invest their savings in activities that offer greater returns. Tapping OFWs to invest in micro, small and medium enterprises (MSMEs) is, in fact, one of the strategies identified in the 2004 to 2010 MTPDP to increase investments. The following is the provision on OFWs and MSMEs

*“OFWs shall be tapped to invest in micro and small income generating projects and activities. The remittance profiling survey project for efficient remittance data collection shall be pushed. The evaluation of the Livelihood Development Program for OFWs (LDPO) shall be immediately implemented. Partnerships / linkages with other formal remittance channels (for example, foreign banks and money couriers) shall be established. The government with support from the private sector will conduct a massive information campaign, through trimedia, Presidential foreign trips, consultations, dialogues and symposia to encourage OFWs / migrant to invest in SMEs, use formal channels of remittance and save in banks particularly in GFIs. The SME Development Plan will include OFW utilization to establish a clear and well defined working relationship between DTI as support provider for OFW / SMEs and OWWA as caretaker of OFWs. The use of formal channels for remittances will be promoted through incentive programs such as higher than prevailing interest rate in the market and other similar services offered by the informal network. The possible expansion of the formal banking branch network shall be studied to effectively link*

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<sup>49</sup> Livelihood tools are those that can be used for businesses such as computers, etc.

<sup>50</sup> Even the *Balik Scientist Program* earlier mentioned that was originally devised by President Marcos was initially designed to attract professionals in the US to practice their profession in the Philippines. Before it was revitalized by the Department of Science and Technology (DOST) in the mid-1980s, the Marcos regime intended it to be an opportunity to coopt and convince overseas Filipino professionals of martial law, amidst growing international criticism against the dictatorship.

*overseas workers with the remittance receiving families. Issuance of OFW bonds as savings and investments shall be explored. The SME Guidance Program shall continue its lending operations and venture capital funds and implement and expand the web based marketing of SME receivables.”(MTPDP 2004 to 2010)*

In the updated MTPDP, the following is mandated

### **On trade and industry**

*“The OTOP Program shall continue to be enhanced through a comprehensive package of assistance to MSMEs and overseas Filipino workers (OFWs) which shall include product / design development, skills and entrepreneurial training, marketing assistance and introduction of appropriate technologies.”(Updated MTPDP 2010: 29)*

### **On the financial sector**

*“Encourage new listings of equities in the Philippine Stock Exchange (PSE). This includes listing of Board of Investments (BOI) / Department of Energy (DOE)–mandated companies, selected government agencies, small and medium enterprises (SMEs) and bonds issued to retail investors and overseas Filipino workers (OFWs).” (Updated MTPDP 2010: 135)*

### **On the labor sector**

*“The promotion of migration and development for productive investments from remittances shall also be pursued. This means that migrant workers shall channel their resources to productive pursuits where the country would continue to gain from labor migration while at the same time minimizing its downsides.” (Updated MTPDP 2010: 146)*

Still, these provisions fall short of being comprehensive and still largely rely on interventions on financial remittances alone, without recognizing other means through which OFWs can contribute to enterprise development, as discussed in the previous sections of this paper. It also focuses on OFW alone and does not provide strategies for permanent migrants who may wish to invest or put up enterprises in the country.

### **Recommendations**

*The national government and key migrant organizations, NGOs doing migration related work along with the private sector must develop a national policy framework on migration and development. If the country is to benefit from labor outmigration, it has to formulate a coherent policy framework on migration and development which will put appropriate direction and harmony on migration and development initiatives. OFs, migrant organizations and other stakeholders on migration and development must be consulted on this framework. The proposal to create a Presidential Task Force on Migration and Development is a step in the right direction. The framework should identify the optimal roles of the different government agencies that should be*

*involved, the private sector, local government units and nongovernment organizations. The different sets of skills, remittance behavior and social capital of permanent and temporary migrants that require different sets of interventions should be an important concern of this framework. Finally, upon the development of this national framework, efforts to mainstream and institutionalize it in the Medium Term Philippine Development Plan of 2010 - 2016 must be strongly supported.*

## **5.2 *Fragmented Institutional Support for Migration related Enterprise Development Initiatives***

Currently, there are about nine government agencies (Annex 1) simultaneously implementing programs that impact on migration and enterprise development, ranging from credit and loan assistance, financial literacy to entrepreneurial training. Though this gives the idea that the bureaucracy has already imbibed the value of migrants to enterprise development, the lack of a harmonized framework on migration and development (discussed above) creates problems for and by these agencies in terms of overlapping of functions, inefficient use of human and financial resources, lack of coordination and turfing common among government agencies. Moreover, because most agencies that are undertaking programs on enterprise development for migrants (except for OWWA, NRCO and DOLE) are essentially nonmigrant institutions, the capacity of its officers and staff to really understand the link between migration and development may rather be limited.

### **Recommendations**

*Government, nongovernment organizations and the private sector that used to work separately in the sphere of labor outmigration (such as the DOLE, POEA, OWWA, placement agencies, migrant groups, etc) and development (such as the NEDA, DTI, regional and local development councils), need to hold dialogues and establish working linkages to institute a joint migration and development agenda. Donor agencies must support the conduct of an organizational audit of these institutions in terms of (1) the availability of mechanisms for coordination with other agencies and the local government units and (2) capacity to perform enterprise development programs for migrants with the end in view of developing a well-integrated coordination plan and capability building programs on migration and development. Preferably, this should be done after a national framework / plan on migration and development has been established.*

### 5.3 Limited Role of Local Government Units (LGUs)

The management of overseas employment has been essentially implemented at the national level such that there has been minimal role for LGUs. In recent years, though, they have been increasingly involved in welfare protection through the Pre-Employment Overseas Seminars (PEOS) of the POEA. The recently approved Republic Act 10022 has provided a specific section on the role of LGUs. It strengthens the role of LGUs in the fight against illegal recruitment and its role in the PEOS. It also asks LGUs to *“establish overseas Filipino worker help desk or kiosk in their localities with the objective of providing current information to their constituents on all the processes aspects of overseas employment. Such desk or kiosk shall, as be linked to the database of all concerned government agencies, particularly the POEA for its updated lists of overseas job orders and licensed recruitment agencies in good standing.”* Still, the focus is on welfare rather than on migration and development.

From the discussions in the previous sections, it can be inferred that LGUs play an important role in enterprise development because they can provide the incentives and appropriate environment to convince OF to take on or invest in enterprises. In the FGDs with OFWs<sup>51</sup> from Murcia, Negros Occidental, the participants observed that they could not apply the entrepreneurship training they attended at the NRCO because the enterprises that were cited as viable to put up is a fishball stand which they said were not applicable to their locality since there is not much of a market for that type of food. According to the 2007 National Census, Murcia is a first class municipality and is a resort town. Hence, viable business opportunities would be those that are linked with its tourism activities and those that are aligned with the locality’s comparative advantage and competitiveness<sup>52</sup> of which only LGUs would have proper knowledge. In fact, in the FGDs<sup>53</sup> with OWWA and NGOs, it was emphasized that the regional and provincial offices of DTI and the LGUs must work hand in hand to train migrants and motivate them to put up enterprises. Thus, knowledge of where migrants eventually will return is also very important in designing enterprise development strategies.

There is also little initiative from the League of Provinces of the Philippines (LPP) and the League of Cities of the Philippines (LCP) and the League of Municipalities (LMP) on migration and development issues. However, recently, the three leagues are slowly taking on the issue with the prodding of key migration and development stakeholders (Scalibrini 2010: 335). Likewise, migration and development is not mainstreamed in local and regional development plans except for Western Visayas

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<sup>51</sup> Notes during the FGDs on 25 June 2010 at NRCO Office and FGDs on 02 July 2010 at Star Mall, Mandaluyong City

<sup>52</sup> This was also part of the recommendations in the workshop of the Department of Trade and Industry in Mactan, Cebu, January 2010.

<sup>53</sup> Notes during the FGDs on 28 June 2010 at GTZ PSP SMEDSEP Office in Makati City

or Region 6<sup>54</sup> and the province of Batangas which has already put up an OFW Center (Scalibrini 2010: 342). There is also an OFW Council created in Tacloban City and a migrant desk in the province of Isabela. There are also similar structures in Bohol (OFW helpline and assistance center) and in Bansalan, Municipality in Davao del Sur (Scalibrini 2010: 343). Except for these few examples, migration and development is still far from the radar of most LGUs.

### **Recommendations**

*The Department of Trade and Industry (DTI) should strengthen the role of LGUs (at least at the provincial level) in enterprise development initiatives by providing technical assistance for capability building especially for those which have already built OFW related mechanisms such as OFW centers and desks. Though there has not been any study documenting or evaluating the performance or best practices of these centers, it is also recommended that capacities of these centers be improved so that they can better address migrants' needs.*

*The national government along with migration and development stakeholders should also engage with and support the LPP, the LCP and the LMP in adopting migration and development as themes of discussion in meetings and as an area for cooperation and collaboration among LGUs. Specifically, the DFA together with trade attaches should help and coordinate with LGUs and NGOs to reach out to HTAs and other migrant associations to inform them about economic opportunities in their destination towns. Such information can be lodged in their websites or in the websites or newsletters of consulates abroad.*

*The national government must also enhance the localization of MSME programs and support LGUs and NGOs in instituting the active participation and consultation with OFW groups and their families at the local level. Moreover, it should encourage and support the creation of OFW Centers in cities and municipalities where there is huge concentration of OFW such as the one that had been instituted in the City of Batangas and in other LGUs.*

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<sup>54</sup> According to the Western Visayas Regional Development Plan of 2004 - 2010, "There will be continuous capability building and development of culture based skills and integration of livelihood programs / projects for Overseas Filipino Workers (OFWs)."

## 5.2 Lack of Data Generation and Management Systems

This is crucial as there can be no definitive and targeted policies and programs on migration and development and specifically on enterprise development without solid and accurate data on OFs, returnees and their skills profile and the community to which they will be returning. Sex disaggregated data is also important if gender responsive programs are to be implemented.

As it is, government data on migrants are at best largely national and regional in scope. Local government level data is largely unavailable except for occasional specialized studies. Moreover, MSME strategies must consider factors on whether a migrant is a permanent migrant retiring in the Philippines or a migrant returnee affected by financial crisis or conflict in destination countries, or a circular migrant whose business venture is going to be run by the family left behind. The following are key information needed (1) database on returning migrants and on the reasons for their return, (2) database on whether returning migrants go back to their communities of origin or transfer to another place, (3) goods and services purchased by Filipino migrants in destination countries and (4) a database and profile of current OFW entrepreneurs (5) database on *de-skilling* so that the extent of brain drain can be evaluated and from which interventions can be undertaken. These are important data that can be used in designing enterprise development for OFWs.

Indeed, the role of NRCO and LGUs in the creation of a database of returnees has been strengthened under RA 10022. LGUs have an important role in data generation as they directly interact with returning migrants and are the direct beneficiaries of their contributions. A good model that can be cited is the *Balik South Cotabato Program*<sup>55</sup> launched by the provincial government of South Cotabato. An ID card is provided by the province's Arts and Tourism Promotions Unit to returning OFs which entitles them an invitation to participate in various **T'nalak Festival** events with prime seating, tours of the province's scenic tourist destinations, airport welcome. The OFs are requested to provide itineraries and details of their trip via email to the Arts, Culture, Tourism and Sports Promotion Unit of the province and great discounts at malls, restaurants, nightspots, cafes and spas among numerous other establishments.

### Recommendations

*The government should develop data generation and management systems at the national and local levels consistent with the new law, Republic Act 10012. Specifically, it should support assessments that determine (1) local level OFW and remittance profile, remittance behavior and welfare of families left behind, and also those that will generate information on (2) specific remittance corridors such as on*

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<sup>55</sup>Balik South Cotabato Program. Available at <http://www.southcotabato.gov.ph/tour/balik.html>. Retrieved on 19 June 2010.

*the Philippines and Italy and also specific migrant occupational streams such as seafarers and their local government destinations.*

*Including information on OF and their families in the Community Based Monitoring System (CBMS) would also be a good baseline data support for LGUs. Pasay City and Batangas Province have already included questions on OFs in their CBMS.<sup>56</sup> Thus, there is a need to advocate to the Department of Interior and Local Government (DILG) and the LMP. LPP and LCP to encourage LGUs to institutionalize OF information collection either through the CBMS or other innovative models such as the one in South Cotabato.*

### **5.5 Scale up Protective Mechanisms for OFWs**

International evidence indicates that when migrants return voluntarily to their countries of origin, they are more likely to have a far greater contribution than those who were repatriated or were forced to return (Newland and Terrazas 2009: 14f). Hence, to a great extent, the conditions of OFs (particularly OFWs who are not permanent residents abroad) in their host countries determine their capability to be useful catalysts in enterprise development in the Philippines. The examples of successful startups by returning migrants who voluntarily returned prove this point. However, reports of illegal recruitment, contract substitution, inhumane working conditions and human trafficking continue. Undocumented migrants still pose a big problem. The high placement fees imposed by recruiters that are supposed to be illegal remain. Placement fees are not supposed to exceed an OFW's monthly salary. Even the USD 25 per contract imposed by OWWA on migrants are deducted from the salaries of OFWs<sup>57</sup> which legally should be charged to the employer. Thus, this is no wonder why some have to wait until their third contract to pay for their debts.

### **Recommendations**

*Current efforts to protect OFWs must be strengthened and scaled up by the government at the local, national and international level. The welfare of migrants must not be seen as an end in itself but must be linked to migration and development initiatives. Simply put, a migrant with safe and human working conditions abroad is better placed to contribute to the overall development efforts of the country. At the national level, the Pre Departure Orientation Seminar (PDOS) and the Pre Employment Orientation Seminars (PEOS) must be reviewed in terms of content and time frame to make it a more meaningful intervention for protection.*

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<sup>56</sup> The CBMS involves periodic collection of data at the local government level. It collects thirteen core indicators on the multidimensional nature of poverty such as health, income, education, etc. Not all LGUs, however, implement the CBMS.

<sup>57</sup> Notes during the FGDs on 25 June 2010 at NRCO Office; FGDs on 02 July 2010 at Star Mall, Mandaluyong City

*Moreover, welfare, social protection, and brain-gain provisions, financial and entrepreneurial literacy and Mutual Recognition Agreements (MRA) should also be made part of the provisions of bilateral agreements. Currently, the Japan Philippine Economic Partnership Agreement (JPEPA) has a human resource development assistance provision for seafarers. The MOU signed between the Philippines and some provinces in Canada (Saskatchewan, British Columbia, Manitoba and Alberta) also has human resource development provisions.*

*As a one of the biggest sending country in the world, the Philippines must take a lead role among other sending countries, particularly in the Global Forum on Migration and Development (GFMD) to convince destination countries to pass international instruments that will lead towards increased protection for migrants such as the International Convention on the Protection of the Rights of all Migrant Workers and their Families and the Convention on the Elimination of All Forms of Discrimination Against Women (CEDAW) and other relevant instruments of the International Labor Organization (ILO).*

## 6 Specific Recommendations for the MSME Plan

### Meso Level

The MSME Development Plan must be formulated with the view of considering and optimizing the strategic use of the gains and opportunities presented by migration. The following are organized according to the four main areas of the Plan

#### 6.1 Business and Investment Enabling Environment

During the FGDs with OFWs, there is a significant amount of distrust in government that could be sensed among the migrants, particularly with migration related agencies.<sup>58</sup> This is a problem in terms of migration and development initiatives since international evidence shows that successful implementation of migration and development goals rely to a great extent on the political and business climate of sending countries. The incentive to do business while abroad or return for good is indeed partly anchored on the trust in government institutions and a business climate<sup>59</sup> conducive to startups and other livelihood opportunities. It is said that Chinese and Indian software specialists in Silicon Valley were encouraged to embark on business ventures in their home countries primarily because they were encouraged by the economic boom their countries were experiencing and also because their governments designed policy incentives for them to do business in the software and information technology industry.

#### Recommendations

*Improve business and investment climate by embedding the theme Migration and MSME Development as a competitive advantage in the 2010 to 2016 MTPDP, the 2010 to 2016 MSMED Strategy as well as in the annual provincial MSMED action plans during this period. Moreover, MSMED councils at national and provincial levels should also be encouraged to champion and include this theme in the LGUs' economic development agenda. Notably, migrant entrepreneur representation in these councils especially in the top labor sending provinces will be a good practice. Lastly, further increase the enabling environment for investments so that OFW have the confidence to invest in the Philippines. Influential Filipino expatriates abroad and migrant organizations can use their political capital to advocate for this.*

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<sup>58</sup> Notes during the FGDs on 25 June 2010 at NRCO Office; FGDs on 02 July 2010 at Star Mall, Mandaluyong City

<sup>59</sup> In the 2009, the Philippines once again performed poorly in the Corruption Perception Index (CPI) which measures the perceived level of public sector corruption in 180 countries. Among others, the country ranked as the country 139 in the survey; although this is a slight improvement from its ranking of 141 in 2008. Likewise, World Bank's Cost of Doing Business Report (WB DBR) rates the Philippines doing worse than its neighboring countries like Indonesia, Malaysia, Singapore and Thailand.

*It is said that integrating migration and development requires the enabling environment needed even in countries with no labor export policy. Addressing corruption, red tape, instituting transparency and accountability mechanisms and a predictable environment that would encourage competitiveness in doing business are vital issues.*

## **6.2 Access to Finance**

From the discussion above on remittances in Chapter 4.1, it can be argued that it can be channelled for enterprise development provided the following set of recommendations are addressed

*NGOs, LGUs and OFW centers among others should link OFW investors to viable business start up initiatives or ongoing businesses or cooperatives with healthy cash flows for capital augmentation or expansion (for example the Atikha and Unlad Kabayan initiatives or the Virtual Poultry Program by the DTI). This can be done via increased collaboration with local chambers of commerce and the Cooperative Development Authority (CDA).*

*Philippine embassies should strengthen the database and updating of information on HTAs and devise ways to link them to financial instruments offered by rural banks and microfinance institutions for possible collective investments. They should also link these HTAs with NGOs such as Unlad Kabayan and Atikha that provide enterprise development services for migrants. Philippine embassies and consulates should facilitate or coordinate the capacity development of OFW in financial literacy and entrepreneurial skills linking it with knowledge of economic opportunities in organizing hometown associations and in instituting their links to LGUs.*

*Increase diaspora philanthropy geared for enterprise development by encouraging companies that benefit from the OFW market (such as banks, telecommunications companies and money transfer companies) through their corporate social responsibility programs, to devise collective remittance mechanisms for enterprise development and / or investments.*

*Scale up financial literacy and entrepreneurship programs for OFWs and their families left behind. To cover more OFWs, the government should collaborate with the host countries (for onsite financial literacy workshops) and banks, telecommunications and money transfer companies for assistance. To encourage migrants to save, invest and embark on entrepreneurship, there is a need to document the impact of successful migrant entrepreneurs on families and communities and explore the possibility of these OFs to become champions and mentors of financial literacy and enterprise development campaigns.*

*Congress must review the Dual Citizenship Law to encourage more permanent migrants to invest. Create specific incentives for Filipino expatriates to invest in*

*emerging industries such as medical tourism (doctors) and BPOs (software and IT experts).*

*Business development providers, the private sector, NGOs and the DTI must consider gender differentiated remittance behaviour when designing enterprise development interventions This is especially crucial given the nature of labor outmigration in the Philippines where, on the one hand, female headed households are remittance managers (when their husbands are OFW) or when their mothers or daughters are OFWs and on the other hand, when they themselves are OFW sending the remittances. This entails that implementing MSME programs should consider matters such as how remittances impact on gender relations in the household and how men and women differ in their remittance and savings behavior. Female OFW remittances generally constitute a third of total remittances (NSO 2008 SOF) sent to the Philippines compared to men, indicating their lower salaries and low job status. However, according to a study of migrants in Italy, they remit more of their income compared to men and tend to remit more often (Bagasao 2009).*

### **6.3 Access to Markets**

From the discussion on the social capital of migrants in Section 4.3., there are indeed examples from which the norms, practices and networks and ties of OFs can be further developed for enterprise development. The following are recommendations that may be considered

*Tap Filipino diasporas abroad both as markets and distributors or promoters (such as the example of Human Heart Nature products discussed above) of MSME products in food processing, creatives, tourism (like medical and ecotourism), wellness and other industries.*

*Information technology and software specialists can also serve as promoters of BPO investments among IT companies in the US and other countries. The Silicon Valley Science and Technology Advisory Council in the US may be tapped in this regard. At the same time, medical professionals can promote the Philippines as a medical tourism destination or a retirement hub among their patients.*

*HTAs can also be tapped in improving knowledge on local economic opportunities both in destination and receiving countries especially if they have strong ties with LGUs or migrant families' associations or migrant NGOs. They can also serve as links to potential markets in destination countries for Filipino products.*

*Strengthen the role of trade attaches in terms of encouraging and assisting permanent migrants in putting up business (that has links to enterprises in the Philippines) in host countries.*

*Support export oriented entrepreneurship among OFWs or their families.*

*The DTI and its MSME stakeholders must take an active part in the annual **Global Forum on Migration and Development** as a form of networking for potential markets in destination countries for OFW enterprises. It can also be a form of capability building for migration and development programs.*

*To enhance the market for medical and educational tourism discussed in Chapter 4.2.2, the BI needs to audit the country's immigration policies to determine if they are friendly to medical and educational tourists. Moreover, the Philippine Retirement Authority (PRA) should assess retirement schemes in wealthy countries, health insurance and pension programs and evaluate the Philippines' potential to respond to them. Moreover, the CHED must be supported in implementing curricular reforms and accreditation of professional programs in the country that will align it to international standards.<sup>60</sup> This will hopefully increase cross border student enrolment.*

#### **6.4 Productivity and Efficiency**

Indeed, the skills and technological know-how of OFs can help spur productivity and efficiency of MSMEs as shown by examples in Chapter 4.2. Below are key recommendations that may help to further institutionalize them

*The government should support returning OFs to become BDS providers or mentors for MSMEs along the lines of their expertise (energy and resource efficiency, management and planning, skills training and the like). In this light, links with professional associations abroad must be strengthened since they would have knowledge of these persons and their expertise. Professional business managers abroad can be given incentives for their temporary return for knowledge transfer activities, similar to the Balik Scientist Program.*

*The **Balik Scientist Program** should be given more resources and implemented with closer linkages with DTI Industry Development Program and key MSME stakeholders to further enhance the benefits of knowledge transfer. To encourage more knowledge transfer activities, more private sector support can also be encouraged as part of their corporate social responsibility.*

*Increase DTI visibility among OFs and among families left behind in the top ten labor sending provinces to minimize information asymmetry about DTI services. In this light, DTI may pilot MSME development in top ten labor sending provinces in terms of possibilities in the OTOP program, by assisting migrants and their families in*

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<sup>60</sup> Emmanuel Angeles. Country Paper for the Philippines prepared and delivered by Dr Emmanuel Y Angeles, Chairperson, Commission on Higher Education, Republic of the Philippines during the 17th SEAMEO RIHED Governing Board Meeting and Back-to-Back Seminar, Kuala Lumpur, Malaysia, 17 - 18 August 2009.

product and market development<sup>61</sup> Other initiatives that can be included in this pilot project are as follows (1) help LGUs match skills and knowledge demands of MSMEs in their localities with those possessed by their OFWs, (2) map out and evaluate government and nongovernment programs and projects involving OF enterprise development and investments in these provinces and eventually develop indicators for success. Investigating why some have not succeeded will also yield insights into OF owned and managed MSMEs and (3) foster innovative host and sending country twinning or sister city projects that could enhance OF investment and enterprise development initiatives.

Indeed, labor outmigration has become an undeniable reality in Philippine political, social and economic life. It is likely to remain as such in the foreseeable future. It is therefore necessary to minimize its pains even as efforts to maximize its gains are stepped up. To do this, it is important to develop ways that will help make labor outmigration lead to sustainable economic development. The 2010 to 2016 MSME Development Strategy is a means to achieve this objective.

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<sup>61</sup> Notes during the FGDs on 28 June 2010 at GTZ PSP SMEDSEP Office in Makati City

## Annexes

### Annex 1 Profiles of Transfer of Knowledge Through Expatriate National Volunteers<sup>62</sup>

#### Mr Larry Asera

Mr Asera is a third generation Filipino - American scientist, engineer, educator and entrepreneur. His specific expertise is in photovoltaic or solar cell technology. He is known internationally for *state of the art* projects using solar modules for electric power generation. He was awarded a *Transfer of Knowledge Through Expatriate Nationals* (TOKTEN) fellowship grant in 1994 and was assigned to the Palawan Sustainable Development Council to conduct a study on the feasibility of using photovoltaic technology for rural electrification throughout the province, a project of the Mayor of Puerto Princesa City. Mr Asera also did a study on the feasibility of using solar energy for pumping water, lighting streets and electrifying remote health clinics. Since this project, Puerto Princesa has been using solar panels for home electrical systems. Ten years later, the same Mayor again contacted him to build a solar electric power generating plant (announced in 2004). Once this is completed, the power generating plant will be the country's first facility of its kind and may be the largest one in the world.

#### Dr Samuel Bernal

Dr Bernal is a medical doctor in the United States who received a PhD from the University of Chicago in biomedical sciences. He does cancer research. He taught at Harvard Medical School for ten years as an associate professor. After the Department of Foreign Affairs Undersecretary Federico Macaranas invited him to join the TOKTEN program, he agreed to assist in developing test kits to detect cancer in shrimps to help save the industry. He did the same for *tilapia*, a type of fish considered a staple food of Filipinos. Dr Bernal also arranged for the training of several Department of Health personnel at Boston University. These trainees came back and transferred their knowledge to others in the Philippines.

#### Dr Maximo Baradas

Dr Baradas is an agrometeorologist with a doctorate from Cornell University. He returned to the Philippines during the Marcos administration and presented his dissertation on how to develop irrigation systems during droughts. The Government was unreceptive. He later met the Department of Foreign Affairs Undersecretary Macaranas, who immediately offered to match him with a private agency to implement his irrigation system in the Philippines. Dr Baradas' system is now operational in Cebu. Dr Baradas also helped the Philippine Rice Research Institute

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<sup>62</sup>Lifted from Jeremiah Opiniano and Tricia Anne Castro. Chapter 3. Promoting Knowledge Activities Through Diaspora Networks: A Pilot Study on the Philippines, in *Converting Migration Drains into Gains: Harnessing the Resources of Overseas Professionals*. eds. C Wescott and J Brinkerhoff. Asian Development Bank: Manila. p83

(PRRI) to control evaporation in rice fields. He helped the Cotton Research and Development Institute conserve rainwater on cotton farms by minimizing evaporation and making use of rainwater retained in the soil for crop transpiration.

## **Annex 2 Key Enterprise Development Programs of Government and Nongovernment Agencies**

### **Livelihood Development Program for OFWs (LDPO)**

The government promotes entrepreneurship among OFWs through its Livelihood Development Program for OFWs (LDPO) and the OFW **Groceria** project. Jointly undertaken by the Overseas Worker and Welfare Authority (OWWA) and the National Livelihood Development Corporation (NLDC),<sup>63</sup> the LDPO includes social preparation programs for livelihood and community-based income generating projects, skills training as well as credit and lending facilities to OFWs, their families, and organizations. The LDPO offers loans to a maximum amount of PHP 200 000 for individuals and a maximum amount of PHP 1 million for a legally organized OFW group. The **OFW Groceria Project**, on the other hand, grants interest-free loans to qualified OFW Family Circles in the form of PHP 50 000 worth of grocery items and goods as startup entrepreneurial capital. OWWA reports that together with its partner agencies, it was able to conduct 153 training sessions with 6643 participants under the **OWWA Groceria project** and that to date, there are 496 **Groceria** projects (cooperative stores) nationwide.

### **Bangko Sentral ng Pilipinas Financial Literacy Programs**

The government, through the Bangko Sentral ng Pilipinas (BSP) also conducts financial learning campaigns (or FLCs) that aim to cultivate financial education and promote a culture of savings and investments among OFWs and their families. Created in 2005, the FLCs make use of lectures and multimedia presentations where topics such as the importance of remittances, financial planning, and financial instruments are discussed. OFWs are also given ideas on the possible businesses they could venture into, such as franchises and agribusiness. FLCs which are conducted locally in local government units (LGUs) target OFWs who are either waiting to be rehired or are on vacation in the Philippines. The BSP also reports that it has already begun conducting international roadshows in various countries. More than a thousand Filipino workers in Hong Kong, Singapore, Korea, Saudi Arabia, Italy and the United Kingdom have since participated in the BSP's financial education program.

The issuance of OFW bonds as savings and investments are also being explored. The national government and the BSP have agreed in principle to offer retail treasury bonds as an alternative investment instrument to overseas Filipinos (OFWs).

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<sup>63</sup> NLDC is a newly formed government corporation resulting from the merger of two government entities, the National Livelihood Support Fund (NLSF) and Livelihood Corporation (Livecor).

### **Kabuyahan (Livelihood) Starter KITS Project**

This is a program under the DOLE that is aimed at creating livelihood opportunities mainly for displaced workers in the informal economy as well as 3000 displaced OFWs and their families all over the country. Under this program, Micro Business Incubation Centers are put up in the localities where the livelihoods will be lodged. The centers will handle short period training on production skills with entrepreneurship skills development. Livelihood programs include massage, plumbing, cosmetology, electrical servicing, welding, native snack preparation, car wash, repair of motorcycle, cellular phone, appliance and upholstery.<sup>64</sup>

### **Entrepreneurship and Micro Enterprise Development**

The National Reintegration Center for OFWs (NRCO) under the DOLE runs this program. There is not much information on this program. The NRCO has just been established in 2007 and is touted as the first government instituted reintegration program in the world. The NRCO also provides training on livelihood development of OFWs displaced by the global financial crisis.

### **Development Bank of the Philippines (DBP) OFW Programs**

The DBP provides loans to OFWs for enterprise development as well as credit facilities for rural banks and cooperatives which will provide loans to OFWs. Currently, it also has a program with Smart Telecommunications Company in which an OFW can apply for a loan of up to PHP 45 000 (roughly USD 900) to put up an internet rental shop.

### **Department of Trade and Industry (DTI) Entrepreneurial Assistance to OFWs**

The agency, through its BOI, provides OFWs with entrepreneurial assistance. It is also tapped by the government in training OFWs in enterprise development given its program on MSMEs. According to Director Ibrahim Guiarnadel, the DTI is eyeing migrant workers as *overseas entrepreneurs* in the coming years in two ways: one is that the DTI will vigorously train OFWs and their families in business trainings and market access. Second is that they will harness OFWs as potential conduits of Philippine products in destination countries. The foreign trade attaches of DTI will also support these OFWs abroad in terms of technical assistance in bringing their town's products abroad. He cited the strong cultural ties of Muslim Mindanao and the Middle East which can be used to forge strong market linkage for *Halal* products.

### **Atikha Overseas Workers and Communities Initiatives, Inc**

Aside from building capacities of OFWs in organizing, savings mobilization and family coping mechanisms, Atikha *“assists in organizing the community and in the development of community based enterprises. It helps identify viable enterprises through feasibility and market studies. Atikha then provides technology transfer and*

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<sup>64</sup> National Reintegration Center for OFWs website: <http://www.nrco.dole.gov.ph/NewsArchive.aspx>

*training, and in the startup operation of the enterprise.*<sup>65</sup> They operate and are quite active mainly in Laguna and Batangas.

### **Economic Resource Center for Overseas Filipinos<sup>66</sup>**

This NGO helps OFWs who wish to invest in rural banks in the countryside. They also provide financial planning, legal and business services to potential OFW investors. Most of their projects catered to OFs in Europe. ERCOF has this type of project in the following areas of the Philippines: Mindanao, Batangas, Cagayan de Oro, Pampanga, Tarlac, Nueva Ecija, Bulacan, La Union, Benguet, Ilocos Sur, Ilocos Norte, Pangasinan, Cavite, Negros Occidental, Albay, Metro Manila, Quezon, Bukidnon and Misamis Oriental.

### **Unlad Kabayan**

Its objectives are as follows: Instill the value and practice of saving and investing among the poor and migrant workers: *“mobilize financial and other assets as capital input for local economic development; sensitize government to create a policy environment that supports socioeconomic initiatives of migrant workers and the poor; establish value adding partnerships with NGOs, civil society organizations and the private sector locally and overseas; build innovative mechanisms that enable the beneficiaries to access wealth generating assets and to create sustainable livelihood.”*<sup>67</sup>

### **Philippine Consortium on Migration and Development (PHILCOMDEV)**

This *“is a network of thirty six (36) nongovernment and people's organizations, microfinance institutions, cooperatives, community based organizations, networks, and individuals who are involved in, and agree to converge their initiatives around the issue of migration, human rights and development - particularly the empowerment of migrants, overseas Filipinos, their families and communities as social development actors, addressing the social costs of migration, optimizing the benefits of migration, and contributing to people-oriented Philippine development.”*<sup>68</sup>

It was established in 2007. Aside from the usual financial literacy programs, the PHILCOMDEV capacitates LGUs of Batangas, Nueva Ecija, Ifugao and Bohol in building OFW centers and facilitates roundtable discussions with local governments and NGO leaders on migration and development issues.

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<sup>65</sup> Atikha website: <http://www.atikha.org/program.php>

<sup>66</sup> ERCOF website: <http://www.ercof.org/services.html>

<sup>67</sup> Unlad Kabayan website: <http://ph.88db.com/Club-Association/NGO/ad-229276/>

<sup>68</sup> Philippine Consortium and Development website: [http://www.philcomdev.org/index.php?option=com\\_content&view=category&id=38&Itemid=60](http://www.philcomdev.org/index.php?option=com_content&view=category&id=38&Itemid=60)

## **Annex 3 People Consulted and Interviewed**

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**OFWs Interviewed for the Focused Group Discussions  
on 24 June 2010 and on 02 July 2010**

**Gene Mortel (Male)**

Cleaner

Riyadh, Saudi Arabia

College degree: Bachelor of Science in Maritime Transportation

**Michael Gepilga (Male)**

Cleaner

Riyadh, Saudi Arabia

College degree: Bachelor of Science in Maritime Transportation

**Evangeline Esparagoza (female)**

Caregiver

Riyadh, Saudi Arabia, Japan, Hong Kong

College degree: Bachelor of Science in Commerce (Banking and Finance)

**Epi Belarma (female)**

Caregiver, Riyadh, Saudi Arabia

Lady Guard, Dubai

College degree: Bachelor of Science in Computer Engineer

**Ayriil Alvarillo Musgrave (female)**

Former undocumented migrant, Japan

College degree: Bachelor of Science in Hotel and Restaurant Management

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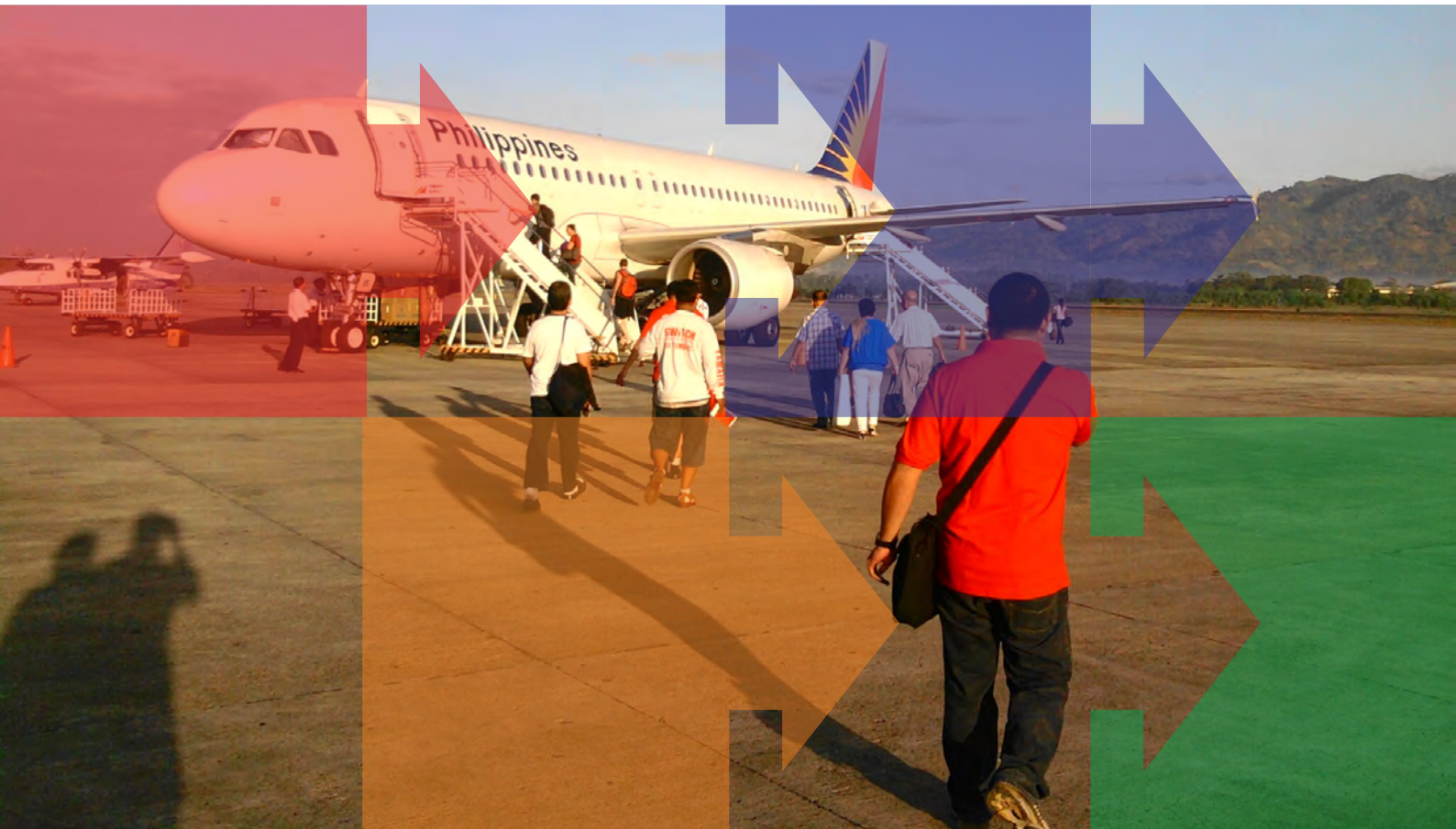
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