

Project Final Report

Increasing the Development Impact of Migrant Remittances: A Field Experiment on Educational Finance by Migrant Workers

January 31, 2014

Lead principal investigator:

Dean Yang (University of Michigan)

Co-principal investigators:

Giuseppe De Arcangelis (Sapienza University of Rome, Italy)

David McKenzie (World Bank)

Erwin Tiongson (World Bank)

Contents:

1. Executive Summary
2. Usage Statistics and Take-up Rate
3. Survey Statistics and Experimental Results
4. Potential for Future Project Improvement
5. Cost-Effectiveness for the Private and Public Sector
6. Scaling and Financial Sustainability

Appendix A: Collaborating institutions and key individuals

Appendix B: Summary of EduPay start-up costs

Appendix C: Article on IME (Nepal) EduPay product

1. Executive Summary

We report here the main findings of the USAID-DIV Stage 1 project “Increasing the Development Impact of Migrant Remittances: A Field Experiment on Educational Finance by Migrant Workers,” which was carried out from February 2012 to January 2014. The goal of the project was to pilot a new financial product, called *EduPay*, that provided migrant workers with greater ability to control the use of remittances for education.

This study focused on overseas Filipino workers (OFWs) in Rome, Italy. Under the direction of the principal investigators, implementation of the project in Rome and the Philippines was subcontracted to Innovations for Poverty Action (IPA),¹ in collaboration with two key partners in the Philippines: 1) the Bank of the Philippine Islands (BPI), which implemented the payments to schools, and 2) the Philippine Association of Private Schools, Colleges and Universities (PAPSCU), which facilitated collaboration of Philippine educational institutions in the study.

The *EduPay* product allowed migrants overseas to channel tuition payments for particular students directly to those students’ educational institutions in the Philippines from a BPI remittance branch in Rome. This mechanism allowed migrants to avoid sending tuition payments via family members or others in the Philippines who might not be completely trusted to make such payments reliably.

This pilot study consisted of two components: 1) the pilot implementation of new remittance product, to provide proof of concept and estimate the level of demand, and 2) a survey to better understand how enhanced control over education expenditures in the home country might affect the volume of remittances sent home by migrants.

The key results and findings of the study are as follows:

- The study successfully implemented the *EduPay* product for substantial numbers of customers and transactions. A total of 178 *EduPay* payments were made for 55 students in the Philippines. These payments were made by a total of 44 overseas Filipino workers in Rome, who typically each made multiple *EduPay* transactions. All *EduPay* transactions were executed successfully.
- Substantial shares of migrants offered *EduPay* were interested in the product. In a relatively population-representative sample (not screened for interest or suitability in any way), 6.6% of those approached went as far as to fill out an authorization form allowing our study to contact the Philippine student and school and to make payment arrangements. In another sample screened for suitability and who were willing to respond to an extensive research survey, 43.9% filled out said authorization form.
- Experimental responses indicate that migrants are willing to remit more to beneficiaries in the Philippines when their transfers can be “labeled” as intended for educational expenses. The impact of allowing labeling is to increase transfers by 15.3%. On top of

¹For excellent management of this complex international project, we are indebted to our IPA Project Associate, Majlinda Joxhe (based in Rome). We also thank our IPA Project Assistant, Isabel Hernando (based in Manila), PAPSCU’s Mayla Sampa (who was seconded to IPA in Manila for this project) and IPA staff member Marilou Santos (in Rome) for their hard work and dedication.

this “labeling”, the impact of actually channeling funds to educational institutions is relatively modest (only a 1.9% increase on top of the labeling). These results indicate that a remittance product that simply allowed senders to attach a label to remittances as intended for education could have nearly as much impact on remittance sending as a product that actually channeled payments to schools. It would be important to investigate the relative impacts of education-labeled vs. education-channeled remittance products in follow-up work, to ascertain whether the experimental responses we found hold up in a real-world setting.

2. Usage Statistics and Take-up Rate

Project staff in Rome intercepted Filipino migrants at several locations where members of the Filipino community tend to congregate and offered them the opportunity to use the *EduPay* product. Recruitment of potential *EduPay* users was conducted in two rounds, which we refer to as Round 1 and Round 2. Round 1 occurred in August through December 2012, and was oriented towards usage of *EduPay* for making 2nd semester educational payments. (The Philippine school year runs from June through March.) Round 2 ran from January through June 2013, and was oriented towards usage of *EduPay* for making educational payments at the start of the 2014 school year.

It is important to note additional differences between Rounds 1 and 2.

- Individuals offered *EduPay* in Round 1 were likely to have been more inclined to cooperate with survey staff, because those offered *EduPay* in Round 1 were a subset of those included in the survey (described in more detail in Section 3 below). In Round 1, individuals were first asked if they would like to participate in a survey on Filipino migrants and remittances, and were then screened for possibly having a “sponsorable” relative in the Philippines (on the basis of age), were only afterwards offered the *EduPay* product. In Round 2, on the other hand, unlike individuals approached in Round 1, those approached were not fielded an extensive survey up-front, nor were they screened for having a “sponsorable” student. Rather, they were simply offered the *EduPay* product outright. This leads (as shown below) take-up rates to be higher in Round 1 than in Round 2.
- In Round 1, at the request of our Philippine partner PAPSCU, we only offered *EduPay* to migrants whose families were located in three regions in which PAPSCU operated: Region 3, Region 4, and the National Capital Region (NCR). Individuals in Round 1 were screened for having relatives in those regions before they were offered *EduPay*. In Round 2, on the other hand, PAPSCU partnered with another organization to be able to extend *EduPay* to migrants from all regions of the Philippines.
- In Round 1, there was no general advertising support for *EduPay*. In Round 2, some amount of general advertising of *EduPay* was conducted within the Filipino community, mainly via posters at the BPI branches and marketing at public events.²

² In addition, IPA and Sapienza University of Rome organized an event based at University of Rome. A news report (in Filipino) by a Philippine news channel on the event can be found here: <http://www.youtube.com/watch?v=9U7VuVRMNg&feature=youtu.be>

Table 1 below provides usage statistics for *EduPay* in Round 1. 2,291 individuals were intercepted, of which 501 had a sponsorable student (a relative who was of school age) and agreed to answer the survey. Of these, 296 had sponsorable students in Region 3, Region 4, or the NCR. Of these, 130 were interested in using *EduPay*, and filled out a Letter of Authorization giving contact information for a beneficiary student in the Philippines and authorizing our project to contact the student’s school to arrange *EduPay* payments for the student.

We view these 130 out of 296 and providing our first measure of take-up for *EduPay*: **43.9%** (or 130 out of 296) of those offered *EduPay* took a meaningful action representing interest in the product. As mentioned above, this is take-up among a selected group of individuals who had agreed to answer an extensive research survey, and so are potentially more socially-minded, oriented towards education, and otherwise more amenable to the *EduPay* product. In addition, the experience of answering the survey may have increased respondents’ trust in the project, further increasing interest in *EduPay*.

For reasons out of our hands, not all the 130 individuals interested in *EduPay* were able to execute an *EduPay* transaction. The schools and universities receiving the Letter of Authorization via our project then had to actually release the information in a timely manner. The typical delay was about 2-3 weeks. Many migrants who had filled out Letters of Authorization were not willing to wait so long, and found other means of paying tuition, so as to meet payment deadlines. In the end, only 82 schools provided complete payment information (amounts required, and information on how to make the payment, such as bank account information for direct deposit of the funds), and 11 individuals actually made *EduPay* payments.

In a larger-scale rollout of an *EduPay*-like product, it should be possible to eliminate the delays that were due to tardy school responses to our Letters of Authorization (for example, by signing up schools for the *EduPay* program in advance). We therefore believe that the 43.9% figure (130/239) represents the more accurate measure of take-up in this sample.

Table 1. EduPay Usage Statistics, Round 1 (Aug – Dec 2012)

	Sample Size	Notes
Intercepted individuals	2,291	
Survey sample	501	Screened for having a sponsorable student and willingness to participate in survey.
Offered <i>EduPay</i>	296	Subset of survey sample whose families live in Region 3, 4, or NCR
Interested in <i>EduPay</i>	130	Subset of those offered <i>EduPay</i> who signed a Letter of Authorization to contact a student’s educational institution
Potential <i>EduPay</i> users	82	Subset of those interested in <i>EduPay</i> for whom replies from schools were received
Actual <i>EduPay</i> users	11	Subset of potential <i>EduPay</i> users who actually executed a transaction

Table 2 below provides usage statistics for *EduPay* in Round 2. We intercepted 1,887 individuals, and offered *EduPay* to all of them without screening for the existence of sponsorable students in the Philippines (and without limiting to origin location in the Philippines, since we had enabled payments to all parts of the Philippines in Round 2.) Of these, 125 filled out Letters of Authorization.

We view these 125 out of 1,887 and providing our second measure of take-up for *EduPay*: **6.6%** (or 125 out of 1,887) of those offered *EduPay* took a meaningful action representing interest in the product. Compared to the take-up rate reported for Round 1 (43.9%), this is clearly lower, but is likely to be more population-representative. It does not restrict the sample population (1,887) on the basis of willingness to cooperate with a research study, nor does it restrict attention to those who might have sponsorable relatives in the Philippines. As such, it is likely to be closer to the take-up rate that a financial institution might experience when offering a product like *EduPay* widely in a new population.

Of these 125 “interested in *EduPay*,” we obtained timely responses from schools in 101 cases, and in the end 33 individuals actually executed one or more *EduPay* transactions. Delays between submission of the Letter of Authorization and school responses were similar to those experienced in Round 1, which likely accounts for usage (33) being lower than interest (125).

Table 2. EduPay Usage Statistics, Round 2 (Jan – Jun 2013)

	Sample Size	Notes
Intercepted individuals	1,887	All intercepted individuals were offered <i>EduPay</i> , without screening for location (all locations were eligible) or existence of sponsorable students.
Interested in <i>EduPay</i>	125	Subset of intercepted individuals who signed a Letter of Authorization to contact a student’s educational institution
Potential <i>EduPay</i> users	101	Subset of those interested in <i>EduPay</i> for whom replies from schools were received
Actual <i>EduPay</i> users	33	Subset of potential <i>EduPay</i> users who actually made a transaction

Those actually using *EduPay* did so multiple times, and often for multiple students. Across the two rounds, 44 Filipino migrants used *EduPay* to execute a total of 178 *EduPay* transactions for the benefit of a total of 55 students in the Philippines. All *EduPay* transactions were executed successfully (in that funds were correctly credited to student accounts at schools.)

3. Survey Statistics and Experimental Results

The other major component of this study was the fielding and analysis of a comprehensive survey of migrants. The purpose of this survey was to understand demographics and remittance behavior of Filipinos in Rome, and to gauge the extent to which their remittance behavior might change when offered different ways to channel remittances towards education.

The survey was administered to respondents who were approached at various times and locations in Rome. Multiple locations were used to achieve a better coverage of the total Filipino

immigrant population. In addition to five fixed locations,³ enumerators were present at several events of the Filipino community in Rome. Enumerators were assigned to different locations during specified time spans to conduct the interviews. A total sample of 501 respondents was surveyed between August and December 2012. (As described in the previous section, a subset of 296 of these individuals was offered the *EduPay* product due to their origin location in the Philippines and the existence of a sponsorable relative.)

The first part of the survey questionnaire included general questions on the socio-economic situation of the respondent, indicators of remitting behavior, and the relationship with the family of origin in the Philippines. The second part of the survey questionnaire included a series of survey-based experiments (in other words, a “lab-in-field” experiment). Respondents were asked to imagine a windfall gain of 1000 Euros. They were then asked how they would prefer to distribute their windfall between themselves vs. as a remittance to one or more beneficiaries in the Philippines (more on this below).

3.1 Summary Statistics

The sample is 73% female and the average (and median) age of the respondents is 42. Most (70%) of the migrants have a college or a university degree and have been living in Italy for about 7 years (median). Nearly 68% of the respondents are employed as domestic workers. The median wage is 900 euro/month and the median amount of remittances is 380 euro/month, whereas 970 euro/year (median) are allocated toward education purposes in the Philippines. Table 3 also includes additional summary statistics for the sample, and Figure 1 displays the distribution of occupations of the 501 individuals in the survey.

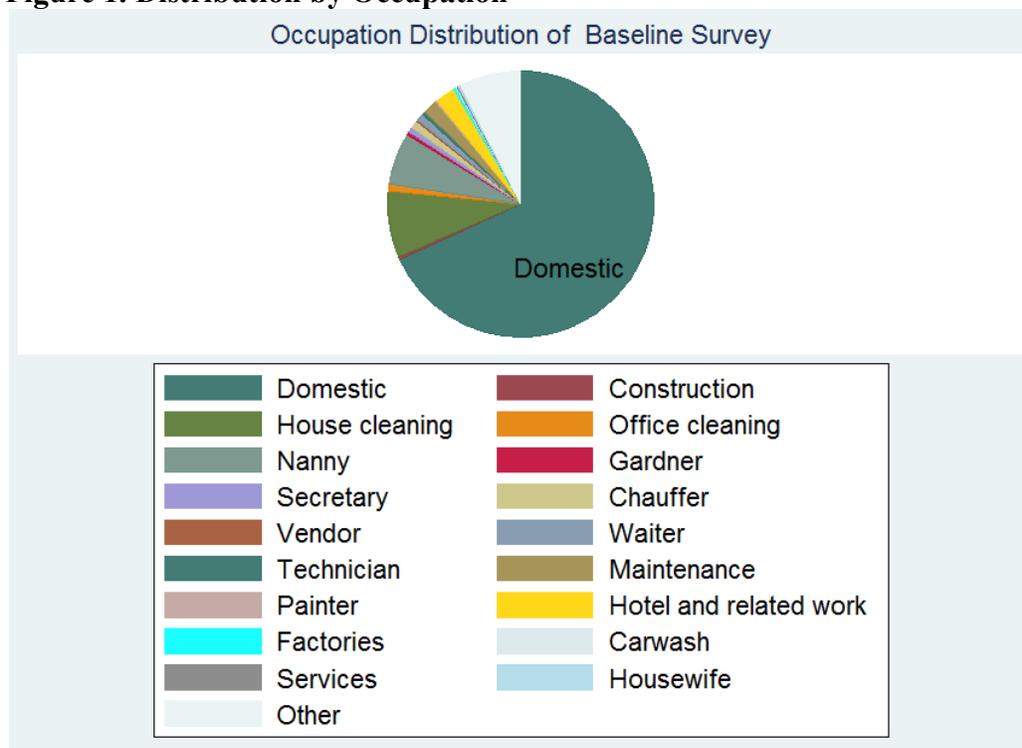
Table 3: Baseline Summary Statistics

	Mean	SD	Min	Median	Max	Observations
Migrant is a female	0.73	0.44	0.00	1.00	1.00	501
Migrant's age	42.25	10.32	19.00	42.00	71.00	499
Migrant is married	0.68	0.47	0.00	1.00	1.00	501
Migrant's number of children	1.95	1.47	0.00	2.00	8.00	501
Migrant's year in Italy	9.68	8.56	0.00	7.00	38.00	499
Migrant's Phil. Citizenship	0.99	0.10	0.00	1.00	1.00	500
Migrant is employed	0.98	0.15	0.00	1.00	1.00	499
Migrant is self-employed	0.02	0.15	0.00	0.00	1.00	488
Migrant's monthly Income	1045.18	566.42	0.00	900.00	7000.00	481
Migrant's Hours working	42.66	18.87	0.00	40.00	88.00	499
Migrant is remitting monthly	0.72	0.45	0.00	1.00	1.00	501
Remittances monthly	412.54	299.17	0.00	380.00	3000.00	499
Migrant's education	1383.72	1724.83	0.00	970.00	12000.00	500
Remittances						
Average cost of remittance	5.64	1.97	0.00	5.00	15.00	498
Sponsor student is a female	0.51	0.50	0.00	1.00	1.00	490
Age of the sponsored student	14.35	4.72	2.00	15.00	28.00	488

Notes: All variables are from 2012 survey of migrants. Migrants were all located in Rome.

³The five fixed locations were the Santa Pudenziana Filipino community church, the Bank of the Philippine Islands Rome branch, the Embassy of the Philippines, the headquarters of an important Filipino NGO (OFSPES), and the central train station in Rome (Termini Station.)

Figure 1. Distribution by Occupation



3.2 Impact on Remittances of Different Approaches to Channeling Funds to Education

In the context of the survey, we conducted a “lab-in-the-field” experiment for the 501 study participants. The objective of the experiment was to quantify the potential impact of a product like *EduPay* on migrants’ willingness to transfer resources to beneficiaries in the Philippines. At the same time, we were interested in understanding whether any positive responsiveness to *EduPay* was driven by the ability to channel funds directly to schools, or whether *EduPay* simply provided a way for migrants to label that a transfer was intended for education. If labeling had a large enough effect in practice, it could be possible to achieve similar effects on educational financing in the home country by simply providing migrants an ability to label their remittances, instead of having to channel funds directly to education institutions.

In the experiment (which consisted simply of questions in the last part of the survey), each migrant was told they were entered into a lottery to win a 1000 euro prize. They were asked how they would like to allocate the funds between themselves and one or more beneficiaries in the Philippines if they were to win the prize. Respondents were told to report their desired allocations in each of four cases, described below. In each case, respondents could keep the entire amount, or they could use the funds for the benefit of one more individuals in the Philippines. The cases were as follows:

(a) Basic. Funds given to beneficiaries in the Philippines would be provided to them directly in cash.

(b) Education label. Funds given to beneficiaries in the Philippines could be provided to them directly in cash, or with a “label” (a simple statement) indicating that the money was to be spent on education. This case nests case (a) (the Basic case), but adds the possibility that some funds could be labeled for education.

(c) EduPay. Funds given to beneficiaries in the Philippines could be provided to them directly in cash, with a “label” (a simple statement) indicating that the money was to be spent on education, or paid directly to schools (as in an *EduPay* transaction). This case nests cases (a) and (b), and simply adds the possibility of an *EduPay*-style payment.

(d) EduPay with performance monitoring. This case is identical to (c), but in this case the migrant could also opt, if using *EduPay*, to receive reports from the school on the performance of any sponsored students.

Respondents were told that one respondent in the study would actually win the 1000 euro prize, and for that winner one of their four choices (a, b, c, or d) would be chosen to be implemented as specified in the survey. Funds that migrants allocated to beneficiaries in the Philippines would be sent as specified (e.g., a basic remittance, a remittance labeled for education, or as an *EduPay* transaction.) Migrants were told that they would not be allowed to change their allocation decision if they later learned that they had won the lottery, so they should take the allocation decision seriously. The lottery was actually implemented on 28 March 2013.

The experimental results are presented in Table 4. In the Basic case, which serves as a baseline for comparison, respondents sent 614 euros (61.4%) of their 1000 euro windfall to beneficiaries in the Philippines. In the Education Label case, amounts provided to Philippine beneficiaries are substantially larger, at 714 euros. This figure is statistically significantly larger than in the Basic case, and represents a 15,3% increase over the Basic case. In the *EduPay* case, amounts provided to Philippine beneficiaries are 722 euros, statistically significantly larger than in the Basic case (by 106 euros) and in the Education Label case (by 14 euros). The magnitude of the increase (in euros and in percentage terms) vis-à-vis the Education Label case is relatively small, however. It is clear that most of the effect of *EduPay* vis-à-vis the Basic case is accounted for by Education Labeling, rather than *EduPay* per se.

Finally, the *EduPay* with Performance Monitoring case yields no increase over *EduPay*. The amount given to Philippine beneficiaries is actually lower than in the *EduPay* case, and the difference vs. the *EduPay* allocation is not statistically significantly different from zero.

Table 4: Allocations to Philippine Beneficiaries across Experimental Cases

<u>Case</u>	<u>Amount Allocated to Philippine Beneficiaries (Euros)</u>	<u>Difference vs. Basic case</u>	<u>P-value of t-test of equality vs. Basic case</u>	<u>P-value of t-test of equality vs. previous case</u>
(a) Basic	614	n.a.	n.a.	n.a.
(b) Education Label	708	96	0.000	n.a.

(c) <i>EduPay</i>	722	108	0.000	0.048
(d) <i>EduPay</i> with Performance Monitoring	718	104	0.000	0.477

4. Potential for Future Project Improvement

Some important issues emerged during the implementation of *EduPay* that need to be taken into account in implementation of this kind of product in the future.

1. *EduPay* was feasible only among private schools at the elementary and secondary education level, and among both private and public schools at the tertiary level. Most Philippine public elementary and secondary schools do not charge any tuition, or the tuition fees are set so low that the use of *EduPay* is not attractive. This fact limited the appeal of *EduPay* for remitters with children or relatives attending public primary and secondary schools. However, if future mechanisms such as *EduPay* could be used for other services offered by the public schools (for instance, to buy books and uniforms, etc.), then it could attract such remitters.

2. PAPSCU's geographic area of coverage was limited to three main regions (Regions 3, 4 and the National Capital Region, NCR). Potential *EduPay* remitters were screened to meet this geographic condition, thus excluding OFWs coming from other areas of the Philippines that may have been interested in the product. Future implementations of a product like *EduPay* should collaborate with other NGOs and/or the Department of Education to increase the geographic coverage.

3. All *EduPay* applicants were invited to use *EduPay* once the school provided IPA with all necessary information for a successful *EduPay* transaction (such as the necessary banking information and references, or the person in charge of receiving the money in case the schools did not hold a bank account). In some cases the relevant information arrived too late, forcing OFWs to find some other way to pay tuition fees. Reasons for delay included the following: a) the school finance department staff being very busy during the enrolment period; b) some schools, particularly smaller schools, preferring to be paid in cash; c) lack of experience on the part of some schools in being paid via bank transfers, leading to hesitancy in providing their bank account information. In future efforts similar to *EduPay*, it would be useful to sign up schools in advance and get their agreement to participate in the *EduPay* payment system, so that information facilitating the transaction would not have to be collected each time a new *EduPay* transaction were to be made (leading to delays for OFWs). In getting schools to sign up for the *EduPay* system in advance, an endorsement on the part of the Department of Education would be helpful.

4. The implementation of a fully electronic procedure to exchange information between the bank, the school and the OFW based on a web resource would increase the rapidity of the flow of information and avoid crucial delays. Again, in this case collaboration with the Department of Education would also be helpful.

5. Most universities involved in this pilot project showed high interest on *EduPay* and some of them had already opened a Special Bank Account (SBA) with BPI Europe, into which OFWs could remit school payments directly. The availability of many SBAs with universities and private schools would make *EduPay* very effective and certainly an appealing product.

5. Cost-Effectiveness for the Private and Public Sector

We outline here the implications of our findings for cost-effectiveness of the *EduPay* product from both customer/private and public sector standpoints.

1. *Customers and the Private Sector*

Our pilot study found clear evidence of interest in *EduPay* on the part of overseas Filipino workers in Rome. The take-up rate of the *EduPay* product is relatively high, particularly for a new financial product. As discussed above, for several reasons this is likely to be an underestimate of the true take-up rate; take-up could be expected to be higher in a scaled-up implementation of the product. If one is willing to presume customers using *EduPay* are engaged in rational and forward-looking decision-making, with relatively full information, then it can be concluded that the total benefits of *EduPay* for customers exceeded the costs of usage. Customer costs in our pilot were primarily effort and hassle costs associated with using a new product with less-than-streamlined systems (in particular the delay between expressing interest in *EduPay* and the ability to actually execute the transaction due to the need to solicit payment information from schools.)

These findings suggest, indirectly, that *EduPay* is likely to be an attractive product for financial institutions engaged in international remittance transactions to offer on private (for-profit) basis. First, our partner, Bank of the Philippine Islands, is a private institution with a strong focus on profitability, and remains highly enthused about *EduPay* in light of the pilot project results. Second, we have learned of at least two other private sector efforts to replicate the *EduPay* model. The Nepali remittance operator IME has started an essentially identical service (even named “EduPay”) for channeling of domestic (within-Nepal) remittances towards school fees, and has plans to expand the service to Nepalis abroad sending remittances back to Nepal (see article reproduced in Appendix C). Separately, a new start-up service called PhilSmile is seeking to channel remittances of overseas Filipinos to education in the Philippines along the lines of the *EduPay* model. This service is in the last phases of start-up and aims to go live in February 2014. (We have provided feedback and descriptions of our *EduPay* project to the founder of PhilSmile, but have had no direct communication with the IME-EduPay project in Nepal.) The fact that others in the private sector are seeking to replicate our model – with no prodding on our part – provides independent confirmation that *EduPay*-like products are perceived as potentially profitable.

2. *Public Sector*

From the public sector standpoint, the key question is whether there are market failures or externalities involved in the introduction of a product such as *EduPay* which justify public intervention.

Private benefits of the *EduPay* product to the migrant customer (reduced transaction costs, increased ability to monitor remittances, utility from children sponsored) should be captured in the price of the product and provide a benefit to the remittance company in the form of fees. We can then think of several forms of externalities. The first is the possibility of a non-unitary household, in which the migrant does not fully consider the private benefits to the children being sponsored when making the decision of how much to remit, and as a result, the price of the product is unlikely to fully capture the private educational benefits to children in the Philippines. More broadly, there is a long-standing belief that the social benefits of education exceed the private benefits, providing one justification for government funding of

education. The same would apply here, and potentially provide a rationale for a partial subsidy.

Measurement of any social benefits (over and above private benefits) would require a larger-scale randomized controlled trial, with detailed survey-based measurement of the impacts of offering the *EduPay* mechanism on both the overseas workers themselves as well as individuals in the Philippines benefiting from *EduPay*.

A second case for public intervention is the presence of market failures which inhibit the provision of this product. We believe there are a number of market failures which may support the need for the public sector or development institutions in helping develop the market for such a product. As we have seen, there are *coordination failures* in launching such a product: it would be beneficial for a given school to participate if a large number of its migrant parents participated, but any particular migrant parent is not going to want to participate if schools are slow to enroll. Removing regulatory barriers, and encouraging schools to participate could help overcome these failures. A second market failure in developing a new market can be information failures: private companies and potential customers may be unaware of the benefits of such a product. In the latter case, the role of the public sector or development institutions would be to publicize the private benefits of *EduPay* for customers and financial institutions (perhaps by funding a scaled-up impact evaluation and publicizing the results). We view these market failures as primarily inhibiting the development of a new market, and once such a market is established, would see the role of the public sector reducing to its traditional role of providing the supporting regulatory and institutional environment, without the need for direct assistance.

6. Scaling and Financial Sustainability

The findings of this pilot project provide positive indications that a mechanism like *EduPay* could be scalable and financially sustainable. As discussed above, the take-up rate we found is relatively high, and is likely to be an underestimate. In addition, other private-sector financial institutions (e.g., IME and PhilSmile) are already seeking to establish similar services on a for-profit basis. That said, these results can only be taken as indicative; a full evaluation of financial sustainability would require a larger study and the resolution of issues (such as the delays related to the need for school cooperation with payment requests) that were likely to have depressed take-up in our pilot study.

Our findings provide justification for conducting an expanded study of the *EduPay* mechanism, so as to get a better assessment of take-up, and to quantify its impacts on outcomes of interest on the part of migrants and their families remaining in the Philippines. Such a study would do the following:

- Expand the sample size, so as to achieve sufficient statistical power for identification of impacts.
- Pre-register schools and universities in the *EduPay* payment mechanism *in advance*, to eliminate delays between migrants' expression of interest in the product and their ability to actually execute the transaction. As discussed above, this could be facilitated by the endorsement of an institution such as the Philippines' Department of Education. A larger

sample size, with more schools and pupils involved, and increased attention to overcoming these coordination failures ex ante can then help provide the conditions necessary for a self-sustaining market to develop as a result of such a study.

- Set up Philippine collaborations in such a way as to be able to offer *EduPay* for educational institutions in an expanded set of locations in the Philippines (ideally, all localities.) This could require partnering with additional associations of schools and universities (beyond our current partner, PAPSCU.)
- Set up the study as a randomized controlled trial, so that only a randomly-selected subset of migrants would be offered the *EduPay* product. Impacts of getting access to the *EduPay* product would be established via multiple rounds of surveys of migrants and their families remaining behind in the Philippines. Outcomes that could potentially be affected by the *EduPay* treatment include: remittances sent by migrants to Philippine families, migrant financing of education in the Philippines via *EduPay*, schooling outcomes for beneficiary students, and the composition of expenditures in the households of beneficiary students in the Philippines.
- Design multiple treatment conditions so as to answer important subsidiary questions of interest. 1) Would simple labeling of the remittance as intended for education have a similar effect (on the migrant's provision of educational funding, on remittances, and on schooling outcomes in the Philippines) as offering the *EduPay* product? This question is motivated by our experimental finding in the pilot study that simply allowing labeling of a remittance as intended for education had a substantial impact on migrants' willingness to share windfall income with family members in the Philippines. 2) How would demand for and impact of *EduPay* be affected by provision to migrants of information on the school performance (e.g., grades, attendance) of sponsored students?

Appendix A: Collaborating institutions and key individuals

Bank of the Philippine Islands (Manila, Philippines)

Roy Emil S. Yu (Vice President)
Anne A. Delos Reyes (Assistant Vice President)
Raul D. Dimayuga (Senior Vice President)

Bank of the Philippine Islands Europe (Rome branch)

Carmelo Calzado (Vice President)
Doris Alcantara (General Manager)

Philippine Association of Private Schools, Colleges and Universities (PAPSCU)

Jose Paulo Campos (President)
Joseph Estrada (Executive Director)

Fund for Assistance to Private Education (FAPE)

Carol Porio (Executive Director)

Embassy of Philippines, Rome, Italy

Ambassador H.E. Virgilio A. Reyes

Overseas Filipinos Society for the Promotion of Economic Security (OFSPES)

Cristina Liamzon (President)

Appendix B: Summary of EduPay start-up costs

The research team monitored all the cost related to the full implementation of the *EduPay* facility among Filipino migrants in Rome. In Table A1, we report the costs associated with Round 1 (all these costs are in addition to the costs of the baseline survey and IPA staff). In Table A2, we report the costs associated with the Extension Phase (Round 2).

The total start-up cost for EduPay for the full implementation across rounds 1 and 2 is \$16,115. The start-up cost includes, in addition to the costs associated with the baseline survey, fixed and variable costs associated with Round 1 and Round 2 of EduPay as follows, by location:

Manila (Philippines):

Administrative cost of PAPSCU's participation

As agreed, PAPSCU shares the contact details of all the schools involved in the project and work with IPA to obtain from these schools the required information (like student IDs, bank account numbers, etc.) to implement EduPay. A PAPSCU employee (Ms. Mayla Sampa) allocated some of her working time to support the EduPay project. PAPSCU and IPA agreed on a monthly amount of PhP10,000 (approximately US\$240) to cover the cost of her involvement.

IPA staff expenses

IPA and PAPSCU processed every EduPay application as follows: they (i) confirmed the information related to the sponsor student by calling each family in the Philippines; (ii) scanned Round 1 Reply Forms from the schools and send them to IPA staff in Rome; (iii) reconfirmed with the schools every payment made through EduPay; and (iv) scanned the official receipts of each payment and send them IPA staff in Rome.

Rome (Italy):

Administrative costs

An IPA staff member conducted the baseline survey and provided detailed information about EduPay to all the interested OFWs. Each Round 1 Reply Form (i.e. the schools' replies) was processed by the IPA PA in Rome. The OFW was then invited to pay the respective tuition fees using EduPay. Once the transaction was completed, the IPA staff sent a text message to the OFWs and mailed the official receipts (in some cases, the payment confirmation was left with the BPI branch in Rome, for pick up by the OFW).

Fixed monthly expenses

A fixed monthly payment is given to one of the enumerators for her continued involvement in the project and for serving as the intermediary between the EduPay team and the Filipino community. The monthly payment was 400€ (around US\$512).

Other expenses

These included: (i) the mobile phones used during the survey and the calling cards to phone the OFW families and the schools in the Philippines and to invite OFWs to use EduPay when all the necessary information was acquired; (ii) printing costs of the EduPay fliers; and (iii) the cost of scanning receipts of EduPay transactions carried out at the BPI branch in Rome, which were then sent to IPA staff in the Philippines.

Treatment costs

During this pilot phase, the project funds covered the remittance fees of every EduPay transaction. The cost varied, depending on the kind of financial transaction required to wire the funds to the schools: (i) for educational institutions registered as BPI merchants, the wire transfer was an intra-BPI transfer and the remittance fee was 5€ (around US\$6.40); (ii) for educational institutions holding non-BPI bank accounts, the transaction was an interbank transfer and the remittance fee was approximately 6.78€ (US\$8.70); (iii) for schools without any bank account, PAPSCU helped establish direct contact between IPA/BPI and the schools to facilitate the transmission of funds via other options, such as the “door-to-door” option; in this case the remittance fee was 10€ (\$12.80).

Table A1: Summary Start-up Costs for EduPay Stage 1^a
(In current US dollars; includes activities through '12-'13)

	IPA Philippines	IPA Italy	Total
FixedCost^b			
MonthlyAdministrativeCost	240	512	752
Total Fixed Cost (Sept'12-April '13) ^c	1920	4096	6016
VariableCost^d			
EquipmentExpenses	348	897	1245
Treatment Costs ^e		210	210
Total VariableCost	348	1107	1455
<i>Total Fixed and Variable Cost</i>	2268	5203	7471

a: The amounts are reported in dollars at the current exchange rate.

b: The fixed cost does not include the cost of the baseline survey.

c: Monthly administrative cost x 8 months.

e: The treatment cost includes only EduPay transactions through October-November 2012.

TableA2: Summary Start-up Costs for EduPay Stage 2^a
(In current US dollars; includes activities through April -November 2013)

	IPA Philippines	IPA Italy	Total
FixedCost^b			
MonthlyAdministrativeCost	240	512	752
Total Fixed Cost (April '12-November '13) ^c	1440	4096	5536
VariableCost^d			
EquipmentExpenses	1323	279	1602
Treatment Costs ^e		1506	1506
Total VariableCost	1323	1785	3108
<i>Total Fixed and Variable Cost</i>	2763	5881	8644

a: The amounts are reported in dollars at the current exchange rate.

b: The fixed cost does not include the cost of the survey.

c: Monthly administrative cost x 6 months (only of 4 months in the Philippines) .

e: The treatment cost includes EduPay transactions April- November 2013.

Appendix C: Article on IME EduPay product, Nepal

Source: <http://www.imeremit.com/news.php?id=88>



News

Dated: 18th September 2013

IME launches new remittance product 'edupay'



International Money Express Pvt. Ltd. (IME) has launched its new service product Edupay, a remittance based education fees payment service, the first service of its kind in Nepal, from 18 September 2013. This service aims to replace the traditional fees payment pattern and ease parents/guardians of the students by giving them opportunities to make the fees payment from any of IME's 2600 plus agent network in Nepal.

IME in association with Higher Secondary Schools' Association of Nepal (HISSAN) had organized an interaction program on Edupay to get the feedback from the member institutions of HISSAN as well as Private and Boarding Schools' Organization Nepal (PABSON). With a great support and positive response from HISSAN and PABSON members, Edupay service has been launched.



We believe that Edupay will ease the guardians/parents of the students to pay the tuition fees from the most accessible IME agent in the most convenient way without any hassle. This will ultimately save time and resources for the parents/students. Furthermore, this service will also benefit educational institutions to receive the payment of students' fees through alternative channel quickly from any parts of Nepal and thereby improving their cash flows. Plans are afoot to launch this service overseas for Nepalese residing and working in foreign countries too, making it possible for them to remit school/college fees of their children in Nepal through IME's international agent network.

Edupay is indeed IME's introduction of its Consumer -to- Business (C2B) model of non-traditional, alternative payment solution for educational institutions through remittance. IME is committed to keep its legacy of fast, reliable and secure remittance services to its valued customers by bringing diversity in its service products.