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EXPORT OF SERVICES
Hype or High Potential?

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Philippines

Main Service Export: Overseas Filipino Workers

<u>Year</u>	<u>TOTAL REMITTANCES</u> <u>US\$ Billion</u>	<u>Number of OFW's</u> <u>(In Thousands)</u>
1997	5.742	1,013
1998	7.368	904
1999	6.795	1,043
2000	6.050	978
2001	6.031	1,029
2002	6.886	1,056
2003	7.578	982
2004	8.550	1,063
Jan.-July 2005	5.772	940 (Est.)

Sources: Central Bank of the Philippines
Philippine National Statistics Office



New Service Export: ICT/Business Process Outsourcing*

<u>Year</u>	<u>Export Revenue (US\$ Billion)</u>	<u>Investments (PhP Billion)</u>	<u>Employment Generation</u>
2002	0.590	3.700	19,997
2003	0.720	5.400	19,023
2004	1.050	8.074	27,732
2005	1.418	12.111	41,762
2006	2.002	16.955	58,647
2007	2.762	22.042	76,007
2008	3.674	26.450	91,208
2009	4.860	34.386	118,571
2010	6.402	44.701	154,142

Sources: Board of Investments

*73 BPO companies as of January 2005



BPO Trends

- **Only 10% of Business Process Globally**
- **Growth to Continue In:**
 - **Sales, Marketing & Customer care**
 - **Human Resources, Payment Services**
 - **Logistics**
 - **Finance and Administration**
 - **Animation, Medical Transcription**
- **Demand for Outsourcing Services**
 - **US\$180 Billion by 2010**



ICT/BPO - Philippines

- **Doubling of Investments in 2006**
- **Heavily Skewed to US market**
- **Prospective Markets: Europe, Japan, Australia, Korea**



Financing Service Exports: **Is it Really a Problem?**



Philippine Banking

- **Domestic Capital Market**
 - **Low Savings Rate**

- **Loan Portfolio**
 - **Low Long – Term Lending**



Philippine Banking

- **Risk Asset Management**
 - **Hard Collaterals**

- **Project Finance**
 - **With Loan Guarantee**



CONSTRAINTS IN BANK FINANCING

Bank Requirements

1. Real Estate Mortgage
2. Chattel Mortgage
3. Guarantee of Parent Company
4. Joint & Several Signatories
 - Principal Officers /
 - Stockholders

Compliance by BPO companies

1. None. BPO's Lease Sites
2. Available, Low Loan-Value
3. Not Always Available
4. Strong resistance
 - Foreign Companies



Philippine Export – Import Credit Agency (Philexim)

(A Corporation Under the Dept. of Finance)

Primary Functions

- 1. To Guarantee Loans**
 - Exports of Goods and Services**
 - Investments in Priority Projects**
- 2. To Provide Export Credit Insurance**
- 3. To Extend Direct Loans to SME-Exporters**



PhilEXIM's ICT/BPO Portfolio

Number of Companies: 7

Total No. of Seats: 3,440

Total Guaranteed Amount: US\$7.4 Million

Loan Purpose: CAPEX/Working Capital



Strategic Thrust In Export Development

Target Market: ICT/BPO Sector

- Competitive Advantages of Philippine Labor
- Sustained Growth in Global Demand



PhilExim's Role:

1. Project Finance: Guarantees on Loans Including Start-ups
 - Collateral Enhancement
2. Bridging Banks and BPO companies
 - ICT/BPO as Priority Sector
 - Regular Sectoral Updates to Banks
 - Interaction with the Business Processing Association/Philippines (Trade Association)



3. Export Credit Insurance for BPO's Service Contracts

- ECI Assignable
- Additional Collateral

4. Coordination with Other Government Agencies

- Policy Coordination



Export of Services: **Hype or High Potential?**



For the Philippines: A Reality and Opportunity

OFWs

- **Remittances: 22% Growth Rate**
- **10% GNP Contribution**
- **8 Million Overseas Filipino Workers**
- **2,600 Deployed Everyday**
- **10% of Philippine Population**



ICT/BPO Sector: Potentials

- **380,000 university graduates yearly**
 - **70,000 IT/Computer Science & Engineering**
 - **100,000 Commerce/Business – related**

- **94% Literacy Rate, 70% English fluency**

- **Highly Trainable Labor with Strong Customer Orientation**



Financing Service Exports:

Is it Really a Problem?



For Overseas Filipino Workers

1. No Bank Financing (Pre-Departure)

- Loose and Informal Sector
- Individual/Family – Financing

2. Bank Facilities (Post-Departure)

- Remittance Service
- Other Bank Products



For ICT/BPO Business

1. A Problem, Not a Deterrence

- High growth and margin
- BPO's mostly foreign-owned,
Adequate Internal Financing

2. A Problem, Missed Opportunities

- High Value Service
- Business Expansion



Thank You