

# INCLUSIVE SOCIAL AND ECONOMIC GROWTH: TAPPING OVERSEAS REMITTANCES AND MICROFINANCE FOR LOCAL ECONOMIC RECOVERY



*Empowered lives.  
Resilient nations.*

<b>Duration</b>	:	<b>36 months</b>
<b>Proposed Budget</b>	:	<b>US\$ 3,000,000</b>
<b>Location</b>	:	<b>Provinces with Overseas Filipinos population: Leyte, Southern Leyte, Cebu, Iloilo, Capiz, Aklan, Antique, Western Samar, Eastern Samar and Samar</b>
<b>Beneficiaries</b>	:	<b>Typhoon affected population</b>
<b>Project Execution</b>	:	<b>UNDP in partnership with the Commission on Filipinos Overseas (CFO) and SeedFinance Inc., a microfinance institution (MFI)</b>

## Project Context

In the early morning of 8 November 2013, typhoon Yolanda (internationally called Haiyan), made landfall in the eastern Visayas region of the Philippines. With winds up to 250 kph sweeping through the region, accompanied by storm surge up to 5 m, the typhoon caused wide spread damage and losses. As of 10 December, 5,924 people were reported killed and 1,779 were missing. Along the north-west trajectory of the typhoon, a total of 14 million people across nine of the country's poorest provinces were affected. More than 1.1 m houses were destroyed. The eastern coast of Samar, Eastern Samar and Leyte were among the worst affected. The city of Tacloban, the fifth fastest growing urban center in the country, recorded the highest loss of lives and property. The national government, the local government units, national and international NGOs, relief teams from more than 20 countries, and the UN launched a large humanitarian response to the disaster. Although the affected communities have already begun their own recovery efforts with the limited resources available, the magnitude of the disaster is so severe that it will take several years for them to recover fully.

While providing immediate support to early recovery efforts in the affected areas, UNDP support is designed to also lay the foundations for long-term recovery, resilience and sustainable development. It will be implemented through an area-based approach that takes into consideration specific needs in different affected locations. The three main pillars of UNDP support include: support to livelihood restoration and economic revitalization; support to governance at the local level, and disaster risk reduction. The

programme areas include the provinces of Eastern Samar, Samar, Leyte, Biliran, Cebu, Palawan, Aklan, Capiz and Iloilo.

In times of disasters and emergencies, the spirit of giving of Overseas Filipinos (OFs) is nonpareil. With an estimated 10% of the population working and/or living overseas and 20% of all households in the Philippines receiving remittances, the Philippines is the third largest recipient of remittances in the world. In 2012, close to US\$ 25 billion in overseas remittances were sent home. Already, when typhoon Yolanda ravaged Eastern and Western Visayas, the country received contributions from overseas totalling US\$ 1.92 billion.

A "collective remittance model" successfully piloted from 2011-2012 by UNDP Philippines, the Commission on Filipinos Overseas (CFO) and Western Union Foundation (WUF), offers an opportunity to be replicated in Yolanda-affected areas. Under this model, contributions from OFs were matched by the local government, WUF, and a local microfinance institution (MFI) for relending to a community that they have chosen, specifically targeting micro and small enterprises. UNDP Philippines also previously implemented the Microfinance Sector Strengthening Project (MSSP), which was rated the best performing UNDP supported programme among 66 countries by the Consultative Group to Assist the Poor (CGAP), a worldwide consortium of public and private development agencies working together to expand access to financial services for the poor.

## INDICATIVE BUDGET

Project Activities	(US\$)
Revolving/Matching Fund	2,500,000
Financial literacy and business development	500,000

<b>TOTAL</b>	<b>3,000,000</b>
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Data from the Bangko Sentral ng Pilipinas (BSP) shows that more than a third of microfinance clients of 392,000 may have been affected by typhoon Yolanda. Microfinance clients are critical to the local economy as they are mostly the micro and small entrepreneurs in public markets (locally called as palengke), home-based enterprises, sidewalk and ambulant vendors, and local transport system service providers. This sector can contribute greatly to the revival of local economies affected by typhoon Yolanda.

### Project Objectives

1. Establish a revolving fund to revive local economies by providing microfinance to micro and small enterprises.
2. Enhance financial literacy and business proficiency of target clients.

### Project Activities

1. Twinning arrangements: Establish a partnership between OFs and typhoon-affected communities (akin to “adopt a community” program).
2. Resource matching: Identify and implement mechanisms to pool resources from OFs with counterparts.
3. Outreach through values formation and relending to micro and small entrepreneurs.
4. Capacity building: Financial literacy and business development.

### Project Impact:

Revival and strengthening micro and small enterprises towards sustainable enterprises to spur local economy; and enhanced financial literacy and business acumen.

### Implementation modality:

The project will be directly executed by UNDP in partnership with the CFO, and SeedFinance Inc., a microfinance institution (MFI).

### Monitoring and Evaluation:

Continuous supervision and regular monitoring visits will be conducted. Emphasis will be placed on ensuring that issues of equity, gender equality, transparency and participation are maintained in all operations. An independent evaluation and an audit will be carried out at the end of the project.

### Reporting Modality:

UNDP will prepare quarterly progress reports; annual project review reports; and a final report will be given 60 days after the completion of the programme (24 months).

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