

## Overseas Filipinos Remittances for Development (OFs-ReD):

### Building a Future Back Home

A public private partnership to harness the power of overseas remittances for development

#### The Missed Opportunity

Every year, close to 1 million Filipinos leave the country to work abroad or migrate. In 2009, there were an estimated 10 million Filipinos living overseas in nearly 200 countries, or over 10% of the country's total population. In 2010, the money they sent back to the Philippines as remittances totalled US\$19.76 billion, accounting for an estimated 14% of GDP and representing an important source of investment in the country according to Bangko Sentral ng Pilipinas. Based on data from the World Bank, in 2010, only three countries – China, India, and Mexico – have a higher total value of remittances.

Remittances have the potential to play a large and positive role in national development, serving as fundamental

investments that can produce a multiplier effect to drive greater and more inclusive local growth. By reaching an estimated 20% of total households, some of which would otherwise not have access to capital, remittances allow for increased consumption, investment, and livelihood opportunities and options. To date, however, the long-term socio-economic impact of remittances has been disproportionately small.

As a recent Asian Development Bank study shows, remittances in the Philippines have not contributed to growth in demand for domestic products, or statistically significant increases in spending on long-term investments like education and health care. While remittances can help reduce poverty reduction, the study finds no evidence that they have helped rebalance growth.

Indeed, there are indications that remittances can, in some cases, have the exact opposite effect. Governor Imee Marcos, Governor of Ilocos Norte – the province with the highest percentage of Overseas Filipinos in the nation – warns of “remittance addiction” and “consumeritis” where people become reliant on remittances and use them to make superfluous purchases or to live beyond their means.

The question is then, what would be required for the country to tap into the huge potential of overseas remittances for creating jobs, improving livelihoods, promoting entrepreneurship, and developing local communities?

#### Targeting the Potential of Remittances

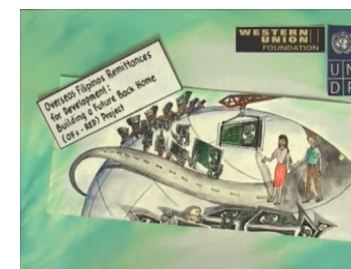
A 2008 white paper prepared by the Economist Intelligence Unit (EIU) for Western Union, the global leader in money transfer services, found that migrant worker associations overseas have a desire to see their remittances support community development but lack the capacity and resources to identify, invest in, and monitor projects. The study also found that recipient communities face similar challenges in their capacity and ability to absorb and use large amounts of money for development projects.

In 2008, the Western Union Foundation and the United Nations Development Programme (UNDP) started discussions building on a previous collaboration for a



*...the Philippines is sitting on a huge capital potential for development that till today remains fully untapped.*

**Renaud Meyer**  
UNDP Country Director



Project video: [www.undp.org.ph/OFs-RED](http://www.undp.org.ph/OFs-RED)

Regional Consultation on Migration, Remittances, and the Millennium Development Goals (MDGs.) The result was an agreement between the two organizations to develop new tools and resources for effectively tapping into overseas remittances, while

engaging and enabling a broader group of stakeholders to support and promote local development, reduce poverty, and achieve the MDGs.

In 2011, UNDP and the Western Union Foundation, together with the National Economic Development Authority (NEDA), the Commission on Filipinos Overseas (CFOs) and the local governments of Ilocos Norte province and Taguig City, launched the Overseas Filipinos Remittances for Development (OFs-ReD) project. With an initial budget of US\$ 250,000, wholly funded by Western Union Foundation, OFs-ReD aims to develop a replicable model and the requisite policy and planning instruments required for overseas communities to invest in development in their original home communities, through on-the ground pilot projects.

#### The Partners

Across borders and oceans, Western Union, as one of the worlds' most recognized financial services and payments brands, provides a tangible link between workers living abroad and the communities where they come from. One area of focus for Western Union's philanthropic arm, the Western Union Foundation, is the long-term welfare of remittance customers and their families.



*In many developing countries, remittances provide more financial resources than aid and foreign investment combined. By innovating approaches for consumers to multiply their impact, we will be able to foster economic opportunity and expand education resources in the developing world.*

**Hikmet Ersek**  
President and CEO  
Western Union



*I am delighted to have been chosen to be part of this project. I hope this encourages my constituents to go beyond educational plans, Barbie doll houses and three-times-a-day visits to malls.*

**Maria Imelda “Imee” Marcos  
Governor, Ilocos Norte**

UNDP has been an active partner of the Government of the Philippines for many years, working to reduce poverty and achieve the Millennium Development Goals (MDGs) by 2015. UNDP has worked extensively at promoting policies and innovative approaches aimed at enabling government leaders and communities to pursue more inclusive growth and human development.

The partnership among the Western Union Foundation, UNDP and local governments brings together a set of actors with unique resources, reflecting the synergistic potential of public-private partnerships. The OFs-ReD project will marry UNDP’s experience in crafting relevant national and local policies with Western Union’s understanding of migrant workers’ needs and the company’s reach, scale, and access in over 200 countries.

Combined with UNDP’s unique convening power, OFs-ReD will expand the group of stakeholders involved, bringing together not only traditional decision makers, the civil society, and academe, but also Overseas Filipinos, remittance recipients, and local entrepreneurs, for the common goal of creating a better shared future.

### The Project

OFs-ReD is a two-year project that seeks to identify effective mechanisms to harness remittances for local development, job creation and entrepreneurship. It will also identify the policies necessary for these mechanisms to be successful and sustainable.

The project will have two major outputs: one, to develop mechanisms to engage the Diaspora (Overseas Filipinos and their home communities) to become involved in local development and services delivery; and two, to encourage the creation of a policy environment that enables and encourages the utilization of remittances for local economic development. A key activity will be designing and developing pilot projects with Diaspora associations to support the creation of local industries and jobs, while enhancing access to markets.

Taken together, these activities aim to provide positive proof that, with the right policies in place, community support

for investments, and proper capacity for entrepreneurship, remittances can indeed play a role in poverty reduction and local development.

The public-private partnership that underpins the work of OFs-ReD is already proof of the power that engaging non-traditional actors in development and leveraging their unique capacities can yield. OFs-ReD expands the development paradigm by not only attempting to harness the potential of remittances, but by recognizing that every member of our communities – public, private, and individual – can and should contribute to the eradication of poverty and the achievement of the MDGs.

*To contribute to this initiative, or to find out more about the work of UNDP in the Philippines, please visit our website at [www.undp.org.ph](http://www.undp.org.ph), or contact Ms. Corazon Urquico, Team Leader for Poverty and Achieving the MDGs at (+632) 901.0229 or send her an e-mail at [corazon.urquico@undp.org](mailto:corazon.urquico@undp.org)*



### Western Union Foundation

As a business, Western Union creates economic opportunity, a priority that is echoed in its community commitment. Through Western Union’s Our World, Our Family® program, the company and foundation work together to make a difference – by giving, connecting with new audiences, and speaking out on issues that matter to the company’s consumers and the foundation’s beneficiaries. Since the Our World, Our Family program launched in September 2007 with \$50 million commitment, it has touched more than 1.85 million lives. Since its inception, the Western Union Foundation has awarded more than \$73.8 million in grants to more than 2010 nongovernmental Organizations (NGOs) in 104 countries and territories. To learn more, visit [foundation.westernunion.com](http://foundation.westernunion.com).



*Empowered lives.  
Resilient nations.*

### United Nations Development Programme

Since 1966, the United Nations Development Programme (UNDP) has been partnering with people at all levels of society to help build nations that can withstand crisis and drive and sustain the kind of growth that improves the quality of life for everyone. On the ground in 177 countries and territories, we offer global perspective and local insight to help empower lives and build resilient nations. For more information, visit [www.undp.org](http://www.undp.org) or [www.undp.org.ph](http://www.undp.org.ph).

Photos courtesy of (l to r): Catherine Pimentel, Office of the Governor of Ilocos Norte, Office of the Governor of Ilocos Norte, Edgar Alan Zeta-Yap/eazytraveler.com, Wayne Pan/UNDP

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### United Nations Development Programme

30th Floor Yuchengco Tower, RCBC Plaza  
6819 Ayala Ave., Makati City 1226 Philippines  
Tel: (632) 901.0100 Fax: (632) 901.0200, (632) 889.7177 Email: [registry.ph@undp.org](mailto:registry.ph@undp.org)

 [www.undp.org.ph](http://www.undp.org.ph)

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