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First Annual Report – Burma Humanitarian Assistance Program: Livelihood Recovery and Food Security

Proximity Designs and Church World Service, Asia/Pacific
30 November 2012

General Details

Reporting period	08 November 2011 – 30 November 2012
Location of project	Bogale, Dedaye, Labutta, Mawgyun, and Pyapon Townships; Ayarwaddy Division and Yangon Division
Total project duration	3 years
Start date of the project	08 November 2011
Total budget	██████████

Proximity Designs implemented program activities associated with “Burma Humanitarian Assistance Program: Livelihood Recovery and Food Security” for an 18-month period that began on 7 May 2010 and ended on 7 November 2011.

Activities under the grant fell into two major components: (1) cash-for-work community infrastructure and (2) agricultural financing for small holder farmers. The funds dedicated to the community infrastructure projects were fully spent by the end of the grant period, whereas the funds budgeted for agricultural financing consisted of revolving loans that were repaid by farmers.

Proximity Designs in collaboration with Church World Service proposed a plan and secured approval from USAID to utilize the remaining funds to extend agricultural loans to farmers in the Delta. The remaining pool of budget of ██████████ serves as an ongoing special revolving loan fund dedicated exclusively for providing agricultural loans to vulnerable farm households across five townships in the Irrawaddy Delta. This report outlines the activities and program outcomes associated with the first year of the revolving fund.

Background of spending on Budget line item 6.3 for loans to paddy farmers

July 2010 Monsoon paddy season. The 1st cycle of loans was disbursed to 5,556 farm households in July 2010. Each farm household received 100,000 MMK. The total amount of loans was ██████████. These loans were repaid by farmers by December 2010 and we collected a total of ██████████.

January 2011 Dry Season paddy. The 2nd cycle of loans was disbursed to 5,556 farm households in January 2011. Each farm household received 100,000 MMK. The total amount of the loans was ██████████.

[REDACTED] These loans were repaid in May 2011 and we collected a total of [REDACTED]

June 2011 Monsoon paddy season. The 3rd cycle of loans was disbursed to 5,730 farm households in June 2011 (we were able to serve additional 174 households [REDACTED]). Each household received 100,000 MMK. The total amount of loans was [REDACTED]. These loans were repaid in December 2011 and we collected a total of [REDACTED].

Activities during the first year of the agricultural-financing revolving fund

Jan 2012 Dry Season paddy. The 4th cycle of loans was disbursed to 5,713 farm households in January 2012. Each household received 100,000 MMK. The total amount of loans disbursed was [REDACTED]. These loans were repaid in June 2012, and we collected a total of [REDACTED] from 5,656 households.

June 2012 Monsoon paddy season. The 5th cycle of loans was disbursed to 5,656 households in June 2012. Each household received 100,000 MMK. The total amount of loans was [REDACTED]. These loans will be collected in December 2012.

Please see Appendix 3 for a full overview of the financial status.

Agricultural-financing program at Proximity

Proximity's paddy loan operation originated when it began offering cash provisions in 2009 to small rice farmers of five acres of less in response to the needs of survivors of Cyclone Nargis. Due to the severe shortage of affordable credit for Burma's small farmers, Proximity is designing a sustainable model of financial services to enhance our overall mission of increasing incomes for rural families.

There is a severe unmet need for agricultural credit and other financial services in rural Burma. Farmers make up 70 percent of Burma's population of 58 million people, contribute almost 50 percent of its GDP, and yet receive just 0.4 percent of the nation's credit. Credit is simply not available to millions of farmers. There are informal moneylenders charging very high interest rates (10-15% per month). Even this type of credit is not available to many farmers. The Burma Agricultural Development Bank (MADB) is another provider of credit, offering loans of 40,000 MMK per acre (USD 50) to only 1.4 million farmers. There are no commercial banks of any significance providing rural credit. The microfinance footprint is also extremely small and what does exist focuses primarily on urban and semi-urban petty trade finance. The United States and European economic sanctions have – until April 2012 – prevented foreign investment in the microfinance sector in Burma.

Our current 2.5 year-old lending services now provide a total of 20,308 loans to farm households annually, utilizing USD 1.2 million in capital, 55 percent of which comes from USAID and the rest from the Norwegian government. Grant funding to build the capacity required to continue and expand our innovative agricultural lending services is partially funded by the Mulago Foundation and Skoll Foundation.

Program design

The disbursement of our agricultural financing loans coincides with the seasonal farm calendar. For instance, Proximity's paddy loans are disbursed twice a year since there are two rice-planting seasons – monsoon and summer – each lasting between five and six months. Unlike conventional microfinance, interest is paid with the principal at the end of the loan term. The first batch of loans is disbursed in January for summer rice farmers and collected in June, while the monsoon paddy loans are disbursed in July and repaid in December. To date, each loan size has been in the amount of MMK 100,000, or approximately USD 120.

Our agricultural financing program is carried out via 318 community-based organizations (CBOs), which were established in the aftermath of Cyclone Nargis. Usually made up of five or six volunteers, these village committees have established trust and a working relationship with Proximity's staff. Each village committee currently makes an average of 22 loans per cropping season with the potential to double this loan volume, and assists in conducting risk assessments to determine worthy loan recipients, disbursing loans and collecting repayments.

Current geographical distribution of agriculture financing – By Township

Delta Township	# Proximity CBOs administering crop loans
Bogale	100
Dedaye	69
Labutta	32
Mawgyun	59
Pyapon	58

Social Impact Assessment

Proximity's in-house staff of Knowledge and Social Impact Assessment team interviewed with 364 respondents and additional 250 members from 50 village committees to assess the impact of our agricultural financing operations.

Our surveys show that farm households with sufficient capital typically increase their productivity and yields by 25 percent – on average by 16 baskets per acre per season. This represents an increase in income of USD 50 per acre or USD 250 for a five-acre farm per season. Please see 1 for details of this survey.

Overall, our loan program participants were very satisfied with the crop loan process. The majority (97%) found the payment process convenient for them. Eighty percent of the participants that received agricultural financing loans also received farm advisory services from Proximity Designs. Many cited this as a reason for an increase in yield.

Instead of teaching farmers an insurmountable and expensive range of crop management techniques from A to Z, we have selected only three very simple, practical, low-cost, high-impact techniques that rice farmers can adopt easily and that allow them to boost yields and incomes by 10 to 15 percent. These carefully designed, "best fit" techniques for rice farmers include 1) rice seed selection method using saltwater solution, 2) "green manure" using legumes to help fix the soil with nitrogen and cutting down on chemical fertilizer costs and, 3) integrated pest management

techniques that are more environment-friendly and sustainable. To date, we've had over 16,000 farmers adopt these income-boosting techniques in the Delta.

Changes in Operating Environment

A new Microfinance Law has just been issued by Burma's Ministry of Finance. It is generally thought to be a reasonable piece of legislation although there is likely to be some evolution of this framework over the next 18-24 months. All microfinance organizations must be registered with the government under this law. Private, non-bank institutions are allowed. There is currently a cap on the lending rate of 30 percent per annum. While Burma has undergone dramatic political reforms over the past 18 months, the macro economy at large, and especially in rural areas, is severely depressed. The currently overvalued exchange rate (by about 30%) is damaging both agricultural producers and domestic manufacturers. The government is engaged on this issue and there is reasonable prospect the local currency will be devalued over the next 6-12 months to a more realistic level. In terms of infrastructure, Burma has one of the lowest Internet and mobile phone penetration rates (1%) in the world and 95 percent of villages do not have access to electricity.

Leadership Team

The team leading the agricultural financing program is: Jim Taylor, Chief Executive and Co-Founder of Proximity Designs; Debbie Aung Din, interim Chief Financial Officer and Co-Founder of Proximity Designs; Kevin Murphy, Director; Gill Pattison, Advisor and former retail banker (Citibank) and management consultant (KPMG). All members of the team reside full-time in Burma.

Appendices

- 1 – List of villages by townships
- 2 – Paddy Loan Impact Assessment Survey 2012
- 3 – Financial Report

Appendix 1 – Current geographical distribution of crop loans – By Village Tract and Village

Township	Village Tract	Village
Pyapon	17 South	17 South
	Ah Pyaung	Ah Pyaung
	Ah See Ka Lay	Ah See Ka Lay
		Sar Hpyu Su
		Thein Kone
		Thu Htay Kone
	Auk Ka Bar	Auk Ka Bar
		Ka Mar Po
		Kan Seik
	Auk Kwin Gyi	Auk Kwin Gyi
	Bant Bway Su	Ah Kei Tar Yar
		Hpa Yar Gyi Kone
	Gay Gu	Gay Gu
	IDE/M Pyapon	IDE/M Pyapon
	Ka Ni	Ka Ni
	Ka Zaung	Ka Zaung
	Kha Naung Shan Kwin	Kha Naung Chaung Twin
		Kha Naung Chaung Wa
	Kha Yaing Baw	Kha Yaing Baw
	Koe Ein Tan	Naung Taw Gyi
		Tha Kan Gwa Gyi
		Wea Gyi
	Kun Daing	Kun Daing
	Kyaik Ka Bar	Kyaik Ka Bar
	Kyee Hnit Pin	Kyee Hnit Pin
		Kyon War
		Tu Myaung
	Kyon Ku	Ah Kyee Wa
		Kyon Ku
	Kyon Tar Shan Kwin	Hmaw Win Su
		Kyon Hpe
		Kyon Tar
		Shan Kwin
	Kyon Thut Ta Nyi	Hpa Yar Chaung
		Kwet Thit
		Kyaung Su (Ah Shey)
		Kyon Thut Ta Nyi
		Ta Nyi
	Let Pan Pin	Let Pan
	Ma Ye Pyar Mut	Pyar Mut
	Min Hla Su	Min Hla Su
	Pyapon Ta Man	Pyapon Ta Man
	Tha Leik Gyi	Hpoe Swar
		Mae Nyo
		Tha Leik Chaung
		Tha Leik Gyi
		Tha Leik Ka Lay
	Tu Myaung	
Tha Mein Htaw Kone Tan	Tha Mein Htaw KoneTan	
Tha Mein Htaw Thein Kone	Tha Mein Htaw Thein Kone	
Thea Ein Kyaung Su	Kyon Kha Yaing	
	Shan Kwin	
	Shwe Taung Su	
	Tha Kan Wa	
Thea Ein Ta Man	Hta Nee	
	Ma Moe	
	Pale Ywar Thit	
	Se Ma	
Total Pyapon	28	58

Township	Village Tract	Village
Bogale	Aye	Aye HleSeik/KaNyin(3) Ka Nyin Chaung (South)/KaNyin(2) KaNyin(North)/KaNyin(1) Kun Thee Chaung Kyee Pin Su Ma Gyi Chaung Pay Chaung Taung Yar Gyi
	Aye Yar	Boe Di Kwe Ywar Ma
	Boe Di Kwe	Kun Thee Chaung Kun Yar Kan Lay Ywar Thit Su
	Boe Young	Ah Kha Boe Young Kyon Kha Yaing Kyun Kyar Yae Kyaw Par Tu Chaung
	Haing Si	Gway Tauk Kone Haing Si Ywar Ma Hpoe Shwe Lone Kan Kone Ma Sein Sa Yar Yoe Ywar Tan Shay Ywar Ma
	Hlwa Htaung Su	Hlwa Htaung Su Nyan Taw Inn Pein Kyaw Tu Myaung Kwin Waing
	Hpa Yar Chaung	Hpoe Lay Kayin Su Tha Yet Pin Seik Thein Ni
	Hpoe Lay	Boe Kone Kan Su (East) Kun Su (East) Kwet Thit Kyaung Su Ma Yan Paw Taw Mu
	Kan Su (East)	Ka Zaung Lay Kan Su (West) Kyon Chin Nyaung Lan Su Sar Hpyu Su Tin Koke Gyi
	Kan Su (West)	Aung Hlaing Ka Na So Chaung Ka Nyin Kwe Kaing Taw (East) Ma Lawt Ah Le! Su Ma Lawt Auk Su Ma Lawt Kyaung Su Ma Yan Kwe Myit Tan Pay Chaung
	Ma Lawt	Ah Kei Gyi Ko Sein Lay Ah Su Kyaung Su Min Gan Ohn Thone Pin
	Min Gan	Bu Tin Su Kyan Khin Su Sin Kwin
	Mya Thein Tan	Myin Ka Kone Thar Yar Kone Tin Koke Gyi
	Myin Ka Kone	Chaung Lel Kun Yar Kan Gyi Nga Pi Chaung Wea Chaung
	Nga Pi Chaung	Ka Zin Chaung Kyaung Su Nyi Naung Wa U Hmon
	Nyi Naung Wa	Da None Seik Ohn Pin Su Pa Wein Sar Hpyu Su Ta Man Chaung Ta Pa Yin Su
	Pa Wein	Aung Min Ga Lar Da None Chaung Kyaung Su Kyon Hpar Ngwe Taung Tei Pin (1) Tei Pin (2) Tei Pin (3)
	Tha Kan Wa	Tha Kan Chon Chaung Khun Thar Hpyu Pa Wein Ah Wa Su Pa Wein Ohn Pin Su Tha Zin Ngu
	Tha Zin Ngu	Ku Lar Gyi Chaung Kun Yar Kan Ka Lay Tha Gyi Ah Su
	Thit Hpyu Chaung (Kan Su)	Da None Chaung Hnget Pyaw Chaung Ywar Thit
	Ywar Thit	
Total Bogale	21	100

Township	Village Tract	Village
Laputta	Kyauk Hpyu Pein Hne Taung Kyein Kone Gyi	Kyauk Hpyu Kone Tan Gyi Kyein Kone Gyi Paw Taw Mu Pay Chaung Shwe Pyay Thar Taung Yar Kwin
	Kyein Kwin	Ba Win Su Daunt Gyi Htan Pin Kwin Ka Na So Pin Ku Lar Po Kyun Chaung Ohn Pin Su Shwe Nan Chaung
	Kyu Taw	Chaung Kwe Gyi Hpa Yar Lay Kwin Kyein Ni Kyu Taw Leik Ka Bar Ta Say Ngu
	La Put Pyay Le Pyauk	Chaung Kauk La Put Pyay Le Pyauk Shwe Pyi Aye(Kwin Hla)
	Nyaung Lan	Kyaung Thit Nyaung Chaung Nyaung Lan Pa Keik Ka Lay
	Thar Li Kar Kone	Kyauk Kwai Shan Kone Thar Li Kar Kone
Total Laputta	7	32
Grand total	99	318

Township	Village Tract	Village	
Dedaye	Ah Hpaung Gyi	Ah Hpaung Gyi Kyar Ga Yet Nyaung Pin Tan	
	Boe Toke	Boe Toke Hpa Yar Chaung Wa Myet Pyea Yae Kyaw Thea Kone Su Ywar Ma	
	Da None Chaung	Da None Chaung Pagan Chaung Taik Chaung Ya Ma Nay Chaung	
	Daunt Gyi Gon Min Kwin	Daunt Gyi Ah Wa Pyan Gon Min Kwin Htaing Ku Myit Tan	
	Gwa Ka Lay Hmaw Aing Thae Gone Lay	Gwa Ka Lay Hmaw Aing Hmaw Aing Nyaung Thar Yar Thae Gone Lay	
	Hmaw Bi Su	Hmaw Bi Su Hta Ni Pat Myin Ka Kone Ywar Tan Shey	
	Hpa Yar Chaung Hpa Yar Ka Lay	Hpa Yar Chaung Hpa Yar Ka Lay Kin Chaung Wa Kyein Chaung La Mu Chaung Ya Ma Nay Chaung	
	Kun Pa Laing	Kun Pa Laing Kywe Chan Su	
	Kyon Thin	Ah Loke Gyi Aye Ywar Thit Kha Naung Kyon Thin Sin Ku	
	La Mu Gyi La Mu Wa Me Za Li Mi Chaung Aing	La Mu Gyi La Mu Wa Me Za Li Hpa Yar Ngoke To Mi Chaung Aing Mya Lay Su Ta Pay U Shwe Yoe Ywar Thar Aye	
	Ta Mawt Gyi Ta Mawt Wa Ta Mut	Ta Mawt Gyi Ta Mawt Wa Auk Ywar Ka Lay Kyun Char Nyi Naung Sit Kone Ta Mawt Ka Lay Ta Mut Ywar Thar Aye	
	Than Din Thet Kei Chaung	Than Din (Upper) Hnget Thaik Kun Thee Pin Su Kyaung Su Lay Ein Tan Shwe Bo Su Tha Byu Chaung Thet Kei Chaung	
	War Ka Mei Zee Hpyu Kone	War Ka Mei Kyon Paing Tha Byu Seik Zee Hpyu Kone	
	Total Dedaye	23	69

Township	Village Tract	Village	
Mawgyun	Ah Htet Ma Au Htone	Thar Yar Kone (1) Thar Yar Kone (2)	
	Auk Mau Tone	Kyun Kyar NyaungLane+KaMya Ta Loke Su	
	Byant Gyi Myint Kyo Da None Seik	Myint Kyo Taung Su Thar Yar Kone	
	Gwe Kone	A Su Gyi Ka Nyin Chaung Lay	
	Hman Ku Ka Na So Chaung	Ka Na So (East) Ka Na So (West)	
	Hpa Yar Gyi Kone	Da None Chaung Hpa Yar Gyi Kone Mya Goe Su Wea Su+Ka Nyin Ta Pin	
	Hti Par Lel Thaug Tan	Hti Par Lel (1) Hti Par Lel (2) Kyaung Shar Kwe	
	Hti Seik Hti To Lo	Kan Zauk Pho Kwar+LaTarGyi	
	Kyat Sin Chaung	Kin Mun Chaung Thin Pan Chaung Yae Sin Chaung	
	Kyun Gyi	Ahtet Su (2) Ahtet Su(1) Alal Su Auk Su Ohn Pin Chaung Shwe Moke Htone	
	Kyun Ka Lay	Kyon La Tar Kyun Kyar Gyi (1) Kyun Kyar Gyi (2) Kyun Kyar Lay La Mu Taw	
	Kyun Khei Ma	Lay Ein Tan Thaug Tan	
	Kywe Ta Lin	Kha Naung+ThoneEainTan Kywe Ta Lin ThaYuteGyi+KharTae	
	Ma Hmway Kyun	Kyon La Mu Ma Hmway Kyun Ohn Pin Su Tha Yet Chaung (east) Tha Yet Chaung (West)	
	Ma Ye Ohn Pin Su	Ma Soe Yain Ma Ye Ohn Pin Su Shaw Chaung (1) Shaw Chaung (2) Thone Eain Tan Yay Kyaw	
	Nwar Yay Kyaw Nyaung Lan	Ka Nyin Khal Nwar Yay Kyaw Wa	
	Pho Kha Hmi Dauk	Auk Su Kya Khat Kyaung Su Nga Hmyar Tan Nyaung Kone Paine Yo	
	Total Mawgyun	20	59

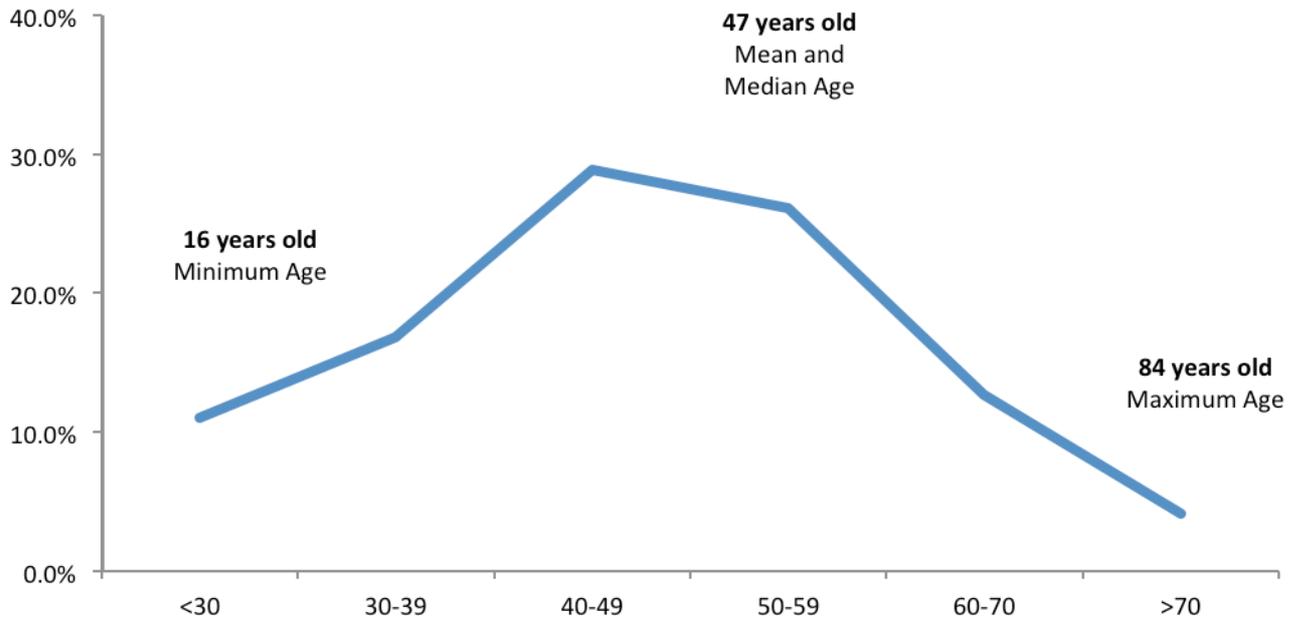
Paddy Loan Survey

364 respondents, stratified random selection

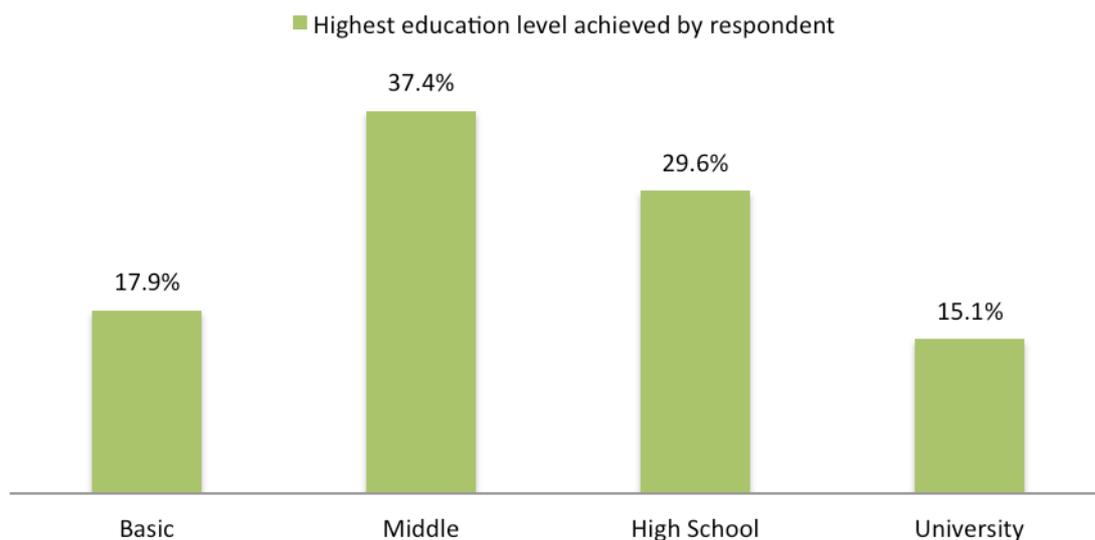
September 2012

1. Demographics

a. Please see the graph below for the age distribution of survey respondents:



- b. The average number of dependents was 3 (both mean and median) for each recipient and the average household size was 5. Proximity disburses one loan per household. Only 5.0% of those surveyed had no dependents.
- c. The vast majority (98.1%) of loan customers own land and plant on land either owned or hired (95.9%). 12.4% of customers hired some land to plant during the season. This indicates that not all borrowers who own land can afford to plant and that some of those who own land hire additional land to plant during the season. The median amount of land owned was 6 acres and the median amount of land planted was 5 acres.
- d. 17.9% of respondents had only received a basic education, with about half (44.7%) having received a high school diploma.

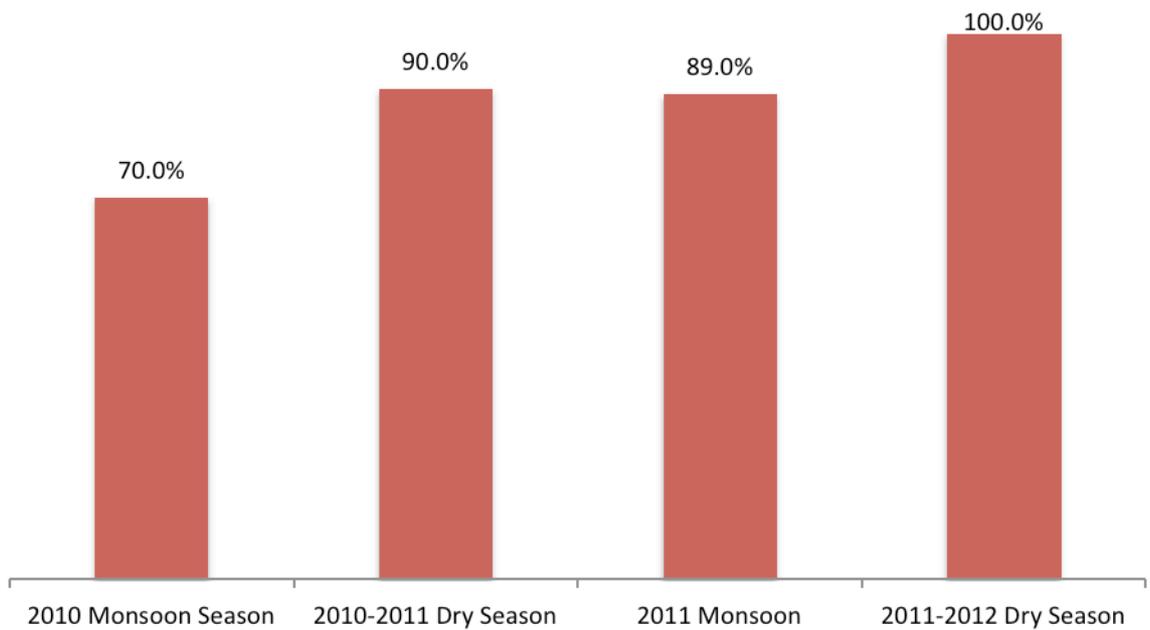


2. Farming

- a. The majority of current loan customers grow paddy as their main crop (87.7%), while the remainder grow bean as a main crop. The bean growers primarily reside in the Maw Kyun Township.
- b. The median yield in baskets of reported per acre of paddy was 80 (mean 78). For bean growers, the median yield was 7 baskets per acre (mean 20). Farmers interviewed reported no significant change in yield between this season and the seasons prior to receiving a Proximity loan. (Median reported yields for the three seasons prior was 80 baskets; mean 72).
- c. For the 2011-2012 Dry Season, the median cost to plant one acre was 150,000 Kyats.
- d. Only 23.9% of respondents planted more than one crop. Of those that did, the most popular secondary crops were coconut, chili, banana, betel, black gram and bean (in that order).

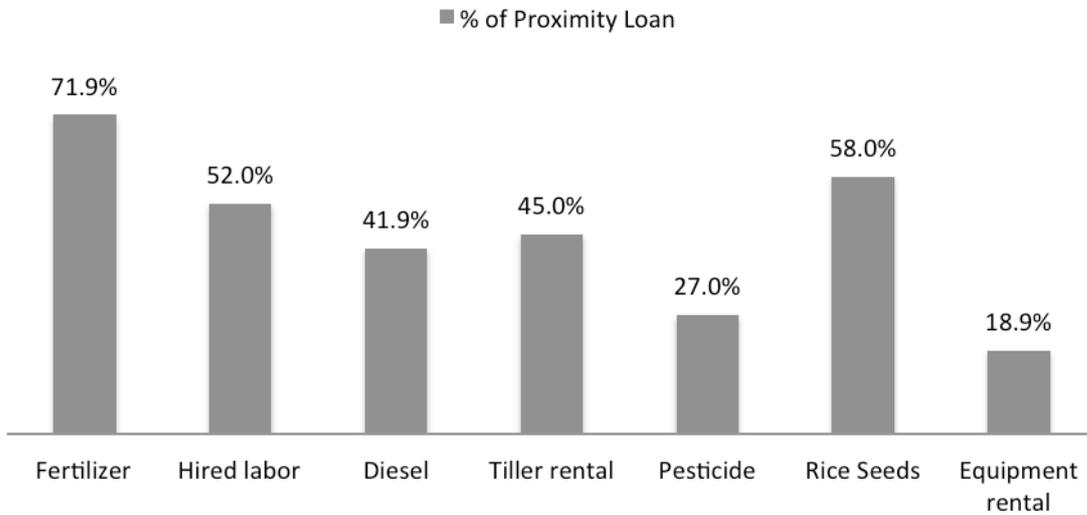
3. Financial health – indebtedness, income and assets

- a. Indebtedness
 - i. 71.4% of those interviewed were currently indebted to lenders other than Proximity at the time of the survey (Monsoon Season 2012). On average, the respondents had taken on approximately 600,000 Kyats of debt in addition to a Proximity loan (median 400,000 Kyats). This makes a median household indebtedness level of 500,000 Kyats.
 - ii. All respondents had received a loan in the 2011-2012 Dry Season. The majority of respondents had received at least one other Proximity loan in the past three years; 89% had already accepted a crop loan for the 2012 Monsoon Season.



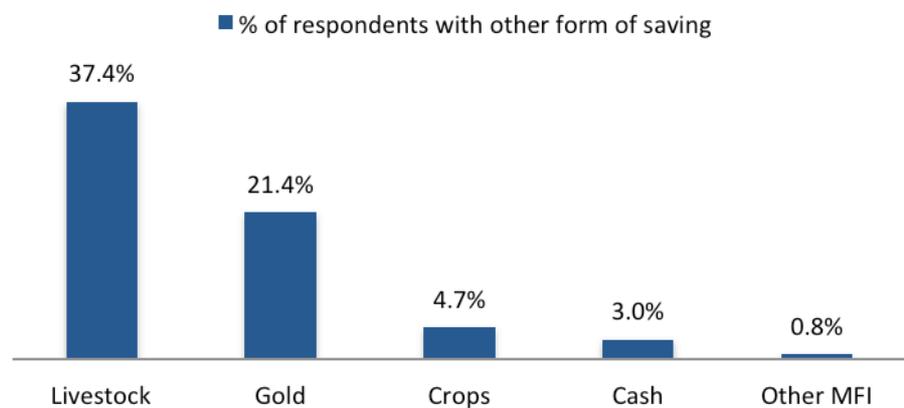
- iii. Every farmer interviewed had received a crop loan in the 2011-2012 Dry Season. 34.1% of these loan customers repaid their 2011-2012 Dry Season loan past the due date. All farmers interviewed had repaid their loan by the time of the interview.
- iv. Loan customers reported their Proximity Crop Loan farm-related spending as illustrated in the chart below. Fertilizer and hired labor were the most common expenditures. 88.7% of respondents spent money on fertilizer and 94.1% spend money on hiring labor.
 - 1. Each of the 94.1% of respondents who hired labor reported hiring an average of 20 individual laborers over the course of the loan season. Each laborer received about 4,000 Kyats for his work. This indicates that crop loans catalyze significant employment creation in villages.
- v. The chart below shows the percentage of the Proximity loan that was spent in each category, if the respondent spent in that category. For example, if a respondent spent a portion of his Proximity loan on hiring labor, he spent 52.0% of the loan on hired labor (52,000 Kyats).

Percentage of Proximity Loan spent by respondents who spent in the following categories



b. Income and assets

- i. The large majority (90.3%) of income for loan customers came from a single main crop. 60.4% of households had a source of income in addition to this main crop, of these half have most of the income coming from another crop. Other common sources of non-main crop income were shops and livestock. The median income reported by respondents was 1,800,000 Kyats over the last twelve months, including non-farm income. 24 respondents (6.6%) received remittances with a median value of 385,000 Kyats. The median value of non-main crop income was 233,000 Kyats.
- ii. 67.3% of households had some form of savings, the most common form being livestock (see chart below). 71.7% of the recipients of the loan owned vehicles. The median number of vehicles owned was 2 (mean 2.4). Other forms of savings included:

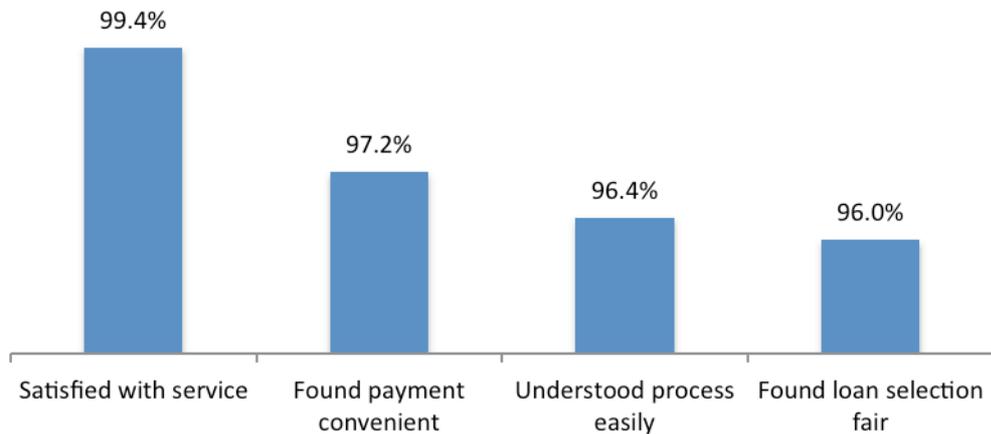


- c. Due to the need to repay loans, most farmers cannot wait to sell their harvest after it has been reaped. Given the cost of planting an acre (150,000 Kyats), the number

of acres planted (5) and the amount of indebtedness (500,000 Kyats), it is clear that borrowing covers most costs of farming.

4. Feedback & Satisfaction

- a. Overall, customers were very satisfied with the Proximity crop loan process. The most common complaint was that customers wished to receive the loan earlier (December, rather than January) to begin planting sooner.



- b. 79.9% of respondents had visited with Proximity loan officers more than twice during the course of the loan cycle; only 1.9% of those interviewed had not been visited by a loan officer.
- c. The majority (79.2%) of farmers who received loans also received farm advisory services from Proximity Designs. Many cited this as a reason for an increase in yield.

Appendix 3: Financial Report

Financial information redacted