



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

Church World Service/Proximity Designs, November 29th 2013

General Details

Reporting period	08 November 2011 – 30 September 2013
Location of project	Bogale, Dedaye, Labutta, Mawgyun, and Pyapon Townships; Irrawaddy Division and Yangon Division
Total project duration	3 years
Start date of the project	08 November 2011
Total budget	[REDACTED]

CWS/Proximity Designs (PD) 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 land-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.

CWS/PD 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 [REDACTED] 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 two years 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 [REDACTED]. These loans were repaid by farmers by December 2010 and we collected a total of [REDACTED].

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].

[REDACTED] at the prevailing exchange rate. 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]

Activities during the reporting period 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 approximately [REDACTED]. These loans were repaid in December 2012 as we collected a total of [REDACTED]

Jan 2013 Dry Season paddy. The 6th cycle of loans was disbursed to 6,050 farm households in January 2013. The total amount of loans disbursed was [REDACTED]. We began to collect loans in Jun 2013, collection is still ongoing as of September 30th. As of then, collection rate was 95%.

Below is a Disbursement schedule for the Jan 2013 Dry Season Paddy.

Township	Disbursement			Total Loans Disbursed
	Jan-13	Feb-13	Mar-13	
Bogale	724	473	-	1197
Mawgyun	1269	122	-	1391
Labutta	1015	498	-	1513
Pyapon	622	226	-	848
Dedaye	681	420	-	1101
Total	4311	1739	-	6050
[REDACTED]	[REDACTED]	[REDACTED]	[REDACTED]	[REDACTED]
[REDACTED]	[REDACTED]	[REDACTED]	[REDACTED]	[REDACTED]
[REDACTED]	[REDACTED]	[REDACTED]	[REDACTED]	[REDACTED]
[REDACTED]	[REDACTED]	[REDACTED]	[REDACTED]	[REDACTED]
[REDACTED]	[REDACTED]	[REDACTED]	[REDACTED]	[REDACTED]
[REDACTED]	[REDACTED]	[REDACTED]	[REDACTED]	[REDACTED]

Agricultural-financing program at Proximity

CWS/PD's paddy loan operation originated when it began offering cash provisions in 2009 to small rice farmers of five acres or less in response to the needs of survivors of Cyclone Nargis. Due to the severe shortage of affordable credit for Burma's small farmers, CWS/PD 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. Originally, the bank offered loans of 40,000 MMK per acre (USD 50) to only 1.4 million farmers. MADB loan size has recently increased to 100,000 MMK per acre, but loan dispersal is severely insufficient and can include significant transaction costs. There are no commercial banks of any significance providing rural credit. The microfinance footprint is also in its nascent stages and what does exist focuses primarily on urban and semi-urban petty trade finance. The United States and European economic sanctions had, until April 2012, prevented foreign investment in the microfinance sector in Burma.

Proximity Finance has obtained a microfinance license and is spreading the business. CWS provided a crucial funding base to establish the program. Proximity recently received additional funding from the Norwegian government to help build capacity required to maintain and expand our innovative agricultural lending services. This is crucial as there remains a substantial unmet demand for affordable credit to Burma's rural population. In Jan 2013 - Jun 2013, Proximity Finance issued 20,650 loans in total of approximately ~\$2 million dollars. The program includes expansion into Burma's dry zone areas.

Program design

The disbursement of our agricultural financing loans coincides with the seasonal farm calendar. For instance, the 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. In addition to the standard loan size of MMK 120,000, or approximately USD 120, CWS/PD has also begun offering premium loans of MMK 230,000 to qualified customers.

Our agricultural financing program is carried out via 526 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 CWS/PD'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	112
Dedaye	112
Labutta	77
Mawgyun	112
Pyapon	113

Social Impact Assessment

CWS/PD'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. This study was conducted in October 2012 and was included in the previous period report. A second assessment will be conducted in early 2014.

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.

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, the team 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, the team had over 16,000 farmers adopt these income-boosting techniques in the Delta.

Changes in Operating Environment

A new Microfinance Law was passed in November 2012 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 several years, 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 PD 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. For oversight and compliance, as well as reporting requirements, CWS team, including chief of party for previous USAID contract which led to this farmer's loan program, is working closely with PD staff.

Appendix: Proximity Designs Audited Financial Statements

Financial information redacted