

**Final Report - Burma Humanitarian Assistance Program:
Livelihood Recovery and Food Security**

Proximity Designs

New University Avenue Complex,
Condo C, Suite 202, Bahan Township,
Yangon, Myanmar
Tel: 95-1-555-221, 555-270, 558-077

MEMO

Date: 1 December 2014

To: Church World Service, Inc.

From: Proximity Designs (formerly IDE)

Re: **Grant: "Burma Humanitarian Assistance Program: Livelihood Recovery and Food Security" - Proposed use of project loan funds after completion date, [REDACTED]**

Background

Proximity Finance, the micro-finance arm of Proximity Designs, is continuing to implement food security activities through **loans to smallholder farmers** currently under the above-mentioned grant. This is a continuation of a program that was originally due to finish on 7 November 2011.

Proximity Designs in collaboration with Church World Service proposed a plan and secured approval from USAID to use the funds remaining [after 7 NOV 11] to extend agricultural loans to farmers in the Ayeyarwady Delta region of Myanmar. The remaining funds [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 revolving fund through November 2014.*

History

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 kyats. The total amount of loans [REDACTED]. These loans were repaid by farmers by December 2010 and we collected a total of [REDACTED]. The difference 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 kyats. The total amount of the loans [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. Each household received 100,000 kyats. The total amount of loans disbursed [REDACTED].

These loans were collected in December 2011. We collected a total of from 5,712 households.

Activities during the agricultural-financing revolving fund

Jan 2012 Dry Paddy Season: The 4th cycle of loans was disbursed to 5,713 farm households in Jan 2012. Each household received 100,000 kyats. The total amount of loans. These loans were collected in May 2013, and we received an equivalent of.

June 2012 Monsoon Paddy Season: the 5th cycle of loans was disbursed in June 2012, to a total of 5656 farm households. Each household received 100,000 kyats, an equivalent of across all households. These loans were repaid in December 2012, and we collected a total of.

Jan 2013 Dry Paddy Season: The 6th cycle of loans was disbursed to 6,050 households in January 2013, each receiving 100,000 kyats. This represents a total of. The loans were collected in June 2013, and we collected a total of. The difference of is due to a significant change in the foreign exchange rate from 854 to 958 kyat/USD, and a 5% delinquency rate, which has subsequently improved.

July 2013 Monsoon Paddy Season: the 7th cycle of loans was disbursed in July 2013 to a total of 6,832 farm households. Each household received 100,000 kyats. The total amount of loans in. These loans were collected in December 2013, and we received an equivalent of.

Jan 2014 Dry Paddy Season: the 8th cycle of loans was disbursed in January 2014. A total of 7,493 households received 100,000-kyat loans. The total loan amount disbursed in USD was. These loans were repaid in May 2014 and we collected a total of. The increase represents a favorable exchange rate and default rates of only 1%.

July 2014 Monsoon Paddy Season: the 9th cycle of loans was disbursed to 8,346 households in July 2014. A total of 8,346 households received 100,000-kyat loans. The total loan amount disbursed in USD was, and we will collect the loan repayments in May 2014. *We estimate that the collected total will be around. This increase again represents a favorable exchange rate and a low incidence of default.*

Request for use of Budget line item 6.3 loan funds after December 2014

Proximity Designs would like to propose to Church World Service that we continue to use the remaining funds of approximately as a revolving loan fund for farmers.

This pool of capital will continue to be used exclusively to provide farm loans for vulnerable farmers who still lack reliable access to affordable credit. Proximity Designs will meet this need by 1) continuing the financial services that we have offered over five successful years and 2) expanding upon those to reach new customers and scale our impact beyond the original focus area of rice farmers in the Ayeyarwady Delta.

Since Cyclone Nargis, Proximity has sought to extend affordable credit to vulnerable rice farmers, and we have found that there is still a strong need for that service throughout the Ayeyarwady Delta. Through our integrated network of community based organizations and loan officers, we are serving over 34,000 clients with an outstanding portfolio over \$6 million — making us one of the largest microfinance organizations in the country. For five years, we have offered moderate loan sizes and competitive prices to maintain high repayment rates. These repayment rates have also been driven by our customers' consistently growing need for loans. Without our services, unbanked farmers would

need to rely upon informal moneylenders who still charge exorbitant interest rates and drive customers into debt. Climate change continues to represent a significant threat to vulnerable rice farmers who have no other source of income. Torrential rains in the Ayeyarwady Delta just before harvest this season have endangered thousands of farmers' seasonal incomes. Our growing portfolio is testament to the continued need for affordable capital.

While we continue to stimulate sustainable growth among our established client base, we also plan to expand into new territories with unbanked farmers. Although recent regulatory developments have begun to open Myanmar's financial sector to foreign players, it will still be several years until rural farmers can benefit from those changes. Through our innovative process of human-centered design, we have tailored our interest rates, and disbursement and repayment schedules, to have a large and sustainable impact for our customers. We have already grown our non-rice-farmer client base ratio from 25% to 39% of the overall portfolio and will continue to expand our non-rice-crop services in the coming seasons. This diversification reduces our portfolio risk and provides more regular cash flow for Proximity Finance throughout the year.

In September, Proximity Finance welcomed a new General Manager Chris Hering, who has extensive experience with microfinance lending in both East Africa and Central Asia. His support has already helped us to refine operational and reporting processes and procedures to create more robust and streamlined collection systems.

In short, most farmers still need affordable credit. These USAID funds, which we have been able to access because of our partnership with CWS, have been catalytic in drawing other contributions to Proximity Finance, and we plan to use them to continue scaling impact throughout rural Myanmar.

Appendix: Proximity Designs Audited Financial Statements

Financial information redacted