

**The United Nations Development Programme**

**(Myanmar)**

**Sustainable Microfinance to Improve Livelihoods of the POOR (MYA/01/004)**

 **(MOA No: MOA R1.3/0011/2012)**

**LIFT II Delta**

**Project End Narrative Report**

**Reporting period:**

**25 February 2012 – 31 Dec 2013**

**Date Submitted:**

**October 02, 2014**

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| **PROJECT INFORMATION AND RESOURCES** |
| Project title: | Sustainable Microfinance to Improve Livelihoods of the Poor MOA Number: MOA R1.3/0011/2012 |
| Implementing Partner(s) and local Partner(s) | The United Nations Development Programme (Myanmar) andPACT Myanmar  |
| Responsible Person: | Resident Representative, UNDP Myanmar |
| Contact email: | registry.mm@undp.org |

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| --- | --- |
| Project Starting date | Project completion date |
| Originally planned | Actual | Originally planned | Current estimate |
| February 2012 | June 2012 | February 2015 | December 2013 |

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| --- | --- |
| Approved Total Budget | Latest Signed Revision (US$) |
| US$ 6,000,000 | N/A |

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| --- | --- |
| Period covered by this report:  | 01 Jan - 31 Dec 2013 |

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| --- | --- |
| Project Budget (US$)  | Accrued Expenditure (US$)  |
| US$ 6,000,000 |  US$ 4,522,951 |

**PROJECT PERFORMANCE AND RESULTS**

**1. Background**

Cyclone Nargis, the worst natural disaster in the recorded history of Myanmar, struck the country’s Delta (Ayeyarwady) and Yangon region on May 2, 2008. The catastrophic tropical cyclone severely affected 30 percent of the population from the Delta region – more than 140,000 people perished and women were affected more than others. Many married women became widows in the aftermath of the cyclone and a lot of other women were left to run their households alone as their husbands migrated outside the region to find work.

Relief and rehabilitation work has since been carried out by the Myanmar government, NGOs, INGOs and local organizations with fund assistance from local and international communities. The assistance has made a positive impact on employment, and income opportunities were created within the communities through restoration of the agricultural sector. However, recovery for livelihoods of the Delta population explicitly demands a significant amount of time due to the enormity of the disaster. Even four years after the disaster, additional efforts and assistance are still required in order to ensure the sustainable growth of the economic environment in the region.

Livelihoods in the Delta region comprise an extremely complex and inter-related mix of farming, livestock raising, fisheries including fishponds and in- and offshore fisheries, causal labor and other off-farm activities. A number of development organizations, both national and international, continue to provide support to address the long-term recovery needs of the affected population in the Ayeyarwady Delta and revival of the local economy. In this context, LIFT has been playing an instrumental role by addressing livelihoods recovery and food security needs of the poor and vulnerable in the region and has provided fund assistance during its 2011 *Round One* project.

LIFT *Round Two* funding has been provided in the context of a “program approach”, which brings together nine Implementing Partners (IPs) to organize support in two geographical areas – (i) Laputta and (ii) Bogalay and Mawlamyinegyun –in three years start operating from March 2012. The nine IPs selected under LIFT Round Two funding include seven agencies with expertise in technical support to the poor and vulnerable in the program areas and two agencies with capacity and expertise to extend microfinance services in the villages.

The UNDP and Pact Myanmar are jointly cooperating to provide microfinance services, in coordination with Mercy Corps as lead agency in Laputta and German Agro Action in Bogalay / Mawlamyinegyun. The MF services in the region will be organized in close cooperation with the other seven IPs, which focus on technology, training, market access, village infrastructure, environmental and natural resource management, short term job creation and capacity building of the target beneficiary communities. Households receiving support from the IPs are assumed as the first priority by the UNDP/Pact MF program, while the second priority of service would be poor and vulnerable households in the villages where seven IPs are engaged in livelihood support and the third priority will be neighboring villages that require capital support through MF services.

Pact Myanmar, with its 17 years of MF experience in Myanmar as well as specific experience in addressing post-Nargis recovery and rehabilitation program, assumes the responsibility of providing MF services to the above mentioned three-tier poor and vulnerable households. The total funding provided by LIFT, under its LIFT II Delta program, amounts to US$ 6 million over a period of three years (Feb 2012 to Feb2015). However, the UNDP MFP was transitioned into Institutional Microfinance modality at the end of 2013, the project closed 14 months ahead of the original project period.

**2. Project Purpose**

The project aims to support the poor and vulnerable households in two program areas – Laputta and Bogalay/Mawlamyinegyun in Ayeyarwady Delta – with access to affordable credit. Loans are targeted to enable (a) small and marginal farmers and fishermen to increase food and fisheries production, (b) landless poor and marginal farmers to generate income from livestock, agro-based and off-farm activities, (c) small rural entrepreneurs engaged in small-scale production and services in the village economy, which in turn will also create jobs, and (d) vulnerable households in food poverty.

UNDP/PACT has to provide microfinance services in those two areas in three townships, but to coordinate with seven IPs, which focus on technology, training, market access, village infrastructure, environmental and natural resources. The seven IPs are Mercy Corps, ADRA, Proximity Design (IDE) and LEAD in Laputta area and WHH, GRET, Proximity Design (IDE), MSN in Bogalay/Mawlamyinegyun area.

Households that received support from these technical service provider IPs were given first priority by the Pact MF program. The second priority for provision of MF services is identified from poor and vulnerable households in the villages where the IPs are engaged in livelihood support. UNDP and LIFT agreed that project end evaluation and impact assessment will be done by LIFT. Thus, achievement indicators were not yet presented in this report.

**Table (1) Purpose level logical framework**

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| **PURPOSE level indicators** |
| **Indicator** | **Baseline (Dec’2010)** | **Target (Dec’2013)** | **Achieved (Dec’ 2013)** | **Remarks** |
| No. of target HHs with increased (agriculture, fishing, livestock, enterprise etc.) incomes | 0 | 17,600 | n/a | Project end evaluation and impact assessment will be done by LIFT. |
| No. of target HHs with at least 5% agricultural productivity gains | 0 | 5,280 | n/a |
| No. of target HHs with increased and/or diversified food consumption | 0 | 17,600 | n/a |
| No. of target beneficiaries (HHs) with an increase in food security by at least one month | 0 | 17,600 | n/a |
| No. of target HHs with increased assets  | 0 | 17,600 | n/a |
| No. of target Female Headed HHs with increased assets  | 0 | n/a | n/a |

n/a: Not available yet

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| --- |
| **Table (2) Budget and Expenditure Analysis in (US$)** |
| **Budget Lines** |  **Budget**  |  **Expenditure**  |  **Implementa-tion Rate**  | **Expenditure Ratios** |
| 1. HUMAN RESOURCES |  1,098,134  |  570,050  | 52% | 13% |
| 2. OFFICE COSTS, EQUIPMENT AND SUPPLIES |  237,191  |  88,122  | 37% | 2% |
| 3. INVESTMENT FUND |  4,325,052  |  3,608,763  | 83% | 80% |
| 4. TOTAL DIRECT COSTS |  5,660,377  |  4,266,935  | 75% | 94% |
| 5. INDIRECT COST (6% of Total Direct Costs) |  339,623  |  256,016  | 75% | 6% |
| **6. TOTAL**  |  **6,000,000**  |  **4,522,951**  | **75%** | **100%** |

Budget and expenditure analysis shows, as of Dec 2013, total project loan disbursement achieved 83%, human resources cost spent for 52% and office costs, equipment and supplies spent for 37% compare to the set budget. Over all implementation rate was 75%. For the remaining 25% of budgeted fund, LIFT FMO directly contracted Pact for the rest of project terms: Jan 2014 to Feb 2015. In terms of expenditure ratios, 80% of total expenditure reached clients businesses while approximately 15% used up for staff, technical consultants and office operations expenditure.

**Progress and comments**

LIFT II Delta Program is the second phase of assistance provided for Nargis affected townships aiming to support the poor and vulnerable households in Laputta and Bogale/Mawlamyinegyun in Ayeyarwady Delta with access to affordable credit. The MoA between the UNDP and LIFT was signed in February 2012 and required the implementation to begin from March 2012. Another objective is to serve microfinance services to on-going other LIFT projects implemented by WHH, GRET, and Mercy Corps.

Under the LIFT II Delta program, target number of villages to intervene was 275 villages in Laputta and Bogalay/Mawlamyinegyun, and the project was able to reach 263 of them – 118 from Laputta area and 145 from Bogalay/Mawlamyinegyun. 55 villages were non-MF IPs’ villages and 208 were villages where MF and other IP’s were working together. During the project period PACT recruited 13,378 new clients and totally provided 24,662 loans including repeat loans amounted to more than USD 6.6 million.

Loan product analysis of PACT is shown in table (3). It was observed that agriculture loan was the leading loan product among PACT’s products followed by livestock and off-farm loans. Active borrowers seems having seasonal influence as this figure represent end of December. Number of loan were slightly different between agriculture and Livestock loans however, loan size made the difference in the amount of loan disbursed (MMK 317,000 Vs. 157,000). Off-farm loans was promising products in Delta. Number of Agro-trading loans was still small compare to regular loans products – Agriculture; Livestock; and Off-farm Loans. Table (4) described number of loans per loan products per loan cycle. Currently, there were only 2 cycle of loans operating in Delta, 5135 in the first cycle and 24,662 in the second cycle.

**Table (3) Loan Product Analysis (June 2012-Dec 2013)**

|  |  |  |  |  |  |  |  |
| --- | --- | --- | --- | --- | --- | --- | --- |
| **Loan Products** | **Interest rate** | **Loan size** | **Loan term (Month)** | **Active borrowers** | **Loan outstanding (K. ‘000)**  | **No. of loan disbursed** | **Amount of loan disbursed****(K. ‘000)** |
| Agricultural Loan | 2.50% |  317  |  As per crop cycle  |  1,138  |  420,291  |  11,666  |  3,697,850  |
| Livestock Loan | 2.50% |  157  |  12  |  5,530  |  529,040  |  9,270  |  1,453,390  |
| Off-firm Loan | 2.50% |  169  |  12 |  4,967  |  475,223  |  8,327  |  1,408,720  |
| Agro-Trading Loan | 2.50%  |  151  |  12  |  265  |  25,396  |  445  |  67,370  |
| Other Loan | 2.00% |  79  |  6  |  22  |  747  |  89  |  2,865  |
| **Aggregate** |  |  |  |  **11,922**  |  **1,450,697**  |  **29,797**  |  **6,630,195**  |

**Table (4) Number of Loans per Loan Product per Cycle**

|  |  |  |  |
| --- | --- | --- | --- |
| **Loan Products** | **Cycle 1** | **Cycle 2** | **Total** |
| Agricultural Loan | 506 |  11,160  |  11,666  |
| Livestock Loan | 1918 |  7,352  |  9,270  |
| Off-firm Loan | 2605 |  5,722  |  8,327  |
| Agro-Trading Loan | 46 |  399  |  445  |
| Other Loan | 60 |  29  |  89  |
| **Aggregate including repeated loans** | **5135** | **24662** | **29797** |

PACT acknowledged the fact about less accomplishment in providing of agro-trading loans. The accomplishment for the project period was a mere 34% of the Year II (2013) target, 1302 loans, despite revision of the plan. The under-target is due to lack of negotiation power of beneficiary to trade and big traders on this industry monopolized the agro-trade market.

**Comment**

Under LIFT II round II program, to fulfill the project objectives UNDP/PACT still needs to coordinate with the technical support/service providers and provides microfinance and related services. The staff from MF and IPs has to put combined synergetic efforts to fulfill the task, especially to provide timely agriculture loan for the monsoon paddy and other loans such as livestock, off-farm loans, and agro-trading loans. For the first year the implementation went well apart from some comments coming through a few IPs saying longer loan duration is required to get better price for the farmers or if possible to introduce crop storage loan. UNDP/PACT staff found in the field level that extension of loan term for one or two months came from a few famers, even though UNDP/PACT considered and discussed with the senior to be flexible on loan duration. As a result, flexibility given to partners as follows:

1. Group leader makes the regular payment on behalf of the group;
2. Agriculture loans will be offered in year 1 of membership;
3. Accept the group formation to the group with more or less 5 members;
4. Male members are accepted; and
5. Arrange flexible loan terms and repayment schedule based on clients’ priorities and need.

Since Myanmar Agriculture Development Bank (MADB) is providing agriculture loans with a subsidized interest rate of about 8.5% annually and the ceiling is about 1,000 US$ it could be difficult to provide loans to the microfinance farmers as UNDP/PACT loan ceiling for agriculture loan is 100 US $ per acre and 400 US$ max and the interest rate charged for loan is 30% effective. If the farmers take loans from both they definitely will face loan burden and UNDP/PACT may suffer when the loan is due. UNDP/PACT staff were warned about probable situation of taking agriculture loans from both sides, that it could be unhealthy for UNDP/PACT.

**Lesson learned from overall Project Implementation**

The most important lesson learned with the achievement of the agriculture loans in previous half year was that LIFT IPs can work together to achieve the target deliverables. However, during the reporting period for one year the achievement was under-target again mainly due to postponement of summer paddy loan disbursement and partly due to competition from MARDB with subsidized low interest rate.

PACT will keep motivating the IPs’ staff and the borrowers based on the success of providing agriculture loan and recovery, in knowledge of the default story when some of the private sector agriculture support companies closed down due to the massive non-performance loan.PACT believes that a streamlined methodology for group solidarity and credit discipline is the key to success for agriculture loan repayment portfolio and its large outreach. As explained above PACT does have some concerns about the subsidized agriculture loan providing by MADB. First, there is a risk that clients will try to source multiple loans and become overburdened. Second, in 2013 it was observed that many clients refrained from taking Pact loans in anticipation of receiving subsidized MADB loans. As generally happens with similar subsidized loan programs, many people were not able to access the loans and finally came to Pact at the last moment. In the future, similar actions could lead to farmers missing the planting season.

The big challenge for PACT is how to meet Agro-Trading loans target in the coming year. According to the nature of livelihoods in Delta zone, paddy production is the main sector and the rest of priority should be off farm trading, fishery production, livestock production, livestock and agro- trading. In Delta area, agriculture and livestock trading are done by big traders in such a monopolistic way that small farmers and fishers were not able to participate in the market. Therefore, the share of agro-trading should belong to just a small segment in the business plan. However, new loan products such as group loans for aqua-trading could be a suitable match because it was learnt that ADRA has started group business after value-chain study and it now is being to its track for buying and selling of value added aqua-products**.**

**Achievement towards targets and evaluate that progress in terms of overall challenges and issues**

During the reporting period, the project provided MF services to 13,378 new client households from 263 villages in the form of agriculture and other loans. Total Loan disbursement accomplishments were summarized in the table (3) by loan products analysis.

Among the targeted loan products, agro-trading loan only achieved 32% in terms of no. of loans but achieved 142 % in value terms. As explained in above agro-trading are done by big traders in such a monopolistic way that small farmers and fishers were not able to compete them in the market. Achievement of Agricultural, Livestock and Off-farm loans were astoundingly reaching 134%, 236% and 364% respectively.

UNDP/PACT’s concern is MADB loans; UNDP/PACT could not compete due to government assistance that provides loans with subsidized interest rate, where the amount is larger and collection of all principal and interest is at the harvesting period.

**Gender and other cross-cutting themes**

UNDP/UNDP/PACT gives priority to women while recruiting clients in all zones and Delta is no exception. To accept farmers in the program in coordination with other IPs, the project relaxes some client criteria such as accepting male clients to fulfill the farming capital requirement from households where no qualified woman exists in the family. Male-female ratio in the LIFT II Delta project is now 2:98. Among women 4,832 clients, 44 clients came from women-headed households. There are 189 staff assigned to the LIFT funded Delta II MF project, of which 110 are women (58%).

 **Issues which have program or policy level implications**

High rate of dormant and dropout clients was the major challenge for the Delta MFP during reporting period; dormant per active clients was 12.02% whereas dropout per recruited clients, 8.24%. Dropout is high mostly due to migration, as there was lack of job opportunities in the villages. Some also dropped out after exclusion by MFC due to their inability to abide by the rules and regulations and the credit discipline. All levels of project staff were trying to find out appropriate ways and means to solve that problem.

Another risk which affects the program is delinquency; 132 farmers – 14 from Bogalay (MMK 30,00,000) and 118 from Labutta (MMK 273,20,000) - failed to payback loan amount of 30.32 million Kyats as of December, 2013, composing 1.98% of total loan outstanding of 1,532 Million Kyat or 1.64 Million US$. The delinquency was due to crop failure in year one and migration issues in Year2, among which most portion was from Year 1. As a response from management, field staff made frequent visits to those villages and discuss individually to fulfill the obligation of making repayments.

**Technical issues which others may be interested in/able to use**

Computerization in the branches is required to streamline daily credit operation and reporting. Last year, computerization experts studied the price of hardware, status of network and communication facilities available in the country. In addition, PACT has selected pilot branches for installing the system, and recruited personnel for IT department. A computerization steering committee has been established to ensure smooth implementation. Now, the procedures are underway which is indispensable for computerization; data migration, test run, parallel run and roll out. New computerized system of operation, finance and reporting will initiate in the early part of 2015.

**Results which can be replicated or scaled up?**

Not significant results which can be scaled up or replicate because the implementation has not yet attained two year. During last June, participatory in-depth data collection was done all over the country in which LIFT II area included. A total of 342 household were interviewed and it was found that 48.83% of household increased their income, where 37.15% of 179 non-agricultural household increase income. To extrapolate the findings, it can be concluded that 5,827 households increased their income where 2,320 are non-agricultural households.

PACT strongly believes that a safety net is required for microfinance beneficiaries as they are prone to hardships. It affects the beneficiaries as well as service providers when they encounter hardships. A safety net eases the pain and shock for the beneficiaries and helps maintain the level of sustainability for the program as well. PACT has a Beneficiary Welfare Fund for all microfinance members and provides assistance in case of loss of life and loss of properties. Cash assistance for child delivery cases of microfinance clients was recently introduced with the objective of reducing mortality rate during child birth and caring mothers.

**Processes**

1. **Coordination with the local authorities and relevant line department staff and what results you have changed.**

The MoA between the UNDP and LIFT was signed in February 2012 and required the implementation to begin from March 2012. Although the project implementation actually started in June 2012, preparatory works such as coordination between LIFT IPs started since first week of April 2012 and area-wise field coordination meetings in Bogalay, Mawlamyinegyun and Laputta were arranged. The first coordination meeting with the LIFT IPs was held on April 4, 2012 to start the program as early as possible, aiming to assist the farmers during monsoon paddy season. In the meeting, the focal persons from the respective IPs clarified the services, agriculture loan products and their terms and conditions, target villages and action plan.

 The next two field level coordination meetings were held in April and May 2012 in Laputta and Bogalay respectively, where the respective IPs took part. Joint field visits in both Laputta and Bogalay/Mawlamyinegyun were arranged and sharing of information and data were discussed. Both meetings aimed to provide agriculture loans starting from June 15, 2012 and complete the process by July 15. After the fruitful meetings series of joint visits to IPs villages were conducted where farmer households who received technical support from the IPs were identified. The project was able to start providing agriculture loan four days earlier than the agreed deadline in 11 villages of Bogalay.

Recently, PACT closely works with MercyCorps to provide summer paddy and crops in early 2014. The field survey was jointly carried out by MercyCorp and PACT staff during November and December 2013.

With the combined efforts of all IPs through participating in monthly LIFT II Delta Coordination meeting, despite the shortfall in agriculture and agro-trading loans, the rest of other loan type were promising. In this course, PACT worked closely with local authorities and other IPs for timely disbursement. Village administrators provided support by gathering beneficiaries of the IPs for sensitizing process. The project applied the solidarity group lending methodology for agriculture loans and emphasized on group solidarity to ensure loan guarantee. Village administrators were also involved in resolving loan delinquency issues. Most of the authorities helped and showed interest in our program because of the government road map to reduce poverty.

**Difficulties or restrictions you experience**

No difficulties or restriction

1. **Experience of coordination with private sector actors.**

No experience of coordination with private sector actors

1. **Comments on the participation of women in activities. The strategies utilized to mainstream genders are as follows**

Results in democratic participation

Before project intervention in 263 villages, there was no such kind of process of group forming activities where women are solely selecting their own peer members to form groups, electing their leaders and join in participatory decision making activities at the ground level of community, particularly for the increased role of women in the community. As of Dec 2013, women from 263 villages join in this process and practicing their local level leadership and decision making for managing their group activities including loan related decisions concerning accessibility of credit, training and non-credit related activities. During the reporting period, 341 centre leaders were elected. As of end Dec 2013, 2,038 group leaders were elected.

The intervention of MFP in the project not only promotes economic empowerment for the women but cultivates and exercises participating at community activities in the community level which is the primary step of ensuring democratic participation toward poverty reduction and achieving civil society developmental goals.

Although the solidarity methodology applied by MFP, (such as forming five members of credit and saving group on their own among women; selecting their own group leader with their own choice, establishing credit centre in the communities and selecting chairpersons and secretary for each centre) has its core objective, MFP is trying to lay down the basic civil society development platform for encouraging the habit of participation in democratic decision making process in the community level.

Results in decision making authority

Through with credit from MFP, members can perform income generation activities and playing economic productive roles which help to create a far-reaching improvement of decision making level in domestic level. With more than 20 months experiences, 13,138 women joined in the program from which 81.05**%** (10,649) of them invested in the business/income generating activities by their own, where the businesses are decided by them, loan approval by their leaders and at business level. Owners are women, and they decided their investment, business growth and use of income.

Results in strengthening good governance at community level organizations

The mandatory regular meeting of the credit groups at the community level is required by the PACT methodology, the activities and decisions are made in these regular meeting by the group leaders and centre chairpersons indicate towards the practice of decision making at the local level governance of their own groups and manage a group structure, ensure transparency of governance and help to establish discipline of governance at group/community level. During the reporting period, 2,038 women group leaders and 364 centre chief decided to approve 29,797 loans and 6,630.20 Million Kyat amounting to 7.10 Million US$ submitted by borrowers after meetings and discussion of business opportunities and priorities. Their involvement in these processes of decision making helps them to be more confident and exposed to decision making process.

**3. ACTIVITIES AND RESULTS**

**OUTPUT 1:**

**Improved banking outreach capacity up to 20 branches - 13 branches in Bogalay and Mawlamyinegyun area and 7 branches in Laputta area, to reach microfinance services to underserved/unservedclients in the project area.**

|  |  |  |
| --- | --- | --- |
| INDICATOR 1: Number of microfinance branches equipped with full staffing capacity and operating microfinance services | MILESTONE/TARGET 2013:20 Branches | ACCOMPLISHMENT at the end of Dec 2013.21 Branches (105%) |
| INDICATOR 2: Number of microfinance clients received loans from the project | 13,044 Clients | 13,378 clients (103%) |

**Lesson learned/Comments on any intended or unintended results**

Pact MF undertook microfinance activities with concerted effort in order to fulfill the plan target, provided that the following challenges had been overcome, achievement could have surpassed the target.

1. Although per acre loan size is suitable, borrowers would want to get loan for all the land they owned or leased. They preferred hire purchase and inventory credit.
2. Some of the borrower did not take loan as they were not willing to attend meeting fortnightly. If incident of meeting were reduced, number of member will increase.

**Activities completed during reporting period**

Last year UNDP/PACT established one new branch in Laputta Township fulfilling the request made by ADRA and reaching underserved farmers in the Pyinsalu sub township. ADRA requested to provide microfinance to the inhabitants who needed capital to start livelihoods activities. The establishment of new branch in Pyinsalu assisted the microfinance program to have a growth in terms of new clients.

During the reporting period all branches are functional and providing a range of on-farm and off-farm loans to the marginal, landless and small land holding farming families.

Under the LIFT II Delta program, target number of villages to intervene is 275 villages in Laputta and Bogalay/Mawlamyinegyun, and the project was able to reach 263 of them – 115 from Laputta area and 148 from Bogalay/Mawlamyinegyun. 59 villages were non-MF IPs’ villages and 204 were villages where MF and other IP’s are working together.

Under LIFT II Delta program, the target was to provide microfinance services to 13,044 clients during 2013, of which 13,378 clients received loans at the end of Dec 2013. Therefore overall achievement reached 103% of annual targeted households during the reporting period. In value terms, loans amounted to US$ 4,552,148 were disbursed which composed new loans disbursement of US$ 1,072,607 to 5,135 new clients. Compare to annual target setting of US$ 852,016, which achieved 126% of annual target. In addition, Health care loan for 4 members amounted to US$ 210 and Education loan for 56 members amounted to US$ 1,084 were disbursed.

**OUTPUT 2:**

 **Improved access to credit for farmers and other clients through microfinance**

|  |  |  |
| --- | --- | --- |
| INDICATOR 1: Number of microfinance branches equipped with full staffing capacity and operating microfinance services | MILESTONE/TARGET 201320 branches | Accomplishment at the end of Dec 2013:21 branches (105%) |
| INDICATOR 2: Number of microfinance clients received loans from the project | 13,044 clients | 13,378 clients (103%) |
| more indicators and targets (IF ANY) INDICATOR 3: Number of clients (households) accessing agricultural loans | 3,910 clients | 5,241 clients (134%) |
| INDICATOR 4: Amount of Agricultural loan disbursed (USD) | USD 475,990 | USD 1,539,527 (323%) |
| INDICATOR 5: Number of clients (households) accessing livestock loans | 2,608 clients | 6,155 clients (236%) |
| INDICATOR 6: Amount of livestock loan disbursed (USD) | USD 95,844 | USD 947,728 (989%) |
| INDICATOR 7: Number of clients (households) accessing off farm (MSE, agro-processing) loans | 1,314 clients | 4,779 clients (364%) |
| INDICATOR 8: Amount of off farm loan disbursed (USD) | USD 47,628 | USD 766,935 (1610%) |
| INDICATOR 9: Number of clients (households) accessing agro-trading loans | 1,302 clients | 420 clients (32%) |
| INDICATOR 10: Amount of agro-trading loans disbursed (USD) | USD 48,069 | USD 68,232 (142%) |
| INDICATOR 11: Number of impact assessment study conducted and assessment report produced | 1 | Internal assessment;5,827 household increased income after intervention. |

**Lesson learned/Comments and Reasons if progress below target and response strategies**

According to performance achievement mentioned in the above table, agro-trading loans were implemented against target by 32% as trading of agro-base products mainly rice and paddy including seasonal crops, vegetables, beans and fishery products were done by a few millers (for rice and paddy) and other trades (for seasonal crops, beans, and fishery products), who influence the market. The project clients mostly sold their products to wholesalers. Some clients traded through direct selling at nearby markets by themselves which reported as 32% of the project target. Target for buying and selling of agro and agro-based products still need to be revised as there are few opportunities for the poor of Delta zone to do trading of agro-product.

For the benefit of members’ families, there is a social loan type termed as Health-care loan and education loan. Although there are no target for those loan type in LIFT II Delta Program, the borrower could have access to those loans. Health care loan for 10 members amounted to 536 US$ and Education loan for 57 members amounted to 1,131 US$ have been disbursed as of the reporting period.

Loan products of UNDP/PACT may be reviewed in accordance to the experience on LIFT monthly coordination meeting. For example, Inventory loans, housing loans, Hire purchase and group to outside CBO, etc…

The project has recruited 13,378 clients from those villages as MF members and provided microfinance services during the reporting period. A noticeable point in this indicator was 240 members are Male. PACT usually accepts female members only; however, relaxation in Pact’s methodological system to fulfill the requirement of the poor in those villages resulted in entry of the male members.

The very point UNDP/PACT would like to mention is that log frame targets are not consistent with the loan matrix. In the log frame number of clients received loan from the project for year 1 was mentioned as 13,044 clients and the figure is correct. For year II, additional 3,261 clients have to be recruited in accordance to the loan matrix but in the log frame it says the same 13,044 clients have been shown. In fact it should be 16, 305 to be consistent with the loan matrix worksheet. As client numbers were not consistent, other indicators shown in the log frame have to be reviewed.

**Achievement towards target and evaluate progress**

In terms of total number of clients, loans and amount of loan disbursed for agricultural, livestock and off-farm loans have surpassed more than 100% of annual milestone target. Livestock loan was disbursed more than double to target loans (236%) and about 10 times in terms of amount disbursed. Livestock breeding business is promising business in Delta. Off-farm loans reached 364% to the target and 16 times to the planned amount of disbursement.

In terms of new loan disbursement, PACT provided a total of 506 agriculture loans during the reporting period making 78 % of the year II target of 652 new farmers. In value terms, the amount disbursed for the agriculture loans reached 48% of the targeted amount of USD 332,556, which is USD 160,882. Generally summer paddy season started from December and ends at about January. In real terms, loan disbursement for summer paddy will be postponed to early part of 2014 as demand of this loan shifted to Jan, 2014. Livestock and fishery loans were disbursed during the reporting period, and 1,918 loans were given to newly recruited clients. Planned target for livestock loans was 977, and PACT provided 1,918 loans making 196% of year II log frame target. Loan amount disbursed was USD 348,897 in US$ against the target of 179,697 US$. The same over the target achievement was made for off-farm loans that had a target of 1,470 loans for Year II period and PACT provided 2,605 loans making 176% in achievement. The amount disbursed for off-farm loans was 474,340 US$ making 1.76 times of the target.

**OUTPUT 3:**

**Lessons learned documented through impact assessment of the program and disseminated among microfinance service providers, development agencies and government policy makers.**

|  |  |  |
| --- | --- | --- |
| INDICATOR 1: Number of impact assessment study conducted and assessment report produced | MILESTONE/TARGET 2013: 1 | ACCOMPLISHMENT at the end of Dec 2013:NilWill be conducted by LIFT.  |

**Activities completed during reporting period**

Impact assessment study will be conducted end of the project period, FY 2014, as this study would be done once in 3 years’ time.

**Comments on achievements in capacity building of local NGOs, CSOs and /or beneficiaries**

PACT microfinance methodology is designed to provide credit along with some capacity building awareness. The group formation for credit disbursement starts with the process of group formation and providing training of rules, regulation and awareness on how to start a business and manage credit/investment money and use of profit and savings known as Non Formal Business Education (NFBE).

During the project period, a total of 13,378 clients went through the training on NFBE and after the completion of the training, potential clients were organized in self-selected small groups of five and then these village-based small groups formed village level centers as the primary unit of the project. These centers will manage their activities such as village-level client selection, loan amount, loan priority of the clients and repayment guarantee. These center leaders received center management training; roles and responsibility training in due course of the project implementation.

**Effectiveness of risk management and what kind of foreseen risks actually occurred**

Table (8) shows type of risk, identified date, description and how to mitigate the risk and the possible degrees of impact due the risk. So far, there have been 4 types of risk in form of institution, legal, environmental and macro-economics.

**Information on kind of risk as well as probability and impact of the risk**

* There are some risks of non-repayment as a result of agriculture loan default in the Delta region in past years that happened to the agriculture input trading companies.
* From the risk matrix of the proposal, the (serial no. 5) fluctuation of exchange rate is moving upward (from K 800 to K 980 per 1 US$), thus the loan ceiling will not be affected in the short-run and farmers will have a higher ceiling.
* High rate of dormancy and dropout due to lack of job opportunities in Delta could be a potential risk to program sustainability.
* Besides the above mentioned risk factors others risk factors remain unchanged. Some mitigation strategies have been updated to reflect the current situation.

 **Efforts and results in view of the sustainability of outputs and outcomes**

The MF Project is designed for self-sustainability from the interest income. The LIFT-funded Delta II MF is a component of the ongoing MFP, which is already self-sustaining with an operating Self Sustainability ratio of 149.91 percent at the end of December however it decreased 122% compare to 2012’s. The decreasing in operational self-sustainability reflected in financial sustainability that 2013 FSS was less 12% than 2012’s. The main cause was due to the salary adjustment (10% increment) made for the past 18 months (Jul 2011 – Dec 2012) for all staff during 2013. As part of the sustainable MF program, the project will be continuing all the services according to proposal in the near future. Sustainability ratio for Delta region is mentioned in the following table whereby long termed financial sustainability ratio has been calculated on the basis of 15% inflation rate and 12% of cost of capital assuming that loan funds might have been charged at 15% annual interest rate. The inflation rate was used as 15% for the year. While the official rate may be lower, UNDP/PACT prefers to take a conservative approach. PACT builds up its institutional sustainability by strengthening Executive Board; Installing MIS system; and merging the UNDP MFP with PGMF by UNDP MFP transitional arrangement. Managing growth and technical problems in installing new MIS system could be challenges recently.

|  |  |  |  |
| --- | --- | --- | --- |
| **Financial Indicator** | **2012** | **2013** | **Increased/ (Decreased)** |
|
| Operation Sustainability (OSS) | 272.36% | 149.91% | -122% |
| Financial Sustainability (FSS) | 82.31% | 70.75% | -12% |

**Number of beneficiary households**

**Cost-Benefit Ratio**

Cost break down of villages are not available in the System.

**4. HIGHLIGHTS AND QUERIES**

**Comment on your partnerships and coordination with other projects/programs in the geographical and thematic areas?**

From the beginning of the project design, which was based on each IPs expertise, LIFT and all other IPs have emphasized on coordination and partnership for smooth and effective implementation of the project. Pact was brought into the partnership to provide financial services to the clients of the IPs for the farming needs and non-farming needs of the landless and women from the project areas. In future, new loan products can been designed and refined in co-operation with partners.

**Comment on specific results with regard to supporting ethnic groups and how does the project deal with ethnic issues in the implementation?**

There is a variety of ethnic groups in Delta – mostly Bamar, and a small mix of Karen, Mon and Rakhine, and few Chin people in Laputta area. UNDP/PACT applies the policy of equal opportunity for all the race and religion in the project area. When anyone becomes microfinance member they become part of the microfinance community and get access to all the microfinance related services without any undue favor. The inhabitants in Delta, irrespective of all ethnicity, can communicate well in Myanmar language, which creates a greater harmony in the region.

**Project management issues:**

The program had a fast-track start with the reassignment of experienced staff from the existing project to the implementation of LIFT activities. It has now recruited some new staff to replace the staff transferred to LIFT activities. As the staff in-charge for the LIFT activities has recently gone overseas for higher studies, UNDP/PACT could not substitute for the time being and in the process of finding a replacement for LIFT programs.

**FUTURE WORK PLAN**

**1. What are the priority actions planned for the following year to overcome constraints, build on achievements and partnership, and use of the lessons learned during the previous reporting period?**

Major priorities for the coming period are:

* To continuously follow up the agricultural loans provided to new clients through the LIFT II MF funding as the farming loans were observed as the most risky portfolio in MF operations. In the recent past, there is precedence of agriculture loan default in the Delta region by agricultural companies. Thus there is some risk of non-repayment of agriculture loan as a result of past years’ defaults.
* To design New Loan products (Consumer loan to buy mobile phone, house repairing loan and Inventory credit , Hire purchase, leasing and group loan).
* To continue beneficiaries training program (such as NFBE, Orientation training for MFC ECs and

Awareness building training for MFC members.

* To arrange planned vocational training to the beneficiary by Coordination with the other IPs.

**2. List major adjustments in the strategies, targets or key outcomes and outputs planned.**

* Presently no adjustment has been made so far but need to revise the target of agro-trading that the target seemed to be over enthusiastically set.
* If able to initiate new loan products such as (Group loan, Inventory credit loan, hire purchase loan, and leasing) the target and approach would probably be changed.

**Regarding the reporting format currently used, the rating is as follows**

|  |  |  |  |  |  |
| --- | --- | --- | --- | --- | --- |
| Report effectiveness criteria | 1 | 2 | 3 | 4 | 5 |
| ‘User-friendly’ style – ease of working |  |  |  | X |  |
| Usefulness to your own analysis |  |  |  | X |  |
| Relevant questions |  |  |  | X |  |
| Space for discussions of qualitative data |  |  |  | X |  |

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October 02 2014

**TABLES:**

**Table (5): Target and accomplishment on total loan disbursement in 2012**

|  |  |  |  |
| --- | --- | --- | --- |
| **Type of loan** | **Plan for Year 2012** | **Accomplishment at end Dec 2012** | **Percentage of the target** |
| **No.** | **Amount in US$** | **No.** | **Amount in US$** | **No.** | **Amount**  |
| Agriculture loans | 3,909 | 1,727,778 | 4,735 | 1,513,235 | 121.13% | 87.58% |
| General Loans | 3,909 | 523,806 | 913 | 108,764 | 23.35% | 20.76% |
| Livestock Loans | 2,608 | 349,472 | 4,258 | 660,600 | 163.27% | 189.05% |
| Off-farm Loans (MSE –agro processing) | 1,317 | 176,478 | 1,243 | 209,612 | 94.38% | 118.78% |
| Agro-trading loans | 1,301 | 174,334 | 370 | 61,518 | 28.44% | 35.29% |
| Health Loan |  |  | 7 | 412 |  |  |
| Education Loan |  |  | 1 | 29 |  |  |
| Total | 13,044 | 2,951,868 |  11,527 | 2,554,170 | 88.37% | 86.52% |

**Table (6): Target and accomplishment on total loan disbursement in 2013**

|  |  |  |  |
| --- | --- | --- | --- |
| Type of loan | Year II 2013 Target | Accomplishment during Jan-Dec 2013 | Percentage of the target |
| No. | Amount in US$ | No. | Amount in US$ | No. | Amount  |
| Agriculture loans | 3,910 | 475,990 | 5,241 | 1,539,527 | 134% | 323% |
| Livestock Loans | 2,608 | 95,844 | 6,155 | 947,728 | 236% | 989% |
| Off-farm Loans  | 1,314 | 47,628 | 4,779 | 766,935 | 364% | 1610% |
| Agro-trading loans | 1,302 | 48,069 | 420 | 68,232 | 32% | 142% |
| Other Loan |   |   | 67 | 1,667 |   |   |
|  |   |   |  |  |   |   |
| Total | 9,134 | 667,531 | 16,662 | 3,324,089 | 182% | 498% |

**Table (7): Target and accomplishment on new loan disbursement in 2013**

|  |  |  |  |
| --- | --- | --- | --- |
| Type of loan | Year II 2013 Target[[1]](#footnote-1) | Accomplishment during Jan-Dec 2013 | Percentage of the target |
| No. | Amount in US$[[2]](#footnote-2) | No. | Amount in US$ | No. | Amount  |
| Agriculture loans | 652 | 332,556 |  506  |  160,882  | 78% | 48% |
| Livestock Loans | 977 | 179,697 |  1,918  |  348,897  | 196% | 194% |
| Off-farm Loans  | 1,470 | 269,271 |  2,605  |  474,340  | 177% | 176% |
| Agro-trading loans | 162 | 29,919 |  46  |  11,520  | 28% | 39% |
| Other loans  | - | - |  60  | 1,318 |   |  |
| Total | 3,261 | 811,443 | 5,135[[3]](#footnote-3) | 996,957 | 157% | 123% |

**Table (8): Summary of Risks and Mitigation Measures (Dec 2013)**

|  |  |  |  |  |
| --- | --- | --- | --- | --- |
|  **Type** | **Date Identified/modified**  |  **Description** |  **Mitigation** | **Impact** |
| Institutional | Feb 2013 | The expected influx of a big crowd of new MF organizations may create confusions and erode credit discipline Many entrants on MF industry will focus on business approach rather than development approach by repatriation of profit and staying away from the POP who cannot create Win-Win environment for the business. | The Myanma Microfinance Supervisory Enterprise, Ministry of Finance & Revenue oversees the regulation and supervision of MFIs.MF Laws discriminate profit making and non-profitmaking MF institution. We will review our loan products and not lose sight for loan products suitable for POP. We are planning to make branch-automation system in order that our managers can focus more on marketing management. | Low-mediumMedium |
| Legal  | Feb 2013Dec 2013 | The regulatory authority may impose restrictions such as interest caps, area expansion, etc.Such kind of risk may resist nowMMSE may impose restriction on ceiling of Microenterprise loan, which will not be applicable to requirement of cash for micro business. This challenge might have impact on group loans meant for agro-trading.  | The FIND project being implemented by World Bank in support of MMSE includes MF policy and regulatory support to the Government. Liaise with MMSE to instruct them on importance of allowing MF to reach higher levels  | Low-MediumMedium |
| Environ-mental | Sept 2012 | Climatic changes, natural disasters and epidemic diseases may effect agriculture, livestock and clients livelihood | Promote clients savings and strengthen beneficiary welfare program so that clients could better cope with emergencies Closely work with CBDRM committee to educate clients on DRR preparedness, response, and mitigation strategies.  | Medium-High |
| Macro-economic | Feb 2013 March 2013 | High inflation may decrease the real value of loans to the clients and also cut into their investments and profits.The loan fund will also lose its value.Inflation rate decrease drastically this years and the effect on financial self-sustainability ratio is less. However, according to the estimate of official sources, the inflation rate for 2014 will be a bit more.Drop-out and dormant which can paralyze the institution may happen if livelihood opportunities in rural area decrease. | Will review and adjust the loan size and interest rate on clients’ savings.Government has been laying down pro-poor policy. Enabling environment for MF is livelihood creation and market access. Partnership with private sectors on rural product marketing should be taken into consideration | MediumMedium-high |

1. Revised Target [↑](#footnote-ref-1)
2. Monetary value are calculated on the basis that 1 USD is equal to 933.17 kyats [↑](#footnote-ref-2)
3. Number of loans surpass new clients as some of them happened to take another loans. [↑](#footnote-ref-3)