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**The United Nations Development Programme**

**(Myanmar)**

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

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

**2013 SEMI-ANNUAL NARRATIVE REPORT**

**Reporting period:**

**01 Jan – 30 June 2013**

**Date Submitted:**

**July 30, 2013**

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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) and  PACT 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 | February 2015 |

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

|  |  |
| --- | --- |
| Period covered by this report: | 25 Feb - 31 Dec 2012 |

|  |  |
| --- | --- |
| Annual Budget (US$) | Accrued Expenditure (US$) |
| US$ 2,477,883 | N/A |

**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 15 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).

**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.

**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.

UNDP/PACT reached 7 new villages during the reporting period of six months and all villages were from Laputta townships making village coverage to 254 villages in total, 102 from Bogalay, 43 from Mawlamyinegyun and 109 villages from Labutta. During the reporting period UNDP/PACT recruited 3,521 new clients and provided 3,956 loansamounted to USD 806,021[[1]](#footnote-1) exceeding the new client target of 3,261[[2]](#footnote-2) for Year II. UNDP/PACT provided agriculture loans to 461 newly joined provided the loan amounted of US$ 144,399. UNDP/PACT provided a total of 4,809 agriculture loans during the reporting period making 122 % of the year II target of 3,910 farmers. In value terms, the amount disbursed for the agriculture loans reached 368% percent of the targeted amount of USD 475,990. Generally monsoon paddy season started from June and ends at about August so that UNDP/PACT has another two more months for providing agriculture loans.

Livestock and fishery loans were disbursed during the reporting period in which 1,467 loans were given to newly recruited clients. Planned target for livestock loans was 2,608 in which UNDP/PACT provided 2,192 loans making 84% of year II log frame target. Loan amount disbursed was 412,642 in US$ against the target of 95,844 US$.

The same over the target achievement was made for off-farm loans that had a target of 1,314 loans Year II period but UNDP/PACT provided 2,584 loans making 196% in achievement. The amount disbursed for off-farm loans reached to 477,873 US$ making 10 times of the target[[3]](#footnote-3). The accomplishment could be up both for number of loans and amount during the remaining six months of Year II.

UNDP/PACT acknowledged the fact about less accomplishment in providing of agro-trading loans. The accomplishment for the reporting period was a mere 1% of the Year II (2013) target, 1,302 loans. It could not be fulfilled till remaining six months and need to put more efforts or may need to revise probably.

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 still considered and discussed with the senior to be flexible on loan duration.

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 was that LIFT IPs can work together to achieve the target deliverables. The project will put this positive lesson as a motivation for project team to coordinate future credit activities with IPs to reach all the deliverables.

UNDP/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.UNDP/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 UNDP/PACT does have a concern of subsidized agriculture loan providing by MADB, and UNDP/PACT believes that MADB loan is enough for most of the farmers that owned below 10 acres. UNDP/PACT fears that the disbursement of agriculture might fall down drastically because of MADB subsidized loans.

The big challenge for UNDP/PACT is how to meet Agro-Trading loans target during the remaining six months of year II. According to nature of livelihoods in Delta zone, paddy production is the main sectors and the rest of priority should be off farm trading, fishery production, livestock production, livestock and agro- trading. In Delta area, agri 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, share of agro-trading should belong to just a small segment in 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 3,521 new client households from 254 villages in the form of agriculture and other loans. As of June, 2013 total client recruitment reached 11,934. Loan disbursement targets and accomplishments are summarized in the table (1).

Among the targeted loan products, agro-trading loan only achieved 1% in terms of no of loans and 5 % in value terms as explained in above agri 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.

Achievement of Agricultural loan was 123% out of annual milestone target, monsoon was just started and paddy season is till august and could be achieved much more within the coming two months. Still there will be post monsoon agricultural loan in starting from September to November for pulse and beans. 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 3,521 clients, 11 clients came from women-headed households. There are 198 individuals assigned to the LIFT funded Delta II MF project, of which 117 are women (59%).

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

High rate of dormant and dropout clients was the major challenge for the Delta MFP. Dropout is high especially in three Nargis affected/ targeted townships and 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 regulation and the credit discipline. All levels of project staff were trying to find out appropriate ways and means to solve that problem. UNDP/PACT arranged to conduct a survey last year for those dormant and dropout clients.

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

Computerization in the branches is required to streamline daily credit operation and reporting. Now, computerization experts studied the price of hardware, status of network and communication facilities available in the country. In addition, UNDP/PACT has selected pilot branches for installing the system, and is arranging to recruit personnel for IT department. A computerization steering committee has been established to ensure smooth implementation.

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

Not significant results which can be scaled up or replicate because the implementation has taken just nearly one 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.

UNDP/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. It eases the pain and shock for the beneficiaries and helps maintain the level of sustainability for the program as well. UNDP/PACT has a Beneficiary Welfare Fund for all microfinance members and provides assistance in case of loss of life and loss of properties. The program also assists pregnant members when they give birth. 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.**

With the combined efforts of all IPs, the target number of agriculture loan was achieved. In this course, PACT worked closely with local authorities and other IPs for the 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. Monthly GCM (General Coordination Meeting) are held regularly at Labutta and Bogalay; they are usually presided over by the Township Administrative Officer.

**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 254 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 June, 2013, women from 254 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 June, 2013, 1,933 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. At the one and half year experience, 11,934 women joined in the program from which **73.19%** (10,583) 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 MFP 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, 1,933 women group leaders and 341 centre chief decided to approve 21,184 loans and amount 4.932 mill US$ (4,686.25 million Kyats) 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 June 2013.  21 Branches (105%) |
| INDICATOR 2: Number of microfinance clients received loans from the project | 13,044 Clients | 11,934 clients (91.5%) |

**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 254 of them – 109 from Laputta area and 145 from Bogalay/Mawlamyinegyun. 58 villages were non-MF IPs’ villages and 196 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 11,934 clients received loans at the end of June 2013. Therefore overall achievement reached 91.5% of annual targeted households during the reporting period. In value terms, loans amounted to 2,647,576 US$ were disbursed which composed new loans disbursement of USD 806,021 to 3521 new clients. Compare to annual target setting of USD 852,016, which achieved 95% of annual target. In addition, Health care loan for 4 members amounted to 210 US$ and Education loan for 56 members amounted to 1,084 US$ 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 2013  20 branches | Accomplishment at the end of June 2013:  21 branches (105%) |
| INDICATOR 2: Number of microfinance clients received loans from the project | 13,044 [[4]](#footnote-4) clients | 11,934 clients (91%) |
| more indicators and targets (IF ANY)  INDICATOR 3: Number of clients (households) accessing agricultural loans | 3,910 clients | 4,809 clients (123%) |
| INDICATOR 4: Amount of Agricultural loan disbursed (USD) | USD 475,990 | USD 1,753,315 (368%) |
| INDICATOR 5: Number of clients (households) accessing livestock loans | 2,608 clients | 2,192 clients (84%) |
| INDICATOR 6: Amount of livestock loan disbursed (USD) | USD 95,844 | USD 412,642 (431%) |
| INDICATOR 7: Number of clients (households) accessing off farm (MSE, agro-processing) loans | 1,314 clients | 2,584 clients (197%) |
| INDICATOR 8: Amount of off farm loan disbursed (USD) | USD 47,628 | USD 477,873 (1003%) |
| INDICATOR 9: Number of clients (households) accessing agro-trading loans | 1,302 clients | 12 clients (1%) |
| INDICATOR 10: Amount of agro-trading loans disbursed (USD) | USD 48,069 | USD 2,452 (5%) |
| 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 1% as trading of agro-base products are done by a few of millers and other trades, who influence the market.

Target for buying and selling of agro and agro-based products should be revised as there are few opportunities for 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 2 members amounted to 105 US$ and Education loan for 58 members amounted to 1,189 US$ were disbursed.

Livestock loans was in line with the target both in terms of number of loans, 84% but the amount disbursed was much higher than log frame target. Livestock breeding business must have been promising business in Delta compared to non-agriculture loans. The project needs to review the current MF market situation and adjust the targets accordingly.

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 recruited 3,521 new clients from those villages as MF members and provided microfinance services during the half year reporting period. A noticeable point in this indicator was 128 members are Male. UNDP/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**

Achievement of clients accessing agricultural loans, number of livestock loan and amount of livestock loan disbursed; clients accessing off-farm loan and amount of off-farm loan have surpassed more than 50% of annual milestone target. However the rest of the indicators of output 2 such as amount of agricultural loan disbursement, number of clients and amount of accessing agro-trading loans did not meet 50% of the target. The reasons of under-target of amount of agricultural loan were due to prudent disbursements to avoid the risk which can lead to delinquency. Regarding ago-base loan, the reasons of under-target achievement was that agro-trading loans were implemented against target by 9.82% as trading of agro-base products are done by a few of millers and other trader, who monopolized the market.

**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 June 2013:  nil |

**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 reporting period, a total of 3,521 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 (2) 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 133.67 percent at the end of June. 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 15% 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.

|  |  |
| --- | --- |
| **Financial Indicators** | **Delta** |
| Level I: Operational Self-sufficiency (Operation) | 184.41% |
| Level 2: Program Sustainability (OSS with all expense) | 133.67% |
| Level 3: Short term Financial Sustainability | 131.15% |
| Level IV: Long Term Financial Self Sufficiency | 58.48% |

**Number of beneficiary households**

**Cost-Benefit Ratio**

Cost break down of villages are not available in 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 emphasize on non-farming loans for the post-monsoon and off-farm period.
* 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 of beneficiaries training program (such as NFBE, Orientation training for MFC ECs and

Awareness building training for MFC members.

* To arrange planned training for the staff and center leaders especially on delinquency management and awareness-raising on disaster risk reduction.
* 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 |  |

Submitted by:

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UNDP

30th July 2013

**TABLES:**

**Table (1): Target and accomplishment on loan disbursement**

|  |  |  |  |  |  |  |
| --- | --- | --- | --- | --- | --- | --- |
| Type of loan | Year II 2013 Target | | Accomplishment during Jan-June 2013 | | Percentage of the target | |
| No. | Amount in US$[[5]](#footnote-5) | No. | Amount in US$ | No. | Amount |
| Agriculture loans | 3,910 | 475,990 | 4,809 | 1,753,315 | 123% | 368% |
| Livestock Loans | 2,608 | 95,844 | 2,192 | 412,642 | 84% | 431% |
| Off-farm Loans | 1,314 | 47,628 | 2,584 | 477,873 | 197% | 1003% |
| Agro-trading loans | 1,302 | 48,069 | 12 | 2,452 | 1% | 5% |
| Health Loan |  |  | 2 | 105 |  |  |
| Education Loan |  |  | 58 | 1,189 |  |  |
| Total | 9,134 | 667,531 | 9,657 | 2,647,576 | 106% | 397% |

**Table (2): Summary of Risks and Mitigation Measures (June 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-medium  Medium |
| Legal | Feb 2013 | The regulatory authority may impose restrictions such as interest caps, area expansion, etc.  Such kind of risk may resist now | The FIND project being implemented by World Bank in support of MMSE includes MF policy and regulatory support to the Government.  The same as above | Low-Medium  The same as above |
| 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 | Medium  Medium-high |

1. 1 US$= 950 Myanmar Kyats [↑](#footnote-ref-1)
2. log frame target for milestone 2 should be 16,305, for milestone 1 it is 13,044, for second year additional 3,261 has to be recruited and the number of clients should be 16,305 [↑](#footnote-ref-2)
3. As original log frame should be reviewed to be consistent with the loan matrix otherwise the achievement in terms of loan amount disbursed became higher [↑](#footnote-ref-3)
4. log frame target for milestone 2 should be reviewed; for milestone 1 it is 13,044, for second year additional 3,261 has to be recruited and the number of clients should be 16,305, presently using log frame target. [↑](#footnote-ref-4)
5. Monetary value are calculated on the basis that 1 USD is equal to 950 kyats [↑](#footnote-ref-5)