

**THE UNITED NATIONS DEVELOPMENT PROGRAMME**

**(MYANMAR)**

**SUSTAINABLE MICROFINANCE TO IMPROVE LIVELIHOODS OF THE POOR (MYA/01/004)**

**LIFT II COUNTRY-WIDE PROJECT**

 **(MOA NO: MOA R1.2/0013/2011)**

**PROJECT END NARRATIVE REPORT**

**Reporting period:**

**09 Nov 2011 – 31 Dec 2013**

**Date Submitted:**

**October 02, 2014**

**PROJECT INFORMATION AND RESOURCES**

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| --- | --- |
| Project title: | Sustainable Microfinance to Improve Livelihoods of the Poor MOA Number: MOA R1.2/0013/2011 |
| Implementing Partner(s) and local Partner(s) | United Nations Development Programme PACT InstituteGRET/Chin MicrofinanceSave the Children/Dawn Microfinance |
| 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 |
| 11 June 2011 | 9 Nov 2011 | June 2014 | December 2013 |

|  |  |
| --- | --- |
| Approved Total Budget | Latest Signed Revision (US$) |
| US$ 5,992,099 | US$ 5,992,099 |

|  |  |
| --- | --- |
| Period covered by this report:  | 09 Nov 2011 - 31 Dec 2013 |

|  |  |
| --- | --- |
| Approved Total Budget (US$)  | Accrued Expenditure (US$)  |
| US$ 5,992,099 |  US$ 5,282,773 |

**PROJECT PERFORMANCE AND RESULTS**

**1. BACKGROUND**

UNDP has been implementing the Human Development Initiative (HDI) in Myanmar since 1994 to provide support to poor communities in areas of food security, water and sanitation, primary health care, environment, HIV/AIDS, and training and primary education.

In 1997, during the second phase of HDI, UNDP introduced the microfinance project, “A Sustainable Microfinance to Improve the Livelihoods of the Poor”, in Myanmar through the technical expertise of three internationally recognized Microfinance Institutions (MFIs) - Grameen Trust (Bangladesh), GRET (France) and PACT Institute (USA). These three organizations established microfinance operations in three regions of the country, namely the Ayeyarwaddy Delta (by Grameen), the Dry Zone (by PACT) and Southern Shan State (by GRET). In 2003, the Grameen Trust microfinance operation was taken over by the EDA Rural System (Pvt) Ltd (India).

The three operations were consolidated in January 2006 and PACT Myanmar assumed the role of sole supplier for the UNDP supported microfinance project. The project has grown to be the largest retailer of financial services to the poor in Myanmar. It provided services to more than ½ million active clients. The scale and quality of the programme was also helping to establish proper norms and quality standards for many organisations seeking to start microfinance programmes. There were totally four donors have contributed funding to the UNDP Microfinance project since 2008: UNDP, USAID, DANIDA (Denmark), and DFID (UK).

In 2011 UNDP had reached an agreement to receive funding from Livelihood and Food Security Trust Fund (LIFT) for a three year period allowing the microfinance project to outreach its services to an additional ten townships through three implementing Partners (PACT, Save the Children and GRET). According to the agreement to extend village outreach capacity, PACT was to expand to a further five townships, namely Pakokku from Magway Region, Naung Cho and Kyauk Me’ from Northern Shan State and Momauk and Mansi from Kachin State, Save the Children was to implement in one township-Kanma in Magway Region; and GRET in four townships of Northern Chin State - Hakha, Falam, Tediem and Thantlang.

The LIFT funding to the microfinance project, under its country-wide livelihood support programme, earmarked a total of US$ 5.99 million over a period of three years from June 2011 to June 2014. Although the contract with LIFT was signed in June 2011, a number of unintended internal procedural issues had to be resolved between UNDP and the three implementing partners. Additionally, the sharp fall of the exchange rate in the latter half of 2011 negatively affected the budget for loans and the contractual negotiations with implementing partners’ headquarters had to be done. Thus, contract between UNDP and PACT could only be signed in September 2011 and implementation of the MF program could start in November 2011. Even before signing the contract, PACT had started preparatory works, such as scouting to those new expansion townships, process of recruiting staff and logistic arrangement. As signing the contract had been delayed earlier, the funds for the inception period (June to August 2011) could not be transferred to PACT until the end of December 2011. Contracts with other partners (SC and GRET) were signed in January and February 2012 and they could only start implementing activities in March 2012. At end of December 2013, UNDP Microfinance project that has being implemented by PACT, SC, and GRET was operational in 30 townships covering 6,360 villages and 230 wards reaching 426,824 active clients with a loan portfolio of US$ 79.8[[1]](#footnote-1) million at end December 2013.

UNDP had been taking the role of fund manager for LIFT II Country wide Project embedded in UNDP MFP normal country programme which covered 30 townships in 3 regions – Magway, Sagaing, Mandalay and 2 States – Shan and Chin. UNDP assisted the implementing partners in solving technical issues especially in budgeting and reporting process, report monitoring both for financial and programme narrative report, facilitating annual audit process and field audit coordination between international auditors and implementing partners, follow up on action taken towards audit recommendations. At the same time UNDP coordinated with LIFT Fund Management Office for MFP transition process and managing fund and assets disposition arrangement for implementing partners.

**2. PROJECT PURPOSE**

The need for credit in the rural economy is substantial in Myanmar even after enactment of Microfinance Law and number of licensed microfinance actors reached 189 at end of December 2013. Though licensed microfinance service providers became numerous the sector could serve 6.16% of the total population[[2]](#footnote-2).

Project purpose is to contribute to the development and to expand institutional microfinance in rural areas in Myanmar to enable access for poor and vulnerable households to affordable credits to finance livelihood activities that will enhance their incomes and meet their basic needs and food security. In addition to that, women in rural areas will have accessed to credit and found themselves empowering in household activities, community activities, business activities and village activities. Purpose level logical framework and progress on each indicator was shown in below Table.

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

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| --- |
| **PURPOSE:** Contribute to the development and expansion of institutional microfinance in the rural area of Myanmar to enable poor and vulnerable households to have access to affordable credit to finance their livelihood activities that will enhance their incomes and meet their food security and basic needs. |
| **Indicator** | **Baseline (Dec’2010)** | **Target (Dec’2013)** | **Achievement (Dec’ 2013)** | **Remarks** |
| Number of new clients  | 0 | 32,770 | 39,621 | Achieved 121% by annual reviewing and revising loan products to meet clients need. |
| Amount of loan disbursed in USD | 0 | 3,913,678 | 3,740,252 | Achieved 96%, project closed 6 months earlier than original due date. |
| Increased financial self-sufficiency ratio of the MF service providers (Implementing Partners). | 0 | 80-100% | 90-132% | FSS for GRET was not available. |
| Number of evidence based papers, studies produced for knowledge sharing among practitioners, advocacy and policy discussion. | 0 | 6 | 2 | Survey on wholesale loans banking to SRG in Northern Chin State and Market feasibility study in southern Chin State |
| % increase in production/income from agriculture | n/a | 22% | n/a | Project end evaluation and impact assessment will be done by LIFT. |
| % increase in income from livestock rearing and fisheries | n/a | 25% | n/a |
| % increase in income from off farm activities employing family labour | n/a | 24% | n/a |
| % increase in income from small rural enterprises | n/a | 16% | n/a |
| % increase in income for food insecure, vulnerable households from family based income generating activities including off-farm, livestock and homestead gardening | n/a | 30% | n/a |
| % increase in income for economically active people living with HIV | n/a | 24% | n/a |
| Increase in number of clients covered by “Insurance/Beneficiary Welfare Programme developed by the project | 329,603 | 27,270 | 34,721 | Achieved 127% in line with the increases in new clients. |

|  |
| --- |
| **Table (2) Budget and Expenditure Analysis (in US$)** |
| **Budget Lines** |  **Budget**  | **Expenditure**  | **Implementa-tion Rate**  | **Expenditure Ratios**  |
| 1. HUMAN RESOURCES |  1,075,630  |  787,105  | 73% | 15% |
| 2. OFFICE COSTS, EQUIPMENT AND SUPPLIES |  680,458  |  456,392  | 67% | 9% |
| 3. INVESTMENT FUND |  3,896,836  |  3,740,252  | 96% | 71% |
| 4. TOTAL DIRECT COSTS |  5,652,923  |  4,983,748  | 88% | 94% |
| 5. INDIRECT COST (6% of Total Direct Costs) |  339,175  |  299,025  | 88% | 6% |
| 6. TOTAL  |  5,992,099  |  5,282,773  | 88% | 100% |

Expenditure analysis shows, as of Dec 2013, total project loan disbursement achieved 96%, human resources cost spent for 73% and office costs, equipment and supplies spent for 67% of the set budget. Over all implementation rate was 88% which seems acceptable in consideration of future implementation during next 6months’ period. In terms of expenditure ratios, 71% of total expenditure reached clients businesses while approximately 24% used up for staff, technical consultants and office operations expenditure.

**Progress & comments**

From the project inception in June 2011, the LIFT II Country Wide Project has been continued expanding into 8 new townships - Pakokku, Naung Cho, Kyauk Me`, Kamma, Hakha, Falam, Tiddim and Thantlang. At the end of Dec 2013, 13 new branches were established – 4 in Pakokku, 3 in Naung Cho, 1 in Kyauk Me`, 1 in Kamma, 1 each in Hakha, Falam, Teddim and Thantlang Townships.

Implementing Partners provides financial, non-financial and social services to the members to assist them to come out of poverty. Financial services include credit and savings services in which credit facilities composes with different loan products that best suit to the beneficiaries. Savings services include mandatory savings and voluntary savings. Capacity building for both community and project staff has been prioritized in new townships which included loan program orientations to the target beneficiaries and loan officers’ training courses. Training curriculum for loan officers and branch managers were also developed during this period.

As the project grew after inception period, 39,621 borrowers received loans, achieved 121% of 2013 end target. Total disbursement during the project period (Nov 2011-Dec 2013) was more than US$ 14 million - US$ 14.03 million in PACT, US$ 741,480 in SC and US$ 77,115 in GRET.

**Table (3) Loan Product Analysis (Nov 2011-Dec 2013): PACT**

|  |  |  |  |  |  |  |  |
| --- | --- | --- | --- | --- | --- | --- | --- |
| **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% |  204  | 6 |  16,181  |  2,519,290  |  38,884  |  7,932,500  |
| Livestock Loan | 2.50% |  94  | 12 |  20,609  |  1,620,338  |  33,105  |  3,116,000  |
| Off-firm Loan | 2.50% |  107  | 12 |  13,282  |  258,773  |  21,087  |  2,261,950  |
| Agro-Trading Loan |   |   |   |   |   |   |   |
| Other Loan | 2.00% |  50  | 12 |  11  |  286  |  17  |  850  |
| Aggregate |   |   |   |  50,083  |  4,398,687  |  93,093  |  13,311,300  |

Loan product analysis of PACT is shown in above table. It was observed that agriculture loan was the leading loan product among PACT’s products followed by livestock and off-farm loans. Active clients seems having seasonal influence as this figure represent end of December. Number of loan were not much different between agriculture and Livestock loans however, loan size made the difference in amount of loan disbursed (MMK 204,000 Vs. 94,000).

GRET offered only SRG loans in 4 townships towards 49 SRGs accumulated to US$ 77,115 during the project period. Pls. find Table (7) in Annex (A) for details information. The major loan product of Save the Children was the same as PACT, agriculture loans. However, livestock and off-farm loans were negligible compare to PACT targeted areas. As our IPs relied on manual system, loan product analysis was not available for GRET and SC.

PACT:

Soon after contract was signed with UNDP in September 2011, PACT has established microfinance branches in Pakokku, Naung Cho and Kyauk Me’ and started implementing microfinance activities. The remaining two townships from Kachin State, Moe Mauk and Man Si could not be intervened because of security reasons. To the present day PACT staff are still trying to reach the two townships but without any progress as government authorities do not recommend visiting those townships.

After over two years of implementing MF activities in the new townships, the project grows as expected, established 8 branches, four in Pakokku, three in Naung Cho and another one branch in Kyauk Me’; surpassing the log frame target of 7 branches without reaching two townships from Kachin State. Progress in Pakokku was faster as credit demand is higher because of larger population compares to other new townships. Naung Cho followed behind Pakokku but still Kyauk Me’ lagged behind because of in-security situation in some of the villages.

During this reporting period, the project reached an additional 62 new villages, 45 from new townships and 17 from old townships, making a total coverage of 435 villages at end of Dec June 2013. 8,868 new clients have been recruited during the reporting period from which 7,962 clients were from 3 new townships, reaching 36,046 households in total. From Jan-Dec 2013, project totally disbursed $ 9.536 million in loans including repeated loans making a total disbursement of $14.03 million since PACT started implementing LIFT CW project in the new townships.

GRET:

GRET had done feasibility study in 2012 and the SRG loan product was developed in northern Chin State for SRG Wholesale banking development and started disbursing in 2012 November at 4 villages in Hakha Township. Chin MFI had to adapt unplanned challenges during 2012 such as visa issues for international consultant, take time to understand the functioning of SRGs, adaptation of specific wholesale loan procedures development, and strengthen cooperation for SRG-MF linkage with UNDP ICDP in the field operations. In the beginning of 2013, wholesale loan activity was extended to Falam and Thantlang townships and during 2013, it continued expanding to Tedim Township.

SC:

In Kamma Township both in urban and rural areas, many income generation activities rely on seasonality and a loan plan had been developed based on this factor. SC continued to modify its seasonal products to meet the needs of the clients. During the second half of 2012, the loan size and terms were revised according to specific seasons and crop cycles. Clients could be applied two loans (seasonal, and/or Education, or general) at a time as long as they have two distinctly different types of businesses and the total loans disburse not to be exceeded the maximum limit of MMK 250,000.

Two Branches were established in year one and later merged at the end of year two. New organizational structure, technology and procedures allowed SC to be more efficient with a larger branch size that makes SC able to serve more clients from one branch much more efficiently and at less cost.

SCI has changed meeting attendance requirements to provide more flexibility. This means that clients themselves can attend fewer meetings and can send family members in their stead. Clients are very happy with this new arrangement and attendance remains perfect with in the plan. Participation of clients remains high as does demand for SC’s products. The team continue to listen to clients to understand how they can further refine their products to meet community needs.

During this reporting period, the project extended to 15 new villages in Kamma Township by providing financial services to 892 new households. Training courses on Credit and Savings methodology were conducted for those 892 households who received loans during this period. Total number of women headed household to date is 152 and total loan disbursement during 2013 was US$ 601,438.

From inception, 214 new groups have been formed in 68 new villages and 4 wards. Totally 2,922 new clients received loans from this project. Among 2,922 clients, 1,608 clients received both general and seasonal loans. Total loan disbursement was US$ 741,480 of which US$ 676,255 was disbursed for agriculture loans.

**Lesson learned from overall Project Implementation**

The sharp fall of the US$ exchange rate against Myanmar Kyat in the latter half of 2011 until in the middle of 2012 negatively affected the budget for loans. A series of meeting had to be conducted to revise the loan matrix and the budget during 2012. Specific guideline for budget revision has been introduced during this process by UNDP. Detail attached sheets to budget template would be helpful for budget accountability and Financial Reporting process.

Delay in signing contracts between UNDP and Implementing Partners due from indirect cost percentage issue made shorter time frame for implementing field operations in the first year so shortfalls has been seen in the annual report submitted. That was also affected Fund transfer schedule and caused delivery issue both in LIFT and UNDP. The lesson learned here is UNDP should receive different contractual condition in terms of indirect cost as it is not in an NGO instead a UN agency. This issue was resolved by LIFT Fund Board that allowed UNDP to be received 6% GMS plus 1% additional direct cost.

Regarding an annual audit, it was noted financial management capacity of implementing partners had to be improved further. Financial accountability was the case here. Especially to be caught up with international best practices in the area of budgeting, financial reporting and auditing standards. Finance manual and operations manual were not yet fully relevant or updated towards MFI industry standard. The three IPs still referred INGO finance manual for microfinance operations. Management Information System especially computerized loan tracking system was badly need to be developed and in practice. Present MIS system doesn’t allow to provide sufficient monitoring and evaluation data and information required by LIFT as well as did not assure to produce quality loan information which would be valuable inputs for strategic direction in this recent competitive environment. Financial analysis capacity (microfinance ratio analysis) was still need to be strengthened to pin point the drivers of specific ratios which might need immediate attention to the management. Above all, it needed the training institution which offer above ranges of microfinance management capacities for the MF sector development.

In terms of MF models and approaches adopted by the IPs, it has seen solidarity group lending, individual lending especially for MSE loans, and Self Reliance Group (SRG) or wholesale lending were offer to target communities. Solidarity group loan categories like agriculture loans, livestock loans, off-farm loans were suitable for general community however, MSE loans were meant for borrowers who have higher skill and capacity to start small enterprises. As the loan size is higher than general loans, thorough business feasibility assessment is needed before releasing the loans. Entrepreneurship and small business management training is required for this group of clients. SRG is a separate category focused on the poor in remote areas which needs basic MF concepts and SRG sustainability trainings. In all categories and loan products, clients demanded the flexibility in terms of loan term, loan size and repayment schedule. (According to MFI Law, interest cap is 2.5%). Responsible lending and transparency pricing are areas to be addressed by all MFIs to provide affordable services to its clients.

PACT:

Though PACT faced delay in implementing the project in the LIFT funded area, PACT staffs made achievements as per the target. Capacity building both for the staff and the beneficiaries was one of the success factors in achieving the set target. Financial, non-financial and social services trainings were provided to the members to assist them to move out of poverty. Financial services include credit and savings services in which credit facilities composes with different loan products that best suit to the beneficiaries’ livelihoods activities whereas savings services include mandatory savings and voluntary savings. Beneficiaries were also being provided Non-Formal Business Education (NFBE) Training that summarizes how to start a business enterprise and orientation of microfinance program.

The staffs, especially loan officers have to go through 7 days intensive training that covers microfinance concept, methodology, steps and process, products and services, facilitation techniques, reporting and documenting of field activities and etc. Training curriculum was in place when providing training to the staffs. When launching in 2011 in new townships, branch managers and assistant branch managers are brought from Dry Zone to lead the new recruitments and later in 2012 and 2013, the assistant branch managers from LIFT funded area were given promotion to lead the new branches and local loan officers were promoted to assistant branch managers.

However, there were 3 lessons learned. Firstly, when preparing project proposal, Pact did not foresee ICDP would be phasing out at the end of 2012. According to HDI transition and SRGs’ sustainability plan, SRG-Co-Operatives linkage workshops were conducted in HDI target townships facilitated by township Co-Operatives officials and UNDP, it was learned that most of the SRGs are in the process of transforming into cooperative and providing wholesale loans could not be happened. Secondly, the targeted number of vulnerable loans to be disbursed was 6,200 for three townships that could not be achieved as it is a bit difficult to identify the poorest people who would like to take vulnerable loans. Product design must be an issue. Thirdly, the regular practice in PACT for MSE loan started only after the clients completed the first cycle with good repayment behaviour and developed good microenterprise ventures. Thus the 3 years target of MSE loans is no longer achievable despite the fact that MSE loans were introduced in October 2012 a year after the project inception. Thus, thorough understanding on product design is crucial in setting target.

GRET:

In GRET, different operational challenges appeared during the implementation that were not planned and slowed down the process and as follows:

* Necessity to fully understand the functioning of SRGs in order to be able to manage the risk and propose a sustainable product
* Necessary adaptation of the organization of the MFI (specific wholesale loan officer to be recruited) and the processes (specific procedures to be developed).
* Necessity to develop cooperation on the field with UNDP/ICDP project staff.

Chin MFI had to adapt to those unplanned challenges and launched the MF operations by disbursing 5 SRGs (77 clients) during the last quarter of 2012. During early 2013, the loan procedure was reviewed and adapted to the reality of field context and fixed the maximum loan size and loan disbursement process. It is now already extended its financial services to 3 more townships, Falam, Thantlang and Tedim during 2013 and reaching 44 new SRGs which composed of 576 households in southern Chin State and total outreach as of December 2013 was 653 households.

SC:

In SC project area, income generation activities mostly relied on seasonality. According to this context, the existing repayment terms, biweekly repayment, was not fit with income generation patterns of the households. Accordingly Save the Children developed a seasonal loan product after inception period in 2012.

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

PACT achievement towards the target is more than satisfactory. In terms of total client, PACT recruited 36,046 clients by the end of December 2013 that achieved 122.9% of the total project target which is 29,324. In term of loan disbursement, US$ 9.53 million has been disbursed in 2013 which accumulating US$ 14.03 million of disbursement, that is 172% of the total project target.

However, the project faced several challenges and issues during the project period which were summarized as follow:

PACT:

* Hostilities in the Kachin State have been pending the project implementation in that areas as project staff have not been given security clearance by the authorities to enter the planned townships, Momauk and Mansi. The insecure situation in two townships forced PACT to emphasize on the current three townhips, Pakokku, Kyauk Me’ and Naung Cho;
* Less client potential in Kyaukme township due to be lesser job opportunity in most highland areas compounded by security risk in some village clusters.
* An issue faced by IPs implementing in the ethnic areas was language problem. For more effective field operations , project townships in ethnic areas needed to recruit local staff or staff who speak ethnic dialects;
* Lack of business skill in highland villages. Traditionally villagers mostly engage in farm activities followed by livestock raising;
* Difficulty to identify and organize poorest of the poor/ vulnerable households to join microfinance program and get access to credit. They definitely would like to improve their living condition but somehow they do not want to take the burden of credit risk. Another reason is the ceiling of 50,000 Kyats, approximately US$ 50, is not attractive enough for them; and

PACT & GRET:

* Phasing out of the HDI Integrated Community Development Project (ICDP) of UNDP at end of 2012 hard up in providing wholesale loans to the Self-Reliance Groups in target project areas in Shan, Dry and Chin as UNDP/ICDP provided credit linkages services in overall UNDP project areas.

SC:

* SC staff have to put much effort to find new clients in both the ‘urban” and rural areas of Kamma. Previously, it was hoped that SCI would be able to expand the former UNDP ICDP/CDRT villages at the end of HDI Phase IV. However, SCI realized they could not enter former UNDP villages due to the fact that UNDP handed over its SRGs to Co-Operative department. SCI was then developing a new expansion plan to compensate.
* SCI has to work hard on changing organization structure and improving operations. These have been completed with better qualified staff in more appropriate positions as well as a complete review of operations and documentation of all policies and procedures. A three year business plan has also been developed.

**Gender and other cross-cutting themes**

IPs were also provided non-credit related services which include capacity building program – provision of training to the beneficiaries, and encouragement of democratic practices in group formation, group leader and center and center chief election. In Pact, Social service includes Beneficiary Welfare Program and dissemination of social activities to center meeting. Beneficiary Welfare Program provides cash assistance and loan outstanding write-off when clients encounter loss of life and loss of property. From June 15, 2013, the benefits have been expanded by providing cash assistance when female members give birth. The following bullet points reflect genders and cross cutting things as all the clients, group leaders and centre’s chiefs are women.

* 36,046 women clients were recruited from 3 new townships and old townships of Dry and Shan
* 34,721 women borrowers borrowed loan to do business for their livelihoods
* 603 women centre chiefs were elected to do loan decision for their community
* 7,077 women group leaders were recruited to present on behalf of their group regarding loan disbursement and collection.

In GRET, Chin MFI provided wholesale loans to SRGs; SRG then used their own internal processes to define the allocation of the funds, depending on the need of their members. The objective of the wholesale loan is to develop the lending part of the SRGs and not to intervene in the SRG processes. As a result, Chin MFI had not the information on which member would finally beneficiate of the funds. However, it appears that most of SRG members were women and it can conclude that nearly 100% of wholesale loans beneficiated to women.

Regarding Save the Children, its goal in implementing microfinance was to increase the economic security for children in need. Understanding that women spend significantly more of additional income on their children, its strategy to achieve this goal was through building strong local microfinance institutions that provide sustainable access to financial services to poor women micro-entrepreneurs. Save the Children providing technical and financial support to poor women for income generating activities. Targeting poor women, SC aims to improve the household economic security of the whole family so that they can have better access to basic services as well as a nutritious and healthy diet for their children.

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

The directive 1/2014 issued by the Myanma Microfinance Supervisory Enterprise, Ministry of Finance limits the maximum loan size to MMK 500,000. This loan size cap will effectively halt all MFIs including Pact and GRET from issuing SRG Wholesale Loans and MSE Loans in 2014 and afterwards if this policy remains unchanged.

An Issue relating to program as well as policy level implication is lack of business skill like agro-trading, entrepreneurship, processing technology etc.. in upland regions. Most people, especially in northern Shan and Chin State have been earning their living by traditional agricultural/ farmimg activities since the generation of their predecessors. Although above upland areas produce tea leaves and fresh fruit such as pineapple, apple, oranges and etc. most marketable processed tea leaves and preserved fruits found in Myanmar market were imported from China and Thailand. It is indicating employable skill institutions with updated market information/ vocational training programmes are much needed to establish in the appropriate townships to improve the livelihoods and living condition of the remote upland people.

During 2012, a feasibility study was conducted in southern Chin. This study showed clearly that an extension of the Chin MF from northern to southern Chin was not possible on the short term. More generally, the development of a structured MFI would be very complicated due to the environmental, sociological and economic environment. In fact, the area need more holistic development approach in which financing would be one aspect among others. In addition, regarding financial services, it appears that a more decentralized model would be more suitable for the area.

In Kamma, Road communication is not good and general infrastructure (no banks, electricity, telephone, etc) is poor. This increases costs of delivering services as well as time needed to deliver the products. Staff from Kamma town tries to find new clients in both the ‘urban” and rural areas of Kamma in order to increase clients and improve efficiency.

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

Computerizations in the branches are required to streamline daily credit operation and reporting and enhance the level of efficiency. PACT acknowledges the merit of computerization and is in the process of acquiring one. PACT identified appropriate software, Abacus from FERN, and engaged computerization experts presently, studying the cost of hardware, status of network and communication facilities available in the country. PACT appointed 2 IT Experts, one Program Manager and started installing servers and in the process of developing net-work design. Implementation of business mapping is currently performed by the experts along with the senior staffs - to be in line with software.

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

The project strongly believes that a safety net is required for microfinance beneficiaries as they are prone to hardships. It eases the pain and shock for the beneficiaries and serves as a kind of coping mechanism when facing emergencies. PACT has a beneficiary welfare program for all microfinance members and provides assistance in case of loss of life and loss of properties. The program also provides cash assistance to natal cases with the objective of reducing child mortality rate.

SC changed meeting attendance requirements to provide more flexibility. Clients are very happy with this new arrangement and attendance remains perfect within the plan. In mass meetings, the participation of villagers had been generally high. In additions, due to community demand for seasonal loans, Save the Children disbursed more seasonal loans in this reporting period.

**Processes**

**Coordination with the local authorities and relevant line department staff and results achieved**

UNDP as the prime microfinance actor in Myanmar/Burma continues to enjoy strong support of national counterpart, the Small Scale Industries Department, Ministry of Cooperatives, who are keen to see growth and success of Microfinance, as microfinance is among the eight priority tasks of the national programme on Rural Development and Poverty Alleviation.

The national counterpart of this project, the Small Scale Industries Department (SSID) of the Ministry of Cooperatives, has been very supportive of microfinance activities and has been giving wholehearted assistance. It strongly supported UNDP request to the government for expansion of project activities to a total of 10 new townships in one region and three States which was eventually granted.

 The Union Minister for Cooperatives, the counterpart Ministry, also issued an official letter to the State/Regional and Township authorities concerned requesting their official assistance and support for the successful implementation of project activities.

Officials from the national counterpart department (SSID) also took part in making courtesy calls on local administration in the new townships at both District Level and Township level where they introduced the implementing partners PACT and SC which helped a lot in building good rapport with all levels of authorities.

Recently, the UNDP HDI Phase IV project ended in Dec 2012, UNDP had to close the HDI programme and drawn up a three year country programme for fiscal year 2013-2015 under which the project “Sustainable Microfinance to Improve the Livelihoods of the Poor” (Mya/01/004) would be transitioned into a new sustainable modality under a suitable financial intermediary or mechanism which would be implemented with full and transparent consultations with all stakeholders including the donors. For this transition it had been proposed to extend the microfinance project operations for one more year up to December 2013 to the Ministry of Co-Operatives and Ministry of National Planning and Economic Development and received approval from both Ministries. The MFP transition proposal was submitted to the Ministry of Co-Operatives in October 2013 and the final MFP Transition MoU between UNDP and Ministry of Co-Operatives and Transfer Agreement between UNDP and PACT have been submitted to Ministry of Co-Operatives in December 2013 and now it is under due diligence process of Government.

In terms of township coordination level, out of the 15 existing old microfinance townships in the Dry and the Shan Zones, eight overlapped with the UNDP’s Integrated Community Developing Project (ICDP) and the two sister projects have been working side by side in implementing their project activities for community development and poverty alleviation. They met regularly and coordinate in order to avoid overlapping of clients. In ten new new MF townships to be expanded under LIFT project, four (Magway, Kanma, Naungcho and Kyauk Me’) overlap with ICDP and six (Momauk, Mansi, Hakha, Thanlang,Tedim and Falam) overlapped with the Community Development for Remote Townships (CDRT) projects of UNDP. UNDP has arranged cooperation and close working relationships between the sister projects during 2012. More cooperation has been done between the three UNDP projects in order to deliver microfinance loans to SRG groups promoted by ICDP and CDRT.

During the HDI Transition period, from January to July 2013, in order to sustain the development of over 5000 SRGs/ CBOs under HDI project, 47 SRG-Co-Operatives linkage workshops were conducted in 47 HDI targeted townships apart from Moemauk and Mansi due to local instability, facilitated by township Co-Operatives officials and UNDP and more than 1000 SRGs were under the process of Co-Operatives registration.

PACT:

A good relationship has been established with the counterpart department as PACT and Small Scale Industries Department of Ministry of Cooperatives have been working together to get success in microfinance activities since the launching of the program in 1997.

Ministry of Cooperative occasionally conducted meetings with senior staff of PACT to update the accomplishment of microfinance program. In January 2013 a meeting was conducted at the ministry of cooperative and His Excellency the Minister provided guidance. Director General of Small Scale Industries Department received PACT Officials in February and May 2013 to discuss about the progress of microfinance program.

UNDP MFP staff who stationed in LIFT funded townships had established a good relationship with the local authorities especially with the General Administration and Cooperative Departments. Accomplishment reports are regularly shared with the authorities and managers seek advice and support whenever required.

Senior Management from Yangon office, Project coordinator for LIFT Program and managers from field office held meeting with local authorities from time to time during the reporting period. The following are some of the coordination events:

1. On 29th February 2012, a meeting with Head of Township Administration of Kyauk Mae Township was conducted at the meeting room of Township Administration Office, Kyauk Mae. Program Officer and Branch Manager of LIFT MF Program attended the meeting. Head of the township administration mentioned security issues and U Aung Myo Linn, Program Officer did a brief presentation on microfinance program in Myanmar in Kyauk Mae and Naung Cho Region.
2. On 25th Sep’2012, LIFT Fund Board Mission conducted meeting at Head of Administration Department with Township authorities, government department and focal person of Pact, CESVI and ICDP Project. Head of Township Administrator delivered opening remark and both CESVI and PACT made brief presentation about project background and accomplishment. Head of Township administrator and some government department discussed with them on LIFT Activities and exchanged view on socio-economic situation in Kyauk Mae;
3. on 19 Mar 2013, a meeting with General Administration Officer from Naung Cho and discussed about project activities;
4. On 11 June 2013, a meeting was held at the General Administration Office of Pakokku to discuss about microfinance activities; and
5. On 20 June 2013, similar meeting was conducted at General Administration Office of Kyauk Me’ and discuss about the progress of microfinance program in Kyauk Me’ and the situation of villages in northern part of the township.

GRET:

After its application at the end of February 2012, GRET obtained the Micro Finance Licence No. 0001/2012 on 26th March 2012. Along the year, GRET and Chin MFI have developed close relationships with both of regional government and the regional institutions responsible for supervising the microfinance activities in the area. The MF supervisory committee formed by government has started activities in Chin State and has regularly met the Chin MFI for requesting information on their activities. This committee requested monthly reports from Chin MFI and GRET reported monthly to the Chin government’s administration, planning department and others department. Then Chin MFI attended meetings/workshops organized by Chin State government occasionally and Chin MFI invited and held township level workshop annually with it stakeholders including government departments.

SC:

a) Within the negotiation period, Save the Children organized advocacy trip accompanied by U Win Maw from SSID in Kamma Township in November 2011. 18 participants from Agriculture bank, Cooperatives, Township Administrative office, Police office, UNDP Office and Save the Children Dawn Microfinance attended the meeting and provide inputs and suggestions to implement microfinance activities in Kamma Township.

b) With active coordination from UNDP Yangon Office, UNDP field office and Myanmar Small Scale Industries Department of the Ministry of cooperatives, the Kamma Office was opened successfully in March 2012.

c) The national counterpart department, SSID, provided the request letter to local administrative authority and it had been useful in advocating Local Authorities. Due to local authorities support, village authorities approve to implement Microfinance activities at village level.

d) After recruiting the project staff, SC conducted planning workshop in Yangon which covered reviewing of geographical situation and targets.

e) The village assessment was done and organized mass community meetings in 3rd week of March 2012 followed by group formation and saving and loan fund management training provided to women groups in 1st week of April 2012.

**Difficulties or restrictions experienced**

No restriction apart from security issues in Kachin and Northern Shan State. However, difficulties in road infrastructure and market accessibility in southern Chin has experienced in GRET where poverty prevalence is very high (more than 70%) in country. These issues impediment the project rolls out in Chin State.

**Experience of coordination with private sector actors**

No coordination with private sector yet.

**Comment on the participation of women in project activities. What strategies do you use to mainstream gender?**

Results in democratic participation

PACT prioritizes women in providing microfinance services acknowledging the fact that women empowerment is essential for the microfinance program. Under this livelihoods support program of LIFT, all 36,046 clients were women in which 4,040 were women headed households mostly struggle to fulfill family requirement.

Before project intervention in villages of 8 Branches in 3 Pact townships, there was no 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 December 2013, women from 435 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, 603 centre leaders were elected. As of end December 2013, 7,077 women 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 center 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.

This was also the case in Save the Children where group members elected group leaders and assistant group leaders who actively advocated to targeted households about the MF project, assisted Loan promoter’s in client visit and loan utilization check and led the regular bi-weekly clients meetings.

Results in decision making authority

Through with credit from Pact, 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. 36,046 women joined in the program and 96% (34,721) 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 were women, and they made the investment decisions, determined business growth and allocated their 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, 7,077 women group leaders and 603 centre chiefs decided to approve 56,685 loans 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. Outputs and Achievements**

**OUTPUT 1:**

**Organizational and banking outreach capacity established with new microfinance branches to outreach MF services to potential clients in the project area.**

|  |  |  |
| --- | --- | --- |
| INDICATOR 1: Number of new microfinance branches set up along with full staffing capacity and operating microfinance services | **MILESTONE/TARGET 2013** 7 Branches | **Cumulative results as end of Dec 2013**9 Branches (128%)8 Branches (PACT) 1 Branch (SC) |
| INDICATOR 2: Number of new microfinance client groups formed |  6,600 groups  | 7,340 groups (111%)7,077 groups (PACT) 214 groups (SC) 49 SRGs (GRET) |
| INDICATOR 3:Number of microfinance clients received loans from the project |    32,770 clients  | 39,621 clients (121%)36,046 clients (PACT) 2,922 clients (SC) 653 clients (GRET) |

**Progress and Comments**

**Lesson learned from specific activities**

Peace and security is the most important issues for sustainable livelihoods in everywhere. PACT introduced microfinance program in three new townships specifically funded by LIFT in which Pakokku and Naung Cho make progress as expected. However, Kyauk Me’ in Shan State was lagging behind as some of the villages could not be accessed because of security issue. Despite the fact that Micro finance activities were planned to do in Kachin area, it failed for the operations in its third year because the tension between ethnic groups and union army was still in the area in this reporting period. As peace negotiation has been underway the tension could be lesser in the near future and microfinance intervention could be performed in those areas; Mansi and Moemouk.

Thorough market assessment should be done before developing business plan. During the first semi-annual period, it was observed there were demands for seasonal loans with flexible repayment terms rather than biweekly repayment and thus SC developed and introduced a seasonal loan product in the second semi-annual period. Likewise, GRET revised its loan procedure in the early of 2013 to adapt the local context and adjusted its wholesale SRG loan size to meet local demand. Regarding project expansion to southern Chin State, market feasibility study in 2012 concluded difficulty to implement microfinance in this part of Chin State.

**Achievements towards targets and evaluate progress**

Institutional development activities such as center formation, NFBE training and Institutional development training were performed by IPs during the reporting period. The project established 9 branches (128%) as of December 2013, was reaching 7340 clients groups (111%) which composing of 39,621 clients (121%).

PACT:

* PACT established four branches in 2011 in LIFT funded three townships and three more branches in 2012. Another one branch has been established during the reporting period of Year III, 2013. Presently a total of 8 branches (114% achievement) were in operations (four branches in Pakaukku, three in Naung Cho and one in Kyauk Me’) without reaching Kachin two townships. During the reporting period PACT recruited 8,868 new clients that need credit assistance to build their capital base to engage in income earning activities. Now it reached 36,046 clients at the end of Dec 2013 with 7,077 credit and saving groups from 435 villages. Current active borrowers at end Dec 2013 were 33,162 with total disbursement of US$ 9.536 million during the year 2013 including repeated loans.

GRET:

* GRET has no plans to open new branches in Chin State instead operating base on current branches in northern Chin State. One dedicated wholesale loan officer was appointed for inception period. During 2013, 44 SRGs received wholesales loans and cumulatively, it reached 49 SRGs with 653 clients at the end of 2013.

SC:

* SC has also made advocacy trip to its target area since November 2011 and opened 2 branches (100% achievement) in Kamma, one in March 2012 and another in August 2012. SC assigned experienced staffs from Dawn microfinance to operate Kamma branches and recruited local staffs as loan officers and cashier. Now it reached 2,922 clients at the end of December 2013 with 214 credit and saving groups from 68 villages and 4 wards from urban area of Kamma with total disbursement of US$ 741,480.
* Training courses on Credit and Savings methodology and Household Income and Expense were conducted in 68 villages plus 4 wards in Kamma. 2,922 clients were given induction training as well as household income and expenditure training.
* Out of 2,922 households, 2,281 Households utilized loans on Agriculture, 210 Households in Livestock/Fishery and 400 Households for petty trading businesses respectively.
* Among the 892 new households who have received loans during the reporting period, 108 households were woman headed and 8 households were vulnerable households.
* Total number of women headed household to date is 152.

**OUTPUT 2:**

**14,900 target farming households have access to agricultural loans in the amount of US$ 75 - US$ 150 per HH per year (Agriculture loans also apply for homestead gardening)**

|  |  |  |
| --- | --- | --- |
| INDICATOR 1: Number of clients (households) accessing agricultural loans | **MILESTONE/TARGET 2013**14,900 clients | **Cumulative results as end of Dec 2013**18,462 clients (124%)16,181 clients (PACT) 2,281 clients (SC) |
| INDICATOR 2: Number of agricultural loans disbursed |  33,500 loans | 49,928 loans (149%)38,884 loans (PACT) 11,044 loans (SC)  |
| INDICATOR 3:Amount of agricultural loans disbursed |  US$ 4.118 mil.  | US$ 9.03 mil (219%)US$ 8.35 mil (PACT)US$ 0. 68 mil (SC) |

**Lesson learned from specific activities**

Agriculture loan is a favorite loan product in the Dry Zone and Northern Shan State and demand is always high despite Myanmar Agriculture Development Bank (MADB) provides agriculture loans with similar loan size with lower interest rate. Loan size of agriculture loan was assumed to be US$ 75-150 for agriculture loan when preparing project proposal but in reality PACT provides 100US$ per acre based upon the minimum cost for an acre for paddy cultivation and a farmer could get maximum of 400US$. Regular interest payment during the course of agriculture loan followed by balloon payment of principal after harvesting made increased demand for agriculture loans. The amount would be up to 450,000 Kyats (460 US$) for special crops, such as paddy, wheat, onion and potato. The major crops sown in Pakokku area are maize, paddy, sesame, groundnut, onion, beans and pulses and in Naung Cho and Kyauk Me’ paddy, maize, groundnut, potato, garlic, ginger and tea leaf are cultivated.

Apart from sesame cultivation, loan term for agriculture loans is generally 5 months. When LIFT Fund Board paid a visit to Shwe Than Thit and Kun Ywar during June 2013, the clients mentioned that they would like to have a little longer loan term on agri-loan to have better price for the crops harvested. The clients were explained that it could be extended to another 15 days to 1 month, and as a result, loan term extended from 5 to 6 months.

**Achievements towards targets and evaluate progress**

During the project life, 18,462 clients (124%) accessing 49,928 agriculture loans (149%) and total agiculture loans disbursed was US$ 9.03 million (219%).

Out of 36,046 total recruited clients of PACT, 16,181 borrowers got access to agriculture loans both for pre-monsoon and post-monsoon periods. During the reporting period from Jan –Dec 2013, 26,389 loans have been disbursed with the amount of US$ 5.97 million for agriculture crop cultivation. In which 9,699 new clients got access to agriculture loans and received US$ 1.79 million from PACT. From the commencement of LIFT livelihoods support program, a total of 38,884 number of agriculture loans has been disbursed making cumulative disbursement of US$ 8.35 million US$ for agriculture loan alone. The accomplishment up to the reporting period reached 202% to original target of US$ 4.118 million as loan size has been doubled from US$ 150 max (when making proposal) to US$ 400 max to cope to the minimum cost for an acre of paddy. The number of loans that have to be provided is 33,500 loans by year III and PACT made a total of 38,884 loans that was 116% of the target.

During this reporting period, 606 new farmers received loans for utilization in their agriculture businesses. Total number of loan disbursed during 2013 was 8,784 loans with the amount of US$ 550,747. Thus, Save the Children reached 2,281 clients which achieved 100% for 2013 by disbursing 11,044 loans which was 249% of target up to end of 2013. Total agriculture loans disbursed amount was US$ 676,255 which is 333% of target up to the end of 2013. The project area has high demand for agriculture loans due to seasonal activities and flexible repayment system. SC is cautious to make sure the repayment culture of the clients is a positive trend.

**OUTPUT 3:**

**8,530 target households have access to loans to invest in livestock, poultry and fishery activities in the amount of US$75 to US$150 per HH per year**

|  |  |  |
| --- | --- | --- |
| INDICATOR 1: Number of clients (households) accessing livestock/fishery loans | MILESTONE/TARGET 20138,530 clients | Cumulative results as end of Dec 201320,819 clients (244%)20,609 clients (PACT) 210 clients (SC) |
| INDICATOR 2: Number of livestock/fishery loans disbursed | 19,560 loans | 33,539 loans (171%)33,105 loans (PACT) 434 loans (SC) |
| INDICATOR 3:Amount of livestock/fishery loan disbursed |  US$ 2.078 mil.  | US$ 3.30 mil (159%)US$ 3.28 mil (PACT)US$ 0.02 mil (SC) |

**Lesson learned from specific activities**

In PACT, Livestock and fishery loans were disbursed more than the set target. It was learned that most of the investments were in pig raising, a few in goats and cows, the borrowers exercise traditional methods in keeping animals. Livestock extension work is required in PACT villages and PACT presently tries to link with government and local practitioners for inoculation and extension service.

In SC, 210 clients received 434 loans with US$ 23,068 to utilize in livestock raising activities. Client feedback indicated that not many clients in this area were involved in livestock activities. In particularly there were not many fishery activities in this area which results in no loans requested. Rural people living in Kamma received income from mainly agriculture activities and less than10% are raising cows, pigs and chicken along with their regular agriculture activities. SCI will try to further modify products to see if that can attract large animal projects.

**Achievement towards target and evaluation of progress**

During the project life, 20,819 clients (244%) accessing 33,539 livestock/fishery loans (171%) and total loans disbursed was US$ 3.3 million (159%).

During the reporting period, PACT disbursed 18,344 livestock and fishery loans with the amount of US$ 1.99 million within the year. By 2013, total cumulative livestock/fishery loans disbursed was 33,105 loans that was 169% of the log frame target of 19,560 and the amount disbursed was USD 3.28 million in cumulative that was also 158% of the log frame target. Most of the livestock and fishery loans have been taken in Pakokku and Naung Cho and mostly invested in pig raising. Number of new households got access to Livestock and fishery loans during 2013 reached to 6,723 and they received 0.7 million of US$ from PACT.

Regarding SC, during the reporting period, it reached 90 new clients where disbursing 306 loans with the amount of US$ 17,982. In total, SC reached 210 clients by disbursing 434 loans with the amount of US$ 23,068.

**OUTPUT 4:**

**3,200 target households have access to loans for investment in small trading, small production activities and rural services in the amount of US$75 to US$150 per HH per year**

|  |  |  |
| --- | --- | --- |
| INDICATOR 1: Number of clients (households) accessing off farm (small trading, small production activities and rural services) loans. | MILESTONE/TARGET 20133,200 clients | Cumulative results as end of Dec 201313,219 clients (413%)12,819 clients (PACT) 400 clients (SC) |
| INDICATOR 2: Number of off farm loans disbursed |  7,400 loans | 21,300 loans (288%)20,553 loans (PACT) 747 loans (SC)  |
| INDICATOR 3:Amount of off farm loan disbursed  | USD 795,200 | USD 2.21 mil (279%)USD 2.17 mil (PACT)USD 0.04 mil (SC) |

**Lesson learned from specific activities**

In PACT areas, Most of the members taking this loan type invested in house based shop/grocery, trading of thanatkha and seasonal crops. A very small percentage of them invested in processing or production enterprises producing iron based blacksmith goods, bamboo based goods and cotton based goods. Microfinance members mentioned about skill training that they would like to have.

**Achievement towards target and evaluation of progress**

During the project life, 13,219 clients (413%) accessing 21,300 off farm loans (288%) and total loans disbursed was US$ 2.21 million (279%).

Off-farm loans accomplishment was over the log frame target, number of clients accessed to that kind of loan reached 12,819 almost four times of the target and number of loans disbursed was 20,533 in cumulative almost three times of the target. In terms of loan amount disbursed it reached 2.17 million in US$ making almost reaching three times of the year-end target.

In SC, off-farm loans were scale up during this reporting period. 165 clients were disbursed 494 off-farm loans for the amount of US$ 29,518. More off-farm loans was disbursed in urban wards in the second six months. In total, 400 clients were disbursed 747 off-farm loans for the amount of US$ 38,966 during the project life.

**OUTPUT 5:**

840 MSE small entrepreneurshave access to MSE loans in the amount of US$150 to US$250 per borrower per year.

|  |  |  |
| --- | --- | --- |
| INDICATOR 1: Number of clients (households) accessing MSE loans | MILESTONE/TARGET2013 840 clients | Cumulative results as end of Dec 2013 463 clients (PACT)55.1% |
| INDICATOR 2: Number of MSE loans disbursed | 1800 loans | 534 loans (PACT)29.6% |
|  INDICATOR 3:Amount of MSE loans disbursed (USD) | USD 382,730 | USD 211,000 (PACT)55.1% |

**Lesson learned from specific activities**

The MSE loan amount, $300 to $600, is much higher than regular loans so that need thorough assessment before releasing the loans. Borrowers in Kyaukme and Nyaung Cho are basically engaged in primary livelihoods such as agricultural and livestock rather than MSE businesses. Among the MSE loans, most MSE borrowers utilized their loans on operating grocery store, handicraft making, food processing and trading. In order to meet the target of MSE, MFP clients need entrepreneurship training, MSE business management and agro-trading.

**Achievement towards target and evaluation of progress**

MSE loans were just provided from October’2012. Normally, that sort of loan is provided for 2nd cycle and above borrowers and thus no loans was given during the reporting period up to June 2012. MSE loans are meant for borrowers who have higher skill and capacity to start small enterprises. Progress on providing MSE loan was cumulatively 534 loans as of December 2013 that was 29.6% of the original target and the disbursed amount was 55.1% of the targeted amount. Pact planned to revise the MSE target in the remaining period.

**OUTPUT 6:**

**3,000 most vulnerable households (MVHs) have access to micro loans in the amount of US$30 to US$60 per HH per year for investment in household level income-generating activities**

|  |  |  |
| --- | --- | --- |
| INDICATOR 1: Number of clients (Households) accessing vulnerable loans | MILESTONE/TARGET 20133,000 clients  | Cumulative results as end of Dec 20131,069 Clients (36%)  11 Clients (PACT)1,058 Clients (SC) |
| INDICATOR 2: Number of vulnerable loans disbursement |  6,200 Loans | 1,075 Loans (17%)  17 Loans (PACT)1,058 Loans (SC) |
| INDICATOR 3:Amount of vulnerable loan disbursed (USD) | USD 193,540 | USD 38,236 (20%)USD 895 (PACT)USD 37,341 (SC) |

**Lesson learned from specific activities**

Vulnerable loans was introduced from October 2012 and it was found that though the loan has the merit of flexibility in terms of repayment, only Pakokku and Naung Cho could disburse vulnerable loans under PACT project. Vulnerable households usually are self-excluded or group excluded people; some ground works such as spotting and identifying them, sensitizing and building up their self-confidence to start income generating activities and acquiring the acceptance of them by the normal groups take more time to provide loans to these groups. As explained previously it was a bit difficult to identify and organize poorest of the poor households to join microfinance program and get access to credit. They definitely like to improve their living condition but somehow they do not want to take the burden of credit program and some are reluctant to join. For Kyauk Me’ and Naung Cho the loan products seemed not attractive enough for the poorest households as the amount provided is about US$ 50. Only demonstrative effects will pull them towards the project.

In SC, while it continued to service the same areas and clients, many clients had demanded higher loan sizes in order to make larger investments in their economic activities. IP is currently balancing between listening to client demand and staying within targets that may no longer be viable given macroeconomic changes in Myanmar.

**Achievement against target and evaluation of progress**

During the project life, 1069 clients (36%) accessing 1075 vulnerable loans (17%) and total loans disbursed was US$ 38,236 (20%).

PACT reached less than 1% of its target for vulnerable loans so far whereas SC reached more than 1000% achievement against 2013 milestone.

As it achieved more than target already, there was no loan disbursement in this reporting period. Thus during the project life, SC disbursed 1058 loans to 1058 vulnerable clients with the amount of US$ 37,341. Product development in SC made this success and reached the vulnerable poor. Targets have been exceeded mainly due to the fact that the majority of clients reached were very low level of income and desired and were able to only manage lower loan sizes. However it is expected that the number of clients in this range may reduce as the clients grow their businesses (and prices increase) and can manage slightly higher loan sizes in subsequent cycles.

**OUTPUT 7:**

**Further development and progressively roll-out of new microfinance products**

|  |  |  |
| --- | --- | --- |
| INDICATOR 1: Number of clients covered by micro insurance product/Beneficiary welfare program | MILESTONE/TARGET 201327,270 clients  | Cumulative results as end of Dec 201334,721 clients(PACT)(127.3%) |
| INDICATOR 2: Number of SRGs provided with group loans |  230 SRGs  | 49 SRGs (19.1%) Nil (PACT) 49 SRGs (GRET) |
| INDICATOR 3:Amount of SRG groups loans provided (USD) |  USD 481,500 | USD 77,115 (16%)  Nil (PACT) USD 77,115 (GRET) |
| INDICATOR 4:Increase amount of saving of clients mobilized for augmenting lending capacity | USD 336,000  | USD 595,823 (PACT)(177.3%) |

**Lesson learned from specific activities**

All PACT borrowers are covered by beneficiary welfare program that works as a safety net when encounter hardships. Under the beneficiary welfare program PACT assists borrowers according to the following scheme:

* In case of demise of clients, MMK 100,000 assistance plus write-off of the loan outstanding;
* In case of natural disaster, cash assistance and loan outstanding write-off will be provided depending upon the level of severity; and
* In case of maternity, cash assistance is made for post natal care and to reduce child mortality rate. The levels of assistance are: 30,000 Myanmar Kyats (US$ 30) for home birth, 50,000 Kyats (US$ 50) for hospital birth, and 100,000 Kyats (US$ 100) for caesarian births.

In accordance to the log frame target PACT has to provide wholesale loans to the Self-Reliance Groups but has not yet been provided in all LIFT funded new townships where Microfinance intervention has been made. As Integrated Community Development Project (ICDP) had been phased out since 2012 not a single wholesale loan could be disbursed. PACT is trying itself to sensitize the SRGs about SRG-MF linkage program and identify viable SRGs that would like to build the capital.

In GRET, SRGs did not see the wholesales loans as the loan that integrated into their common fund and treated as another product of Chin MFI. The villagers could have access loan from 4 different sources: SRG; Chin MFI; Village’s LDC and MADB.

**Achievement against target and evaluation of progress**

In PACT, 34,721 clients covered by micro insurance product/Beneficiary welfare program which was 127.3% of the target. In terms of saving mobilization, PACT could mobilize community saving up to 177.3% of target setting.

In Chin State, due to regional development status including limited market accessibility, 49 SRGs received financial services as of December 2013. However, compare to original plan in Chin State (85 SRGs during the project life), it was cumulatively achieved 58% by far. SRGs were disaggregates into two categories: 1) who use the loan for crop/livestock and 2) who use other purposes. Pls. find Table (7) SRG wholesales Loan implementation status as of December 2013 for detail information. In terms of loan disbursement, GRET disbursed US$ 77,115 which is 70% of total target in Chin. If it compares to total SRGs target, due to zero delivery of Pact to SRGs lending, project reached only 19.48% of targeted SRG groups by far.

**OUTPUT 8:**

**Capacity development for enhanced knowledge and skills of the MF project banking staff**

|  |  |  |
| --- | --- | --- |
| INDICATOR 1: Development of training curriculum and materials for microfinance staff | MILESTONE/TARGET 2013 1   | Cumulative results as end of Dec 20131 Training curriculum developed (SC)(100%) |
| INDICATOR 2: Number of staff trained |  610 staff  | 342 staff (56%)315 staff (PACT) 27 staff (SC) |

**Lesson learned from specific activities**

In PACT, training curricula are already in place for loan officers and branch managers. All loan officers were provided intensive training on concept, methodology, steps and process, reporting and documenting, facilitation techniques. Further training such as TOT for Institutional Development Training has been provided to branch level staffs to disseminate to the Center Committees to build their capacity. Branch Managers have gone through basic management training before being assigned to the new townships.

**Achievement against target and evaluation of progress**

Basic lending methodology training for loan Officers was conducted by PACT in all three townships and the eligible candidates were appointed as new loan officers. The loan officers have to attend weekly branch level meeting before making field visits for that week: the activities they have to undertake, the tasks they been assigned, the documents/reports they need to bring back have been explained and it is a bit like hand on training before sending out to the field.

Although it had been intended to develop new training curriculum during the project period, this activity could not be started because it was link with the new MIS system installation which is in process right now. That plan will be accomplished with the installation of new MIS system in the organization in the remaining period.

Save the Children also has developed training curriculum and material in place for staff training. Trainings for 27 staff including Regional Manager, Branch Managers, Internal Auditor, Project Manager, Finance Manager, Information System Officer, Project Accountants, Loan Officers and the Microfinance Advisor had been conducted. Two day planning workshop was also conducted for each branch before launching of microfinance activities. SC provided several trainings which included MF methodology training, loan officer training, branch manager training, delinquency management, change management, strategic planning workshops and team building, and communication workshop. All BMs attended business planning, product development and research training as well. Study tour to Sri Lanka Microfinance Institutions was undertaken as well as participation in US savings and enterprise training.

**OUTPUT 9:**

**Development and application of a robust management information system supported by appropriate MF software application for improving efficiency of fund management, banking operations well as monitoring, loan tracking, loan rescheduling and operational reporting.**

|  |  |  |
| --- | --- | --- |
| INDICATOR 1: Assessment of data and information needs from MIS perspective for the MF project banking operations, with reporting templates based on microfinance industry standards | MILESTONE/TARGET 2013 1  | Cumulative results as end of Dec 2013In progress (PACT) |
| INDICATOR 2: MIS that would optimize efficiency and consistency of the microfinance project's accounting and finance operations developed | 1  | In progress (PACT) |
| INDICATOR 3:Engagement of a local sub-contractor on a retainer basis (through long term agreement) for maintenance and updating of the computerized MIS system and for periodic training of the MF project staff | 1 | N/A yet |

**Lesson learned from specific activities**

To obtain proper software within the present budget within the limitation of information infrastructure and poor power supply capability of the country were challenges to this improvement.

**Achievement against target and evaluation of progress**

In PACT, the first step in computerization, system designing phase was underway in early 2013. The development of a framework for computerization was in progress and PACT has arranged to acquire “Abacus” software for portfolio tracking from FERN Company based in Republic of Ireland. PACT appointed a program manager and IT manager to workout installation of the software with an expectation to complete by July 2014 and full running by September 2014 in selected branches.

At present all partners were using the excel-based MIS system supported by Micro Soft Access.

**OUTPUT 10:**

**Capacity development of institutional microfinance service providers engaged as partners of UNDP as well as non-partners on the project**

|  |  |  |
| --- | --- | --- |
| INDICATOR 1: Number of partners/MF actors used training modules and trainers, developed as per Output 8. | MILESTONE/TARGET 20137 Partners | Cumulative results as of Dec 20132 Partner (40%)(PACT & SC) |
| INDICATOR 2: Number of partners used the MIS developed as per output 9. |  3 Partners |  Nil |
| INDICATOR 3:Number of exchange visits for banking staff of other institutional MF service providers (both partners on this project and non-partners) | 8 visits  | Nil |

**Lesson learned from specific activities**

Nil.

**Achievement against target and evaluation of progress**

The training materials developed as per output 8 were being utilized by PACT and SC.

PACT is now working on installation of the software with an expectation to complete by mid 2015 and full running in selected branches. PACT has a training department that undertakes capacity building program for the staff and beneficiaries as well.

**OUTPUT 11:**

**Contribution to Government initiative in drafting and instituting policy and regulatory frameworks for structured and sustainable operation of institutional microfinance in Myanmar**

|  |  |  |
| --- | --- | --- |
| INDICATOR 1: Number of advisory Committee (AC) meetings | MILESTONE/TARGET2013 6 meetings | Cumulative results as of Dec 2013Nil |
| INDICATOR 2: A study on the demand of microfinance in both rural and peril-urban areas conducted |  1 | 2 studies (GRET)1 Survey on wholesale loans banking to SRG in Northern Chin State had been done in June 2012.1 Market feasibility study was conducted in southern Chin State in October 2012.  |
| INDICATOR 3:Number of national workshops conducted |  2 | 2 national workshop had been conducted in May 2013 and 2014.  |
| INDICATOR 4:Assessment of various approaches adopted by microfinance service providers in Myanmar and analysis of implications for government policy and regulatory support for development of the microfinance sector in Myanmar conducted | 1  | Not applicable, Policy and Regulatory support is now provided by FIND project under World Bank.  |
| INDICATOR 5:Structured discussions with government institutions | 11  | 6UNDP is one of the Steering Committee members of the Making Access Finance Possible project implemented by UNCDF funded by LIFT. Three round of MAP SC meetings held in 2013. In additions, UNDP conducted 2 output board meetings and 1 Pillar board meeting in 2013. |
| INDICATOR 6:Policy paper on “Options” for microfinance policy and regulatory support measures drafted |  1  | 1Policy paper on “Options” for microfinance policy and regulatory support measures will be submitted by FIND project implemented under World Bank. |
| INDICATOR 7:Paper on options for institutionalization of on going donor supported microfinance projects | 1 | Paper on options for institutionalization of on going donor supported microfinance projects was submitted in October 2013 and accepted by the Government of Myanmar.(UNDP MF project Transition MoU has been submitted to the Government of Myanmar in Dec 2013.) |

**Lesson learned from specific activities**

*A study on the demand of microfinance:*

Market study of wholesale lending in northern Chin delayed some months due to be bad road conditions in rainy season. Accordingly, project was delayed implementing in 2012. Thus, in order to set concrete study/ trip schedule for remote and difficult to access areas, weather and road conditions including local context need to be aware first. Also Implementing Partners need to set sufficient time for VISA and Travel Permission processing time to conduct proposed study timely.

*Microfinance national workshops:*

Workshop agenda needs to be finalized and confirmed before sending out the invitation. Last minutes confirmation of the speakers made frustration to logistics support team. Workshop presentations and hand outs should also be finalized at least 2 days ahead to prepare workshop package professionally.

*UNDP Microfinance Transition:*

Project transition proposal was developed at the end of the year when project was notified to be concluded by Head Quarter. Accordingly, the proposal finalized among development partners in the mid of 2013 and started to present to/consult with the government counterpart for some times and submitted final proposal in October 2013. Accordingly MFP transition MoU between UNDP and Government Counterpart first cleared with UNDP Head Quarter Legal Department and then with the Government of Myanmar and submitted final project transition MoU in February 2014 to the Government. It has been taken some 3-6 months for government due diligent processes.

**Achievement against target and evaluation of progress**

For indicator 2, GRET has already fielded two missions to the project townships in Chin State. The first mission of the GRET international consultant was conducted during the period 3-18 June 2012 in northern Chin and has focused on the assessment of the opportunities for the Chin MFI to propose wholesale loan to SRGs. The mission was aiming to:

* Define the needs of SRGs for additional cash;
* Design a product adapted to those need and loan;
* Define the processes to put in place before launching this product; and
* Define a pilot test and a possible roll-out plan.

The mission conducted meetings with numerous 19 SRGs and Chin MFI staff. The first result showed that SRGs are willing to get additional capital through wholesale loan provided by Chin MFI. The mission has also met UNDP, Yangon and CDRT/UNDP in Northern Chin state (3 township offices and state office).

 In the report, the designs of a loan product, possible process to manage this new kind of loans as well as a pilot test to be conducted in 2 townships were described. The consultant also proposed to assess the result of the pilot test activities after one year to decide whether to roll-out this product to all other area of SRGs. As of June 2013, according to the methodology prescribed by the consultant, the Chin MFI has conducted surveys to 103 SRGs in 4 townships and application forms were delivered into 3 townships. 85 groups applied for the loan. Finally, at the end of June 2013, 21 wholesale loans have been disbursed for a total amount of US$ 39,286. Results are lower than planned due to the results of the feasibility study that showed specific activities to put in place before disbursing loans (recruitment of a specialized loan officer, definition of new procedures, deep analysis of SRGs).

During the last quarter of 2012, a market feasibility study in southern Chin was conducted in October 2012. The study showed clearly that an extension of the Chin MFI in southern Chin was not possible on the short term. More generally, the development of a structured MFI would be very complicated due to the environmental, sociological and economic environment. In fact, the area need more holistic development approach in which financing would be one aspect among others. In addition, regarding financial services, it appeared that a more decentralized model would be suitable to the local context.

The national level Microfinance Workshop was held in Nay Pyi Taw in May 2013 with 170 participants including 11 resource persons from the Asia Region. This workshop was seek to achieve the following specific objectives:

1. Explore the current overall trends in the microfinance sector in Myanmar.
2. Share the regional experiences and best practices of microfinance sector development.
3. Consider the relevance of different experiences to the Myanmar context and how they could contribute to the development of the microfinance sector.

**Comment 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 8,868 new 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.

SC has provided leadership concept to its members and facilitated to elect leaders among themselves. From inception, 2,922 new clients were given induction training, credit and saving methodology as well as household income and expenditure training at the end of December 2013. SC has also tried to improve accountability through saving & loan training and biweekly repayment meeting. The regular meeting attendance record and zero percent portfolio at risk showed clients’ improvement in accountability.

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

The table 8 in Annex (A) 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 7 types of risk in form of institution, legal, environmental, macro-economic, financial, security and operations.

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

During 2013, PACT learned that the strategy of UNDP towards microfinance in Myanmar will change from retail micro financing to support on financial inclusion in the country and the contract has been extended to end December 2013. This modification of UNDP strategy has impacts on the implementation of the project, and especially in the process of commercialization of wholesale loans to the community in the LIFT areas where close collaboration between UNDP and PACT was expected. That is one of the facts that PACT could not able to provided wholesale loans in LIFT funded townships, Pakokku, Kuayk Me’ and Naung Cho, so far. As this report is written (but after the reporting period) LIFT has transferred the remaining implementation of this project from UNDP directly to PACT.

In GRET, operational challenges were faced as wholesale loan needed a close collaboration between UNDP and Chin MFI. The UNDP transition strategy caused difficulties to Chin MFI to find sustainable SRGs to provide wholesale loans. Another operational risk is caused by bad weather and communication condition which makes difficulties to loan officer to monitor all SRGs in targeted townships. This risk was mitigated by expanding monitoring strength by involving other Chin MFI credit supervisors in following up SRGs. A proactive measure was taken to manage default risk by establishing a default follow up procedure.

In SC, internal Audit procedures had been developed and new accountants have been employed to manage branch operations. New risk management policies and procedures have also been documented and implemented. Assessment for banking services within project area and option for the use of local bank for cash transfer is under review and may be able to be implemented in the near future depending approvals from Management. SC also instituted new motorcycle leasing contracts which seem to have decreased costs as well as any opportunities for misuse.

**Assess your efforts and results in view of the sustainability of your actions and outcomes**

Overall project achievement under LIFT II Country Wide program was mainly due to well collaborated and co-operated with counterpart department, Small Scale Industries Department, as well as township authorities and CSOs in the locality.

PACT:

Sustainability level of PACT’s microfinance program as a whole covering all 25 townships up to end December 2013 is stated below:

There are 2 indicators regarding indication of microfinance sustainability normally PACT exercises; operational self-sufficiency and financial sustainability, which are stated in the following table:

|  |  |  |  |
| --- | --- | --- | --- |
| **Financial Indicator** | **2012** | **2013** | **Increased/ (Decreased)** |
| **Dry Zone** | **Shan Zone** | **Dry Zone** | **Shan Zone** | **Dry Zone** | **Shan Zone** |
| Operation Sustainability (OSS) | 362.91% | 241.26% | 206.13% | 151.70% | -156.78% | -89.56% |
| Financial Sustainability (FSS) | 88.47% | 61.09% | 98.36% | 72.65% | 9.89% | 11.56% |

As of Dec 2013, financial self-sufficiency for the whole UNDP MFP reached 90.81% assuming inflation rate as 15% and an assumed cost of capital of 15%. MF branches operated with LIFT fund could be said as reaching 189.17% in operation self- sufficiency. If it is split into zonal wise, OSS decreased in both Dry and Shan Zone that was due to the salary adjustment (10% increment) made for the past 18 months (Jul 2011 – Dec 2012) for all staff during 2013. FSS were slightly increased by taking 15% inflation rate compare to 25% of prior year assumption.

 **Number of beneficiary households: PACT**

|  |  |
| --- | --- |
| Number of direct beneficiary households | 36,046 with farming and non-farming credit to undertake income generating activities. |
| Number of women-headed direct beneficiary HHs | 4,040 women headed households  |
| Number of indirect beneficiary households | Information not available |

PACT served 36,046 clients since the beginning of the LIFT funded country livelihoods support project, it served 4,040 women headed households, 3,012 from Pakokku, 533 from Kyauk Me’, 420 from Naung Cho townships making 3,965 in total for new three townships and 75 from old Dry Zone and Shan townships. They were making regular repayment without any difficulty. The women with enthusiasms could start livelihoods activities and make repayment regularly even they do not have helping hands from male family members. PACT has yet to record number of indirect beneficiary households though some of the MSE loan recipients were hiring some workers in their microenterprise ventures. The number of village tract covered is inclusive of 112 village tracts from new three townships and 15 village tracts from old microfinance townships. Similarly, the number of villages covered shown in the table is inclusive of 418 from new three townships and 17 villages from old townships. The table (6) shows accomplishment of new LIFT Townships and Old townships under LIFT funding.

SC:

SC achieved 132% of adjusted Financial Self- sufficiency at the end of 2013.

Due to community demand for seasonal loans, Save the Children disbursed a seasonal loan designed in this reporting period. The seasonal loan is extremely popular as reflected in the numbers. IP will continue to refine this product to engage even more agricultural producers. As a result, good repayment cultural had been developed among clients, trust building had been establish through group formation, staffs are mobilizing savings practices, women empowered at family level due to their increased income, and clients have confident to do businesses and requested higher loan sizes.

**Number of beneficiary households: SC**

|  |  |
| --- | --- |
| Number of direct beneficiary households | 2,922 Households |
| Number of women headed direct beneficiary HHs | 152 Households |
| Number of indirect beneficiary households | 13,469 Households |

GRET:

GRET and Chin MFI developed the wholesale loan to SRGs as a long term project. A specialized loan officer was recruited, adapted procedures were set up and it is expected that interest received from the loan will cover all costs related to this product and generate a profit in order to continue developing this product in the future. This result will depend mainly on i/the SRG capacity to repay the loan and ii/the capacity of Chin MFI staff to assist those SRGs on this part (that is the reason why a specialized loan officer was necessary). Chin MFI is very interested in this wholesale loan because it is a way of diversifying its product range (and therefore reducing its risk).

**Number of beneficiary households: GRET**

|  |  |
| --- | --- |
| Number of direct beneficiary households | 653 with farming and other non-farming credit to undertake income generating activities. |
| Number of women-headed direct beneficiary HHs | N/A |
| Number of indirect beneficiary households | N/A |

One point is still pending that may have a definitive impact on the sustainability of this project. This is in relation with the ownership of the investment fund at the end of the project.

**Cost-Benefit Ratio**

In PACT current database maintains cost break down per MF branch, not by project or villages. This requirement will be captured in 2013.

GRET wholesale loan project has to be seen as a pilot for the development of a new product thus cost benefit ratio analysis couldn’t be make much sense during this time.

**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.

Out of a 15 existing old microfinance townships in the Dry and the Shan Zones, eight overlapped with the UNDP’s Integrated Community Developing Project (ICDP) and the two sister projects have been working side by side in implementing their project activities for community development and poverty alleviation. They will meet regularly and coordinate in order to avoid overlapping of clients.

Out of the ten new MF townships to be expanded under LIFT project, four (Magway, Kanma, Naungcho and Kyauk Me’) overlap with ICDP and six (Momauk, Mansi, Hakha, Thanlang,Tedim and Falam )will overlap with the Community Development for Remote Townships (CDRT) projects of UNDP. UNDP will arrange cooperation and close working relationships between the sister projects as before.

 More cooperation between the three UNDP projects will be needed in order to deliver microfinance loans to SRG groups promoted by ICDP and CDRT. In some townships INGOs such as CESVI have already been operating some kind of credit activities but they warmly welcomed the UNDP microfinance project and overlapping of their clients with MF project will be avoided.

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

The 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 Country wide project area, irrespective of all ethnicity, can communicate well in Myanmar language, which creates a greater harmony in the region.

Out of the ten new expansion townships under LIFT funding, eight townships-- two from Shan state, two from Kachin state and four from Chin State have large populations of ethnic groups. Their participation will be ensured through forming credit and savings groups and then federate the groups as microfinance centres, where accepting new members, election of leaders and loan appraisals are decided in centre meetings.

For more effective community mobilization activities, project townships in ethnic areas needed local field staff who speak ethnic languages. The implementing partners (PACT and GRET) have experience in working with ethnic groups and they will continue to give priority to local people in recruiting field staff to resolve the language problem in ethnic areas. They are giving priority to locals in recruiting field staff.

In Kamma, most of the population is ethnic Burmese who practice Buddhism and for that no special issues were found. However, the situation is constantly monitored for safety and security as there are a mix of people residing in Kamma.

**Project management issues:**

Delay of contracting, fund transfer, etc had direct effect on the project implementation which were eventually resolved through guidance by LIFT and the cooperation of the head offices of the implementing partners.

In SC, there have been some continuity issues with regards to the grant management. The long time Livelihood Advisor has left SCI on 2 year study leave. This has left some gaps in understanding the grant as she was instrumental in its formulation. Thus, SCI has recently restructured its microfinance operations. This has resulted in staff with better qualifications to meet the demands of the new microfinance landscape in Myanmar. This has resulted in a new Managing Director and Finance staff. SCI feels confident that the new structure, people and policies will only improve its operations.

**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?**

**Future Work Plan**

The following points are work plan for LIFT country wide program.

PACT:

* Focusing on more village intervention
* Continuation of credit and savings services, NFBE and other beneficiary training and staff training in the field as per plan
* Continuation of monitoring through old MIS system and begin to use computerized system in 2014
* Emphasize on MSE loans for the post-monsoon period.

SC:

* SC will continue to provide loans to clients within this area and improve clients’ capacities.
* SC will provide more training to the staff in order to strengthen the capacity of staff. SC has recently developed new loan officer and branch manager training which will be delivered in the first quarter of 2014. External training in communication and management will also be provided to all managers in February and March 2014.
* SC will increase number of clients building on abandoned SRGs of former UNDP projects.

GRET:

* GRET will scale up the SRG loans in the future.

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

As project was early closure at the end of 2013, this section is not relevant to ending project.

**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

October 02 2014

**ANNEXURE:**

Annex A: Tables

Annex B: List of villages under LIFT II CW project area

Audit Management Plan: UNDP Microfinance Project was already audited in March 10-28, 2014

 ECOVIS STT Vietnam Co. Ltd.

**Annex (A): Tables**

**Table (4) Type of Loans and Loan Ceiling of PACT Institute revised in 2011**

| **Sr.** | **Types of loan** | **Original ceiling** | **Revised ceiling** | **Increase (%)** |
| --- | --- | --- | --- | --- |
| 1 | Agriculture loan | 150 | 354 | 236% |
| 2 | Livestock loan | 90 | 130 | 44% |
| 3 | Fishery loan | 100 | 130 | 30% |
| 4 | MSE loan | 200 | 300 | 50% |
| 5 | Small production and trading loan | 100 | 130 | 30% |
| 6 | SRG loan | 100 | 970 | ,870% |
| 7 | Vulnerable loan | 30 | 80 | 167% |

**Table (5) Accomplishment of PACT MF program In LIFT II CW Townships As of December 31, 2013**

| **Sr.** | **Particular** | **Target at end Dec 13** | **Accomplishment by Dec 13** | **%** | **Remarks** |
| --- | --- | --- | --- | --- | --- |
| 1 | No. of new townships | 5 | 3 | 60% |  |
| 2 | No. of branches  | 7 | 8 | 114% |  |
| 3 | Villages tract covered |  | 127 | 86% | Of total villages tracts 146 |
| 4 | No. of villages covered |  | 435 | 58% | Out of total no of villages 750 |
| 5 | No. of clients recruited | 29,324 | 36,046 | 122% | 34,884 Active Client |
| 6 | No. of groups formed | 6,600 | 7,077 | 107% |  |
| 7 | No. of active borrowers  | 29,324 | 33,162 | 113% |  |
| 8 | Amount of loan disbursed in US$  |  8,048,970  | 14,031,789  | 174% | 950 Kyats= 1 US$ |
| 9 | Savings mobilized US$ |  336,000  | 595,823  | 177% |  |
| 10 | No. clients covered by Beneficiary Welfare Program | 27,270 | 34,721 | 127% |  |

**Table (6) Accomplishment of new and old townships under Lift funding**

(USD in Million)

|  |  |  |  |  |
| --- | --- | --- | --- | --- |
| **Sr** | **Particular** | **New three township** | **Old townships** | **Total** |
| **Year 2013** | **cumulative end 2013** | **Year 2013** | **cumulative end 2013** | **Year 2013** | **cumulative end 2013** |
|  | No. of townships | 3 | 3 | 13 | 13 | 16 | 16 |
| 1 | No. of Branches | 1 | 8 | 13 | 13 | 14 | 21 |
| 2 | Village Tracts Covered | 8 | 112 | 15 | 15 | 23 | 127 |
| 3 | Villages covered | 45 | 418 | 17 | 17 | 62 | 435 |
| 4 | MFC formed | 105 | 580 | 23 | 23 | 128 | 603 |
| 5 | Group formed | 1,472 | 6,888 | 189 | 189 | 1,661 | 7,077 |
| 6 | Total Clients | 7,962 | 35,140 | 906 | 906 | 8,868 | 36,046 |
| 7 | Active clients | 6,859 | 34,004 | 880 | 880 | 7,739 | 34,884 |
| 8 | Active Borrowers | 6,631 | 32,317 | 845 | 845 | 7,476 | 33,162 |
| 9 | No. of loans disb.  | 55,202 | 91,610 | 1,483 | 1,483 | 56,685 | 93,093 |
| Amount of loans disb. | 9.30 | 13.80 | 0.23 | 0.23 | 9.53 | 14.03 |
| 10 | Loan outstanding  | - | 4.63 | - | 0.11 | - | 4.74 |
| 11 | Savings | 0.380 | 0.58 | 0.008 | 0.008 | 0.388 | 0.595 |

**Table (7) SRG wholesales Loan Implementation Status Jan 2012 - Dec 2013**

| **Sr.** | **Townships** | **No. of Villages** | **Total SRGs** | **SRG Group Member** | **Total Loan Disbursement****(MMK)** |
| --- | --- | --- | --- | --- | --- |
| 1 | Falam | 7 | 14 | 185 | 21,000,000 |
| 2 | Hakha | 4 | 8 |  108 | 14,200,000 |
| 3 | Thantlang | 13 | 20 | 277 | 26,000,000 |
| 4 | Tedim | 7 | 7 | 83 | 9,970,000 |
|  | **Total** | **31** | **49** | **653** | **71,170,000** |

**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. | Low-medium |
| Legal  | Feb 2013 | The regulatory authority may impose restrictions such as interest caps, area expansion, etc.. | The FIND project being implemented by World Bank in support of MMSE includes MF policy and regulatory support to the Government.  | Low-Medium |
| Environ-mental | Sept 2012 | Climatic changes, natural disasters and epidemic diseases may effect agriculture, livestock and clients livelihoods | 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 | Dec 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. | Will review and adjust the loan size and interest rate on clients’ savings. | Low |
| Financial | Dec 2013 | Fluctuation of exchange rate and depreciation of US Dollar may seriously devalue the project fund.Inflation may also decrease the real value of clients’ investment and profits. | Swiftly transfer US Dollars funds into local Kyat.Peg the loan ceilings to inflation and make occasional adjustments. | Low |
| Security | Feb 2013 | Possible high risks of staff security and safety in remote areas as crime rate increases. |  Strengthen networking and collaboration with local authorities and MF Centre Committees to prevent/mitigate such risks. Staff security guideline will be reviewed and updated as necessary. | Low-Medium |
| Operations | Dec 2013 | Potential agriculture loans delinquency due to recent failure of agriculture inputs trading companies’ activities | Screening of clients and loan as well as field monitoring functions will be strengthened and provide intensive trainings on portfolio & delinquency management to LO, ABM, BM, & Program Manager. | Medium |

**Annex (B): List of villages under LIFT II Country Wide project area**

1. 1 US$=950 [↑](#footnote-ref-1)
2. In MMSE progress report at end Sep 2013 the number of clients was 744,084 and aassuming one household holds 5 persons in average, it could be said as 3.7 million people has been served. That is 6.17% of the total population. Total population of Myanmar at end December was 59.93 million (Central Statistical Organization). [↑](#footnote-ref-2)