



Sustainable Microfinance to Improve the Livelihoods of the Poor

**Project Proposal for
United States Agency for International Development Funding**

Submitted by UNDP

January 2011

Proposal for USAID funding of Microfinance in Myanmar

I. Background

1 The Macro-Development Picture

- 1.1 Myanmar is endowed with a plethora of natural resources such as natural gas, oil, precious ores, timber and agriculture and marine products. It is considered to have one of the highest potentials for growth among ASEAN countries. Prior to World War II, the country was a top exporter of rice and teakwood. However, much of its infrastructure was destroyed during the war and its economy left ruined. Postwar rehabilitation was hindered by civil war, and agriculture suffered a decline due to a worsened security situation in rural areas. Nearly three decades of self imposed isolationist policy and regimentation of the economy followed which ultimately brought the country down to LDC status in 1986. When Myanmar came under direct military rule over two decades ago, credit was suspended from international institutions, reducing the much needed capital investment to boost the economy and get it off the ground. The stalemate was further compounded by the economic sanctions of the West. The real growth of the economy has been hampered by high inflation, which on an average has been 35 percent per annum for more than 10 years.
- 1.2 According to the 2010 UNDP Human Development Report, Myanmar ranked 132nd out of 169 countries. Myanmar also ranked 132 out of 169 countries in gross domestic product (GDP) per capita. The per capita income US \$183, is one of the lowest in the world. The annual budget for the health and education sectors, critical for development, at only 0.3 percent and 1.3 percent of GDP, are comparatively lower than most countries in the region
- 1.3 Out of Myanmar's population of 56 million (2007 estimates), 39 million (70%) live in rural areas. A household survey of living conditions conducted by UNDP in Myanmar in 2004-05 in collaboration with the Myanmar Government Central Statistical Organization identified that more than 30 percent of people were living below the poverty line (that is, their expenditures were insufficient to cover their basic food and non-food needs), with significant regional variations.
- 1.4 The majority of the rural poor are comprised of marginal farmers and landless casual laborers. Among them households with handicapped, widows and chronically sick members are most vulnerable to social and economic shocks. All of them are not served by banks as they are unable to provide the collateral needed for a bank loan. Therefore, they must resort to multiple sources of informal credit at very high interest rates which push them into vicious cycles of indebtedness. The lack of access to credit at an affordable cost (interest) is the most critical constraint faced by the rural poor in order to engage in productive economic activities.

- 1.5 The lower part of Myanmar also suffered a heavy blow in the form of Cyclone Nargis on 2-3 May 2008. The storm caused widespread devastation in 11 densely populated townships in Ayeyarwady and Yangon Divisions with 2.5 million people affected, over 130,000 estimated killed or missing. The rehabilitation of the loss of livelihoods remains a big challenge in year 2010 and 2011.
- 1.6 By tradition in Myanmar society, women are often in the back seat, though they work very hard in all aspects of the economic sphere, they are traditionally not active in decision making. The need and potential to empower them within the context of family as well as at local level community is essential

II. Access to Credit through the Human Development Initiative

2.0 Microfinance

- 2.1 Starting from the 1980s, microfinance has gained recognition globally as one of the most effective tools for poverty alleviation. In 1997, UNDP included a microfinance component as a separate project under its Human Development Initiative (HDI) in Myanmar for 11 townships in the three zones of Delta, Dry and Shan. This was the first time that microfinance was authorized to operate in the country. The objective of the program, implemented by partner Pact, is to bring sustainable microfinance services to improve the livelihoods of the poor rural communities. The overall goal for the MFP is that poor and vulnerable households in Myanmar achieve improved socio-economic well-being through increased access to sustainable financial services, including diversified loans, and increases in household assets. Achieving this goal will create a solid foundation for a future microfinance institution out of the present MFP that is well poised to become the country's largest banking institution for the poor should a viable legal framework be put in place.
- 2.2 The MFP provides a more sustainable option for the poor by providing a diverse range of financial services including savings, loans and some insurance products that support hundreds of thousands of micro-enterprises. The Microfinance Project (MFP) offers loans with no collateral requirements and at interest rates well below those charged by informal money lenders and is therefore able to address the needs of the poor in a more economical manner. With an average annual client growth rate of 36 percent over the past 10 years and an average of 77 percent per annum growth in the loan portfolio over the same time, this phenomenal growth of the project attests to the acceptance of these services by the poor.¹ The project now provides financial services in 22 townships with an outreach to 5,015 villages. From its infancy in July 1997 through the end of September 2010, the MFP has grown to become one of the 23 largest microfinance projects in the world with over 400,000 clients and with a loan portfolio of K 36 billion (US\$ 39² million). Its loan repayment rate has constantly attained a percentage of 98% or higher. Women constitute 97% of its clients.

¹ These figures include Cyclone Nargis of May 2008 which negatively affected the Delta Zone whereas pre-Cyclone Growth rate was 39% for client growth and 82% for loan outstanding growth.

² US\$ at Ks. 920

- 2.3 The MFP methodology follows international microfinance best practices as documented by successive external assessments.³As such, the project continues to improve its services, outreach and efficiency with the goal to reach long-term operational and financial sustainability. This can be seen by the project's ability to reach operational self-sufficiency (OSS) of 224 percent and a financial self-sufficiency (FSS) of 84 percent despite a high inflation rate around 35 percent for several years.
- 2.4 Poor clients use the loans and savings for increasing their income through investments in agriculture, livestock, fishery, trading and services. Based on an impact survey of clients completed in 2004, "63 percent of MFP client households have a diversified livelihood portfolio as compared with 28 percent of non-clients who have more than two sources of income."⁴ The poor throughout the world are extremely vulnerable when depending upon only one source of income. Therefore such a significant increase in diversified livelihoods by clients, as compared to non-clients, demonstrates the value of microfinance in reducing the poor's vulnerability and increasing alternative coping mechanisms at the household level. In the same study, 75 percent of clients were found able to acquire new livelihood and household assets as compared to only 48 percent of non-clients. Of the 75 percent who acquired new assets, over two thirds of the value of the assets was financed by the MFP. This shows that, the MFP can draw a straight line between access to financial services and positive impacts on the lives of the poor in Myanmar.
- 2.5 Microfinance is more than a financial intervention. It is also a social intervention and works towards strengthening civil society and uplifting women's status by strengthening women's roles and increasing decision making authority in the household as well as in the community and by promoting economic independence and increased participation in good governance in communities where they live. As a result of the increased access to credit, women's increased contribution to household incomes has led to tangible gains for poor families in achieving a more balanced economic contribution from men and women. Participation in MF groups has increased individual capacity and confidence of women and has widened their own and their households social networks. Consequently, targeted women are now playing much larger roles in both family and village-level decision-making. Experience so far has shown that overall empowerment and participation, especially of the poor women, is far higher in villages where these groups are present. By empowering Myanmar women through access to credit, political voice of women is hence also strengthened.

³ Institutional Assessment, Mark Flaming, 2004; Impact of the UNDP Human Development Initiative in Myanmar, 1994-2006; Report of the Independent Assessment Mission of the HDI, 2006; and, Report of the Independent Assessment Mission of the HDI, 2006.

⁴ Impact of UNDP HDI in Myanmar, 1994-2006, UNDP.

The Solidarity Lending Methodology

- 2.6 MFP's approach uses community mobilization around income-generation opportunities in order to raise economic status through women's empowerment. This approach has proven successful over the past 13 years of UNDP experience in managing the largest microfinance program in Myanmar. The project's entry point is at the village level through the use of Participatory Rural Appraisal (PRA) exercises. By using PRA methods, the project assists villagers in the identification of the community's poor. After the PRA exercises, the project staff assist the participating community members to develop their own solidarity groups of five like-minded self supporting women and to elect group leaders.
- 2.7 After the formation of groups, the project invites the newly formed group members to join three half-day training/workshops. These workshops promote a bottom-up and community driven foundation for the program. They attend the Non formal Business Education (NFBE) trainings which consist of five modules designed to inform potential members of the microfinance rules and regulations. The modules demonstrate through cartoons the basic concepts of running business activities, the role of savings and the visions for a better future. Each module ends with a public commitment by the participants to abide by the principles driven through the lessons. The public commitment of the acceptance by the women of the correct approach for success in business and the importance of community participation in development efforts are crucial for building solidarity groups, through which the microfinance activity is directly implemented.
- 2.8 The groups are then asked to form a Village Microfinance Center of 30 - 50 members, upon which further program activities are built. The Village Center is formed by six to ten, five-member groups. The Center Executive Committee is made up of the Group Leaders, who are elected from within their respective five-member groups for one year. These Center Executive Committee members decide how they would like to select their leader, by secret ballot, or by a show of hands, and elect the Center Chair. Outsiders are not involved at any stage in the selection process. The project thereby empowers each group with decision-making authority through a transparent election process which is one of the foundations of good governance. The project's approach to income generation, good governance and women empowerment keeps the community at the heart of the loan management system.
- 2.9 The Center acts as the project's arm at the village level, assisting in the screening of loan applications as well as the disbursement of loans to, and collection of repayment from MF members. The Center and its members are trained, assisted, and mentored throughout the process by MFP staff who regularly visit the Centers at appointed times to disburse and collect loans and to receive savings from individual members. While working with the MFP staff the Center Executive Committees' members learn good-governance approaches to community fund and board management. Through the Center activities women are introduced to democratic processes and practices which encourage them to make decisions at their family levels as well as local community level.

2.10 Having participated in the NFBE workshops and having saved an agreed upon amount (usually 500 kyat) during the NFBE workshops each woman in the five member solidarity groups is qualified to receive her first micro loan for income-generating activities of her own choice. To test the group solidarity, MFP's methodology staggers the first year loan disbursements amongst the five qualifying women members; that is, according to the priority list agreed among the group members, the first two members will receive their loans first, to be followed by the second two and finally the last one, after each of the earlier recipients have repaid two due installments of their loans. This collaborative and empowering approach along with the project's internal loan monitoring system is largely responsible for the current success of the microfinance operations with high repayment rates.

3.0 Self Reliance Groups

3.1 In addition to the MF program, UNDP is also addressing the lack of credit by the poor through the Self Reliance Groups (SRGs). As part of its Human Development Initiative (HDI) in Myanmar, UNDP has been implementing two integrated multi-sectoral community development projects since 1997:(1) the Integrated Community Development Project (ICDP) in the Dry Zone, the Ayeyarwady and the Shan Zone, and; (2) the Community Development for Remote Townships Project (CDRT) in the border states of Kachin, Chin, Rakhine, Mon and Kayin. These projects seek to improve the social and economic status of the poor, and promote livelihood support to families. SRGs were initially introduced into HDI in 1997 by the CDRT projects. As of December 2010, the ICDP and CDRT projects have formed altogether 5,427 functioning SRGs in the Chin, Kachin, Mon, Kayin, Rakhine and Shan States, and Delta and Dry Zones. Ninety-nine percent of SRGs are exclusively made up of women.

3.2 SRGs are formed with poor households who have a common background, are facing similar financial constraints and who are interested in improving their livelihoods. Groups usually consist of 10-20 members. This small size is preferred as it allows members to easily build trust and cohesion, to meet regularly and to manage finances and recordkeeping. Members of SRGs set their own rules, regulations and procedures on their business activities UNDP assesses maturity of the SRGs every three months using a standard organizational assessment tool.

3.3 At the centre of the group is a common fund, set up initially through members' savings, which serves as a financial resource base. The common fund provides loans to SRG members and earns income from collected interest on loans. Extensive training and support to the SRG groups is provided by UNDP through its trained field staff using basic concepts of group management, and developing organizational and social capital. Once members have accumulated enough funds from their own savings, the group then provides individual members with small loans to carry out small, income-generating activities. Repayment terms and interest rates are decided by agreement among the members. After the group has provided members with a number of loans and those members have proven their capacity to understand the principles of loan repayment and common-fund growth for their own interest, the HDI ICDP/CDRT projects provide additional resources to augment the group's

common fund, enabling the group members to take on more ambitious income-generating activities as they mature.

- 3.4 Studies of the MFP and SRGs show that women with access to credit are enabled to diversify their household livelihood base. The 2007 Impact Study of the MFP recorded significant improvement in socio-economic conditions of MF client families. Beneficiary families have been able to accumulate productive assets, spend more money for education of their children, and have increased financial resources to meet expenses for family health and social and cultural activities⁵. SRG members have similarly been found to have improved their economic well-being and to have accumulated productive assets for income-generating activities⁶.
- 3.5 As a result of the increased access to credit, women's increased contribution to household incomes has led to tangible gains for poor families in achieving a more balanced economic contribution from men and women. Participation in SRGs and MF groups has grown individual capacity and confidence of women and has widened their own and their households social networks. Consequently, targeted women are now playing much larger roles in both family and village-level decision-making. Experience so far has shown that overall empowerment and participation, especially of the poor women, is far higher in villages where these groups are present. By empowering Myanmar women through access to credit, political voice of women is hence also strengthened.

4.0 Additional Need for Microfinance Expansion and SRG Support in Myanmar

- 4.1 As of 2010 sustainable access to financial services for the poor and vulnerable households is no longer a lofty goal in Myanmar but one that is achievable, as demonstrated by the UNDP MFP since 1997. Although the MFP has a large number of clients, the demand for credit in the rural economy of Myanmar is still substantial. The demand by the poor in Myanmar for sustainable financial services remains robust and while the MFP has strong outreach, it is able to serve only a small percentage of the potential market which has been estimated at USD \$340 to 470 million⁷. Without the presence of other viable government or non-government microfinance projects that have reached the scale and sustainability of the MFP, there is a genuine need to expand the MFP's outreach to the poor.
- 4.2 Marginal farmers (farming less than five acres) are in need of short term capital in almost every crop season. Often, because of lack of collateral for a loan, they must rely on local money lenders. The state-owned Myanmar Agricultural Development Bank (MADB) provides agricultural loans but due to limited budgets, their loan size covers only approximately 29% of the cultivation costs. Small business development is another important area in need of microfinance services. These businesses help to generate employment in rural areas. Due to

⁵ UNDP/UNOPS (2007), Impact Study of the UNDP supported Microfinance Project, November 2007

⁶ UNDP SRG Case study, 2009

⁷ Rural population comprises 70% of the country's estimated population of 56.2 million. Rural population is thus estimated to be 39,340,000. With an average household size of 5.2 (based on IHLCA data for 2004/05), total number of rural households is estimated to be 7,565,385. An estimated 44.9% to 62.2% of rural HHs are potentially eligible for microfinance loan; i.e. 3.40 million to 4.71 million total potential microfinance borrowers. In meeting their average microfinance loan requirement of US\$100 the total estimated microcredit demand is in the range of US \$340 million to US\$471 million.

the lack of capital available, entrepreneurs who have established small businesses are unable to access the greater amounts of capital required to expand their businesses

- 4.3 Recently, many of the established SRGs under UNDP's Integrated Community Development Project (ICDP) have reached a capacity and maturity where there is a need for increased credit, loans and capital to keep up with their increased confidence and ambition. Their SRG common fund cannot grow at a rate to keep up with these needs on the basis of savings and interest earned alone. At the same time, as the groups mature and stabilize, the ICDP project cannot and should not continue to provide grants to mature groups that have the potential to stand on their own feet, provided they can access other sources of capital. In most other countries, one such source of capital would be the formal banking sector. In Myanmar, such services do not exist outside of the HDI. To ensure sustainability of SRGs going forward, UNDP has embarked on a strategy of linking mature and successful SRGs established by the community development projects (ICDP and CDRT) with the microfinance project.
- 4.4 As part of the Microfinance expansion in Myanmar, it has become necessary to diversify the loan products in order to increase outreach and adapt to the needs of a larger population. The important areas to focus upon are trading, self employment, agriculture and micro enterprise development. By microfinance industry standards, the MFP demonstrates outstanding performance which demands that the project continue to provide and upscale its financial services in existing project areas while expanding into new villages. Supporting more MF centers and SRG groups will promote the bottom up and community driven foundation for strong civil society through women empowerment and practices of good governance.

III. Strategy and Implementation of the Project

5.0 Strategy

In a two pronged approach the UNDP microfinance project will open two lines of credit: (A) for individual clients in the Dry Zone who will have access to loans from MF centers through five member groups, and; (B) for SRGs in the Delta which will have access to wholesale loans. Recognizing that microfinance interventions are more than simply providing a loan to groups, the decision-making process is an important focus of the participatory decision making and good governance theme implicit in the HDI to help build social capital. UNDP will encourage SRGs to access the wholesale lending window as a group rather than encouraging each member to access individual loans directly from the microfinance project.

As part of this strategy, UNDP's ICDP and MF projects will jointly build the capacity of viable SRGs to grow in organizational capacity, ensure that fair and transparent decision making processes are in place, increase leadership, and in loan fund management and financial record keeping to enable them to access wholesale loans from MFP as a group in order to support their members' microenterprises and increase income.

6.0 Implementation

(A) Expansion of Microfinance in the Dry Zone of Myanmar

- 6.1 Some additional funds will be provided to the two new branches in the Dry Zone—Nyaung U and Taung Thar Townships to expand their MF operations outreach by extending agricultural loans for the marginal farming families who are already clients to the existing MF program. More loans will be given for agriculture which has the highest demand. Clients with good records will also get additional loans for their trading, agriculture and small and medium enterprises through their MF centers. The loan ceiling will also be raised based on the type of businesses and the borrowers' capacity to repay.

New clients will also be recruited and given trainings in business education, good governance practices and MF loans, to support their income generating activities.

(B) Wholesale Loans to Support SRGs Sponsored by the ICDP Project in the Delta of Myanmar

- 6.2 Wholesale Loans to SRGs will be administered by Pact on behalf of UNDP.

To give SRGs access to this line of credit the ICDP and MF projects will implement the wholesale lending strategy in close collaboration. The implementation will focus on 500 ICDP promoted SRGs in the three townships of the Delta zone—Bogalay, Mawlamyaingyun and Labutta. The strategy of linking the SRGs to wholesale microfinance loans will take a three step approach that includes a joint capacity assessment, capacity building training, and finally access to wholesale loans. This approach will ensure that beneficiaries have obtained the capacity to adequately receive and manage larger amounts of capital.

6.2.1 **Joint Capacity Assessment of SRGs**

UNDP and PACT together will perform a joint capacity assessment on target group of 500 SRGs that have been identified as mature by the ICDP project, both in organizational capacity and in the potential to access wholesale loans. The assessment will identify areas of strength and weakness in the SRG and assess areas in which capacity still needs to be gained to successfully manage wholesale loans.

6.2.2 **Capacity Building Training**

Once the assessment has been performed and areas of weakness identified, UNDP and Pact will collaborate to create a training plan for each group tailored to individual needs. UNDP support will focus on continuing to focus on organizational development and will include social capital development, business development and social support. Focus will be on augmenting leadership capacity, instilling participatory processes and the continued empowerment of the members of the SRG. Pact support will focus specifically on ensuring that the SRG has capacity to manage the wholesale loan. Focus will be on cash flow, fund management, savings management and book keeping.

6.2.3 Access to Wholesale Loans

When SRGs are deemed to have the capacity to access Wholesale loans the microfinance project will provide wholesale (group) loans to SRGs on mutually agreed terms and conditions. The loans taken will be managed by the SRG and become part of the capital base that members access for individual loans. The SRG collectively has the responsibility to ensure that the loan obtained from the microfinance project is repaid in accordance with the agreed terms. It is in the group's interest to do this, as continue access to larger loans will be depend upon the group's record as good clients of the microfinance project. Pact will be responsible for distributing and monitoring these loans.

The ICDP project will further take measures to assist SRGs to secure higher margins on their produce through direct access to traders at village-level secondary markets through business management support to improve quality, packaging, and product diversification.

IV. USAID's Inputs

7.0 For Expansion of Microfinance Activities – Dry Zone

To support the goal of expanding Microfinance services USAID has earlier funded two MF branches in the Dry Zone to recruit 7,000 women in order to enable them to improve their livelihoods, elevate their status in the community and empower them with a decision-making voice in their households and in their community . These women have been given access to MF loan through the village credit centers, while credit centers received the fund from the project.

This incremental funding from USAID would allow MFP to expand operations in those two townships in the Dry zone and also to cover some additional centers and additional borrowers. The activities will reach an additional 500 women and strengthen the sustainability of the current microfinance operations in the area.

With the incremental funds the MF project will follow the principle of women focused solidarity group lending in its operations. The project will also promote democratic practices and good governance by supporting the women's economic independence, democratic participation and community leadership etc.

7.1 For Wholesale Loans to Self Reliance Groups in the Delta

This incremental funding from USAID will allow 500 SRGs in the three Delta townships to have access wholesale loans from the MF project over two years.

8.0 Expected Outputs

- **Output 1: Additional 500 poor households in two townships in the Dry zone have access to MF loans and services increasing the total to 7,500**

1.1 Diversify loan products to meet clients' needs. Particular loans will focus on self employment creating, trading, agricultural, micro enterprise loans,

1.2 Create women empowerment through economic independence, increased participation in household and community decisions, democratic practices and good governance in setting up and running their own MF.

- **Output 2. 500 SRGs will have capacity building support from UNDP(ICDP) and MF(PACT)**

2.1 500 SRGs will have capacity building trainings on book keeping, financial management In addition to support from the ICDP project for business expansion and community development, over a two-year period.

- **Output 3 500 SRGs have access to wholesale loans from MF project**

3.1 250 stronger SRGs given wholesale loans in year, as well as capacity building training from UNDP ICDP (1) while the remaining 250 receive on-going capacity building trainings to enable to access wholesale loans in year (2).

9.0 Targets

By the end of program, the following targets will be attained:

Table 1: Targets for 2011 and 2012

| No | Indicators | Unit | As at January 2011 | Target 2011 | Target 2012 | Total at end of project intervention |
|----|-----------------|------|--------------------|--------------------------|--------------------------|--------------------------------------|
| 1 | Clients | No | 7000 | 250 | 250 | 7500 |
| 3 | SRGs Clients | No | --- | 500* | 500* | 500 |
| 4 | No of loans: MF | No | --- | 375 Agriculture loans | 375 Agriculture loans | 750 Agriculture loans |
| 5 | No. of Loan SRG | | --- | 250 | 250 | 500 |
| 6 | Field Staff | No | 10 | 10 | 10 | 10 |
| | | | | | | |
| 7 | Fund required | US\$ | --- | 1,200,000 | 900,207 | 2,100,207 |

* All 500 SRGs will be targeted for in year one, with 250 receiving access to wholesale loans in 2011 and the remaining 250 receiving access to wholesale loans in 2012, in addition to capacity building training.

10.0 Duration of Program

The duration of these funded activities would be two years, though MFP is anticipating continuation for these activities. UNDP believes that this program's sustainability extends far beyond the requested funding stream and aims to build the foundation of the country's very first Microfinance Institution. UNDP is working for continued microfinance assuming that the project can become, when a legal framework exist to support it, an independent and sustainable Microfinance Institution with a revolving microfinance fund that provides poor women micro entrepreneurs with secure credit sources in the future. Towards this end, MFP builds the capacity of its local staff for self-management and empowers them with business management skills.

In the first year of the implementation of SRG targeted activities, 250 of the strongest SRGs are targeted to access wholesale loans from the microfinance project. All 500 SRGs will be receive capacity building training in the first year and the remaining 250 will be targeted for additional capacity building support with the goal of accessing MF loans in the second year.

11.0 Performance Indicators

The major program indicators will track financial services such as loans disbursed by type, repayment rates, outstanding balance, client's savings, program income, financial ratios, and sustainability levels. Additional indicators will track, number of groups and centers formed, number of active borrowers, number of non-formal business education training given, women's participation, center meetings, leadership selection/rotation, types and number of self employment, and trading and micro enterprise loans and types promoted by MF financial services.

12.0 Sustainability Plan

- 12.1 MFP builds sustainability on two fronts – capacity building of the community and financial services provision for poor women. First, program activities and the community administered governance structure will develop independent management skills for the village Microfinance Centers. These skills continue beyond the funded program life and enable women to continue income generation activities and community leadership roles. Interest income generated from lending activities will also be re-invested back into the MFP and utilized to expand financial services to new communities.
- 12.2 SRG groups will also be more sustained through better financial management skills and capacity building training given by MF project and the opportunity to engage and expand their business enterprises through access to higher amount of loans from the wholesale lending program.

13.0 Project Management

- 13.1 As the lead agency, UNDP will have the overall responsibility to manage the additional contribution from USAID. UNDP has well established financial and program monitoring systems to ensure the highest standards of transparency and accountability in its operations. Progress reports will be submitted to USAID on a regular basis.
- 13.2 Pact as the Executing Agency for the UNDP MFP will have the responsibility to implement the project activities in the field. Pact will provide UNDP with progress reports and updates on a regular basis.

Rationale for Proposed Management Arrangement

- 13.3. UNDP is uniquely positioned to deliver micro-finance services to poor communities as it is the only agency in the country that is legally authorized by the Government to introduce and operate the micro-finance project. Pact has been operating microfinance in Myanmar for more than 13 years, first as an implementing partner of MFP in the Dry zone since 1997 and later also as the executing agency for the MFP in Shan and the Delta zones. Pact has proven itself to be the most successful INGO in Myanmar the field of micro finance. Over the years it has built up a very strong local capacity.

14.0 Budget

The budget overview for this contribution is as follows:

Table 2

| BUDGET ITEM | Year 1 USD | Year 2 USD <i>Estimated budget</i> | Total USD |
|-----------------------|------------------|---------------------------------------|------------------|
| SRG Capacity Building | 280,374 | 93,315 | 373,689 |
| MFP | 841,121 | 748,000 | 1,589,121 |
| UNDP GMS (7%) | 78,505 | 58,892 | 137,397 |
| Total | 1,200,000 | 900,207 | 2,100,207 |

Please see detailed budget in attachment, **MFP addendum budget with UNDP_Delta-DZ**.

15.0 LOGICAL FRAMEWORK

| Narrative Summary | Verifiable Indicators | Source of Verification | Important Risks and Assumptions |
|--|--|---|---|
| <p>Goal/Overall objectives</p> <p>To reduce economic vulnerability of the poor and vulnerable households and contribute towards poverty reduction in Burma</p> | <ul style="list-style-type: none"> ▪ Improved food security and basic needs including durable and safe shelter condition of the poor and most vulnerable people in the target area. | <ul style="list-style-type: none"> ▪ Outcome assessment through household survey and participatory assessment expected to be completed in December 2010. | |
| <p>Purpose</p> <p>To support the poor and vulnerable households in Myanmar to achieve improved socio-economic well-being through increased access to sustainable, diversified financial services and increases in household assets</p> | <p>Number of people receiving loans (including trading, employment creation, micro enterprise and agriculture) from the microfinance project.</p> <p>Number of SRGs accessing microfinance loans.</p> <p>Evidence, even anecdotal (and from impact assessment), of user-groups that decide to address non-microfinance related issues, such as water, healthcare, or agricultural issues</p> | <ul style="list-style-type: none"> ▪ Project progress reports ▪ Monitoring reports ▪ Evaluation report ▪ Field visits | <p>The policy and regulatory environment is supportive of development initiatives.</p> |
| <p>Outputs/Results</p> | | | |
| <ol style="list-style-type: none"> 1) Assistance extended to 500 poor households in new townships serviced by 2 USAID funded branch offices in Nyaung U and Thaug Thar – increasing the total number of clients to 7,500. 2) 750 agriculture loans will be extended to the farming | <ul style="list-style-type: none"> • Number of community-based user-groups established to administer loans at the community level. • Number of people receiving trading, employment creation, micro enterprise and agriculture loans. • User group members/loan recipients who report | <ul style="list-style-type: none"> ▪ Project progress reports ▪ Monitoring reports ▪ Evaluation report ▪ Field visits | <p>The central and local governments and residents of Delta Region remain committed to the overall development of the region.</p> |

| Narrative Summary | Verifiable Indicators | Source of Verification | Important Risks and Assumptions |
|---|---|------------------------|---------------------------------|
| <p>families with between 2-5 acres of land.</p> <p>3) Diversified loan products to meet clients' needs.</p> <p>4) Environment of women empowerment created among the communities and democratic manner of participation encouraged in the election of credit group leaders and decision making process.</p> <p>5) Assistance extended to 500 SRGs to have capacity building support from UNDP(ICDP) and MF(PACT)</p> <p>6) Assistance extended to 500 SRGs to access wholesale loans from MF project.</p> | <p>increased involvement in other community issues.</p> <ul style="list-style-type: none"> • Number of SRGs receiving capacity building trainings on book keeping, financial management, in addition to support from the ICDP project for business expansion and community development • 250 stronger SRGs given wholesale loans in year (1) all 500 SRGs receive training in Year 1 while the remaining 250 receive capacity building trainings in year 2 and are able to access wholesale loans in year 2(2). | | |

ATTACHMENT E

16.0 MICROFINANCE PRODUCTS

| | | | |
|----|--|-------------------------|---|
| 1. | Regular Income Generating Loans: Starting from \$60 (for Livestock, trading, productions, services, etc.) | \$60-\$150 | A new borrower can start from \$60 and then can access to higher loan with successful repayment of current loan |
| 2. | Microenterprise Loans | Up to \$500 | Based on the capacity and profitability of the business |
| 3. | Health Care Loans | \$50 | For health emergency for the family |
| 4. | Education Loans | \$50 | School enrollment |
| 5. | Agricultural loan | \$75 | Per acre |
| 6. | Seasonal Loans/ consumer Loans | Up to \$100 | For emergencies |
| 7. | Wholesale loans to SRGs | Up to \$1,500 per group | For SRGs that have reached a level of maturity that enables them to access more capital |
