

**THE UNITED NATIONS DEVELOPMENT PROGRAMME**

**(MYANMAR)**

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

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

**2013 SEMI-ANNUAL NARRATIVE REPORT**

**Reporting period:**

**01 Jan – 30 June 2013**

**Date Submitted:**

**Aug 06, 2013**

**PROJECT INFORMATION AND RESOURCES**

|  |  |
| --- | --- |
| 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 Institute  GRET/Chin Microfinance  Save 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 | June 2014 |

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

|  |  |
| --- | --- |
| Period covered by this report: | 01 Jan - 31 Dec 2012 |

|  |  |
| --- | --- |
| Annual Budget (US$) | Accrued Expenditure (US$) |
| US$ 1,729,926 | N/A |

**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 June 2013, UNDP Microfinance project that has being implemented by PACT, SC, and GRET was operational in 32 townships covering more than 6,195 villages and 226 wards reaching 418,620 active clients.

**2. PROJECT PURPOSE**

The need for credit in the rural economy is substantial in Myanmar as present MF actors can just serve a meagre portion of the country population, where UNDP MF project constitute 3.24% [[1]](#footnote-1)of total population with 92% client market share[[2]](#footnote-2). It implies that all the MF actors have served 3.52% of total population.

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.

**Progress & comments**

From the project inception in June 2011, the LIFT II Country Wide Project has been continued expanding into 5 new townships - Pakokku, Naung Cho, Kyauk Me`, Kamma, and Hakha. At the end of Dec 2012, nine new branches were established – 4 in Pakokku, 2 in Naung Cho, 1 in Kyauk Me`, and 2 in Kamma Township.

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, 32,837 borrowers received loans, achieved 100% of 2013 target. Total disbursement during the reporting period (Jan-June 2013) was US$ 4.484 million in PACT, US$ 149,138 in SC and US$ 27,807 in GRET.

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 PGMF staff are still trying to reach the two townships but without any progress as government authorities do not recommend visiting those townships.

After one and half year of implementing MF activities in the new townships, 7 branches have been established: four in Pakokku, two in Naung Cho and another one branch in Kyauk Me’, meeting the target without reaching the two townships from Kachin State.

For the reporting period alone, from Jan-June 2013, the project reached an additional 15 new villages making a total coverage of 388 villages at end June 2013 from the three new townships. 2,650 new clients have been recruited during the reporting period reaching 29,828 households in total. From Jan-June 2013, project disbursed $ 4.484 million in loans making a total disbursement of $8.979 million since PACT started implementing LIFT CW project in the new townships. Progress in Pakokku was faster as credit demand is higher because of the larger population compared to the other new townships. Naung Cho followed behind Pakokku and Kyauk Me’ lagged behind because of the security situation in some of the villages.

GRET:

GRET had done feasibility study in 2012 and the SRG loan product was developed in southern 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 the second half of the 2013, it will continue 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 MMK250,000.

During this reporting period, the project extended to 8 new villages in Kamma township by providing financial services to 705 new households. Training courses on Credit and Savings methodology were conducted for those 705 households who received loans during this period. Thus, as of June 2013, cumulatively, 2,735 clients received loans from SC.

**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, the budget and log frame 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.

PACT:

Though PACT faced delay in implementing the project in the LIFT funded area, PACT staffs made achievements almost as per the target. PACT is aware of the importance of building the capacity both for the staff and the beneficiaries as well. PACT provided intensive training for branch level staff to understand the methodology, the steps and process that they need to take in implementing the program. Well experienced Branch Managers from the Dry Zone are brought to lead the teams in LIFT II areas. The efforts gave positive results, reaching the target as expected.

Nevertheless, there were some lessons learned from the implementation of the project. Regarding vulnerable loans, the target number to be achieved is too high. 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.

The eligibility criteria to get access to MSE loan had not been reviewed when preparing project proposal. In the proposal it has the target of MSE loans even in the first year for 300 loans. The regular practice in PACT for MSE loan starts only after the clients completed the first cycle with good repayment behavior and developed good microenterprise ventures. In reality, the MSE loans have only been introduced from October 2012, making it a little difficult to reach the target of 1,800 loans for three years. One output still in the processing stage is computerization; consultants have been engaged, software has been reviewed and a finalist chosen. The contract will be signed and implementation started before the end of 2013.

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 2 more townships, Falam and Thantlang during the first half year of 2013 and reaching 16 new SRGs which composed of 193 households in southern Chin State and ready to expand to Tedim township.

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 targets is more than satisfactory. In terms of total client, PACT recruited 29,828 clients by end June 2013 that is 102% of the project target which is 29,324. In term of loan disbursement, US$ 8.97 million has been disbursed in total, which is 112% 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 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 disappointed and is 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.

* 29,828 women clients were recruited in 3 townships
* 27,864 women borrowers borrowed loan to do business for their livelihood
* 533 women centre chief were elected to do loan decision for their community
* 5,895 women group leader 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**

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 institutions 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.

There is no issue which has programme/policy level implication for SC in this reporting period.

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

Computerization in the branches is required to streamline daily credit operation and reporting and enhance the level of efficiency. IPs acknowledges the merit of computerization and is in the process of acquiring an automated accounting and portfolio management package in the near future. PACT engaged computerization experts to study the cost of hardware, status of network and communication facilities available in the country and identified a vendor that provides appropriate software for the microfinance program.

**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.

**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.

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.

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 have 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 2o 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. 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 this area.

**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

Before project intervention in villages of 7 Branches in 3 Pact townships, there was no such kind of process of group forming activities where women are solely selecting their own peer members to form groups, electing their leaders and join in participatory decision making activities at the ground level of community, particularly for the increased role of women in the community. As of December, 2012, women from 377 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, 475 centre leaders were elected. As of end December, 2012, 5,416 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 MFP, members can perform income generation activities and playing economic productive roles which help to create a far-reaching improvement of decision making level in domestic level. 27,178 women joined in the program and 95% (25,686) 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 center 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, 5,895 women group leaders and 553 centre chief decided to approve 26,835 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.**

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| 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 June 2013  9 Branches (128%)  7 Branches (PACT) 2 Branches (SC) |
| INDICATOR 2:  Number of new microfinance client groups formed | 6,600 groups | 6,122 groups (93%)  5,895 groups (PACT)  206 groups (SC)  21 SRGs (GRET) |
| INDICATOR 3:  Number of microfinance clients received loans from the project | 32,770 clients | 32,837 clients (100%)  29,828 clients (PACT)  2,735 clients (SC)  274 clients (GRET) |

**Progress and Comments**

**Lesson learned from specific activities**

Peace and security is the most important issues for sustainable livelihoods in everywhere. 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.

**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.

PACT:

* PACT established 4 branches in 2011 in LIFT funded three townships and 3 more branches in 2012. Presently a total of 7 branches (100% achievement) were in operations (four branches in Pakaukku, two in Naung Cho and one in Kyauk Me’) without reaching Kachin two townships. During the reporting period UNDP MFP recruited 2,650 new clients that need credit assistance to build their capital base to engage in income earning activities. Now it reached 29,828 clients at the end of June 2013 with 5,895 credit and saving groups from 388 villages. Current active borrowers at end June 2013 were 27,864 with total disbursement of $ 4.48 million during the first six months of 2013 including repeat loans.

GRET:

* GRET has no plans to open new branches in its areas (Chin State) instead operating base on current branches in Chin State. One dedicated wholesale loan officer was appointed for inception period. During this reporting period, 21 SRGs received wholesales loans.

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 2,735 clients (127% achievement) at the end of June 2013 with 206 credit and saving groups (112% achievement) from 53 villages and 4 wards from urban area of Kamma. Current active borrowers were 2,735 with total disbursement of US$ 422,220 (163% achievement).
* Training courses on Credit and Savings methodology and Household Income and Expense were conducted in 53 villages plus 4 wards in Kamma. 1799 clients were given induction training as well as household income and expenditure training.
* Out of 2,735 households, 2,241 Households utilized loans on Agriculture, 173 Households in Livestock/Fishery and 321 Households for petty trading businesses respectively.
* In terms of general loans, 317 clients have received their first cycle loans, 809 clients received second cycle loans and 235 clients received third cycle loans. Regarding seasonal loans, 388 clients in the first cycle, 934 clients in the second cycle and 501 in the third cycle.
* Among the 705 new households who have received loans during the reporting period, 64 households were woman headed and 3 households were vulnerable households. Total number of women headed household to date is 108.

**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 June 2013  16,962 clients (114%)  14,721 clients (PACT)  2,241 clients (SC) |
| INDICATOR 2:  Number of agricultural loans disbursed | 33,500 loans | 31,384 loans (94%)  24,681 loans (PACT)  6,703 loans (SC) |
| INDICATOR 3:  Amount of agricultural loans disbursed | US$ 4.118 mil. | US$ 5.593 mil.(136%)  US$ 5.207 m (PACT)  US$ 386,082 (SC) |

**Lesson learned from specific activities**

Agriculture loan is a favorite loan product in the Northern Shan and Dry Zone. The need for loan size in agriculture loan has been increasing than estimated. According to this, Pact has increased loan ceiling for agriculture loan to cope with higher price both in farm products and inputs. Regular interest payment with balloon payment for capital after harvesting made increased demand for agriculture loans. Loan ceiling for agriculture loan had been increased to 300,000 Kyats per acre for maize, soya bean, sesame, ground nut and chick-pea. The amount would be up to 450,000 Kyats for special crops, such as paddy, wheat, onion, potato and tomato.

Apart from sesame cultivation, loan term for agriculture loans is generally fixed for 5 months. When LIFT Fund Board paid a visit to Shwe Than Thit and Kun Ywar during June 203, 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.

**Achievements towards targets and evaluate progress**

Out of total 29,828 recruited clients of PACT, 14,721 borrowers got access to agriculture loans both for pre-monsoon and post-monsoon periods. During the reporting period from Jan –Jun 2013, 9,556 number of agriculture loans of $ 2.82 million has been disbursed making cumulative disbursement of $ 5.20 million $ for agriculture loan alone. The accomplishment up to the reporting period reached 126% to original target of $ 4.118 million. Still the number of loans that have to be provided is 33,500 loans and PACT could make a total of 24,681 loans that was 73% of the year 3 end target. PACT has already taken into consideration of providing more agriculture loans to the farmers during the remaining six months. Given the level of demand in the past quarter, there should be no problem in reaching the target number of agricultural loans for the year.

Save the Children reached 2,241 clients which achieved 99% for 2013 by disbursing 6,703 loans which was 254% of target up to end of 2013. Total disbursed amount was US$ 386,082 which is 190% of target up to the end of 2013.

During this reporting period, 566 new farmers received loans for utilization in their agriculture businesses. In total, 2,241farmers received 386,082 US$ for utilization in their agriculture businesses. Year 2 target has exceeded at the end of June, 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 2013  8,530 clients | Cumulative results as end of June 2013  15,048 clients (176%)  14,875 clients (PACT)  173 clients (SC) |
| INDICATOR 2:  Number of livestock/fishery loans disbursed | 19,560 loans | 24,217 loans (124%)  23,937 loans (PACT)  280 loans (SC) |
| INDICATOR 3:  Amount of livestock/fishery loan disbursed | US$ 2.078 mil. | US$ 2.276 mil (110%)  US$ 2.263 m (PACT)  US$ 13, 484 (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 as the borrowers exercise traditional methods in keeping pigs. Livestock extension work is required in PACT villages and PACT presently tries to link with government and local practitioners for inoculation and extension service.

However, in SC, as of June 2013, 173 clients received 280 loans with US$ 13,484 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 reporting period, PACT disbursed 9,176 livestock and fishery loans with the amount of $ 0.97 million within six months. At the end of June 2013, total cumulative livestock/fishery loans disbursed was 23,937 loans that was 122% of the log frame target of 19,560 and the amount disbursed was USD 2.263 million in cumulative that was also 108% of the log frame target. It could be up to additional 15% during the remaining 6 months.

Regarding SC, during the reporting period, it reached 53 clients where disbursing 152 loans.

**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  2013  3,200 clients | Cumulative results as end of June 2013  9,525 clients (298%)  9,204 clients (PACT)  321 clients (SC) |
| INDICATOR 2:  Number of off farm loans disbursed | 7,400 loans | 14,638 loans (198%)  14,143 loans (PACT)  495 loans (SC) |
| INDICATOR 3:  Amount of off farm loan disbursed | USD 795,200 | USD 1.415 m. (178%)  USD 1.392 m (PACT)  USD 22,654 (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**

Off-farm loan accomplishment was over the log frame target: number of clients accessed to that kind of loan reached over 9,204 almost three times of the target and number of loans disbursed was almost double of the target. The number of off farm loan disbursed reached 14,143 in cumulative that was 191% of the year 3 target of 7,400. In terms of loan amount disbursed it reached USD 1.39 million in making 175% of the year 3 target.

In SC, the second branch became fully operational and thus off-farm loans were scale up during this reporting period. 321 clients (128%) were disbursed 495 off-farm loans (66%) for the amount of US$ 22,654 (45%). In the next 6 months, more off-farm loans could be disbursed in urban wards of Kamma.

**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/TARGET  2013    840 clients | Cumulative results as end of June 2013  287 clients (PACT) |
| INDICATOR 2:  Number of MSE loans disbursed | 1800 loans | 287 loans (PACT) |
| INDICATOR 3:  Amount of MSE loans disbursed (USD) | USD 382,730 | USD 105,684 (PACT) |

**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, pig breeding, 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 287, that was 34% of the original target and the disbursed amount was 27% 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 2013  3,000 clients | Cumulative results as end of June 2013  1,068 Clients (36%)  10 Clients (PACT)  1,058 Clients (SC) |
| INDICATOR 2:  Number of vulnerable loans disbursement | 6,200 Loans | 1,208 Loans (19%)  10 Loans (PACT)  1,198 Loans (SC) |
| INDICATOR 3:  Amount of vulnerable loan disbursed (USD) | USD 193,540 | USD 42,561 (22%)  USD 526 (PACT)  USD 42,035 (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 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**

PACT reached less than 1% of its target for vulnerable loans so far whereas SC reached more than 1000% achievement against 2012 milestone. As it achieved more than target already, no new clients were disbursed in this reporting period. Instead, 140 repeat loans were disbursed for the amount of US$ 4,694. In total, 1058 clients received 1198 loans with the amount of US$ 42,035.

Product development in SC made this success and reached the vulnerable poor. 140 vulnerable loans have been provided during the reporting period. 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 2013  27,270 clients | Cumulative results as end of June 2013  28,879 clients(PACT)  (106%) |
| INDICATOR 2:  Number of SRGs provided with group loans | 230 SRGs | 21 SRGs (9%)  0 SRGs (PACT)  21 SRGs (GRET) |
| INDICATOR 3:  Amount of SRG groups loans provided (USD) | USD 481,500 | USD 39,286 (8%)  0 (PACT)  USD 39,286 (GRET) |
| INDICATOR 4:  Increase amount of saving of clients mobilized for augmenting lending capacity | USD 336,000 | USD 374,570 (PACT)  (111%) |

**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.

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, 28,879 clients covered by micro insurance product/Beneficiary welfare program which was 105% of the target. In terms of saving mobilization, PACT could mobilize community saving up to 115% of target setting.

In Chin State, due to regional development status including limited market accessibility, 21 SRGs received financial services as of June 2013. However, compare to original plan in Chin State, it was cumulatively achieved 21% 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 (3) SRG wholesales Loan implementation status as of June 2013 for detail information.

**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 June 2013  1 Training curriculum developed (SC)  (100%) |
| INDICATOR 2:  Number of staff trained | 610 staff | 136 staff (22%)  119 staff (PACT)  17 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 119 candidates for loan Officers was conducted by PACT in all three townships and the first 60 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. Training for 17 staff including branch managers, internal auditor, project manager, finance manager, Information System Officer, project Accountants and loan officers had been conducted. Two day planning workshop was also conducted for each branch before launching of microfinance activities. SC provided six types of trainings which included MF methodology training, loan promoter training, branch manager training, delinquency management, change management and strategic planning workshops. BM attended business planning, team building and communication trainings. The project will recruit more staff in coming quarter based on case load.

**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 June 2013  In progress |
| INDICATOR 2:  MIS that would optimize efficiency and consistency of the microfinance project's accounting and finance operations developed | 1 | In progress |
| 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**

Proper software that accommodates key requirements of present MF programmes needs to be identified within the budget limitation. 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. However, PACT did identify appropriate software, find the right vendor and acquiring is in progress.

**Achievement against target and evaluation of progress**

In PACT, the first step in computerization, system designing phase was underway. Consultants have been assessed the present system to identify appropriate software to be installed during 2013. The development of a framework for computerization was in progress and expected to be accomplished during the remaining months of 2013.

At present all partners were using the excel-based MIS system supported by Micro Soft Access. In PACT, the possible/ appropriate software would be tested in during 2013.

**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 2013  5 Partners | Cumulative results as of June 2013  2 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) | 6 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.

Ground work has been undertaken for installing computerized MIS and accounting system that has been planned since 2003. It was expected to happen in 2013. 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/TARGET  2013  4 meetings | Cumulative results as of June 2013  Nil |
| 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 | 1 | This workshop conducted during second quarter of 2013. |
| 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 | This assessment has been done by MAP project under new country programme action plan and it is in progress. |
| INDICATOR 5:  Structured discussions with government institutions | 7 | A series of discussions will be done after submission of financial inclusion road map at the end of 2013. |
| INDICATOR 6:  Policy paper on “Options” for microfinance policy and regulatory support measures drafted | 1 | Policy 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 | 0 | 1 proposal for institutionalization of UNDP MF project has drafted and in finalizing process. |

**Lesson learned from specific activities**

Nil.

**Achievement against target and evaluation of progress**

For indicator 2, GRET has already fielded two mission 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.

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 has conducted by MAP project under UNDP Myanmar new country programme action plan and it is in progress right now. Structured discussions with government institutions will be continued after submitting financial inclusion road map at the end of 2013.

**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 2,650 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. 705 new clients were given induction training, credit and saving methodology as well as household income and expenditure training at the end of June 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 4 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 2012, it is learned that the strategy of UNDP towards microfinance in Myanmar will change from retail micro financing to support on financial inclusion in the country. Since the development of wholesale loans was based on a close collaboration between PACT, GRET UNDP, this modification of UNDP strategy may have impacts on the implementation of the project, and especially in the process of commercialization of wholesale loans to the community in Dry, Delta and Chin zone where close collaboration between UNDP and Chin MFI staff was expected.

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.

**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.

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. We 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.

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 reimburse 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 delaying its risk).

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. If the decision is not taken clearly that the investment fund will belong finally to the chin MFI, it may be a risk for the institution to invest on this product. Sustainability of the outcomes relies therefore on the final ownership of the investment fund by the MFI.

**Number of beneficiary households**

**PACT:**

|  |  |
| --- | --- |
| Number of direct beneficiary households | 29,828 with farming and non-farming credit to undertake income generating activities. |
| Number of women-headed direct beneficiary HHs | 5,063 women headed households. |
| Number of indirect beneficiary households | N/A |

**GRET:**

|  |  |
| --- | --- |
| Number of direct beneficiary households | 274 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 |

**SC:**

|  |  |
| --- | --- |
| Number of direct beneficiary households | 2,735 Households |
| Number of women headed direct beneficiary HHs | 64 Households |
| Number of indirect beneficiary households | 12,307 Households |

**Cost-Benefit Ratio**

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

**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 UNDP/PACT applies the policy of equal opportunity for all the race and religion in the project area. When anyone becomes microfinance member they become part of the microfinance community and get access to all the microfinance related services without any undue favor. The inhabitants in 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
* Community Mobilization Skill Training for Branch Level Staff
* Facilitation Skill Training for senior staffs
* Continuation of monitoring through old MIS system and begin to use computerized
* Emphasize on off-farm loans for the post-monsoon period.

SC:

* Save the Children will use newly developed assessment form as a tool to gather more detailed client information in order to provide higher loan sizes. It is envisioned to disburse higher loan amounts up to 100,000 kyats to clients who show capacity and have more business opportunities.
* SCI will disburse to more clients to receiving both types of loans; General and Seasonal loans to some potential clients who has to utilize for both business. Particular expansion in urban areas will also increase loans for trading and services.
* SCI will plans to increase the total number of clients in the coming quarter.
* SCI will combine two branches to one branch according new manual standard, this will include new structure, policies and procedures that support more effective operations.

GRET:

* GRET will scale up the SRG loans in southern Chin in 2013.

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

PACT:

* Target for SME and vulnerable loans would be reduced to reflect local demand.
* Livestock breeding and small trading businesses are promising businesses in PACT project area. Thus, targets for these loan products will be adjusted for 2013 and onwards.

SC:

* Main business of Kamma township is Agriculture activities. Therefore, more Agriculture loans will be increased and reduced Livestock/Fishery and off- farm loan target for coming year as follows:

|  |  |  |
| --- | --- | --- |
| Type of loan | No of HH current Target as of December,2013 | No of HH Adjusted Target as of December,2013 |
| Agriculture | 1,824 | 2,274 |
| Livestock/ Fishery | 450 | 200 |
| Off- farm | 450 | 250 |

**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 satisfactory mainly due to good collaboration and cooperation with UNDP and counterpart department, Small Scale Industries Department, as well as with township authorities and CSOs in the locality.

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

There are 4 indicators regarding indication of microfinance sustainability normally PACT exercises; operational self-sufficiency, program sustainability, short-termed financial sustainability and long term financial sustainability and is stated in the following tables:

|  |  |
| --- | --- |
| Financial Indicators | MF average for all 25 townships |
| Level I: Operational Self-sufficiency | 182.50% |
| Level II: Program Sustainability | 182.50% |
| Level III: Short-term Financial Sustainability | 167.40% |
| Level IV: Long-Term Financial Sustainability | 78.86% |

In the above-mentioned table, apart from Long Term Financial Sustainability other three indicators were above 100%. MF branches operated with LIFT fund could be said as reaching 167% in short term financial sustainability. Assuming the inflation rate as 15% long term financial sustainability could be said as at least 78% in average.

PACT served 29,828 clients since the beginning of the LIFT funded country livelihoods support project, it served 5, 063 women headed households, 3,570 from Pakokku, 445 from Kyauk Me’ and 1,048 from Naung Cho townships and they were making regular repayment without any difficulty. The women with enthusiasms could start livelihoods activities and make repayment regularly even they do nave 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.

SC:

Financial Self Sufficiency ratio: 133%

**Cost-Benefit Ratio**

Current database maintains cost break down per MF branch, not by project or villages. This requirement will be captured in the future.

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

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

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06 Aug 2012

**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 April 1-26, 2013 by

Mazars Audit Team from Vietnam.

**Annex (A): Tables**

**Table (1) Type of Loans and Loan Ceiling of PACT Institute revised in 2011**

| Types of loan | Original ceiling | Revised ceiling | Increase (%) |
| --- | --- | --- | --- |
| Agriculture loan | 150 | 354 | 236% |
| Livestock loan | 90 | 130 | 44% |
| Fishery loan | 100 | 130 | 30% |
| MSE loan | 200 | 300 | 50% |
| Small production and trading loan | 100 | 130 | 30% |
| SRG loan | 100 | 970 | ,870% |
| Vulnerable loan | 30 | 80 | 167% |

**Table (2) Accomplishment of MF program In LIFT II CW Townships As of June 30, 2013**

| Sr. | particular | Target  2013 | Accomp-lishment | % |
| --- | --- | --- | --- | --- |
| 1 | No. of new townships | 5 | 3 | 60% |
| 2 | No. of branches established | 7 | 7 | 100% |
| 3 | Village tracts covered |  | 105 |  |
| 4 | Villages covered |  | 388 |  |
| 5 | No. of clients recruited | 29,324 | 29,828 | 102% |
| 6 | No. of Credit and Savings Groups formed | 6,600 | 5,895 | 89% |
| 6 | No. of active borrowers | 29,324 | 27,864 | 95% |
| 7 | Amount of loan disbursed in US$ | Million | Million | % |

**Table (3) SRG wholesales Loan Implementation Status as of June 30, 2013**

| Sr. | Townships | Total SRGs | Appli-cants | Loan received | Total Loan outstanding  (MMK) | Members per group |
| --- | --- | --- | --- | --- | --- | --- |
| 1 | Falam | 139 | 21 | 11 | 16,500,000 | 139 |
| 2 | Hakha | 103 | 21 | 8 | 13,590,000 | 112 |
| 3 | Thantlang | 65 | 34 | 2 | 3,500,000 | 23 |
| 4 | Tedim | 67 | 9 | 0 | 0 | 0 |
| 5 | Total | 374 | 85 | 21 | 33,590,000 | 274 |

**Table (4) Summary of Risks and Mitigation Measures (Feb 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 | Feb 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. | Medium |
| Financial | Sept 2012 | 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. | Medium |
| 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. | Medium-High |
| Operations | Feb 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-High |

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

|  |
| --- |
|  |

1. The figure is estimated by multiplying active client figure at end of December 2011 with 5 and dividing total population of Myanmar. Total population of Myanmar at end December was 59.93 million (Central Statistic Organization) [↑](#footnote-ref-1)
2. Microfinance Industry Report published by ACTED in 2010. [↑](#footnote-ref-2)