



**GRET**

Professionals for  
Fair Development

# Fidel

## Finance Inclusion in Delta (Myanmar)

*Delivering innovative financial services fully aligned with the needs of villagers inhabiting Ayeyarwady Delta Region in Myanmar*

### Background

Ayeyarwady Delta, also named as “Myanmar’s rice bowl”, is a 3.5 millions hectares region of the Andaman Sea coast, covered by mangrove forest used as habitat for fisheries resources and enhances sediment stabilization against riverbank soil erosion. Agriculture is the main source of income for 80% of households. The region represented 50% of the country’s paddy production before the cyclone Nargis in 2008.

Nargis Cyclone struck the Ayeyarwady Delta in May 2008, occurring in the course of the summer paddy harvest. It , affected more than 2.4 millions of people (including 140,000 casualties), destroyed 95% of houses, and displaced 800,000 inhabitants. 783,000 hectares of paddy land were flooded, more than 85% of seed lost, and 50% of cattle died.

After the cyclone, GRET, in partnership with German INGO WeltHungerHilfe, started a project aiming at resume agriculture activities in Bogale and Mawlamyinegyun townships thanks to the funding of LIFT (multi-donor fund). In 2013 GRET was further funded by Danida in order to support more particularly *bau-thama*, small producers who are either landless or very small holders, representing 66% of Delta’s population.

### Set up of services

Following a in-depth demand assessment, in 2012, GRET decided to implement two financial services in the operating townships: hire purchase (HP) and inventory credit (IC), to fit farmers needs (respectively access to equipment, and storage facilities and cash flow for a selling strategy when higher prices). Since 2014, microcredit for smallholders (SPCS) was developed to enhance poor family incomes through development of seasonal productions (pig, duck, vegetable, etc.)

*Paddy storage (IC)*



*Monthly collection (SPCS)*



### Project objectives

- Improved farmers and poor households’ incomes through higher farm productivity, guarantee of paddy stock, and funding of family farming investment.
- Creating a microfinance institution built on a village-based credit committee model

### Project snapshot

- Innovative financial services implemented since 2012
- 3 financial services system: hire-purchase, inventory credit and small producers credits
- Objective of covering 100 villages, 3,000 clients with and outstanding loans portfolio of 500,000 USD
- Subsidy need of 250,000 USD for loan capital and 200,000 USD for cash grant

*Engine delivery to the lessee, future owner (HP)*



## Innovative financial services

> **Hire purchase (HP)** consists in leasing agriculture and income generating equipment to improve farms productivity and family incomes. Villagers request equipment, propose leasing maturity, and pay a 25% down payment when selected. By the end of the leasing contract (monthly principal and interest paid), the ownership is transferred to the lessees.

> **Inventory credit (IC)** enables small rice farmers to store their paddy harvest in a safe warehouse as a guarantee against the delivery of credit corresponding to 65 or 80% of the inventory value. The service allows smallholders to get cash at harvest time and to postpone selling time until prices move upward. Following their stock sale, villagers are able to repay their loan, cover storage costs and get benefit from a potential margin.

> **Small Producer Credit Service (SPCS)** aims at targeting poorer households either landless or with limited land owned for . Several loan products are delivered from 3 to 11 months with monthly or quarterly principal repayment to finance activities such as horticulture, flower cultivation, perennial crops, duck and pig breeding, etc.

In order to deliver these financial services, GRET with the members selected a **decentralized organizational model** which is cost and time efficient, based on a strong sense of ownership by the members, and allowing a demand-driven development of the products. **Village-based credit committees** are composed of villagers elected, and are responsible of credit assessments, clients selection, approvals and repayments. In addition, by being members they take part of strategic, institutional and operational decisions in order to improve the quality of the services. GRET is responsible of the emergence of committees, build their capacity, granting initial seed capital, and direct support to the monitoring of the financial management, and to facilitate the structuring of democratic governance.



HP cluster assembly for committee members selection

### FIRST RESULTS

Up to December 2015	Number of loan disbursed	Gross loan portfolio	Number of client	Number of committees
Inventory Credit	231	11,206 USD	126	5
Hire Purchase	464	65,223 USD	392	7
SPCS	1,334	45,577 USD	882	9

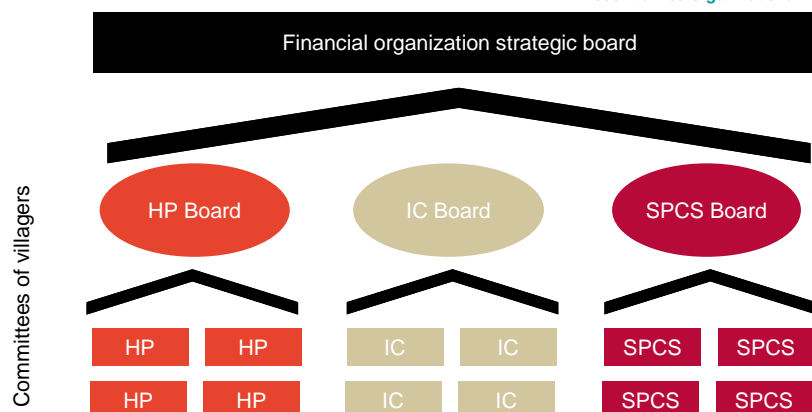
### PERSPECTIVES

Financial services implemented since 2012 are now well-tested and considered fundamental by the clients and members. The main stake is, for those innovative financial services, to be sustainable through the creation of a financial institution such as farmers and non-farmers could keep on increasing their incomes in the whole area. A business plan has been set up that estimate the break-even achievement with about 100 villages, 3,000 clients and an outstanding loans portfolio of 500,000 USD. In such conditions, services should be sustainable for the region.

For the first phase of the project GRET is funded by the donation fund FIND dedicated for development.

Fidel project is looking now further technical and financial partners in order to ensure the sustainability and extension of the services in the Delta, to support farmers, smallholders and their families.

Decentralized organizational model



Photos : © GRET

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Involvement in Myanmar since 1995, GRET is an international development NGO that has been actively fighting poverty and inequalities for 39 years

Myanmar

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