



Quarterly Report | Q4 FY 2014

APRIL-JUNE, 2014

Summary: Year End Results

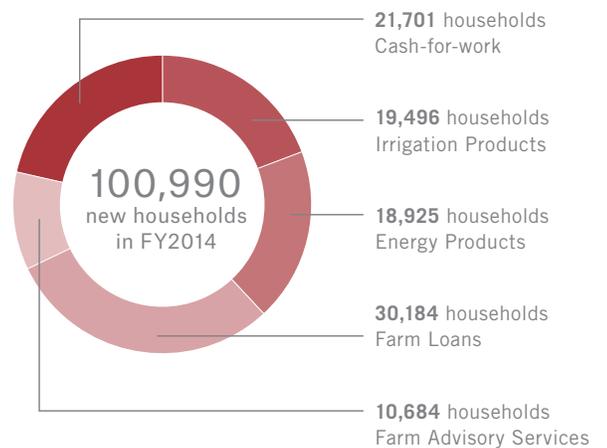
June 2014 marks Proximity's tenth year designing and delivering innovative products and services for rural Myanmar. 100,990 rural households purchased one of our products or services and became new Proximity customers this year. This represents a 4 percent increase over 2013, and is equivalent to 475,000 individuals who increased their incomes.

\$41m
Extra income generated

Rural families experienced net income increases ranging from US \$35 to \$245 per year, depending on the product or service used. We calculate that our products generated \$40.96 million in extra income in the rural economy this year alone. With \$3.3 million in grant income spent this year, each donor dollar used generated about \$12 in rural incomes.

1:12
Return on donor dollar

Proximity remains strongly engaged in the international social enterprise community. This year, we participated in the Skoll World Forum, the World Economic Forum in Davos, and a Smallholder Agricultural Summit organized by Mulago in Kenya. In May, Proximity received the Ashden Award for sustainable energy in agriculture, and was also recognized with the Curry Stone Design Award for Social Innovation.



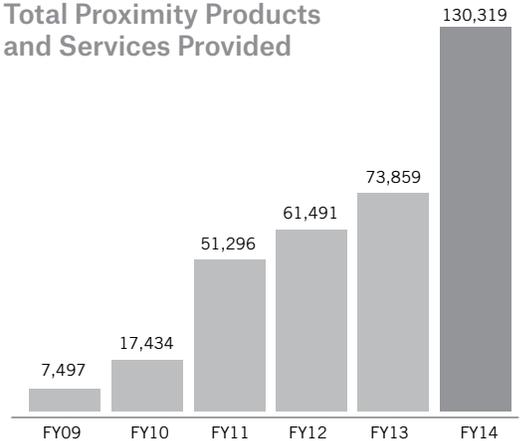
24,833 Smallholder Irrigation

irrigation products sold in 2014

Irrigation achieved stronger than expected results

This year's irrigation product sales exceeded our original forecasts. We expected our irrigation sales to weaken by 5–10 percent this year, since cheap diesel pumps imported from China and growing labor shortages in rural areas are spurring mechanization. Instead, they increased by 4 percent year-on-year with a total of 24,833 irrigation products sold in FY2014. Overall farm incomes this year grew due to good prices across most crops. As a result, nearly half of our sales were paid in cash, and the rest were based on credit we provided. During Q4, we sold 4,247 products.

Total Proximity Products and Services Provided



Renewable Rural Energy

Rural families are rapidly switching to solar power

In 2014, we completed our second year selling solar lighting products to rural households. Total sales this year were 23,656 units—a 39 percent increase from our first year of sales. However, this amount fell short of our sales target of 40,000 units. We have brought in new management for the coming year, are investing in improving our direct sales team and are actively designing new product offerings in an effort to improve performance. We have seen increased competition in the quickly evolving rural energy sector. A rapid influx of inexpensive solar panels from China into the Myanmar market—especially in the Dry Zone—has prompted many rural families to switch from individual solar lights to solar home systems. This demand for increased power has created new opportunities for us to provide better designed products for off-grid households.

99%

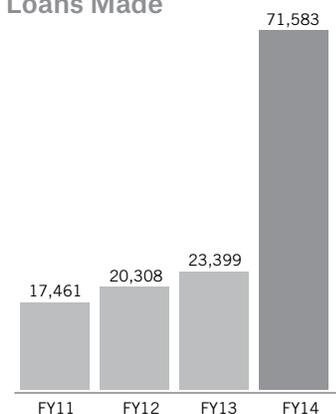
repayment on 71,583 farm loans this year

Rural Financial Services

Our loan portfolio is expanding rapidly

Proximity Finance disbursed over 71,000 loans to about 31,000 households during the financial year. The portfolio outstanding at the end of the year was \$5.5 million. Repayment rates have remained close to 99 percent throughout the year. In Q4 we began offering larger loan sizes (up from \$165 to \$225) and introduced a new loan product that features an 11-month duration. Livestock loans and credit life insurance are two other new products that we introduced. We also developed our branch capacity and strengthened our operations, loan procedures, and loan officer training.

Number of Farm Loans Made



In partnership with global design firms Studio D Radiodurans and frog design, Proximity completed field research and released our ground-breaking report titled, "Afford Two, Eat One" in early May. The report describes the financial landscape for the poor in Myanmar, mapping behaviors around savings, investments, loans and transactions. This report has established Proximity as a thought leader in Myanmar's financial services sector.

In FY2014, Proximity Finance secured a \$2.8 million grant from the LIFT Multi-donor Livelihoods Trust Fund to expand our loan portfolio and activities. Norfund also made a loan of \$2 million to Proximity this year. Most recently, we signed a \$400,000 loan agreement with Kiva, the peer-to-peer, on-line lending non-profit organization. Profiles of our rural borrowers are now posted on Kiva's website.

\$102

increased incomes per acre from second rice crops in saltwater areas

Farm Advisory Services

New trends in agricultural extension innovation

Our specialized team of field agronomists continues to promote climate-smart cropping techniques to rice farmers in Myanmar's Delta region. This year 10,684 farmers adopted a variety of new "best fit" techniques, such as rice seed selection, direct seeding "drum seeders," and "green fertilizer"—a 12 percent increase in adopters from last year. The team also introduced an innovative, low-cost method for growing a second rice crop in brackish water and saltwater intrusion areas of the Irrawaddy Delta, effectively doubling a household's annual harvest and incomes. So far, 889 farmers have adopted this method and earned increased incomes of about \$102 per acre.

National Economic Research

Federalism and resource-sharing remain critical to peace

During this past year, Proximity collaborated with Harvard's Ash Center for Democratic Governance and Innovation to continue research on national resource-sharing and economic growth. We will continue to provide economics training and analysis on issues related to resource-sharing and local autonomy in order to help all parties involved in Myanmar's peace negotiations and nation building efforts.

In June, Proximity and the Harvard Ash Center published "*Choosing Survival: Finding a Way to Overcome Current Economic and Political Quagmires in Myanmar.*" The report highlights the need for a cooperative coalition between Myanmar's various political groups to support broad based growth.

Customer Story

Proximity products strengthen income, confidence, and independence

"I was feeling very discouraged in my daily life and running out of hope for a better future—we were getting nowhere. Now I have energy, confidence and feel secure for our future."
— MA KYI AUNG, KUNGYANGON



Ma Kyi Aung says she used to feel helpless at home in Kungyangon, often relying upon her husband for even the most basic chores. But when she bought our Baby Elephant irrigation pump four years ago, everything changed. The pump's added efficiency helped increase the yield of her ¼ acre plot, so she reinvested her profit in our water storage tank and drip irrigation system. The couple then used our farm loans to grow lucrative betel and ornamental flowers. These new earnings enabled her to buy cattle, pigs, ducks, and one of our solar lights, which she now uses to run the village's only shop out of her home. If you ask Ma Kyi Aung about her house, she is sure to flash a grin—it is newly built and constantly abuzz with customers hungry for her snacks. Now that she manages the crops,

livestock, and shop, her husband has time to find work elsewhere, earning an extra \$3 to \$4 per day. Their income has grown significantly, encouraging neighbors to buy Proximity products in hopes of imitating her success.

Village Infrastructure

Cash-for-work projects winding down

In FY2014 we finished the final year of our cash-for-work village infrastructure projects. These constituted an economic stimulus in the wake of a cyclone and severe drought. This year, we provided wage jobs during the lean, off-farm season to a total of 21,701 rural households in over 132 villages. In the Dry Zone, village infrastructure improvement projects included the renovation of 63 rainwater catchment ponds. Households in the Delta worked on 69 projects that included footpaths, irrigation canal repair, and paddy field embankments.

Talent Pool

New international and Burmese hires join the team

In Q4, Proximity welcomed five new members to its dedicated team of professionals. Su Lynn Myat brings sales experience to her role as Business Analyst for Yetagon Energy. Claudia Sosa joins the Media Team as Online Content Manager with several years of blogging and copywriting experience. Yetagon Energy recently added Jessica Kleinberg as Product Development Manager, bringing extensive solar and technical experience to the team. Geoffrey Brewerton leads our Media Team on design and brand identity initiatives. Information architect Ko Ye is now leading efforts to develop Proximity Designs' mobile applications. This batch of new and returning talent highlights Proximity's drive to maintain a team of both international and local expertise.



Su Lynn Myat



Claudia Sosa



Jessica Kleinberg



Geoffrey Brewerton



Ko Ye

Donors

In FY2014, Proximity used funds from the following donors:

Bartol Charitable Foundation

Berry Family

Caterpillar Foundation

Conservation Food and Health Foundation

Curry Stone Foundation

David Weekley Family Foundation

Finnish Evangelical Lutheran Mission

Institute for Money, Technology,
and Financial Inclusion

Jasmine Social Investments

Livelihoods Multi-donor Trust Fund

Mortar Foundation

Mulago Foundation

Norfund

Oxfam Novib

Peery Foundation

Royal Norwegian Government

Skoll Foundation

Taubman Foundation

Visa Foundation

Six Month Outlook

Political progress highlights economic opportunities and challenges

Recent political reforms have brought significant changes to the economic landscape of Myanmar. Regulatory shifts have allowed microfinance to grow in both urban and rural areas, increasing the diversity of financial tools available to smallholder farmers. Political parties are beginning to campaign in rural communities in light of upcoming elections. Tripartite ceasefire talks between the government, ethnic armed forces, and opposition political parties have prompted the government's unforeseen endorsement of a federal political system. Although negotiations are still in progress, these efforts towards peace will have an enormous impact on the country's trajectory.

Unfortunately, ethnic strife still remains a salient problem in the Rakhine and Kachin States. The conflicts there have displaced nearly 100,000 people and demonstrate persisting tensions between the military, government, and people. Corrupt and inefficient government institutions still impede necessary progress in economic regulation and liberalization. Much remains to be seen about the future of Myanmar's economy, but the progress made since this time last year is encouraging nonetheless.

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