



Quarterly Report

Q3 FYE 2013 | 1 JANUARY – 31 MARCH 2013

We served 27,791 rural households with products and services during this quarter and provided needed short-term wage jobs for an additional 13,016 rural households through our village infrastructure projects. While our irrigation sales slowed this quarter, we sold 6,951 solar lighting units in Q3 — an 88 percent increase from last quarter. We also significantly grew our farm loans by 38 percent. We completed an impact study of our product loans and carried out a functional literacy and child nutrition survey. Our economic policy work deepened with research carried out on specific examples of natural resource sharing in conflict-stricken states of Myanmar.

Rural Financial Services

Farm loans grew by 38 percent

49,108

loans made this year to rural families

Through Proximity Finance – our new farm finance unit – we expanded our agricultural lending by 38 percent in Q3, making 13,565 loans to small-plot farmers, primarily for irrigated rice. The loan portfolio was broadened to include 557 vegetable/cash-crop farmers in areas outside of the Ayeyarwady Delta as well. In FY2013, we have made 23,399 farm loans with repayment rates of 99 percent. Average farm loan size is \$165.

Yetagon Credit, our consumer finance unit, made 4,673 irrigation product loans this quarter, bringing the total number of irrigation loans this year to 14,365. Year-on-year this represents a 30 percent decline in the number of irrigation loans made. In Q3 we made 4,841 solar energy loans, enabling rural families to acquire solar lights.

FINANCIAL SERVICES
Loans Made



Disposable incomes in rural areas are so limited, we need to offer repayment terms of 100 days even on solar lights costing less than \$10.

88%

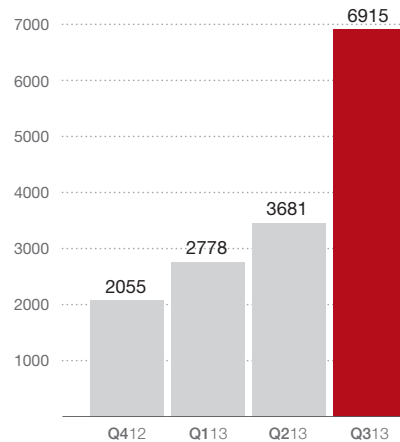
increase in solar light sales

Rural Energy

Rolling out solar lights through additional distribution channels

We sold 6,915 solar lighting units this quarter, an 88 percent increase from the previous quarter. Total sales to date in FY 2013 amount to 13,374. 70 percent of sales were on credit (we offer a 100-day installment payment plan.) The strong sales growth came through adding 36 independent, village-based agents to our distribution network. The lights are also sold through village-based kiosks where our irrigation products are sold. The agents complement our village community group sales in the Dry Zone and the Ayeyarwady Delta where lighting products were first launched.

SOLAR ENERGY Quarterly Sales



Farm Advisory Services

Focus on climate smart techniques

A total of 3,470 farmers adopted new techniques promoted by our farm advisory services this quarter. These techniques included: rice seed selection using saltwater (2,812 new adopters); "green fertilizer" or tilling a green legume crop into the soil between crops (195 new adopters); and using a new drum seeder machine to plant rice (51 farmers.) A total of 412 farmers utilized our SWAT team or on-call diagnostic services to deal with pest and disease emergencies. In the next quarter, we will be prototyping new ways to disseminate cropping knowledge through the use of farmer-to-farmer videos.

Smallholder Irrigation

Demand for irrigation products weakened



18,855 irrigation products sold to date in FY2013

During Q3, our prime irrigation selling season began to wind down after hitting its peak in Q2. Rural households across Myanmar purchased 6,615 irrigation products this quarter, with a cumulative total of 18,855 sold to date in FY2013. We continue to see inexpensive, small HP motorized pumps from China enter the market as a substitute for our foot pumps. In response, we've started design research on a possible engine pump product for FY2014. Drip irrigation year-on-year sales have declined about 20%, so our product design team has started a significant redesign to increase flow efficiency and make it compatible with engine pumps. We're also evaluating the potential of a 50-gallon portable water tank to complement our 250-gallon model. Total irrigation sales will likely be 20 percent lower than last year due to the changing rural landscape.

Village Infrastructure/job creation services

Wrapping up our final year of cash-for-work in the Dry Zone

12,436

estimated number of rural families receiving wage income this season.

This quarter, 121 rain water harvesting reservoirs were rehabilitated in the central Dry Zone, generating much-needed, short-term wage income for 12,436 village households. Without these jobs, villagers typically migrate far away to search for jobs during the non-farm season. This will be our last season, as Proximity is phasing out of these relief activities. We have been in discussions with the World Bank and the Asian Development Bank, as these agencies are now launching similar projects with budgets of \$80 million and \$15 million respectively. We plan to transfer to other institutions and local governments, some of our hard-learned lessons and practices we've developed



Rainwater harvesting ponds in Myanmar's dryzone provide vital water supplies to hundreds of villages.

to build in good governance, accountability and transparency during implementation of these activities.

National Economic Policy

Researching resource sharing arrangements

Our partner team of development experts from Harvard joined us in March to conduct on-going economic policy research, analysis and engagement with Myanmar stakeholders. The team travelled to Kachin State where ethnic conflict has prevailed for over sixty years. A root issue of the conflict is the fight for and extraction of the state's rich natural resources such as jade, gold and teak which amount to several billions of dollars a year in value. Myanmar has large actual and potential exports of raw materials, many of which are not taxed appropriately or sufficiently. If normal taxation were applied, Myanmar would have billions of dollars a year more in revenues, could help secure federalism and invest in infrastructure so that Myanmar's future development could be rapid, inclusive and sustainable. The findings of our research will be produced in a paper in the next quarter.

Customer Story

How a nurse in Myanmar puts light to good use

Daw Nwe Nwe Khine is a nurse working in Maw Aing village in the Ayeyarwady Delta. Together, she and her husband, a doctor, make themselves available to villagers 24 hours a day, 7 days a week, and pride themselves on having never refused anyone medical assistance. Before they purchased a solar lantern, this was more difficult, and night visits to or from patients would often be done by the faint light of a single candle. In-patients would be given a torch to use when they needed to leave their beds at night but the majority of the time they would lie in darkness.

Since she purchased her two solar lanterns, Daw Nwe Nwe Khine tells us that she feels more confident going out at night alone when her services are required in different parts of the village, and also more confident when doing complicated procedures because of the brighter light.



Solar lights are used in many income producing activities.

In the three months she has had the lights she has used them to help deliver two babies, one in complicated circumstances, and also to visit an elderly patient at night. In the clinic, she leaves one light on a low setting for in-patients to comfort them at night.

Social Impact

Measuring the impact of our agricultural microfinance and infrastructure work

We completed two surveys: 1) an impact assessment of our product loans in the Dry Zone and 2) a survey of functional literacy and child malnutrition in three townships.

Results from our product loan survey of 221 households in 8 townships in the Dry Zone showed that 85 percent of loan recipients farmed ten acres or less. 64 percent used our products for farming and livestock-raising our products while 36 percent were for household use. Our products reduced time spent on irrigation by 33 percent. 18 percent of respondents were female-headed households who benefited from reduced time fetching water for daily household use. More important, the average annual net income increase from using our irrigation product was \$245. The top three uses of the supplemental loan funds went to buying seed and fertilizer, digging tube wells and buying food. 99.5 percent of customers were satisfied with our product overall, and its price, quality and service. 67 percent of users recommended our irrigation products to an average of six people.

Donor Relations

We hosted visits from the Royal Norwegian Government, Mulago Foundation and the Livelihoods Multi-donor Trust Fund this quarter. Proximity received grants totaling \$39,250 from the Mortar Foundation and the Berry family, as well as a 1 percent impact loan of \$100,000 from the Taubman Family Foundation. With Myanmar opening up to multi-national companies, we are exploring and developing new relationships with potential corporate donors.

99%

customers satisfied with
loan services

Talent Pool

New additions to our management team

During Q3 **Phyu Hnin Nyein** joined our knowledge and social impact team to focus on improving the collection and analysis of all of our customer data. Hnin holds a Masters degree in biostatistics from Boston University and returned to Myanmar in 2012. In her free time she is a professional-level ballroom dancer. **Zaw Zaw Lin** is our new sales manager for Yetagon Energy. He has over 8 years of experience in product sales in rural Myanmar working for several international pharmaceutical companies during that period. He enjoys traveling and has deep knowledge of Myanmar's rural areas. **Khine Tharaphe Din** has recently joined our Channel team. She has a degree from Singapore Management University and worked for Neoedge Pte Ltd as an Operations Executive in Singapore before returning to Myanmar this year. **Aung Ko Ko and Alissa Murphy** have been promoted to co-managers of our product design team. Alissa has been a product designer and project manager at Proximity for the past three years. She holds a Masters degree in mechanical engineering from Stanford University and had worked with several commercial design firms prior to joining Proximity in 2000. Aung Ko Ko has been a product designer for five years, and has a degree in electrical engineering and worked in Singapore and Malaysia before returning to Myanmar in 2008.



Phyu Hnin Nyein



Aung Ko Ko



Khine Tharaphe Din



Zaw Zaw Lin



Alissa Murphy

Six Month Outlook

Myanmar facing a critical juncture

We continue to face a fast-moving and disruptive operating environment. The rural landscape is changing with the advent of mobile phones, cheaper motorbikes for transport, greater out-migration and farm labor shortages fueling mechanization. Multi-national companies and investors are flocking to Myanmar as they do not want to miss out on the “last frontier”.

The political landscape continues to change, but Myanmar is facing new challenges even as it struggles to resolve existing questions. The pace of economic reforms is slow and it is likely that 2012 GDP growth with declining exports and flat imports is less than the “official” 6.3% GDP figure. This lack of broad-based growth aggravates existing sectarian divisions which are being inflamed by those who stand to benefit from continuing conflict. The “969” extremist Buddhist groups have spread their anti-Muslim violence from Rakhine to many parts of the nation, threatening civil rights, domestic peace and Myanmar's international reputation. Outright armed conflict in the Kachin and Shan states has created internally displaced people and spurs further outmigration. Migrants already number in the millions. Divisions between elements of the military and the government exist. Institutions and the rule of law are weak. The ethnic states want a degree of self-government but are unprepared to govern, while their significant natural resources are being exploited by other elites. China continues to act assertively and needs to be handled in a balanced way that uses its dynamism while avoiding exploitative contracts. Unfortunately, few people or institutions have been developed to deal with these challenges.

Contact Proximity

www.proximitydesigns.org
engage@proximitydesigns.org
+ 95.1.555.221

New University Ave
Bldg C, Suite 202
Yangon, Myanmar