In June 2013, Proximity completed its 9th year of designing and marketing innovative products and services across rural Myanmar, reaching 97,327 new rural households. This means about 500,000 new people accessed and purchased our products and services, and were able to boost their incomes.

Across all of our activities rural families experience net income increases ranging from $35 to $245 per year, depending on the product or service used. We calculate an approximate total of USD 54 million in extra income was generated in the rural economy. We spent $5.2 million in grant income this year, so each donor dollar spent generated $10.25 increase in rural incomes (1:10).

Several of our initiatives – particularly financial services, infrastructure, economic research and solar energy products showed strong year on year growth. The smallholder irrigation market continued to evolve rapidly with broad-based weakening of the farm sector causing our irrigation product sales to decline for the year.
Rural Financial Services

Proximity has emerged as one of the largest providers of rural finance in Myanmar.

In FY2013 we made a total of 49,109 loans to rural families through our two lending initiatives – Proximity Finance and Yetagon Credit.

Proximity Finance’s crop loan portfolio grew by 15 percent over the past year, with a total of 23,399 crop loans made. The average loan size was $165 this year and repayment rates have been 99 percent. We serviced a total of 13,065 active loans in Q4 and began loan collection in late May. Proximity Finance secured a $2.8 million grant from the LIFT multi-donor Livelihoods Trust Fund to fund expansion of our loan portfolio and activities. In Q4, we collected feedback on our new loan policies and procedures; hired new loan officers; trained field staff and community-based organizations who administer our loans and; prepared sales targets and budgets for our new season of expansion.

Proximity’s product financing arm provided a total of 25,710 loans to new irrigation and energy product users. This represents a year-on-year increase of 19 percent. The typical duration of these loans is 5 months. About 75 percent of our products are sold on credit, which enables cash-strapped families to afford them.

Farm Advisory Services

Innovation in agricultural extension

Our specialized teams of field agronomists continue to promote low-cost, “best fit” cropping techniques to rice farmers in the Delta. This year a total of 9,549 farmers adopted these new techniques such as rice seed selection, drum seeders and “green fertilizer”. During Q4, two of our agronomists traveled to India to the International Crop Research Institute for Semi-Arid Tropics to learn new techniques for farmers growing non-rice staple crops in Myanmar’s central Dry Zone. The team also began innovating with farmer-to-farmer videos in the Delta through the use of ipads, to extend cropping knowledge to more rice farmers.

Village Infrastructure

Big jump this year in wage jobs created

This year we provided wage jobs during the “lean, hungry” season to a total of 39,369 rural households in over 326 villages, an 85 percent increase over last year. Households worked on village infrastructure improvement projects including the renovation of 260 rainwater catchment ponds in the Dry Zone and 65 projects in the Delta such as motorcycle/footpath construction, repair of irrigation canals and embankments for paddy fields. We will continue these projects for one more year.

Rural Energy

Solar market is quickly shifting as rural families desire more than single solar lanterns

In Q4 we completed our first full year of offering solar lanterns to rural households. Total sales to date are 17,710 with fourth quarter sales dipping to 4,336 units – lower than expected due to the monsoon season when less income is available in farm communities. We expect the drop in SIM card prices starting in 2014 in Myanmar to correspond with a rise in demand for our cell phone-charging model of solar light. Overall, the home energy market is changing rapidly with customers desiring systems beyond simple lights. We plan to launch our first solar home lighting system in November 2013, and we’re researching other higher capacity home systems as future additions to our product portfolio.
Smallholder Irrigation
Sales weakened in the face of trends towards mechanization

Proximity sold a total of 23,383 irrigation products this year, with Q4 sales totaling 3,688 units. This represents a 24 percent year-on-year decline in sales, largely due to competition from cheap, motorized pumps from China and the growing labor shortages in rural areas fueling mechanization.

National Economic Research
Resource sharing and federalism emerge as critical factors in nation building

During the 4th quarter, Proximity collaborated with Harvard’s Ash Center for Democratic Governance and Innovation to continue research on national resource-sharing and economic growth. The team from Harvard produced the report, “Creating a Future: Using natural resources for new federalism and unity”. In May, we made a presentation of this paper to a nation building stakeholder meeting of leaders from the private sector, civil society, political parties, ethnic groups and government.

Social Impact
Infrastructure and solar light have significant impact

During Q4, our Impact Assessment team completed infrastructure and lighting surveys. For infrastructure, we interviewed 395 villagers from 6 townships to measure the impact of our pond renovation projects in the Dry Zone. 78 percent of respondents thought our work was timely and effective in both providing wage opportunities when most needed and in increasing water supply to last through the dry season. 95 percent of respondents reported using their wage incomes on food for their family. 66 percent of people who worked came from either landless households or those with less than five acres.

For rural lighting, our team spent two weeks in two Dry Zone townships and one Delta township, interviewing 237 solar lighting customers. Key insights were: a) the household lighting market is changing rapidly with families wanting more than just lights, b) families increased their average lighting time at night by 24 percent, c) annual lighting costs decreased by 71 percent, resulting in $36 savings per year and d) children doubled their studying time at night with the solar lanterns.

Talent Pool
Burmese college students studying abroad return for summer internships

In June, Proximity welcomed our growing cadre of selected seasonal fellows and interns to our staff. In Q4, we had four fellows working with our product design, sales and marketing, financial services, communications and our energy product teams. Eight college interns -- all of whom are Burmese -- joined us also for the summer. They hailed from universities in the UK and the US including the University of Sheffield, Grinnell College, Stanford University, Tufts University and St. Olaf College.

“I began grading my rice seed and using techniques taught by Proximity to improve my soil. My rice yields increased by 50 percent. I’ve helped distribute my improved rice seeds to several farmers in my area.”
- U Zaw Tun, Ayeyarwady Delta
Media

World Economic Forum held in Myanmar for the first time

In June, Proximity participated in the Asia World Economic Forum held in Myanmar. A record-breaking group of 900 delegates attended. We hosted visits of Young Global Leaders and Social Entrepreneurs. See video link (http://www.core77.com/blog/strategy_research/notes_from_the_fieldredesigning_myanmar_25067.asp), we were featured on an international broadcast by Deutche Welle and co-founders Jim Taylor and Debbie Aung Din participated on Forum panels and in private sessions on Myanmar’s economy and agricultural sector.

Technology Sales

Strong growth as we diversify our product portfolio

Over the past six years, Proximity has had strong year-on-year growth in our technology sales. Our irrigation product sales peaked in 2012 but in that same year we began marketing solar lighting products through our rural sales channels. Solar sales are accelerating at the same time small holder irrigation technology may be leveling off. We are currently exploring additional farm equipment technologies specifically designed for the smallholder market. With labor costs going up across Myanmar, there appears to be an attractive market for low-cost, well-designed farming equipment for smallholders. The market for rural household solar power is also very attractive.

6 Month Outlook

Economic reforms proceed slowly

The unexpected political opening engineered by President Thein Sein, Aung San Suu Kyi, and their partners has transformed the political landscape in Myanmar. The transformation however, has yet to run its course. Unanswered questions remain. Economic reform proceeds slowly. Ethnic strife in Rakhine state threatens to undermine stability and Myanmar’s hard-earned reputational makeover. In Kachin state, armed conflict has created nearly 100,000 internally displaced people and thrown divisions between the military and the government into stark relief. Incidents of sectarian violence between Muslims and Buddhists have been frequent and brutal.

The weakness of supporting institutions including the judiciary and the civil service impede rapid progress. While the ethnic states aspire to self-government, they lack the legal and institutional infrastructure required for effective electoral politics and improved governance. Meanwhile, the next national elections approach in 2015 and the popularity of the National League for Democracy (NLD) and the legal ability of the military to intervene create potential conflict, even as violence threatens the civilian government. It is a complicated time with many dangers and weaknesses that need to be addressed.

Contact Proximity

www.proximitydesigns.org
engage@proximitydesigns.org
+ 95.1.555.221, 555.270
New University Ave
Bldg C, Suite 202
Yangon, Myanmar