



Proximity Designs

Quarterly Report | Q3 FY 2014

1 JAN - 31 MARCH

In Q3, Proximity served **49,044 rural households** with products and services, in the midst of a dynamic and fast-changing landscape. Our irrigation product sales exceeded targets this quarter. We made steady progress in our solar household lantern sales, increasing sales by 18.3 percent over the previous year's Q3. Proximity Finance, our farm lending unit, began disbursing 33,000 loans in Q3 -- a 55 percent increase over the prior season. Our Farm Advisory Services team completed testing techniques that can double annual yields in the Ayeyarwaddy Delta. We collaborated with professional design firms and completed a "deep-dive" study of money habits of poor people in Myanmar.

Rural Financial Services

Financial inclusion in rural Myanmar

Proximity, in partnership with Studio D Radiodurans and frog design company, carried out in-depth research on the money habits of poor people in Myanmar. Over two hundred in-context, in-depth and ad-hoc interviews were conducted across Myanmar over an eight-week period in Q3. The aim of this research is to provide a foundational reference for organizations wishing to develop products and services for financially constrained consumers in Myanmar. Our research report explores the financial landscape for the poor in Myanmar, mapping behaviors around and attitudes to savings, investments, loans and transactions.

33,000

farm loans in Q3

Proximity Finance, our rural microfinance unit, began its seasonal disbursement of 33,000 farm loans in Q3, a 55 percent increase in loans from the prior season, with a total loan volume amounting to USD 5.5 million. Repayment rates from the prior season have been strong, with 98.4 percent repayment from farmers in the Ayeyarwaddy Delta and 100 percent repayment from farm borrowers in the Dry Zone.

23,064

irrigation and energy product loans year to date

Going forward, Proximity Finance is designing and will pilot non-crop loan products for livestock-raising and other rural economic activities.

Our product-financing arm, Yetagon Credit, made 7,668 total loans in Q3. 40 percent of these loans were for customers purchasing our irrigation products, while 60 percent went for energy products. To date, Yetagon Credit disbursed 23,064 irrigation and energy product loans for this fiscal year, compared to 21,899 product loans made in FY2013.



Smallholder Irrigation and Product Design

Steady sales despite trend towards greater farm mechanization

8,052

units sold in Q3

Proximity sold 8,052 irrigation products in Q3, 19 percent more than sales for the same period last year. Improved sales are due in part to our dealer network that sold 5,517 products. An overall increase in crop prices for paddy, vegetables and betel leaf this year has also given farmers more purchasing power. Cumulative sales of irrigation products for FY2014 are four percent higher than last year, with a total of 19,804 products sold to date. Most of the growth in sales occurred in lower Myanmar while the economically distressed Dry Zone area of Myanmar has seen declining sales.

19%

increase from previous quarter

Our design team explored new product categories for small-plot irrigation, particularly smarter solutions to help farmers bypass conventional diesel and gasoline operated pumps being adopted widely. A team of product designers and engineers from Stanford University's d.school has been collaborating with our design team on this new product.

Renewable Rural Energy

Growing demand for household power and price sensitivity creates new opportunity



Solar lighting sales of existing d.light products reached 7,254 units this quarter, increasing by 18.3 percent from the previous quarter. This was due in part to our expanded distribution channels and agent networks. To date, 27,679 rural households in over 835 villages are using our solar lanterns since we began selling them two years ago. We introduced d.light's new model of a larger, 5-watt home lighting system, however sales have been anemic due to its high cost (USD 100.)

However, rural households are demanding more electricity to power appliances and electronic devices that will boost their productivity and open up new economic opportunities. Proximity has identified an opportunity to provide a quality, well-designed and integrated solar home system for rural households. We've researched many existing 'plug and play' systems and tested two kinds of 30-watt home systems. Each system comes with a 30-watt solar panel, deep cycle solar battery, controller, at least four lights and a mobile phone charger. Rural customers have liked these home systems and found their design and function superior to local options. However, at a cost of about \$200, people find these plug-n-play systems prohibitively expensive.

We believe an integrated product backed with after-sales-support, warranty and financing could help poor, rural customers access improved energy products and services to boost their daily productivity and household incomes. We are currently researching an assembled system that could provide rural households with a lower cost option than the imported models, while significantly improving on the improvised, piece-meal and cheap quality solar systems that people currently use in rural areas.

2x
yields

from new cropping
solution in Delta

Farm Advisory Services

“Best-fit” cropping practices, research on mobile app use among farmers

In Q3, our Farmer Advisory Services team continued to test low-cost, “best-fit” techniques to improve harvests for rural households. Our team successfully developed and piloted a low-cost method to grow a second, summer paddy crop in brackish water and saltwater intrusion areas in the Ayeyarwady Delta, effectively doubling a household’s annual harvest and incomes. The team also piloted a low-cost, environmentally friendly technique to control weeds by releasing ducklings into cultivated paddy fields. Proximity is considering innovative, cost-effective strategies to disseminate these techniques at scale in the coming year.

In Q3, we continued testing our mobile app for farmers, to be launched in the coming year. We conducted user experience research to understand mobile phone use behaviors and user needs related to our advisory services app designed for Myanmar farmers. Our mobile phone user design team was led by Seon Hee, former Samsung product designer and design professor from Korea.

Our Farmer Advisory Services (FAS) teams continued dissemination of existing techniques introduced three years ago. This quarter, 3,093 new farmers adopted the paddy seed selection method using saltwater, 308 households used our on-call service for crop emergencies, and 398 households adopted the green fertilizer technique. Total adopters year to date increased by 2.6 percent from last year’s cumulative Q3 total.

Village Infrastructure /job creation services

Our last season for cash-for-work, village construction projects

In Q3, Proximity conducted assessments in 120 villages and selected our last batch of 60 target villages for pond rehabilitation projects. These projects will be completed in Q4. In the Delta, 20 cash-for-work projects were completed in Q3, while 42 are currently still underway, and 7 remain to be completed. Q4 report will include our final numbers for the total wage-earning households benefiting from this work.

National Economic Research

Creating knowledge inputs for national peace process

Proximity produced two policy research papers in collaboration with the Ash Center at Harvard Kennedy School: *“Choosing Survival: Finding a Way to Overcome Current Economic and Political Quagmires in Myanmar”* and *“A Fatal Distraction from Federalism: Religious Conflict in Rakhine.”*

“Choosing Survival” identifies the latest political, economic, and social challenges impeding meaningful progress in Myanmar, offering analysis and a framework to government and key ethnic leaders as they continue dialoguing on issues related to federalism, nation building and natural resource-sharing. Drawing on firsthand travel to Rakhine and Tanintharyi states, *“A Fatal Distraction”* examines and identifies the unique challenges presented by recent sectarian conflicts in both Rakhine State and Myanmar.

Talent Pool

Expanding our management team

Proximity Finance expanded its management team to match its growing operations; **Seinn Nwe Oo** joined as Accounting Manager, having worked in Singapore in the private sector for several years. **Conor Smith** and **Phone Pyae Zaw** both joined as Program Managers, with economics and business degrees from Williams College and Shenandoah University respectively. **Htun Thiri Shein** became Assistant Manager for Systems, Operations and Risks. **Piet Schutter** is Proximity's new CFO and comes from the Netherlands. He was a finance manager at Ahold in Holland and more recently CFO of a social enterprise in Africa (The Congo) for two years. Piet has degrees in Finance and an MBA in Finance.



Seinn Nwe Oo



Conor Smith



Phone Pyae Zaw



Htun Thiri Shein



Piet Schutter

Six-month Outlook

Myanmar's Dynamic landscape

Myanmar had its best year yet economically, with GDP growing by 7.5 percent this past year. Improved crop prices this year helped farm families across Myanmar, and mobile phones and cheap motorbikes from China have improved overall rural connectivity. However rural communities remain isolated and vulnerable, lacking basic infrastructure and access to key goods and services – a result of decades of severe neglect. Average annual incomes remain low at USD 832. Over 80 percent of people do not have direct access to formal banking services. About 90 percent of rural areas do not have access to electricity nor phone coverage. Families spend inordinate amounts of money, time and back-breaking drudgery on simple daily tasks. They remain trapped in a cycle of low productivity, inadequate incomes and the inability to save or invest in their future.

More recently, farms have been facing acute labor shortages during peak planting and harvest times, due to easier and accelerated migration to cities and neighboring countries. An estimated 4 to 6 million Myanmar people are working in Thailand, Singapore, Malaysia and the Middle East. Rural development remains at the top of the President's agenda for the remainder of his Presidency, with ad hoc government delivery programs vying to show tangible results in rural areas. As Myanmar changes, so too is Proximity as we identify new opportunities to impact the lives of rural families countrywide.