

# MICRO-CREDIT PROJECT



Implemented by the United Nations Office for Project Services (UNOPS)

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Development efforts often focus on promoting macro-economic growth, as measured by the gross national product—assuming that the benefits of growth will reach down to the poorer people in the society. But this growth largely bypasses the bottom 20 to 30%, who are condemned to continue to live in poverty.

Nevertheless, the poor have tremendous capacity to help themselves—if only they have the chance to do so. The availability of cheap credit is key to this: if people can generate sufficient surplus from their farms or small businesses, they can repay the credit and reinvest the remainder. Experience in Bangladesh and elsewhere has shown that credit programmes targeted specifically for the poor—and especially for women—can have a marked effect on improving the incomes and living standards of rural people.

## The HDIE Micro-Credit project

Sustainable Livelihoods through Micro-Credit for the Poorest is one of 10 projects under the United Nations Development Programme's multisectoral Human Development Initiative Extension (HDIE) programme in Myanmar. It provides credit and assistance in building small businesses to people in 11 of the poorest townships in Myanmar: three in the Delta (Ayeyarwady Division), five in Shan State, and three in the Dry Zone of central Myanmar.

The Micro-Credit project targets especially those who would not normally qualify for credit through the banking system: women, the landless, and other marginalized groups. Experience elsewhere has shown that with the right types of support, these people are excellent credit risks; repayment rates often approach 100%. Overall, it is hoped to benefit about 30,000 of the poorest households (200,000 people) in the 11 townships.

## Partners

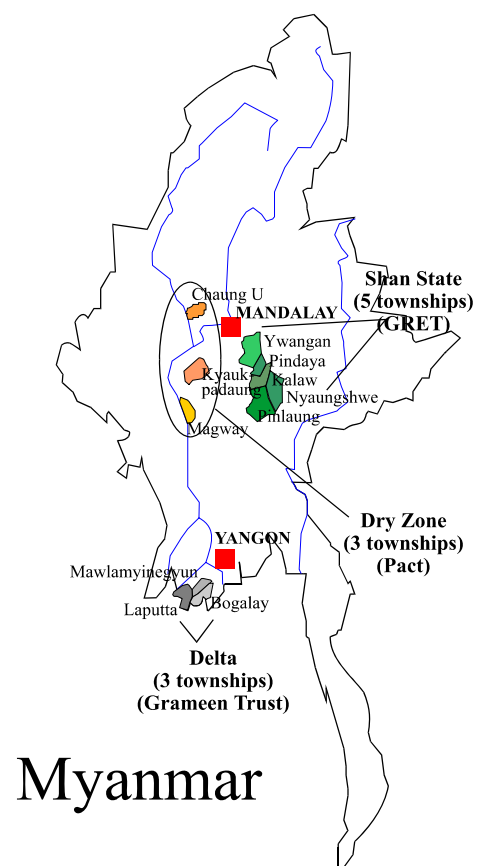
The Micro-Credit project implementation is subcontracted to three international nongovernment organizations with extensive experience in micro-credit projects serving the poorest. Work in the Delta is performed by Grameen Trust, an affiliate of the Grameen Bank that has helped millions in Bangladesh. In Shan State, the project is implemented by the French NGO, GRET; work in the Dry Zone is performed by the American organization, Pact.

The project complements and works closely with the three HDIE projects focusing on food security and income generation in agriculture, forestry, livestock and aquaculture. These projects, implemented by the Food and Agriculture Organization of the United Nations (FAO), promote sustainable food production in the same three parts of Myanmar. Micro-Credit project staff also work closely with other HDIE projects dealing with education, health, water and sanitation, and administrative support.

## Project activities

The Micro-Credit project consists of two related components:

- Micro-credit and savings
- Support for small-business development



**Micro-credit and savings**

The project provides small amounts of credit to people who would not otherwise qualify for credit through the banks because they lack collateral. The scheme works like this: interested villagers (preference is given to women) form groups of 5–10 members. Each member decides how she would like to invest some money—in pig-raising, for example, or in goods to sell. Each must save 5% of the proposed loan amount in order to qualify. The group then applies for and receives the loan, which is divided among the members on a rotational basis. The members invest the money in their chosen enterprise. They must repay the loan in bi-weekly instalments, with interest, beginning two weeks later. Defaults are discouraged through "social collateral": if one person defaults, her fellow group members must repay the loan or be disqualified from receiving further loans.

The amounts loaned are very small—often just a few dollars—but are enough to make a real difference to people struggling to make ends meet. The interest rates charged are fair: typically 1.3% per two weeks.

Beneficiaries are also required to save a small amount as a condition for receiving the loan. These savings can then be loaned out to others, and the saver receives interest on her deposit.

**Support for small-businesses**

Villagers often need help in investing their money and developing a small business. The project provides training in both technical skills (how to raise pigs, for example) and in subjects such as business management, record-keeping, procurement of raw materials, and produce marketing. As part of this training, participants prepare a business plan, which project staff review and help improve. Staff continue to provide advice to trainees after the course, helping them obtain equipment and facilitating links with suppliers and customers. Overall, it is hoped to support about 10,000 micro-enterprises in this way.

