

## How lending schemes can help the poor

SINCE 1997 Pact Myanmar has loaned US\$50 million to 245,000 people throughout the country. Each loan is based on local circumstances and prices, and will be used to help with the purchase of livestock, fishing nets or poultry, or sometimes to help with financing education or healthcare.

"It works in Myanmar for the same reason that it works elsewhere," said Erica Lynn Tubbs, the deputy country representative of Pact Myanmar. "If you look at developed nations you see that credit and being able to borrow money is a central aspect of the economy."

Exploitation by moneylenders is common among the very poor; by providing a systematic approach to lending and borrowing, Pact Myanmar hopes to help families expand their assets and lift themselves out of poverty.

"Here in Myanmar the banking sector is not developed. The poor are not seen as bankable. But those people who do get access to capital and credit are seen to value it very highly. And they have proven themselves to be better borrowers than wealthy people."

Often loans are given in solidarity, meaning that groups of about five people will come together and ask for a series of loans as a group, which will be given to individuals within the group. Every time one of the loans is paid back, another loan will be given, until each member of the group has received the loan they requested. Sometimes these groups will cover each other if one person cannot pay back the loan. The majority of clients are women, who default less often on loans.

"We started without a gender bias ... but now most of our loans are given to women," said Mr Bhuiya. Loans that are given to women are seen as empowering them within their communities, and the earnings are more likely to directly benefit their entire household.

This ability to choose how to use one's money is an important aspect of microfinance.

"When people have an income, they can decide where they want to use it and they use it for what they feel is appropriate," said Ms Tubbs.

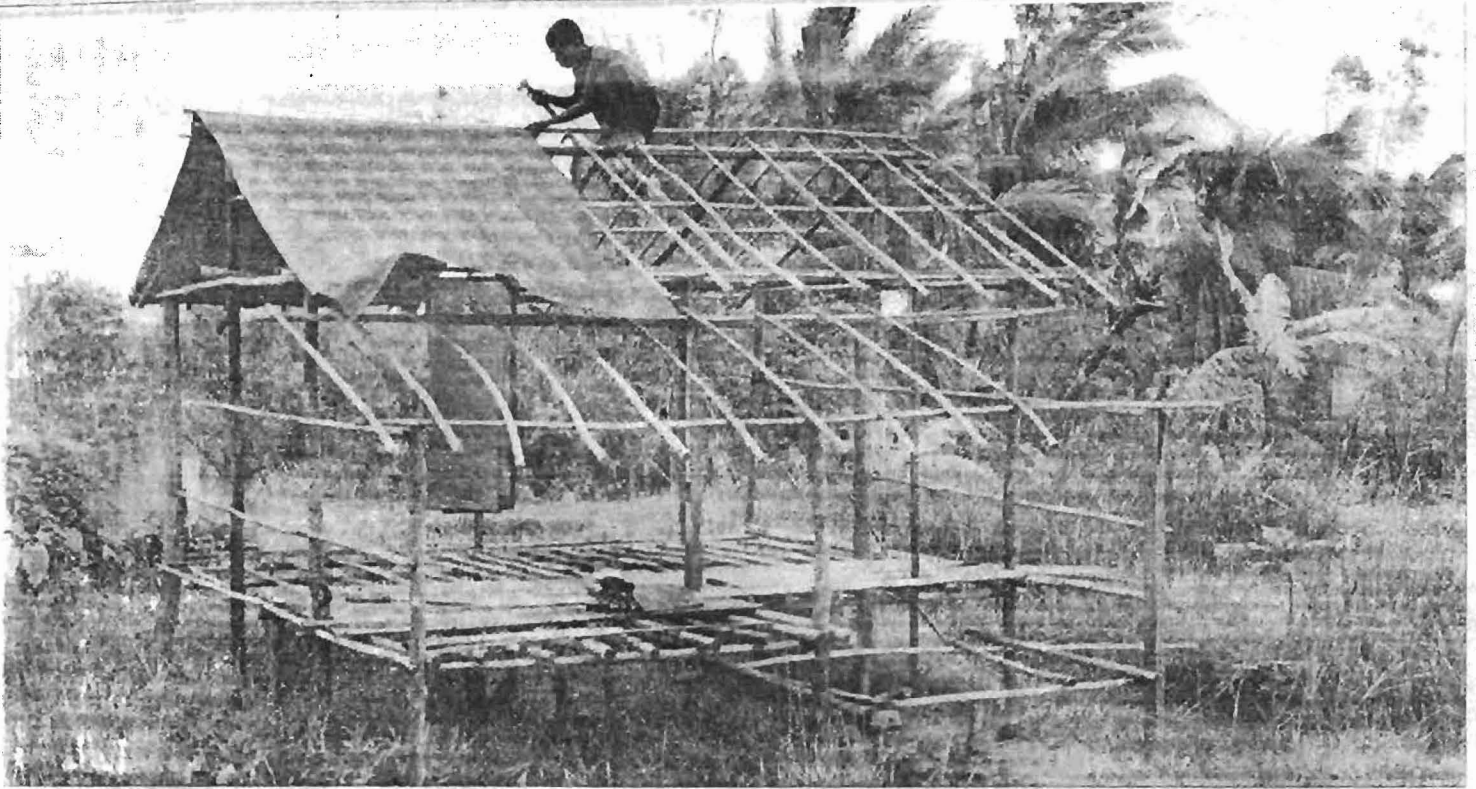
Alongside giving loans, Pact Myanmar also uses its financial services to offer people the chance to save.

"We have found that particularly for women, any extra cash they have at the end of the week will disappear," said Ms Tubbs. "But by providing a safe place for their money the idea is that people can learn to save."

"Even if it is just K100 or K200 a week, it can add up. You can have K5000 by the end of the year," said Mr Bhuiya.

With support from the Ministry of Cooperative and United Nations Development Program, Pact Myanmar has more than 245,000 active borrowers. The organisation's repayment rate is staggeringly high at 99.98 percent.

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A resident of Dedaye in Ayeyarwady Division builds a new house. Pact Myanmar hopes that its grant scheme will help boost rebuilding efforts in the delta. Pic: AFP/Khin Maung Win

# Banking on grants to help recovery

By Rebecca Palmstrom and Kyaw Zin Htun

IT is a familiar story these days: An organisation designed for one purpose is forced by circumstances to sink or swim as an emergency relief provider.

Before cyclone Nargis, Pact Myanmar offered financial services, microcredit, and health and HIV assistance to Myanmar's rural poor, and had been doing so for more than a decade. Its 1300 staff have conducted programs reaching nearly 300,000 people in Myanmar's central region, Shan State and the Ayeyarwady delta.

"Before the cyclone we were running a program with a development focus - we were not in any way a relief organisation," said Fahmid Karin Bhuiya, the Myanmar country representative of Pact, an international NGO with branches in 39 countries.

"We were not prepared for emergencies. So we have also been caught by surprise since the cyclone.

Like other NGOs, Pact Myanmar suffered casualties as staff were left dead or injured by the cyclone, and the homes of more than 270 employees were damaged. An estimated 12,000 of its loan holders died in the storm. It also faced further difficulties linked with the

nature of microfinance activities.

Microfinancing means providing poor families with small loans to help with livelihoods and in some cases with health or education. It is part of an international movement that recognises the need for poor and near-poor households to have access to loans and financial services.

For an organisation that works by lending small amounts of money to those who live at a subsistence level, the loss of assets and livelihoods in the delta has directly affected not only Pact Myanmar's clients, but also its capital.

"That money is not sitting in a bank - it is out there with the farmers," said Erica Lynn Tubbs, the deputy country representative. "So if we can't get it, we have no money."

In the delta region three of the seven townships in which Pact works were devastated by the cyclone.

"Out of 985 villages, two-thirds were affected badly," said Mr Bhuiya. "We went immediately to those villages. We had our experience of microcredit and we knew those villages. That was one of our main strengths."

Half their delta workforce of 300 were assigned to emergency assistance. This included re-establishing community-based organising groups, rebuilding and clearing waterways, and

providing food, water and cash for works schemes - all while looking to utilise local resources and skills.

The other half of Pact's staff emphasise what they say is unique about the organisation. Knowing that a great many people had lost the assets they had bought with their loans as well as the savings they had with Pact Myanmar, the organisation has been working to return those savings to their individual clients.

"The money lost in the cyclone was not only our money - it was also theirs," said Ms Tubbs. "So our first priority was finding the savings and trying to get it back to them."

So far they have given savings back to 65 percent of their affected clients and are working to reach the rest.

Pact's future plans are even more ambitious. Emphasising their expertise in providing money to rural clients - and doing so transparently and safely - the organisation will be providing a series of cash grants to more than 200 villages in the coming months. They hope to give each village 50 grants, 35 of which will specifically be for women.

They emphasise how cash grants can be turned into cash-generating activities, from giving a woman K7000 to buy a hen, to giving money to a

fisherman to buy a new boat or net.

"It's easy to think that poor people do not have assets," said Ms Tubbs, "when in fact having a hen or a net or a tool is an asset." In most of the villages in the delta people have lost all those assets.

"The grant will be based on local prices and as market prices are fluctuating this amount will change," said Mr Bhuiya. "Some enterprises might need more, some might need less. But on average we are setting aside K100,000 per grant, although this is not a rigid amount."

At present the repayment of loans or the lending of money in the affected townships has been suspended. After a period of 90 days Pact's more usual microfinance projects will also start up.

As Mr Tubbs said, "These people are experienced and have skills. They don't want to be dependent on others - this is a human instinct. Kind-hearted people have given some basic food rice and assistance. But that is not enough. What we are trying to do is reconnect them with their livelihoods."

In the wake of the cyclone, Pact Myanmar has managed not only to re-surface and begin swimming, but also to combine their development experience from before with the demands of the present.