

FIRST PROGRESS REPORT

TARAYANA MICROFINANCE PRIVATE LIMITED (TMF)



Project Title: Technology driven microloan fund for climate adaptation of remote, vulnerable mountain communities in Bhutan

Location: Gasa District, Bhutan

Funding Agency: Asian Disaster Preparedness Centre (ADPC), Bangkok, Thailand

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INTRODUCTION AND PROBLEM ANALYSIS

- Given its geographic location and mountainous terrain, Bhutan is particularly vulnerable to changes in climate which affect the timing, frequency and intensity of rainfall (with consequent changes in runoff and erosional processes), as well as changes in temperatures which affect the altitude at which crops can grow and evaporation from soils. Water availability and management is challenging, with remote areas experiencing scarcity. Monsoon seasons experiencing high rainfall, flash floods and landslides have damaged existing irrigation schemes and disrupted market access for many smallholder farmers. These climate-induced impacts on agricultural infrastructure, production and supply place at risk 58% of the country's livelihoods.
- COVID19 has led to loss of income and has demonstrated again that the most vulnerable are hardest hit by unforeseen events.
- Adaptation approaches of smallholder farmers and pastoralists include investments in farm infrastructure, irrigation and water management systems, change of or diversification in crops, setting up payment for ecosystems services, among others
- The said adaptation approaches require financing. While government institutions of Bhutan have a mandate to provide such financing, smallholder farmers and pastoralists in remote mountain communities face significant barriers to accessing financing such as illiteracy, lack of skills and knowledge, lack of collateral, lack of regular income, and physical remoteness from financial access points
- Women face additional barriers in that cultural norms in rural Bhutan expect women to remain in the household and men to pursue the business opportunities. COVID19 has exacerbated women's situation as men leave the vulnerable mountain communities and women are left behind to care for the children
- Private financial institutions do not provide financing in remote mountain communities of Bhutan due to the high credit losses observed at government banks, and due to very high operating costs

OBJECTIVE

To catalyse financial institutions in SAR to make small loans for climate risk financing available to remote, vulnerable mountain communities and their members, especially women smallholder farmers and pastoralists of Bhutan. The projects is aimed at bringing change and ease the access to financial services for the lives of the communities of Laya and Lungo located under the Gasa District, the northern most part of the country.

For fulfilling this objective, Tarayana Micro Finance (TMF) will collaborate with Bank of Bhutan Limited (BoBL), which is one of the leading and largest private financial institutions in Bhutan on integrating the banking system and develop an inbuilt option in the mBoB (App for BoBL) linking all financial services between the two banks.

APPROACH

By validating and scaling up a new, technology-driven operating model of microcredit for climate adaptation in Laya, Gasa, Bhutan, highlight that such a model can offset the previously prohibitive operating costs of microloan funds in remote, vulnerable mountain communities, making such funds economically viable and self-sustainable at scale.

PROBLEM ANALYSIS AND SOLUTION FOR THE MOST REMOTE AND VULNERABLE MOUNTAIN COMMUNITY OF LAYA, GASA DISTRICT, BHUTAN

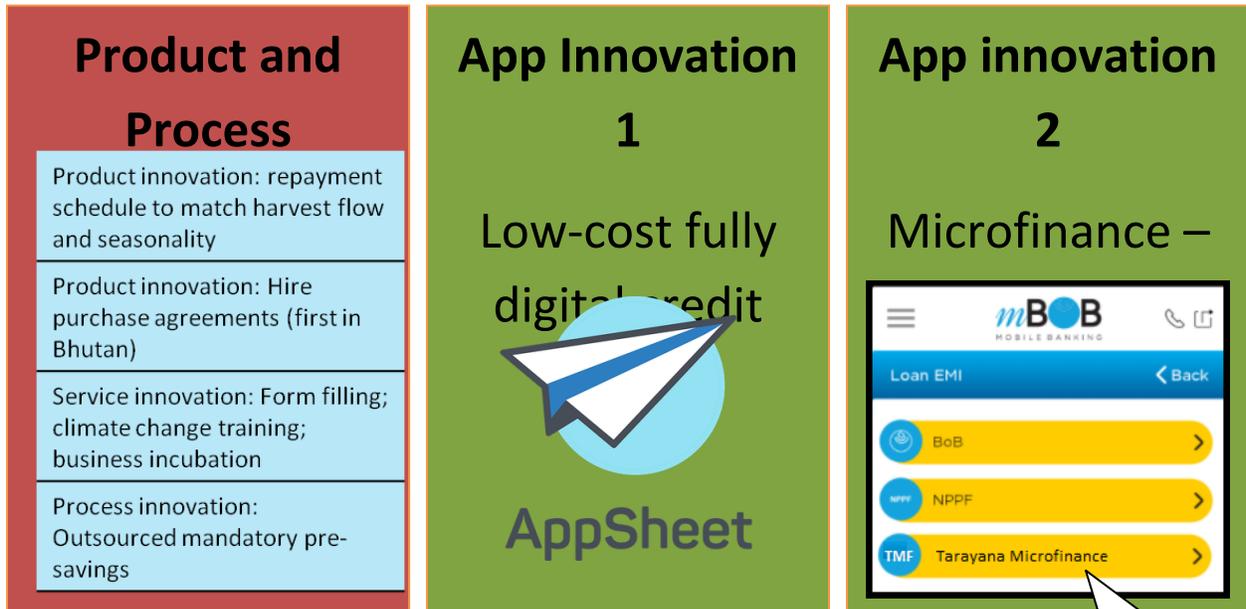
Innovation	Innovation Stage						
	Problem identified	Design completed	Prototype tested	Scalable solution live – local	Scalable solution live – national	Capitalisation beyond TMF	Capitalisation beyond Bhutan
Product and Process Innovation	✓	✓	✓	✓			
App innovation 1: Low-cost fully digital credit process	✓	✓	✓	✓			
App innovation 2: Microfinance - BOB integration	✓	✓	✓				

Partnership, process, prototype ready and waiting for funding

Project focus: Pilot of entire solution in Gasa district, Bhutan

APP DEVELOPMENT AND INTEGRATION PROCESS

By integrating the Low Cost Digital credit process of TMF and Bank of Bhutan's mBoB App, all the financial services offered by TMF will be available and ease the transaction and repayment module for the clients. The clients will be able to individually view and avail the services on their mobile phones or for those who are unable to process, reach out to the nearest BoB Connect (for mobile commercial BoB services which can be availed by any small business entity) services



Additional option to view and make transaction will be made on the mBOB App for TMF transactions

PROGRESS REPORT

As of January 28th Tarayana Micro Finance completed two major activities that were planned for the month of January.

- Selection of AV Documentation and Award of contract

Tarayana Micro Finance called for the expression of interest and positively received 3 private firms to document the progress of the project. Among the three firms, the selected firm Tandin Phubz Audio and Visuals was awarded the contract who had previously submitted videos on TMF and its app. Given that the pandemic would also hamper the video collection efforts by the team, it was felt that the previously submission of video takes from them can be utilized by the same team for portions which would be require reiteration of the loan products.

For the project, the team would mainly concern the taping of the different visits to Gasa District and gather video testimonies from the communities at large 'before and after' situation who have availed and experienced mobile banking services. The process will also capture the methodology of collecting and identifying the type of financial support that would be relevant and applicable for the highlanders. The micro finance would also look into up starting of new business which was indicated initially by the people over the phone as they felt that for the communities to conduct banking transactions, they would be required to travel all the way back to District of Gasa to conduct any transactions which would mean additional burden to them financially.

- Consultation with the District Mayor, District Planning Officer and Local Government Official Gup

TMF team was able to discuss the project with the District Planning Officer but was unable to carry out the virtual meeting with him as the district was witnessing one of the heaviest snowfall which had disrupted power supply and left the district facing several electrical issues and long periods of black out. He had shared that he was well aware of the project as was discussed with the district head and was pleased to help proceed with the introduction to the concerned local government officials. But due to the inconveniences, he welcomed the team for one on one meeting once the team visits Gasa. He had instructed to get in contact with the district COVID task force and assess the ground situation in March as this was when all the migrating communities would return to Laya. Project Documents and possibly a virtual meeting with the Planning and LG official set for first month of February

In accordance to work plan, TMF consulted with the district Planning Officer and Gup (local leader) of Laya of Gasa via email and Whatsapp due to severe power fluctuations in Gasa District. Both shared their interest in assisting the team when the visits are carried out. Given the lockdown measures in place, they informed the team on valuable insight and protocols to be followed when travelling to their district.

OTHER PROGRESS REPORT

- Finalization of Technical Expert to work on the Integration as soon as situation improves in Bhutan and coding development
- Development of Financial Literacy clips and tools for the introduction to App for easy client use
- Consultation with the communities on the type of financial services required customization of the loan program for the communities for Credit processing

CURRENT CHALLENGES AND SCENARIOS

COVID Pandemic and Lockdown

As the country witnesses another round of strict lockdown, the team was unable to make the first visit to Gasa and meet with the district head and communities in person. As the district were already informed of the project activities through official email correspondence, TMF initiated telephonic conversations with few key community members to help identify interested micro loan applicants and understand the importance of opening saving accounts which will be carried out once the lockdown is lifted.

In Lieu with the current situation unfolding, TMF will increase our communications through telephonic conversations with the beneficiaries and conduct online appraisals for the interested clients. If the situation improves sooner, the team will proceed in person.

On a positive note, the government has indicated that it will no longer consider national lockdowns as a measure to control the outbreaks. As the vaccination of the population has now reached almost 95%, the government will take cautious steps in addressing the pandemic depending on the threshold level of cases registered and hospital intake.

Seasonal Migration and gathering prohibition

The team learnt that some of the target population from Laya and Lungo had followed seasonal migration to Punakha District which is closer to the capital. Unfortunately as Punakha District has also seen the outbreak and has been classified as a red zone, the team will make visit to meet that communities as soon as situation improves until then conduct telephonic interviews with the interested communities.

As reported, the communities of Laya are currently scattered across different districts as they follow their migration. Public meetings and consultations are currently prohibited by the government. The situation is likely to improve till then TMF will proceed with telecommunication to process credit for the communities. As majority of the programs offered by TMF are not applicable for the highlanders, TMF has been discussing the program and customizing it to apply for the highlanders.