

Country Overview

Myanmar's economy was hit hard by COVID-19. The pandemic and associated restrictions to contain the virus disrupted business operations and the supply of labour and inputs, putting more households at risk of entering poverty. This was further exacerbated by a military takeover of the state government and escalation in violence which have resulted in over 800 civilian deaths, including children, and thousands injured since 1 February. The month of June saw the onset of a third COVID wave that would dwarf the previous two waves.

A recent UNDP study indicated that almost half of Myanmar's population could be forced into poverty by the end of the year as the country teeters on the brink of economic collapse caused by the double shock of a military takeover and the COVID-19 pandemic. The World Bank forecast a 10 per cent contraction on Myanmar's economy this year.

Impact of COVID-19 on VFM Clients

(60_Decibels Lean Data Insights for VFM)

- **87%** of clients said their business activity had decreased. The top concern is that demand continues to decline.
- **57%** of clients used savings while **28%** have borrowed money from a friend, family or money lender to cope with COVID-19.
- **66%** of clients reported at least some improvements in their ability to reduce the impact of COVID-19 because of VisionFund.

Impact of the ongoing political unrest on VFM clients

(Insight from VFM field staff and daily branch operations)

- Unable to open businesses and decreasing sales/revenue
- Supply and transportation issues as a result of restricted movements and access to transportation
- Challenges with accessing cash as well as bank accounts to make payments and disburse salaries because of bank closures
- Transport, craft, hotel and tourism businesses see further declines
- Increased insecurity due to explosions, fire, shooting and damage from violence

UNDP reports that rising food costs, significant losses of income and wages, the collapse of basic services such as banking and health care, and an inadequate social safety net is likely to push millions of already vulnerable people below the poverty line of \$1.10 a day. **Women and children are expected to bear the heaviest brunt of the combined impact of COVID-19 and the political crisis.**

MFI Industry Overview

Most banks closed following the political unrest in February and microfinance institutions (MFIs) are among the few formal financial service providers available to the people and communities. A number of MFIs suspended operations, while some, including VFM have continued to operate, albeit in limited capacity.

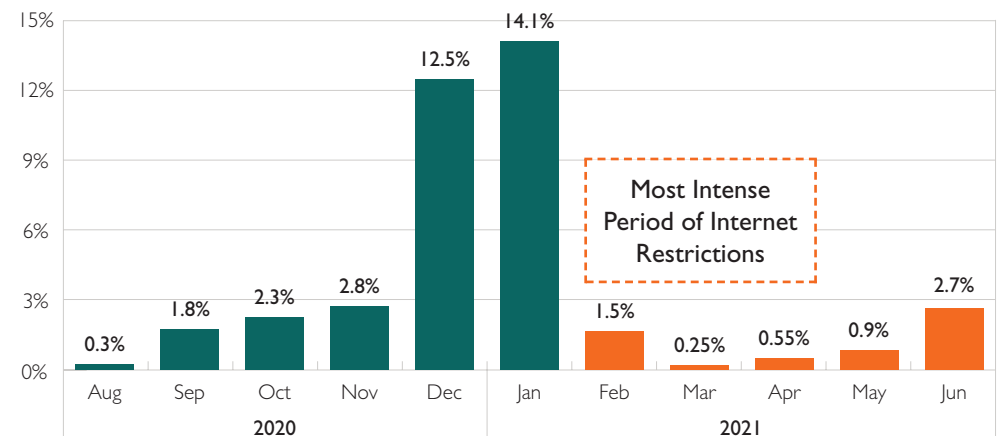
VFM Operations

VFM continues to offer services such as disbursement, collection, and savings withdrawal, but limited depending on the individual branch situation and opening status, the ability of the staff to travel to the field, and overall branch liquidity. It performs daily branch security assessment to ensure the safety of its staff and clients.

In February, most branches across VFM closed for two weeks due to concerns about escalating tension and risk of violent confrontations between security forces and protesters. Since mid-April most branches have been fully operational, including field activities. On average, 55 branch offices were open per day in May and June (53 open for both branch and field activities) out of 58 branches.

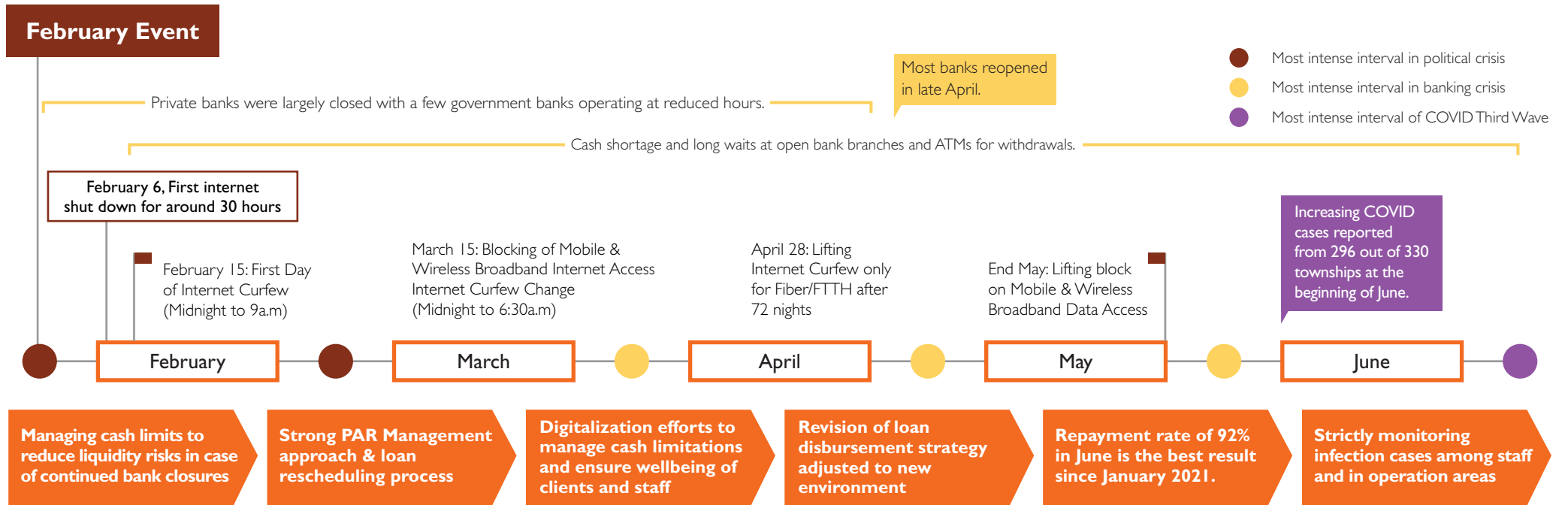
VFM has also been continuing client transition to digital repayment to improve client convenience and operational efficiency since August 2020.

% of loan repayments via agent or wallet from August 2020 to June 2021



Most Intense Period of Internet Restrictions

Timeline of Overall Situation



VFM has disbursed 40,098 loans totaling MMK 33.6 billion between February and June, providing 40,037 clients with much needed funding to continue their business operations (over 50% of loans disbursed during this period have been in the agriculture sector).

