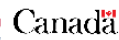




Livelihoods and Food Security Fund



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TCX-LIFT COVID-relief package for the Myanmar microfinance sector

In today's challenging situation, TCX and the Livelihoods and Food Security Fund (LIFT) are once again partnering to support the local microfinance sector. Microfinance institutions' (MFIs) operations are still largely restricted by the emergency situation and, as a consequence, their financial position is deteriorating.

LIFT has provided USD 3 million to TCX, in order to facilitate around USD 30 million in new inflows of funding from international investors to MFIs. The grant will be used to subsidize interest rates for investors which provide funding in Myanmar kyat to local MFIs in the coming months.

The coronavirus pandemic has spread across the globe over the past months, causing unexpected disruptions to economies, also in frontier and emerging markets.

In the past weeks, Myanmar has recorded an increasing number of cases, which has prompted the government to progressively restrict movements and institute a curfew for the entire population. Factories have suspended operations, agricultural commodity prices have become more volatile and economic activity in general has drastically decreased. The government is stepping up its response by introducing financial aid (a stimulus package has been approved) in favor of businesses and workers across key sectors. Overall, the economy is expected to slow down significantly: the IMF now estimates GDP growth to decrease from 6.4% in 2019 to 1.8% in 2020.

The COVID-19 crisis is expected to affect mostly low-income, vulnerable households and micro, small and medium-sized enterprises (MSMEs), especially in frontier markets like Myanmar, where poverty incidence is higher and welfare protection mechanisms are weaker or even inexistent.

The purpose of the abovementioned package is to offer MFIs uninterrupted access to international funding denominated in local currency in the coming months. These foreign direct investments will help MFIs by providing additional resources on their asset side which will be used to support their own end-borrowers. In the current environment, it is essential that MFIs can continue financing their clients to prevent them from going out of business. The agricultural sector is especially vulnerable in this regard, as without financing, farmers are unable to buy the seeds needed for the planting season.

In this context, microfinance institutions play an essential role, as they support clients that are often part of the most vulnerable groups of the population. Both LIFT and TCX therefore remain fully committed to supporting the microfinance sector in Myanmar and team up once again to take up this enormous challenge.

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