

Mission:

We provide accessible financial services to micro entrepreneurs and population with a focus on rural areas.

We support the improvement in the standard of living and contribute to the employment rate increase throughout Bosnia and Herzegovina.



PARTNER MICROCREDIT FOUNDATION

Founded by Mercy Corps

September 2008

General Data



Bosna i Hercegovina



Official name: **Bosnia and Herzegovina**
Located in the western part of the Balkans
Area: 51.209 m²
Climate: Mediterranean and Continental
Population (estimate): cca 3.5 million
Official currency: Convertable mark BAM
(1EUR = 1, 95 BAM)

Administrative and territory arrangement
Federation of Bosnia and Herzegovina
consist of 10 cantons, 84 municipalities
Republic of Srpska: 64 municipalities
Brčko District
Capital: Sarajevo

Average monthly salary – May 08,

EUR 386

GDP per capita (EUR) - 07 2888

Unemployment rate **39%**

Post-conflict aspect

- Out of 4.4 million of the pre-war inhabitants, 28% were displaced
- The total war damages are assessed at cca EUR 70 billion.
- After the war, the GDP in Bosnia and Herzegovina fell to around 20% of the pre-war GDP.

Institutional Background

- Partner is a non profit, non deposit, multithethnic, inter-entity NGO.
- Operations began in April 1997 as Economic Development Department of Mercy Corps.
- Local organization named PARTNER Microcredit Organization: began operations on January 2001.
- Partner was the first microcredit organization that registered its business in both entities.
- In June 2008, due to a change in the Law on Microcredit Organizations, Partner was transformed into Partner Microcredit Foundation.

Mission

Partner provides **financial services** to economically active people who do not otherwise have access to commercial sources of funding.

Our mission is to:

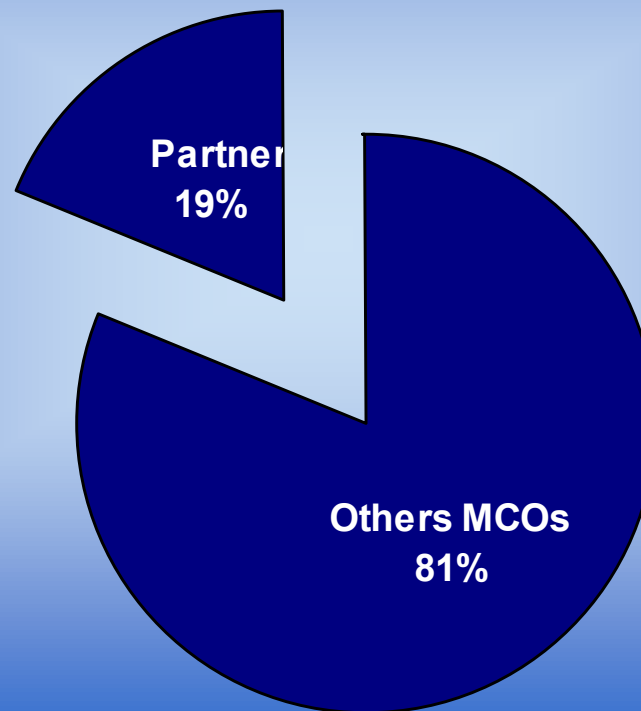
- Support **micro-entrepreneurs** to start or expand their businesses,
- Encourage the transition to a market economy,
- Promote **women's** participation in business and offer **easy access to credit in rural areas**, and
- Increase employment, improve living standards and create better economic opportunities within BiH

Market Share in B&H



June 30th, 2008 (by number of active clients)

Market share by number of active clients
June 30th 2008



Partner's Indicators of Success end August, 2008

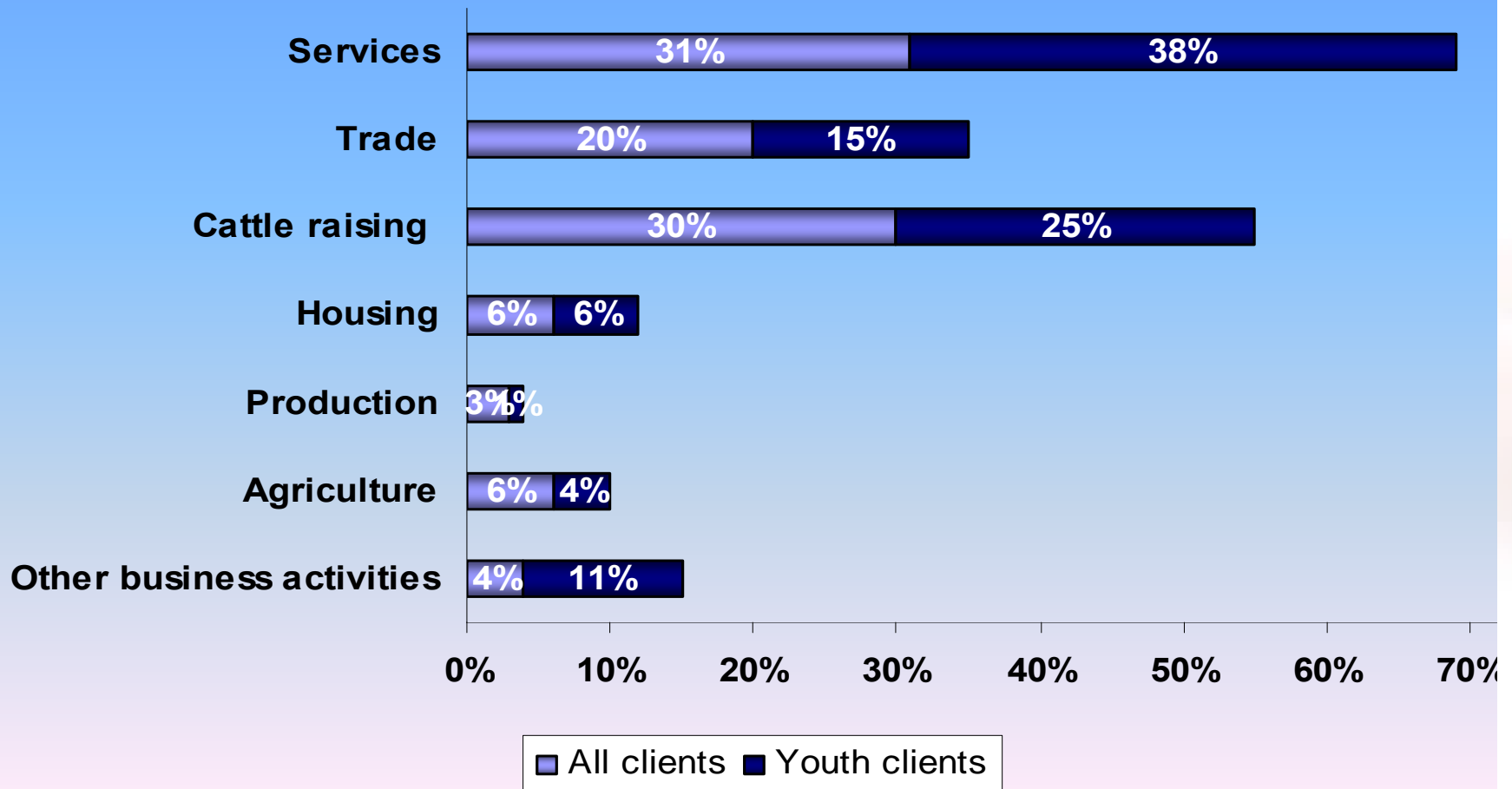
- **Partner currently has 62.182** active loans with outstanding portfolio EUR **+ 95 milion**
- ✦ Number of active clients: **60.384**
- ✦ **69%** of clients come from rural areas
- ✦ **42%** of clients are women
- ✦ Since the beginning of operations, 1997, over **65.000 new jobs** were created and over **225.000 existing jobs** were retained

All active vs. Youth clients

	All clients	Clients age 18 - 30	Percentage
Total number of active clients	62.182	14160	22,77%
Total gross portfolio in EUR:	+ 95 milion	+ 25 milion	26,13%
Average Loan Size in EUR	1566.31	1329.23	84,87%
Average Loan Term	26,82	24,7	92,09%
% women	42,27%	34,49%	
Repayment rate	99,98%	97,27%	
Total active urban clients	31,63%	32,02%	
Total active rural clients	68,37%	67,98%	

Type of business

Business type all clients v.s. youth clients





Youth in B&H

Youth in Bosnia and Herzegovina

- **58% youth unemployment rate** (4 X bigger then in EU)
- Passiveness
- **57% of the yout would leave B&H if they had a chance**
- 607.100 youth up to 15 years old (420.000 less then in 1991 before the war)
- Population age 15 – 29 dropped for 777.000 compared to 1991
- Total workforce (able to work) less for 500.000 then in 1991
- BH Gender component in education is at the EU level

Youth issues I

- High youth unemployment rate (58%)
- Poorly equipped educational institutions
- Inadequate vocational education
- Black labor market (every fifth young person work without a labor contact)
- Every fourth person works in professions differ from their education
- 11 months is the average between completion of education and the first employment
- 95% consider that the employment system is corrupted
- Only 1% of the youth took part in Governmental employment projects

Youth issues II

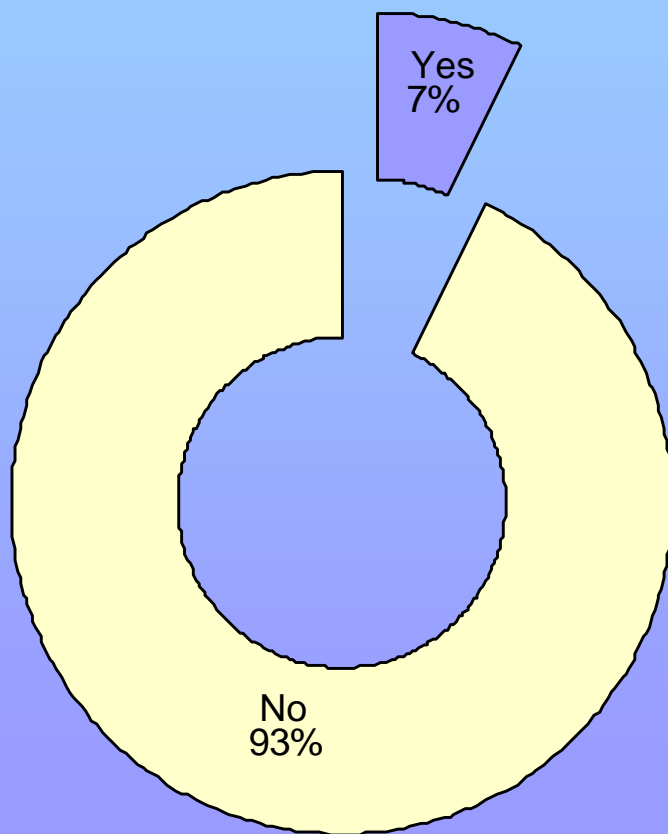
- 85% of youth live with their parents
- 10% of youth don't have any medical insurance
- $\frac{1}{4}$ of the youth live in households whose income is lower than 60% of the average income per household
- Monthly incomes are lower in rural areas
- 93% of young married couples (up to 30 years) don't have own house/apartment
- Three out of four surveyed are not interested in politics
- Only 2% of the youth are members of youth councils/organizations

Challenges B&H and EU

- **Harmonization with European legislative (acquis communautaire)**
- **Translating the EU administrative law**
- **Common agriculture policy in EU**
- **Pre-accession funds**
- **Rules of Schengen**
- **Engineers in the areas of EU standards and directions**

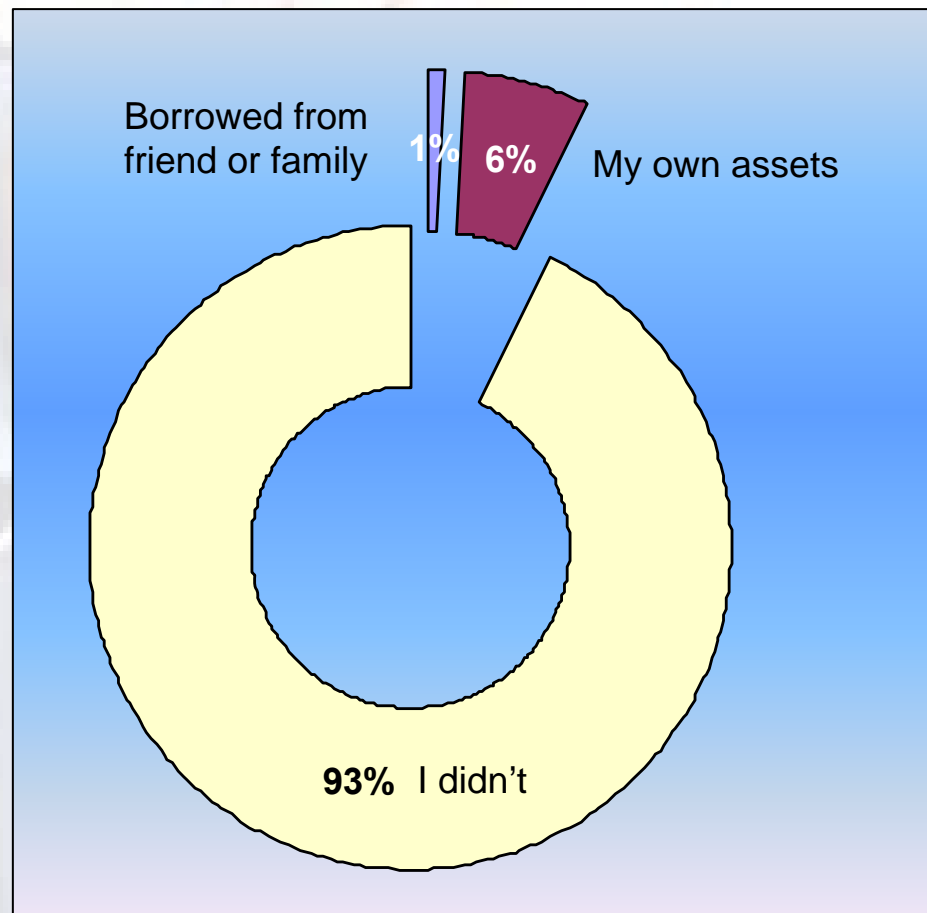
Partner's survey (age 17 - 29)

Do you currently run or operate your own business



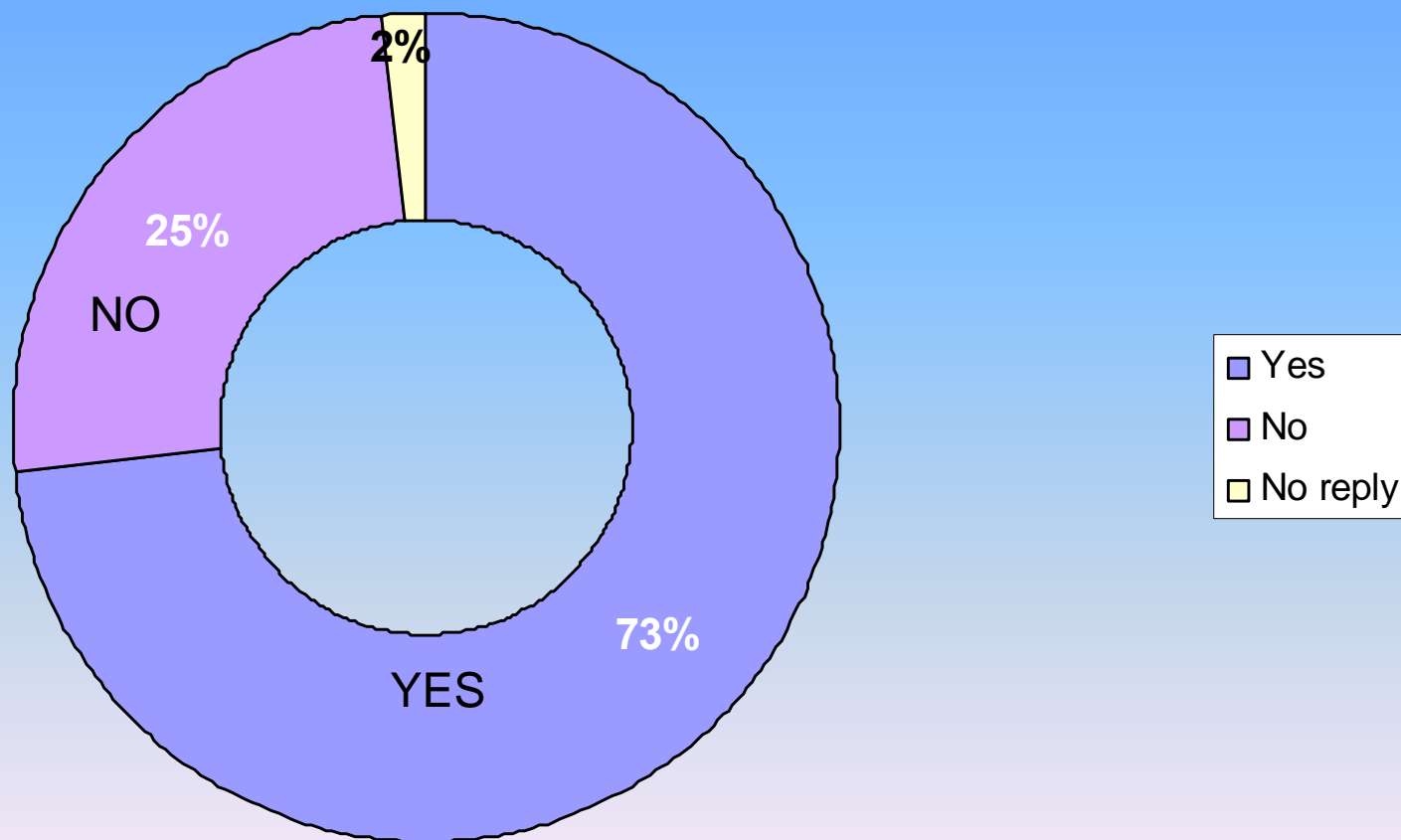
Partner survey

**How did you
obtain the
start-up
capital for
the
business?**

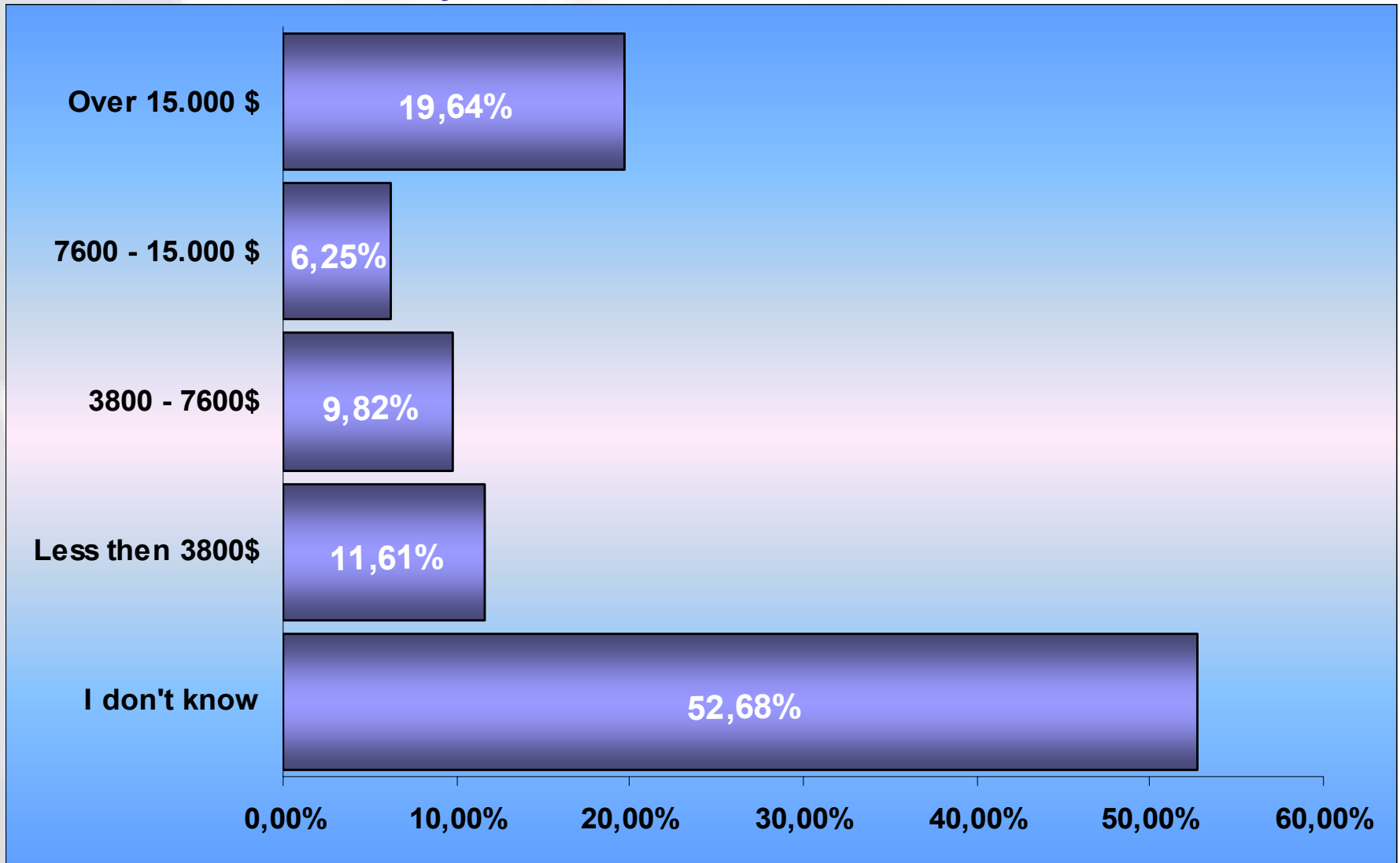


Partner survey

Have you ever thought about starting your own business?

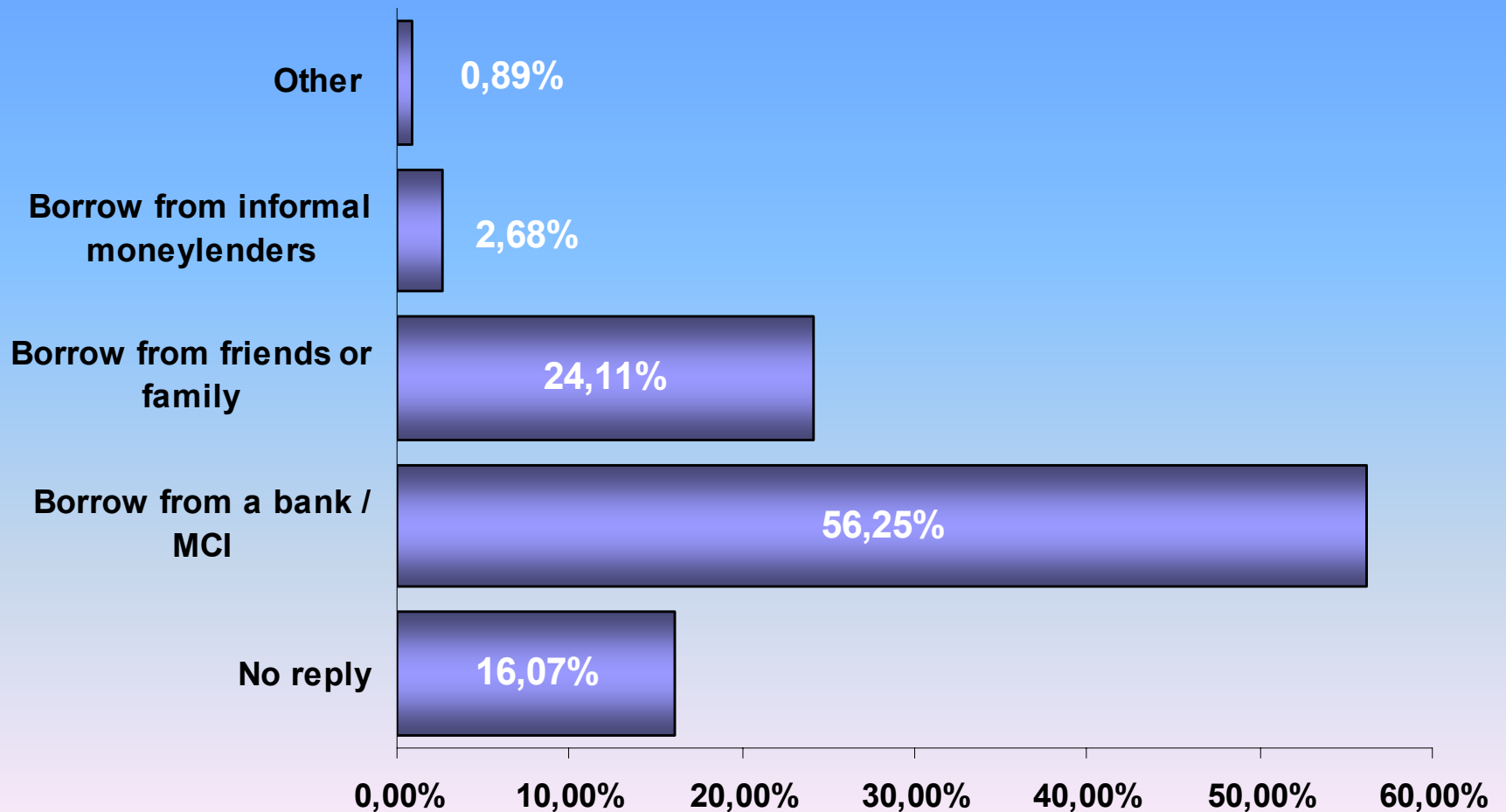


How much money would you need to start your own business?



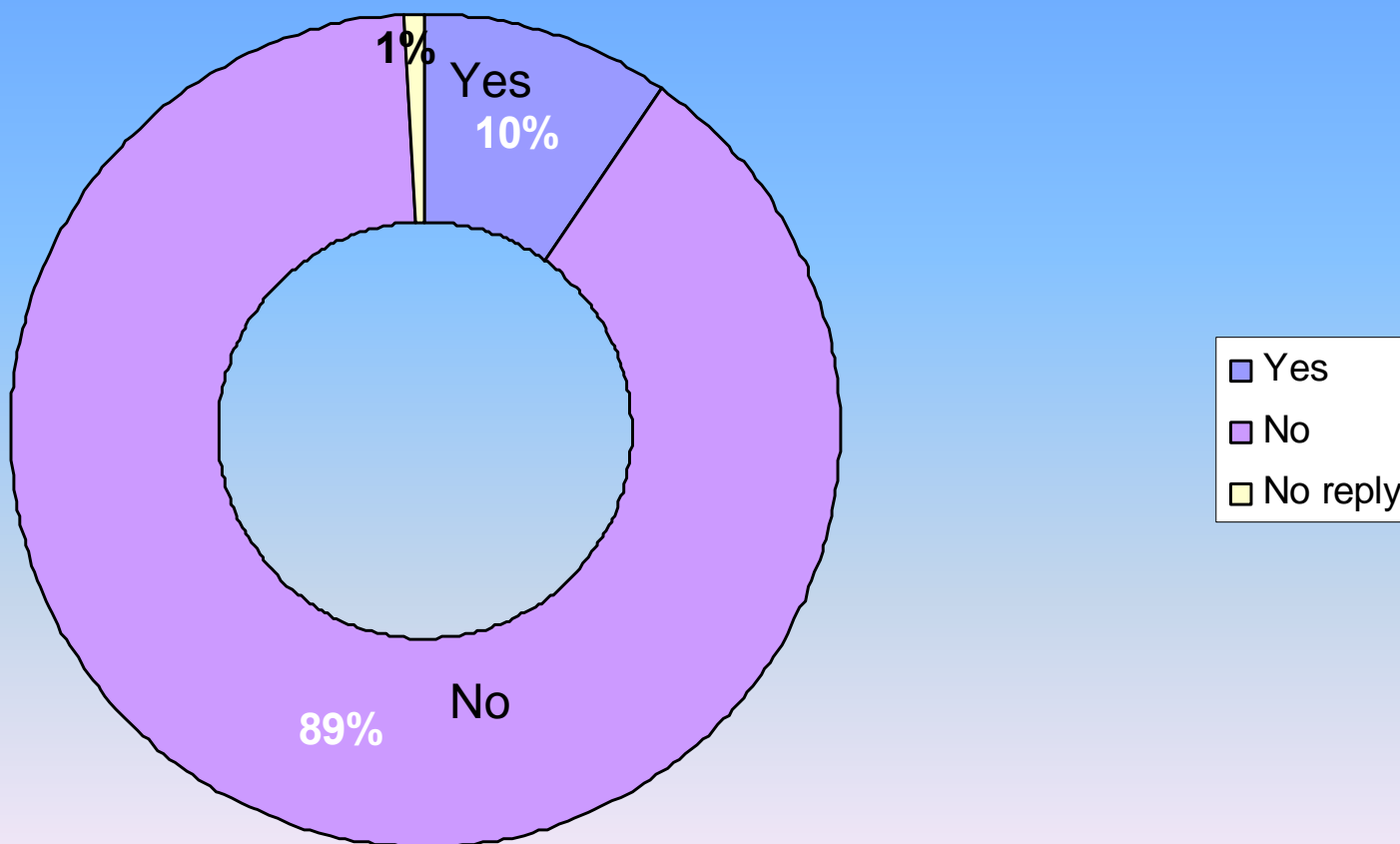
Partner survey

How would you get the money?



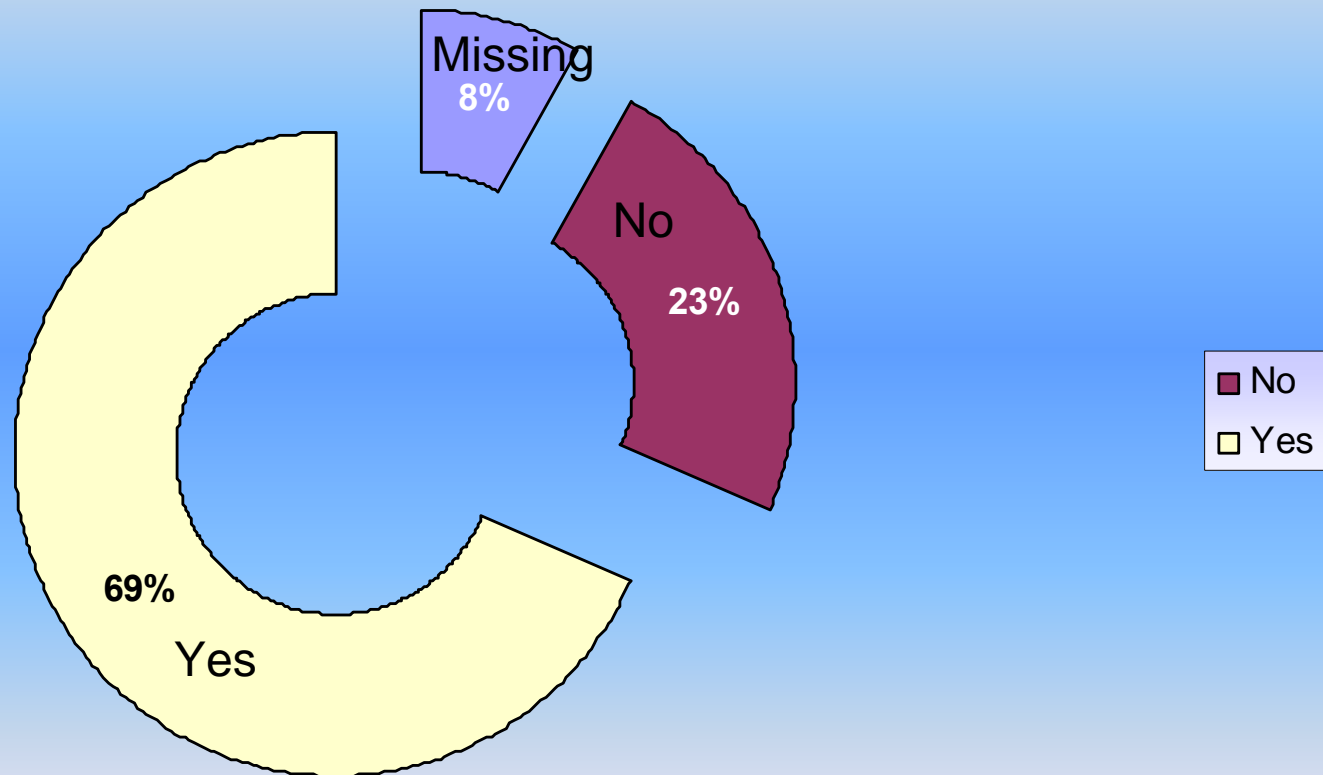
Partner survey

Have you ever attended any business training?



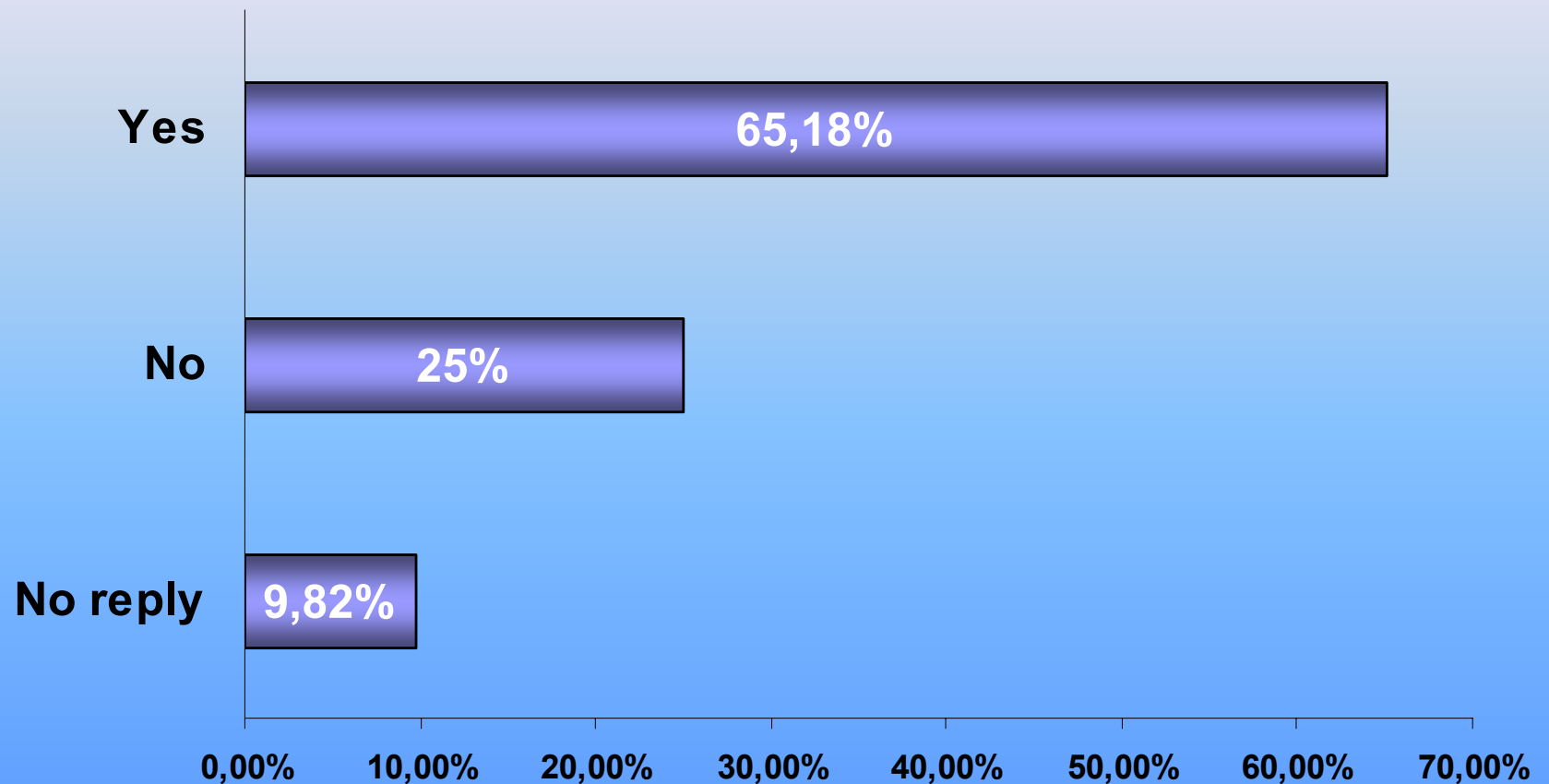
Partner survey

Would you attend business training if offered by a MFI?



Partner survey

Would you be interested in receiving a package: business training + loan?



Proposed experiment design

(Partner / The World Bank / The Seep Network)

- Added value: loan + business training + coaching
- Four groups (+ pure control group):
 1. **Gets exactly the loan requested**
 2. **Have the option of extending the loan term to 48 months (without changing the loan amount)**
 3. **Have the option of extending the loan terms to 48 months AND of increasing the amount to up to 10,000 KM**
 4. **Receives free business training + coaching (and no loan-based incentive)**

DRAFT YOUTH LOAN

- Target group: 18 – 29
- Purpose: The loan is designed for financing business activities in the scope of agriculture, stock-breeding, trade, services and production.
- Loan amount: 2,500 – 10,000 KM
- Loan term: 12 - 48 month
- Interest rate: 17,5% effective, annual
- Collateral: personal guarantee