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Report No: 34234-BA

IMPLEMENTATION COMPLETION REPORT
(IDA-35330)

ON A

LOAN/CREDIT/GRANT

IN THE AMOUNT OF SDR 15.8 MILLION
(US$20.0 MILLION EQUIVALENT)

TO

BOSNIA AND HERZEGOVINA

FOR A

LOCAL INITIATIVES (MICROFINANCE) PROJECT II

December 21, 2005

Human Development Sector Unit
Southeast Europe Country Unit
Europe and Central Asia Region

CURRENCY EQUIVALENTS

(Exchange Rate Effective December 2, 2005)

Currency Unit	=	Convertible Mark (BAM)
BAM 1.6611	=	US$ 1.00
US$ 0.6020	=	BAM 1.00

FISCAL YEAR

January 1 December 31

ABBREVIATIONS AND ACRONYMS

BiH	Bosnia and Herzegovina
CAS	Country Assistance Strategy
DEF	Development and Employment Foundation
FBiH	Federation of Bosnia and Herzegovina
FSD	Foundation for Sustainable Development
ICR	Implementation Completion Report
IDA	International Development Association
KfW	Kreditanstalt für Wiederaufbau
KM	Convertible Mark (BAM)
LIP	Local Initiatives Project
MCO	Micro Credit Organization
MFI	Microfinance Institution
MFU	Microfinance Unit
MTR	Mid-Term Review
OED	Operations Evaluation Department
QAG	Quality Assurance Group
RS	Republika Srpska
SIDA	Swedish International Development Authority
SME	Small and Medium Enterprise
USAID	United States Agency for International Development
WB	World Bank

Vice President:	Shigeo Katsu
Country Director:	Orsalia Kalantzopoulos
Sector Manager:	Hermann von Gersdorff
Task Team Leader/Task Manager:	Goran Tinjic

BOSNIA-HERZEGOVINA
Local Initiatives (Microfinance) Project II

CONTENTS

Project ID: P066169	*Project Name:* Local Initiatives (Microfinance) 2 Project
Team Leader: Goran Tinjic	*TL Unit:* ECSHD
ICR Type: Core ICR	*Report Date: December 21, 2005*

1. Project Data

Name:	Local Initiatives (Microfinance) 2 Project	*L/C/TF Number:*	IDA-35330
Country/Department:	BOSNIA AND HERZEGOVINA	*Region:*	Europe and Central Asia Region

Sector/subsector: Micro- and SME finance (96%); Central government administration (3%); Law and justice (1%)

Theme: Legal institutions for a market economy (P); Small and medium enterprise support (P); Improving labor markets (P)

KEY DATES			Original	Revised/Actual
PCD:	11/22/2000	*Effective:*	03/26/2002	03/26/2002
Appraisal:	04/20/2001	*MTR:*	12/31/2004	05/19/2003
Approval:	06/26/2001	*Closing:*	06/30/2005	06/30/2005

Borrower/Implementing Agency: STATE OF BOSNIA AND HERZEGOVINA/FEDERATION BH - Foundation for Sustainable Development - Microfinance Unit; Republika Srpska - Development and Employment Fund - Microfinance Unit

Other Partners:

STAFF	Current	At Appraisal
Vice President:	Shigeo Katsu	Johannes Linn
Country Director:	Orsalia Kalantzopoulos	Poortman Christiaan J.
Sector Manager:	Hermann A. von Gersdorff	Michal Rutkowski
Team Leader at ICR:	Goran Tinjic	Sarah J. Forster
ICR Primary Author:	Peter Pojarski	

2. Principal Performance Ratings

(HS=Highly Satisfactory, S=Satisfactory, U=Unsatisfactory, HL=Highly Likely, L=Likely, UN=Unlikely, HUN=Highly Unlikely, HU=Highly Unsatisfactory, H=High, SU=Substantial, M=Modest, N=Negligible)

Outcome: S

Sustainability: L

Institutional Development Impact: SU

Bank Performance: S

Borrower Performance: S

	QAG (if available)	ICR
Quality at Entry:		
Project at Risk at Any Time:	No	

3. Assessment of Development Objective and Design, and of Quality at Entry

3.1 Original Objective:

Building on the achievements of the first Local Initiatives Project (LIP - Credit N002-0-BOS) which helped kick-start the development of the microcredit sector in Bosnia and Herzegovina, the Second Local Initiatives (Microfinance) Project was to increase the scale, financial viability and social impact of microcredit services in Bosnia and Herzegovina. In this regard, the overall development goal of the project was to address the urgent need to raise incomes, develop businesses and create jobs in Bosnia and Herzegovina, through provision of credit and other financial services to low-income people. Specifically, the project was to:

(i) finance the growth and institutional development of high-performing microfinance institutions (microcredit organizations, or MCOs, in the context of Bosnia and Herzegovina) that have the capacity to provide sustainable financial services to significant numbers of low-income clients considered "unbankable" by mainstream commercial banks, given their low-incomes and limited assets; and

(ii) support the transition of the microfinance sector towards sustainable sources of financing.

The project development objective proved to be well tailored to respond to the overarching goal of the Country Assistance Strategy (CAS FY00 - FY02), namely to increase economic opportunity and improve the quality of life for all citizens of Bosnia and Herzegovina. The Bank's strategic objectives during the mentioned CAS period were to: (i) strengthen weak and fragmented governance arrangements to build a solid institutional foundation for broad-based self-sustaining growth and democratic participation; (ii) foster sustainable and inclusive private sector-led growth and employment as the most important means of improving economic opportunity for all citizens of Bosnia and Herzegovina; and (iii) build social sustainability by establishing affordable and equitable social services, including a social safety net for the most vulnerable.

Directly or indirectly, the project contributed to all three CAS strategic objectives. By ensuring access to credit services for small and micro enterprises, the project supported sustainable and inclusive private-sector-led growth. It helped build social sustainability by increasing the quality and scope of credit services to low-income people – including some of the country's most socially vulnerable groups, such as female (often widowed) heads of households, displaced persons, returning refugees and ex-soldiers – such that they can secure more reliable incomes, and reduce dependency on aid and social welfare. The project also indirectly contributed to the CAS goal of strengthening institutions and governance, by building capacity of well-performing microcredit organizations and by supporting the development of a strong and sustainable microcredit sector in Bosnia and Herzegovina.

Furthermore, the project objective was fully aligned with the overall theme of the country's first Mid-term Development Strategy/Poverty Reduction Strategy that established a development vision based on supporting entrepreneurship. In this regard, job creation and enterprise development have been at the heart of the Mid-term Development Strategy and microcredit services were recognized as an important tool to help support the entrepreneurial poor develop self-employment activities and micro and small enterprises. In response to these objectives, the project was designed to meet an overwhelming demand for credit services by micro and small enterprises that have not had access to such services from the commercial banking sector.

Finally, recognizing that in a more developed economy, investment for business development would largely come from the financial sector that provides quality services to all citizens, the project was designed to support the transition of MCOs towards sustainable (i.e. commercial) sources of financing and towards becoming an integral part of the country's overall financial sector.

3.2 Revised Objective:
Objectives were not revised.

3.3 Original Components:
Component 1: Microfinance Fund (Projected cost: US$23.28/Actual cost: US$23.83). Financing under this component was to be provided to selected, high-performing MCOs so as to increase their outreach and quality of services to low-income clients. In accordance with the lessons learned from the LIP, the project was to take an institutional approach, lending funds to MCOs that have demonstrated the capacity to be institutionally and financially viable over the long-term and that have the capacity to reach large numbers of low-income clients. Qualifying MCOs would receive long-term, Euro-denominated loans with a 15 year term, including a 5 year interest-only period. The aim was to provide long-term financing to MCOs so as to enable them to build-up a capital base and to assist them leverage commercial financing.

Component 2: MFI Legal and Regulatory Reform (Projected cost: US$0.90/Actual cost: US$0.19). The objective of this component was to support further development of the legal and regulatory framework for microfinance, so as to enable MCOs to expand their sources of financing and the types of services they can provide. The aim was to develop alternative institutional forms for MCOs, within a financial sector framework, that would provide them the possibility to mobilize more sustainable sources of financing, such as commercial bank financing, equity investment and savings without creating contingent liabilities for the state.

Component 3: Microfinance Sector Capacity Building Support (Projected cost: US$1.42/Actual cost: US$1.19). The objective of this component was to further strengthen the institutional and financial capacity and performance of MCOs in BH. This component was to provide financing for training and technical consulting services and other capacity building activities for MCOs and the Microfinance Units of the Foundations responsible for on-lending funds to MCOs, and monitoring their performance.

Component 4: Impact Assessment/Research and Development (Projected cost: US$0.32/Actual cost: US$0.33). This component was to finance a longitudinal impact assessment, the objectives of which were:
- to document the impacts of a sustainable microcredit sector in BH.
- to provide client-level information to MCOs for use in management decisions.
- to build interest and understanding among MCOs on the use of client-level information for documenting program impacts, improving program management, and developing new products and services.
- to build local research capacity for collecting and analyzing client-level information on microenterprises and microfinance.

The impact assessment was to be designed to answer the following research questions:
1. Do MCOs in Bosnia and Herzegovina reach their target populations?
2. Does microcredit improve the household welfare of borrowers?
3. Does microcredit promote business development?
4. Does microcredit ease the post-conflict transition?

Financing under this component was to cover the costs of: (i) one long-term international advisor; (ii) a local social research firm; and (iii) the costs associated with the discussion and dissemination of results e.g., seminars, translation services.

Component 5: Project Management/Operating Costs (Projected cost: US$1.14/Actual cost: US$1.53). This component would cover the costs of the Microfinance Units (MFUs) of the Foundations responsible for project implementation, including staff salaries, staff travel, equipment, vehicle maintenance, utilities, office supplies, rental of office premises and external audits. These costs were expected to represent no more than 4 percent of the overall project costs, and less than 2 percent of the outstanding loan portfolio. Project costs were supposed to be fully funded by the MFUs' own interest income which would be counted as government counterpart contribution to the project.

3.4 Revised Components:

Project components were not revised.

3.5 Quality at Entry:

Although there was no formal quality at entry review, the project performance in this regard was assessed as satisfactory. The project design was clear and enabled smooth project implementation immediately upon the effectiveness was declared. Moreover, project design, component structure and implementation arrangements were completed using the excellent experience from the first Local Initiatives Project. Although the project effectiveness was delayed due to lengthy process of parliamentary ratification of the World Bank credits, this did not have a major negative effect on project implementation and performance in terms of achieving the project development objectives.

4. Achievement of Objective and Outputs

4.1 Outcome/achievement of objective:

Project performance in terms of achieving the primary project objective of providing credit to significant number of low-income clients in order to raise incomes, develop businesses and create jobs, is assessed as **satisfactory**. The project has significantly influenced a large pool of entrepreneurial poor, has had a positive impact on clients' businesses and employment (impact assessment showed that microcredit services helped create and/or sustain more than 200,000 jobs), and has further strengthened institutional capacity of partner MCOs to provide high-quality credit services to low-income clientele.

Eight partner MCOs that received loan financing and technical assistance under the project have achieved the following cumulative results as of the closing date of June 30, 2005:

- Micro-loan disbursement by MCOs - monthly disbursement reached 9,000 loans for the total amount of over KM 30 million. This is a 17% increase compared to June 2004, and 40% increase compared to June 2003 figures. Since 1997 when MCOs were established and all through LIP I and LIP II these MCOs disbursed a total of 380,051 loans -- more than double the project target of 150,000 loans on a cumulative basis. The [baseline] number of disbursed loans at startup of the second LIP project was slightly more than 50,000, so for the duration of the project the MCOs had disbursed 330,000 new loans.
- Client outreach - 98,852 active clients and the outstanding loan portfolio of over KM 230 million. Project goal of reaching 50,000 clients with an outstanding loan portfolio of KM 125 million was significantly outperformed. Average loan size was KM 3,421 lower than at the begining of the project (2002) when the average loan size was KM 3,625. This shows that MCOs remained committed to serving low income clientele. It is also important to mention that 50% of borrowers are women.
- Employment impact - based on an impact assessment carried out under the project, it is estimated that clients' businesses provide employment to a total of about 212,000 people (estimated employment impact is based on finding from the impact assessment that clients' businesses on average employ 2.15

people).

- Institutional and financial performance of partner MCOs has been satisfactory. Partner MCOs maintain financial sustainability and positive adjusted return on assets. Overall repayment rate remains very high with portfolio at risk (over 30 days past due) at 0.99% (as of June 30, 2005). Comparative analysis of performance indicators of partner MCOs conducted during implementation, confirms these results (see Annex 9 for details).
- Project financing helped partner MCOs to leverage additional donor and, more importantly, commercial debt financing. All partner MCOs have raised commercial debt financing in the total amount of over KM 76.6 million at project closing (June 2005). This represents a major increase comparing to mid-term review findings (June 2003) when the level of commercial debt financing was at KM 9.5 million and even greater increase compared to the period at the begging of the project (2002) when commercial debt financing was about KM 6.7 million. This trend provides assurance that the objective of supporting the transition of the sector towards sustainable (commercial) sources of financing has been achieved. See Annex 10 - Sources of financing of partner MCOs for details.
- The project has also facilitated the drafting of a new law on MCOs, which once adopted, would allow MCOs to also attract equity investments and offer a range of products to their clients. The last meeting of an expert team that included representatives of the Central Bank of Bosnia and Herzegovina, entity ministries of finance, entity banking agencies, MFUs and MCOs held its final session on December 1, 2005 and at that meeting members of the expert team reached agreements about the text of the new law on MCOs that will be presented to the entity ministers of finance for further processing. It is expected that the new law will be adopted during the first half of 2006.

4.2 Outputs by components:

Component 1: Microfinance Fund. *Market-driven loan financing for selected, high-performing MCOs so as to increase their outreach and quality of services to low income clients.*

Achievements under this component and the performance of partner MCOs are rated as **highly satisfactory** . In accordance with the lessons learned from the first LIP, the project has taken an institutional approach, lending funds only to MCOs that have demonstrated the capacity to be institutionally and financially viable over the long-term and that have the capacity to reach large numbers of low-income clients. MCOs capacity was assessed against the eligibility criteria that was agreed during the project design. Due diligence assessment of all eligible MCOs was carried out initially, and nine MCOs met the criteria for loan financing under this component: MCO Benefit, MCO Bosvita, MCO EKI, MCO MI-BOSPO, MCO LOK Mikro, MCO Mikrofin, MCO Sinergija-Plus, MCO Micro-SUNRISE and MCO Partner. As a part of the first round of financing under this component, these MCOs received a long-term, Euro-denominated loan in the amount of EUR 1 million, with a 15 year term, including a 5 year interest-only period. The interest rate was 5% per annum and was established at this rate to cover the cost of IDA funds and the administration costs of the MFUs responsible for project and fund management, inflation, expected loan losses, exchange rate risk and limited funds for capitalization. This rate, not too far from the currently available commercial rates at which MCOs borrow from banks, combined the social objectives of the project with the strategy to build sustainable institutions.

Eight of the above mentioned MCOs have also met the eligibility criteria (modified to reflect progress in project implementation and overall development of the microcredit sector) for the second and the third round of financing. Loan terms and conditions remained unchanged although the criteria for the third round of financing included performance indicators that allowed the MFUs to provide more funding to those MCOs that had the best performance in terms of quality of services to target clients. The only MCO which did not meet the criteria for the second round of financing was MCO Bosvita. However, this MCO has merged with MCO Partner, which was assessed as much welcome first sign of the consolidation within the sector.

Throughout the project implementation, partner MCOs have maintained strong institutional and financial performance. While increasing their outreach and number of active clients, partner MCOs managed to maintain financial sustainability and positive return on assets. Portfolio at risk was also below 1% during the project implementation and was 0.99% as of June 2005 (project target was <5%). As mentioned above, project financing has helped partner MCOs to leverage significant additional commercial debt financing which is an important project achievement. Finally, increasing competition in the financial sector market has resulted in better loan terms and conditions for final borrowers, better access to financial services, lower collateral requirements and efficient operations of financial intermediaries (MCOs in particular).

<u>Component 2: MFI Legal and Regulatory Reform.</u> *The objective of this component was to support further development of the legal and regulatory framework for microfinance.*

This project component has facilitated a much-needed discussion on the status of MCOs in Bosnia and Herzegovina and on their sustainable future, and has also stimulated the drafting and the processing towards adoption of the new law on MCOs. Based on these achievements, this component is rated **satisfactory.**

The project has facilitated a stakeholder consensus on the need for a commercial form of microlending institution, and for legally and practically workable mechanisms for the existing nonprofit MCOs to "transform" into a commercial legal form. This new form of commercial microlending organization would have the option of transforming into a licensed commercial bank (once it can meet the prudential requirements applicable under the banking law and regulations). Once the legal team constituted under the project provided the draft of the new law on MCOs, the state-level working group was created in March 2005 including representatives of the Central Bank, entity-level ministries of finance, the State Ministry of Finance and Treasury, entity Banking agencies, MFUs and practitioner representatives from each entity. The role of this working group was to ensure that the new MCO law is fully harmonized between the two entities and that it reflect prevailing thinking about microcredit sector as a part of the overall financial sector in the country.

It is expected that the draft of the new MCO law will be processed within the entity ministries of finance by the end of this calendar year and adopted during the first half of 2006.

Depending on future trends in the financial sector and a possibility to introduce the new state level banking legislation, it would be advisable to consider "migration" of the MCO law to become a part of such banking legislation that would provide framework for banks and other non-bank financial intermediaries.

<u>Component 3: Microfinance Sector Capacity Building Support.</u> *Financing under this component was provided for training and technical assistance services for MCOs. The objective of this component was to further strengthen the institutional and financial capacity and performance of MCOs in Bosnia and Herzegovina.*

Overall performance under this component is rated **satisfactory**. An external international consultant (Carl Bro - Denmark) was selected on a competitive basis to provide demand-driven consulting services to all interested MCOs (not just those who received loan financing under the project). A total of 11 MCOs received technical assistance under this component. Technical assistance was designed as a combination of hands-on training for individual MCOs meeting their particular needs; training seminars covering issues of concern for most MCOs; and study tours to learn about experiences of microcredit practitioners in other financial markets (Denmark and Mexico).

Technical services were focused on the following five areas: (i) governance – board and managers; (ii) human resources; (iii) product development; (iv) transparency; and (v) financial management. MFUs carried out a review at the end of the project to assess what impact these technical services had on performance of participating MCOs (report available in project files). Using a set of quantitative and qualitative indicators, MFUs found that technical services extended under the project had a positive impact on MCOs performance in all of the above mentioned areas. For example, MCOs received necessary technical assistance to develop new loan products for small scale farming and agriculture for which there was increased demand (40% of loans disbursed in June 2005 were for small-scale agriculture and farming). In the light of the proposed new law on MCOs, a training seminar was organized to explore different transformation options and issues that MCOs should take into consideration when pursuing transformation.

An important aspect of this component was mandatory co-financing of technical assistance by participating MCOs. At the end of the project this co-financing reached 50% of the total cost of services provided under this component. Such a practice significantly increased MCOs "ownership" of technical services. At the same time, active involvement in all phases of the technical assistance program helped MCOs strenghten their capacity to identify areas where assistance is needed, design adequate terms of references, appraise and select consultants and evaluate their performance and impact of services provided.

Component 4: Impact Assessment/Research and Development. *This component financed a longitudinal impact assessment to document the impact of the microcredit sector and to provide client-level information to MCOs and other stakeholders.*

Overall performance under this component is rated **satisfactory**. The impact assessment was designed to address four key questions:

- Do microcredit organizations (MCOs) in Bosnia and Herzegovina reach their target populations?
- Does microcredit improve the household welfare of borrowers?
- Does microcredit promote business development?
- Does microcredit ease or speed the post-conflict transition?

To answer these questions, the impact assessment relied on a mixed-method approach, which combined i) a longitudinal survey of 2,561 microentreprenuers; ii) case study interviews of 16 microcredit clients and iii.) client' loan history data. The two rounds of the survey (conducted in 2002 and 2004) created a panel data set that followed the same households over time. The survey was based on a quasi-experimental design, meaning that non-clients were included in the study for comparison purpose. The final report on this assessment was completed and presented to all stakeholders in May 2005.

Findings of the impact assessment were positive in terms of the overall impact of microcredit services and could be summarized as follows:

Business characteristics (from 2004 survey of MCO clients):
- Sectors: trade (36%), services (29%), livestock and agriculture (27%), small-scale production 8%);
- Location: FBH (57%), RS (41%), Brcko district (2%);
- Employment: 2 full-time workers (average client' business employs 2.15 workers. Later loans raise

worker productivity through business investment that leads to higher profits and income);
- Registration Rate: 55% (positive impact of 13% on the growth in business registration for clients as compared to non-clients;

Clients' use of microcredit:
- Clients used loans to start or strengthen their businesses (may be household's primary or secondary income source; also used to recover or replace income sources lost in war). Positive impact of KM 900 on the growth in per capita household income. For new clients, positive impact of KM 1,100 on the growth in per capita household income. **Significant drop in clients' poverty rate, from 51% in 2002 to 46% in 2004**;
- All or most of borrowed funds spent on business (mostly used for working capital; debt management led to increased financial discipline; greater focus on planning and growth).

Benefits of microcredit: clients' views
- Higher microenterprise income from increased scale of business;
- Better liquidity and income security;
- Applications rejected by banks, bank requirements too difficult;
- Availability of loans to start a business.

Component 5: Project Management. *This component financed the costs of the MFUs of the two entity foundations (Federation Foundation for Sustainable Development and Republika Srpska Development and Employment Fund) responsible for project implementation.*

Overall performance under this component is assessed as **highly satisfactory**.

Project implementation was the responsibility of the microfinance units (MFUs) housed within the two entity foundations (Development and Employment Foundation in Republika Srpska and Foundation for Sustainable Development in the Federation BiH). MFUs performance has been highly satisfactory throughout the project implementation. MFUs have developed excellent partnership with MCOs and were viewed as the key factor for success of the operation. Furthermore, MFUs developed respectable capacity for monitoring MCO performance and helping MCOs identify weaknesses that need to be addressed. MFUs enforced strict adherence to the performance standards established under the project. Although the project was implemented as a single operations with two parts (one for each entity) the MFUs and their foundations worked closely together and have maintained excellent cooperation througout the project implementation. Such performance has also contributed to expansion of microcredit services across inter-entity lines as 7 out of 8 patner MCOs have been extending their services in both entities.

Performance of the two foundations as a whole, whose departments were responsible for financial management and procurement, is rated as satisfactory. The cost overrun on this component is due to exchange rate differences, debt service (service and commitment charges for IDA Credit) in the amount of KM 404,000 (about US$ 250,000 equivalent) and somewhat higher than expected overhead costs in the Federation BH. Financing under this component was fully covered from the interest income on loans made to MCOs.

4.3 Net Present Value/Economic rate of return:
N/A

4.4 Financial rate of return:
N/A

4.5 Institutional development impact:
The project continued the strong institutional-development trend taken by LIP, and its impact is assessed as **substantial**. The project's institutional approach and the achievements in this area have been recognized as the main generator of microfinance activities in Bosnia and Herzegovina today. The project has introduced the principles of financial services to low income people based on international best practice. At the end of the project all partner MCOs have reached financial sustainability and are expected to continue provision of services to target clientele on a sustainable basis over the longer-term.

5. Major Factors Affecting Implementation and Outcome

5.1 Factors outside the control of government or implementing agency:
There were no significant external shocks or events which specifically affected this project.

5.2 Factors generally subject to government control:
As mentioned previously in this report, the project effectiveness was delayed due to lengthy process of parliamentary ratification of the development credit agreements and project agreements. Although this delay did not have a negative effect on the project implementation, particularly given clear project scope and design, the government should consider simplifying this procedure that already caused and continues to cause effectiveness delays of the World Bank financed operations.

5.3 Factors generally subject to implementing agency control:
Project implementation units (MFUs of the two entity foundations) in both entities demonstrated high levels of commitment and professionalism which ultimately led to the achievement of project objectives. In addition to managing all aspects of the project implementation in a professional manner, MFUs played an important role in promoting microcredit sector and ensuring that the sector follows international best practices in developing financial services for low-income clients. It should also be emphasized that MFUs also provided assistance to the National Association of Microcredit Organizations (AMFI) and helped its members (12 strongest MCOs in Bosnia and Herzegovina) better define a vision and mission for the association. As a result, the association is increasingly recognized as a promotor of industry standards and an important advocate of improvements in the business environment that affects performance of both microenterpreneurs and MCOs.

5.4 Costs and financing:
The project cost was estimated at US$ 27.06 million of which US$ 20 million in IDA credit (SDR 15.8 million equivalent). Actual financing for the project reached US$ 27.07 million and comprised of IDA credit in the amount of US$ 22.71 million and counterpart fuding in the amount of US$ 4.36 million. Higher than expected amount of IDA financing in US$ terms was due to exchange rate differencies and in spite of an undisbursed balance of about 2.6% of the approved credit. This undisbursed balance was due to significant savings that were made in technical assistance components (components 2 and 3). It was initially projected that about US$ 2.32 million will be needed for these two components and actual disbursement reached US$ 1.38 million. These savings were made as a result of a good management by MFUs and due to co-financing by MCOs for technical assistance services (as described in section 4.2).

6. Sustainability

6.1 Rationale for sustainability rating:
Sustainability of this project's results is rated as **likely**. The project has created a critical mass of institutional capacity, both in the MCOs, governmental private sectors to ensure continuous operation and development of the microcredit scheme. There is also a shared understanding among stakeholders of the importance and of the future development of this sector, and governments (state and entities) are acting

towards ensuring an environment for further development of the microcredit services as integral part of the overall financial sector in Bosnia and Herzegovina. There are a couple of sustainability-related issues that still remain open.

First, the adoption of the new law on MCOs is a key challenge for the medium-to-long term development of the microcredit sector in Bosnia and Herzegovina. If the new law is not adopted, there is a risk that the achievements and the capacity built under the project may not be fully utilized**.** The proposed new MCO law is a necessary step in a two-stage process of integration of the microcredit sector in the overall financial sector in Bosnia and Herzegovina. The proposed new law will, among other, allow for the MCOs to become companies with transferable assets and open opportunities for integration in the banking and financial sector.

Second, appropriate institutional arrangements should be put in place to ensure continued support (at least during the transition period) for the rapidly growing microcredit sector in Bosnia and Herzegovina. In this regard, it is important to define the status of the two foundations and their MFUs. Any future transformation of these institutions should take into account the possible influence on capacity by changed structure, employee status or salary levels. Performance of MFUs as project implementation agencies was highly satisfactory throughout the project implementation. MFUs should be allowed to operate until an appropriate institutional arrangement is developed.

Third, the decision of the Borrower how to use the credit proceeds has important sustainability implications. It is advisable to preserve the purpose of the proceeds and use them towards meeting the same development objectives at least until the MCOs are fully integrated into the financial sector.

6.2 Transition arrangement to regular operations:
As mentioned in the previous section, there are two separate aspects of transition to regular operations: i) full integration of the microcredit sector into the overall financial sector; and ii) institutional arrangement for future management of the project. These issues were discussed with key stakeholders during the implementation completion mission and the following next steps were agreed:

- adoption of the new entity level laws on MCOs during the first half of 2006. As previously stated, depending on future trends in the financial sector and a possibility to introduce the new state level banking legislation, it would be advisable to consider "migration" of these MCO laws to become a part of such banking legislation that would provide framework for banks and other non-bank financial intermediaries.
- In Republika Srpska, recently adopted law on Development and Employment Fund envisages continuation of activities supported under the project in essentially same manner and pursuing the same development objectives.
- In the Federation BH, the Ministry of Finance will develop a proposal for future management of revolving credit funds extended under the project and will submit it to the World Bank for comments by the end of this calendar year. During consultations carried out during the implementation completion mission, representatives of the Ministry of Finance and the Ministry of Social Affairs and Labor expressed their support for preserving the purpose of the proceeds and their use for further development of the microcredit sector.

7. Bank and Borrower Performance

Bank
7.1 Lending:

The Bank's performance in preparing the project is rated **satisfactory**. The project was a follow-up operation to a successful first Local Initiatives Project, which was assessed as best-practice by OED. Project identification to effectiveness took 20 months. Appraisal took place in April 2001. The project was approved by the Board on June 26, 2001 and became effective on March 26, 2002. In all stages of project preparation and implementation, the team composition included Bank staff and experienced consultants with extensive experience in microfinance best practices plus a filed based Task Team Leader with awareness of the political and social context in Bosnia and Herzegovina.

7.2 Supervision:

Supervision is judged as **satisfactory**. Throughout project implementation there has been intensive supervision by the field-based Task Team Leader with the support of operations staff (field based procurement officer and FMS specialist) and microfinance consultants. The field-based supervision allowed for daily contact with the MFUs and partner MCOs. Supervision missions were carried out regularly with continuity of staff on both the Bank and counterpart side. Close working relationships, based on mutual trust and respect, were established between the Bank and the MFU staff as well as with the management of partner MCOs. The Bank team was viewed as responsive to the project needs and open to approving modifications that would help achieve better overall results.

7.3 Overall Bank performance:

Overall, the Bank's performance is rated as **satisfactory**. The Bank team supported the design and implementation of an effective operation which fully met its objectives. Furthermore, the Bank was instrumental in promoting an institutional approach in supporting development of microcredit sector in Bosnia and Herzegovina. Such an approach was adhered to by other financiers (USAID, SIDA, KfW, commercial lenders) greatly contributing to the overall positive trends that were recorded in the sector over the last years.

Borrower

7.4 Preparation:

The Borrower's performance throughout the project preparation and implementation is considered satisfactory. Encouraged by the successes from the first Local Initiatives Project, Borrower was supportive of the proposed project design. Furthermore, as stated in section 3 of this report, the project design was fully in accordance with the country's Mid-term development strategy which recognized microcredit services as an important tool to reduce poverty and promote entrepreneurship in Bosnia and Herzegovina.

7.5 Government implementation performance:

The Government's implementation performance is rated as satisfactory. There was no political interference in decision making.

7.6 Implementing Agency:

Performance of implementation agencies was satisfactory to highly satisfactory throughout the project preparation and implementation. MFUs operated as separate units within Development and Employment Foundation in Republika Srpska and the Foundation for Sustainable Development in the Federation BH. It is thanks to continued efforts and commitment of the MFUs that the project objectives were achieved.

7.7 Overall Borrower performance:

Overall Borrower's performance is rated as satisfactory.

8. Lessons Learned

1. Transition to sustainability of the microcredit sector takes time, and must be a part of the initial

project design. The project's strategic view of a sustainable MCO sector is one of the elements of this operation that was found essential by all interviewed stakeholders. However, the sequence of the LIP I and LIP II demonstrated that sustainability meets many challenges along the way, and needs to be factored into project design from the very beginning as these two projects did. The exit strategy was clear from the very beginning. That helped all players and most importantly – participating MCOs, and gave them enough time to develop their own strategies for development, to choose their own niche, and to adapt to the changing sectoral environment.

2. Targeted technical assistance is of great importance. All MCOs recognized the need to differentiate their services and products in order to stand out from the competitors and in terms of transforming their structure and type of organization. The ultimate result of the technical assistance program implemented under the project was that MCOs learned how to assess their needs for technical services and how to work with consultants. Co-financing of the technical service costs by participating MCOs also introduced discipline and helped MCOs recognize that the demand-driven sustainability-oriented approach in using technical assistance is key factor in successful management of the technical services.

3. There is no conflict between the financial and social goals of this type of operations. One of the main criticisms of microfinance operations is the risk for the sustainability objective and the poverty-targeting objective "to cancel each other." Experience from this project suggests that achieving simultaneously these two objectives is not only possible, but also leads to synergies. Project implementation history and a three-year *impact assessment of microcredit on clients in Bosnia and Herzegovina*conducted under the project, proved that clients need ongoing access to microcredits that enable them to increase their incomes, provide self-employment at levels that contribute significantly to household income and earn a good living for their families. At the same time the sustainable pricing policy of MCOs not only results in MCOs financial sustainability but also brings in positive results to their clients in the form of better services.

4. Focused objectives are essential. Focusing the operation on developing a very specific type of microcredit services (microcredits for income generating activities), and on targeting specific types of clients (low-income enterpreneurs) was important.

5. Performance based financing. Loan financing under the project was performance based in the sense that MCOs were obliged to maintain certain performance standards to remain eligible to retain existing and be eligible for future financing. This has proven to be a strong incentive for MCOs to perform well. MCOs recognized that failure to maintain agreed performance standards would not only deprive them from access to project resources but would also send a signal to other financiers. Project policy to impose strict adherence with agreed performance standards was also singled out by many stakeholders as an important contribution of the project.

9. Partner Comments

(a) Borrower/implementing agency:

Full text of the counterpart's input to this ICR is provided in Annex 8. In summary, the implementing agencies believe that the main project objectives were met or surpassed. This conclusion is applied to client outreach, loan disbursement, number of active clients and portfolio growth. At the same time MCOs remained focused on the low segments of the market and continued to serve low income people/entrepreneurs. It is also stated that "the only project's objective that has not been fully met was development of the new legislation for microfinance in Bosnia and Herzegovina."

On project design, the counterparts assert that the continued support to the microcredit organizations in terms of both loan financing and technical assistance were key. Project implementation arrangements were assessed as straightforward and easy to follow**. Finally, the overall operation experience was assessed as very positive**.

(b) Cofinanciers:

During the course of the project implementation and later during the implementation completion mission the World Bank team met and maintained contacts with other donors (KfW, USAID) and financiers (Raiffeisen bank) in the microcredit sector. These partner organizations emphasized the key role of this project for the development of the sector. Donor partners that invested in the sector following the World Bank's lead, noted that they would not have had the opportunity to do so in an efficient and focused manner had it not been for the LIP II project.

(c) Other partners (NGOs/private sector):

The World Bank team met with participating MCOs and private sector partners who confirmed the key role of the project for the development and efficiency of the sector. They noted particularly the orientation of the objectives towards eventual sustainability of the MCOs, and in most cases requested continued World Bank involvement and follow-up to ensure monitoring of the sector's development and adoption of necessary regulatory acts.

10. Additional Information

Not applicable.

Annex 1. Key Performance Indicators/Log Frame Matrix

Outcome / Impact Indicators:

Indicator/Matrix	Projected in last PSR[1]	Actual/Latest Estimate
Increases in entrepreneurial income and employment in informal, micro and small enterprises.	55,000 active clients. Increasing impact on employment and self-employment (as evidenced by the impact assessment).	98,852 active clients. It is estimated that microcredit services provided by partner MCOs have had a positive employment impact. Impact assessment carried out under the project showed that client's businesses on average employ 2.15 people. The same assessment also proved that microcredit services had a very positive impact on business income and overall level of household income for clients.
Sustainable delivery of microfinance services by well-managed, transparent, and financially viable MFIs.	Partner MCOs have developed clear vision of their future institutional development and position at the financial sector market. Lending operations adequate to ensure long-term delivery of services to low-income clientele.	Throughout the project implementation, partner MCOs have maintained strong performance as measured by a set of institutional and financial indicators as outlined in Annex 9 of this ICR. In addition to this, partner MCOs have developed strong relationship with international and local commercial lenders and are expected to formalize such partnerships with the adoption of the new law on MCOs.

Output Indicators:

Indicator/Matrix	Projected in last PSR[1]	Actual/Latest Estimate
Investment in 5-10 MFIs that meet agreed performance targets including: increasing outreach to low-income clients, good governance, portfolio quality of no more than 5% of portfolio at risk (past 30 days), high levels of operating efficiency, positive ROA.	Investment in 8 strong MCOs which have develop clear vision as to their future institutional development. 55,000 active clients. PAR - less than 5%. Positive ROA for partner MCOs. High operating efficiency.	8 strong sustainable MCOs which have developed clear vision as to their future institutional development. PAR at >1%. Positive ROA for partner MCOs. High operating efficiency.
Formation of legal working group. Agreement on draft legal and regulatory reform proposals. Implementation of reform proposal. Increase in debt and equity financing for MFIs. MFIs transformation.	Law on MCOs amended. Changes incorporated in other parts of legislation enabling further development of microfinance industry and transition of MFIs.	Working group on legal framework for microfinance was established and local and international experts developed a draft new law on MCOs that was presented to the entity ministries of finance. A working group organized by the Central Bank of Bosnia and Herzegovina was than tasked to carry out final review of the proposed new law and ensure that the new law will be fully harmonized between the entities and will reflect current thinking about microfinance as an integral part of the financial sector.
MFIs performance indicators demonstrate capacity to manage increasing outreach to low-income clients. Increased microfinance knowledge among key stakeholders. Increased partnership/integration between microfinance and formal banking sector.	Strong MCOs performance and capacity to serve significant number of low-income clients (55,000 active clients). Partnership arrangements between MCOs and commercial banks.	Fully achieved - see Annex 9 for details. Several partner MCOs have already developed strong partnerships with local and international commercial banks. These partnerships are expected to be formalized with the adoption of the new law on MCOs. There was one merger completed during the project implementation (MCO Partner and MCO Bosvita) and negotiations are currently ongoing for another potential merger between two partner MCOs.
On-time delivery of high quality impact assessment and research studies that are followed-up by project and MFIs management.	Longitudinal impact assessment completed and clear set of recommendations provided to and adopted by key stakeholders.	Longitudinal impact assessment completed and clear set of recommendations provided to and adopted by key stakeholders.

[1] End of project

Annex 2. Project Costs and Financing

Project Cost by Component (in US$ million equivalent)

Component	Appraisal Estimate US$ million	Actual/Latest Estimate US$ million	Percentage of Appraisal
Microfinance Fund	23.28	23.83	102
MFI Legal and Regulatory Reform	0.90	0.19	21
Microfinance Sector Capacity Building Support	1.42	1.19	84
Impact Assessment, Research and Development	0.32	0.33	103
Project Management	1.14	1.53	134
Total Baseline Cost	27.06	27.07	
Physical Contingencies	0.00		
Price Contingencies	0.00		
Total Project Costs	27.06	27.07	
Total Financing Required	27.06	27.07	

Project Costs by Procurement Arrangements (Appraisal Estimate) (US$ million equivalent)

Expenditure Category	Procurement Method[1] ICB	NCB	Other[2]	N.B.F.	Total Cost
1. Works	0.00 (0.00)	0.00 (0.00)	0.00 (0.00)	0.00 (0.00)	0.00 (0.00)
2. Goods	0.00 (0.00)	0.00 (0.00)	0.00 (0.00)	0.00 (0.00)	0.00 (0.00)
3. Services	0.00 (0.00)	0.00 (0.00)	2.48 (1.61)	0.00 (0.00)	2.48 (1.61)
4. Microcredits	0.00 (0.00)	0.00 (0.00)	23.28 (18.21)	0.00 (0.00)	23.28 (18.21)
5. Recurrent costs	0.00 (0.00)	0.00 (0.00)	1.30 (0.18)	0.00 (0.00)	1.30 (0.18)
Total	0.00 (0.00)	0.00 (0.00)	27.06 (20.00)	0.00 (0.00)	27.06 (20.00)

Project Costs by Procurement Arrangements (Actual/Latest Estimate) (US$ million equivalent)

Expenditure Category	Procurement Method[1] ICB	NCB	Other[2]	N.B.F.	Total Cost
1. Works	0.00 (0.00)	0.00 (0.00)	0.00 (0.00)	0.00 (0.00)	0.00 (0.00)
2. Goods	0.00 (0.00)	0.00 (0.00)	0.00 (0.00)	0.00 (0.00)	0.00 (0.00)
3. Services	0.00 (0.00)	0.00 (0.00)	1.71 (1.63)	0.00 (0.00)	1.71 (1.63)
4. Microcredits					

	0.00 (0.00)	0.00 (0.00)	23.83 (21.08)	0.00 (0.00)	23.83 (21.08)
5. Recurrent costs	0.00 (0.00)	0.00 (0.00)	1.53 (0.00)	0.00 (0.00)	1.53 (0.00)
Total	0.00 (0.00)	0.00 (0.00)	27.07 (22.71)	0.00 (0.00)	27.07 (22.71)

1/ Figures in parenthesis are the amounts to be financed by the Bank Loan. All costs include contingencies.

2/ Includes civil works and goods to be procured through national shopping, consulting services, services of contracted staff of the project management office, training, technical assistance services, and incremental operating costs related to (i) managing the project, and (ii) re-lending project funds to local government units.

Project Financing by Component (in US$ million equivalent)

Component	Appraisal Estimate			Actual/Latest Estimate			Percentage of Appraisal		
	Bank	**Govt.**	**CoF.**	**Bank**	**Govt.**	**CoF.**	**Bank**	**Govt.**	**CoF.**
1. Microfinance Fund	18.21	5.07		21.08	2.75		115.8	54.2	
2. MFI Legal and Regulatory Reform	0.50	0.40		0.18	0.01		36.0	2.5	
3. Microfinance Sector Capacity Building Support	1.00	0.42		1.11	0.07		111.0	16.7	
4. Impact Assessment, Reesearch and Development	0.29	0.03		0.34	0.00		117.2	0.0	
5. Incremental Operating Expenses	0.00	1.14		0.00	1.53		0.0	134.2	

Annex 3. Economic Costs and Benefits

Not Applicable.

Annex 4. Bank Inputs

(a) Missions:

Stage of Project Cycle	No. of Persons and Specialty (e.g. 2 Economists, 1 FMS, etc.)		Performance Rating	
Month/Year	Count	Specialty	Implementation Progress	Development Objective
Identification/Preparation				
06/10/2000	*4*	TEAM LEADER (1); OPERATIONS ANALYST (1); MICROFIN. SPECIALIST (1); LEGAL ADVISOR (1)		
11/24/2000	*6*	TEAM LEADER (1); OPERATIONS ANALYST (1); MICROFIN. SPECIALIST (1); FIN. SECTOR SPECIALIST (1); IMPACT ASSESS. SPECIALIST (1); FM SPECIALIST (1)		
Appraisal/Negotiation				
03/12/2001	*5*	TEAM LEADER (1); OPERATIONS ANALYST (1); FM SPECIALIST (1); PROCUREMENT SPECIALISTS (2)		
05/03/2001	*5*	TEAM LEADER (1); OPERATIONS ANALYST (1); LAWYER (1); DISBURSEMENT OFFICER (1); FM SPECIALIST (1)		
Supervision				
11/30/2001	*1*	TEAM LEADER (1)	S	S
06/20/2002	*3*	TEAM LEADER (1); FIN. SEC. SPECIALIST (1); MICROFIN. SPECIALIST (1)	S	S
11/28/2002	*1*	TEAM LEADER (1)	S	S
05/30/2003	*5*	TASK TEAM LEADER (1); MICROFIN. SPECIALIST (2); SR. FM SPECIALIST (1); PROCUREMENT ANALYST (1)	S	HS
10/24/2003	*2*	TASK TEAM LEADER (1); MICROFIN. SPECIALIST (1)	S	HS
05/28/2004	*1*	TEAM LEADER (1)	S	HS
11/05/2004	*1*	TEAM LEADER (1)	S	HS
04/29/2005	*3*	TEAM LEADER (1); MICROFIN. SPECIALIST (1); MFUs LEGAL ADVISOR (1)	S	S
ICR				
11/28/2005	*1*	OPERATIONS OFFICER (1)	S	S

(b) Staff:

Stage of Project Cycle	Actual/Latest Estimate	
	No. Staff weeks	US$ ('000)
Identification/Preparation	22	51.4
Appraisal/Negotiation	25	60.6
Supervision	68	45.1
ICR	6	5.4
Total	121	162.5

Annex 5. Ratings for Achievement of Objectives/Outputs of Components

(H=High, SU=Substantial, M=Modest, N=Negligible, NA=Not Applicable)

	Rating
☐ *Macro policies*	○ *H* ○ *SU* ○ *M* ○ *N* ○ *NA*
☒ *Sector Policies*	○ *H* ● *SU* ○ *M* ○ *N* ○ *NA*
☐ *Physical*	○ *H* ○ *SU* ○ *M* ○ *N* ○ *NA*
☒ *Financial*	○ *H* ● *SU* ○ *M* ○ *N* ○ *NA*
☒ *Institutional Development*	○ *H* ● *SU* ○ *M* ○ *N* ○ *NA*
☐ *Environmental*	○ *H* ○ *SU* ○ *M* ○ *N* ○ *NA*
Social	
☒ *Poverty Reduction*	○ *H* ● *SU* ○ *M* ○ *N* ○ *NA*
☒ *Gender*	○ *H* ○ *SU* ● *M* ○ *N* ○ *NA*
☐ *Other (Please specify)*	○ *H* ○ *SU* ○ *M* ○ *N* ○ *NA*
☒ *Private sector development*	○ *H* ● *SU* ○ *M* ○ *N* ○ *NA*
☐ *Public sector management*	○ *H* ○ *SU* ○ *M* ○ *N* ○ *NA*
☐ *Other (Please specify)*	○ *H* ○ *SU* ○ *M* ○ *N* ○ *NA*

Annex 6. Ratings of Bank and Borrower Performance

(HS=Highly Satisfactory, S=Satisfactory, U=Unsatisfactory, HU=Highly Unsatisfactory)

6.1 Bank performance	*Rating*
☒ *Lending*	○ *HS* ● *S* ○ *U* ○ *HU*
☒ *Supervision*	○ *HS* ● *S* ○ *U* ○ *HU*
☒ *Overall*	○ *HS* ● *S* ○ *U* ○ *HU*

6.2 Borrower performance	*Rating*
☒ *Preparation*	○ *HS* ● *S* ○ *U* ○ *HU*
☒ *Government implementation performance*	○ *HS* ● *S* ○ *U* ○ *HU*
☒ *Implementation agency performance*	● *HS* ○ *S* ○ *U* ○ *HU*
☒ *Overall*	○ *HS* ● *S* ○ *U* ○ *HU*

Annex 7. List of Supporting Documents

1. Project Appraisal Document No. 22122-BIH, dated May 31, 2001.
2. Country Assistance Strategy Report No. 20592-BIH, dated June 14, 2000.
3. Country Assistance Strategy Report No. 29196-BA, dated August 12, 2004.
4. Bosnia and Herzegovina Banking Sector Review 2004, ECSPF, WB.
5. Impact Assessment Report, by Elizabeth Dunn of Impact LLP, May 2005.
6. Mid-Term Review Report, May 2003.
7. Identification/Preparation/Appraisal/Supervision Aide Memoires.
8. Project Status Reports/ISRs.

Additional Annex 8. Borrower's Input

Bosnia and Herzegovina
Local Initiatives (Microfinance) Project II
Credit No. 3533-BOS
Implementation Completion Report (Borrower's)

Introduction

Implementation of the Local Initiatives Projects I&II (LIP) started in Bosnia and Herzegovina in 1996. The key objectives of the first project were to assist in restarting economic activities after the war and to jump-start the development of viable microcredit institutions. This support included financing of the MCO's loan portfolio and technical assistance as well as some financing of operating cost at the beginning, together with the development of the appropriate legal framework for microfinance.

The first project was completed in 2000 and achieved good results. After three to four years of operations most of the MCOs financed under the project reached or were very close to the full operational and financial sustainability, 50,261 small loans had been disbursed to low-income clients for a total of KM 148 million and a new law on microcredit organizations had been adopted. All of the project's original objectives had been met or surpassed. The ICR rated the project as Highly Satisfactory.

The Second Local Initiatives (Microfinance) Project – LIP II was designed to build on the achievements of LIP I and increase the scale, financial viability and social impact of microfinance services in BiH. This project had been explicitly designed to ease the transition of the microfinance sector from dependence on the World Bank and donor financing towards more sustainable sources of financing. The project also encouraged MCOs to pay more attention to client-level information for understanding program impacts and developing new products and services. The aim was to support the shift from a product-oriented approach to a more client-centered approach and achieve a good balance between social and financial outcomes.

Development and Employment Foundation of Republika Srpska (RS DEF) and the Foundation for Sustainable Development (FSD) and its Microfinance Units (MFUs) established by the entity governments to implement various World Bank financed projects, including LIP II, were responsible for day-to-day management of the project,. Both Foundations had the qualified staff, independence and capacity to successfully implement the project.

Project Objectives

The overall development goal of the project was to address the urgent need to raise incomes, develop businesses and create jobs in Bosnia and Herzegovina, through provision of credit and other financial services to low-income people.

Specifically, the project has:

- **Financed growth and institutional development of high-performing microfinance institutions that had capacity to provide sustainable financial services to significant numbers of low-income clients that have limited or no access to credits provided by commercial banks, given their low-incomes and limited assets.**

This objective has been fully met and the table below shows the achievements reached compared against planned goals.

Indicator	*Planned*	*Achieved June 30, 2005*
Number of loans disbursed	150,000	**380,051**
Amount of loans disbursed in KM	430,000,000	**1,239,887,970**
Number of active clients	50,000	**98,852**
Gross portfolio outstanding in KM	125,000,000	**230,438,638**
Portfolio at risk (over 30 days)	< 5%	**0.99%**

Table 1: Achievements of LIP II

- **Supported the transition of the microfinance sector towards sustainable sources of financing.**

This objective has also been fully met with all supported MCOs accessing lines of credit from local commercial banks and loans from international financial institutions. The commercial financing for 8 partner MCOs as of June 30, 2005 amounts to approximately 70 mil KM. Some are also prepared for equity investments from international financiers once the new law is passed.

Summary Project Implementation

Component A – Microcredits

Project has been implemented in close cooperation with the high performing and performance based selected microcredit organizations. Following microcredit organizations were financed under the project (Microcredit Fund):

1. Benefit, Isto·no Sarajevo
2. MI-BOSPO, Tuzla
3. EKI, Sarajevo
4. LOKmicro, Sarajevo
5. Mikrofin, Banja Luka
6. Partner Microcredit Organization, Tuzla
7. Sinergija*plus*, Banja Luka
8. Sunrise, Sarajevo

Long term (15 years repayment term; 5 years grace period) Restricted Purpose Loan Agreements were signed with the MCOs. The interest rate is 5% per annum on outstanding balance.

Component B – Consultants' services and training

Under this component following activities were financed and carried out:

- MFI Legal and Regulatory Reform
- Microfinance Sector Capacity Building Support
- Impact Assessment/Research and Development

In order to implement this project component number of local and international consultants/experts were hired. They contributed a lot to the successful implementation of the project and to the further development of the microfinance sector in the country. Full details of what was included in each of these components can be found in earlier sections of the ICR. Comments on project objectives and lessons learned can be found below.

Assessment of the project objectives, design, implementation and operation experience

The rationale for LIP II was to ensure the microfinance sector - carefully nurtured during LIP I - would be sustainable for the long term. This proved to be even more important than anticipated. In order to grow and access more sustainable financing, MCOs required significant technical assistance and for MCOs to become institutions that can take equity investments the process of preparing a draft law for both entities has been arduous. Furthermore, without this project there is no way that more than 98,000 low income clients could have got loans. For the same reasons, the design of having the financing, technical assistance, impact assessment and legal in parallel also proved essential since they were all integral to the sustainable development of the sector.

• **Meeting the Project' objectives.** During 3.25 years of project implementation most of the project objectives have been met or surpassed. This is very much characteristic in terms of client outreach, loan disbursement, number of active clients and portfolio growth (as indicated in the Table 1). At the same time MCOs remained focused on the bottom of the market and continued to serve low income people/entrepreneurs. Final report on the impact of microcredits on clients in BiH, prepared as a result of the comprehensive impact assessment, provides very detailed information about the clients of microcredit organizations, impact of microcredits on client's business and living standard. Furthermore, the report provides the information about how clients integrate microcredit into their financial management practices, how they use microcredit to develop their businesses, the challenges and obstacles they face in their businesses, and their views and opinions about microcredit.

• **Transition of the sector towards commercial sources of financing.** Project's objective of supporting the transition of the sector towards the commercial sources of financing has been fully met, too and commercial banks operating in Bosnia and Herzegovina significantly increased its lending to the MCOs during the years 2004-2005. Table 2. shows the breakdown of commercial debt financing of 8 partner MCOs as of June 30, 2005.

• **Legal and regulatory framework for microfinance.** The only project's objective that has not been fully met was development of the new legislation for microfinance in Bosnia and Herzegovina. Draft new law has been prepared by the local lawyers with full cooperation of the international legal advisor, representatives of the microcredit organizations and project team. By the end of 2005, the draft law will be send to the relevant ministries for further procedure, and this process will be monitored by MFUs. It is envisioned that the new law on microcredit organizations will be enacted in the first part of 2006. These future challenges represent the new episode in the development of microfinance industry in Bosnia and Herzegovina with the aim of providing quality services to clients, reaching the stability of microfinance sector and its integration into the inclusive financial system of Bosnia and Herzegovina.

• **Key factors in project design.** Continued support to the microcredit organizations in terms of both loan fund financing and technical assistance and planned orientation of the sector towards the commercial sources of financing were key factors in project design. This was next logical step after the successful implementation of the first project.

• **Project design and implementation arrangements were very simple**. Second project continued to provide financing to the growing microcredit organizations, most of which were financed under the first project. World Bank and Government financing has been channeled through the two Foundations to the microcredit organizations.

• **The overall operation experience was very positive**.

Lessons learned

1. Performance based financing was critically important to MCOs achieving project goals

To reflect the progress in project implementation and ultimately achieve all of the objectives, the project team was developing and modifying eligibility criteria for each round of financing with the aim to aid MCOs to graduate to the desired level of institutional development.

MFUs took a proactive role in determining the course of the MCOs development, acting like an investor, encouraging the transition towards sustainable financing. The MFUs used the “carrot” of financing and the “stick” of intensifying criteria, with each subsequent round of financing. Team further defined the criteria into General and Specific for each of the MCOs to ensure their compliance with set standards and promote performance of selected partner MCOs. Intensifying criteria each time had immediate effect of providing an incentive to consider consolidation within the sector MCOs.

The project’s mid term review suggested the MFUs take a proactive role in picking the three winner MCOs that appear best positioned to achieve large scale and attract new financiers, throughout the last cycle of financing. The MFU team adopted a nuanced approach to achieving this goal by assessing the MCOs performance against the objectives. A “league” table of MCOs performance indicators was prepared with each MCO scored against the desired objectives as a final step in the assessment process, which successfully pointed out the best performing MCOs. Based on the achieved scores, equivalent funds were then assigned to each MCO.

Employing the aforementioned step in the assessment process resulted in multiply positive effects such as enhanced assessment transparency, and more importantly in furthering the project objectives by enabling the access to commercial funds for all MCOs thus maintaining the sector competition which leads to affirmative impact on clients. At the same time, results of additional step in the assessment fully complied with MTR suggestions, as majority of remaining funds were distributed among three “best performing” organizations.

2. Skilled microfinance and finance personnel at the MFUs were essential to ensure rapid development of the MCOs and the sector (as well as prevent misuse of funds)

One of the most important keys for successful implementation of the project was having skilled local personnel at the MFUs, microfinance experts that successfully dealt with all emerging issues in MCOs and in the sector’s development. Relevant knowledge management helped in building strong and respectful microfinance institutions and incorporating them into the overall financial system. Project management successfully introduced project objectives as well as partner MCOs to all key stakeholders. This had a positive impact on the MCOs institutional development and transition towards sustainable financing. Skilled MFU' personnel were also important in selecting the international consultants, microfinance experts that provided insight into the best practices of microfinance worldwide, therefore benefiting local staff as well as partner MCOs. Without a respectable MFU that supported the best performing MCOs and encouraged local and international financiers to continue supporting the development of microfinance sector in BiH the project could not have achieved its goals.

3. Regular financial and social reporting on MCO performance and project goals kept all stakeholders

focused on the task.

MFUs conducted regular monitoring of MCOs' performance in terms of financial and institutional achievement, and provided recommendations for improvements and follow up. Benchmarking against required standards based on peer institutions promoted further improvements of individual performances among MCOs. Regular assessment served not only to encourage progress in performances but to promote sector transparency and safeguard its resources. Comprehensive and transparent monitoring reports serve as an independent review of MCOs with all major donors, financiers and rating agencies and allow better access to global finances.

4. Targeted technical assistance (TA) for MCOs was necessary for project development in accordance with project objectives.

Delivery method: As the implementation of the TA program went on under LIP I it was becoming clear that a more flexible approach was needed in order to meet the needs of the MCOs, meaning that the shift from group training sessions to more individual and direct consultancies was more beneficial to MCO staff in terms of learning and applying the knowledge into their day-to-day activities. Both in terms of efficiency in addressing the individual MCOs needs in the achievement of expected results, and in terms of transferring sustainable technical assistance, the flexible approach proved more viable.

The need for targeted direct technical assistance to the individual MCO: In the light of the current development of the sector in relation to stronger competition among the MCOs and other players on the market for financial services, the MCOs recognized the need to differentiate their services and products in order to stand out from the competitors and in terms of transforming their structure and type of organisation.

Analysis of TA needs and managing the consultants: The ultimate result of the TA program implemented by LIP II was that MCOs learned how to assess their needs for technical services and how to work with consultants. This is so important to MCOs being able to be sustainable institutions. Cofinancing of the technical service costs by participating MCOs proved the importance of TA to the Project. Recognition by the MCOs that demand-driven approach and "knowing what you want to achieve approach" is the key factor in successful management of the technical services, was a rewarding result.

5. The achievement of both financial and social goals for the MCOs was possible and there was no conflict between them,

Project implementation and a three-year **impact assessment of microcredit on clients in Bosnia and Herzegovina** conducted under LIP II, prove that clients need ongoing access to microcredits that will enable them to increase their incomes, provide self-employment at levels that contribute significantly to household income and earn a good living for their families. To enable all this clients are ready to pay for the cost of microcredit and they point to several advantages of microcredit programs, including relatively easy procedures, the development of an ongoing credit relationship, and in particular the assurance of being able to take a loan in the future. Clients are especially satisfied with the quality of the personal service they receive from the staff of the microcredit organizations.

At the same time that clients have experienced positive impacts, the MCOs improved their services offered to clients, reduced the interest rate, and built strong financial institutions with increased profitability and efficiency ratios. These MCOs are financially sustainable and capable of continuing to serve microenterprise owners into the future. They fulfill an important mission, since the vast majority of their clients do not receive the equivalent financial services from other types of financial institutions. Continued strengthening of the microcredit industry will help to ensure that current and future clients enjoy higher incomes and stronger businesses, and that these microenterprises will continue to become integrated into the national economy and contribute to a more robust economy in Bosnia and Herzegovina.

6. The Government and the World Bank's specific roles were also critical.

The Government and World Bank decision that project management should be based on market principles proved to be of key importance for the project success. MCO' financing based on strict institutional and financial eligibility criteria, ensured the market selection of MCOs even during the "donor funding phase", before MCOs became interested to commercial investors and financiers. Similarly, establishment of the market interest rate, offered by MCOs to clients, enabled MCOs to reach financial sustainability in relatively short period of time, thus improving their supply of microfinance services.

Second key decision of the Government was the establishment of the independent, highly professional Microfinance Units working under two foundations. With the assistance of the World Bank project team, MFUs became a "dam" from the negative political interference and they have managed to carry out a market-driven approach, at the same time acting as a commercial financier

Thirdly, the Government recognized its role not just as the financier of MCOs, but as an enabler and creator of the appropriate legal and regulatory framework for the establishment of stable and efficient institutions capable of providing financial services to target clients. Furthermore, both entity governments contributed to creating a favorable business environment (tax treatment) and macroeconomic stability for development of microfinance in the country.

7. Focusing on one thing (sustainable microcredit for low income clients) and doing that properly is critical to success, (but savings is still a challenge).

It took all the project resources and the technical expertise of the MFUs, Bank, local and international experts and of course MCOs, to achieve the carefully defined project goals. It was essential to have such a laser focus to be sure to achieve the objectives. Even though MCOs in Bosnia and Herzegovina are not allowed to capture savings, the sector has grown very fast over the past years because microcredit organizations were able to attract other sources of loan fund financing, as mentioned above.

In fact, because of the history of the banking sector in BiH there is a much bigger issue before the provision of savings services for low income clients can be directly addressed. That is the lack of trust in formal financial institutions as a result of the collapse of the state owned banking sector before/during/after war. Thousands of people lost millions of KM in savings. i.e. banks and do not put their savings on the bank's accounts. As a result, only 26% of Bosnians have bank accounts.

According to the existing "Law on microcredit organizations", adopted in 2000 (FBiH)/2001 (RS), microcredit organizations in Bosnia and Herzegovina are not allowed to capture savings. They are legally registered as not-for-profit, credit only financial institutions. Primary sources of financing are commercial or subsidized loans, provided by local and international banks and donors, and equity. Moreover the new law on microcredit organizations will not permit them to take savings, too. However, the recent CGAP Savings Assessment of BiH found that there are "no legal obstacles that prevent an MCO from either transforming into a bank, or from pursuing other options such as partnering with banks as deposit collection agents. While there are specific institutional obstacles that different MCOs may face in implementing either of the above arrangements, such as funding strict requirements for systems or

infrastructure required by the banking law, the legal framework itself is not as prohibitive as it seems."
This conclusion shows that there are opportunities for the sector to provide savings services if it can be creative.
Source:www.microfinancegateway.org/resource_centers/savings/cgapsavings1/_assessments/_bosnia)

8. Ensuring that microcredit operations continue in BiH should not be taken for granted

An important lesson is that nothing should be taken for granted about the continued development of the sector.

Future fund management: It is necessary to ensure that loan fund financing, provided to the microcredit organizations under the project, permanently remains in the microfinance sector. Microfinance Units, operating under the umbrella of DEF and FSD, have developed respective capacity and should continue to manage loan funds in future.

Legal and regulatory framework: Work on drafting the new Law on microfinance in Bosnia and Herzegovina is still not fully finished. This law is a key factor for the future development of the sector. It must allow microcredit organizations to transform into the for-profit institutions and to broaden range of it's' services to the clients.

Future of the sector

The World Bank will not provide any future financing to the microcredit organizations in Bosnia and Herzegovina. Hopefully the legislation for microfinance in Bosnia and Herzegovina will be adopted by June 30, 2006. This is the key factor for the future of the sector. The new law will enable microcredit organizations to transform into for-profit institutions and attract financing from a greater diversity of commercial sources as well as equity investments.

Some smaller organizations have already merged or were taken over by larger and stronger institutions during the life of the project. Most likely similar trends will continue in the future, too and further consolidation of the sector will take place during next 3-5 years.

Microcredit organizations will continue to grow and to serve more and more low-income clients and look for creative ways to provide a broader range of financial services to their clients and in time there is no doubt that with the dynamism of the sector it will find ways to ensure clients have safe and convenient ways to save their money and protect their assets.

Additional Annex 9. Performance Indicators of Partner MCOs: Comparative Analysis (2002 - June 2005)

BOSNIA AND HERZEGOVINA
LOCAL INITIATIVES (Microfinance) PROJECT II
Performance Indicators of partner Microcredit Organizations (MCOs)
Comparative Analysis (2002 - June 2005)

	BENEFIT				*EKI*			
Outreach and Institutional Indicators	*2002*	*2003*	*2004*	*June '05*	*2002*	*2003*	*2004*	*June '05*
No. of active clients	3,117	4,906	6,498	7,915	8,999	13,550	18,129	21,276
No. of staff	36.5	45.5	50	51	86	102	114	137
No. of branch offices	2	4	23	23	8	8	31	32
Portfolio Indicators/Ratios								
Total loan portfolio outstanding	7,021,367	9,000,158	11,364,633	14,368,234	22,068,945	29,803,200	35,123,944	44,852,965
Loan loss reserve ratio	2.00%	2.00%	2.00%	2.10%	2.10%	2.20%	2.20%	2.10%
Portfolio at risk (> 30 days)	0.00%	0.00%	0.00%	0.00%	0.20%	0.30%	0.30%	0.30%
% write-offs	0.00%	0.00%	0.00%	0.20%	0.33%	0.30%	0.40%	0.50%
Profitability Ratios								
Adjusted Return on assets	4.46%	-1.10%	2.20%	3.70%	-1.70%	-0.40%	1.60%	0.80%
Adjusted Return on equity	13.46%	-3.09%	6.40%	12.00%	-11.50%	-1.80%	6.70%	3.30%
Yield on portfolio	32.69%	25.16%	22.60%	23.60%	22.50%	21.50%	22.20%	21.40%
Operational self-sufficiency	145.29%	108.71%	125.40%	137.30%	141.00%	148.00%	148.00%	141.90%
Financial self-sufficiency	116.61%	95.46%	111.00%	119.80%	90.20%	96.10%	105.70%	102.60%
Efficiency Ratios								
Operating costs ratio	22.50%	23.14%	19.20%	17.30%	16.00%	15.60%	15.50%	15.40%
# of active clients/credit officer	156	175	217	273	205	256	292	284
Gross portfolio outstanding/cr.officer	351,068	321,434	378,821	495,456	501,567	562,325	566,515	598,040
Financial Structure								
Gross portfolio outstanding/tot.assets	97.28%	94.29%	93.20%	94.20%	95.60%	92.40%	91.30%	93.70%
Cash and bank accounts/total assets	0.77%	3.52%	5.00%	1.10%	4.30%	5.40%	4.30%	2.20%
Total equity/total earning assets	38.68%	38.24%	33.10%	31.30%	15.40%	22.10%	25.10%	24.70%

* the number includes both branch offices and satelite offices.

BOSNIA AND HERZEGOVINA
LOCAL INITIATIVES (Microfinance) PROJECT II
Performance Indicators of partner Microcredit Organizations (MCOs)
Comparative Analysis (2002 - June 2005)

	MI BOSPO				*MIKROFIN*				*LOK Mikro*			
Outreach and Institutional Indicators	*2002*	*2003*	*2004*	*June '05*	*2002*	*2003*	*2004*	*June '05*	*2002*	*2003*	*2004*	*June '05*
No. of active clients	5,499	7,162	8,467	11,981	5,633	7,426	12,446	17,358	3,580	3,834	4,697	5,822
No. of staff	37	39	43	59	60	80	89	103	48	49	46	57
No. of branch offices	6	8	9	13	5	5	22	23	14	14	15	16
Portfolio Indicators/Ratios												
Total loan portfolio outstanding ('000 KM)	8,186	11,023	12,144	19,765	17,830	28,463	37,417	49,733	9,109	10,439	13,428	18,872
Loan loss reserve ratio	1.20%	1.30%	1.50%	1.30%	2.00%	2.05%	2.10%	2.20%	3.00%	2.70%	1.90%	2.10%
Portfolio at risk (> 30	0.20%	0.10%	0.40%	0.30%	0.03%	0.16%	0.10%	0.30%	0.66%	0.70%	0.60%	1.10%
% write-offs	1.40%	0.80%	1.50%	1.10%	0.06%	0.01%	0.00%	0.00%	1.30%	0.80%	0.20%	0.30%
Profitability Ratios												
Adjusted Return on	2.40%	4.60%	4.70%	4.90%	3.30%	6.94%	7.00%	5.20%	1.40%	-2.90%	1.80%	1.10%
Adjusted Return on	5.80%	11.80%	11.90%	13.50%	10.70%	17.07%	17.30%	14.30%	6.90%	-15.20%	10.00%	8.30%
Yield on portfolio	30.80%	29.80%	30.30%	27.30%	27.87%	28.52%	21.50%	20.90%	31.40%	32.60%	31.10%	34.60%
Operational self-sufficiency	136.60%	143.30%	140.30%	134.60%	154.47%	160.76%	169.30%	156.10%	87.00%	103.50%	119.70%	111.60%
Financial self-sufficiency	106.40%	115.70%	120.50%	118.70%	114.56%	135.09%	140.80%	133.00%	74.60%	88.40%	106.10%	102.70%
Efficiency Ratios												
Operating costs ratio	23.00%	22.70%	22.40%	22.20%	18.04%	17.74%	13.60%	13.70%	36.10%	32.50%	27.60%	31.30%
# of active clients/credit officer	250	326	326	333	161	149	218	252	143	153	188	182
Gross portfolio outst./cr.officer (KM)	372,081	501,064	467,085	549,023	509,438	569,259	656,447	720,772	364	417,578	537,111	589,744
Financial Structure												
Gross portfolio outstanding/tot.assets	82.20%	83.70%	79.60%	88.50%	96.04%	96.17%	94.60%	95.80%	77.50%	74.20%	76.20%	79.80%
Cash and bank accounts/total assets	15.50%	12.30%	15.80%	6.90%	0.94%	0.31%	3.30%	2.50%	1.60%	2.20%	1.60%	0.90%
Total equity/total earning assets	41.10%	40.20%	41.80%	34.80%	36.97%	43.92%	40.50%	3.17%	21.70%	22.40%	21.30%	14.56%

* the number includes both branch offices and satelite offices.

BOSNIA AND HERZEGOVINA
LOCAL INITIATIVES (Microfinance) PROJECT II
Performance Indicators of partner Microcredit Organizations (MCOs)
Comparative Analysis (2002 - June 2005)

	PARTNER				*SINERGIJA*				*SUNRISE*			
Outreach and Institutional Indicators	*2002*	*2003*	*2004*	*June '05*	*2002*	*2003*	*2004*	*June '05*	*2002*	*2003*	*2004*	*June '05*
No. of active clients	7,139	11,935	18,004	20,452	1,758	2,972	3,221	3,276	4,560	7,256	9,474	11,215
No. of staff	76	93	124	124	25	33	33	38	50	69	82	89
No. of branch offices	21	26	33	35	3	3	12	12	16	22	29	30
Portfolio Indicators/Ratios												
Total loan portfolio outstanding (KM)	17,894,075	23,725,958	38,253,208	49,834,026	6,159,990	8,957,858	10,739,917	13,383,525	9,964,062	13,062,798	16,975,777	20,819,181
Loan loss reserve ratio	2.30%	2.63%	2.70%	3.90%	2.00%	2.00%	2.00%	1.90%	3.40%	3.20%	3.00%	3.00%
Portfolio at risk (> 30	0.30%	0.58%	0.60%	3.00%	0.03%	0.24%	0.10%	0.20%	1.50%	1.30%	1.20%	1.10%
% write-offs	0.50%	0.23%	0.30%	0.70%	0.02%	0.04%	0.00%	0.00%	1.10%	1.60%	1.10%	1.10%
Profitability Ratios												
Adjusted Return on	0.40%	2.76%	2.90%	-0.70%	-5.00%	-0.97%	1.90%	1.60%	0.20%	1.50%	3.40%	2.60%
Adjusted Return on	1.10%	8.24%	8.30%	-2.30%	-20.29%	-3.97%	7.30%	5.80%	0.50%	4.30%	9.40%	7.60%
Yield on portfolio	27.40%	27.20%	21.70%	23.20%	29.49%	26.48%	22.70%	21.00%	31.60%	31.70%	31.70%	30.20%
Operational self-	149.50%	156.20%	141.50%	111.20%	111.93%	127.28%	127.40%	123.80%	126.00%	127.20%	126.80%	123.80%
Financial self-sufficiency	100.90%	110.80%	111.80%	95.10%	80.71%	95.80%	104.90%	104.90%	100.70%	105.20%	112.50%	109.90%
Efficiency Ratios												
Operating costs ratio	18.60%	18.67%	17.80%	21.50%	26.35%	20.81%	18.40%	17.00%	25.50%	27.30%	26.40%	24.40%
# of active clients/credit	152	193	214	238	117	149	179	137	157	151	179	193
Gross portfolio outst./cr.officer (KM)	380,725	382,677	455,395	579,465	410,666	447,893	596,662	557,647	343,588	281,371	320,298	358,951
Financial Structure												
Gross portfolio outstanding/tot.assets	91.70%	89.40%	92.50%	91.60%	66.97%	86.14%	87.90%	89.90%	86.30%	91.60%	91.60%	92.40%
Cash and bank	1.90%	3.00%	2.70%	4.70%	11.41%	3.91%	3.10%	2.80%	6.00%	2.80%	2.90%	3.10%
Total equity/total earning assets	36.60%	41.80%	35.90%	6.27%	30.26%	27.03%	29.70%	7.82%	37.60%	40.70%	37.30%	5.04%

BOSNIA AND HERZEGOVINA
LOCAL INITIATIVES (Microfinance) PROJECT II
Results as of June 30, 2005

	Current Month			Cumulative Total		
	No.	*Amount (KM)*	*%**	*No.*	*Amount (KM)*	*%**
Loans disbursed to date	9,173	31,381,815		380,051	1,239,887,970	
Average loan size disbursed		3,421			3,262	
Active clients/Portfolio outstanding				**98,852**	**230,438,638**	
First time borrowers	4,699	10,526,093	51.2%	198,033	457,517,326	52.1%
Portfolio at Risk (over 30 days past due)					2,271,445	**0.99%**
Male borrowers	4,615	17,344,328	**50.3%**	192,142	708,205,907	**50.6%**
Female borrowers	4,558	14,037,487	**49.7%**	187,909	531,682,062	**49.4%**
No. of loans for services	3,243	9,651,562	**35.4%**	115,379	379,600,545	**30.4%**
No. of loans for trade	1,888	8,389,397	**20.6%**	124,596	442,472,694	**32.8%**
No. of loans for agriculture	3,683	11,156,158	**40.2%**	119,129	312,848,670	**31.3%**
No. of loans for small-scale production	359	2,184,698	**3.9%**	16,978	104,966,060	**4.5%**
Estimated employment impact**				212,532		

*Percentages are calculated based on the number of loans disbursed and not the amount disbursed.
** Estimated employment impact is based on finding from the impact assessment that clients' businesses on average employ 2.15 people.

Additional Annex 10. Sources of Financing of Partner MCOs (in KM) as of June 30, 2005

LOCAL INITIATIVES (MICROFINANCE) PROJECT II
SOURCES OF FINANCING FOR PARTNER MICROCREDIT ORGANIZATIONS
Data as of June 30, 2005

in KM

	BENEFIT	EKI	LOKmicro	MI-BOSPO	MIKROFIN	PARTNER	SINERGIJA plus	SUNRISE	TOTAL
SUBSIDIZED LOANS	**6,600,276**	**28,458,718**	**9,280,537**	**7,875,414**	**12,567,951**	**22,314,850**	**7,979,739**	**10,833,980**	**105,911,465**
Foundation for Sustainable Development - LIP II	0	5,717,920	7,360,735	7,220,406	0	8,509,961	0	7,692,164	**36,501,186**
RS Development and Employment Foundation - LIP II	5,593,674	750,000	0	0	6,037,647	0	5,666,040	0	**18,047,361**
WORLD VISION	0	14,475,537	0	0	0	0	0	0	**14,475,537**
KfW - EU funds	0	3,109,770	0	452,188	3,042,411	782,332	2,147,032	1,271,094	**10,804,827**
USAID LAMP	0	3,152,076	0	0	3,112,893	3,245,114	0	0	**9,510,083**
MERCY CORPS	0	0	0	0	0	9,277,443	0	0	**9,277,443**
Small Scale Commercial Agriculture Development	997,473	586,749	0	0	0	0	0	880,124	**2,464,346**
USAID BF - Business Finance	0	666,666	0	0	375,000	500,000	166,667	0	**1,708,333**
Investment Bank of the Federation BiH	0	0	1,171,457	0	0	0	0	0	**1,171,457**
EU Fund - Funds implemented through LIP I	0	0	0	0	0	0	0	990,598	**990,598**
UNHCR - Funds implemented through LIP I	0	0	748,345	0	0	0	0	0	**748,345**
Deutsche Bank	0	0	0	202,820	0	0	0	0	**202,820**
JICA - OIN	9,129	0	0	0	0	0	0	0	**9,129**
COMMERCIAL LOANS	**3,933,445**	**7,048,903**	**8,310,881**	**14,445,628**	**20,571,716**	**15,508,170**	**2,519,048**	**4,298,259**	**76,636,050**
Raiffeisen Bank BiH d.d. Sarajevo	2,990,909	3,158,841	2,000,000	1,752,409	3,916,667	3,820,000	0	3,500,000	**21,138,826**
Hypo Alpe-Adria-Bank d.d. Mostar/ Hypo Alpe-Adria-	942,536	0	0	0	5,555,713	1,000,000	1,932,446	500,000	**9,930,695**
HVB Central Profit banka d.d. Sarajevo	0	1,000,000	988,408	300,000	0	0	0	0	**2,288,408**
UPI banka d.d. Sarajevo	0	0	1,500,000	0	0	0	0	0	**1,500,000**
CBS Bank d.d. Sarajevo	0	0	500,000	0	0	600,000	0	0	**1,100,000**
ABS banka d.d. Sarajevo	0	0	820,000	0	0	0	0	0	**820,000**
Tuzlanska banka d.d. Tuzla	0	0	0	700,000	0	0	0	0	**700,000**
UniCredit Zagrebacka banka d.d. Mostar	0	0	491,666	0	0	0	0	0	**491,666**
Blue Orchard	0	977,915	0	0	0	5,427,427	0	0	**6,405,342**
NOVIB	0	0	0	0	2,787,058	1,955,830	0	0	**4,742,888**
TRIODOS	0	0	0	782,332	3,911,660	0	0	0	**4,693,992**
DEXIA	0	0	0	0	4,400,618	0	0	0	**4,400,618**
OikoCredit	0	0	0	1,173,498	0	1,955,830	586,602	0	**3,715,930**
MicroVest	0	1,173,498	0	733,436	0	749,083	0	0	**2,656,017**
Triglav Insurance Company Sarajevo	0	0	2,000,000	0	0	0	0	0	**2,000,000**
Global Microfinance Facility - Cyrano Management	0	0	0	1,369,081	0	0	0	0	**1,369,081**
Other	**0**	**738,649**	**10,807**	**227,421**	**0**	**0**	**0**	**298,259**	**1,275,136**
Own funds (grants and retained earnings)	**4,413,496**	**11,306,517**	**3,039,363**	**7,407,451**	**18,224,738**	**15,675,488**	**4,385,755**	**7,388,353**	**71,841,161**
TOTAL	**14,947,217**	**46,814,138**	**20,630,781**	**29,728,493**	**51,364,405**	**53,498,508**	**14,884,542**	**22,520,592**	**254,388,676**