

# Good Practice | Partner Microcredit Foundation

## CATEGORY:

Value Chain approach

## GOOD PRACTICE'S TITLE:

Rural Employment Generation Activity (REGA)



## MAIN OBJECTIVE:

To foster rural development, self-employment, and improvement of household income, as well as decrease of import of soft fruits through linkage of individual producers, fruit buyers and processors. To provide technical assistance to beneficiaries, which is vital for the successful business running

Partner started its activities in April 1997 within the Mercy Corps Economic Development Department, which was registered as a local microcredit organization on December 11, 2000. In 2006, Partner was transformed into a microcredit foundation. Partner covers a large area in Bosnia and Herzegovina (BA), with 57 offices. In the local market, Partner is one of the largest microfinance institutions, providing microloans to some 41,000 clients, mostly from rural areas.

### Mission of the organization


We support micro entrepreneurs, promote participation of women in business and offer easier access to finance services in rural areas. Within the entire BA, with door-to-door service, we provide good quality products and technical support, help increase living standards and increase employment by stimulating the transition to a market economy.

### Governance structure

Management bodies of the Foundation include: Board of Directors, Director and Audit Board. Adequate foundation management is provided through a clear, process-oriented organizational structure with well-defined authorizations and responsibilities as well as efficient procedures for determining, measuring and monitoring the risks, mechanisms of internal controls.



## MFI factsheet

Type of organization	Non-profit Foundation
Country	Bosnia and Herzegovina
Year of inception of the good practice	2008
Services and products provided	Microloans (up to approx. 5,000 EUR); loans for business purposes (for agriculture, entrepreneurship, trade, service production etc.), housing loans and loans for improvement of households' income
Portfolio (€)	57,225,568 (as of December 2014)
Avg loan size (€)	1,929
Number of clients	40,706
% of rural clients	87%
Typology of rural clients	Majority of clients are engaged in agriculture activities (soft fruit production)
Website	<a href="http://www.partner.ba">www.partner.ba</a> 

## GOOD PRACTICE

On December 2008, Partner, in cooperation with USAID, started implementation of REGA project. In accordance with the needs of soft fruit producers, Partner created a new loan product "Fruity loan", a commodity loan with a below market interest rate and the grace period up to 36 months. The commodity loan applies to the direct delivery of tested seedlings and water irrigation systems directly to farmers, with money paid directly to selected suppliers.

The tested seedlings are initially guaranteed for long term, healthy soft fruit production qualified for export to EU. The important part of the project is also provided with technical assistance. One of the major strengths of the REGA project has been in the development of market linkages, which ensures that the produced berries have a final market and that producers as well as processors are mutually satisfied with contractual agreements.





**Target group**

Beneficiaries of the project are economically active micro entrepreneurs, as well as individual farmers with difficult or no access to commercial sources of funds, involved in agriculture. Target groups also include farmers who do not have much experience in soft fruit production, however who are motivated and willing to learn and start their own soft fruit production and adopt new agricultural practices.

**Innovativeness**

The project is a unique initiative in the BA microfinance sector. The project includes providing financial services through commodity loans with technical assistance and cooperation with farmers, cooperatives and other market participants in finding the market for product placement. It is a value chain project, through which Partner offered its beneficiaries not just financial support, but also other non-financial services and trainings.

**Relevance given the context**

The main reason for such a rural development project is the lack of available finance sources for farmers who are mostly unregistered and unemployed. In addition, another problem in agricultural production is placement of products, which can be overcome with market linkages.

**Adaptability to other contexts**

All organisations focused on rural development can easily replicate the represented value chain, especially those with underdeveloped agricultural sectors. Each financial institution should have agricultural experts to advise clients during the process. Technical advisors also bear an important role in raising awareness and presenting plans and income projections, especially in the areas where farmers have never produced soft fruits and are cautious at the beginning.

**Efficiency**

It is desirable to find grant assets to subsidize interest rates, since only a below market price is acceptable for agriculture due to the lack or insufficient subsidies from the State. Low interest rates are essential for agricultural loans. Also, it is recommendable to develop an internal team of trainers that can deliver financial education training.

**Outcomes**

During project implementation, Partner increased domestic soft fruit production by 5.5%; increased employment in the soft fruit (cherry and berry) sub-sector by 504 employees; increased household incomes of participating rural farmers by 33.3%, improved credit access and new credit opportunities for 504 soft-fruit farmers and decreased imports of soft fruit through increased domestic production by 0.26%.

**Sustainability**

Within this project, Partner facilitates the whole cycle from the initial planting to the placement of products. After the first yield, farmers are selling the produced fruit to buyers, who are identified and contracted by Partner. The buyers and fruit processors resell or export the fruits and farmers are paid. Farmers successfully repay loans, and plan the expansion of fruit production.

**SUCCESS STORY: RASPBERRY ORCHARD FULL OF HOPE**

Danijela Gajić lives with her husband, Dalibor, and three children in the town of Omarska, near Prijedor. They have been unemployed for years, and lacking other income, they have relied upon agriculture to produce an income. Their household is involved in the chicken breeding business and they have also installed a greenhouse where they grow various kinds of vegetables. As they felt the need to expand their production, the Gajić family decided to plant the raspberries on their plot size of 1,5 dunum. They were guided by the positive experiences of their friends and cousins who also planted this popular and in-demand fruit. To realise this project, they took a very favourable loan from Partner microcredit foundation with a two-year grace period. Since it was a commodity loan, they received 1,700 raspberry plants in total, and if everything goes as planned, they expect very good raspberry production and income.

“My husband was taking the loan for agriculture earlier and our previous experience was the main reason why we chose Partner again. Without that loan, we would not be able to establish the raspberry orchard. Currently, we are repaying the interests only, and we believe that after the end of the grace period we will be able to repay the credit instalments without any problems,” says Danijela Gajić.

Step by step, the Gajić family has adopted new agricultural production methods and improved their household budget. They have great expectations from the recently established raspberry orchard, and despite the numerous unknown risks and lack of experience, they still believe that their results will be such that they will have to expand the raspberry orchard.

**SUCCESS STORY: STRAWBERRIES NEAR THE ŽIVINICE RAILROAD**

It has been almost two and a half decades since Salih Kitić, a geology technician from Gornje Dubrave near Živinice, has been registered as unemployed in the local employment bureau. He provides for his family, a wife and two daughters, with part-time construction works.

While looking for a way to generate additional income for living, Kitić decided to use a very favourable credit line in Partner microcredit foundation for the development of fruits production and established a strawberry orchard. Although he had no earlier experience in growing fruits, he believes that he made a good choice. He took the commodity loan in the amount of 2,640 KM with a two-year repayment period, which is very important for fruit growers. The loan has a

one-year grace period during which he repays the interest only.

With a one dunum land plot, Salih planted 3,460 seedlings and considering the current status of the strawberry orchard, he expects a very good produce in the first year.

“I got the seedlings and everything else that is needed to achieve good produce, but I find the professional assistance provided by Partner MCF agronomist as the most important segment of this programme. Without that professional assistance, we would be unable to do anything, because we are gaining new experience every day, which helps us a lot in the production”, says Salih Kitić.