



Partner Microcredit Foundation

Bosnia and Herzegovina

Project Name

Solar Energy as the future of Sustainable Development.

Initiative Presented for the Award

The three-year project started in July 2011 and aims at increasing both the local production of solar panels and the use of solar systems. The total project value is around 1,250,000 USD, of which, in addition to USAID funds, 18.34% of the funds come from Partner. The increase in the local production will be achieved through enabling 20 small, local enterprises with existing production lines in developing capacities for sustainable production of solar panels through the provision of technical and business training as well as financial support (half loan-half grant scheme). In addition, during the project period, Partner's experts will be providing continuous technical expertise (in daily operations, contact with suppliers, etc.) and will be conducting quality assurance for each individual producer on annual basis. Also, Partner provides loans to SMEs and households who want to install solar thermal systems, made by BH manufacturers. For the project implementation, two of Partner's employees have been promoted into certified energy consultants and seven are already members of the Solar Energy Team. One important part of the project is an awareness campaign on the importance of using alternative energy sources for the general public.



Success story: Res Domino Company, a beneficiary of the solar energy project

One of the project beneficiaries is Res Domino Ltd., a company with young and qualified staff. The main activity is the installation of VELUX roof windows. The introduction of the production of solar systems represents an important step for developing new markets. Upon completion of business and technical education, Res Domino Company received a EUR 5,000 loan and a grant in the same amount, in total, EUR 10,000. In order to expand activities, they employed one person with disabilities, a beneficiary of a project from the subcontracting NGO. It is a great example of synergy and cooperation between the founder, USAID, the implementing MFI - Partner MCF and local NGO, subcontractor for technical training. The company's Director stated: "We benefited a lot, because we were given the means and funds to start with the production. We also got a new employee, a disabled person, who is already educated in production of solar collectors. The Fund for Professional Rehabilitation is covering personal income for him for 12 months, but we hope that he will stay with us. We hope to hire another person with disabilities. I hope the other producers will do the same thing."



A project beneficiary,
company HDI, delivering
solar panels for
installment to a client

Innovation

Considering that in B&H, there are virtually no solar collector producers, a negligible number of solar collectors in use and generally very low levels of awareness in the public on renewable sources of energy, this project represents a pioneering step. In fact, the project facilitates all factors: production (by 20 local SMSs), demand (through complex awareness campaign), market (disbursing loans for the purchase of solar systems) and savings in beneficiaries' budgets for electrical energy. Based on the survey's findings, Partner developed two new loan products to achieve the project goals. For the solar collector producers, the solution is a whole package enabling them to start up solar panel production: loan, grant and technical assistance, enabling them to market their products, return the initial investment and consequently establish sustainable production for solar collectors. For the solar collector's buyers, Partner offers a loan with a below market interest rate, complemented with return on investment analysis, consultancy and various educational materials.

Sustainability

This project creates a value chain between producers and users of solar collectors by facilitating the establishment of production capacities and providing loans to individual SMEs that are interested. The added value is the identification of the targeted SMEs, education and the awareness campaign being carried out in coordination with local authorities, various NGOs and Developing Agencies. Moreover, since the main beneficiaries of the proposed project are SMEs that will be equipped and capable of producing solar collectors, and assuming that after three years they will have established the market for solar collectors, it is to be assumed that in the future they will continue production in even greater volumes. Finally, after the project period, Partner will continue disbursing the loan under the same conditions to potential clients and Partner's staff will continue providing technical assistance to all producers and clients.

Impact-Outreach

The immediate impact of the project is related to environment preservation: solar power is described as an emissions-free form of energy and greenhouse gas emissions from solar are negligible. In addition, solar photovoltaic systems do not require any water to generate electricity and, being placed on existing structures, they require negligible amounts of land space. In the research conducted by Partner before the project started, it was determined that the citizens of B&H typically use wood, and often coal and electricity to heat rooms, while electricity being the most commonly used to heat water. Regarding the project beneficiaries, the immediate outreach/results from the project are:

- 20 solar producers having established sustainable production of solar collectors; and,
- 200 households/SMEs with installed solar systems on their homes/business.

Indirectly, there are two more interested parties benefitting from the project: the general public and Partner's staff engaged in the project.

Replication

The project can be easily replicated, especially in countries with environmentally sensitive governments in the form of concrete subsidies for users of solar energy or other renewable sources of energy. Regarding the internal preconditions, it is important to establish a project implementation team with a project manager and other staff selected from different departments, while including new staff as the project progresses. It is highly recommended to hire external organizations for business and technical education of the project's beneficiaries. An ideal organization would have extensive experience in order to better design the curriculum, adjusting it to the project's target population. Finally, selection of the SMEs should be based on companies with background in heating-ventilation-air conditioning and electro-mechanical experience. Production lines, tools, and the workers' skillsets are of great importance when switching production to solar collectors.

Institutional Profile

History

In April 1997, Mercy Corps entered into an Agency Agreement with the Local Initiatives Department (LOIN). Mercy Corps established the Economic Development Department in Bosnia and Herzegovina, which was registered as a local microcredit organization on December 11th, 2000. In 2006, Partner was transformed into a microcredit foundation. Within the local microfinance market, Partner is one of the largest microfinance institutions currently serving over 36,000 clients, mostly from rural areas.

Mission

Partner provides finance services to economically active population who has difficult or no access to commercial funding sources, for start up and development of business and improvement of living quality. Partner supports micro entrepreneurs, promotes participation of women in business and offers easier access to financial services in rural areas. Within the entire B&H, with door-to-door service, Partner provides good quality products and technical support, helps increase living standards, and increases employment by stimulating the transition to a market economy.

Governance Structure

Partner management bodies include: Board of Directors, Director and Audit Board. Adequate management is provided through a clear process oriented organizational structure with well-defined authorizations and responsibilities; efficient procedures for risk identification, measuring, monitoring and reporting; appropriate internal control mechanisms; and efficient systems for prevention of money laundering and funding of terrorism, meeting the requirements for transparent operations by all stakeholders.

Organisational Structure

Partner performs its business operations through three levels of organizational structure, all of which meet formal conditions for business operations: central office (located in Tuzla), regional centres and organizational units. Support for credit operations is located in Tuzla, servicing the regional centres, except for the reception and processing of loan requests and loan collection. Loan disbursement management regarding receipt and processing of requests and loans collection are being done through the 5 regional centres with 19 regional offices and 53 field offices.

Target Clients

Partner provides loans to economically active populations with difficult or no access to the banking sector, involved in agriculture, trade, services and production, with emphasis on rural clients, low income populations, particularly women and youths, and those clients who wish to improve their residential and living conditions. The target group suitability criteria are: the value of initial business capital may not exceed €10,225, the income per household member may not exceed €180 and the number of persons employed in the business may not exceed four persons, including the client.

Geographical Area of Operation

Partner MCF is a non-profit, multiethnic, inter-entity organization with 53 offices covering all of Bosnia and Herzegovina.

Product and Services

Partner provides mainly business loans for a maximum amount of 10,000 BAM (approx. €5,000), as per the ceiling fixed by the Law on micro credit organizations in the Federation of B&H. Beside the business loans, Partner has a limited number of loans for housing and non-earmarked loans for improvement of living conditions. Moreover, a part these regular





Left. A project beneficiary, during the technical education

Below. Partner's management and USAID representatives



Solar system donated to the City Stadium Tuzla

Financial Achievements

	Dec 10	Dec 11	Dec 12
Portfolio at Risk ⁽¹⁾	3.05%	1.55%	1.21%
Write-off Ratio	7.03%	2.53%	1.05%
Portfolio Yield	18.61%	18.28%	19.24%
Debt to Equity Ratio	2.18	1.59	1.54
Operating Expense Ratio	10.43%	14.63%	14.71%
Cost per Borrower	€259.73	€262.29	€256.66
Staff Productivity	152	136	128
Return on Equity	0.17%	2.28%	5.85%
Return on Assets	0.05%	0.82%	2.32%
Operational Self-Sufficiency	100.24%	105.10%	114.08%

⁽¹⁾ PAR30

loans, Partner has a few loans completely client oriented such as: Loans for soft fruit production, Energy Efficiency Loan and different commodity loans for business tools and equipment based on cooperative agreements with local suppliers. Partner also provides added value to its clients through education (business and financial) and counseling services.

Adopted Approach

Partner's overall approach has always been client oriented with investing in market research and constant adjustment of product. Partner provides micro loans by using the individual methodology and focuses on loans for business purposes. Out of the total number of disbursed loans, on December 31st, 2012, 84,84% were disbursed to rural clients.

Funding sources

The structure of funding sources at December 31st, 2012 is as followed (amount in euro):

Commercial Loans.....	18,442,751
Subsidized Loans.....	13,302,891
Grant Capital	4,422,429
Retained Earnings.....	18,529,550
Total.....	54,697,621

Outreach Achievements

	Dec 10	Dec 11	Dec 12
Active Borrowers	39,627	34,728	36,144
Women	42.04%	42.18%	42.15%
Migrants	15.68%	14.11%	12.29%
Youth	18.01%	19.63%	21.81%
Rural Clients	77.60%	81.14%	84.09%
Clients Below Poverty Line ⁽¹⁾	56.73%	55.80%	52.15%
Active Savers	n.a.	n.a.	n.a.
Loan Portfolio	€48,394,482.14	€43,554,385.09	€47,433,101.04
Average Loan Amount Disbursed	€1,421.39	€1,517.00	€1,566.09
Number of Branches	56	53	53
Number of Staff	261	256	283
Number of Credit Officers	137	133	148
Client Drop-out Ratio	35.96	28.15	22.40

⁽¹⁾ The national Poverty Line is 387 BAM per household member, but according to Partner's procedures our initial clients must have income per household member less than 350 BAM (178 EUR) and that is why presently 92.43% of clients are under the national poverty line.