



Bosnia & Herzegovina

Municipal and Economic Development Initiative (MEDI) Project:

Quarterly Report

April - June 2004

Reporting Period: April – June 2004

USAID Award Number: 168 – A – 00 – 01 – 00108 – 00

SIDA Reference Number 2001-004049 (Component – 76002209)

TABLE OF CONTENTS

<i>Acronyms and Abbreviations</i>	<i>1</i>
1. OVERVIEW	1
1.1. Project Impacts	1
2. SUMMARY	3
3.1 Municipal Government Development.....	1
3.2 Municipal Government Activities	3
3.3 Other Activities / Lessons Learned	6
4. PUBLIC PRIVATE PARTNERSHIP (PPP)	8
4.1 PPP Initiatives:	8
4.2 PPP Reforms & Effective Actions:.....	9
4.3 Other Highlights/ Lessons Learned:	11
5.1 Partner DC Development.....	13
5.2 Partner DC Activity:	15
7. PLANS FOR THE NEXT QUARTER	21
7.1 Governance:	21
7.2 Advocacy:	21
7.3 Association Development:	21
7.4 Credit Operations:.....	21

Acronyms and Abbreviations

AMFO	Association of Micro Finance Organizations
BiH	Bosnia and Herzegovina
BTC	Business Transaction Center
CC	Call Centers
DC	Development Centers
CSC	Customer Service Center
EBRD	European Bank for Reconstruction and Development
GPI	Governance Performance Index
GTZ	German Development Agency
IC/CC	Information Center/Call Center
LG	Local Government
MEDI	Municipal Economic Development Initiative
MKO	Mikro Kreditna Organizacija
PI	Performance Index
PPP	Public Private Partnership
PSC	Professional Service Center
REZ	Community for Economic Development
SERDA	Sarajevo Economic Region Development Agency
SME	Small and/or Medium-sized Enterprise
UNDP	United Nations Development Program

1. OVERVIEW

1.1. Project Impacts

The table below outlines the projected impacts and work plan deliverables since the beginning of the MEDI project in September 2001, as well as the impacts and deliverables achieved by the end of this quarter, June 2004:

Indicator/Work Plan Deliverables	Impact to date ¹	This Quarter	Final Target / Minimum Requirements (September 2004) ²
Association Development			
Number of Community Development Cooperation (DC) signing Partnership Agreements.	14 DCs		14 Development Centers in Central Bosnia
REZ Federated Association	Established and operating in FY2003		14 municipalities are served within a network of Development Centers
Establishment of Federated Association (REZ)	REZ Association established and registered		1 Established Federated Association
Number of association members ³	2406 DC members (Average = 171.8 members/DC)	140 new members	2100 members (average of 150 ⁴ members / association)
Total percentage of association members by returnee, gender and ethnicity	<ul style="list-style-type: none"> ❖ Bosniak: 71% ❖ Croat: 26% ❖ Serb: 2% ❖ Other: 1% ❖ Female: 20% ❖ Returnees: 12% 		Each group effectively represented in relation to demographics within the business sector of the project area.
Number of employees managed by DC members	14008 Employees <ul style="list-style-type: none"> ❖ Female: 36% ❖ Returnees: 4% 		
Increase in DC Revenue (Total Revenue earned)	268,909.9 KM	50,230.8 KM	%increase Year three target: 230.000 KM (at least 5000 KM raised per association within the one year period)
Member satisfaction with services provided.	2.95 score		% increase compared to the baseline score (BL) BL from the first DC member satisfaction survey: 2.85 – High Fair to Good This is derived from a 4 point scoring system: 1-Poor, 2-Fair, 3-Good, 4-Excellent

¹ As measured from the beginning of the project 29 September, 2001

² Year Three targets denote the end of the US fiscal year (30 September 2004)

³ Statistics are available for 14 DCs.

⁴ 30 members are the minimum recommended number of members usually required legally.

Governance & Advocacy			
Number of Municipalities signing Partnership Agreements.	14 Municipalities		14 Municipalities in Central Bosnia
Number of operational LG Information Centers (ICs)	14 ICs		14 Information Centers
Number of operational LG Call Centers (CCs)	14 CCs	2 CCs	
Number of private/public actions taken to coordinate with municipal governments by the DCs/REZ.	350 Coordination Attempts	28 Coordination Attempts	
Number of advocacy initiatives commenced by LG and DC/REZ network during coordination attempts	286 initiatives	15 initiatives	
Number of effective DC/REZ/LG actions (that lead to change) taken on advocacy initiatives	126 actions	11 actions	92
Number of municipal officials and staff trained	462 participants		Number increase
Number of municipal governments cooperating extensively with DCs to stimulate local economic development.	14		14
Credit			
Total value of business loans disbursed during the program period	5,777,559 KM (\$3,285,885)	965,500 KM (\$592,651)	US\$1,500,000 (year three target is US\$3,340,000)
Total value of home improvement loans disbursed during program period	2,506,100 KM (\$1,454,809)	627,100 KM (\$385,723)	US\$500,000 (year three target is US\$1,200,000)
Total Number of SME borrowers (from loans disbursed)	495	147	120 (year three target is 334)
Total Number of SME new jobs created (from loans disbursed)	284	50	150 (year three target is 360)
Total Number of SME jobs sustained (from loans disbursed)	1,989	456	450 (year three target is 1670)
Number of homes improved (from loans disbursed)	844	232	200 (year three target is 750)
CFI legal structure creation	1		1 (required for legal lending in BiH)
Other			
Number of training sessions & workshops conducted for business associations and Rezfond	362	8	
Number of participants trained	1,269	33	
Number of printed material distributed.	46,500	2,250	
Number of visits to program web site (www.chfbh.org).	2,139	365	1000
Amount of funds leveraged to expand the program	Operational agreement worth US\$510,000 was signed by SIDA on 23 April 2002.		US\$500,000

2. SUMMARY

During this quarter, CHF/Bosnia & Herzegovina's (BiH) achievements include the following:

GOVERNANCE & ADVOCACY

- ❖ **14** municipal governments effectively engaged with DCs (Busovaca, Fojnica, Kakanj, Kiseljak, Kresevo, Maglaj, Novi Travnik, Tesanj, Travnik, Visoko, Vitez, Zavidovici, Zenica and Zepce).
- ❖ **7 local government/REZ effective actions** led to improvement of laws and regulations, services transparency and taxes.
- ❖ The Cadastre and Urbanism Department of Tesanj Municipality constructed their counters next to the CHF constructed BTC. All counters have computers that are integrated into the municipal LAN system. With all of this, the BTC in municipality Tesanj is developing into a Professional Service Center (PSC).
- ❖ Over **130** different local government forms/brochures outlining application processes and submission requirements were available to the public.

ASSOCIATION DEVELOPMENT:

- ❖ **140** new members joined the DC network.
- ❖ The DCs have experienced a **6.17%** increase in membership.
- ❖ **4 DC effective actions** led to positive changes in laws and regulations, transparency, and services.
- ❖ **4** workshops, seminars and other training events, with a total of **28** participants, were conducted on the following topics: 1) Credit Promotion and Management; 2) Project Development and Sub-Grant Training; and 3) Organizational Development.
- ❖ **2,250** copies of printed material were distributed during the last quarter to association members and other potential clients.
- ❖ Varying combinations of the following **7** services were offered by the DCs: 1) Advocacy; 2) CHF Business Loans; 3) CHF Housing Loans; 4) Training, Seminars and Education; 5) Promotion & Professional Dissemination; 6) Business Referrals & Market Linkages; and 7) Business Development Services.
- ❖ In-kind donations (**3** computers, **1** printer, **3** other items) under the competitive income-generating sub-grant were provided to DC Kiseljak, Kresevo, Tesanj and Zavidovici.
- ❖ **25** DC media events promoting their activities were conducted.

CREDIT OPERATIONS:

- ❖ **147** business loans were disbursed worth a total of **965,500KM**.
- ❖ **232** housing loans were disbursed worth a total of **627,100KM**.
- ❖ The overall repayment rate is **98.08%**. The repayment rate of business loans was **97.69%** and of home improvement loans **99.12%**.
- ❖ SME business loans sustained **456** jobs and created an additional **50** new jobs during the last quarter.

“Improving Customer Service”

3.1 Municipal Government Development

CUSTOMER SERVICE CENTER

Design and Construction

All **14** municipalities have operational Customer Service Centers (**CSCs**) with established walk-in centers, as well as established Call Centers (**CCs**). All **6** municipalities (Zenica, Vitez, Travnik, Novi Travnik, Zepce and Tesanj) with high traffic customer service centers have constructed Business Transaction Centers (**BTCs**).

Specific Activities

- ✓ During the month of June, two additional Call Centers were established within the Municipalities of Kiseljak and Maglaj.

KNOWLEDGE MANAGEMENT

To improve processes to better serve home and business owners the following databases continue to be developed and installed:

- a. IC/CC Database (operational within 14 Municipalities)
- b. Protocol Database (operational within 13 Municipalities)
- c. BTC Database (operational within 7 Municipalities)

IC/CC Database

The IC/CC database is the main software tool utilized by the IC/CC and is designed to track complaints, provide customers with information on municipal services, and track the flow of walk in and call in requests. This database is now installed and operational within all 14 MEDI municipalities and is linked to the protocol database, designed to track the flow of applications.

Protocol Database

The Protocol database will be able to track the status of applications for the various municipal departments and the time taken to undergo the entire application process.

Of the 13 municipalities designated for the protocol database and networking, 4 (Tesanj, Maglaj, Travnik and Novi Travnik) have networked their computer systems on their own accord, while CHF networked the remaining 9 municipalities (Vitez, Fojnica, Kakanj, Zavidovici, Kresevo, Zenica, Busovaca, Zepce, and Visoko). After the networking was completed, CHF has installed the protocol database in 12 municipalities (Vitez, Fojnica, Tesanj, Kakanj, Zavidovici, Kresevo, Zenica, Travnik, Novi Travnik, Busovaca, Zepce, and Visoko). One of the two remaining municipalities was excluded (Kiseljak), while the Maglaj municipality installed the protocol database on their own accord. The contractor utilized for the software installation and networking was ProCom.

BTC Database

The main purpose of this database is to provide information related to births, deaths and marriages of the municipalities' citizens. This information is required before seeking any municipal service. Currently most BTC systems are paper based and can create considerable delays within an application process.

4 of the 14 municipalities have installed the BTC database with other resources (Novi Travnik, Tesanj, Travnik, and Maglaj). CHF installed the BTC database in 3 municipalities (Zenica, Zepce, and Vitez) while the remaining 7 municipalities will not install the database due to low volume of BTC traffic. ProCom is the provider of the database.

The following table summarizes the current status of networking and database installation:

Municipality*	Networking	Protocol database	BTC database
Vitez	Installed by CHF	Installed by CHF	Installed by CHF
<u>Fojnica</u>	Installed by CHF	Installed by CHF	No need
<i>Tesanj</i>	Installed by Municipality	Installed by CHF	Installed by Municipality
<u>Kakanj</u>	Installed by CHF	Installed by CHF	No need
<u>Zavidovici</u>	Installed by CHF	Installed by CHF	No need
<u>Kresevo</u>	Installed by CHF	Installed by CHF	No need
<i>Maglaj</i>	Installed by Municipality	Installed by Municipality	Installed by Municipality
Zenica	Installed by CHF	Installed by CHF	Installed by CHF
<i>Travnik</i>	Installed by Municipality	Installed by CHF	Installed by Municipality
<i>Novi Travnik</i>	Installed by Municipality	Installed by CHF	Installed by Municipality
<u>Busovaca</u>	Installed by CHF	Installed by CHF	No need
<u>Kiseljak⁵</u>	Excluded	Excluded	Excluded
Zepce	Installed by CHF	Installed by CHF	Installed by CHF
<u>Visoko</u>	Installed by CHF	Installed by CHF	No need
Totals	CHF 9 Municipalities	CHF in 12 Municipalities	CHF in 3 Municipalities

* **Bold municipality name = CHF built BTC**; *Italicized municipality name = Municipality built BTC*; Underlined municipality name = No BTC built

MUNICIPAL TRAINING

The table below outlines a summary of training activities conducted since the beginning of the project and this quarter for municipal leadership and staff.

	Type	This Quarter	Since Beginning of Project
<i>Workshops/Seminars and other training events</i>	Total	0	28
	• <i>Customer Service Center</i>	0	19
	• <i>Study Tour – Public Diplomacy</i>	0	2
	• <i>MEDI Orientation</i>	0	6
	• <i>Economic Development</i>	0	1
<i>Participants</i>	Total	0	462
	• <i>Mun. Officials & Heads of Dept.</i>	0	101
	• <i>Councilors</i>	0	11
	• <i>Municipal staff</i>	0	350
	• <i>Association Manager</i>	0	
	• <i>Association Board Member</i>	0	
	• <i>Association Other</i>	0	

⁵ Kiseljak Local Government had not moved into their new premises within the required time-frame.

3.2 Municipal Government Activities

CUSTOMER SERVICE CENTER ACTIVITIES

Information Center / Call Center

The following data from the IC/CC database tracks several key indicators related to customer service. The table bellow represents data from the Municipalities of Busovaca, Fojnica, Kakanj, Kiseljak, Kresevo, Maglaj, Novi Travnik, Tesanj, Travnik, Visoko, Vitez, Zavidovici, Zenica, and Zepce.

Month	No. of Submission requirement brochures available	No. of Application forms available	No. of IC Requests (walk in)	Number of Requests Resolved at IC	Number of CC calls (call in)
April	315	702	15644	8688	3079
May	314	766	17508	8691	2737
June	315	814	19101	9943	2639
Month	Number of complaints received	Number of complaints resolved	Average Time taken to resolve the complaints	No of LG information brochures	
April	1154	815	38.6	79	
May	1219	876	10.8	77	
June	1273	921	13.5	76	

The following table compares FY2004 data to date to FY2003 data:

1. Information Center (IC) - Transparency

Year	No of Submission requirements brochures developed	No of Application forms developed	Number of IC Requests (walk in)	Number of Requests Resolved at IC	Number of CC calls (call in)	Number of complaints received	Number of complaints resolved	Time taken to resolve complaints (Average Days)	No of LG information docs
2003	284	649	91534	46441	5185	579	343	30	109
2004	315	814	157928	87037	21372	694	578	13.5 ⁶	146

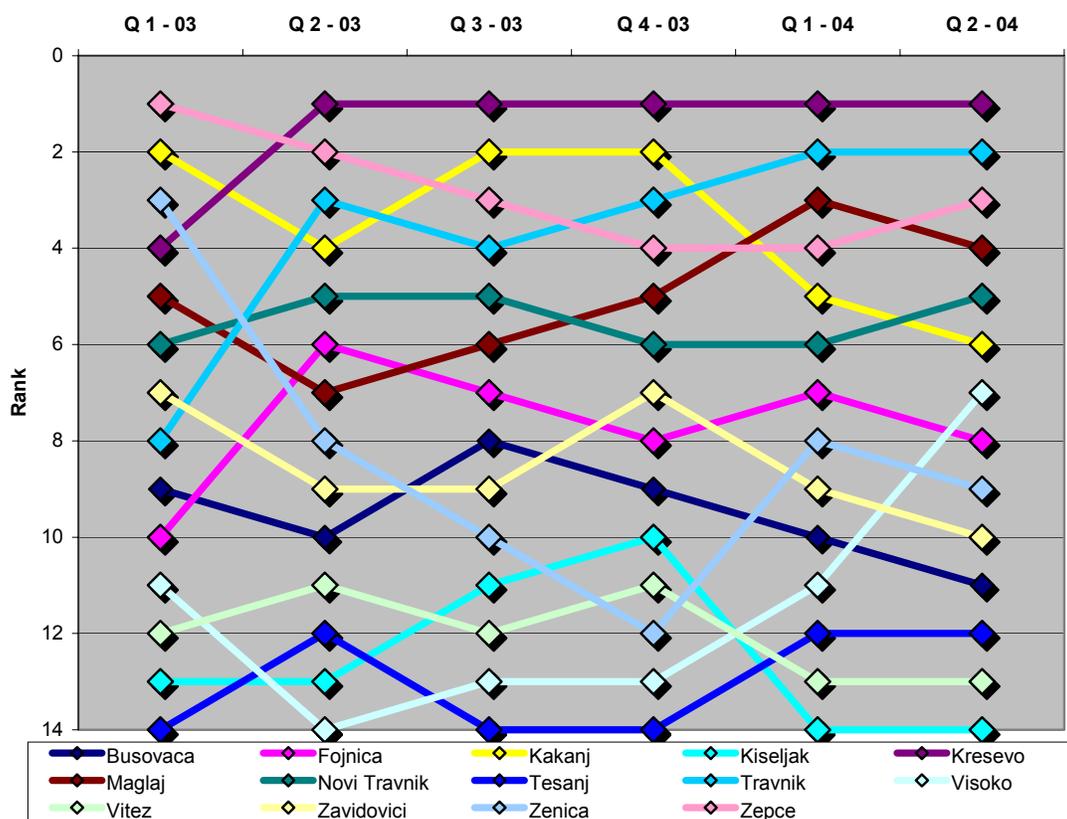
⁶ Data available for only 4 Municipalities (Fojnica, Novi Travnik, Vitez and Zenica)

Governance Performance Index (GPI)

The GPI is designed to track the performance of the individual municipalities by tracking a variety of indicators under the following categories:

- IC/CC (Transparency) activities** - (weight = 1/3): By municipality, this data tracks the: number of submission requirements forms available, number of applications forms available, number of LG brochures, number of IC requests, number of CC requests, number of complaints received, number of complaints resolved, and average days taken to resolve complaints. Data for these indicators are available from all 14 local governments.
- LG Advocacy & Responsiveness activities** (weight = 1/3) – By municipality this data tracks the: number of LG public coordination attempts, number of public initiatives received, number of public initiatives resolved (effective actions), number of LG coordination attempts with other government, number of LG initiatives towards other government, number of LG effective actions towards other government, and number of positive unsolicited changes introduced by the LG. Data for these indicators is available for all 14 MEDI local governments.
- Customer Service** (weight = 1/3) - By municipality this data tracks the: LG public satisfaction survey, average number of process steps identified, and average process time. Data for all 14 local governments is only available for the LG public satisfaction survey.

Quarterly Rank of Municipalities in Overall Achievement of MEDI Objectives



This quarter the best performing municipal governments were:

Category	Local Government	Comments
Overall 1 st Rank:	Kresevo	<ul style="list-style-type: none"> 9th Rank - IC/CC activities (Transparency) 2nd Rank – LG Advocacy & Responsiveness activities 2nd Rank - Customer Service
IC/CC (Transparency) activities 1 st Rank:	Kakanj (overall 6 th Rank)	The Kakanj LG has worked effectively to improve its services and transparency towards the public.
LG Advocacy & Responsiveness activities 1 st Rank:	Maglaj (overall 4 th Rank)	The Maglaj LG has demonstrated the most attempts and success to seek reform by coordinating with the public and other levels of government.
Customer Service 1 st Rank:	Travnik (overall 2 nd Rank)	The Travnik LG was the 3 rd scored municipality within the Public Satisfaction survey and has high municipal contributions

This quarter the worst performing municipal governments were:

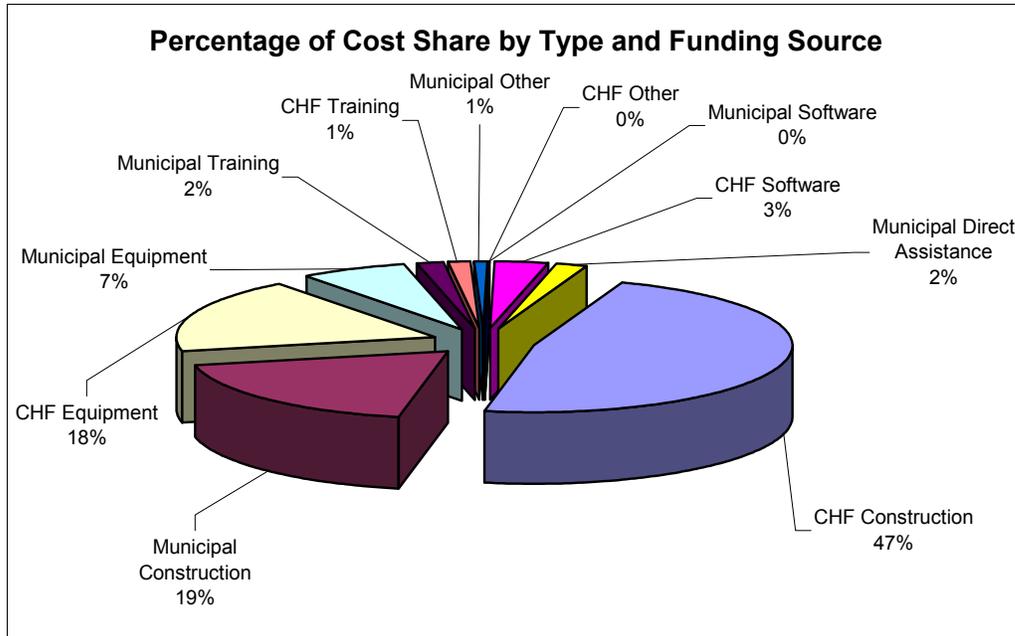
Category	Local Government	Comments
Overall 14 th Rank:	Kiseljak	<ul style="list-style-type: none"> 14th Rank - IC/CC activities (Transparency) 11th Rank – LG Advocacy & Responsiveness activities 8th Rank - Customer Service
IC/CC (Transparency) activities 14 th Rank:	Kiseljak (overall 14 th Rank)	The Kiseljak Municipality did finally move into the new building but, unfortunately, this was done too late and not in compliance with the signed PA. Therefore, Kiseljak was excluded from MEDI phase II – no networking, databases will be installed in this Municipality.
LG Advocacy & Responsiveness activities 14 th Rank:	Busovaca (overall 11 th Rank)	The data presents that the Busovaca LG is the least likely to engage with the public or other government for the purpose of engineering reform.
Customer Service 14 th Rank:	Maglaj (overall 4 th Rank)	The results of the last Public Satisfaction Survey present that the respondents are not satisfied with the delivery of services from the Maglaj LG. The Municipal contributions are also very low – 8000 KM (Rank 12).

3.3 Other Activities / Lessons Learned

Local Government Cost Share:

Since the beginning of MEDI local government activities, CHF has been encouraging and measuring the funds utilized by the local government in self-financing their own capacity building. To date the results are encouraging as the data demonstrates that for every **1US\$** invested by USAID/CHF within the MEDI project, the LG invested **US\$0.43** into its own development. The following table and charts illustrate the total investment made by the LGs as compared to CHF:

Type of Investment	CHF Investment	Municipal Investment	Cost share		Total	
			CHF%	Municipality %	%	KM
Construction	729,309.41	286,224.00	71.82%	28.18%	100.00%	1,015,533.41
Equipment	278,270.00	101,202.00	73.33%	26.67%	100.00%	379,472.00
Training	18,200.00	28,496.00	38.98%	61.02%	100.00%	46,696.00
Direct Assistance	0.00	30,000.00	0.00%	100.00%	100.00%	30,000.00
Other	300.00	14,717.00	2.00%	98.00%	100.00%	15,017.00
Software	50,412.60	0.00	100.00%	0.00%	100.00%	50,412.60
TOTAL	1,076,492.01	460,639.00	70.03%	29.97%	100.00%	1,537,131.01

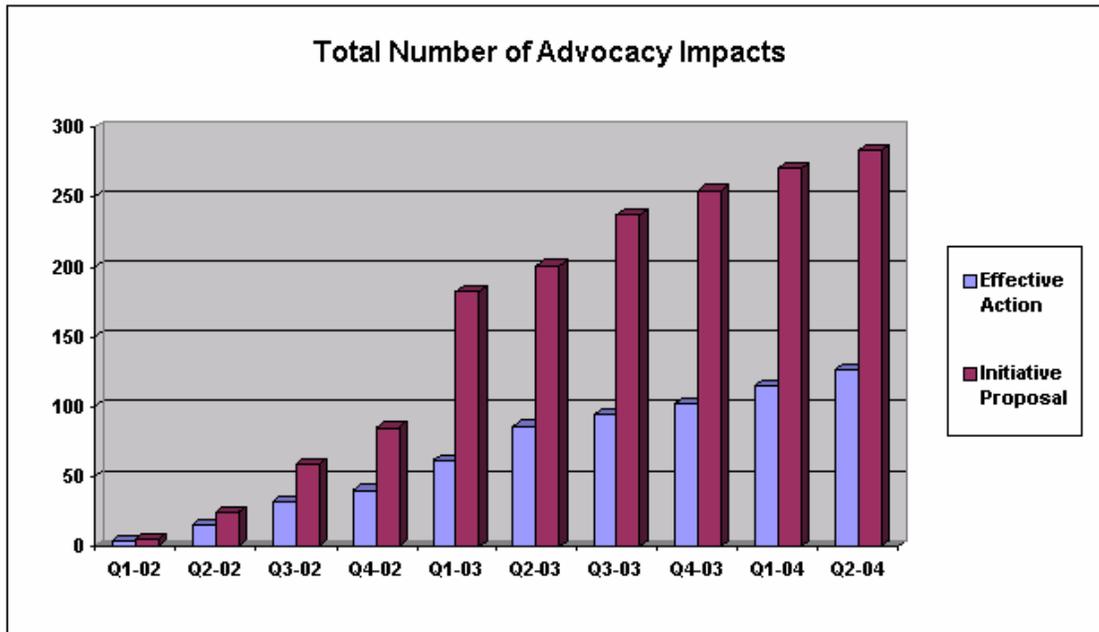


4. PUBLIC PRIVATE PARTNERSHIP (PPP)

“Applying Pressure”

This quarter advocacy activities led to **28** coordination attempts between the DCs/REZ/LG and local governments, **15** advocacy initiatives, and **11** effective actions which resulted in change in government taxes, services, transparency, laws and regulations, and other areas of issue. The increase in the number of initiatives demonstrates the increase in motivation to seek a reform agenda by the REZ/DC network and municipal governments.

The chart below displays the total number of effective actions and initiatives resulting from the activities of the DCs, LGs, and REZ.



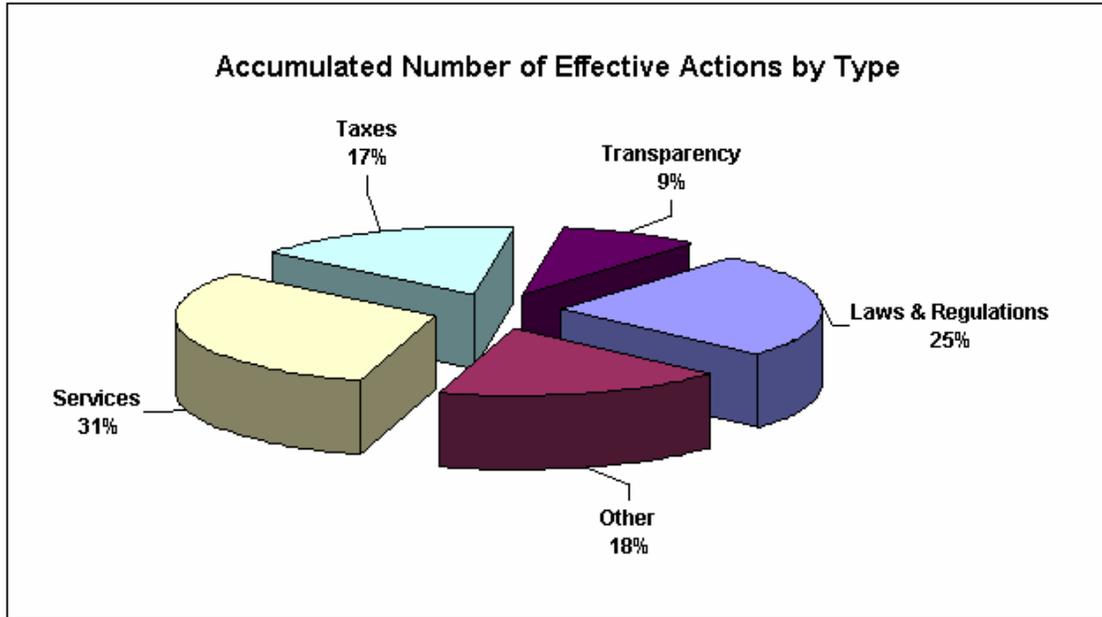
4.1 PPP Initiatives:

The table below summarizes the Initiatives commenced by the DC/REZ/LG network during this quarter.

Initiatives Commenced This Quarter						
Institution	Services	Taxes	Laws & Regulations	Transparency	Other	Total/ Association/ REZ/LG
DC Visoko				2		2
DC Kiseljak	3			1		4
DC Fojnica		1				1
DC Travnik	1					1
LG Vitez	1			3		4
LG Maglaj	1					1
LG Kresevo	1					1
REZ		1				1
Total/Sector	7	2		6		15

4.2 PPP Reforms & Effective Actions:

The pie chart below illustrates the type of effective actions achieved since the beginning of the MEDI project (**126 effective actions**). The majority (31%) of the reforms were improvements in services, followed by the laws and regulations (25%) and other (18%).



The table below details the effective actions that have lead to a positive reform change, which have been conducted by DC/REZ/LG this quarter:

Service			
Institution	Date	Problem	Effective Actions
LG Maglaj	12-Apr-04	The existence of black market traders, at the green market presents a problem.	The Cantonal Department for Inspections recognized this problem and made necessary steps towards better market control.
LG Vitez	12-May-04	The town of Vitez suffered substantial damages during the recent flooding. The municipality needs additional funds in order to start with the necessary rehabilitation.	The Central Bosnia Canton approved the amount of 20,000.00 KM as support to Vitez municipality for the rehabilitation of areas damaged after the flood.
DC Travnik	19-Jun-04	UNDP requested from the Municipality the elaboration of a project that would enable the realization of UNDP's "SUTRA" project. The "SUTRA" (Sustainable Transfer to Return-related Authorities) project is a joint EU, UNDP and MHRR undertaking, in cooperation with entity line ministries that aims at strengthening the local authorities on central and municipal level.	The Municipality accepted the DC proposal to be included in the preparations for UNDP's "SUTRA" project.

Taxes			
Institution	Date	Problem	Effective Actions
REZ	10-May-04	Imbalanced conditions for businesses in RS and FBiH in relation to trade with natural and artificial fertilizers, plant protective materials, as well as all kinds of seeds and seed materials. Employers in RS do not pay tax on the above-mentioned product trade, while in the Federation the taxation amounts 10%.	The Federal Parliament adopted changes to the Law and equalized the FBiH taxes on natural and artificial fertilizers, plant protective materials and all kinds of seeds and seed materials with the RS taxation system (tax free).

Transparency			
Institution	Date	Problem	Effective Actions
DC Visoko	12-May-04	Coordination between the Municipal Department of Economy and DC Visoko is missing.	A Partnership Cooperation Agreement was signed between the Municipal Department of Economy, the Employment Bureau, and DC Visoko regarding the "Public Stand" project, and in order to improve the development of Visoko municipality.
LG Vitez	21-May-04	Municipality of Vitez should create a Spatial Plan, which should be developed in accordance with the needs stated by the Spatial Department of FBiH.	The Contract for the development of a Spatial Plan for Vitez municipality was signed.
LG Vitez	15-Jun-04	In the past, the Municipality of Vitez used to elaborate its Spatial Plan without any transparency.	The Mayor brought the decision to create a Municipal Council working group that would be in charge of the elaboration of the Spatial Plan.
LG Vitez	16-Jun-04	Young people in the municipality of Vitez are lacking access to information on education, employment, etc.	The Mayor established a project called the "Info-Desk for Young People" in order to provide to them all necessary information in regard to education, employment, etc.

Laws and Regulations			
Institution	Date	Problem	Effective Actions
REZ	25-Apr-04	In accordance with the BiH Election Law, the Municipal Council is the body that votes for the position of the Mayor. This voting procedure hinders the citizens in having a say in the Mayor election.	The Parliament of FBiH adopted changes to the BiH Election Law allowing direct voting at the elections for the position of the Mayor.
DC Zenica	30-Jun-04	Business in Zenica municipality is facing a couple of problems: the taxes for having summer gardens in front of cafes and restaurants are very high; the period during which these summer gardens can be open is quite limited (only during summer months); certain streets in the center of town, where many businessmen have their offices, are closed to traffic.	The Mayor signed an Agreement allowing summer garden usage during the entire calendar year. Payments for summer gardens will be made against the period of summer garden usage.

4.3 Other Highlights/ Lessons Learned:

- ✓ 2 April - Meeting at OHR regarding the Bulldozer Phase I initiative related to the forestry reform. The Government did not eliminate the obligatory forestry fee - they only transferred the fee collection from the Federal to the Cantonal level. Such a move did not bring any positive impact in the field of business development. The conclusion of the meeting was that there is a necessity to write an article about this issue. The OHR Bulldozer Unit, as an authorized body, can and will write press releases on Regional Bulldozer Committees, as well as create other media releases on particular reforms.
- ✓ 6 April – The Vitez Municipality made efforts in order to improve the economic environment of their community. They presented three projects: mini hydropower plants; municipal development strategy; and PC 96 Business Center. Invitees to this presentation were the Raiffeisen Group, EBRD, REZ, Cantonal Government, and Board Presidents of both Business Associations, as well as entrepreneurs who applied and are interested to invest in Business Center PC 96.
- ✓ 6 April – The Bosnia and Herzegovina SME Development Gap Analysis Roundtable convened. All important donors that are implementing economic development projects in BiH got together at a two day session in Sarajevo to discuss the following issues: business registration, secured transactions, bankruptcy, inspections, banking, leasing, loan guarantees, start-up support, education etc.
- ✓ 19 April – BiH Bulldozer Initiative Methodology presented to the World Bank senior managers involved in the South-East Europe and Asia projects. CHF representative presented this methodology during the “Competitive Partnerships” training event that was convened at the World Bank in Washington DC. This methodology was also presented on 20 April at the Private Sector Development Forum in Washington DC.
- ✓ 29 April - Bulldozer Phase III Initiative - During a meeting convened at OHR Sarajevo representatives of the Regional Bulldozer Committees and Agricultural Committee agreed upon the Bulldozer Phase III Initiative process. All Regional Committees will prepare and present new proposals for the next meeting, which will be held at the end of May. Through

- open discussion with OHR and the Emergency Reform Unit, a consensus regarding new 50 economic reforms will be reached.
- ✓ 25 May - REZ organized a Bulldozer meeting that was attended by the OHR Bulldozer team, representatives of Regional Bulldozer Committees and Emergency Reform Units from FBiH, RS, and Brčko District. The process of NGO Bulldozer establishment was discussed - there is a need to register a joint business organization at the State level, as well as a Trade Union, which would form the Bulldozer NGO. Several new Bulldozer Phase III proposals were also discussed.

5. ASSOCIATION DEVELOPMENT

“The Critical Mass”

5.1 Partner DC Development

Sub-grants and In-kind Donation:

All the organizational development sub-grants (phase I) awarded to the 14 DCs, as well as all the income generating sub-grants (phase II) awarded to the 9 DCs (Kiseljak, Zepce, Novi Travnik, Maglaj, Busovaca, Kresevo, Travnik, Zenica, and Zavidovici) have been completed.

Implementation of the competitive income generating sub-grants (phase III) is an ongoing activity in 4 DCs - Kiseljak, Travnik, Zavidovici, and Fojnica. The main purpose of this sub-grant is to improve the DC business services and/or the very business environment in the community.

In-kind donations of **1** printer and **3** other types of quipment to DC Zavidovici, as well as **3** computers to the DCs of Kresevo, Tesanj and Kiseljak. Proposed services to DC members include computer and English language courses, as well as the provision of advertising and promotional services, new legal services, as well as computer courses and maintenance.

Specific Activities

- ✓ 1 April - In cooperation with the Employment Bureau and Department of Economy, which are partners in the Advocacy Campaign project, DC Zepce organized a round table session regarding the business and civil sector preferred services in Zepce. The round table is part of an assessment that was done by the DC (a project that was supported by ADF). Participants involved in the discussion were municipal officials, NGOs and businesspeople. One of the conclusions reached was that there is a need for a municipal development strategy. Collected data will be published and the initiative for municipal development strategy will be sent to the Municipal Council for approval.
- ✓ 7 April - Meeting with Tesanj DC Board - The following agenda was discussed: implementation of PA; implementation of IG SG; long-term strategic planning. The weakest point within the PA implementation is the implementation of the Credit Service Contract. The strong competition of banks was named as a reason for the low number of credit applications. There is a small delay in the DC's IG SG implementation. The DC Working Group prepared a draft mid-term strategic plan.
- ✓ 21 April – SERDA meeting convened. The main goals were to connect RDA SERDA with the DCs of Kresevo, Fojnica, Visoko and Kiseljak, to present the REZ Association and REZ RDA as a PPP concept, as well as discuss possible cooperation between SERDA and the DCs. Mr. Power (SERDA representative) presented the role of RDA, while the Visoko Mayor (Chairman of SERDA Assembly) presented what is important from the municipal point of view (infrastructure projects, regional strategy and joint action). The DC Board Presidents (Kresevo, Fojnica and Visoko) inquired about the benefits from RDA regarding actual problems in economy (unprotected market, standardisation etc.). The potential cooperation areas named by the representative of SERDA are: the establishment of a business centre in Kiseljak for the Fojnica-Kresevo-Kiseljak sub-region; provision of technical assistance for projects; call for project proposals (SERDA Development Fund - should be announced until 1 May 2004); networking with foreign companies etc. The final conclusions reached at the end of the meeting include: SERDA representatives recognized that the above-mentioned DCs, thanks to CHF, are an infrastructure which should be used for the development of the SERDA region; DCs could benefit from SERDA as a political background that could be used for DC initiatives in removing entrepreneurial obstacles. All participants expressed their openness for cooperation and recognized that only together they can move forward and achieve changes.

⁷ Community Development Cooperation

- ✓ 26 April – UNDP's project "DANAS" selected DC Travnik as a representative for the business sector within the municipal consortium. This consortium consists of representatives from the Municipality, NGO and business sector, and should play an important role within the SUTRA project (UNDP's Sustainable Return Project), as well as in the municipal development strategy process.
- ✓ 26 April - Meeting at Motrix business association in Zepce. Improvement of communication and cooperation between two associations from Zepce (Croat and Bosniak) were discussed. What was concluded is that regular monthly meetings should be held between those two associations.
- ✓ 28 April - DC Visoko initiated the Cooperative Agreement that was signed between the Visoko Municipality, Business Association Fortis (CHF partner), and BA Visoko. All sides agreed to make a joint effort in order to improve the economic environment, networking, cooperation, support to local economic initiatives, as well as attract investments, organize joint representation at fairs, promote the municipality etc.
- ✓ 6 May - Zenica DC submitted to CIPE (Center for International Private Enterprise) a project proposal related to the development of a sector database covering companies in the wood-processing sector. The project proposal also included the organization of round tables to be attended by these companies, as well as educational programs related to the issue of certification. The DC was awarded with the CIPE sub-grant, which confirms that the DC's institutional capacity is sufficiently developed to attract other donors, and to implement different types of projects.
- ✓ 12 May - DC Kiseljak organized a seminar for businesspeople from Kiseljak, Kresevo, Fojnica and Visoko with the following topics: free economic zones; foreign trade policy in FBiH; foreign investments; legal regulations for ltd companies and crafts in BiH; new legal regulations for NGOs. The trainees were University professors and ministry officials.
- ✓ 13 May – REZ Board Meeting - The agenda of the regular REZ Association Board meeting included: Changes in organizational structure: Two board member positions; REZ Association Director position - Ms. Malicbegovic resigned because of her new position as REZ RDA Director. The Board agreed that Ms. Maja Kusic should overtake the position of the REZ Association Director. Candidates for the positions of board members are: Drazenka Ilic and Amela Malicbegovic - this decision will be made during the next assembly meeting scheduled for end of June. Information on program activities was also provided and included the REZ Bulletin and Bulldozer Committee activities.
- ✓ 27 May - Market linkages and cluster building efforts - Cooperation with GTZ - REZ in coordination with the German organisation GTZ organized a presentation titled "Modern Hotel". What GTZ is offering is joint presentations at four domestic and international fairs. Producer companies in the textile, wood processing and furniture production sectors will equip a section at a hotel (400 square meters) with products from the above-mentioned industries. In this way, the companies will be presented in a more innovative, attractive, and price worthy manner than usually.

Partner DC Training:

The types of training events conducted and participants involved during this quarter are outlined within the table below:

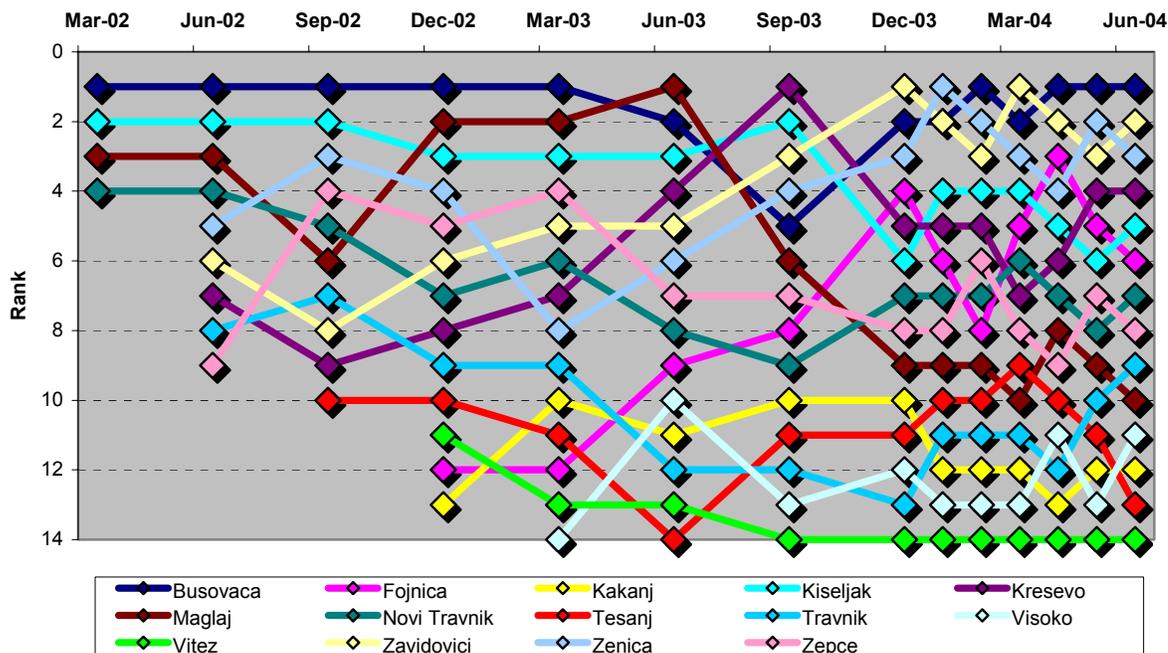
	Type	This Quarter	Since Beginning of Project
<i>Workshops/Seminars and other training events</i>	Total	4	304
	<i>Advocacy & Lobbying</i>	0	13
	<i>Business Development Services</i>	0	2
	<i>Computer Training</i>	0	27
	<i>Credit Operations</i>	1	50
	<i>Organizational Development</i>	1	90
	<i>Other</i>	0	1
	<i>Project Development & Sub granting</i>	2	117
	<i>Promotion</i>	0	4
<i>Participants</i>	Total	28	1019
	<i>Association Board Member</i>	6	385
	<i>Association Credit Committee</i>	0	50
	<i>Association Executive Director</i>	0	5
	<i>Association Manager</i>	11	452
	<i>Association Member</i>	8	98
	<i>Association Other</i>	3	17
	<i>Other Participants</i>	0	12
	<i>CHF NGO</i>	0	
	<i>CHF MKO</i>	0	

5.2 Partner DC Activity:**Partner DC PERFORMANCE INDEX (PI)**

The Partner DC Performance Index utilizes a ranking system to determine the best performing DCs. The rank is weighted equally between the following three aspects of the DCs' activities:

1. DCs size, quality, composition and activities
2. DCs advocacy activities
3. DCs credit activities and sustainability

Quarterly Rank of DCs in Overall Achievement of MEDI Objectives



This quarter the best performing DCs were:

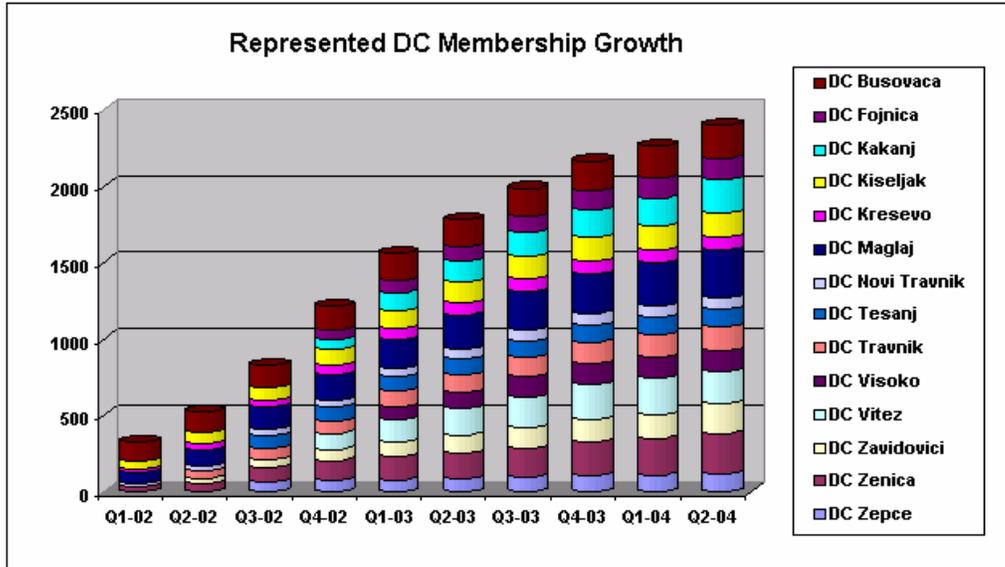
Category	DC	Comments
Overall 1 st rank:	Busovcaca	<ul style="list-style-type: none"> • 2nd Rank - DC Size, Quality, Activities and Composition • 3rd Rank – Advocacy • 6th Rank - Credit Activities & Sustainability
DC Size, Quality, Activities and Composition 1 st Rank:	Fojnica (Overall 6 th Rank)	This DC has one of the best multi-ethnic compositions, percentage of returnees and highest rank of manager capability.
Advocacy 1 st Rank:	Zenica (Overall 3 rd Rank)	This DC has the highest number of effective actions from the local government.
Credit Activities & Sustainability 1 st Rank:	Kiseljak (Overall 5 th Rank)	This DC has a good portfolio size and one of the highest sustainability ratios due to the income they raise from services, membership fees and the provision of credit.
Largest Credit Portfolio 1 st Rank:	Zenica (Overall 3 rd Rank)	481,124.39 KM (business and housing loans).

This quarter the worst performing DCs were:

Category	DC	Comments
Overall 14 th Rank:	Vitez	<ul style="list-style-type: none"> • 9th Rank - DC Size, Quality, Activities and Composition • 13th Rank – Advocacy • 11th Rank - Credit Activities & Sustainability This DC is poor at implementing advocacy campaigns; low membership number and percentage of women; bad EM capability; low repayment rate and sustainability index.
DC Size, Quality, Activities and Composition 14 th Rank:	Zenica (Overall 3 rd Rank)	This DC's business and housing membership is very low. They have low rankings related towards the number of employees and percentage of returnees. The EM capability is also ranked very low.
Advocacy 14 th Rank:	Kakanj (Overall 12 th Rank)	This DC is not actively pursuing coordination or change from the municipal government.
Credit Activities & Sustainability 14 th Rank:	Novi Travnik (Overall 7 th Rank)	This DC has not been effective in processing credit services, raising their membership numbers or providing income-generating services.
Smallest Credit Portfolio 14 th Rank:	Novi Travnik (Overall 7 th Rank)	56,313.97 KM (business and housing loans) This DC has the lowest repayment rate, as well as sustainability index.

Association Growth & Member Composition

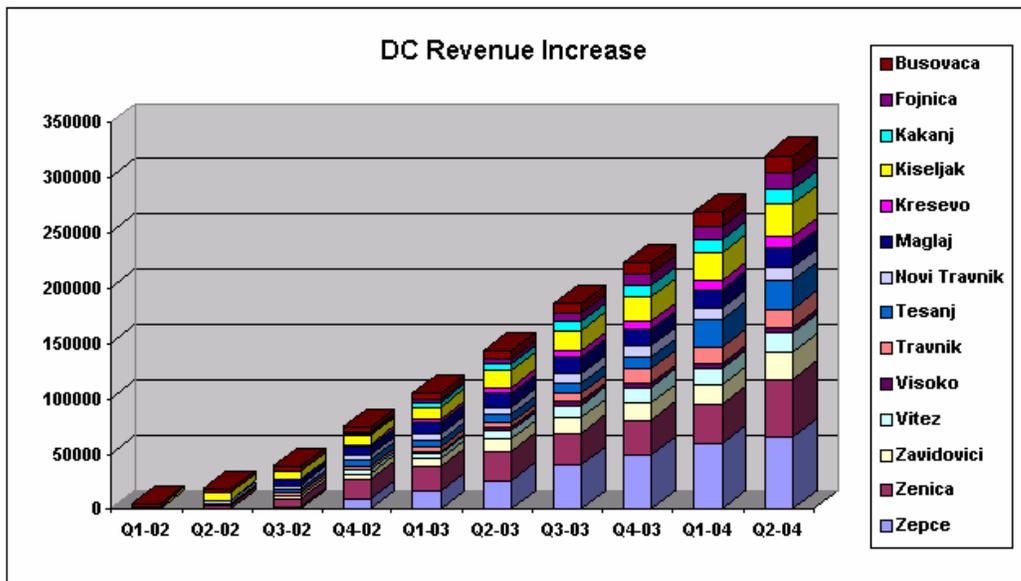
Data extracted from the DC database demonstrates that total membership as of the end of this quarter is **2,406** members. The graph below demonstrates the membership growth since the inception of the MEDI program. Currently **20%** of all members are women and **12%** of all members are returnees.



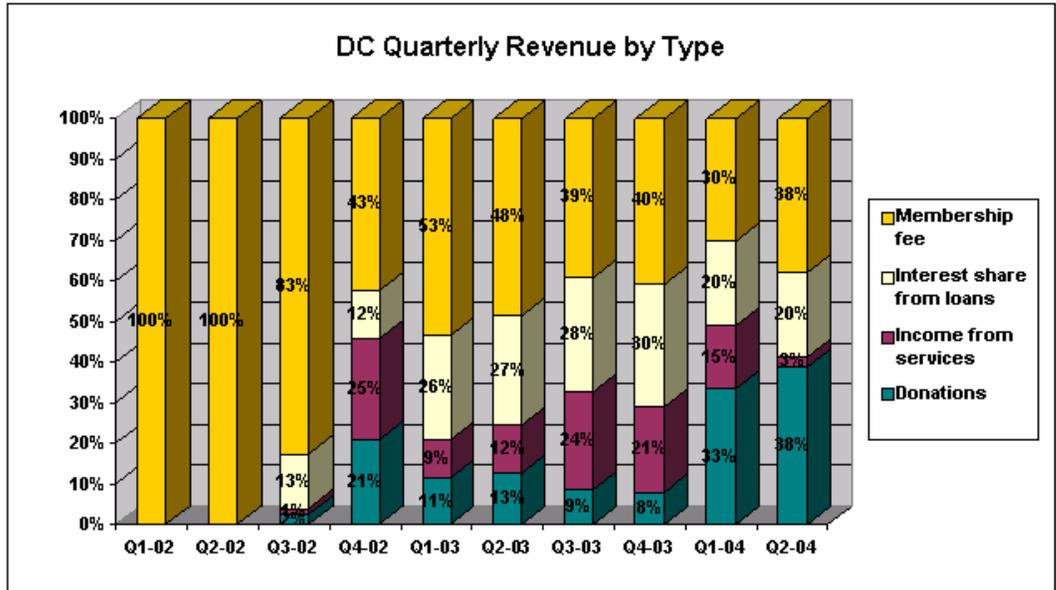
Data extracted from the DC database also state that the total number of employees represented from the business owning members as of the end of this quarter is **14,008** employees. Currently 36% of all employees are women and 4% are returnees.

DC Sustainability

Since the inception of the program the DCs have raised **268,909.9 KM** in revenue for the purpose of sustaining their operations and providing services. This quarter the DCs raised **50,230.8 KM** in revenue (38% Membership fees and 38% Donations, 20% CHF Shared interest, 3% Provision of Services, and 1% other (non-CHF) donations/grants]. The following graph displays the growth in DC revenue.



The graph below presents the percentage of revenue source obtained each quarter by the DC network as the MEDI project has progressed. It is important to note that the DCs are relying less on membership fees to sustain their operations. Of note is the gradual increase of revenue obtained through the CHF shared interest program (currently at 20% of total revenue) and income from services provided.



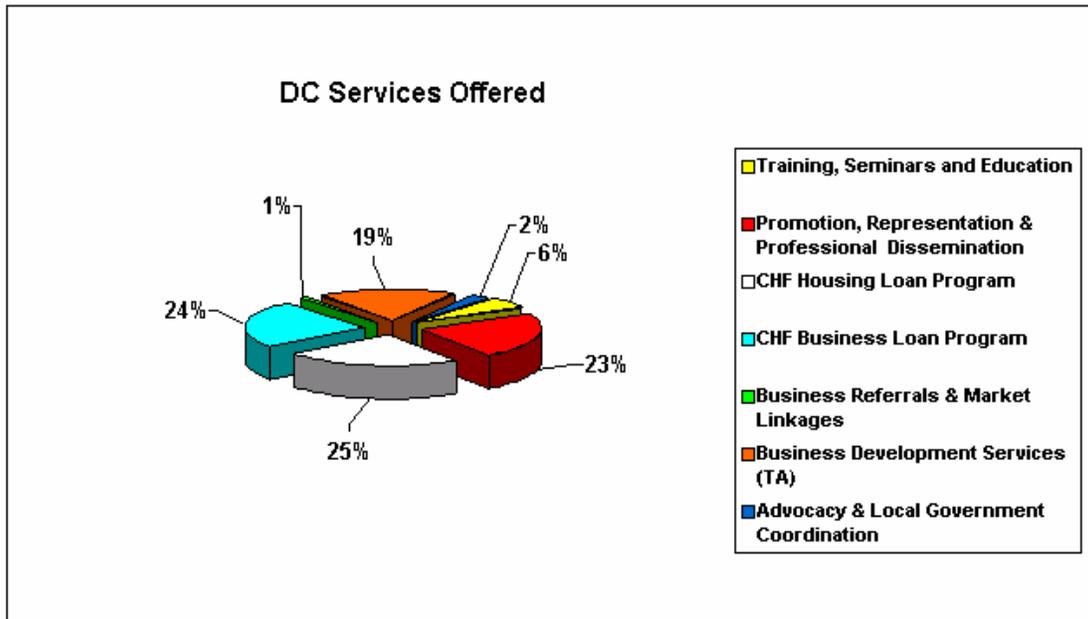
DC Promotion Activities

The following DC Promotional events occurred during this quarter:

	<i>This Quarter</i>
Number of Media Events	25
Radio Events	10
Television Events	9
Newspaper Events	0
Other Events	6
No. of Partner DC Web Sites	3
Number of Printed Materials Distributed	2,250

DC Services

The chart below displays the services offered by the DCs during this quarter. The main services were credit (housing loans 25% and business loans 24%), promotion of their members' interests (23%), and business development services (19%).



6. MKO⁸ LOAN PORTFOLIO

“The Hook”

LOAN PORTFOLIO

This quarter MKO “REZ-FOND” disbursed **379** loan applications (worth **1,592,600 KM** in value). Since the inception of the program, **1339** loan applications have been disbursed (worth **8,283,659 KM** in value).

To date this lending activity has sustained **1,989** jobs and created an additional **284** jobs. The current rejection rate of loan applications is **16.64 %** for business loans and **14.71 %** for housing loans. The representation of ethnic groups within the current portfolio is **76,92 %** Bosniak, **21,14 %** Croat, **1,49 %** Serb, and **0,45 %** other.

The table below outlines the current status of the loan portfolio (all values are in KM):

ITEM		Q4 - 03		Q1-04		Q2-04		Since inception	
		No.	Values	No.	Values	No.	Values	No.	Values
Loans disbursed	TOTAL	159	1,018,400	153	734,250	379	1,592,600	1,339	8,283,659
	SME Business	60	755,100	68	506,600	147	965,500	495	5,777,559
	Home Improvement	99	263,300	85	227,650	232	627,100	844	2,506,100
Loans outstanding (end of period)	TOTAL							1,198	4,106,683
	SME Business							421	2,674,635
	Home Improvement							777	1,432,048
Repayment rate (end of period)	TOTAL								98.40%
	SME Business								97.69%
	Home Improvement								99.12%
Average loan size	TOTAL		7,622		9,227		4,636		7,818
	SME Business		12,585		15,326		6,568		11,672
	Home Improvement		2,660		3,129		2,703		3,963
Average loan term (months)	TOTAL		21.25		21.45		18.41		20.20
	SME Business		20.43		20.51		15.02		18.25
	Home Improvement		22.06		22.39		21.79		22.15

(Please view MKO indicators within the Overview/Summary section of this report).

⁸ Mikro Kreditna Organizacija

7. PLANS FOR THE NEXT QUARTER

7.1 Governance:

- Monitor and assist the Municipalities in record database utilization (Vitez, Travnik, Zepce and Zenica);
- Monitor and assist Municipalities in protocol database utilization;
- Monitor whether the Municipalities fulfil the MoU requirements – collect data on Urbanism Consent, Building Permit, Building Use Permit, and Work Approval;
- Monitor IC operation – data collection and advisory role to improve their operation.
- Collect documentation from the municipalities, DCs and REZ on all effective actions since the inception of the project.
- Complete the Public satisfaction survey.

7.2 Advocacy:

- Organize meetings with DC representatives in regard to the new reform of customs system that might cause problems to the businesses in the MEDI area;
- Organize meetings with representatives of CAFAO and Indirect Taxation Office – in regard to the impact of customs reform;
- Participate in Phase III of Bulldozer Actions:
 - Preparation of proposals for Bulldozer Plenary sessions
 - Participation at Bulldozer plenary sessions on 9th August and 8th September
 - Organization of two obstacle defining sessions of REZ Enterprise Network (August and September)
- Print and distribute new edition of REZ Bulletin;
- Capacity building of registered REZ and final report on sub-grant;
- Organize REZ joint meeting of Mayors Coalition and Enterprise Network to evaluate MEDI achievements;
- Gather and analyze data on LG responsiveness;
- Gather and analyze data on Mayors' advocacy activities;
- Gather and analyze data on DC advocacy activities.

7.3 Association Development:

- Continue and complete the implementation of approved income-generating sub-grant activities;
- Continue and complete the implementation of the competitive income-generating sub-grant activities in Travnik, Zavidovici, Fojnica and Kiseljak;
- Continue and complete the implementation of approved REZ Association sub-grant;
- Prepare and publish 3rd REZ Bulletin in English and Bosnian;
- Conduct final evaluation of DCs' financial and organizational sustainability;
- Conduct final monitoring of partner DCs;
- Handover of equipment to DCs based on final monitoring reports and final evaluation of partnership agreement implementation;
- Conduct final DC Member Satisfaction and Preferred Services Survey.

7.4 Credit Operations:

- Conduct ongoing credit activities;
- Disbursement, monitoring and analysis of ongoing credit activities;
- Continue work on Code of Practice (Customer Protection) with AMFO (Association of Micro Finance Organizations);
- Organize and run Market Assessment;
- Organize internal trainings in procedure changes for credit staff