

UNITED METHODIST COMMITTEE ON RELIEF

Bosnia and Herzegovina
Final Program Progress Report

I. General References

A. Name of the reporting office:	UMCOR BiH - Sarajevo Headquarters Office
B. Program title:	“Sustaining Minority Returns in Bosnia and Herzegovina”
C. Program code:	Agreement No. 168-G-00-02-00103-00
D. Project location:	Throughout Bosnia and Herzegovina
E. Total program budget:	\$3,678,845
F. Project duration:	November 28, 2001 - December 31, 2003
G. Period covered by report:	November 28, 2001 - December 31, 2003
H. Date of this report:	March 12, 2004
I. Donor:	United States Agency for International Development (USAID)

II. Introduction

In 2001, the Bosnia and Herzegovina Mission of USAID established a need for targeted economic assistance to minority returnees. Previous housing and infrastructure rehabilitation projects had not considered the economic sustainability of returnee families; families that had already made the difficult decision to return were economically fragile and on-going and new returns needed income generation support and not just housing to encourage return. Moreover, existing sources of financing in the commercial sector (micro-credit organizations and banks) were not able to serve the needs of the minority returnee population.

In response, UMCOR has developed and successfully implemented a program of income generation grants and social loans and supporting activities targeted specifically at the minority returnee population in order to increase the prospects for sustainability of returnees.

III. Summary and Status of the Project

A) Progress Against Stated Program Goals, Objectives, Activities:

General Overview:

- UMCOR disbursed 1,002 income generation grants and social loans to minority returnees and vulnerable members of the domicile population in the amount of **3,230,114.00 KM**.

- Three microcredit organizations funded under this Grant have successfully completed activities to issue loans from original loans approved by UMCOR (a total of \$400,000 between the three organizations). All three have been approved for capitalization and will continue to issue loans from rolled-over funds.
- UMCOR completed sub-grants with twenty (20) local non-governmental organizations working to support the sustainability of return communities. UMCOR provided training and sub-grants to develop their capacity to provide efficient services to their members and enhance their sustainability.
- The Association of Milk Producers Sevarlije was registered and organized as part of this Grant. Their members sell milk to a local dairy thanks to the assistance of USAID, which provided funding for thirty-three cows and four lacto freezers and thus the ability to organize milk collection.
- Sub-grants with the Serb Democratic Forum and the American Refugee Committee (ARC) were completed in February and July 2003 respectively. The two organizations provided free legal support for a total of 3,982 clients. The project of the Serb Democratic Forum focused primarily on the rights of Croatian Serb refugees to reclaim property and social benefits in Croatia. 2,883 clients were served. ARC reached 1,099 clients by providing support for various legal aspects of business start-up and financing.
- USAID granted UMCOR an additional 600,000 USD in December 2002 specifically for the implementation of income generation grants and social loans in Prijedor and Eastern Republika Srpska. 292 grants and social loans in the amount of 863,794.35 KM were funded through this cost extension. Of these, a total of 61 loans and grants in the amount of 171,563.07 KM were provided in Prijedor and 231 in the amount of 692,231.35 KM were disbursed in the municipalities of Zvornik, Bratunac, Srebrenica and Milici in the Eastern RS.
- On March 10, 2003, a six-month no-cost extension of the capacity-building component of the program was approved by USAID, extending the final date of the capacity building activities and of the Grant to December 31, 2003. The extension was requested in order to provide each sub-grantee with the tailored and on-going support necessary to implement a wide variety of activities in support of return.

Goal 1: To provide income generation grants and partial-payback loans to individuals/families in minority returnee communities who have not been served by micro-credit agencies or commercial banks, and who have a genuine and demonstrable sustainability plan such as small-scale agriculture, service or manufacture.

Results

⇒ **1,002** income generation grants and social loans provided to minority returnees and vulnerable domicile families in return communities.

The cumulative total number of income generation grants and social loans approved under this Grant is 1,002 and the total value of these is 3,230,114 KM.

According to type there were:

- 463 grants (with in-kind repayment) for a total amount of 1,397,823.41 KM
- 384 social loans with 50% repayment for a total amount of 1,303,260 KM
- 155 social loans with 70% repayment for a total amount of 529,030 KM

Of these, 933 were provided to minority returnees, 47 to majority returnees and 23 for extremely vulnerable members of the domicile population. All funds have been disbursed. For a detailed list of assistance per municipality, please see Annex 1.

Banja Luka

The cumulative total number of income generation grants and social loans approved in the UMCOR Banja Luka AoR is 327 in the total value of 934,630.24 KM. The division according to type is as follows:

- 162 grants (with in-kind repayment) for a total amount of 453,845.75 KM
- 104 social loans with 50% repayment for a total amount of 302,333.21 KM
- 61 social loans with 70% repayment for a total amount of 178,451.28 KM

Of these, 304 were provided to minority returnees, eight (8) to majority returnees, and 15 for extremely vulnerable members of the domicile population.

Bratunac

The cumulative number of income generation grants and social loans approved in the UMCOR Bratunac AoR is 246, and the total value of these is 740,263.04 KM. The division according to type is as follows:

- 138 grants (with in-kind repayment) for a total amount of 420,594.90 KM
- 87 social loans with 50% repayment for a total amount of 260,292.14 KM
- 21 social loans with 70% repayment for a total amount of 59,376.00 KM

Of these, 223 were provided to minority returnees, 22 to majority returnees to Bratunac, and one (1) for extremely vulnerable members of the domicile population.

Kupres

The cumulative number of income generation grants and social loans is one hundred and twenty (120) and the final committed amount is 367,901.60 KM. The structure of approved loans is as follows:

- 52 grants (with in-kind repayment) in the total amount of 124,271.60 KM
- 31 social loans with 50% repayment in the total amount of 90,340.00 KM
- 37 social loans with 70% repayment in the total amount of 153,290.00 KM

One hundred and nine (109) of these have been given to minority returnees, four (4) were given to majority returnees in Kupres and seven (7) were approved to extremely vulnerable members of the domicile population.

Mostar

The total value of the 185 income generation grants and social loans that UMCOR approved in Mostar AoR is 766,330 KM. The structure of approved loans is as follows:

- 51 grants (with in-kind repayment) in the total amount of 211,705 KM
- 121 social loans with 50% repayment in the total amount of 502,388 KM
- 13 social loans with 70% repayment in the total amount of 52,237 KM

Of these, 175 were provided to minority returnees and 10 to majority returnees.

Višegrad

The cumulative total number of income generation grants and social loans approved in the UMCOR Višegrad AoR is 35 and the total value of these is 117,691.77 KM. The division according to type is as follows:

- All 35 beneficiaries have received material for stable reconstruction as 100% grant
- Of these 35 beneficiaries, 11 of them have received a cow as a 50% grant

Of these, all 35 were provided to minority returnees.

Zenica

The total value of the 89 income generation grants and social loans that UMCOR approved in Zenica AoR is 303,296.89 KM. The structure of approved loans is as follows:

- 25 grants (with in-kind repayment) in the total amount of 69,714.39 KM
- 41 social loans with 50% repayment in the total amount of 147,906.50 KM
- 23 social loans with 70% repayment in the total amount of 85,676.00 KM

Of these, 86 were provided to minority returnees and three (3) to majority returnees.

Success Stories

⇒ Ivic Miloš

Returning to their pre-war home in Radasilje, Glamoc, Miloš and his four-member family had to start from scratch – everything that they had possessed before the war was destroyed. However, he, his wife and two sons (30 and 25 years of age) were determined to restart their lives after leaving their temporary accommodation in Modrica.

Having invested significant effort to expand his pre-war knowledge in agriculture, Miloš was able to start up a small dairy farm. Using the family's funds he was able to repair his stable and purchase two cows. Producing cottage cheese and selling milk locally kept his family employed and provided economic support for the family. Turning towards UMCOR's social credit program, Miloš was able to obtain two more cows and increase the production of milk. This increase enabled him to sell part of his production to the Livno Dairy securing an important source of income.

*Ivic Miloš and dairy cows in
Glamoc*



The economic result of the obtained loan is an increase of 150 KM per month (50%) for the first year, after the completion of repayment. This will give Miloš and his family a more stable business and the opportunity to expand the operation into a true mini dairy farm.

⇒ Šemso Hodžic

Šemso Hodžic has a four-member family. They returned to their home in the village Stenjak, Teslic Municipality in 2002. Nobody had a regular income at that time. Before the war his hobby was beekeeping. Upon his return, he realized beekeeping could be a source of income for the family so he started up a business. From beekeeping, he had an income of

57 KM per capita. He produced his beehives himself. In 2002, he constructed a new type of beehive, called AA beehives. He sent his patent to Geneva to be presented at Le Salon International des Inventions for which he received a certificate of recognition.

In order to expand the production of AA beehives, he applied for a social loan from UMCOR. The loan was approved in November 2002 in the amount of 5,000.00 KM for procurement of a carpentry machine. He has since received orders from all over Bosnia and Herzegovina for his AA beehives. Unfortunately, on the 8th of January 2003 his workshop burned and production was stopped temporarily. A month after that he continued with production. Now, he is running his business very well and he is initiating contacts with potential partners abroad.

The result of the loan was a 156% increase in Šemso Hodžić’s monthly family income—from 892 KM to 1400 KM a month.



The Invention of AA Beehives in Teslic

Access to Commercial Credit

A small percentage of UMCOR beneficiaries have been able to use UMCOR’s subsidized loan program as a springboard to reaching commercial sources of credit. This, in fact, is an important goal of the program; that is to build beneficiaries’ positive credit rating and financial capacity in order to move to the sustainable commercial sector. However, as can be seen by the low percentage (2%) of UMCOR beneficiaries who have succeeded in this, it is clear that the subsidized loan program is not an automatic stepping-stone to the financial sector. There are a variety of reasons for this, including the fact that the

commercial finance sector has not developed suitable agricultural loan products for farmers, who make up the bulk of UMCOR beneficiaries. Additionally, returnees feel that they simply cannot afford the full cost of repaying a commercial loan when so much of the rest of their existence remains unstable.

Microcredit Organization	Number of UMCOR clients supported by MCOs	Municipality
EKI	10	Mostar, Capljina, Stolac, Nevesinje, Srebrenica
LOK	2	Mostar, Capljina
PRIZMA	10	Mostar, Capljina, Drvar, Prijedor
PARTNER	1	Zvornik
TOTAL	23	

Impact Survey

Over the course of the Grant, UMCOR conducted two Impact Surveys of the income generation grants and social loan program. Results of the two surveys consistently showed:

- UMCOR and USAID filling the gap left in the financial product market by banks and the micro-credit sector;
- A demand for the subsidized grants and loans provided under this Grant and a parallel deficit of credit products that are accessible to returnees and farmers;
- The positive impact of the income generation grant and social loan program on the income of UMCOR beneficiaries;
- A positive impact on beneficiaries' outlook on their living conditions and hopes for the future.

UMCOR will continue to conduct periodic evaluations of the beneficiaries of the Grant that are still active, as well as beneficiaries of other USAID and USDA funded programs. The next Impact Survey is planned for April 2004. The Impact Survey conducted in October and November 2003 is attached to this report as Annex 6.

Use of Rollover Funds

With the majority of rollover funds from the social loans under this Grant, UMCOR will continue activities that support local non-governmental organizations (NGOs) in their efforts to develop their own capacity and the capacity of their communities to support sustainable return. Most of the twenty local NGOs with which UMCOR works under this Grant have shown impressive strides in their organizational development and capacity. However, cutting short UMCOR assistance may leave some of these local NGOs, and thus their constituencies, still vulnerable. UMCOR will use the same tools as have been used to date – namely sub-grants, trainings and technical assistance – to further the development of the local NGO partners, with a particular emphasis on their sustainability. UMCOR expects to reach most of the local NGOs that we have worked with already and additional local NGOs working toward the same goals – some 15-20 local organizations in total.

In addition, approximately 231,074 KM of the rollover funds from the social loans will be considered for direct donation to five of the twenty local NGO partners of this Grant. These five local NGOs – Agropod Stolac, the Cooperative Bijelo Polje, Altius Sarajevo,

Futura Plus Teslic, and Refugee Return Service Drvar – have worked with UMCOR under the Grant to select income generation grant and social loan beneficiaries. Between them, 124 beneficiaries have received grants or social loans in the total amount of 356,440 KM. According to the terms of their sub-grant agreements with UMCOR, each of the five local NGOs is eligible to be donated the rollover funds from the social loans that they disbursed should they successfully complete their responsibilities as per the sub-grant agreements.

In December and January, UMCOR performed a program and financial audit of the five organizations that have been working with UMCOR to implement the Income Generation Program. The audits were to determine whether the sub-grantees have completed successfully the terms of their sub-grant agreements and whether UMCOR will donate the rollover from the loans disbursed by them. At the review board held on March 22nd, two of the organizations (Agroplod Stolac and the Cooperative Bijelo Polje), were approved for donation of rollover funds. Refugee Return Service Drvar and Altius were asked to re-submit their proposals for use of the rollover funding and supply additional information. Unfortunately, the audit of Futura Plus revealed that the organization has not completely fulfilled the terms of its agreement and has shown little interest in the success of the individual beneficiaries with whom they had worked under the program.

Issues

⇒ In some areas of operation, particularly in the Eastern Republika Srpska, beneficiaries have had problems finding guarantors for their loans. In response, UMCOR developed a group guarantee option. Providing a loan to a group of beneficiaries reduces risk, and each group member is considered a guarantor for each member in the group. In this instance, an approved beneficiary finds two-four interested community members and forms a solidarity group. The group members are then responsible for electing a group leader for the solidarity group, whose role is to collect installments from other members for repayment purposes to the bank and to become the focal point for all future contacts with UMCOR. The group leader makes one monthly installment to the bank for the entire group on the set due date.

Goal 2: To provide credit in the form of quick-disbursing Loans to small private BiH businesses in targeted minority return areas.

Results

- ⇒ 1,117,153 USD disbursed as 870 microcredit loans in 19 municipalities.
- ⇒ 126,074.54 USD disbursed to minority returnee entrepreneurs.
- ⇒ 713 microcredit loans disbursed to women entrepreneurs.

In April 2002, UMCOR initiated a call for proposals (RFP) to micro-credit organizations (“MCO”) to address access to micro-credit in areas of return. The objectives were to:

- Increase access to economic opportunities for the poor and minority returnees through the expansion and enhancement of local MCOs;
- Provide efficient, high-quality financial services in a sustainable way;
- Encourage innovation and diversification of products and services (including agricultural lending);
- Potentially cover minority return areas where UMCOR was not present with the income generation grant and social loan program.

Thirteen proposals were received in response to the RFP and UMCOR entered into performance-based agreements with three of the successful applicants to provide loans to returnees and residents in minority return areas and under-served communities with high, unmet demand. The three MCOs are Mi-Bospo, Partner, and PRIZMA. All three organizations are local, registered micro-credit organizations with solid track records, experience and well-trained staff. According to the performance-based agreements, if Partner, PRIZMA, and Mi-Bospo met the performance targets outlined in their agreements, the UMCOR funds – initially a no-interest loan – would be converted into a capitalization grant to the respective MCO. The full capitalization of each of the four loans was contingent on the achievement of certain targets including the percentage of clients that are returnees and the percentage of female clients.

MCO	Total Amount of Loan	Total Number of Loans Issued*	Total Value of Loans Issued*	Percentage of Minority Returnees in First Loan Cycle	Percentage of Women	Capitalization Targets Accomplished
MI-BOSPO	50,000 USD	120	171,246 USD	20%	100%	YES
PARTNER	200,000 USD	351	482,726 USD	22,2%	55,3%,	YES
PRIZMA	150,000 USD	399	392,419 USD	30%	100%	YES
TOTAL		870	1,046,391 USD			

*Includes revolving funds

Mi-Bospo

Mi-Bospo works exclusively with women and for this project the organization developed an agriculture loan product. The areas in which loans were disbursed were Zavidovici and Maglaj. Agriculture made up 50% of loans disbursed, 20% disbursed for trade related activities, for production 19%, and 11% for services.

Partner

Partner focuses its efforts on those individuals living in former front-line rural villages. For this project, loans were disbursed in Derventa, Samac, and Brod (where UMCOR was not present to provide income generation grants and social loans), and Vlasenica, Zvornik, Bratunac, and Srebrenica. Out of the total number of disbursed loans, 174 were given in the municipalities of eastern Republika Srpska and 177 in the municipalities of northern Republika Srpska. 55.8% of loans were given to clients engaged in agriculture.

PRIZMA

PRIZMA's focus is on women and the organization has the strongest track record of all MCOs organizations in BiH when it comes to serving the very poor. PRIZMA disbursed loans to clients in animal husbandry (42.5%), in trade (42.5%), services (10.2%), production (2.7%), and 2.2% in other types of agriculture. UMCOR encouraged PRIZMA to provide loans in Central Bosnia where UMCOR was planning to decrease its activities. Loans were disbursed to clients in Zenica, Vitez, Novi Travnik, Bugojno, Gornji Vakuf, Jajce, Donji Vakuf, Travnik, Kiseljak, and Zepce.

Success Stories

⇒ Zilha Subasic

Zilha Subasic is 22 years old. She lives with her mother and brother in the village Gacice near Vitez. Miss Subasic and her family were displaced in Zenica since 1993. They returned to Vitez in 1999. Zilha and her family received materials from Crossroads to reconstruct the second floor of their house. The first floor still needs repair.

Zilha found out about PRIZMA’s business loans from her friends who were already PRIZMA clients. After discussion with family members she decided to form a solidarity group with her friends and completed a loan application for chicken farming in order to increase the family’s income. Before the war, the Subasic family was in the chicken farming business, so Zilha’s family could pass on their experience and provide support. PRIZMA approved a loan for Zilha in the amount of 1,200 KM from UMCOR funding, with a repayment term of eight months. She bought 40 hens and chicken food – she had already bought the cages from her personal income. Before submitting the loan application, she did some basic market research, made an agreement with the village grocery store and received confirmation from her neighbors that they would buy eggs from her business.

Today Zilha supplies the village grocery store and friends and relatives with fresh eggs. From this business she has generated an additional income of 350 KM a month. She is going to apply for a second loan after repayment of this loan in order to buy new hens. Zilha wants to expand the business because she has found a market in nearby Travnik. The business also provides her with enough income to repair the first floor of her house.

For detailed information on the activities of each MCO please see Annex 5.

Issues

⇒ Microcredit organizations in BiH – and throughout the region – are trying to identify ways to attract more capital to their organizations because growth and expansion are the only means of remaining competitive in this environment (as well as receiving not insignificant pressure from the World Bank). Whether this is through commercialization, introducing savings (this requires changes in the current BiH law), consolidation, loans from the international donor community, or others, it does seem to mean that a) MCOs reach the economically active poor rather than the very poor¹ and b) MCOs generally cannot afford to reach the minority returnees. This first became clear to UMCOR when negotiating the performance-based agreements with PRIZMA, Partner, and Mi-Bospo. In each case, the MCOs were clear that a target greater than 20% for minority returnees would be very difficult to achieve. Thus from fairly early on in the program it was clear that UMCOR is filling a gap in terms of the availability of credit for the very poor and returnees that the majority of micro-credit organizations in BiH are unable to fill. Each of the three MCOs with which UMCOR has worked under this program is highly professional and committed to their clients and mission. However, the fact that the target populations of UMCOR and the MCOs are significantly different has meant that UMCOR has chosen not to continue granting loans to MCOs through future USAID-funded programs.

¹ “Depth of outreach” is measured by average loan size to GNP per capita. According to a survey conducted by the Microfinance Center, the “low end clients” are served if the average loan size is less than 20% of GNP per capita.

Goal 3: To provide capacity-building assistance to organizations that will act as vehicles for continued development of the economy, such as local NGOs or selected local government institutions.

Results

- ⇒ Reached 1,111 direct beneficiaries through project activities of 20 local NGOs.
- ⇒ Increased the institutional capacity of 20 local NGOs, through training of **100** staff and board members.

UMCOR has focused on developing the skills, knowledge and resources of twenty local non-governmental organizations (NGOs) that through their mission and activities support the economic development of returnees and return communities. UMCOR's goal has been to develop the capacity of local NGOs to provide services efficiently to their members and beneficiaries and ensure that they will continue to represent the needs of the vulnerable in BiH long into the future. More specifically, UMCOR has endeavored to a) provide local NGOs the tools and information they need to continue and improve upon existing services and develop new projects b) assist local NGOs identify mechanisms for sustainability and c) help local NGOs grow more powerful through networking with others.

UMCOR used a multi-step approach to choose local NGOs from all corners of BiH based on the following selection criteria:

- Were experienced and recognized in their communities.
- Had missions to serve disadvantaged populations.
- Still needed limited, identifiable training, capital, and technical assistance.
- Had the potential to be sustainable.
- Were registered.
- Had multi-ethnic staff and membership/clients/beneficiaries.

Initially, UMCOR focused on local NGOs that would have the capacity to be partners to UMCOR in the implementation of the income generation program of grants and social loans; that is the desired partner needed strengths and experience particularly in field work, beneficiary selection, and business planning. As a first step, a pool of potential partner local NGOs was identified by UMCOR field offices using their extensive networks and experience in the field. Ten organizations were drawn from this larger group in four of UMCOR's program areas: Banja Luka, Zenica, Mostar, and Zvornik.

The short-listed organizations were assessed through a daylong interview process using the Organizational Capacity Assessment Tool (“OCAT”).

Organizational Capacity Assessment Tool

In addition to using the OCAT as a selection tool, an important second objective of the OCAT was to recognize strengths and weaknesses of the chosen organizations in order to identify their training and capacity building needs.

UMCOR staff adapted the OCAT to the Bosnian context and to UMCOR's specific needs. This included identifying which of the many organizational components to assess, developing questions for each type of stakeholder, and translating the questionnaire.

UMCOR interviewed ten organizations' stakeholders including staff and management staff, volunteers, board members, beneficiaries and, in some cases, donors. The information gathered from the interviews was used to score the organizations on six components of

organizational effectiveness including service delivery, governance, financial resources, human resources, management practices, and sustainability. A sample questionnaire is attached Annex 7.

Of the ten local NGOs that were assessed, seven were identified as potential partners for the income generation grant and social loan program. These were Altius based in Sarajevo, Agropod from Stolac, Cooperative Bijelo Polje from Mostar, Futura Plus from Teslic, Kupli in Kupres, Vidra in Banja Luka, and Refugee Return Service (RRS) based in Drvar. These seven local NGOs scored the highest on the four components that were most important in terms of an organization's capacity to implement the income generation grant and social loan program: management practices, human and financial resources, and service delivery.

Sub-Grants

The "loan" NGOs were sent a request for proposals ("RFP") for projects that would support UMCOR in the implementation of the income generation grant and social loan project. This involved working with UMCOR to assess beneficiaries for income generation grants and social loans, help such applicants with their income generation business plans, and monitor the beneficiaries once their grants and social loans were received. Five of the loan NGOs were approved after numerous proposal revisions. They were sub-granted funding for operational costs, minor office equipment, and training. All income generation grant and loan funds were disbursed directly from UMCOR to beneficiaries once approved at review boards held jointly by UMCOR and the respective loan NGO partners. The total number of income generation grants and social loans disbursed through local loan NGO partners was 124 beneficiaries in the amount of 356,440 KM. Please see Annex 2 for details of each local NGO's activities and results.

For those local NGOs that had lower scores on the OCAT or whose existing activities did not suit the implementation of income generation activities, a modified RFP was distributed for more general projects related to economic support of returnee communities. Of these, UMCOR received fifteen project proposals that were evaluated at a series of review boards. The proposals were judged to be, in general, incomplete and badly written. In light of the poor review board results, UMCOR organized a proposal writing training for the local NGOs and the possibility of resubmitting their proposal idea upon completion of the proposal writing training.

The proposal writing training was held in April 2003 in Fojnica with training services provided by Izbor Plus, a training and consulting organization founded by ADF. When review boards were held a second time around, fifteen sub-grants were awarded based on the revised proposals.

As with the loan NGOs, the fifteen local NGOs that were approved for sub-grants for economic support of return communities, were granted funding for project activities and up to 20% of the budget for administrative costs. Funding was also provided to each organization for the purchase of basic equipment such as computers and copy machines. Again, as with the loan NGOs, UMCOR also provided funding for tailored trainings for the specific needs of certain sub-grantees.

The total amount sub-granted to the twenty organizations (five loan NGOs plus the fifteen local NGOs approved in the second round of review boards), was 508,551.89 KM. Each

project lasted between four and nine months. The details of each sub-grant are given in Annex 2. Table of Local NGO Partner Activities.

Trainings and Technical Assistance to Sub-Grantees

In total, 33 trainings were organized for the twenty local NGO partners (see Annex 2 for trainings per organization). Most training was provided through the sub-grants: local NGOs were granted funding to organize trainings according to their specific needs, goals, and activities. UMCOR worked closely with each local partner to identify training needs, find trainers, and negotiate fees. Additionally, two joint trainings were organized for participants from all twenty local NGO partners. The first was the proposal writing training mentioned above and the second was held in Neum in October 2003 for thirty-two members of the local NGOs. The subjects included financial and organizational management, strategic planning, and fundraising and media relations. The Neum training also provided a second important opportunity for people to meet and share ideas and address common problems.

Post Project Vision – Use of Rollover Funds

In November and December of 2003 and January 2004, a follow-up OCAT was completed for the local NGO partners. The purpose of the second OCAT was to see the level of progress achieved in organizational capacity over the course of the UMCOR/USAID program by comparing the results of this assessment versus the assessments conducted one year before. OCAT scores for each organization can be seen in Annex 2. Table of Local NGO Partner Activities.

The OCAT results will be used in conjunction with new proposals that the local NGO partners will submit for USAID rollover funds – local NGOs have been sent a request for proposal (RFP) for rollover funds. The RFP asks the local NGOs to identify needs that build on their efforts to date, develop the local economy, and support returnees and return communities. The RFP also encourages these local NGOs to act as mentors and consultants to other smaller and newer organizations that also work to support economically sustainable return, thus multiplying the effect of the assistance that will be granted.

UMCOR will enter into sub-grant agreements with the local NGO partners that respond appropriately and completely to this limited RFP and who have shown progress as measured by the Organizational Capacity Assessment Tool (OCAT). Agreements will be at least six months in duration. Local partners will implement projects that support return and reintegration, economic development of return communities and that address their sustainability.

As in the previous capacity building program, UMCOR and other training service providers will carry out close supervision and monitoring of the local NGOs and their projects.

Issues

⇒ One of the UMCOR sub-grantees was the Association of Serb Returnees Capljina. The members had just registered the organization when UMCOR began to work with them. Two of the association's members, Maksim Lojpur and Milorad Gudelj, attended the proposal writing training organized by UMCOR in April 2003. This enabled the Association to prepare and submit a project proposal. The proposal was approved by UMCOR.

The trouble began when the elected president, Dušan Ijacic, decided that Associations' premises would be located in his own house, thus ensuring that the funds in the budget for office rent would go into his pocket. In the meantime, there was no evidence of project progress, which was to have been greenhouse production by returnee families.

UMCOR insisted upon a change of leadership if the Association wished to receive the approved funding. The steering board selected Maksim Lojpur as the new president and Mr. Ijacic was asked to resign.

The new management made significant progress in the implementation of the project and completed all planned activities including the invitation to bid and installation of greenhouses. The selection of beneficiaries, however, was implemented inappropriately: The new president and members of the steering board are among the selected beneficiaries. Those people were selected because the Association management wanted to be certain that repayment of delivered greenhouses would be done in accordance with the project proposal.

Mr. Ijacic, unhappy with his forced resignation, duplicated the stamp and documents of the Association and, using personal connections, registered the Association at the Cantonal Ministry of Justice. Mladen Glibo, who lives in Novi Sad, was elected president and Dušanka Cuk, who is mentally disabled, was elected president of the new steering board. Mr. Ijacic has also used the stamp to withdraw money from the Association's bank account.

Mr. Maksim Lojpur has started legal procedures against Mr. Ijacic and the new organizations calling itself the Association of Serb Returnees Capljina. The greenhouses are installed in the villages Gabela (2), Klepci (1) and Oplicici (1) of Capljina, and members of the 12 families that work in the greenhouses have planted vegetables in all four of them. The income made from the sale of vegetables will be disbursed as follows: 20% for the Association, 10% for extremely vulnerable families (provision of food packages at the end of the year) and 70% for beneficiaries that work in the greenhouses.

- ⇒ Mostovi Prijateljstva (Bridges of Friendship) is an organization of women based in Prijedor. Their project included the distribution of seedlings and greenhouse equipment, and membership training in greenhouse production and other organizational strengthening training. This is an organization that UMCOR believes should have a bright future, but it is a one-woman show. When Jasna Dedic, the president, is ill or otherwise unavailable, all work stops. After repeated efforts to help the organization identify additional human resources, UMCOR made the difficult decision to break off the sub-grant agreement in the second-to-last month of implementation. UMCOR wishes the organization all the best and hopes that there will be an opportunity to work with them in the future should they be able to address their leadership issues.

Success Stories

⇒ Forum Žena, Bratunac



*Beauty, Business and Building Trust in
Bratunac*

On the 17th of September 2003, the Women’s Forum Bratunac, a multi-ethnic association of women, opened its hair salon with support received from UMCOR and USAID. Permanently employed are two women – one Bosniak and one Serb – that Forum Zena trained to become stylists. Six other returnee women have been trained and given hairdresser kits, making their business portable: now they work out of their homes in the return villages surrounding Bratunac town.

The Women’s Forum Bratunac works to strengthen the role of women in building peace and reconciliation. The organization is multi-ethnic. Under the USAID-funded project, “Training and Employment in Support of Return and Building Confidence and Trust,” Forum Zena brought returnee and domicile women together through teaching and practicing hairdressing skills that have enabled them to create income for their families. The duration of the project was from February through August 2003 in the value of 34,016.33 KM.

A vital goal of the project was to register a business (the hair salon) within the Forum Zena that will generate income for the organization’s activities in the years to come. So far, the prospects are good: since its opening in September 2003, the salon has generated 2,700 KM paying the salaries of two employees (Selma Omerovic and Bojana Neskovic) and supporting the regular activities of Forum Zena such as their reading room and trainings for members.

Forum Zena also received a variety of trainings as part of this project including strategic planning, needs assessment, monitoring and evaluation, project implementation, fundraising, and budgeting and financial management. Office equipment was also procured for the organization including a computer, fax machine and scanner.

The Voice of America, impressed with the uniqueness of the project, produced a 10 minute piece on the organization that aired in September 2003.

Forum Zena has plans for expansion. These include the start up of furniture manufacturing and refurbishment, which would allow for diversification of their activities and provide another source of income. A second planned activity is to start sewing workshops in cooperation with the local branch of the Red Cross. The clothing produced will be distributed to children from families that are registered as social cases at the local Red Cross or social welfare center.

⇒ SGV-PR Zavidovici

The Serb Civic Council (SGV) in Zavidovici had long realized that the return of their community members was unsustainable without a more consistent market approach for their agriculture products: agriculture producers were not informed about the various possibilities for selling market surplus and they lacked the initiative and knowledge for establishing contacts with potential buyers of their products. Another identified problem was the wide variety of products that each smallholder produced because of natural fears of investing all funds in one or two product varieties.

SGV's project "Sustainable Return for Better Future" lasted from May to December 2003 and was worth 31,017.87 KM. The main activities were trainings for 216 returnees and domicile individuals (exceeding their plan of interested participants by over 100) in 11 villages (182 and 34 respectively) in agriculture production and marketing. A brochure was designed and distributed at the trainings.

Most importantly, SGV, on behalf of the trainees, visited potential buyers and processors including "Klas" Sarajevo, "Vegafruit" Gracanica, "Bosanka" Doboje and "Boletus" Hadzici and signed pre-contracts with each of them. Zavidovici community members were inspired enough by the trainings and initial success with the market to embark on the formation of the Cooperative Gostovic (after the name of the valley in which the villages are located). "Gostovic" was established in December 2003 with 51 founders. At the same time, SGV has been assisting the formation of an association of fruit growers in far away Praca.

SGV was also provided office equipment and training for management and staff in project proposal writing, strategic planning, financial management, fundraising, and public advocacy. With the new skills and knowledge, SGV has prepared a strategic plan for five years and submitted three project proposals to different donors and to the municipality. Because of the success of the project and their new high profile activities and appearance on local radio, SGV membership has increased with 43 new members.

Goal 4: *To provide legal aid to minority returnees on issues such as ownership rights, rights on pensions, health and social insurance, and access to other critical social services.*

Results

⇒ 2,883 cases related to citizenship, pensions, tenancy, and property successfully resolved by the Serb Democratic Forum for Bosnian Serb refugees in the Banja Luka area.

⇒ 1,099 clients served through the American Refugee Committee in seven municipalities, of which 495 were minority returnees, with free legal aid for small business registration and information on financing of small businesses.

Sub-grant to the Serb Democratic Forum (SDF)

The goal of SDF’s program was to facilitate the return of refugees in BiH to the Republic of Croatia and vice versa by providing legal support and human rights protection.

The legal aid sub-grant to SDF began in March 2002 and ended in February of 2003. SDF’s caseload is primarily made up of Croatian Serbs living in the Banja Luka area who use SDF’s pro bono support in their attempts to resolve a variety of legal issues related to return to Croatia. One example that SDF provided is of Dr. Mladen Ajder who lived in the Republic of Croatia for 26 years until 1991, but was born in Bosnia and Herzegovina. In Zadar, where he had permanent residence, he got an apartment and lived in it for 15 years. After the war was over, he thought that his life was no longer in danger and so he wanted to return to Croatia and into his apartment. He completed a request for return at UNHCR Banja Luka together with his wife and son. His wife and son got the ODP’s approval for return, but he did not. He discovered that the Croatian Ministry for Internal Affairs allegedly revoked his status of permanently settled foreigner in 1995 because he left Croatia and has been living in foreign countries for more than a year. This particular case has gone on for three years and is still unsolved. SDF has dozens of similar cases.

UMCOR met other SDF beneficiaries. They are not able to reinstate their property in Croatia and are not recognized as a priority for alternative accommodation in the RS, where they currently reside. While they fight legal battles, with SDF’s assistance, to regain their homes in Croatia, they are repeatedly evicted from their temporary homes in the RS.

SDF’s final report is attached as Annex 3.

Serb Democratic Forum: Legal services in Banja Luka and Gradiška – Support to the two-way return process	
Office Location	Cumulative Number of Beneficiaries Assisted
Banja Luka	1458
Gradiška	1425
Total	2883

Sub-grant to American Refugee Committee (ARC)

The goal of the program was to provide information, advice, and legal aid services to beneficiaries in returnee areas in order to support the establishment, development, and expansion of small and medium sized enterprises (SMEs).

The legal aid program implemented by ARC began in August of 2002 and continued through to July 2003. In January of 2003, UMCOR awarded an additional 20,000 USD to open a new office in Travnik and in the month of June 2003 granted a two month no-cost extension to cover the salaries of six lawyers during the transition period as part of the network to the OHR Bulldozer Committee for monitoring of the new economic reforms implementation.

The primary focus of ARC’s program was to provide information, advice and other support to returnees and other “vulnerable” businesspersons in return areas. The aim was to support the establishment and development of small and medium sized enterprises. The initiative for such a network came from the beneficiaries of UNHCR’s program of Legal Aid as they felt the need for the establishment of a specialized network of lawyers that would be focused on business legislation and support.

The majority of requests for support were related to the start-up of different kinds of businesses (primarily shops), as well as inquires regarding the financing of small and medium sized enterprises, which reflects the fact that the majority of clients are limited in their financial means as a prerequisite for the start-up of private businesses. Interestingly, ARC also found that there were a significant number of requests related to the establishment of cooperatives, which leads to the conclusion that the clients are becoming more interested in joint agricultural production.

ARC's final report is attached as Annex 4.

American Refugee Committee: Provision of Business-related Legal Aid Services in Returnee Areas	
Office Location	Cumulative Number of Beneficiaries Assisted
Novi Gradiska / Prijedor / Gradiska	149
Sanski Most / Bihac	33
Central Bosnia Region	93
Southern Bosnia	256
Trebinje Region	214
Zvornik	275
Srebrenica Region	37
Travnik	242
Total	1,099

Issues

Although SDF completed activities in February 2003, it was not until August 2003 that UMCOR disbursed the last tranche of funding and closed the sub-agreement. The delay between the completion of activities and the final closure of the sub-grant was a result of difficulties relating to the lack of clarity in SDF's financial reporting and accounting procedures throughout the project period. For example, the September 2002 audit of SDF revealed that the Director of the organization was receiving a full salary from UNHCR, as well as the salary being funded by the UMCOR sub-grant. As a result, UMCOR requested that SDF hire an accountant to clarify their accounts. SDF hired an accountant to clarify the accounts and set in order financial records. However the accountant's report submitted in July 2003 proved equally lacking in transparency and was difficult to decipher. As a result of this unsatisfactory situation, UMCOR paid SDF the final sub-grant tranche reduced by the amount of the Director's salary and unspent amounts sufficient to cover remaining office and staff costs.

Goal 5: To facilitate linkages between producers in minority return communities and internal/external markets.

Results

- ⇒ Monthly, an average of 46 families sell milk through the Association of Milk Producers in Ševarlije, Doboj Municipality.
- ⇒ Through this market linkage, each family has an additional income of between 95 and 125 KM per month.

Although there were many milk producers in Sevarlije and Pridjel Gornji, they did not have a joint market access strategy. Until recently, the milk producers were acting as a group of

unorganized individuals. As a result, they had very little economic benefit from the milk produced; large quantities of milk would go sour and end up as food for animals.

In Spring 2003, UMCOR expanded its implementation of its USAID funded income generation grant and loan programs to these two communities by procuring and distributing eighty-six pure breed Simmental heifers to 86 Bosniak and Croat returnees in the area, of which 33 were funded under this Grant. In order to ensure the economic viability of the new farmers, UMCOR facilitated the establishment of the Association of Milk Producers in Ševarlije and assisted the Association to negotiate and sign an agreement with SMS Dairy from the village of Rudanka in Dobož. The dairy agreed to act as the guarantor for repayment of UMCOR social loans for all Association members and to buy all available quantities of milk produced in the area.

UMCOR with USAID also funded the purchase of four lacto freezers to establish two milk-collecting stations in the communities. Each lacto-freezer has a capacity of 800 liters, which is sufficient for existing needs and for the planned expansion during the first year².

The financial benefit of this intervention will dramatically exceed the costs of UMCOR's inputs. The number of milking cows owned by the Association members (including the 86 cows distributed by UMCOR) already exceeds one hundred. Each of these cows should produce at least 4,000 liters of milk annually. At an average price of 0.55 KM per liter the annual cash influx into the two communities will be 220,000 KM (3.5 times more than the value of the investment) for milk alone. This type of industry serves as a strong incentive for people in the area to start or expand existing milk production businesses. Moreover, the creation of a viable market for the milk will enable people to keep female calves instead of selling them in order to cover basic needs, as they do now.

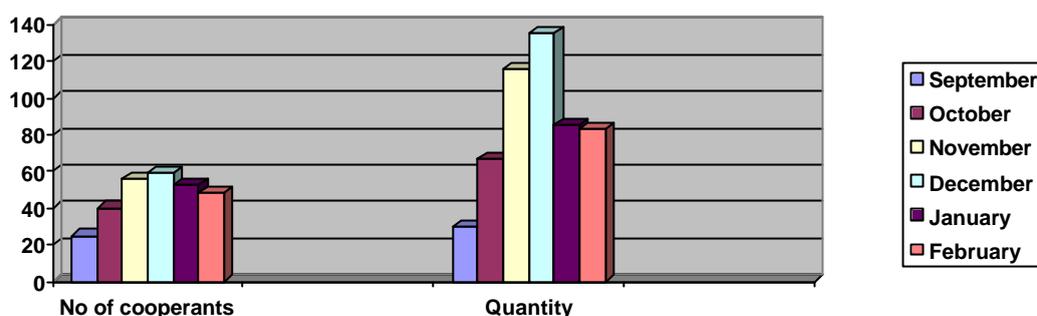
The fact that the milk producers themselves own the collecting stations and lacto freezers empowers the minority returnees in the two communities. Their success will not depend on the existing dairy alone; the Association can easily make another arrangement with other dairies in the region.

The existence of this viable market opportunity will act as the vehicle for further economic development of the area. It will also create prosperity that will encourage and sustain return of younger members of the minority population.

Though there have been fluctuations over the winter months in the amount of milk collected by the Association, by Spring 2004, production is expected to be between 1,200 and 1,600 liters per day. The goal of the Association is to reach a daily production capacity of 3,200 liters per day by improving livestock feeding regimes and mechanizing feed production.

² UMCOR delivered 86 cows to these two communities. Each of these cows should give approximately 20 liters of milk a day, which adds up to 1,700 liters. Spare capacity is needed to provide market access for future UMCOR beneficiaries and other cow owners in the community. However, it is better to have smaller lacto-freezers; if the Association works with smaller capacity, the electricity costs are lower and the spare lacto freezers can be easily moved to other locations as in fact the Association has done as of January 2004.

Month	Number of Families Selling Milk
September 2003	25
October 2003	40
November 2003	56
December 2003	59
January 2004	53
February 2004	48



IV. Summary and Conclusions

Social (or subsidized loans): A first step toward accessing commercial credit?

One of the important goals of the income generation program has been to help UMCOR beneficiaries build a good credit rating and the skills necessary for accessing commercial loans from banks or micro-credit organizations. There is some evidence that this is a successful strategy with particular individuals, particularly in certain areas of the country that are stronger economically, such as the Mostar area. Of the UMCOR beneficiaries, twenty-three have moved on to access commercial credit. However positive some success stories may be, a majority of UMCOR’s target beneficiaries remain unable to apply for bank or MCO loans, even after successfully repaying an UMCOR-funded subsidized loan. There appear to be several explanations for this. Many of the UMCOR clients are agriculture producers for which no attractive or appropriate loan products exist in the commercial sector. Additionally, returnees feel that they simply cannot afford the full cost of repaying a commercial loan when so much of the rest of their existence remains unstable. MCOs themselves, “argue that before loans for economic activities, infrastructure should be built, including roads, hospitals, schools, houses, public transport etc. One of the factors which make return difficult is insufficient population in places of return, which make disposal of goods produced difficult, and therefore keep economic activities expensive,³ thus making it even harder to afford the commercial rates of interest.

The Need and Demand for Subsidized Loans and Grants

According to UNDP’s Early Warning System quarterly report for July-September 2003, only 28% of the surveyed village population felt that the economic situation had improved over the course of the previous year. According to the same report, the average salary in the Federation is just above the consumer basket and in the Republika Srpska the average salary falls below the amount of the consumer basket.

Through data collected from the Impact Surveys conducted during the life of this Grant, it is clear that the circumstances of UMCOR beneficiaries reflect the information gathered by

³ Report of OdRaz in the Capitalization Assessment Reports of MI-BOSPO, PARTNER, and PRIZMA, December 2003.

UNDP with regard to low-income levels and economic hardship. UMCOR continues to reach the most vulnerable in society. However, in comparison to the results of the UNDP Report, the Impact Surveys conducted by UMCOR reflect the fact that UMCOR beneficiaries, in particular long-term beneficiaries, have a more positive outlook on their living situation. For example, as noted in the October-November 2003 Impact Survey, 59% of those interviewed state that they are happy with their lives and 94% of beneficiaries say that they plan to stay in the homes to which they have returned.

The continued weakness of the BiH economy and the particular vulnerability of returnees works in tandem with the dearth of appropriate commercial loan products to create an on-going demand for subsidized loans in all of UMCOR’s field offices. This type of financial product remains the only source that returnees and the very vulnerable can access to sustain their families and build their small businesses. UMCOR offices currently register 1,242 submitted applications. Given that all funding under this Grant is spent and income generation funding under the current project “Building Reintegrated and Prosperous Communities in BiH” is nearing completion, the majority of these potential beneficiaries cannot be assisted.

The preponderance of agriculture activities as a major source of household income for returnee families also means that access to subsidized loans will be of continuing importance for the sustainability of return to rural communities.

Strategic Investments

Recognizing and building on the success of market linkage efforts in the dairy sector as shown in UMCOR’s work in Dobož with the Association of Milk Producers, Servarlije, UMCOR has gone on to develop a country-wide strategy of community economic action (“CEAS”) that organizes vulnerable families and small producers into associations or cooperatives that can more easily access the market. Based on detailed business plans and market research performed by cooperatives and associations, UMCOR invests in equipment and material that will enable these organizations to produce, process, market and sell a variety of agriculture products. UMCOR coordinates closely with both entity Ministries of Agriculture in the implementation of this new CEAS program.

Building of a National Pedigree Stock

Through the distribution of income generation grants and loans for milk production, UMCOR has imported 277 dual-purpose pregnant Simmental heifers from Austria, thus contributing to the growth of high yield national stock of pedigree cattle. Though UMCOR will continue its policy of importing high grade stock from Austria, we have found that in some exceptional cases, the beneficiary is either insistent on buying a local breed or the beneficiary does not have the capacity – financial or other – to provide the type of care, shelter and feeding that the Simmental breed requires. In such cases UMCOR will support the procurement of locally bred domestic breeds or mixed breeds that are more suited to local conditions and requirements.

Capacity Building as a Long-Term Process

UMCOR has worked diligently with twenty local NGOs over the course of the last year in order to build their capacity to further serve their membership and communities. In general, the activities implemented by the local NGO partners were completed successfully and always with strict oversight and guidance from UMCOR. Additional support will be necessary, however, as these local NGOs continue to strengthen their project operations, structure, management, and governance. Capacity building is an ongoing process of

learning and improvement. Importantly, many local NGOs will need to focus increasingly on the problem of sustainability and fundraising in order to continue the services they provide their beneficiaries. In the months to come UMCOR will, as discussed above, continue to work with most of the local NGO partners from this Grant with the funds from the rollover of the social loans disbursed during this program.

V. Annexes

- Annex 1: Summary of Income Generation Grants and Loans per Municipality
- Annex 2: Table of Local NGO Partner Activities
- Annex 3: Final Report of SDF for Legal Aid Services
- Annex 4: Final Report of ARC for Legal Aid Services
- Annex 5: Final Reports of Microcredit Organizations Partner, PRIZMA, and Mi-Bospo
- Annex 6: Impact Survey Conducted in November 2003
- Annex 7: Organizational Capacity Questionnaire