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STOPPING AS SUCCESS:
TRANSITIONING TO LOCALLY LED DEVELOPMENT

CASE STUDY: MERCY CORPS TRANSITION TO PARTNER MICROCREDIT FOUNDATION

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CONTENTS:

ACRONYMS

CSO	civil society organization
EU	European Union
INGO	international non-government organization
MC	Mercy Corps
MFI	microfinance institution
NGO	non-governmental organization
SAS	Stopping As Success
USAID	United States Agency for International Development

TYPE OF TRANSITION

This case study is an example of a organizational transition, whereby an INGO project was transitioned into an independent, self-sustaining Bosnian entity. Given that it took place 18 years ago, this retrospective analysis allows for a comprehensive overview of the transition's outcomes and successes.

STOPPING AS SUCCESS

This case study was developed as part of Stopping As Success (SAS), implemented by a consortium consisting of Peace Direct, CDA Collaborative Learning Projects, and Search for Common Ground, with support and funding from the United States Agency for International Development (USAID). SAS is a collaborative learning project that aims to study the dynamics at play when ending a development program, and provide guidelines on how to ensure locally led development. In doing this, SAS looks beyond the technical aspects of an exit strategy to identify examples that demonstrate a transition toward locally led development. The case studies produced by the project highlight the past and present realities faced by international non-government organizations (INGOs), local civil society organizations (CSOs), and local NGOs, focusing in particular on how partnerships evolve during transitions or devolvement to local entities.

1. INTRODUCTION AND METHODOLOGY

This case study examines the transition of Mercy Corps' economic development program to an independent, Bosnian-registered microcredit foundation called Partner Microcredit Foundation (Partner). Registered in 2000, Partner is a multi-ethnic non-profit foundation. It was started by Mercy Corps (an INGO headquartered in the US) in 1997 as an economic development project supporting income-generation and entrepreneurship in Bosnia's war-affected, multi-ethnic border areas. Mercy Corps (MC) itself had begun its work in Bosnia the previous year, focusing on reconstruction in multi-ethnic areas in order to support the return and reconciliation of war-torn communities.

Conversations with Partner staff, board members, and current and former MC staff, were conducted between April and September 2018, and focused on the factors contributing to the success of the transition from Mercy Corps program to a fully independent Bosnian entity. In total, 20 key informant interviews were conducted by phone and during the field visit. Key informants were selected based on their direct experience or knowledge of the transition process, and through recommendations made by former and current staff at MC and Partner. Several former MC staff were contacted by email and phone to discuss their role in the transition.

In preparation for the case study, available documentation describing Partner's history and current operational model was reviewed. To inform the context analysis, interviews in Sarajevo and Tuzla also included local researchers and academics, Bosnian CSOs, and international organization staff working in Bosnia. A CDA team member also participated in a CSO mapping exercise conducted with Bosnian CSOs and the USAID Local Works team in Sarajevo. During this workshop, shorter conversations with workshop participants also helped inform the context analysis for this case. A final debrief conversation was held with USAID Mission in Sarajevo, sharing the initial findings from the case study and documenting their reflections on civil society development.

2. CONTEXT

Bosnia and Herzegovina (BiH, or informally referred to as simply Bosnia) is located on the Balkan Peninsula, in south-eastern Europe. In the period after the Second World War, Bosnia was granted full republic status in the newly formed Socialist Federal Republic of Yugoslavia. In the early 1990s, the dissolution of Yugoslavia resulted in several wars, one of them on the territory of Bosnia, which lasted until 1995. The war in Bosnia was one of the worst ethnic conflicts of the decade, with the levels of ethnic cleansing – and the siege of Sarajevo in particular – devastating. Presently, Bosnia is categorized as a post-conflict country, but lingering ethnic tensions remain in its political and social spheres.

The country is governed through a bicameral legislature, as well as a three-member Presidency, which is composed of a member from Bosnia's three main 'constituent peoples": Bosniaks, Serbs and Croats. Bosnia is decentralized (with ten cantons) and has two autonomous entities: the Federation of Bosnia and Herzegovina and Republika Srpska. Bosnia is a candidate for European Union (EU) and North Atlantic Treaty Organization (NATO) membership.

During and immediately following the war, international aid to Bosnia concentrated on relief, crisis response, and recovery. Much of the aid went to supporting Bosnian refugees and their subsequent resettlement, and to the reconstruction of civilian houses. The World Bank estimates that official development assistance to Bosnia since 1989 stands at US$445,360,000.[1] The initial humanitarian relief transitioned to reconstruction, development, and governance assistance, which continues to date. Researchers describe Bosnia's socio-political context in the post-war period as fragmented and divisive, with the type of assistance provided for physical and social reconstruction having both positive and negative effects on the formation of an independent and sustainable civil society.[2]

In 2006, CDA's Listening Project[3] visited Bosnia, documenting the retrospective analysis of prominent local government officials and civil society groups, who critiqued the treatment of NGOs as service providers and mere implementers of externally driven strategies. Local government officials were also critical of the brain drain that came as a result of civil servants leaving their roles to take up better-paid INGO positions.

INGO–CSO DYNAMICS IN BOSNIA

"INGOs actively promoted the emergence and development of a civil society based on a new breed of local NGOs, rather than seeking to identify and bolster pre-war forms of citizens' action and organization. Although a small number of mainly women-oriented voluntary groups, which were dedicated to mutual self-help under war conditions, had emerged during the war, INGO preference for support to nascent NGOs was both inevitable and necessary. The wartime politics of ethnic cleansing and the mass displacement of people had to a large extent destroyed the foundations necessary for organization at the community level, both in terms of social capital and the ability of people to develop social visions beyond that of the ethno-nation. There were in most localities the vestiges of pre-war membership organizations dedicated to the needs of small groups with specific social or economic interests, such as the blind, disabled, farmers or various professions. These were largely eschewed by INGOs as targets of support other than the ad hoc distribution of humanitarian assistance to their members, owing to concerns as to their suitability for advancing the growth of democratic culture and assisting in efforts toward return and reconstruction. Not only did they represent conceptual continuity with the state-controlled communist past, 14 IBHI records that by the end of 1997 this figure had grown to 332."[4]

In recent years, European donor priorities in Bosnia have centered on political reform and governance, including the implementation of constitutional reform in light of potential EU accession. Several European donors are providing direct budget support to government line ministries, as well as to local governments focused on strengthening democracy, with a particular focus on human rights and judiciary system reform support. There are also externally funded initiatives aimed at strengthening local government capacity and bringing decisions closer to the public; as well as supporting actions that increase the sustainability of civil society, the prosecution of war crimes, and the transparency of democratic institutions. Another important aspect is the strengthening of rights, recognition, and respect for ethnic minorities, vulnerable children, and LGBT persons.[5]

3. BACKGROUND ON PARTNER MICROCREDIT FOUNDATION

Partner was started by MC in 1997 as an economic development project focused on multi-ethnic border areas in war-affected Bosnia. The MC project started with four staff in 1997, with its first 27 loans disbursed the same year. MC made an intentional decision to start its economic development project on the boundary line between Bosnia and Republika Srpska, and was the first microfinance institution (MFI) to work in all three administrative units of post-war Bosnia and Herzegovina (Bosnia, Republika Srpska, and Brčko District). Staff were hired from all ethnic and religious groups and territories. This multi-entity focus was very important, and a legacy of MC's commitment to breaking down post-war animosity and building trust. After the transition, Partner continued to work in all three administrative units of Bosnia, carrying on MC's commitment to multi-ethnic and social cohesion.

Bosnia had no prior experience with microcredit during the socialist era. Several international staff championed the idea of MC Bosnia "incubating" the microcredit project for a short period, before transitioning it into a local entity. Competent and visionary local leadership emerged from existing project staff keen to continue the legacy of mission-driven work focused on multi-ethnic rural areas, returnees, women, and marginalized people. As part of the transition, MC provided capacity development, coaching, and an initial loan, which was later written off as a donation to Partner's equity.[6] While two MC staff continue to sit on its board, Partner is financially independent of MC, which officially closed its operations in Bosnia in 2010.[7]

Since registering as an independent local entity in 2000, Partner has grown significantly. In the period 2000–18, it became one of the largest MFIs in Bosnia, providing a range of personal, business, agriculture, and housing loans to micro entrepreneurs, as well as promoting the participation of women in business. At the time of our field visit, it had 60 branches across the country, employed 300 staff, and had 45,000 clients. Partner also boasted KM78 million (US$46,500,000) in equity, over which it has full control. MIX Market, a global database of microfinance institutions, has assigned Partner a four-star rating, and in 2007 it was ranked 18 in Forbes magazine's list of the world's best microfinance institutions. Partner holds itself to the highest standards regarding the reporting and transparency of data,[8] and was also an early recipient of the Smart Campaign award, which recognizes socially responsible organizations. Partner has multiple creditors, including socially responsible businesses, and has active partnerships with USAID and European donors.

Partner has a unique model that sets it apart from other microcredit organizations operating in Bosnia. It hires technical advisors who are professional agronomists, energy efficiency experts, and business advisors. These advisors accompany loan officers to meet clients and advise them on the feasibility of their business plans, providing technical advice on horticultural varieties, agricultural yields, cow breeds, milk production capacity, energy efficiency options, and different ways to increase income. These services are provided free of charge to clients (the costs of these specialists are part of Partner's operating costs, meaning slightly higher loan interest rates). Partner wants its clients to have a sound plan, and to assist in this by providing access to the latest "know-how" and technical advice. Other MFIs and banks are primarily in the lending business and so do not offer technical assistance. Partner's approach also means it is providing employment to specialists in a context of high unemployment and steady emigration to other countries.

Partner was actively involved in establishing the legal and regularly framework for microcredit organizations in Bosnia. From the outset of its registration as a Bosnian

entity, experienced Partner staff advocated regulation of the microfinance sector. One veteran staff member recalled: "We worked together with the World Bank and the Ministry to develop the law on microcredit. Once that was passed, we were able to work in accordance with the law. This was important for us. Partner stepped up to influence the government on this. In legalization of our work, we saw our future. Without this law, we saw a risk that the government could have said that microcredit organizations should close."

USAID technical assistance during that period (for example, the USAID-financed Banking Supervision Project)[9] was recognized as invaluable, especially as Bosnia sought to establish standards and laws. Partner board and staff members noted that USAID worked on its own policies and parameters[10] for supporting microfinance enterprises, and that this was in line with Partner's values.

In terms of Partner's present-day situation, a senior staff member reflected: "Transition can be a purely legal activity. It may not mean anything. One day it can be an INGO, then it might be a local NGO, then it could be something different. The true measure of success is to maintain integrity, quality of work and stay true to mission. Our sustainability is also part of our success story – we stayed in the market while others lasted only a few years. We don't have any legal issues and we are recognized and trusted by many creditors and donors. Most importantly, we are trusted and appreciated by our clients for whom we continue this work."

4. MAPPING THE TRANSITION: FACTORS PROMOTING SUCCESS

A number of factors were repeatedly identified by former and current staff as important to the successful evolution of Partner into a sustainable local organization carrying forward MC's mission of financial inclusion. These factors were made easier to assess for significance due the time that had elapsed between when the transition had taken place and when our key informant interviews were conducted (18 years at the time of the field visit). The interviews provided an opportunity for those who have championed localization and managed the subsequent transition to reflect on the process.

INTERNAL ADVOCACY AND VISION OF LOCALIZATION FROM THE OUTSET

The end goal of the MC economic development project being led and owned by Bosnian staff was articulated in the early days of the project by several international staff. One was the lead project manager, an American woman whose primary focus at the time was to raise grant funds in order to expand the lending program and build up the economic development program. According to her: "… if everything went well with the initial pilot and loans were being repaid, we thought we could continue to raise funds with a view that this should become an independent entity in a few years." However, this view was not immediately shared by all staff in the organization.

Initially, other MC international staff and some Bosnian national staff were skeptical that an independent local entity could successfully implement microfinance programming, and feared that such an organization would not be sustainable. This skepticism was informed by the fact that, prior to MC's pilot project launch, local experience of microfinance and micro-lending models was totally absent. In addition, among Bosnian staff hired for their engineering and project management experience, there was a clear preference for focusing on reconstruction and rebuilding assets. Between 1996 and 1998, the MC's reconstruction team was better funded compared to the much smaller economic development team. According to one of the former international employees: "… local staff didn't see a lot of value in what we were doing with microfinance because it was under-funded at first and a fairly new concept in this former planned economy context." However, the Bosnian staff workung on microfinance projects recognized the potential it held for supporting rural livelihoods and economic development after the war. They also recognized that, with the gradual reduction of reconstruction funds and a shift in donor priorities, MC would not stay in Bosnia indefinitely.

Among the early champions for transition planning were an international staff member based in Bosnia, and the MC's Chief Operating Officer in the US. They were later joined by a small group of Bosnian staff who expressed an interest in taking the mission of the economic development project forward as a locally registered entity. The articulation of an exit strategy and internal advocacy for transition to local entity was not without its challenges and disagreements. However, as the World Bank and other funders allocated more funds to economic transition and micro-enterprise in the post-war territories of the former Yugoslavia, MC and other INGOs recognized the potential for scaling up their economic development projects. Hence, staff champions of transition had to maintain a consistent internal advocacy effort and a repeated articulation of "why this should be a Bosnian organization" and "how this is a clear success story for MC's capacity development efforts" in order to gain senior management support and see the transition through.

VISIONARY LEADERSHIP AND COMMITMENT AMONG LOCAL STAFF

As a senior staff member reflected: "It was important to have good expatriate staff in managerial positions who were committed to local development and willing to promote local staff to leadership roles. Also important was to have local staff who were willing to adapt, think creatively and responsibly." Thus, to ensure a successful transition, MC identified and promoted dedicated, capable, and open-minded national staff to leadership positions.

Partner's CEO, Senad Sinanovic, was selected by MC staff due to his leadership potential and the respect he received from colleagues, rather than his educational background or professional experience. Several interviewees explained that Bosnian cultural norms would usually dictate that someone older, with more life and professional experience, would be chosen for a leadership role. At the time of assuming leadership, Senad was in his thirties, and immediately became responsible for managing staff who were older, more experienced, and better educated than him.

Even as MC was promoting him to take the helm, Senad noted during the interview that he doubted himself. The national staff appealed to him to take the CEO position, and their support was key to his decision to accept. Veteran staff noted in our interviews that, despite Senad's youth, he had already demonstrated his commitment, leadership potential, and vision. Senad's personal journey is notable. He started as a beneficiary of MC after his family home was destroyed during the war and was later reconstructed by the organization. He fought in the war, which disrupted his formal education process. He was hired by MC as a loan officer for the

newly launched economic development project in April 1997. A month later, MC issued its first 27 loans. In 2000, Senad assumed the role of CEO of the newly registered Partner Microcredit Foundation.

After the transition was completed, many former staff stayed on to lead the organization, and remain there to this day – Senad included. Given the significant growth the organization has experienced over the years, many new staff have been hired and promoted at all levels of the organization, including middle-management and leadership roles. The remarkable staff retention was noted as an indicator of Partner's success over the past 18 years. At the time of the case study visit, a few of the veteran staff who had started their employment with MC before going on to work were planning to retire. Conversations about succession and the importance of selecting the right type of leadership highlighted the distinction between leaders who are only able to articulate a vision and leaders who can both do this and successfully manage a transition process.

Senad's leadership style and innovative thinking was noted by all to be a critical element of Partner's success over the last two decades. As one senior staff member noted: "I believed that this new organization will be sustainable and successful. Many people wondered why I left a steady job with city government and joined something new and unknown. But I had full confidence that this organization is only going to grow and do important work. We trusted the leadership and worked with Senad to make sure it will be a success."

STRONG AND REPUTABLE BOARD OF DIRECTORS

As one senior staff member reflected: "In Bosnia, private businesses do not always have well organized systems or a board for oversight and accountability. Partner's values are embedded in how our organization is structured in terms of its governance. There is integrity, transparency and accountability. If someone doesn't accept these core values, they shouldn't work here."

With this in mind, MC stipulated that Partner have a board, and so began recruiting its members while the project was still under the organization's oversight. Trusted and respected Bosnians from all three main constituent groups were recruited to serve on an advisory council, with a view to them later becoming board members for the independent Bosnian entity. Partner's board was not set up to provide "decorative positions," but to be fully engaged in oversight, strategic advice, and external representation, including with local and federal government. When Partner registered as an independent institution in 2000, some advisory council members left while others stayed on as board members.

Prior to and immediately following the war, Bosnia had no experience of people serving on governance boards without renumeration. MC recruited the board's chairman directly from the mayor's office in Tuzla, based on his reputation and leadership abilities, and, again, he remains at Partner to this day. MC retains two positions on the board, which are currently occupied by the its chief financial officer and one other senior staff member. MC staff have no singular influence over the strategic direction of Partner. They see the continued engagement as a means of continued solidarity and mutual learning. The one other international board member is the former MC project manager who oversaw the transition to Partner and who now holds the position of Financial Inclusion Expert and Global Head at the United Nations Capital Development Fund (UNCDF). The rest of the board members are all Bosnian.

CLEARLY DEFINED MISSION AND GOALS

Financial sustainability and growth are not the only measures of success for Partner, as it continues to balance its financial goals with its overall mission and social development goals. Partner's metrics of success include number of jobs created, number of local enterprises and businesses created or expanded, number of women with access to credit, and several other financial inclusion-related indicators. One board member observed: "Partner is an active member of national microcredit association and we try to infuse the sector with the values that we bring to this work. But it is not always possible. And some microcredit organizations are purely profit-oriented. Several have gone out of business."

Staff and board members all noted the importance of supporting the financial inclusion of marginalized rural residents and women-led micro-enterprises. As the board's chairman noted: "They stayed true to the mission, which is to support the vulnerable, those who can't access such financial services."

A senior staff member added to this by saying: "Our organizational values are strong. We are always on the side of our clients. During the devastating floods four years ago, Partner was chosen by a German donor to disburse flood-recovery assistance in a form of interest-free loans. We waived the administrative fee so that affected clients received interest-free loans and didn't incur any fees. We did this out of humanitarian solidarity."

Multiple staff emphasized that having "a clearly defined strategy, mission, and vision" from the outset was important to building trust in the organization. The current board members (both international and Bosnian) and the CEO highlighted the mission-driven focus as important in attracting continued investment. For example, the European Bank for Reconstruction and Development (EBRD) has over the years provided Partner with multiple loans totaling over €20 million, as well as €500,000 in technical assistance, in order to support the expansion of Partner's services. Similarly, the European Fund for Southeast Europe (EFSE) has also provided Partner with multiple loans, including a one-time €3 million senior loan to expand lending, in recognition of Partner's focus on rural areas and women's businesses.

EARLY FINANCIAL SUPPORT AND CREDIT

As part of the transition plan, MC provided initial credit to Partner in the form of a loan with conditions. These required that Partner prove itself as a well-managed local entity, demonstrating integrity and accountability, while remaining mission driven. Specifically, MC and Partner staff agreed on criteria prioritizing the demographic assessed as most in need of microcredit. In the early 2000s, this included those in rural areas, displacement returnees, women, and other marginalized groups. In 2014, MC wrote off the initial loan as a donation, allowing it to be added to Partner's equity, which the latter has full control of. As a non-profit foundation, Partner has no shareholders.

Both MC and Partner staff described early financial and technical support from the World Bank Local Initiatives Department (LID)[11] as instrumental to Partner's success. Particularly in the early days, the funding and visibility the World Bank provided was a huge boost to the nascent microfinance sector in Bosnia. The World Bank funding scheme followed a participatory approach, and included a strong advocacy element involving the Bosnian government, in order that early phases were allowed to succeed and demonstrate proof of concept.

For the last two decades, USAID has supported the microcredit sector with innovative ideas – such as micro-loans for solar energy, as well as new horticulture and breeds – informed by experiences in other countries. As a senior staff member at Partner described: "USAID has provided loans to our clients to do thermal insulation, solar, energy efficiency. Some of these have been interest free, and some with interest. Our clients don't have to pay interest but have to repay the principal." USAID funds given in grant form are appreciated by Partner's staff and board, as the money can be reinvested as capital to cover more loans and technical assistance to clients. This type of funding was described by those we interviewed as instrumental to expanding the reach of microcredit and services to more people.

CAPACITY DEVELOPMENT FOR PROFESSIONAL AND INSTITUTIONAL DEVELOPMENT

MC provided considerable capacity development to its economic development project staff and then later the nascent Partner team. This took many forms: workshops and training, coaching, mentoring, technical advice, and oversight. For example, MC financial staff conducted quality assurance of Partner's financial reporting during the first few years of its existence, after which the Partner team took the decision to manage its accounting independently. Former staff and board members described an "extraordinary investment" in training and supporting staff, beginning in the early days of economic development project. Partner staff described the capacity development support provided during this period as invaluable, as it was directly linked to the technicalities of microcredit operations, financial management, and institutional development.

During the transition phase, one of MC's American staff members served on the credit board. Former MC national staff who are still employed at Partner said: "… this was like on the job training. She was quality checking our work while we were already leading it. It was a useful function of oversight and quality control for a new entity like ours." Several staff members also noted the value of discussing different micro-lending models with experienced MC staff who had worked on relevant programs elsewhere around the world. At the same time, the Bosnian staff members helped MC adjust existing models to a post-socialist and post-war context. As one Bosnian staff member recalled: "In the beginning, the local staff worked closely together with MC staff. We learned from each other; it was not just us learning from them … We were actively and jointly adapting the lessons and methods from other countries to make it fit to the Bosnian context. Mercy Corps learned from this exercise too before they tried similar projects in Kosovo and Central Asia."

In addition to support provided to the broader team, two MC staff members were assigned as personal coaches to Partner's new CEO following the completion of the transition. According to the CEO, this coaching was weighted more toward psycho-social support and confidence-boosting than technical or operational advice.

The successful institutional development of Partner as a well-managed, well-governed, and credible organization was also linked to early capacity development investments made by MC and the nascent Partner team. As one senior staff member at Partner noted: "We developed clear policies, procedures, and systems that reduced risk and confusion and created a shared understanding of how our organization will function … New staff sometimes questioned certain things, but we are always able to go back to the reasoning behind our decisions."

Partner staff pointed out that they alone had been responsible for agreeing and codifying their organizational values, citing this as another indicator of local ownership. As one senior staff member described it: "Our organizational culture and values were not inherited from Mercy Corps. We defined our own organizational culture. If we didn't have the people with the professional background, knowledge and dedication on our team all these years, we wouldn't be able to have this organization twenty years later."

Staff training remained a key focus for Partner after it launched as a Bosnian entity. Partner staff and board members noted that training conducted by internal and external experts has helped refine Partner's marketing and technical competencies. Staff also felt supported in their professional growth and mobility within the organization. One staff member described her journey from loan officer in MC's economic development project to regional manager, then Director of Credit Operations after the expansion of Partner. At the time of our field visit, she was overseeing the human resources unit, with a particular focus on training: "Essentially, my job between now and my retirement is to transfer my knowledge to our younger colleagues. That's my exit strategy."

BUSINESS MODELS AND FUTURE HORIZONS

Partner has undoubtedly made a success out of its existing business model. As a staff member expressed: "When I think about Partner as a Bosnian organization, I am proud of it. We have a local organization trusted and supported by external investment. Our organization has developed so much that we can earn enough to support competitive salaries. Our employees earn as much or more as in the Bosnian private sector."

Even so, Partner is currently considering the pros and cons of registering as a business, alongside its current registration as a non-profit. During the transition, it was repeatedly discussed – among MC staff and then within

Partner and its board – whether the organization should remain a non-profit MFI, register as a bank, or merge with other larger banks. All interviewees agreed that Partner made the right decision not to become a bank at that stage, as it did not have the necessary capital to compete with larger banks.

However, given emigration trends in Bosnia, an increase in diaspora remittances, and EU investments in renewable energy and other clean energy sectors, interviewees expressed an eagerness for innovation and future planning. Registering as a company while maintaining a non-profit status would allow Partner to provide additional services – for example, micro-insurance to farmers, low-fee remittance transfers, and larger loans of up to KM10,000 (US$5,800) to support renewable energy and other investments by rural entrepreneurs. Currently, the non-profit registration prevents Partner from increasing its loan amounts or providing these additional services. These ongoing considerations regarding commercial registration are linked to Partner's long-term organizational goals, which are: first, financial sustainability; and, second, ensuring greater financial inclusion by offering new services to Partner's existing target demographic, and continuing to support rural families who struggle to access regular insurance schemes. As a microcredit non-profit, Partner is obliged to pay taxes (other non-profits aren't); hence company registration would not significantly alter its current tax obligations.

These strategic decisions are directly linked to financial sustainability considerations, as most local entities are expected to be self-reliant. Partner has had to weigh up its options for an optimal business model while at the same time maintaining its organizational legacy and mission-driven work. Partner's CEO and board take great care in monitoring the evolving regulatory environment for CSOs, microcredit organizations, social enterprises, and banks in Bosnia, as well as the changing needs and priorities of the country's population, for whom its services must remain accessible, relevant, and competitive. The senior staff and board were confident that – given Partner's strong governance structures and sound strategic planning processes, as well as its credible reputation among local borrowers and investors – will make a sound decision regarding its future.

5. KEY LESSONS

Having a vision for transition from the outset, driven by internal advocacy, contributes to a successful outcome. Almost from the very beginning, MC staff articulated a vision for the economic development project to become locally owned and led. The lack of an initial consensus required the consistent articulation of "why this should be a Bosnian entity" by internal champions. The internal advocacy effort focused on convincing decision makers at MC headquarters, as well as those Bosnian staff who were skeptical that an independent entity could be financially sustainable and successful. Advocacy for localization was boosted by early successes in the microcredit pilot (the first series of loans were repaid), which had an important confidence-building effect.

Dedicated, capable, and visionary national staff can drive the transition. MC was careful in picking out local staff for key leadership positions at Partner, with many staying on to help grow the organization for years afterward. Unwavering staff commitment and the CEO's leadership skills were emphasized as critical to Partner's success. The level of trust, group cohesion, support for the mission, and confidence in the leadership is particularly noteworthy given that Partner emerged from a post-war context in which trust-building, reconciliation, and inclusive governance were lacking. That local ownership was shared between such a diverse, multi-ethnic group of staff was a remarkable feat in and of itself.

Early financial support can provide a much-needed boost and facilitate longer-term sustainability. MC's initial financial support included a loan that was later written off and added to Partner's capital. In addition, early World Bank investments boosted Partner's growth, the development and expansion of its operations across the country, and its reputation. Subsequent support by USAID and regional banks provided opportunities for different partnerships, and for the expansion of programming to new areas.

Capacity development is highly valued by national staff. Partner staff valued the capacity development provided by MC's staff and consultants, which came in different forms and was customized to the evolving needs of the organization. In addition, Partner staff found accompaniment by MC staff to be particularly useful for business process and institutional development. Accompaniment included customized technical advice, as well as quality assurance and oversight. Two MC staff were assigned as personal coaches to the new CEO, who took advantage of their assistance as sounding boards and providers of moral support during the early transition years. Capacity development investments by Partner, as well as support for the professional growth of its staff over the last two decades, were also noted as critical to its success and sustainability.

Strong governance from the start can bolster organizational development. MC required that Partner have a governing board and helped recruit respected local figures representing Bosnia's three main 'constituent peoples": Bosniaks, Serbs and Croats. Veteran staff and board members noted that Partner's board – unlike other non-profit boards – was not set up to offer "decorative positions," but to be fully engaged in oversight, strategic advice, and external representation. The board was instrumental in advocating for the national government to prioritize establishing a regulatory and enabling environment for microcredit organizations. The board is also credited with ensuring the transparency and accountability of Partner's finances, which directly impacts how Partner is perceived by investors and auditors.

Maintaining a mission-driven focus can sustain transition over the long-term. Partner continues to balance its financial objectives with its social development goals, which include maintaining MC's focus on the financial inclusion of marginalized rural residents and women-led micro-enterprises. In this regard, Partner's services extend beyond granting loans to include pro bono technical assistance to borrowers seeking to increase agricultural yields or purchase the most up-to-date equipment. Partner's metrics of success include, among other things, number of jobs created, number of local enterprises created or expanded, and number of women with access to credit. This sustained focus on economic development and financial inclusion has helped Partner maintain its credibility with the communities it serves, as well as demonstrate its social impact to existing and potential investors, including regional banks and bilateral donors. Partner's ongoing deliberations as to whether to register as a commercial entity while maintaining its non-profit status is also informed by the need to serve the evolving needs of its constituents, ensuring financial inclusion for people who still cannot afford commercial banking services.

ENDNOTES

1. World Bank, "Net Official Development Assistance and Official Aid Received." https://data.worldbank.org/indicator/DT.ODA.ALLD.CD?locations=BA
2. Mark Duffield, "The Symphony of the Damned: Racial Discourse, Complex Political Emergencies and Humanitarian Aid," Disaster (1996) 20(3):173–93; Ian Smillie and Goran Todorović, "Reconstructing Bosnia, Constructing Civil Society," in Patronage or Partnership: Local Capacity Building in Humanitarian Crises, Ian Smillie (ed.), Bloomfield, CT: Kumarian, 2001.
3. The Listening Project was a collaborative learning project that – between 2005 and 2009 –gathered perspectives of aid recipients on the cumulative impact of international assistance. It engaged 130 international and local aid organizations in 20 countries, listening to over 6,000 people on the receiving end of aid. The lessons from the project are synthesized in Anderson, Mary B., Dayna Brown, and Isabella Jean. Time to Listen: Hearing People on the Receiving End of International Aid. Cambridge, MA: CDA Collaborative Learning Projects, 2012. Available: https://www.cdacollaborative.org/wp-content/uploads/2016/01/Time-to-Listen-Hearing-People-on-the-Receiving-End-of-International-Aid.pdf
4. Bill Sterland, "Civil Society Capacity Building in Post-Conflict Societies: The Experience of Bosnia and Herzegovina and Kosovo," Praxis Paper No. 9, INTRAC, 2006. Available: www.intrac.org/wpcms/wp-content/uploads/2016/09/Praxis-Paper-9-Civil-Society-Capacity-Building-in-Post-Conflict-Societies-Bill-Sterland.pdf
5. Funding priorities identified by Swedish SIDA, USAID and EU.
6. The loan was made possible by several government donors that funded MC at the time.
7. Partner is not the only organization that emerged as a result of MC's presence in Bosnia. After MC closed its country operations in 2010, several Bosnian staff established a small non-profit focused on renewable energy and environmental assessments.
8. Three separate key informant interviews with Partner board members focused on this reputational element.
9. Timothy R. Lyman T, "Legal and Regulatory Environment for Microfinance in Bosnia and Herzegovina: A Decade of Evolution and Prognosis for the Future," IRIS Center, April 2005. Available: www.microfinancegateway.org/sites/default/files/mfg-en-paper-legal-and-regulatory-environment-for-microfinance-in-bosnia-and-herzegovina-a-decade-of-evolution-and-prognosis-for-the-future-2005.pdf
10. USAID, "ADS Chapter 219: Microenterprise Development," 2011. Available: www.usaid.gov/sites/default/files/documents/1865/219.pdf
11. Ruth Goodwin-Groen, "Avoiding Apex Pitfalls: Local Initiatives Departments of Bosnia and Herzegovina," Case Studies in Donor Good Practices No. 6, Donor Information Resource Center, April 2003. Available: http://documents.worldbank.org/curated/en/105901468013230953/pdf/342730rev0CaseStudy106.pdf

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All photos by Partner

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