



Number: 07-1820/14
Sarajevo, 21 May 2014

To lenders, donors and founders of the Microcredit Organizations

Invitation to all stakeholders to provide support for the overcoming and elimination of the consequences of floods damages and for the stabilization of MCO system

Distinguished,

You have witnessed the terrible floods that have affected a significant portion of the territory of BiH and have caused the largest material damages to the population since the war. A large number of the users of microfinancial services lives in the floods-affected areas and have suffered huge damages of their property mostly in terms of complete loss or significant devastation of the housing and business units, agriculture land and crops, livestock, and working capital, equipment, material and final products that they have used as the core for their livelihood.

The first preliminary assessments indicate that the volume of the damages will exceed the capacity for rehabilitation from the funds available in Bosnia and Herzegovina. Therefore, we believe that the financial sector will have significant role in the elimination of the consequences of the natural disaster, and that within those activities the microfinance sector should give a significant contribution.

FBiH Banking Agency has issued instructions for the MCOs for actions aimed at identifying the mitigation measures for the clients of the Microcredit Organizations in order to facilitate debt servicing, since their credit worthiness has been largely reduced due to the occurred damages, and at the same time to have measure that will not be detrimental to the business operations of the Microcredit Organizations. The mentioned measures are mostly pertaining to more flexible restructuring of loans, loan repayment moratorium, write-offs without initiation of court proceedings in the events of total damages, and reduction of the interest rates for moratorium and restructuring cases.

With the aim to create realistic assumptions for the long-term and systemic elimination of the floods consequences and ensure the protection of the overall microcredit sector consisting of the organizations, their clients and lenders, we would like to use this opportunity to invite all socially-oriented lenders, founders and donors of the Microcredit Organizations to express their commitment to the stabilization and preservation of the microcredit sector in BiH and to apply measures that will enable the microcredit organizations, which have been regularly servicing their loans, and adequately presented and used donated funds in the previous years, to provide fast and appropriate assistance to the vulnerable clients.

FBiH Banking Agency deems that the most appropriate measure to assist the microcredit sector would be donations that could be transferred through the MCOs directly to the clients who were affected by the floods and therefore are not in the position to service their loans. The donors' funds should be directed to cover the interest during the moratorium period, interest subsidies for the outstanding loans and restructured loans, the losses for the loans that

will be completely written-off, i.e. the loans of the most vulnerable clients with no possibility to repay the loans and severely affected by floods and landslides.

Also, we believe that the reduction of the interest rates charged to the microcredit organizations for the existing outstanding loans and the restructuring of the due liabilities to the microcredit organizations that have been regularly servicing their loans, would significantly assist the sector to overcome the current problems.

We hope that all stakeholders will, as it was the case in the past, show their commitment to continue to provide the support to the microcredit sector in BiH through the activities that will have direct positive impact on the floods affected categories of the population – users of microcredits.

Respectfully,

DIRECTOR
Zlatko Bars
/signature/