

MICROCREDIT ORGANIZATION
“MIKROFIN”
BANJA LUKA

Number: **001/2001**
Banja Luka, August 24, 2001

S T A T U T E
OF THE MICROCREDIT ORGANIZATION
“MIKROFIN”
BANJA LUKA

Pursuant to Article 4 of the Decision on establishing the Microcredit organization “MIKROFIN” Banja Luka and Article 8 of the Law on microcredit organizations (“Official Gazette of RS, no. 19/01”), the Governing Board of the Association of citizens “Mikrofin” Banja Luka, with the agreement of the founder, at its session held on August 20, 2001, adopted

S T A T U T E

OF THE MICROCREDIT ORGANIZATION

“MIKROFIN” Banja Luka

I. BASIC PROVISIONS

Article 1

This Statute shall regulate: name and seat, purpose of establishment and activity, bodies of management, administration and supervision, manner of their functioning, conditions for becoming a member and for terminating membership in the microcredit organization, rights and obligations of the members, manner of acquiring, using and disposing of funds, manner of adopting and amending the Statute, seal, representation and presentation, and other issues of importance for the work of the organization.

Article 2

The name of the Organization shall be:
Microcredit organization “MIKROFIN” Banja Luka.
The abridged name of the Organization shall be:
MKO “MIKROFIN” Banja Luka.
The seat of the Organization shall be in Banja Luka, Jevrejska Street bb.

Article 3

The Organization shall have a seal which is round in form, with the name Microcredit organization “MIKROFIN” Banja Luka written on the verge of the seal and with a sign of the Organization in the middle.

The sign of the Organization shall be represented by capital letters “MF”, written in Latin script.

Article 4

The purpose of establishment of the Organization shall be to act as a non-deposit and non-profit organization in order to contribute to the development of microentrepreneurship through providing microcredits.

Article 5

The Organization has been established as a non-governmental and non-political organization, which performs its activities without discriminating against its clients, employees, as well as all other persons who it establishes civil and legal relations with, based on national, religious, gender, or racial background.

Article 6

The goal of the Organization shall be to act as an independent, vigorous and sustainable microcredit organization in providing microcredits to a big number of clients on a long-term basis.

II. ACTIVITY OF THE ORGANIZATION

Article 7

The basic activity of the Organization shall be to provide microcredits. Apart from the basic activity, the Organization shall perform, for the sake of a more vigorous contribution to the development of microentrepreneurship and reinforcement of own institutional and financial capacities, collection of financial and other resources from any legal source, including donations.

Article 8

The Organization also may, directly or through some other subject it has established, perform non-financial services in the field of microbusiness, like: education of persons for the purpose of acquiring general and specialized knowledge; training for the work in microcredit organizations; information on the situation in the field of microentrepreneurship by publishing various publications or by providing direct business advice, promotions of products and services of microentrepreneurs, and other non-financial services of importance for the development of microentrepreneurship.

III. FIELD OF ACTIVITY OF THE ORGANIZATION

Article 9

The organization shall perform its activity in the territory of the Republika Srpska.

Article 10

The Organization may, for the purpose of expanding its activity, open up its branch offices in the territory of the whole of Bosnia and Herzegovina, out of the Republika Srpska, under the conditions and by the procedure determined by the law which regulates microcredit activities in that territory, as well as out of Bosnia and Herzegovina, under the conditions and by the procedure determined by the law of the country where the Organization intends to perform its microcredit activity.

IV. MEMBERSHIP OF THE ORGANIZATION

Article 11

The members of the organization may be regular, honorary, and associate ones.

Article 12

The members of the organization shall be obliged to abide by the provisions of this Statute, as well as other acts regulating the issues of importance for the work of the organization.

Article 13

The regular members, before they join the organization, shall be obliged to sign membership application form obliging themselves to accept the program goals of the organization, i.e. its activity as a non-deposit and non-profit organization.

The honorary members shall be the natural and legal persons who contribute to the development and reputation of the organization with their activity.

The associate members shall be the natural and legal persons who morally or financially assist and support the organization.

Article 14

The membership in the organization shall be terminated by a voluntary quitting of members, their dismissal from the organization or termination of work of the organization.

Article 15

If the member of the organization does not respect the provisions of this Statute or other acts, he/she may be dismissed from the organization.

The decision on dismissal of a member from the organization shall be made by the Governing Board, at the proposal of the Director.

V. ACQUIRING, USING AND DISPOSING OF FUNDS OF THE ORGANIZATION

Article 16

The organization shall acquire the funds for its operation from:

1. donations for financing the microcredit portfolio,
2. donations for covering a part of operational costs of providing microcredits,
3. donations for technical support of providing microcredits and purchase of equipment,
4. concession and commercial credits,
5. own revenues consisting of :

- a) revenue from the tax on microcredits,
- b) commission for covering the costs of the banks through which payment and deferred payment of microcredits is conducted,
- c) revenues incurred from the profit gained from the investments of the Organization,
- d) and other revenues in line with the Law.

Article 17

For the purpose of providing funds for the work and acquiring own revenues, the Organization may place own real estate or resources from the issued microcredits under mortgage.

Article 18

The acquired funds of the Organization shall be exclusively used for performing microcredit activity, or in that respect, for reinforcing financial and institutional capacities, for the specific purposes of:

1. financing microcredit portfolio,
2. covering financial costs of providing microcredits (microcredit reserves for the delayed microcredits based on the own policy towards delayed microcredits, microcredit losses – written off credits, costs of interest rate on borrowed financial resources),
3. covering operational costs and purchase of equipment, salaries, compensations, renting of business premises, PTT costs, etc.,
4. building or purchasing of business premises intended exclusively for performing the microcredit activity of the Organization,
5. technical support to microcredit activity (education of personnel, computer and communication center, promotion of microcredit activity, etc.), and
6. investing in the establishment and development of non-financial services in the field of entrepreneurship, as well as in other activities which strengthen the microfinancing sector in the territory where the Organization operates (different kinds of research, initiatives for the establishment of legal and other environment that facilitates the microentrepreneurship, etc.).

Article 19

The Organization shall dispose of the funds in the manner prescribed by the Law, this Statute and contract signed with the donor or some other subject with who the Organization signs contracts for the purpose of acquiring funds for financing its activities.

Article 20

For the purpose of performing the activities in a legal and transparent manner, the Organization shall keep business books in line with the law and international standards.

VI. CONDITIONS FOR PROVIDING MICROCREDITS

Article 21

The Organization shall provide microcredits intended exclusively for financing business activities which realize certain revenues, so that:

- the amount of the credit in the first tranche to an individual client should not exceed 5,000 KM,
- the maximal amount of the credit should not be bigger than 30,000 KM.

Article 22

The funds of microcredit may be used exclusively for initiating, maintaining or developing business by which the client acquires funds for his/her living and living of the members of his/her family household.

Article 23

The deadline for which the microcredit is approved shall not be shorter than 7 days or longer than 36 months.

Article 24

The Organization shall calculate the interest rate, commission and default interest for the purpose of covering operational, financial, credit losses and other costs, as well as for the purpose of providing financial and operational sustainability.

The default interest shall be calculated for the credits that are delayed in its repayment in line with the contract on microcredit signed between the organization and client.

Article 25

The microcredits shall, as a rule, be approved based on the appropriate cycles so that in each successive cycle the amount of microcredit may be bigger compared to the maximal amount of microcredit from the previous cycle.

Article 26

The payment of microcredit shall be conducted in cash or in some other manner, in line with the Law.

Article 27

The payment of the microcredit shall, as a rule, be conducted in weekly, bi-weekly or monthly installments, with the possibility of an agreed "grace period".

Article 28

The responsible body of the Organization shall, pursuant to the principles in Articles 18 to 29 of this Statute, as well as other provisions in this Statute, within the

framework of business plans, or by separate book of rules, determine credit products (amount of microcredit, interest rate, deadline, etc.), conditions and procedure for providing microcredit, applying for microcredit, approving applications for microcredits, payment and repayment of microcredits, delayed microcredits, guarantee for return of microcredit, and other conditions and procedures relevant for microcredit activities.

VII. BODIES OF MANAGEMENT, ADMINISTRATION AND SUPERVISION OVER THE ORGANIZATION

A) Governing Board

Article 29

The management bodies of the Organization shall be the Governing Board, as a collective management body, and Director, as the individual body of management and administration.

Article 30

The Governing Board in its first mandate shall be appointed by the Founder.

After the expiration of the first mandate and for each successive mandate, the members of the Governing Board shall be appointed by the existing Governing Board, with the agreement of the Founder.

Article 31

The Governing Board shall consist of 5 members.

The Founder, by the decision on appointment of the Governing Board, shall determine which person shall be the President of the Governing Board, and which person shall be the Deputy President of the Governing Board.

The mandate of the members of the Governing Board shall be for 4 years.

The members of the Governing Board may be reappointed.

Article 32

The members of the Governing Board may be respectable and highly moral personalities, as well as the personalities with proven expertise, especially in economic, legal and social field, who understand the purpose and significance of providing microcredits and who are capable of controlling the work of the management, in order to give it clear guidelines and to be able to make important business decisions.

Article 33

The representatives of the Fund for development and employment of the Republika Srpska, as well as other international non-governmental organizations, may participate in the work of the Governing Board of the Organization, but without a right to make decisions.

Article 34

The membership in the Governing Board shall be a social function, and for the execution of rights, obligations and responsibilities, the members of the Governing Board shall receive compensation in money for covering their direct financial costs.

The members of the Governing Board may be awarded special awards for their work and contribution to the development and results of work of the Organization on the occasion of celebrating dates and events of importance for the Organization, for which a special decision shall be made.

Article 35

The Governing Board shall have the President and Deputy President.

The President of the Governing Board shall:

- represent the Organization in line with the Statute,
- schedule press conferences and issue press releases on the work of the Organization when necessary,
- in cooperation with the Director, determine the agenda for the session of the Governing Board and schedule the sessions of the Governing Board,
- chair the sessions of the Governing Board,
- propose to the Governing Board the decisions on appointments in the competence of the Governing Board.

The Deputy President of the Governing Board shall replace the President of the Governing Board in his/her absence and shall perform other jobs in the competence of the President of the Governing Board upon his/her authorization.

Article 36

The members of the Governing Board shall have the right and obligation to:

- participate in the work of the Governing Board and work of the working bodies of the Governing Board in which they have been appointed, by giving their opinions and initiatives,
- vote on the decisions from the competence of the Governing Board,
- be informed about the work and results of work of the Organization,
- promote the mission and results of the Organization.

The members of the Governing Board, apart from the rights and obligations from the previous paragraph, may distribute among themselves certain jobs in the field they are interested in (for example: finances and accounting, providing credits to target clients of the Organization, personnel and legal affairs, development and cooperation, computer science and communications, investments, etc.).

Article 37

The Director shall obligatorily participate in the sessions of the Governing Board.

Article 38

The Governing Board shall make valid decisions if a simple majority of the overall number of members of the Governing Board are present at the session.

The Governing Board shall make decisions by a simple majority of votes of the members of the Governing Board.

Article 39

The Governing Board shall have the book of procedures on work which in more details regulates the issues of adopting the agenda, scheduling the sessions of the Governing Board, procedure of voting, drafting the decisions and conclusions from the sessions of the Governing Board, education and work of the working bodies of the Governing Board, distribution of tasks to the members of the Governing Board, etc.

The Governing Board shall adopt the book of procedures at its first session.

Article 40

The Governing Board shall have the following responsibilities:

1. to make decisions or decide on:
 - 1.2. strategic plan of development of the Organization for the period of five to ten years,
 - 1.3. business plans for the period of one to three years,
 - 1.4. budget and rebalance of budget, at the proposal of the Director,
 - 1.5. allocation of profit, at the proposal of the Director,
 - 1.6. Statute and its changes and amendments, with the agreement of the Founder,
 - 1.7. merging, joining or dividing the Organization, with the agreement of the Founder,
 - 1.8. establishment of another legal subject, with the agreement of the Founder, independently or with other co-founders whose activity represents an additional source of funds for its microcredit activity or represents a contribution to strengthening of the microentrepreneurship sector in the Republika Srpska,
 - 1.9. sign and other exterior insignia of the Organization,
 - 1.10. appointment of new and dismissal of current members of the Governing Board, with the agreement of the Founder,
 - 1.11. appointment of the Director, with the agreement of the Founder,
 - 1.12. establishment and appointment of the working bodies of the Governing Board,
 - 1.13. basis of the organization structure of management and administration,
 - 1.14. basis of the work organization in the Organization,
 - 1.15. establishment of the branch bureaus/offices of the Organization,
 - 1.16. making decisions on appointment of persons who are authorized to sign orders,
 - 1.17. getting associated with other associations of microcredit organizations and other organizations in the field of microcredit activity,
 - 1.1.1. basic standards of the results in the business activities of the Organization,

- 1.1.2. investments,
- 1.1.3. signing and executing contracts on work which the Organization has with the Director.
2. to consider and adopt:
 - 2.1. reports on cash flows,
 - 2.2. statement of accounts,
 - 2.3. profit-and-loss statement,
 - 2.4. policy in the work of the Organization,
 - 2.5. analysis and measures of the results,
 - 2.6. reports on the economic and social influence of the microcredit activity of the Organization.

Article 41

The Governing Board shall make its decisions, positions, guidelines, etc. in the form of:

1. Statute or Statutory decisions, if they are intended for changing and amending the Statute,
2. Decisions, if the issues from Article 40, paragraph 1, of this Statute are decided upon,
3. Conclusions, if the reports, policy and balance are considered or adopted,
4. Guidelines or opinions, when considering the drafts or proposals or initiatives for commencing certain activities by the Director, and which are in the competence of the Governing Board.

C) Director

Article 42

The Director shall be an individual body of management of the Organization and all the employees in the Organization.

Article 43

The Director shall appoint the Governing Board with the agreement of the Founder at the proposal of the President of the Governing Board.

Article 44

The Director shall be appointed for the period of four years and may be reappointed several times, if he/she deserves so based on his/her work and results.

Article 45

The rights, obligations and responsibilities of the Director shall be regulated by this Statute and labor contract signed between the Governing Board and Director.

The labor contract from the previous paragraph shall specifically consist of the rights, obligations and responsibilities of the Director included in this Statute, standards of business operations of the Organization, expected results in work,

amount of salary and compensation, as well as the manner and criteria for providing awards for the realized results in work.

Article 46

The Director shall have the following rights, obligations and responsibilities:

1. to make Decisions on:
 - 1.1. internal organization, systematization and description of workplace,
 - 1.2. employment and dismissal of directors of sectors and their assistants,
 - 1.3. salaries, compensations and awards for the sector directors,
 - 1.4. working procedures,
 - 1.5. standards of results per basic and internal organization units.
2. to give agreement on:
 - 2.1. employment and dismissal of employees in basic and internal organization units at the proposal of the sector directors,
 - 2.2. payment of monthly salaries, compensations and incentive payments on monthly basis, at the proposal of the directors of sectors for finance and accounting affairs and director of the sector for all employees,
 - 2.3. standards of results of employees at the proposal of the sector directors.
3. to be responsible for:
 - 3.1. providing donor, concession and commercial resources necessary for financing the activities of the Organization,
 - 3.2. providing conditions for work of the Organization as a whole and employees,
 - 3.3. legality of work of the Organization,
 - 3.4. realizing standards of results of the organization,
 - 3.5. success of operations of the Organization as a whole,
 - 3.6. organization of work of the Organization as a whole.
4. to represent and present the Organization before other subjects,
5. to give orders for the execution of budget together with the Director of the sector for financial and accounting affairs or other person, upon the authorization of the Governing Board,
6. to manage and give orders for the work within the framework of the law and Statute of the Organization to all the employees in the Organization,
7. to propose to the Governing Board:
 - 7.1. strategic plan,
 - 7.2. business plans,
 - 7.3. budget and rebalance of the budget,
 - 7.4. statement of accounts,
 - 7.5. profit-and-loss statement,
 - 7.6. cash flows,
 - 7.7. distribution of profit,
 - 7.8. changes and amendments to the Statute of the Organization,
 - 7.9. merging, joining or dividing of the Organization,
 - 7.10. establishment of another legal person, with the agreement of the Founder, independently or with other co-founders whose activity represents an additional source of resources for its microcredit activity or represents contribution to the sector of entrepreneurship of the Republika Srpska and Bosnia and Herzegovina,
 - 7.11. sign and other insignia of the Organization,

- 7.12. establishment of the working bodies of the Governing Board,
 - 7.13. expansion of the activities of the Organization onto other markets in Bosnia and Herzegovina and out of Bosnia and Herzegovina,
 - 7.14. organization structure of management, administration and supervision,
 - 7.15. structure of basic and internal organization units through which the direct activity of the Organization is conducted,
 - 7.16. policy in the work of the Organization,
 - 7.17. opening up of branch bureaus/offices,
 - 7.18. status changes and changes and amendments to the Statute of the Organization,
 - 7.19. registration of the Organization in line with the law,
 - 7.20. getting the Organization united in the association of the microcredit organizations in Bosnia and Herzegovina and out of Bosnia and Herzegovina,
 - 7.21. standards of the results of the Organization,
 - 7.22. investments,
 - 7.23. reports on economic and social influence of the microcredit activity of the organization on target clients,
 - 7.24. labor contract which the Organization signs with the Deputy General Director.
8. to do other jobs and tasks in line with the Statute and labor contract.

VIII. ORGANIZATION OF WORK

Article 47

The work in the Organization is organized through basic and internal organization units and employees in these organization units, systematized based on the type of job.

Article 48

Professional, administrative, organization, technical and other jobs which are by their character of a predominant financial and legal nature shall be performed through basic and internal organization units and employees in these organization units, and it shall especially be the case with the following jobs:

- 1. approval, payment and repayment of microcredits,
- 2. follow up of the use of microcredit funds by the client,
- 3. financial and operational follow up of the payment of credit,
- 4. accounting and bookkeeping,
- 5. preparation of business plans,
- 6. preparation of reports on business operations and realization of standards of results,
- 7. internal audits, controls and monitoring,
- 8. market investigation,
- 9. preparation of the proposal of microcredit products,
- 10. taking measures and activities towards the delayed credits,
- 11. preparation of the working procedures and their revision,
- 12. opening up of field offices,

13. representation,
14. in the field of labor and legal status of employees,
15. preparation and organization of the managing bodies sessions, management and credit board sessions,
16. development and maintenance of the programs for financing, accounting and financial follow up of the payment of credits,
17. programming, installing and using of the programs specific for the functioning of the microcredit – microfinancial activity,
18. establishment, maintenance and development of computer networks,
19. internal information for the bodies of management, administration and all the employees,
20. training of own personnel,
21. maintaining and securing the business premises – seat of the Organization and all the business premises that the Organization uses out of its seat,
22. collection of funds for financing of the portfolio and operational costs (donor funds, concession credits, commercial funds),
23. planning, establishing and developing microfinancial operations of the Organization out of Bosnia and Herzegovina,
24. establishment, coordination and follow up of the realization of cooperation with the international organizations which finance the operations of the Organization in Bosnia and Herzegovina and out of Bosnia and Herzegovina,
25. cooperation with media and publishing of the promotion and propaganda material.

Article 49

The execution of jobs in organization units shall be based on the working plans, application of the prescribed standards of work, application of appropriate working procedures, as well as on the application of the appropriate modules for credits and accounting.

Article 50

The Director, as manager and organizer of the overall business, directors of basic organization units, managers of internal organization units and employees with special authorization shall be responsible for the organization of work, functioning of organization units and work of employees within the framework of this Statute, business plans, standards of results and prescribed procedures.

Article 51

The decision of the Governing Board shall define in more detail the basis of the organization structure and working organization, and the decision of the Director shall define the rights, obligations and responsibilities of the management, systematization of jobs and description of jobs of employees.

Article 52

The book of rules on work and other books of rules which, in line with the personnel policy determined by the Governing Board and law, are passed by the Director, shall regulate especially the procedure for employment of personnel, obligations and responsibilities of the employees based on work (working hours, working discipline, relation towards the clients, salaries and compensation salaries, incentive payments, awards, dismissals, etc.).

Article 53

The funds for operational costs of the organization units and employees shall be provided for in the budget of the Organization.

IX. ADOPTION, CHANGES AND AMENDMENTS TO THE STATUTE OF THE ORGANIZATION

Article 54

The Statute of the Organization, as well as changes and amendments to the Statute, shall be passed by the Governing Board, with the agreement of the Founder.

Article 55

The initiative for changes and amendments to the Statute may be taken by each member of the Governing Board, each member of the Supervisory Board, Director and Founder.

Article 56

The proposal of the decision on changes and amendments to the Statute of the Governing Board may be submitted by the President of the Governing Board, Director and Founder.

X. TERMINATION OF WORK OF THE ORGANIZATION

Article 57

The Governing Board shall, with the agreement of the Founder, make the decision on the termination of work of the Organization when the purpose of its establishment no longer exists or when even the minimal standards in the business operation of the Organization are not realized for a longer period of time or in other cases when the business operation of the Organization would produce losses or the expansion of work would be disabled for the reasons which are not the result of a bad management of the Governing Board or bad operations of the management.

Article 58

Several microcredit organizations may be merged in a new microcredit organization, by which their existence is terminated, and the new microcredit organization shall become their legal successor.

The microcredit organization may be merged with another microcredit organization, by which its existence is terminated, and the microcredit organization it has been merged with shall become its legal successor.

The microcredit organization may be divided to several microcredit organizations, by which its existence is terminated, and new microcredit organizations shall become its legal successors with solidary responsibility.

Article 59

The decision on merging, joining and dividing of the microcredit organization shall be taken by the Governing Board, in the manner and under the conditions established by this Statute.

Article 60

The decision on the termination of work shall especially consist of:

1. reasons for which the Organization terminates its work,
2. date of the Organization terminating its work,
3. consolidated statement of accounts with the property specification (things, rights and money) and review of the rights and obligations of the Organization with names or titles of the persons towards who the Organization has rights or obligations,
4. designation of the legal successor,
5. program and plan of distribution of funds.

Article 61

In case the decision on the termination of work of the Organization is taken, the Organization shall be obliged to settle all the agreed obligations which the microcredit organization has at the moment of termination of work and business operations.

The Organization shall, after settling the agreed obligations, transfer the remaining funds to the other microcredit organization which has the same or similar activity.

XI. TRANSITIONAL AND FINAL PROVISIONS

Article 62

This Statute shall become effective on the day when the Founder gives the agreement.

Article 63

The provisions of this Statute shall be successively applied, in accordance with the expansion of the Organization.

The provisions of this Statute shall be applied consistently in line with the organization scheme of the Organization.

Article 64

The Statute shall become effective on the day of its adoption, and shall be applied from the moment the Organization is registered.

AGREEMENT
OF THE FUNDER:
Signature illegible

PRESIDENT
OF THE GOVERNING BOARD:
Signature illegible