



# START-UP BUSINESSES A DRIVING FORCE FOR THE ECONOMY



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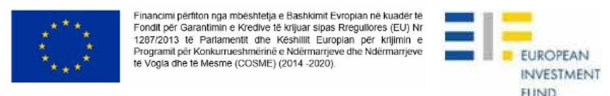
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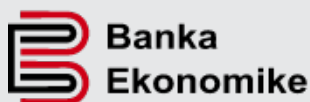


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# FOREWORD SPEECH BY THE MANAGING DIRECTOR

Dear reader,

Welcome to the second edition of the KCGF bulletin.

This time we have decided to discuss about start-up businesses, as one of the most dynamic segments of the market, which promises economic growth, market innovation, and generates employment. However, these enterprises face many challenges in creating and materializing their business idea, while the fact that every new business initiative will be tested in the market and how the final consumer will accept the services and products of the newly established enterprise, increases even more the unpredictability of their success and positioning in the market. It is these two characteristics, on one hand the opportunities they bring to the society and economy of the country, and on the other the high risk in the early stages of operation, which make this market segment an arena of debate on what should be done to provide for a more enabling environment in doing business, which would stimulate an entrepreneurial culture within the society, while minimizing barriers that hinder the success of these enterprises in the market.

Access to finance, as a key factor that enables materialization of a business idea at the early enterprise's "infancy", continues to remain one of the main barriers for success of these enterprises. The lack of business history and lack of collateral as the two main prerequisites for assessing the credit risk, continue to keep these enterprises outside the potential credit market framework. At the same time, the question that is constantly asked is: whether the bank credit as a service, is an adequate form to address the financing problem in the early stages of business creation, or if other more



**BESNIK BERISHA**  
Managing Director  
KCGF

flexible alternatives should be created. At the early stages when the enterprise is being tested in the market, while the cash flow is too fragile to secure a loan repayment in monthly annuities, the hybrid forms between equity and credit, can be considered as more appropriate forms that would enable these enterprises to materialize their businesses idea, and at the same time to enable owners to breathe easier.

As KCGF, with the support of the World Bank under the framework of Strengthening the Banking Sector Project, we have opened a special window with favorable credit risk sharing conditions, in order to increase the confidence of partner banks for lending to this market segment. As part of economic recovery package, KCGF has launched a window for start-up businesses, which guarantees banks up to 80% risk coverage for companies that are in the conceptual stage, or in the first year of operation in the market.



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How important this market segment is to support creation of comparative advantage of our country's economy, and what are the challenges these business initiatives face, will be a special focus of more detailed elaborations by our guests in this bulletin, whom I thank for their willingness and professionalism in addressing such an important topic. It therefore gives me a great pleasure to invite you to read the articles in this edition as we believe that you will find in-depth information and analysis for this market segment and what should be the approach of our society in general to provide for more favorable business environment in order to motivate as many new entrepreneurial initiatives as possible.



# START UP FINANCING THROUGH KCGF

A dynamic and vibrant private sector is crucial for economic growth. In turn the role of firms to invest, create jobs and improve productivity is key to promote growth. Startups may be small and inexperienced enterprises but are the driver of the continued dynamism of the private sector, with the generation of new businesses fostering competition, innovation, and employment. This is even more important in developing and transition economies, which are generally faced with the challenge of finding sources of long-term economic growth, particularly through private sector development.

Although Kosovo's economic growth outperformed other Western Balkans peers in the decade prior to the Covid-19 crisis, it was not able to create jobs, especially for women and the young, or to reduce high unemployment. Sustained job creation can only be driven by private companies that are productive enough to grow and expand. However, Kosovo has been facing challenges in facilitating the entrance of new and productive firms to the market and fostering existing firms to grow.

A recent study<sup>1</sup> using dataset compiled from anonymized tax records complemented by data from the Kosovo Productivity Survey (KPS) revealed that the average annual net rate of firm creation in Kosovo—the difference between firm entry and exit rates—was close to zero, an indication of a lack of dynamism in the last decade, especially for a young economy. Moreover, existing firm's growth and likelihood of survival are also low - especially among micro enterprises.



**MASSIMILIANO PAOLUCCI**  
Country Manager for Kosovo and North Macedonia

There may be multiple regulatory, market or business environment-based factors – often including access to finance constraints - preventing firm's competitiveness and growth which also has a penalizing impact on startups. Lack of sufficient access to finance is often one of the pressing impediments for firm growth. Access to finance problem becomes acute in developing markets where informality is higher and transparency of the borrower's financial statements are lower, thus, intensifying the critical problems that lenders face: asymmetric information<sup>2</sup>, moral hazard<sup>3</sup> and adverse selection<sup>4</sup>.

Lenders typically deal with these problems by requiring borrowers to pledge higher collateral as security against nonrepayment of loans.

1 Firm Productivity Note, Kosovo Country Economic Memorandum, May 2021.

2 Recipients of loans always know more about their businesses than lenders ever can.

3 Since borrowers are using another party's finance, their incentives to take risks increase.

4 If lenders overprice risk, the only borrowers to which they can lend are those who earn very high rates of return on their investments. The risk of nonrepayment of loans increases in these cases.

This takes a higher toll on funds available to startups and Micro, Small and Medium Size Enterprises (MSMEs) which are generally perceived to be riskier.

Access to credit is low and biased toward short-term financing in Kosovo – like many other developing markets. Only one-third of firms have access to formal credit. About 70 percent of loans granted have terms no longer than three years, suggesting that the local financial system is not providing enough capital for long-term investment which, in turn, reflects an increasing degree of riskiness of private sector companies and short-term funding sources of financial sector.

Larger firms in more concentrated sectors are more likely to get access to credit while MSMEs and startups are particularly deterred by the lack of access to formal financing<sup>5</sup>. Overall, 47 percent of the firms in Kosovo identify access to finance as a major obstacle, highest in the region<sup>6</sup>.

Covid-19 affected MSMEs the most, especially in sectors under lockdown and exacerbated access to finance problems through its impact on both the demand and supply sides. Covid-19 related shocks stressed private sector balance sheets and potentially worsened the bankability of many borrowers, in particular that of more vulnerable startups and MSMEs.

The Kosovo Business Pulse Survey undertaken by the World Bank during mid-2020, indicated that more than half of the companies covered by it are expected to fall into arrears by the end 2020.



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On the supply side, banks dominated the domestic financial sector, which was already characterized by low domestic credit penetration (42 percent domestic credit to GDP ratio) prior to the pandemic. While banks have largely preserved their capital and liquidity buffers, the challenges associated to potential asset quality and declining profitability made banks more selective in lending, which ultimately slowed down loan growth in 2020<sup>7</sup>. Banks have become more risk-averse against lending to startups and MSME, thus widening the access to finance gap for these groups. Banks have become more risk-averse against lending to startups and MSME, thus widening the access to finance gap<sup>8</sup> for these groups.

5 Firm Productivity Note Kosovo Country Economic Memorandum May 2021- analysis based on Credit Registry Data.

6 World Bank Enterprise Surveys.

7 While banks continued to extend new loans especially to the enterprise sector, loan growth slowed down from around 10 percent in the beginning of 2020 to 6-7 percent range in the rest of the year.

8 According to IFC SME Finance Forum data MSME access to finance gap in Kosovo was estimated around 5.5 percent of GDP (around US\$ 350 million) before Covid-19 shock.

Against this backdrop, KCGF, in cooperation with the World Bank, has stepped up its programs targeting the most vulnerable firms affected by Covid-19 with the objective of shoring up production, employment, and growth. KCGF support is the key element of the Government's Economic Recovery Program (ERP) focusing on private sector. KCGF's ERP package is backed up with a single-tranche EUR 21.5 million<sup>9</sup> capital injection provided as financing to the Government of Kosovo through the World Bank's Financial Sector Strengthening Project (FSSP).

KCGF's program under the ERP encompasses dedicated windows that are targeting the most vulnerable groups



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including manufacturing MSMEs, women entrepreneurs, and start-ups. The KCGF ERP package was designed to share risk<sup>10</sup> with banks to facilitate their lending to MSMEs that, although affected by Covid-19, and despite lacking sufficient collateral and, or credit history, remained financially viable.

The recently introduced Startup Window is expected to address access to finance constraints faced by startups and facilitate entrance of new and more productive firms into the market while also fostering growth of existing young firms. KCGF undertook comprehensive consultations with banks before launching this window and developed window requirements by taking the bank's views into consideration. Feedback received from the banks indicates that startups are considered as a high potential group, while at the same time they are placed in a higher risk category due to their lack of credit history, sufficient collateral, and exposure to Covid-19 impact.

All stakeholders also mutually agree that it is essential to support startups as they are pivotal for a dynamic private sector generating new businesses, fostering competition, innovation, and employment. Demand for KCGF guarantees targeting the vulnerable groups including startups is expected to grow over time, with a wider range of products and delivery channels becoming available (i.e., microfinance). The World Bank will continue supporting KCGF initiatives that are key to leading to a more inclusive financial sector. On the other hand, these initiatives should be complimented by other structural reforms aimed at deepening and diversifying the financial sector as well as enhancing the business environment.

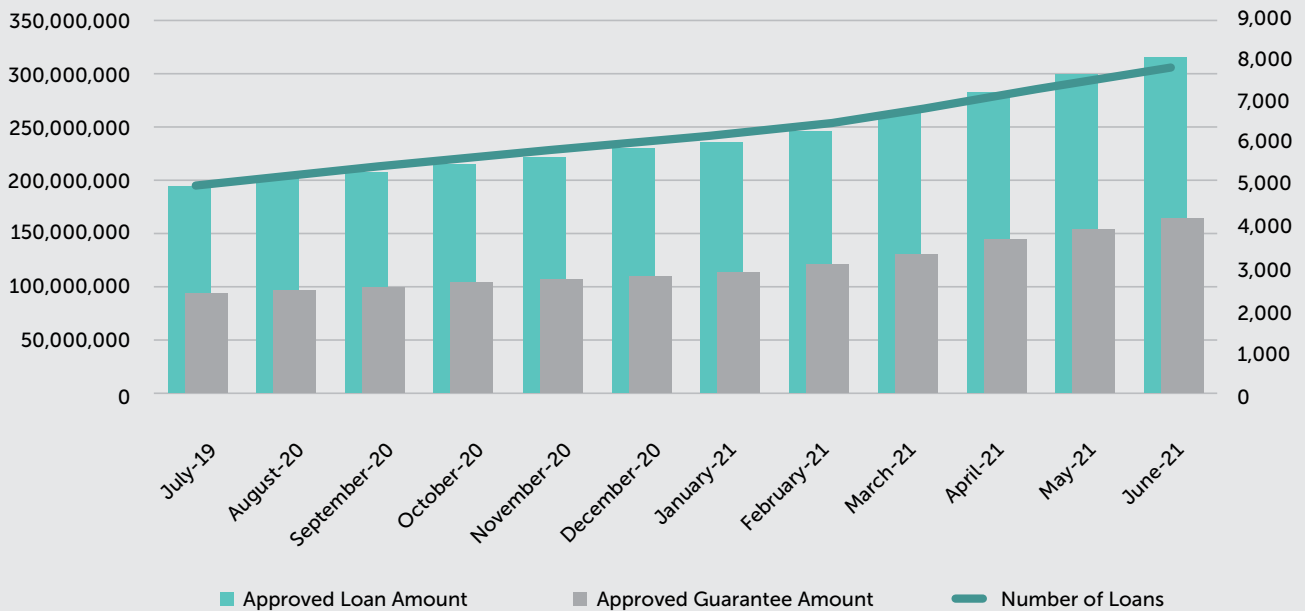
<sup>9</sup> Total project cost of the FSSP is EUR 22.3 million with a EUR 0.8 million for Technical Assistance component.

<sup>10</sup> Up to an increased coverage of 80 percent of the loan amount compared to the previously available 50 percent.

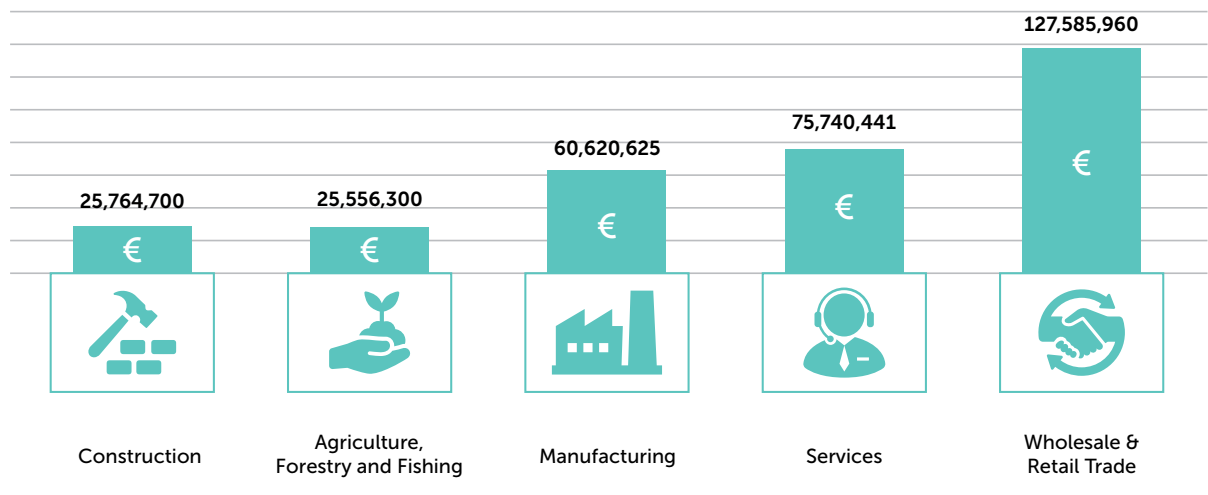




## APPROVED LOANS



## LOANS BY ECONOMIC SECTORS



## TURNOVER INCREASE

By 30 June 2021  
**7,914**  
loans to MSMEs



foresee  
**359.8 million EUR**  
or more than 11% increase over the current turnover base of respective MSMEs.

# STRENGTHENING START-UP BUSINESSES THROUGH ACCESS TO FINANCE

More than 90% of businesses registered in Europe and even globally are estimated to be small and micro enterprises. These businesses are the main employers in world economies, contributing to the reduction of unemployment and increasing the welfare of the society as a whole.

The development of SMEs varies from one country to another and according to reports of the Organization for Economic Co-operation and Development (OECD) they depend on the overall development of their respective countries and mainly face similar issues such as access to finance - especially for start-up businesses, inefficient corporate governance, and other similar challenges.

Start-up businesses are very important for country's economy as they create new jobs, introduce innovation to the market with new products and services, thus increasing competitiveness of companies in the country, which will inevitably bring better quality products. Based on the data published by the Kosovo Business Registration Agency (KBRA), every calendar year on average about 10,000 businesses are established, over 95% of which are micro enterprises with up to 10 employees.

These businesses tend to grow up to a certain point and then stagnate. In the first phase of their operations, start-up businesses in Kosovo face an existential crisis, in the sense that they cannot generate sufficient turnover, and as a result, cannot increase and expand their economic activities, neither in terms of capital nor as an employer.



**ARTION CELINA**  
Chief Executive Officer  
The Bank for Business (BPB)

The results of an analysis conducted by the BPB indicated that the main reasons why this occurs are:

- *Start-up businesses do not have access to finance;*
- *Limited knowledge of doing business;*
- *Lack of experience;*
- *Lack of financial and managerial education;*

Financing start-up businesses remains the main barrier/challenge that these businesses face, considering their limited access to financial system. Their only option remains other financial instruments such as family savings or various grant schemes.

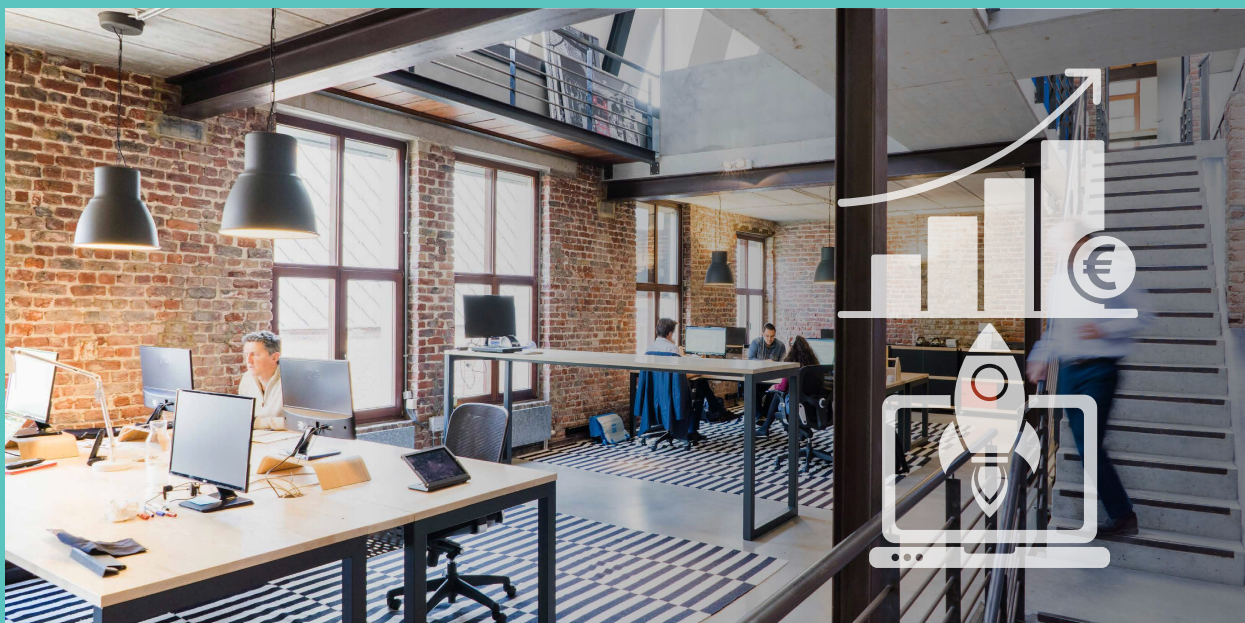
The Bank for Business has developed a wide and innovative range of financial and non-financial services dedicated to small and micro business market, including start-ups. The targeted approach towards financial and non-financial services has made us different and has had an impact in our advancement and positioning in the market. Providing innovative and quality services in order to develop businesses makes the BPB a pioneer in financing marginalized groups and start-up businesses. In this regard, BPB has launched the 'Financial Inclusion' project in 2019, which aims to provide financial and non-financial services to start-up businesses and those run by marginalized groups. One of the core objectives of financial inclusion is to provide businesses with no banking history access to finance in order to meet their business needs. A number of these businesses, after the initial funding, were refinanced in order to develop and expand their business, which confirmed the adequate doing business model in terms of financial inclusion from our side. With this project, BPB became the leader of including start-up businesses in the financial sector, where in addition to financial services, we have also included non-financial services which are used to help increase managerial capacities, increase efficiency and effectiveness of doing business and non-financial education in general. This is particularly important for the new

businesses' ecosystem, given that they are most at risk of being overlooked in terms of access to finance and non-financial services. This ecosystem will provide for the creation of stable and long-term businesses and will lead to economic growth and as a result will have an impact on the well-being of society as a whole.

The focus of BPB start-up financing is, but is not limited to:

- Women-owned businesses;
- Marginal groups of society - social inclusion;
- Businesses with new and innovative products and services;
- Manufacturing businesses;
- Businesses implementing renewable energy and energy efficiency programs;

BPB will continue to reflect and provide innovative services specifically designed to develop these businesses, and as result, domestic economy. So, we aim to strengthen our position as a leading bank for small and micro and start-up businesses, by setting high standards and providing quality financial and non-financial services for these types of businesses.



# CONTRIBUTION TO THE SECOND EDITION OF THE KCGF BULLETIN ON STARTUPS OF KATRIN STURM, SECRETARY GENERAL OF AECM

Small and medium-sized enterprises (SMEs) contribute decisively to innovation, growth, job creation and social cohesion. This applies particularly to start-ups which also represent a force for renewal and improvement by introducing new products and services to the economy. To reach their full potential, SMEs and entrepreneurs need the financing necessary to start, sustain and grow their business. However, it is generally acknowledged that SMEs are typically at a disadvantage when accessing finance, owing to opacity, under-collateralization, high transaction costs and lack of financial skills.

This disadvantage becomes even more severe in times of crisis: Right from the start of the COVID-19 pandemic, SMEs were at the center of the disruptions with their revenues and profitability being hit extremely hard, creating acute liquidity shortages for many. However, thanks to the strong support of governments from the regional to the European level rolling out extensive support measures of fiscal, monetary, and regulatory nature, bank lending remained available for SMEs and entrepreneurs including start-ups. One measure used successfully by all governments to address this challenge of keeping bank lending ongoing is the guarantee instrument.

The reason why guarantees are so effective in addressing the market failure that SMEs and entrepreneurs face in getting access to finance are numerous. They apply in normal times as well as in times of crisis and are especially valid for start-ups: When applying for a loan, banks generally ask for collaterals to minimize their risk. Often entrepreneurs do not have sufficient collaterals, especially when founding a



**KATRIN STURM**

Secretary General  
European Association of Guarantee  
Institutions, AECM

company. Therefore, AECM's members provide a guarantee as the missing collateral. In 2020, the average coverage rate of guarantees provided by AECM's 48 members amounted to 70%. Thus, the remaining risk of the bank reduced to an average 30%.

The lower the risk for the bank implies a better rating of the borrower resulting generally in better credit conditions, which compensate for the guarantee fee.

For the bank, the guarantee facilitates the approval of new loans, thereby enabling the bank to increase its lending activity. This additionality of the guarantee implies more money in the economy and job creation. Furthermore, in many countries the guarantee has a positive effect on the equity capital requirements of the bank lowering the level of equity needed.

Another reason for the success of guarantees is the expertise provided by guarantee institutions with which a substantial contribution towards the positive development of the project to be financed is made. Almost all members of AECM provide their guarantees on a case-by-case basis. This means, that every application is examined individually in collaboration with the borrower. This special customer proximity implies that AECM's members do not only analyze the documents delivered but, in addition, ask questions thereby helping the applicant: they might find out that crucial information is lacking and accordingly, the application can be completed; or the questions might lead to an adaptation of information given, for instance, an adjustment of the business plan or of the business model. Consequently, thanks to the expertise of the guarantee institutions not only the quality of the loan application but also of the project as such get improved.

This positive effect of the guarantee of bringing in profound knowledge looking for every positive element and of possessing market proximity is all the more true for start-ups who do not possess any history and accordingly constitute a higher risk. Whereas well established companies can prove their respective situation by means of balance sheets and of past developments, start-ups do not have any track-record. Thus, the individual assessment of soft factors, like the management quality or business prospects, becomes decisive. The correspondingly higher time in assessing the application in a flexible way is to be explained by the promotional mission of AECM's members. Usually, AECM's members can also rely on a broad network of support, e.g. collaborating closely with professional associations, accountants, chambers, etc. and / or having entrepreneurs in the committee granting the guarantee.

Quite some guarantee institutions consider the particular circumstances and characteristics of start-ups by setting-up dedicated programs (e.g. the "Start Guarantee" of Finnvera / Finland, the



**During the pandemic, the awareness of the positive effects of the guarantee instrument and the recognition of its high importance also for start-ups has been substantially increasing which is also proven by the outstanding guarantee volume of AECM's members: it increased from 110 billion EUR end of 2019 to 363 billion EUR per 31 December 2020.**

"Prêt SOCAMA Création" of the SOCAMA / France, the "Start-up Nation Romania" of FNGCIMM / Romania, etc.). Others offer their guarantees to start-ups on better terms: The higher the degree of the promotional effect, the more favourable the conditions become for the borrower (e.g. aws / Austria requests a lower guarantee fee for founders compared to the financing of classical SMEs). Yet, all members of AECM have the aim in common to encourage entrepreneurship, to increase the rate of business creation and to improve survival prospects.

During the pandemic, the awareness of the positive effects of the guarantee instrument and the recognition of its high importance also for start-ups has been substantially increasing which is also proven by the outstanding guarantee volume of AECM's members: it increased from 110 billion EUR end of 2019 to 363 billion EUR per 31 December 2020. This was also made possible thanks to the

strong coverage in form of counter-guarantees from public authorities, thereby increasing the leverage effect underlining the cost-efficient effect of the guarantee.

With their activity, guarantee institutions ensured that also start-ups, thus also young, innovative technology companies have access to finance. Whereas business creations in sectors such as retail and horeca decreased or even stopped (e.g. MC / Luxembourg), the demand in the tech sector has significantly increased. Consequently, the pandemic either did not change the percentage of guarantees provided to founders (e.g. INVEGA / Lithuania) or this percentage even increased (e.g. VDB / Germany). Accordingly, the promotion of start-ups remains a major share of the activity of guarantee institutions (e.g. aws / Austria more than 50%).

Turning to the future, SMEs must manage the recovery and the twin transition to a green and digital economy, meaning more investments are needed. Especially innovative and nimble start-ups can contribute to the disruptive and radical innovations needed for the green transition. In addition, measures taken during the pandemic to address the economic consequences like tax deferrals / reductions, wage subsidies, eased insolvency and state aid laws, loan deferrals, moratoria on debt and interests will come to an end putting SMEs at risk of over-indebtedness.

The banking sector which started much stronger in the current health crisis than in the global economic and financial crisis faces nonetheless several challenges: Low interest rates which are expected to continue, costly in-house investments in digitalization and greening plus loan portfolios which deteriorate due to the economic consequences of the pandemic, meaning there will be less money for recapitalization. Thus, a great need for risk-sharing remains.

In this consequently continuing tense economic situation, guarantee institutions remain imperatively needed to support start-ups like all SMEs and entrepreneurs to successfully access finance to do the right investments in growth, sustainability, digitalization, and innovation to be and to remain competitive and resilient.

## BACKGROUND INFORMATION ABOUT AECM:

AECM is the European association of guarantee institutions and the acronym comes from the French name "Association Européenne de Cautionnement". AECM was founded in 1992 by 5 mutual, private guarantee institutions and since then has been constantly growing having nowadays 48 members from 31 countries in Europe. The Kosovo Credit Guarantee Fund (KCGF) joined AECM in 2018. AECM's members are in many regards heterogeneous, yet, they all have in common to provide a guarantee as missing collateral to enable access to finance for SMEs.

AECM's members operate with counter-guarantees from regional, national and European level and are by far the most important counterparts of the European Investment Fund (EIF) concerning EU counter-guarantees, handling EU guarantees from the very beginning in 1998. Also the KCGF uses an EU counter-guarantee of the COSME Loan Guarantee Facility.

Furthermore, AECM has 3 partners who are supranational organisations. These are the SME Finance Forum which belongs to the World Bank Group, REGAR which is the equivalent of AECM for Iberoamerica and the Euro-Mediterranean Guarantee Network.

# STARTUP - A GOOD OPPORTUNITY FOR AN ECONOMIC TURNAROUND!

Kosovo is at the crossroads in terms of economic transformation. Poor economic performance compared to countries of the region, which is also reflected in a high negative trade balance and increased unemployment, requires an urgent intervention in both approach and structure.

The COVID-19 pandemic also showed an alarming level of unpreparedness to face the present challenges that are mainly related to digital services.

This pandemic could be a turning point from which Kosovo can benefit by seizing the opportunity for transforming the economy and for overall development, focusing more on innovative activities based on knowledge economy and engagement of youth and diaspora.

There are some strategic approaches that can change, but terms or concepts that will be inevitable are: innovation and startup businesses. Innovation and entrepreneurship will be critical to national development and progress, but will also determine the competitiveness of domestic economy.

Today, Kosovo does not have a clear vision to develop new startup businesses, or even to develop innovation as a way to stimulate entrepreneurship in the country. The lack of a clear vision subsequently translates into the lack of necessary legislative infrastructure to support and stimulate start-up businesses, lack of alternative financing, but also lack of systematic support of entrepreneurial ecosystem. Unfortunately, the only support this ecosystem receives today is from donor



## URANIK BEGU

Executive Director  
Innovation Centre Kosovo

projects, and draining of these funds puts at risk the sustainability of a few good domestic initiatives that push forward and develop startup and innovation in the country.

Organisations that support innovation and start-up businesses, such as Innovation Center Kosovo, but also new businesses, especially those in the field of information and technology, have proven that this sector has a good potential not only to create new jobs, but also to be the driver of overall economic development in the country.

The ICT sector is the only sector that has a positive trade balance, and the growing global demand for digital products and services only reinforces the narrative and argument that it is the investments in knowledge and startup businesses that bring economic benefits to the country.

To create a sustainable and efficient ecosystem, Kosovo needs to focus its efforts on the following areas:

- *Development of a conducive environment for innovation and entrepreneurship (start-up)*
- *Strong support for promoters of innovation and entrepreneurship*
- *Focus on priority sectors that will bring about change and economic growth.*

A conducive environment for startups and innovation requires engagement of all actors, including (central/local) government, business community, associations, universities and diaspora, but also a better donor coordination in order to achieve a clear vision for the economic future of the country. Such environment requires that there should be a purpose, and based on this purpose develop policies that support startups with different incentives, services, and support for programs that provide support.

In brief, a suitable environment should also create conditions for investors who today in Kosovo do not have a platform (accelerator/fund) which they would use to invest their capital.

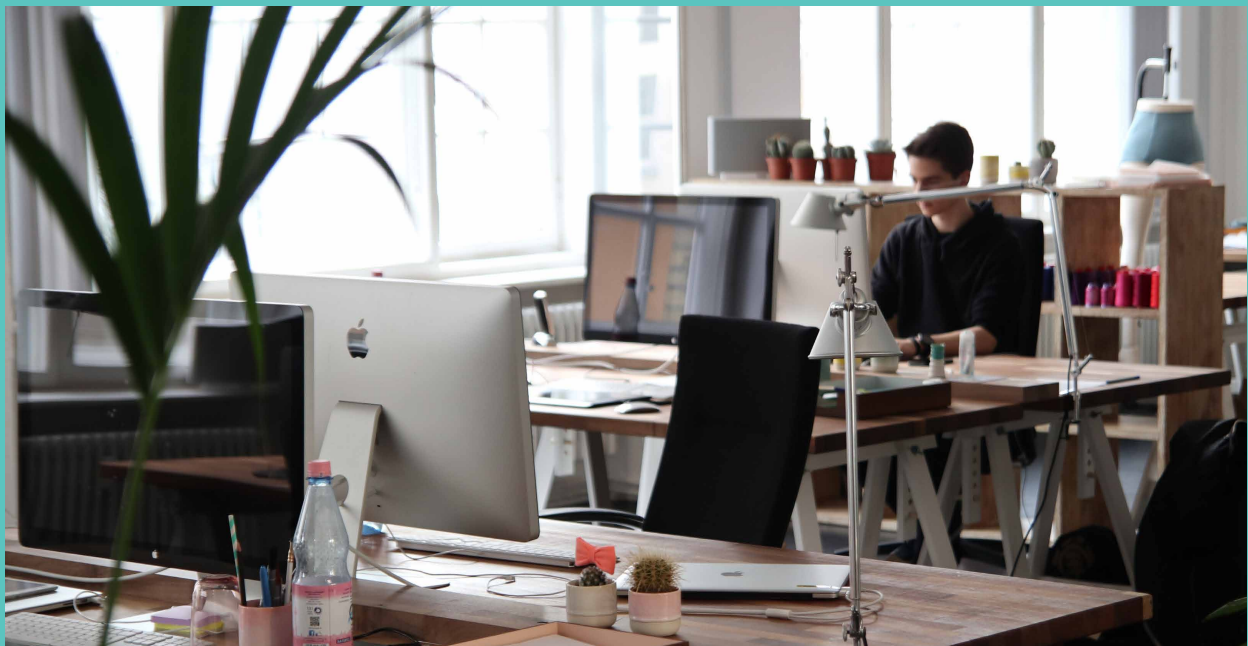
Adequate environment should not only target local startups, but should rather be ambitious and position Kosovo as a country of opportunity in the region, and also be attractive for startup businesses from the region and Europe.

The support should focus on the very categories where innovation, energy and entrepreneurial spirit come from. The focus should absolutely be on young students and numerous programs should feed-in this category of entrepreneurs, but it should also focus on supporting corporate entrepreneurship, and on ideas and energy that comes from the diaspora with the purpose of creating in Kosovo.

The sectors that seem to have the potential are information technology, but also sustainable innovation and social entrepreneurship.

Kosovo has the potential and preconditions for development, but this potential is not timeless.

In a country where the entrepreneurial spirit and entrepreneurship die, so does hope. Kosovo today more than ever needs hope, prosperity and a clear vision for its youth. We need to act fast because we are already late.





# IF YOU CAN IMAGINE IT, YOU CAN MAKE IT!

BONEVET is a non-governmental and non-profit organization with the status of public beneficiary operating as a non-formal educational institution, established for the first time in 2014 in Gjakova. The early days of the organization were followed with numerous challenges. The first being to raise awareness about the need to change the existing outdated educational approach and transform it into an education with the student in the center and where entertaining and technology are used as effective learning tools. In this respect, encouraging girls to be part of science and technology fields, just like boys, is an objective that is gradually being achieved. On the financial side, the purpose of BONEVET, as organization operating as a social enterprise, is to be financially self-sustaining, therefore, increasing the quality of services, the impact it has on society and cooperation with national and international partners remain ongoing challenges.

The key mission of BONEVET is to create democratic, competent, and engaged citizens, who are capable to create a better future for themselves and community. This mission is supported through the network of BONEVET organizations, which are based on creative learning environments, as platform where children and young people are encouraged to discover talents and develop skills, by nurturing human values.

“Our vision is to build a sustainable network of learning and training environments, based on the model of BONEVET, in the major centers and rural places throughout Kosovo. We believe that building a new generation of productive problem-solvers, critical thinkers, creative and technically skilled



## ARBËR LLESHI

Managing Director of BONEVET Gjakova  
BONEVET FOUNDATION

young people with entrepreneurial spirit will represent a strong foundation for the future development of our society”, says Mr. Vllaznim Xhiha, founder of BONEVET.

Currently, BONEVET is open in Gjakova (2014), Prishtina (2017), Kaçanik (2019) and Kamenica (2021) and soon in Mitrovica and Peja. In order to fulfill its mission and vision in the formation of citizens who will then create their own enterprises (start-ups) and have impact on economic and social life in the country, BONEVET relies on three main programs:

- **BONEVET Education** is the introductory program, consisting of a STEAM (Science, Technology, Engineering, Arts and Mathematics) classes program for ages 5-14, and vocational training (15+) in which students learn by creating and are encouraged to become independent students, discover their skills, talents and develop them with passion.

- **BONEVET Lab**, the so-called Project Based Learning Program, where students, as annual creators, gain and conduct research, solve problems, develop judgment, decision-making and other technical skills related to projects they are working on.
- **BONEVET Incubator** is the third program, in which through a series of advanced training, mentoring, and networking, students gain entrepreneurial and managerial skills. Students use these skills to create their own startups, based on their initial ideas, and to succeed in their endeavors.

BONEVET Incubator, a program in the making by BONEVET, is based on two levels. The first is organized in the form of workshops for BONEVET creators and external students. In addition to encouraging them to develop their entrepreneurial spirit, students gain several basic skills that are essential for entrepreneurs who in the future may want to start their own businesses.

Second is organized for internal and external young people who are interested in establishing their own startup. When prepared and ready, the most successful teams will have the

opportunity to present their business ideas to a group of entrepreneurs, who will assess and give them the green light to establish a startup.

In the very beginning of BONEVET Incubator, in cooperation with local and foreign partners, BONEVET has brought for the first time in Kosovo Climate Launchpad, the largest green business ideas competition in the world. This competition is one of the key products for EIT Climate-KIC, the EU's main climate innovation initiative. The application for ideas for 2021 is to be submitted by June 13th.

The best green ideas will make it to the National Final and compete against each other at getting one of the 3 seats for the Regional Finals. If they are successful in the Regional Finals, they will get a seat at the Global Climate Launchpad Final. The best green ideas will be exposed to customers, business community and capital. National finalists will be awarded non-monetary prizes, while the Global Climate Launchpad finalists will have numerous monetary and non-monetary benefits.



# WHITE TREE

## A START-UP IN PEJTON NEIGHBORHOOD

The White Tree is a restaurant in Prishtina, founded in 2020 by three former friends/colleagues.

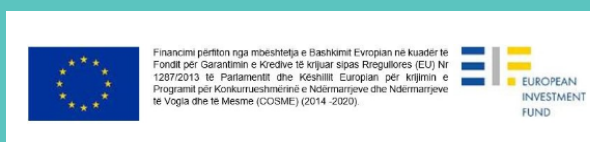
*“Establishing a business from scratch is a challenge. Therefore, in addition to the financial aspect, starting a new activity is easier if you do not do it alone but together with partners. We started our business in 2020 right at the outbreak of the pandemic. It was a joint initiative of partners to introduce a new concept with a quality service in the neighborhood we operate”,* says Mr. Durim Xhiha co-owner and business director of The White Tree.

The White Tree employs 19 workers and is currently in the process of expanding with 6 more workers. Women empowerment is one of the objectives of founders, so it is planned to further increase the women representation from the present 40% to 60%.

*“Investments in the business were mainly made with the co-founders’ capital, but still there was a need for an additional injection in order to complete the investments for furnishing the restaurant. We managed to make this investment with the loan that was guaranteed by the Kosovo Credit Guarantee Fund”,* states Mr. Xhiha.

With this investment business managed to functionalize the restaurant space making it ready to start with the activity.

This investment was supported with a loan guaranteed by the Kosovo Credit Guarantee Fund together with the COSME Program of the European Investment Fund which are supporting MSMEs access to finance at different stages of their life cycle like: establishing, expanding, or transferring business.



The support for this investment came through with the loan guaranteed by the Kosovo Credit Guarantee Fund, together with the COSME Program of the European Investment Fund supporting access to finance for MSMEs at different stages of their life cycle, such as during the creation, expansion, or transfer of business.



# ACHIEVEMENTS BY 30 JUNE 2021

## 12,592

NEW JOBS CREATED

947



Agriculture,  
Forestry and  
Fishing

2,533



Manufacturing

4,258



Wholesale and  
Retail Trade

1,141



Construction

3,713

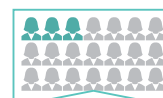


Services

An estimation reported by the beneficiaries

## LOANS TO WOMEN IN BUSINESS

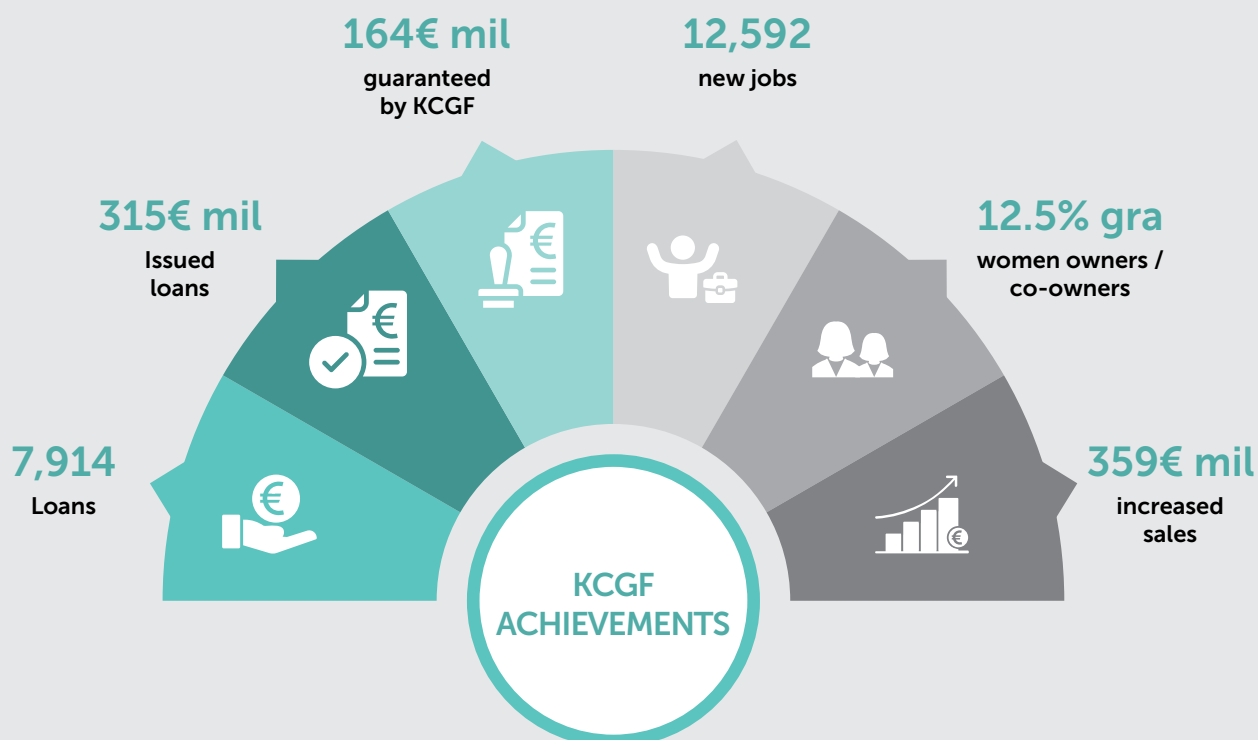
12.5% of guaranteed loans  
are for female entrepreneurs



12.5%



## KCGF ACHIEVEMENTS AS OF 30 JUNE 2021



# KCGF IMPLEMENTS GUARANTEE WINDOWS UNDER THE ECONOMIC RECOVERY PACKAGE

**January 2021** - The Kosovo Credit Guarantee Fund signed guarantee agreements with Financial Partner Institutions for guarantee windows under the Economic Recovery Package. With the signing of guarantee agreements with partner financial institutions began the implementation of guarantee

windows of Economic Recovery Package. This Package envisages to increase the credit guarantee coverage up to 80% of the loan value, providing opportunities to include farmers with Farmer Identification Number. The guarantee windows under this Package are expected to support access to finance for MSMEs worth up to € 202 million over a one-year period.



# KCGF REPRESENTATIVES RECEIVE GOVERNOR MEHMETI AND THE CBK REPRESENTATIVES

**February 2021** – Chairman of the Board of Directors of KCGF, Mr. Gjonbalaj and KCGF Managing Director, Mr. Berisha, received the Governor of the CBK, Mr. Mehmeti, Deputy Governor Mr. Havolli, and Governor’s Chief of Cabinet, Mr. Miftari. During the meeting, representatives of the two institutions discussed about developments in general and about new opportunities to facilitate access to finance for businesses in order to cope more easily with financial burden during their process of recovery and development.



# KCGF SIGNS AGREEMENTS WITH TWO MICROFINANCE INSTITUTIONS

**May 2021** - Kosovo Credit Guarantee Fund signs a guarantee agreement for guaranteeing agricultural loans under the Agro Window with two largest Microfinance Institutions in terms of the number of active loans - KEP Trust and FINCA Kosovo. This event is a key momentum for KCGF and microfinance sector providing agricultural loan guarantees to local farmers and agribusinesses.



# EUROPEAN INVESTMENT BANK AND MINISTRY OF FINANCE SIGN FINANCIAL AGREEMENT FOR KOSOVO

**June 2021** - The European Investment Bank (EIB) and Ministry of Finance sign the Financing Agreement for Kosovo to support access to finance for MSMEs. The € 40 million loan provided by the EIB to Kosovo is dedicated for access to finance for MSMEs affected by COVID-19. This project will be implemented through Kosovo Credit Guarantee Fund in order to address one of the main private sector concerns, which is the continuation of activity by making investments in the recovery phase. KCGF has enthusiastically welcomed this event ensuring that through this scheme, with the highest level of professionalism it will continue efforts to combat negative effects of COVID-19 pandemic.



## KCGF ATTENDS THE VIRTUAL FORUM HOSTED BY AMCHAM

**February 2021** – Managing Director of Kosovo Credit Guarantee Fund, Mr. Besnik Berisha participated in the virtual forum organized by AmCham on the possibilities for facilitating access to finance in the recovery phase. In this panel Mr. Berisha informed the participants about the current activities of the KCGF and the measures undertaken by the KCGF, in cooperation with the Government of Kosovo and international donors, to support MSMEs facilitating access to finance in the recovery phase.



## KCGF PARTICIPATES IN THE MEETING WITH BUSINESS AND COMMERCIAL BANK REPRESENTATIVES ORGANIZED BY THE CBK

**March 2021** - The Central Bank of the Republic of Kosovo organized meetings with representatives of businesses and commercial banks. In these meetings, management of KCGF informed the participants about the developments of the Institution in general, measures undertaken regarding the implementation of Windows under the Recovery Package and plans for future developments related to facilitating access to finance for micro, small and medium enterprises in Kosovo, increasing employment and supporting economic development of our country.



# KCGF PART OF THE THIRD EDITION OF KOSOVO SUSTAINABLE DEVELOPMENT WEEK

**April 2021** – Kosovo Credit Guarantee Fund was part of the event “Export Financing Mechanisms” organized by the USAID Compete Activity project. Managing Director of KCGF Besnik Berisha was part of the virtual panel “Export Financing Mechanisms”, in which he informed the participants about achievements of the Fund over the years, current activity of KCGF, and what is the strategy of the institution to address the issue that was subject of discussion at this event. In this occasion, Mr. Berisha informed participants that in the ERP, KCGF has designed windows that address the production sector, which is potential sector that would help to increase exports.



# KCGF CELEBRATES THE 5TH ANNIVERSARY OF ITS LAUNCH

**April 2021** - The Kosovo Credit Guarantee Fund marked the fifth anniversary of its establishment as an independent institution. During these 5 years, the Fund has worked tirelessly, being proactive to the needs of the sector, continuously improving processes, eligibility criteria, advancing guarantee products and doing its best to be an exemplary institution and contributor to country’s economy. In honor of the 5th anniversary of its establishment, KCGF has decided to donate to the capital of Kosovo ten linden trees in the campaign of Municipality of Prishtina “Be a friend of Prishtina”, which were planted in the Memorial Complex.



# MEETING WITH REPRESENTATIVES OF RETAIL NETWORK

**May 2021** - Representatives of Kosovo Credit Guarantee Fund met with representatives of the Retail Network, where they discussed the challenges of retailers and the KCGF credit guarantees as an opportunity for easier access to finance.

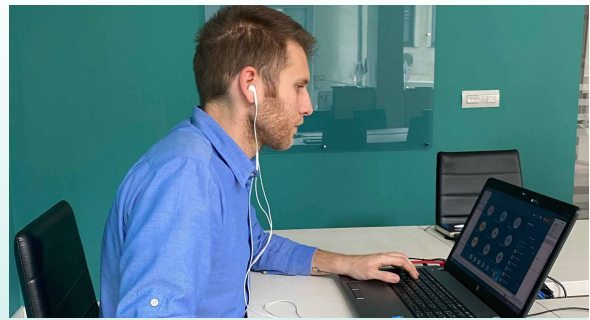


# TRAINING TO ENHANCE KNOWLEDGE ON ENVIRONMENTAL AND SOCIAL MANAGEMENT SYSTEMS

**March/June 2021** - The Kosovo Credit Guarantee Fund through the Environmental and Social Management System (SMMS) strives to ensure that guaranteed loans have minimum impact on environment and society.

In order to implement this activity as best as possible, in addition to the support provided to Partner Financial Institutions (PFIs) for implementation of ESMS, it

has also held trainings with PFI staff on the main elements of ESMS and process of categorization, analysis and mitigation of environmental and social risks. Number of trainees during this half year has reached 436.



## ORIENTATION SESSIONS ON THE KCGF GUARANTEE SCHEME

The Kosovo Credit Guarantee Fund held orientation sessions with the staff of FINCA Kosovo and KEP Trust. The focus of the session was on the role of KCGF and Agro Window in particular, providing them the opportunity for greater involvement in financing local farmers. In this way, KCGF provides for the inclusiveness of clients who are typically funded by these Microfinance Institutions. Among others, the staff was trained on Environmental and Social Management System.



## KCGF FRAMEWORK FOR IMPLEMENTATION OF ENVIRONMENTAL AND SOCIAL MANAGEMENT SYSTEM FOR PFIs

**June 2021** - In line with our institutional efforts to contribute to economic development with full responsibility for environment and society, ensuring that guaranteed loans will be subject of environmental control and due diligence, KCGF has fully implemented the Environmental and Social Management System (ESMS). To achieve this goal, KCGF together with the World Bank Group has developed an ESMS for Partner Financial Institutions (PFIs) that did not have ESMS before and provided appropriate support and training to relevant staff in order for the PFIs to implement ESMS as easily as possible, and to easily identify and assess environmental and social impacts prior to the project initiation phase. By implementing these steps, Banks will monitor and mitigate the adverse environmental impacts of the funded projects.





# KCGF ADVANCES DISCUSSIONS TO INTRODUCE ENERGY WINDOW

During the past few months, the Kosovo Credit Guarantee Fund - as an institution focused on supporting the promotion of investments even in disinclined sectors, though considered to bring sustainable economic development and environmental and social improvement - has worked hard towards the introduction of its Energy Window.

Following up on the agreements signed last year between the Millennium Foundation Kosovo (MFK) and the Kosovo Credit Guarantee Fund (KCGF), during this semester, KCGF engaged in a series of meetings and working groups with MFK, as well as the team from Financial Market International (FMI), a contractor provided by MCC/FMC, supporting KCGF in establishing its Energy Window.

These working groups developed the design of the guarantee-window together with its features and qualification criteria, business plan, as well as the technical assistance focused on supporting MSMEs.

Meanwhile, in support of this window, the U.S. International Development Finance Corporation (DFC) Delegation expressed interest in contributing to an enabling environment for private investment in the economy of the Republic of Kosovo.

As a result of this interest, KCGF held a series of meetings with DFC, where KCGF went through due diligence process and at the same time worked with DFC on devising a guarantee agreement on the credit counter guarantee scheme, which by assuming a share of credit risk, will support KCGF to increase its portfolio of guarantees for investments in renewable (solar) energy and energy efficiency.





FONDI KOSOVAR PËR GARANCI KREDITORE  
KOSOVSKI FOND ZA KREDITNO JEMSTVO  
KOSOVO CREDIT GUARANTEE FUND

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