



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

ANNUAL REPORT

2023



2021

2019

RAPORTI VJETA
2018

RAPORTI VJETA
2017

BB

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PART I



The background features several overlapping, flowing, organic shapes in various shades of teal and light blue. These shapes create a sense of movement and depth, with some appearing as solid bands and others as more ethereal, overlapping layers. The overall composition is clean and modern.

BACKGROUND

FOREWORD OF THE CHAIR OF THE BOARD AND THE MANAGING DIRECTOR

Dear All,

As we reflect on the journey of the Kosovo Credit Guarantee Fund over the past year, we are pleased to introduce the annual report, as a summary of the achievements and challenges of our institution in 2023.

As throughout our short eight-year history, this year we once again demonstrated that we are a dynamic, adaptable institution, always reflecting the demands and needs of private businesses. Our primary institutional objective remains the continuous improvement of existing guarantee windows and the design and launch of new ones as crucial instruments for facilitating access to finance for MSMEs. We believe that our institutional agility, based on constant communication with partner banks and the business community, and nurtured by our dedicated professional staff at KCGF, is one of our strongest assets.

The year 2023 was particularly memorable as we launched two new guarantee schemes: the Window for young entrepreneurs (Startup window), and the Window for Women in Business. In the second half of the year, we expanded our partnership within the GROW Window to include four additional partner banks.

Notably, in the third quarter of 2023, we introduced a non-financial component within the windows dedicated to women in business and young entrepreneurs. This initiative includes

training and opportunities to enhance financial management knowledge for the benefit of business owners and managers. This innovation, combined with credit guarantees, addresses three chronic issues in these market segments: lack of credit history, business experience, and collateral.

Our goal is that, through expanded financial knowledge, women business owners and young entrepreneurs can successfully navigate business development and increase financial transparency with potential creditors, thereby fostering stronger creditor-debtor relationships. In the past year, 300 participants benefited from these training programs dedicated to enterprises led by women and young people.

Additionally, we saw significant progress in the registration of new guarantees, making this year one of the best in our history. This progress is attributed to the continuous growth of our institution's capital base and our excellent cooperation with registered financial institutions and the business community. Our proactive approach has also increased the number of guarantee schemes, designed to address the unique needs of various market segments.

KCGF's guarantee windows have expanded the opportunities for more enterprises, including those previously struggling to access finance, to qualify and benefit from our programs.

Consequently, mediated lending for MSMEs reached 120 million euros in the past year, distributed across 2,216 loans, facilitating access to finance for 1,978 MSMEs.

The year 2023 also saw the realization of a second re-guarantee agreement with SIDA, an important KCGF partner, valued at 14.9 million euros. This re-guarantee instrument supports credit for three specific market segments: women in business, exporting enterprises, and green investments.

The expected benefits will be significant for partner banks, beneficiary companies, and KCGF itself, with investments mobilized under this agreement projected to reach 55 million Euros. In addition, this will have a direct impact improving the terms of credit guarantees from KCGF to RFls which, in turn will improve the credit terms for the final beneficiaries.

In 2023, the Kosovo Credit Guarantee Fund continued implementing the agreement with the European Investment Bank (EIB), signed on June 28, 2021, between the EIB and the Ministry of Finance of Kosovo, amounting to 40 million Euros.

This agreement, reached as part of the Government of Republic of Kosovo measures to support private enterprises for post COVID19 pandemic recovery, within one year of

implementation has resulted in the support of 45,960,300 euro approved loans, distributed in total 705 loans. while also increased the capital for the Kosovo Credit Guarantee Fund from 57,735,311 million euros in 2022, to 81,292,962 in 2023.

Moreover, in 2023, we completed the World Bank's Financial Sector Strengthening Project (FSSP). This project enhanced KCGF's regular capital, strengthened our human capacities, and brought best practices in: Environmental and Social Governance; Credit Risk Management; Procurement, and regular capital growth.

As we continue navigating the complexity of the external environment which has faced significant challenges, we will remain steadfast in our commitment to serve as a catalyst and key partner for private enterprises in the Republic of Kosovo, helping overcome all existing and new challenges.

This annual report is a testament to our institutional sustainability, our determination, and our unwavering belief in the transformative power of visionary enterprises.

AGAN AZEMI

CHAIR OF THE BOARD OF DIRECTORS

BESNIK BERISHA

MANAGING DIRECTOR

ACRONYMS

ABRK	AGENCY FOR BUSINESS REGISTRATION IN KOSOVO
AC	AUDIT COMMITTEE
BD	BOARD OF DIRECTORS
CBK	CENTRAL BANK OF THE REPUBLIC OF KOSOVO
DFC	U.S INTERNATIONAL DEVELOPMENT FINANCE CORPORATION
EBRD	EUROPEAN BANK FOR RECONSTRUCTION AND DEVELOPMENT
EIB	EUROPEAN INVESTMENT BANK
EIF	EUROPEAN INVESTMENT FUND
ERP	ECONOMIC RECOVERY PACKAGE
IF	ENVIRONMENTAL AND SOCIAL MANAGEMENT POLICY
ESMS	ENVIRONMENTAL AND SOCIAL MANAGEMENT SYSTEM
FI	FINANCIAL INSTITUTION
FSSP	FINANCIAL SECTOR STRENGTHENING PROJECT
GRK	GOVERNMENT OF REPUBLIC OF KOSOVO
GROW	GREEN RECOVERY AND OPPORTUNITY WINDOW
IFC	INTERNATIONAL FINANCE CORPORATION
KAS	KOSOVO AGENCY OF STATISTICS
KBA	KOSOVO BANKING ASSOCIATION
KCGF	KOSOVO CREDIT GUARANTEE FUND
KfW	KfW DEVELOPMENT BANK
MCC	MILLENNIUM CHALLENGE CORPORATION
MFI	MICROFINANCE INSTITUTIONS
MFK	MILLENNIUM FOUNDATION KOSOVO
MFLT	MINISTRY OF FINANCE, LABOUR and TRANSFERS
MINT	MINISTRY OF INDUSTRY ENTREPRENEURSHIP AND TRADE
MSME	MICRO SMALL MEDIUM ENTERPRISES
MIS	MANAGEMENT INFORMATION SYSTEM
NBFI	NON-BANK FINANCIAL INSTITUTIONS
NPL	NON-PERFORMING LOANS
RFI	REGISTERED FINANCIAL INSTITUTIONS
RMC	RISK MANAGEMENT COMMITTEE
SIDA	THE INTERNATIONAL DEVELOPMENT COOPERATION AGENCY
USAID	UNITED STATES AGENCY FOR INTERNATIONAL DEVELOPMENT

SUMMARY OF THE OPERATIONAL INDICATORS

KEY OPERATIONAL INDICATORS	DECEMBER 2022	DECEMBER 2023
CAPITAL	57,735,311	81,292,962
Guarantee potential	213,145,173	216,701,975
*Allocated limits	138,241,670	158,541,106
Utilisation rate of limits by RFIs	84.4%	77.40%

Guarantee balance	116,269,160	116,245,060
Number of active guaranteed loans	6,916	7,105
Number of RFIs	12	12
Average guarantee in overall KCGF portfolio	22,309	23,042
Average guarantee maturity in overall KCGF portfolio	37	37
NPLs (in %)	1.94%	2.83%
Coverage of NPLs with provisions (in %)	131.2%	139.04%

INVESTED CAPITAL	60,690,832	78,386,300
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Monetary values are in Euro.

* The utilization rate of limits includes exposures in active windows as well as closed windows until 31.12.2023.

PART II





INSTITUTION PROFILE

THE ESTABLISHMENT OF THE KCGF AND ITS STATUS

The KCGF is an independent institution, established to facilitate financial mediation for micro, small and medium enterprises (MSMEs), through the provision of credit guarantees for up to 80% of the value of the loan, for registered financial institutions.

The KCGF was established in January 2016, under Law No. 05/L-057 on the Establishment of the KCGF. The law on the establishment of the KCGF is sponsored by the MTI, with the support of USAID through the "EMPOWER Credit Support" program, and the KfW Development Bank. The KCGF Law entered into force on January 23, 2016, while KCGF's operational activity as an institution started in September of the same year.

MISSION

The KCGF is an independent, development oriented legal entity that provides credit guarantees for MSMEs by sharing the credit risk with financial institutions. By guaranteeing the credit portfolios of financial institutions we aim to enhance access to finance for MSMEs, sustain entrepreneurship development, support domestic production and services that create an added value, new jobs, and that prop up overall economic development.

We are committed to sustainable corporate management and the social responsibility that comes with it. By coordinating activities with our partners, such as donors, financial institutions, and local regulators, we strive to serve the long-term economic interests of the nation, business community and society in general.





INSTITUTIONAL VALUES

The KCGF values that are institutionally embedded and serve to develop everyday business practices, provide guidance to ensure that our business activities are conducted pursuant to the highest level of accountability and are in line with the highest ethical and moral standards.

TRANSPARENCY

Being a public interest institution, KCGF believes that it is of the utmost importance to disclose information on working practices, policies, and financial and operational results with partners and the general public.

PARTNERSHIPS AND COOPERATION

Developing sound relationships with our partners based on transparency and accountability helps achieve our common goals and build credibility and mutual respect.

OBJECTIVITY AND INDEPENDENCE IN DECISION-MAKING

KCGF maintains its objectivity and independence in decision-making based on principles of common sense, while promoting the further development of the financial sector.

COMMITMENT

Working with dedication and professionalism, the KCGF employees strive to fulfill the institutional mission and objectives, believing in its role and the positive impact on the sound economic development.

TEAMWORK AND PROFESSIONALISM AT WORK

The KCGF has a team of professionals who cooperate based on mutual respect. Teamwork for problem-solving and taking initiative, open communication and sharing of professional experiences among staff, are the basis of KCGF's success. Integrity and personal dignity are values that guide each staff member in the course of carrying out tasks and initiatives at work, without making any compromise in respecting these principles.

MORAL AND ETHICAL VALUES

In order to establish principles and rules within the institution, and in relations with third parties, KCGF's work is based on the institution's Code of Corporate Governance and the Code of Ethics.

PART III

The background features several overlapping, wavy, organic shapes in shades of teal and light blue. These shapes flow from the top right towards the bottom left, creating a sense of movement and depth. The colors are soft and muted, contributing to a clean, modern aesthetic.



CORPORATE GOVERNANCE

BOARD OF DIRECTORS AND PERSONNEL

The KCGF is governed by a Board of Directors consisting of seven (7) members:

- A. One (1) ex officio member, appointed by the Ministry of Innovation Entrepreneurship and Trade of the Republic of Kosovo
- B. One (1) ex officio member, appointed by the Ministry of Finance Labor and Transfers of the Republic of Kosovo
- C. Four (4) independent members, appointed by donors and
- D. Managing Director of KCGF

KCGF BOARD OF DIRECTORS MEMBERS IN 2023

AGAN AZEMI

Chair of the Board of Directors¹



MELIH ÇADIRCI

Independent Board Member



ARTA HOXHA

Acting Chair of the Board of Directors²



ANILA STATOVCI DEMAJ

Independent Board Member³



BESNIK BERISHA

Managing Director of KCGF



SALVADOR ELMAZI

Ex officio Board Member



KRESHNIK KURTISHI

Independent Board Member



ZEF DEDAJ

Ex officio Board Member



¹ From the date 21.09.2023 Mr. Agan Azemi was elected Chair of the Board of Directors

² Until the date 22.09.2023 Mrs. Arta Hoxha was acting chair of the KCGF Board of Directors

³ On 21.09.2023 Ms. Anila Statovci was elected independent board member.

KCGF STAFF MEMBERS

KCGF
TEAM
IN 2023:

**BESNIK
BERISHA**

Managing Director



**ALBAN
KASTRATI**

Senior Risk Manager



**VJOSA
BALAJ**

Senior Finance and
Administration Manager



**NORA
ARIFI**

Senior Portfolio
Manager



**KASTRIOT
KËPUSKA**

Project Manager



**VILSON
UKAJ**

Senior Legal Specialist
and Secretary of the
Board of Directors



**BLERT
GJINOLLI**

Environmental and
Social Specialist



**VERË
KADRIU**

Administration and
Language Officer



**BURBUQE
GURI**

Control Specialist



**ANITA
TOÇI**

Public Relations and
Communication Specialist



**ALBULENA
LUBISHTANI**

Monitoring and
Evaluation Specialist



**AGNESA
BROQI**

Financial Management
Specialist



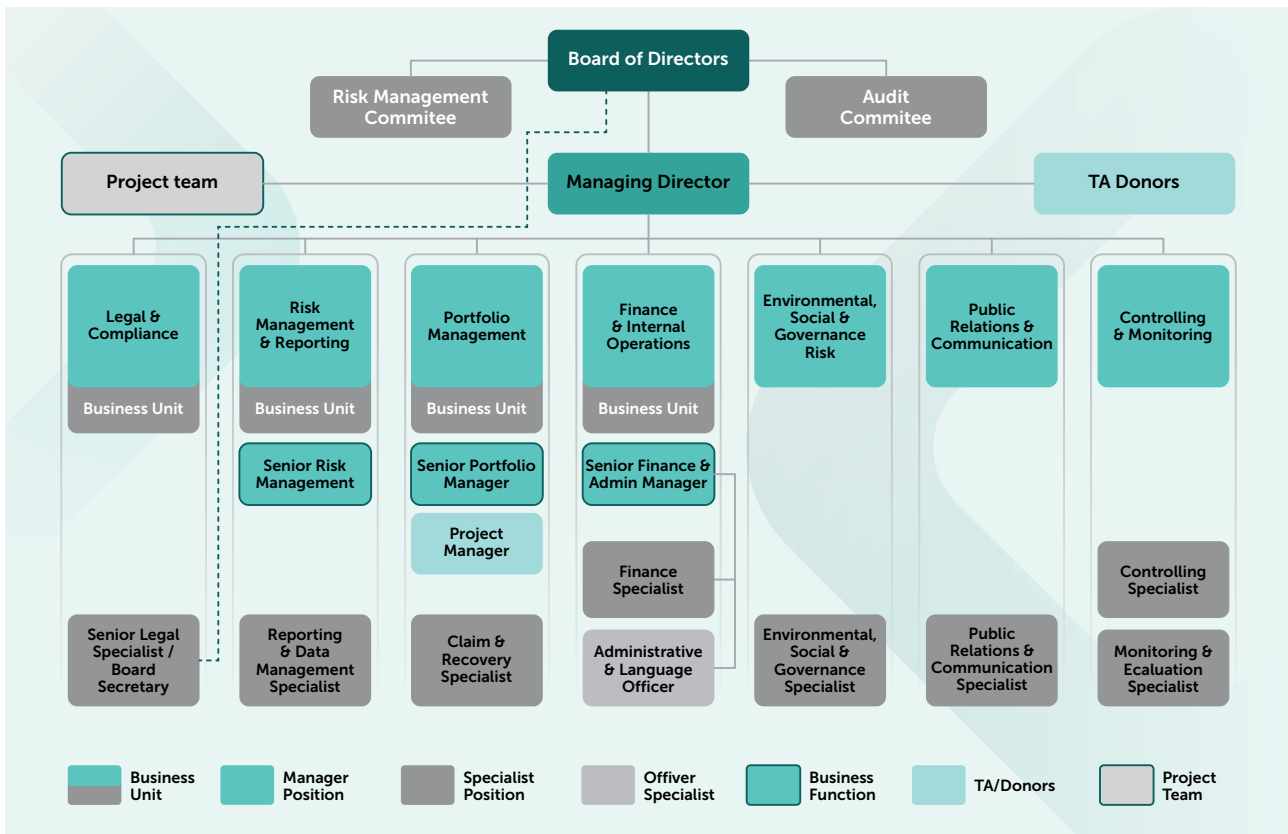
**AULONA
SELISHTA**

Reporting and Data
Management Specialist⁴



⁴ On 14 March 2023 Ms. Aulona Selishta joined KCGF team.

ORGANIZATIONAL STRUCTURE



LEGAL FRAMEWORK

KCGF, as an independent, autonomous legal institution established by a special law, has full operational and administrative autonomy, as well as in issuing secondary legislation. It operates outside the framework of Kosovo’s government structures and the Kosovo Civil Service. Within this scope, KCGF adopts the statute, policies, procedures, guidelines, and other internal acts, which constitute the secondary legal framework of the institution. Annually, KCGF reviews its internal by-laws to assess the need to amend existing or draft new by-laws in line with the institution’s work dynamics and to regulate issues under its objectives and scope.

In 2023, to ensure compliance with the institution’s strategic objectives and agreements signed with third parties, KCGF modified most of

its secondary legislation. As a result, the Board of Directors approved nine (9) policies and one (1) procedure. The Procedure for the Submission and Handling of Whistleblower Cases, which provides for the definition of the rules for whistleblowing, rights and protection of whistleblowers, and the procedure for handling whistleblowing cases at KCGF, was approved. In 2023, to spread the risk of guaranteed portfolios, KCGF signed the Re-Guarantee Portfolio Agreement with the Swedish International Development Cooperation Agency (SIDA). The following were some of the significant decisions approved by the Board of Directors in 2023: 1) Approval of the Re-Guarantee Portfolio Agreement between SIDA and KCGF; 2) Approval of the Start-Ups and Women in Business Window; 3) Review and approval of the GROW Window.

BOARD OF DIRECTORS

The Board of Directors is a KCGF body, consisting of seven (7) members. The Board meets at least four (4) times a year. Members of the Board of Directors exercise their functions independently, professionally, and collegially, in the best interest of KCGF. The Board of Directors is the decision-making and supervisory body of the institution. The Board's responsibilities include, inter alia: registering financial institutions for participation in KCGF's credit guarantees and entering into guarantee agreements with registered financial institutions; entering into loan agreements with international financial institutions to raise capital and for re-insurance or re-guarantee mechanisms. The Board also approves the annual budget and financial statements of the institution, its investment policy and strategy, the statute, policies, procedures, rules, and guidelines for the management and operation of KCGF, as well as other responsibilities as specified in the Law on the Establishment of KCGF.

COMMITTEES OF THE BOARD OF DIRECTORS

The Board of Directors establishes committees to support its work. Board Committees review issues within their scope, monitor the institution's activities in areas requiring more focused, specialized, and technical discussions, and report on their work to the Board. Currently, the Board has established the Risk Management Committee and the Audit Committee as permanent committees.

The RISK MANAGEMENT COMMITTEE was established pursuant to the Law on the KCGF. The Risk Management Committee assists the Board of Directors with a focus on risk management. The Risk Management Committee meets at least quarterly and consists of three (3) members, while its Senior Risk Manager is a permanent member of the Committee. The Committee is responsible for reviewing the credit and operational risk policies, overseeing the development of the guaranteed portfolio and ensuring that the credit risk profile is in line with credit policies, applicable laws and regulations.

The AUDIT COMMITTEE was established in line with the Law on the KCGF. The Audit Committee consists of four (4) Board members and meets on a quarterly basis. The Audit Committee is responsible for making recommendations to the Board of Directors on the following matters: risk management, internal control, financial statements, adequacy requirements, internal audit, external audit, and other relevant functions, including the review of the KCGF governance arrangements. In addition, the Audit Committee reviews internal financial, operational and administrative controls.

MEETINGS OF THE BOARD OF DIRECTORS AND RELEVANT COMMITTEES

In 2023, the KCGF Board of Directors held a total of five (5) regular meetings. Important decisions were made in board meetings for the further development of the KCGF, and the relations of KCGF with third parties.

The following table presents the meetings of the KCGF Board of Directors.

BOARD MEETINGS SCHEDULE	BOARD MEMBERS PARTICIPATION	NUMBER OF DISCUSSED TOPICS	NUMBER OF DECISIONS MADE
24 February 2023	7/7	16	13
28 April 2023	5/7	10	7
23 June 2023	5/7	16	9
22 September 2023	7/7	24	17
24 November 2023	7/7	16	9
TOTAL:		98	55

MEETINGS OF THE CREDIT RISK MANAGEMENT COMMITTEE AND AUDIT COMMITTEE

In 2023, Credit Risk Management Committee (CRMC) held five (5) regular meetings. The Audit Committee (AC) held the same number of meetings. In these meetings, the relevant committees made decisions and recommendations for KCGF Management and for final approval by the KCGF Board of Directors.

The following table presents the meetings of the Risk Management Committee:

CRMC MEETINGS SCHEDULE	CRMC MEMBERS PARTICIPATION	NUMBER OF DISCUSSED TOPICS	NUMBER OF DECISIONS MADE RECOMENDATIONS
08 February 2023	ISSUED	7	2
05 April 2023	3/3	4	-
07 June 2023	3/3	8	2
06 September 2023	3/3	8	2
08 November 2023	4/3	7	2
TOTAL:		34	8

Tabela në vijim paraqet mbledhjet e komitetit të auditimit:

AC MEETINGS SCHEDULE	AC MEMBERS PARTICIPATION	NUMBER OF DISCUSSED TOPICS	NUMBER OF DECISIONS MADE RECOMENDATIONS ISSUED
10 February 2023	3/3	5	1
14 April 2023	3/3	5	-
09 June 2023	3/3	5	-
02 October 2023	3/3	5	-
10 November 2023	3/3	4	-
TOTAL:		24	1



PART IV





**KCGF
PARTNERS**

KCGF PARTNERS

To achieve its objectives and goals, KCGF cooperates with financial institutions (banks, MFIs, NBFIs), donors, the Government of the Republic of Kosovo, the Central Bank of Kosovo, and the MSME community.

DONORS

- Government of the Republic of Kosovo
- U.S. Agency for International Development (USAID)
- KfW Development Bank

ASSOCIATES

- Swedish Agency for Development and International Cooperation, represented by the Swedish Embassy - SIDA
- World Bank
- European Investment Fund - EIF
- Millennium Kosovo Foundation / Millennium Challenge Corporation - MFK/MCC
- European Investment Bank - EIB

REGISTERED FINANCIAL INSTITUTIONS

BANKING INSTITUTIONS

- Banka Ekonomike
- Banka Kombëtare Tregtare
- Banka për Biznes
- NLB Banka
- ProCredit Bank
- Raiffeisen Bank
- TEB

MICROFINANCE INSTITUTIONS

- AFK
- FINCA
- KEP
- KRK

NON-BANK FINANCIAL INSTITUTIONS

- Raiffeisen Leasing Kosovo

AECM is the Association of European Guarantee Institutions, which in 2023 counted a total of 48 members operating in 31 different European countries. Since 2018, the Kosovo Credit Guarantee Fund (KCGF) represents Kosovo within the AECM family.

AECM members are illustrated on the following map.



AECM, based in Brussels, was established in 1992 with three key objectives:

1. Political representation of its members in institutions of the EU, EIB Group, OECD, etc.
2. Organize exchange of best practices between AECM members;
3. Promote guarantee facility.

AECM members are either private sector guarantee schemes or public promotional institutions or development banks. Their mission is to support MSMEs in easier access to finance, i.e. provide guarantees for MSMEs that have an economically sound project, but that do not have sufficient bank collateral. The MSME financing gap, known as market failure, is what guarantee institutions bridge. By providing guarantees for these enterprises, guarantee institutions help address this market failure and facilitate access to finance for MSMEs.

PART V

The background features several overlapping, wavy, organic shapes in shades of teal and light blue. These shapes flow from the top right towards the bottom left, creating a sense of movement and depth. The colors are soft and muted, contributing to a clean, modern aesthetic.



PERFORMANCE OF KCGF

GUARANTEE PORTFOLIO DEVELOPMENT

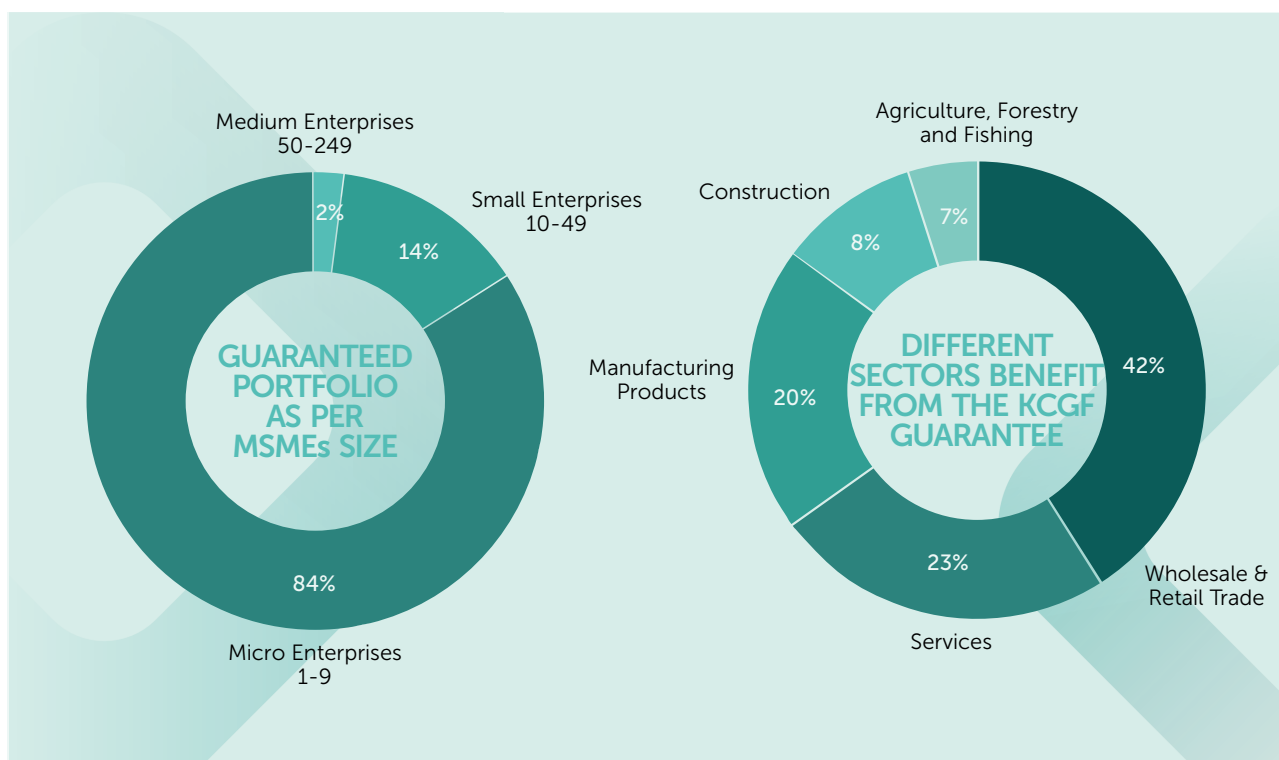
The year 2023 marked significant progress in development of our guarantee portfolio, marking it as a better year compared to the previous year. Such progress compared to a previous year, undoubtedly comes from the increased confidence of registered financial institutions in our guarantee mechanisms, but also the way of providing guarantees through tailor made/ adopted windows to the characteristics and needs of the respective MSMEs.

Intermediary lending for SMEs this year was 120 million euros distributed in 2,216 loans, thus facilitating access to finance for 1,978 SMEs. The cumulative amount of approved loans at the end of the year reached the value of 626.4 million euros for 10,157 MSMEs, in cumulative amount of guarantees of 329.47 million euros. The total remaining value of the loan portfolio, at the end of 2023, was 220.5 million euros, while the total remaining value of the guaranteed portfolio was 116.25 million euros distributed in 7,105 active loans.

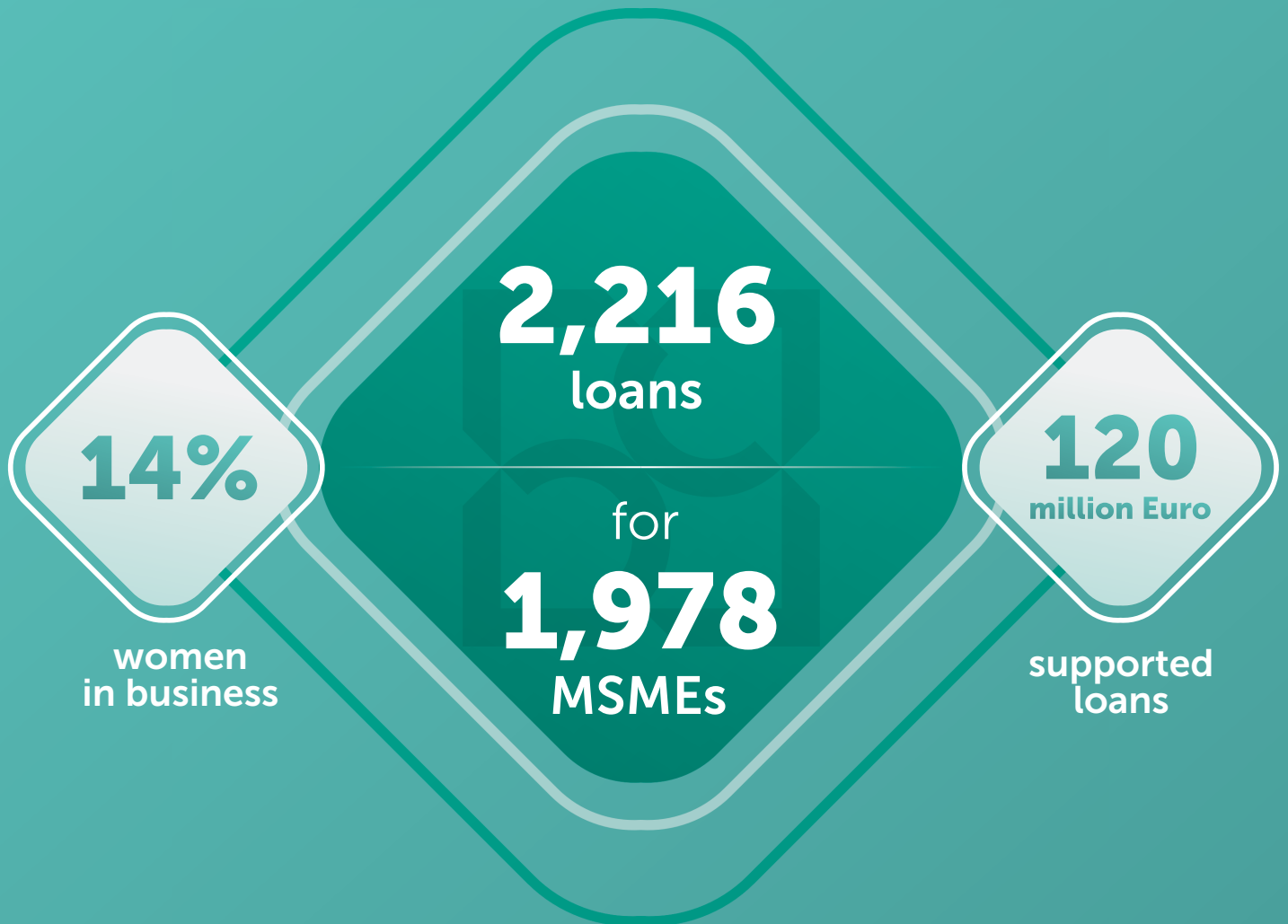
The most dominant sector in the portfolio of guaranteed loans during 2023 were retail and wholesale trade with 42%, followed by services with 23%, manufacturing with 20%, construction

with 8% and agriculture with 7%. Compared to a year ago, a slight movement across the sector is observed in agriculture where was noted an increase of 2% and in wholesale and retail trade an increase of 1%. As for the size of the business, the portfolio guaranteed during 2023 continues to have greater participation from micro enterprises. The concentration of the guaranteed portfolio according to the number of employees in the segment of micro and small enterprises up to 49 employees was 99%. By stimulating the sectors that create added value for the overall economy, as well as the best possible diversification, remains one of the objectives of KCGF.

Therefore, with the support of its donors and partners, KCGF this year has also implemented windows for strengthening strategic sectors such as the women in business and startups. In conclusion, the progress made in the development of our guarantee portfolio this year, underlines our commitment to continuous improvement of windows and excellence of the processes, demonstrating strengthening our position in terms of further advancement and impact in the development of MSMEs and the economy in general.



GUARANTEE PORTFOLIO DEVELOPMENT IN 2023



About 99% of the portfolio consists of micro and small enterprises



MSMEs used the loans for investment in:



KCGF GUARANTEE SCHEMES

DEVELOPMENT AND INNOVATIONS

Guarantee schemes, or as we refer to them, **Guarantee Windows**, are guarantees for financial institutions to mitigate the risk associated with loans issued to micro, small, and medium enterprises (MSMEs).

These guarantees exclusively cover the principal amount and do not extend to cover interest rates, or other debt amounts, or additional expenses incurred by the lender. To date, KCGF has introduced the following guarantee windows:

STANDARD WINDOW

The Standard window is an inclusive window of the KCGF.

Due to its inclusive nature, this window has the major participation in KCGF guaranteed loans portfolio during 2023.

Standard Window during 2023 supported 1,353 SMMEs in loan amount 93.86 million euro.

The specific features of standard window are:

- ◆ Inclusion means that this window serves all permitted activities.
- ◆ Guarantees larger loan amounts, the maximum loan amount is 3,000,000 EUR (for leasing 1,000,000 EUR).
- ◆ The maximum amount of the guarantee is 500,000 EUR.
- ◆ The maximum repayment period of the guaranteed loan is up to 120 months (for Leasing the maximum maturity is 84 months).
- ◆ The purpose of the loan can be for long-term investments as well as for working capital.
- ◆ Lower guarantee fee for higher guarantee amounts.
- ◆ Guarantees will be provided for the amount up to 50% of the loan principal.



AGRO WINDOW

Agro Window provides guarantees to financial institutions covering the credit risk to micro, small and medium enterprises (MSMEs) that are active in the agriculture sector, including production and processing of agricultural products.

The special feature of this window is that offers guarantees for businesses registered at ARBK or even farmers who possess a Farmer's Certificate and NIF (Farm Identification Number).

The inclusion of the entire chain from extensive production to processing, the inclusion of farmers who possess NIF, as well as the increase of the credit guarantee for higher values, have made this window show progress during 2023.

During 2023, the Agro window supported 434 farmers and SMEs in the amount of loans of 17.81 million euros.

Specific features of the Agro Window are the following:

- ◆ Allowing guarantee of primary production and processing of agricultural products
- ◆ farmers with NIF
- ◆ Guarantee of farmers and local businesses
- ◆ Favorable guarantee in amount up to 60% of the agrobusiness loan principal for guarantees up to EUR 50,000.
- ◆ The maximum repayment period of the guaranteed loan is up to 120 months.



GROW

GROW – Green Recovery and Opportunity Window aims to support access to finance by supporting RFIs for the financing made in renewable energy and efficient energy.

This window was launched in June 2022 and piloted with one RFI in 2023, and was offered as an opportunity to other interested RFIs.

Through this window will be supported loan whose purpose are investments in:

- ◆ Energy Efficiency (equipment, production lines and other energy efficiency measures).
- ◆ Small-scale renewable energy (wind, solar, biomass or geothermal energy) up to 400 kW.

The GROW window, since its establishment, has supported 7 MSMEs and loan amount of 3.9 million euros.

Specific features of this window are:

- ◆ High guarantee exposure for clients up to one (1) million EUR.
 - Up to 500,000 EUR maximum guarantee
 - MSMEs can have other guarantee exposure in KCGF (total cannot exceed one (1) million euro as beneficiary of guaranteed loan by KCGF)
- ◆ Lower guarantee fee.
 - Investment in Energy Efficiency
 - Investment in Renewable Energy
- ◆ Re-guarantee by DFC and SIDA
- ◆ Non-financial component **e-Save** accessible for staff members of RFIs, to verify, measure and evaluate energy efficiency and CO2 reduction by the investment made.



EXPORT WINDOW

The export window facilitates access to finance and incentivizes exporting enterprises by offering guarantees with preferential tariffs.

Given that export is one of the main factors that affects the economic development of the country, FKGG aims that through this window stimulate this segment regardless of the level of exports that an enterprise may have, through offering credit guarantees with preferential rates. Guarantees are provided in amounts **up to 50%** of the loan principal.

Specific features of this window are:

- ◆ Higher guarantee exposure up to 1 million EUR.
- ◆ Coverage up to 100% in portfolio level
- ◆ Re-guarantee by SIDA
- ◆ Favorable guarantee fee
- ◆ Inclusion of all businesses realizing their sales in international markets. And, or their purpose of the loan is to expand exporting activities on regular basis not only one transaction.

The export window during 2023 supported 29 MSMEs with a loan amount of 4.7 million euros.



WINDOW FOR WOMEN IN BUSINESS

The Window for Women in Business facilitates access to finance for women entrepreneurs and offers training sessions in the areas of business strategic and financial management.

This financial instrument is expected to support and affect financial security and financial empowerment of women in business. This window is offered with favorable conditions in terms of credit risk. Guarantees will be offered for **up to 70%** of the loan principal.

In addition to the financial component, FKGK is also offering the non-financial component or the program of technical assistance for women in business who are being supported in terms of capacity building (financial education and formalization), networking, and mentoring.

Main features of the window are:

- ◆ Higher guarantee rate, up to 70%
- ◆ Re-guarantee from Sida
- ◆ Non-financial components
 - Training
 - Mentoring
 - Networking
 - Providing the **Business Help** platform (for maintaining records relevant to a business)

Qualified Loans that meet the following criteria will be eligible for benefits

Windows for Women in Business:

- ◆ MSMEs must be either owned or co-owned by at least one woman or managed by at least one woman in an executive position.
- ◆ The maximum loan amount is 50,000 euros.
- ◆ The maximum repayment period of the guaranteed loan is up to 84 months.
- ◆ The purpose of the loan can be for investments and working capital.

Window for Women in Business during 2023 supported 71 MSMEs in the amount of loans 1.9 million euros.



STARTUP WINDOW

The Start-Up window aims to facilitate access to finance for new enterprises with adequate financial products, to ensure the growth of newly created businesses as well as the increase of employment.

Guarantees will be offered for **up to 80%** of the loan principal.

This window is dedicated to start-up businesses mainly engaged in economic activities/sectors that require basic knowledge. Basic knowledge refers to skills that are developed through previous education, training, or work experience. In addition to the financial component, KCGF is also offering the non-financial component or the technical assistance program for new businesses, which will be supported in terms of capacity building (financial education and formalization), networking as well as mentoring.

Specific features of this window are:

- ◆ Higher guarantees compare to all other windows, up to 80%
- ◆ Non-financial component
 - Training
 - Mentoring
 - Networking
 - Provide the tool **Business Help** (to maintain relevant business data)

Qualified Loans fulfilling the following criteria will be eligible for Startup Window benefits:

- ◆ The maximum loan amount is EUR 50,000
- ◆ The maximum amount of the guarantee is EUR 40,000
- ◆ The maximum exposure amount is up to 5, 000, 000 euro.
- ◆ The maximum repayment term of the guaranteed loan is up to 60 months
- ◆ The purpose of the loan can be for long-term investments and/or for working capital

Startup Window during 2023 supported 32 MSMEs in the amount of loans 973 thousand euros.



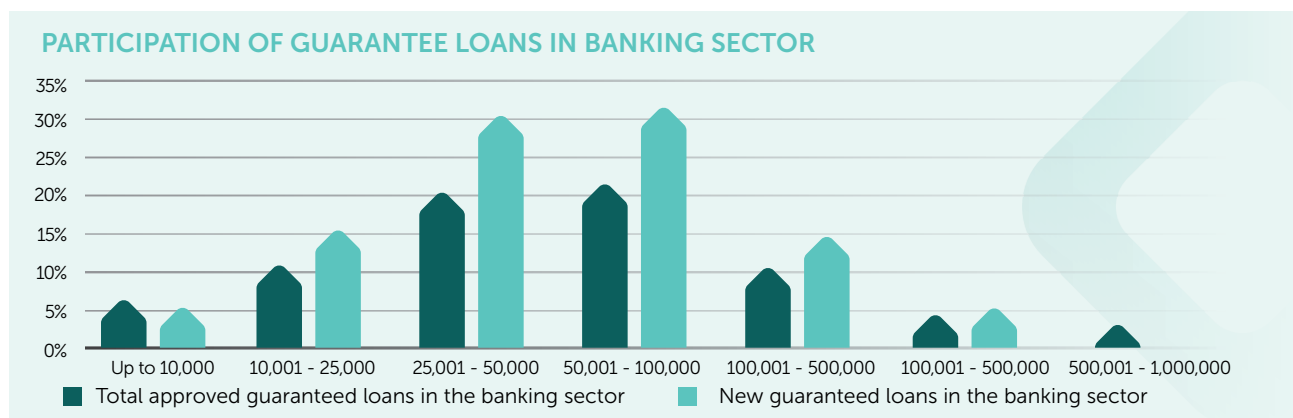
ADDITIONALITY - 2023

KCGF serves as an important institution in stimulating economic growth and strengthening entrepreneurship in Kosovo. The fundamental principle of additionality serves as a support gateway for small and medium-sized enterprises (SMEs) and entrepreneurs who might face obstacles due to traditional lending approach. By offering a guarantee mechanism, the fund has extended access to finance/crediting for these entities, stimulating investments, creating new jobs and developing the economy in general.

In addition, the fund's proactive engagement in capacity building and financial education also increases more scalability by equipping individuals and businesses with the tools and knowledge needed to develop in a competitive environment. KCGF has not only facilitated access to finance, but it has also served as a catalyst of economic stability, thus consolidating its indisputable role in economic development of the country.

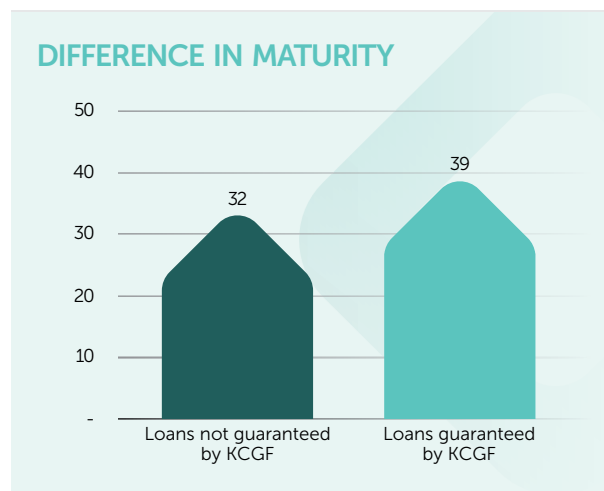
PARTICIPATION OF GUARANTEED LOANS IN THE BANKING SECTOR

From the graph below it is observed that the participation of guaranteed loans in the banking sector is more pronounced among businesses that received loans for the first time. Higher participation is noticed in the loans value 50,000 euro to 100,000 euro. For higher loan amounts, participation of the guaranteed loans is lower, reaching 1% for the loans up to 1 million euro. This reflects the goal of KCGF to increase loan amount in banking sector and increase active participation in loans up to 100,000 euro.



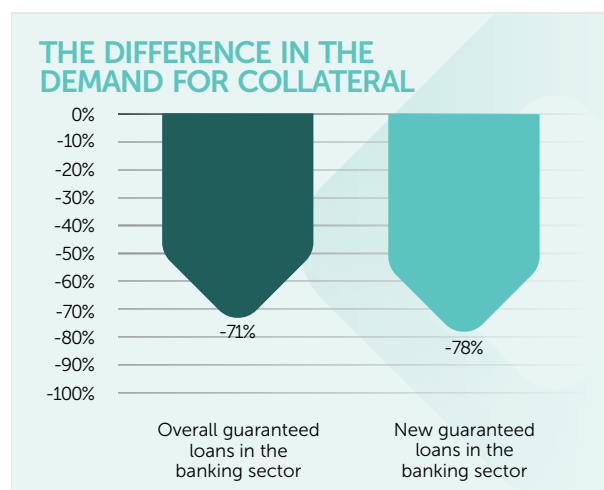
AVERAGE LOAN MATURITY - HIGHER DURATION OF LOANS

The maturity of guaranteed loans continues to be higher than that of non-guaranteed ones. The chart below shows the average maturity for different loan values. During 2023, on average, guaranteed loans had a maturity of more than 39 months, while nonguaranteed ones had an average maturity of 32 months. This result represents the most favorable financing conditions for guaranteed loans compared to non-guaranteed ones.



COLLATERAL COVERAGE

The impact of the guarantee scheme can also be seen in the demand for collateral. Compared to non-guaranteed ones, guaranteed loans, on average, require close to 71% less collateral. In new guaranteed loans, the difference in the demand for collateral is more noticeable; new guaranteed loans require, on average, 78% less collateral than new non-guaranteed loans, see the chart below.



PARTICIPATION OF THE VOLUME OF ACTIVE LOANS GUARANTEED BY THE KCGF IN THE GROSS DOMESTIC PRODUCT (GDP)

The guarantee scheme is one of the most important policies, if not the most important, to support SMEs in times of liquidity gap. The participation of the volume of active loans guaranteed by the KCGF in the Gross Domestic Product (GDP) for 2023, is 1.21%. This support is essential for maintaining the economic vitality and growth potential of these enterprises, which are often the main pillar of the economy.

CREDIT RISK MANAGEMENT

The Risk Management Unit is responsible for ensuring sustainable risk management practices within the KCGF, by conducting risk identification, assessment, monitoring, and mitigation. This unit conducts regular assessments of the risks held by the KCGF, reviewing, on an ongoing basis, specific risks to the organization and market, and implementing appropriate measures for their management. Furthermore, the Risk Management Unit assesses and recommends strategies for managing risks stemming from the portfolio, builds and maintains effective systems and controls to identify and address operational risks within the KCGF.

The Unit develops and implements risk management policies, including those related to credit guarantee risk and operational risk, and promotes risk awareness across the institution. By fulfilling its responsibilities, the Risk Management Unit ensures that:

- Risk decisions are made in accordance with the prescribed indicators, and control processes are designed and implemented consistently.
- Guarantee products are designed to address risk elements, while continuously supporting MSMEs (Micro, Small and Medium Enterprises).

CREDIT GUARANTEE RISK

The main risk the KCGF is exposed to arises from its role in the partial guarantee of loans to MSMEs from Registered Financial Institutions (RFIs). With the delegation to RFIs of the responsibility for MSME credit assessment, decision-making, and management, KCGF's ability to manage risks is limited. In response to these core challenges, and to establish a proactive approach at portfolio level, the KCGF has enhanced its risk management processes and structure.

To effectively manage guarantee risks, the KCGF implements comprehensive processes that include different measures. These include determining the aggregate exposure of the guarantee by leverage factor, risk indicators, and setting clear qualifying criteria for RFIs and MSMEs.

Highlighting continuous oversight and control, KCGF's risk management strategy includes regular monitoring and controls in the financial sector, at the RFI level, as well as at the guaranteed exposure level. To mitigate the risk, the KCGF guarantees in most windows on an equal basis, usually up to 50%, with higher coverage in certain market segments or groups considered strategic for the KCGF. Also, the KCGF aims at mitigating risk through re-guarantee schemes, and by boosting efforts to diversify the portfolio.

Recognizing diversification as an important tool for mitigating portfolio risks, the KCGF has developed processes that facilitate diversification at different levels:

- At RFI level, by allocating guarantee limits and determining the maximum exposure of the guarantee.
- At MSME level, determining the maximum exposure of the guarantee for each MSME and related parties
- At sectoral level, ensuring the avoidance of excessive concentration in any single sector, balancing exposure against KCGF objectives and market conditions.
- At the regional level, monitoring the development of the portfolio to balance it against market conditions or KCGF objectives.

OPERATIONAL RISK IMPLEMENTATION

During 2023, the KCGF was dedicated to preparing operational risk management policies and procedures, while planning to start their implementation in the following year. This implementation strategy has carefully tailored operational risk to the specific needs and operational dynamics of the KCGF.

Generally, the KCGF handles operational risk as the potential for losses that arise from internal processes (such as, e.g., personnel, systems), or even external factors. This broad definition includes different risk categories, but is not limited to fraud, technology, legal and regulatory compliance, and process risks.

To effectively manage these operational risks, the KCGF employs several tools, such as:

- **Self-assessment and risk control process:**
 - This systemic process helps identify, analyze and mitigate risks, and includes interviews with KCGF staff in assessing internal controls and operational vulnerability.
 - Operational losses register: A database dedicated to recording and analyzing operational events, losses (or near-losses), enabling the KCGF to draw conclusions and improve risk mitigation strategies.
- **New risk approval process:** This process is employed to assess and adopt new processes, products or instruments before they are implemented or used for the first time, to ensure the assessment of potential risks, as well as to undertake appropriate measures and preparations for the effective assessment of those risks.
- **Key risk Indicators:** They serve as indicators to measure risk potential in different areas and provide early warning alerts that may suggest increased risk exposure, thus enabling proactive risk management. Key risk indicators are monitored regularly, every three months, to track trends and deviations.

Using these risk management tools and processes, the KCGF seeks to strengthen its resilience against operational risks, protect the institution, and ensure sustainable performance in fulfilling its mission.

RISK ACTIVITIES IN THE KCGF

In 2023, the KCGF continued to perform proactive risk management, conducting updates to its policies and procedures. These updates sought to improve product quality, especially by perfecting the eligibility criteria, to encourage a wider participation of MSMEs, and to provide additional support to sectors that are important for the country's economic development.

The risk management unit also started implementing stress tests, to assess the tolerance limits within the KCGF portfolio.

In 2023, in accordance with internal policies and procedures, the KCGF reviewed and approved the requirements for revision of the guarantee limits of RFIs, in line with the permitted tolerance limits. The practice of annual assessment of RFIs was continued, using an in-depth approach to RFIs that have shown lower performance or have displayed indications of requiring more detailed assessments.

The institution continued the practice of monthly meetings, conducting detailed analysis of trends in the banking sector and of the performance of individuals of RFIs. By the end of the year, KCGF's total exposure to RFIs was EUR 158.5 million, with coverage provided by a fund with capital amounting to EUR 80.4 million. This capital is made up of funds donated by the Government of the Republic of Kosovo, international donors, and the profit held, and is dedicated to specific purposes, thus ensuring credibility that the KCGF is sufficiently capitalized and can absorb the risk to which it is exposed.





A key role for our institution was the use of the new guarantee scheme offered by the Swedish International Development Agency (SIDA). This scheme, along with other new guarantee schemes, helped to share risk, increase our guarantee capacity, reduce costs, and reduce fees associated with guaranteed loans.

Another important activity during 2023 was the digitization of several KCGF processes. During this year, we digitized the: Guarantee limit allocation process; Payment claims filing process, and reporting of recoveries after payment of the claim. This process helped improve KCGF processes and identify and monitor the risks that may arise from non-compliance with standards and policies. The KCGF continues regular and detailed communication with RFIs, which enables it to remain informed of issues affecting its activity.

INFLUENCE OF EXTERNAL FACTORS ON THE KCGF

Although steps were made towards economic recovery after the pandemic, Kosovo's economic landscape continues to experience numerous turbulences, caused by the global energy crisis, rising inflation, and political problems in the north

of the country. These occurrences present ongoing challenges to the financial sector.

However, amid these formidable challenges, Kosovo's financial sector has continued to show resilience, maintaining liquidity and stability throughout 2023. In confronting current risks and challenges, the KCGF has continued to remain committed to facilitating and advancing RFI loaning activities.

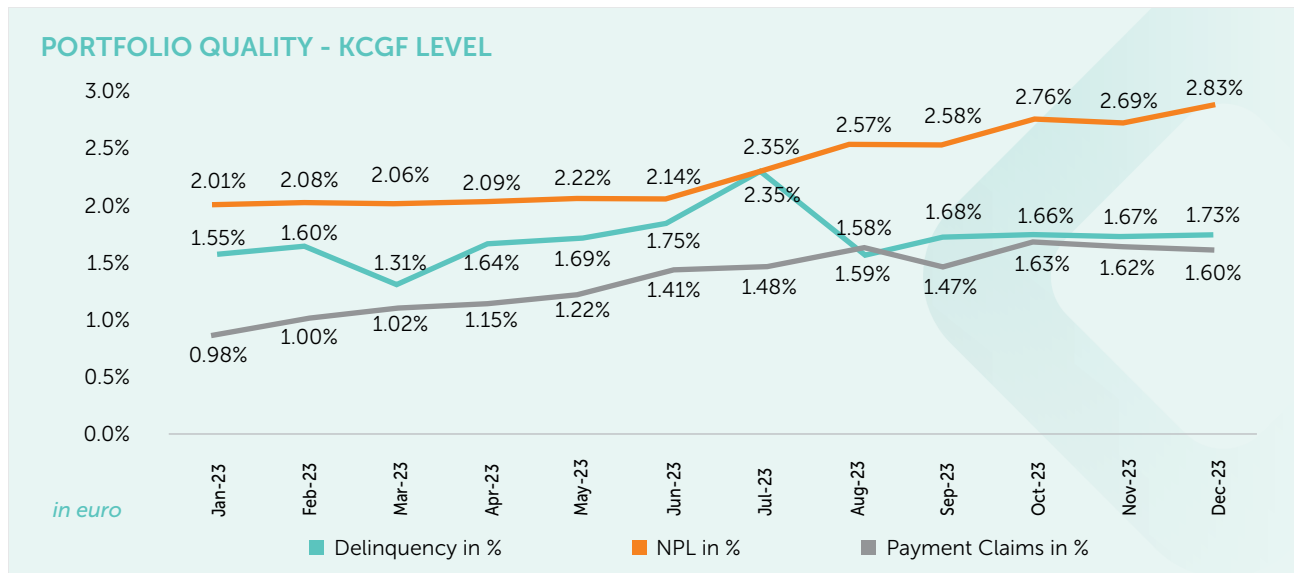
By introducing relevant financial products for various sectors, the KCGF seeks to expand investments in renewable energy generation, energy efficiency, export-oriented enterprises, agricultural sector, women led enterprises, start-ups, and generally to support MSMEs through facilitated access to finance.

In addition to the proactive measures implemented, the KCGF has undertaken important actions and other risk management measures, such as payment of claims filed by RFIs, and has extended loan terms through restructuring of guaranteed loans. These measures have helped in mitigating the effects of inflation and in the development of MSMEs.

PORTFOLIO QUALITY

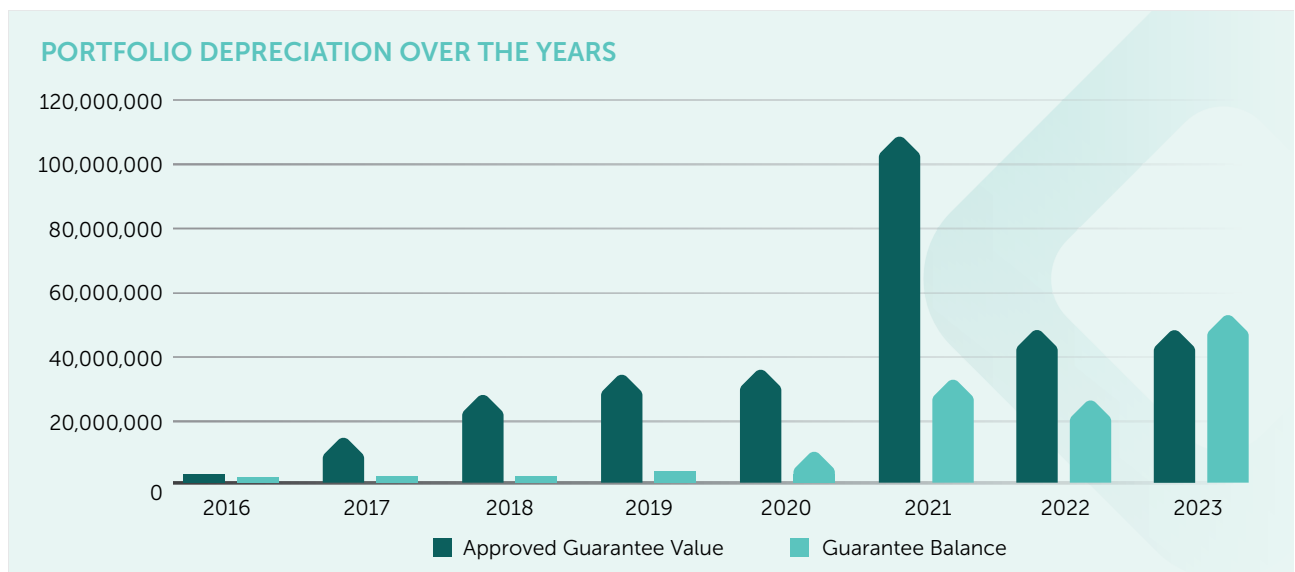
In 2023, the quality of guaranteed loans continued to remain at the predicted level. The guarantee balance as of December 31, 2023, amounted to EUR 116.2 million. During 2023, we have observed a rise in the level of delinquent and non-performing

loans, but this rise reflects the overall state of the quality of the portfolio of loans to MSMEs in the market. According to the latest data, the delinquent loan rate for guaranteed loans was 1.60%, while the non-performing loan rate was 2.83%. Also, the claims paid (including previous years) amounted to EUR 2 million, reaching a rate of 1.73% against the guarantee balance.

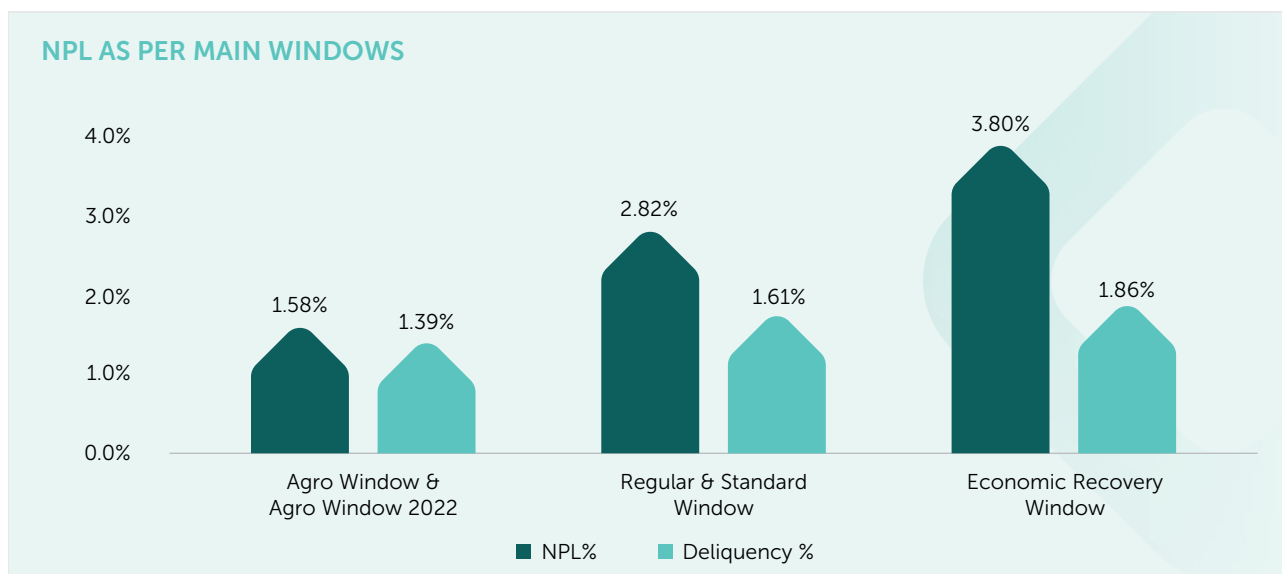


In 2023, the number of payment claims marked an increase compared to previous years. All claims filed by RFIs for qualified loans have been evaluated in accordance with KCGF's guarantee agreement and internal policies. Only during 2023, the KCGF paid a total of 64 claims for guaranteed loans in the amount of EUR 900 thousand, reaching a rate

of 0.77% of the guarantee balance. The average maturity of loans guaranteed by the KCGF is about 3 years, which is also reflected in KCGF's portfolio the amortization. As can be seen in the following table, most of the KCGF portfolio consists of loans issued from 2020 onwards.



In 2023, it was observed that the performance of the window established during the economic recovery package is weaker compared to other windows, while the Agro Windows have performed better.



PROVISIONING RESERVES

The KCGF continued to build up provisioning reserves according to IFRS9 standards, respectively according to the model of expected losses. The reserve for expected losses for guaranteed loans and other assets amounts to EUR 4.9 million, while in the previous year it was EUR 3.2 million, marking an increase of 52% compared to the previous year.

The total reserves of guarantee provisions in 2023 were 3.9% of the guaranteed balance, which is close to the reserve rate of Kosovo's financial sector (3.2% banking sector), while the coverage of non-performing loans is 139%, demonstrating sufficient coverage with reserves.

Provisioning reserves for the guaranteed portfolio

Total Guarantee	Guarantee Balance	Sum of ECL	ECL %	PAR
Stage 1	110,839,101	1,878,373	1.7%	95.3%
Stage 2	2,121,879	628,529	29.6%	1.83%
Stage 3	3,284,080	2,059,351	62.7%	2.83%
Total	116,245,060	4,566,253	3.9%	100.0%

In addition to the guarantees, the KCGF also established provisioning reserves for other assets, which include RFI deposits, as well as government bonds of the Republic of Kosovo. It is worth noting that the expected loss model provides exceptionally good information regarding KCGF's portfolio quality prospects, which is also used in the guaranteed fee calculation model.

Provisioning reserves for other assets

Other Assets	Investments	Sum of ECL	ECL %
Stage 1	87,336,072	339,388	0.4%
Total	87,336,072	339,388	0.4%

THE CAPITAL STRUCTURE

In the annual report for the year 2023 of the Kosovo Credit Guarantee Fund (KCGF), we examine the changes and developments in the capital structure since 2016. This analysis highlights the sources of capital, including contributions from the Government of the Republic of Kosovo and international partners, as well as the performance of the accumulated profit.

CONTRIBUTIONS AND FUNDS

Government of the Republic of Kosovo: During the period of the report, the Government was the main contributor, providing 58% of the capital of FKGGK.

KfW: As the second largest contributor, KfW has supplied 30% of the capital.

USAID: It contributed 7% of the total capital.

Accumulated Profit: Consists of 5% of the capital, where it is observed a trend of progressive increase in profits.

IMPORTANT ACTIVITIES IN 2023

Additional Contribution from the Government of Kosovo: One capital injection of 22,631,590 million euros carried out within the agreement with the Bank European Investment Board (EIB), which proves the government's commitment to support development of the credit guarantee sector.

Increase in Accumulated Profit: Accumulated profit for in 2023 it was 926,061 million euros, reflective of a sharp management of funds and income from investments.

KCGF does not practice the distribution of dividends. Any profit is recapitalized, thus increasing the capital and strengthen the capacity of the fund to provide more guarantees for future loans. This report serves as an overview of the commitment of KCGF to improve the financial infrastructure and increased access to financing for businesses in Kosovo, while emphasizing the vital role of support of the government and international partners.

Developments in the capital structure over the years

	Government of Kosovo	USAID	KfW	Accumulated Profit	Total
Capital 2016	2,000,000 €	5,345,141 €	-	3,149 €	7,341,992 €
Capital 2017	1,000,000 €	445,780 €	7,000,000 €	179,017 €	8,624,797 €
Capital 2018	-	-	-	320,012 €	320,012 €
Capital 2019	-	-	-	484,334 €	484,334 €
Capital 2020	21,410,000 €	-	11,500,000 €	66,312 €	32,976,312 €
Capital 2021	-	-	5,600,000 €	430,202 €	5,169,798 €
Capital 2022	-	-	-	2,818,066 €	2,818,066 €
Capital 2023	22,631,590 €	-	-	926,061 €	23,557,651 €
Total	47,041,590 €	5,790,921 €	24,100,000 €	4,360,451 €	81,292,926 €
%	58%	7%	30%	5%	100%

The capitalization of the institution is of particular importance to enable the growth of the guarantee potential of the KCGF and at the same time to transmit security in the financial market. The KCGF uses a capital leverage strategy that is determined depending on market/sector risk indicators, ensuring that the KCGF has sufficient capital to carry out its activity and absorb possible losses.

The increase in guarantee potential indicated the increase in lending by financial institutions, offering them comfort to explore new credit markets. This was an important step, to support the most disadvantaged sectors, which are of great importance for the development of the private sector and the economy of Kosovo as a whole.

INVESTMENTS OF THE CAPITAL

As of the end of 2023, the KCGF has managed to increase its capital over the years and thus presents itself as a stable institution in the financial market. The KCGF invests part of its capital in KCGF's partner institutions, as specified in the law, and in this way generates income from the interest earned to cover operating expenses.

Income from investments is consolidated in the Income Statement, while the annual profit is reinvested or kept in the KCGF, increasing the capital, and is not distributed outside the KCGF in any form or manner, including dividends.

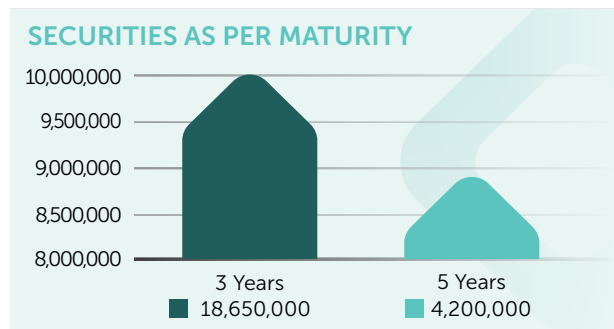
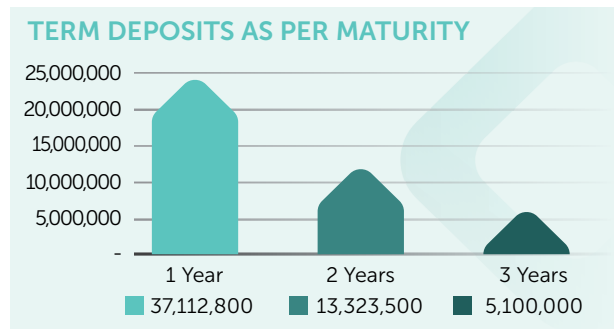
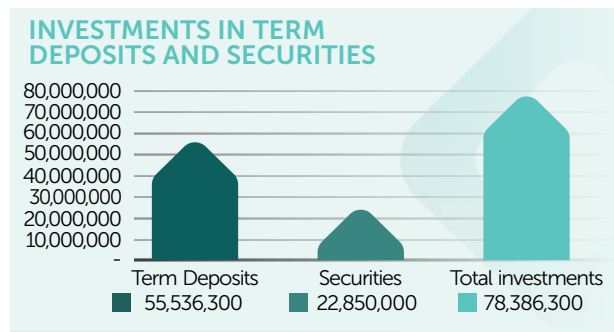
The KCGF reflects the trust in partner institutions, leaving the invested funds in their management. During planning for investments, the KCGF takes care to provide liquidity in the financial market, therefore having an impact on the increase in lending by financial institutions. The KCGF also optimizes rates of return on investments, always taking care to maintain stability in the market.

During 2023, the KCGF has invested 55,536,300 euros in term deposits with KCGF financial partner institutions, with one-year, two-year and three-year maturities, thus continuing the multi-year cooperation in this direction.

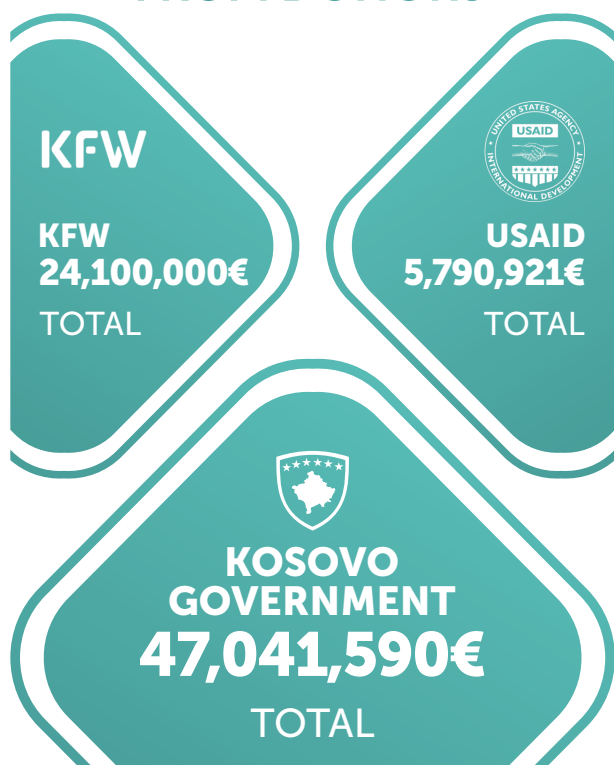
In 2023, the KCGF has also invested in Securities of the Government of Kosovo in the amount of 22,850,000 Euros with three-year and five-year maturities.

The break down by investment maturity shows a different composition, whereby 60% of the investments are with a maturity of up to twenty-four months and 40% of them with a maturity of over twenty-four months to sixty months. Of the investments with a maturity of up to twenty-four months, at least 30% of them must be with a maturity of up to twelve months.

As for investments with maturity over twenty-four months and up to sixty months, at least 20% of them must have maturity from thirty-six months to forty-eight months.



CAPITAL FROM DONORS



ENVIRONMENTAL AND SOCIAL GOVERNANCE

A very important part for KCGF for what our institution bears full responsibility, it is the environment and society, therefore, we have taken all measures to avoid and reduce the negative impact on environment, that might be enabled from the guarantee scheme investments. Now, with a well-structured foundation and processes, where are respected and applied systems for evaluation based on principles of environmental and social governance (ESG), as one framework that helps stakeholders understand that how an organization manages risks and opportunities about sustainability issues. By implementing the environmental management policy and social according the most advanced international standards, KCGF has worked hard to be more restrictive in guaranteeing loans, by updating the list of excluded sectors and activities that do not qualify for the guarantee scheme. Furthermore, during the year 2023, the influence of KCGF has been focused on two parts. The first part deals with the indirect impact that is caused on the environment from the operations/activity of KCGF. While, the second part represents the direct impact from the KCGF guarantees portfolio, based on the available data. According to the objectives set for in 2023, KCGF has carried out visits to its RFIs branches, has organized additional trainings related to environmental and social governance as well as has developed campaign related to ESG, in its

official social media, dedicated to general audience as well as for the staff of RFIs.

ENVIRONMENTAL AND SOCIAL RISK MANAGEMENT

KCGF as a guarantee institution, assesses the risks related to guaranteed loans. This includes the assessment of environmental and social impacts of operations and identification of possible risks. By conducting thorough risk assessments, KCGF decides which businesses to support and to guide them in the implementation by mitigating measures to minimize negative impacts. This allows tracking of progress, identifying areas for improvement and ensuring that businesses adhere to ESG commitments. Based on these factors, KCGF has built a system that evaluates the impact of guaranteed loans in terms of environmental and social aspects (ESG) during the decision-making process, based on the best practices and with smaller environmental and social impacts. To assess the internal impact of KCGF measures have been taken to reduce footprints of carbon dioxide by reducing energy consumption, by recycling waste as well as by usage of electric taxis for institutions daily operations. KCGF has conducted additional training for RFIs and MFIs related to environmental and social management issues, related to loans guaranteed by KCGF. Another important component is the updating of the environmental and social management policies according to the highest international standards. Thus, KCGF has expanded its activities that are related to environmental and social impact.





MARKET ANALYSIS

In 2023, KCGF engaged a consulting company to provide a market analysis and evaluate the suitability of the KCGF products, and the challenges that SMEs face about access to finance.

The study found that the main barrier for growth of MSMEs in Kosovo is insufficient access to finance, followed by lack of skilled and qualified workers.

The study also revealed that many businesses use informal resources of financing due to limited access to formal financing. Despite the challenging business environment, the conducted analysis also found that businesses (respondents) are willing

to invest. Also, it emphasized the urgency of addressing the issue of access to finance, reflecting on one potential unmet demand for credit of 5.2 billion euros over the next five years.

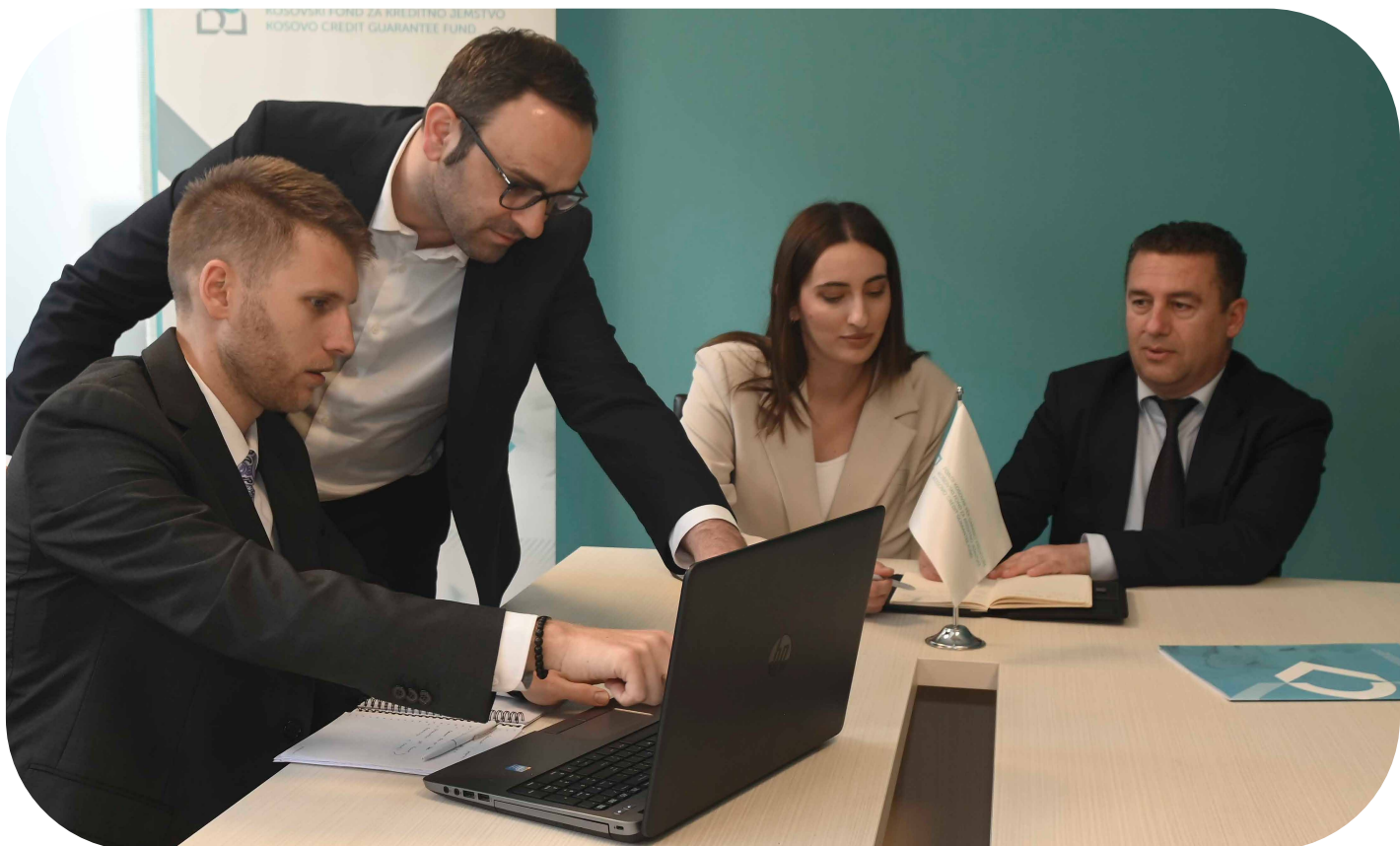
To address this gap, the study suggests offering redesigned financial products starting from the reduction of the demand for collateral to the expansion of the range of financial products including factoring. While Kosovo Credit Guarantee Fund can significantly advance and develop further, by designing and serving products to underserved markets. These initiatives aim to meet the needs of businesses that are increasing, thus stimulating economic growth and the creation of new jobs.

ANTI-MONEY LAUNDERING AND COUNTERING FINANCING OF TERRORISM

KCGF has no direct contact with eligible borrowers as ultimate beneficiaries of credit guarantees, but ensures that registered financial institutions (RFIs) have policies and procedures in place for anti-money laundering and combating financing of terrorism (AML/CFT), conduct the customer due diligence process, and have control mechanisms in place to vet their clients before establishing business relations and conducting transactions, and ensures other processes in line with the applicable legislation for anti-money laundering and combating the financing of terrorism and best international practices in this field.

In accordance with KCGF's Policy for Anti-Money Laundering and Combating the Financing of Terrorism, when reporting on guaranteed loans, RFIs also report on loans on the basis of risk - low, medium, and high - as well as in terms of politically exposed persons. KCGF regularly monitors the loans and eligible borrowers in terms of compliance with AML/CFT requirements. KCGF also conducts an annual assessment of registered financial institutions and engages in direct communication with compliance and anti-money laundering officers of RFIs in terms of assessing the fulfillment of criteria, legal requirements, and standards in the field of AML/CFT.

KCGF has continuously monitored the implementation of contractual obligations within agreements with international financial institutions and donors and, as needed and requested, has reported on issues related to AML and CFT. To enhance knowledge, in 2023, KCGF organized a training for its staff in the field of anti-money laundering and combating the financing of terrorism, provided by representatives of the Financial Intelligence Unit of Kosovo.



PART VI

The background features several overlapping, wavy, organic shapes in shades of teal and light blue. These shapes flow from the top right towards the bottom left, creating a sense of movement and depth. The colors are soft and muted, contributing to a clean, modern aesthetic.



MILESTONES 2023

PARTNERSHIP OF KCGF WITH THE SWEDISH INTERNATIONAL DEVELOPMENT COOPERATION AGENCY - SIDA

In December 2023, KCGF signed a guarantee agreement with the Swedish International Development Cooperation Agency (SIDA). This significant agreement underscores the commitment of both institutions to support economic growth and sustainability in Kosovo. The guarantee agreement, amounting to 14.9 million euros, is set to unlock investments worth 55 million euros. The objectives of the agreement include promoting gender equality within the business sector, encouraging export development and facilitating the transition to a greener

economy. The continuous increase in KCGF's capital, supplemented by re-guarantee schemes, plays a crucial role in expanding access to finance, boosting competitiveness, and narrowing the financial gap through more favorable conditions. This is a push, but also a strong signal for all RFIs in Kosovo to strengthen the partnership with KCGF. The re-guarantee agreement represents precisely a promising opportunity for the re-guaranteed loans through KCGF's guarantee schemes to be offered under more favorable conditions.

WOMEN IN BUSINESS AND STARTUP WINDOWS

Recent studies in Kosovo highlight a gender disparity in the business landscape, where women are significantly underrepresented compared to their male counterparts. Women in business are mainly involved in sectors characterized by low added value and low growth potential, primarily within the micro-segment. Despite their inherent creativity and ambitions, women entrepreneurs face obstacles throughout their journey, from societal stereotypes to access to finance.

At the same time, new business start-ups, as one of the most dynamic market segments, face numerous challenges during the creation and realization of their business ideas.

Women entrepreneurs and startup business start their ventures using personal funds, family support, or even informal sources, providing them with limited growth and development.

To grow, these businesses need to invest. Naturally, these investments require access to more formalized finances.

Experiences and practice show that access to finance remains a significant obstacle, accompanied by factors such as the lack of assets, lack of property, limited business history, limited credit history,

informal business structures and lack of basic financial knowledge. These barriers collectively hinder access to formal financing opportunities for two categories: women in business and startups.

Recognizing these challenges and based on our commitment to promoting inclusivity, especially among vulnerable groups, in 2023, KCGF launched the Women in Business and Startup Windows.

This initiative, aimed at bridging the financing gap for vulnerable groups, offers better opportunities with a higher guarantee rate, up to 70% for Women in Business and up to 80% for Startups.

In this way, KCGF undertakes up to 80% of the credit risk, thus easing the burden on partner financial institutions.

With this initiative, by taking on a larger share of the credit risk and offering additional benefits such as lower guarantee fees, we aim for banks to further expand their lending limits to these two targeted groups. This provides RFIs with an opportunity to reflect on the lending conditions, starting from relaxed lending requirements to interest rates. Thus, businesses from these targeted groups are enabled to invest in their enterprises and engage in activities that contribute to adding value to the economy.

NON-FINANCIAL COMPONENT

Unlike previous operations, KCGF, in addition to the credit guarantee component, started offering the opportunity to advance the knowledge of these businesses in management, finance and other areas to further improve their operations within the Women in Business and Startup Windows. Furthermore, the non-financial component includes capacity building, networking and mentoring. Through this component, which we developed last year, we focused on training to advance financial knowledge, emphasizing the importance of formalization and raising awareness about financing opportunities, sources and forms of financing, what they need to know when applying for loans, and active financial institutions.

For the latter topic, we invited banks to develop this part of the training so that participants have direct information from lenders to understand that with KCGF's support, obtaining a loan is not difficult, but they need the right information and knowledge about the business they are leading.

In addition to the training, KCGF has provided mentoring and "Business Help", a simple platform

to support the respective MSMEs in managerial accounting, offering more knowledge on revenue maintenance, goods management, investments made and business planning.

In the initial phase, we organized approximately 35 groups in almost all municipalities of Kosovo, where 250 women in business and 50 startups participated in these trainings. What was impressive is that in these trainings we met daily with motivated women, with very good ideas and with a genuine willingness to cooperate with each other. This further motivated us as an institution to continue offering this component to advance it further with new topics such as digital marketing, electronic sales, and negotiation skills.

Such support for women entrepreneurs and startups is expected to push them to invest in their businesses and expand opportunities for penetration into local and regional markets. The effect will be even greater as such support would impact financial security, and alongside financial education, we will have the financial empowerment and independence of women and startups.

TESTIMONIALS TRAINING WOMEN IN BUSINESS

"I can't express enough how happy I am, for the opportunity I was given to participate in the training organized by the Kosovo Credit Guarantee Fund and supported by the World Bank.

The content of the training, networking and mentoring are key to my business and its growth. This initiative is a testimonial that women are empowered they can reach extraordinary achievements."

Igballe Tahiri - Owner
NETA Gift Shop - Ferizaj

As an entrepreneur, participating in the "Advancement of financial knowledge" training, enabled me to understand the approach to financing, explained the financial statements and importance of balance sheet and many other topics.

Now, I have a much clearer perspective on how to manage the business on day-to-day operations from a financial point of view.

Genc Rashiti - Owner
Edu Courses - Podujevë

Participating in the training "Advances and financial knowledge" organized by Kosovo Credit Guarantee Fund, enabled me to understand the approach to finance and broadened my horizons about forms of banking. Also, all the lectures on financial statements, the balance sheet and many other topics gave me a completely different perspective in relation to the way of managing the business and daily operations from the financial aspect.

Ilirjeta Morina - Owner
VIA CREATIVE- Prizren

Programs and training offered by the Kosovo Credit Guarantee Fund were extremely valuable for my business. The gained knowledge, especially the "Business Help" platform, will help me to improve the part of daily operations and increase the customer base.

Therefore, I highly recommend this program to all women in business.

Djellza Zeka - Owner
Ozon Space - Prishtinë

The training organized by the Kosovo Credit Guarantee Fund made a difference in my approach to finance, as a technology startup.

It opened a new window for me on financial knowledge. Also, all discussed topics have provided me with new knowledge regarding the complexity of the business world.

Rita Mustafa - Owner
ICODIK - Prishtinë

Being an entrepreneur in the sector of physiotherapy, participating in the "Advancement of financial knowledge" training, organized by the Kosovo Credit Guarantee Fund and supported by the World Bank, was a very useful moment in my professional journey. This program was a guide for me, transforming complicated financial concepts into simple and understandable which I will be able to apply in my daily work as an entrepreneur.

Also, the exchange of experiences with the group members was very useful and inspiring.

Filloreta Salihu Zejnullahu - Owner
Fizioterapija & Baby Spa EKA - Lipjan

CLOSING OF THE WORLD BANK'S FINANCIAL SECTOR STRENGTHENING PROJECT

The World Bank's Financial Sector Strengthening Project (FSSP) was designed to facilitate access to finance for the MSME sector in Kosovo through KCGF. The project received support and was expedited in response to the economic consequences of the Covid-19 pandemic. This financial support was coordinated in collaboration with the Ministry of Finance (MoF) and the Kosovo Credit Guarantee Fund (KCGF), resulting in the signing of the Assistance Agreement between the Ministry of Finance and the Kosovo Credit Guarantee Fund on September 17, 2020. The capital increase amounting to 21.4 million euros was an injection of capital for KCGF, which was successfully realized in December 2020.

The disbursement constituted a key element of the Economic Recovery Package (ERP), which had the main objective of targeting the private sector, including various sectors such as Agriculture, Women in Business, Trade, Manufacturing, Services, and Startups. To support access to finance during the pandemic for the aforementioned sectors and segments, KCGF operated through specialized windows tailored to assist the most affected segments of society, including micro, small and medium enterprises (MSMEs) in the manufacturing sector, women entrepreneurs and startups. The Economic Recovery Package (ERP) of KCGF was carefully prepared to share the risk with financial institutions, thus facilitating lending to MSMEs under more relaxed conditions, regardless of their limited collateral and credit history.

In addition to the capital increase, FSSP supported KCGF with the Technical Assistance program, including the successful recruitment of experts in legal issues, procurement, environmental and social aspects, monitoring and evaluation, financial management, and public relations and communication specialists.

This technical assistance supported KCGF and some of the RFIs in building and implementing the Environmental and Social Management System to

ensure that the lending activity and its guarantee schemes comply with environmental and social procedures and standards.

In response to the high demand for guaranteed loans, the ERP initiative achieved great success upon its completion at the end of 2021.

The cumulative value of approved loans within the ERP, supported by World Bank funds through this project, was 84.67 million euros of loans issued by RFIs, financing 1,370 MSMEs for 1,573 loans. Notably, the percentage of guarantees given to women-led MSMEs reached 13 percent of the total guaranteed loan amount and 15 percent of the number of MSMEs.

After the completion of the ERP program, KCGF, in collaboration with the World Bank, developed new initiatives targeting vulnerable sectors such as women in business, startups, export-oriented businesses and financing green projects. These new windows were launched in 2022 and 2023.

It is worth mentioning that to improve the effectiveness of the guarantee schemes, the World Bank team, in collaboration with the KCGF, conducted an impact assessment of KCGF's schemes. The results from this assessment suggest that businesses guaranteed by KCGF experienced a 10% increase in turnover compared to those that were not guaranteed. The results also suggest that firms benefiting from KCGF became 5.8% more productive and expanded employment by 2.8% more than those that were not guaranteed. Additionally, firms that benefited from KCGF were nearly 5% less likely to cease operations. The World Bank Financial Sector Strengthening Project ended on December 31, 2023, leaving behind a good practice of Environmental and Social Governance, procurement, and a well-capitalized.

EIB PROJECT

The implementation of the Agreement between EIB and KCGF

The implementation of the Agreement between EIB and KCGF during 2023 ensured proper implementation of the agreement with the European Investment Bank (EIB), signed on June 28, 2021 between EIB and the Ministry of Finance of Kosovo amounting to 40 million euros.

This agreement provided a capital increase for the Kosovo Credit Guarantee Fund, which through guarantee schemes facilitated access to finance for micro, small and medium-sized businesses. During 2023, alongside the EIB capital, KCGF facilitated lending of 61 million euros for 834 MSMEs, distributed across 924 loans.

Total amount of approved loans
through FSSP project

121.3
million Euro

garancitë e dhëna
për NMVM-të pa
e menaxhuara
nga gratë

2,279
guaranteed loans

18%

25%

for
1,953
MSMEs

18% by number
16% by amount

issued guarantees
for MSMEs without
previous credit history

1,538
officers

Number of trained
loan officers of RFls

PART VII

The background features several overlapping, wavy, organic shapes in shades of teal and light blue. These shapes flow from the top right towards the bottom left, creating a sense of movement and depth. The colors are soft and muted, contributing to a clean, modern aesthetic.



**ACTIVITIES
IN 2023**

KCGF ACTIVITIES

The Kosovo Credit Guarantee Fund continued various activities during 2023. Information sessions for the staff of the RFIs related to all the guarantee schemes and the new windows. Lectures in five higher education institutions. Forums dedicated to topics related to economy and financing. Promotion of windows in various media and shows. The main activities are listed below.

February 2023 – After launching the Standard Window and Agro window, KCGF initiated a new cycle of orientation sessions designed for the staff members of RFIs. Focus were the features of the Agro Window and the Environmental and Social Management System with partner Microfinance Institutions.

February 2023 – Continued the information sessions with businesses, through associations of wood and food processing; sector of information technology; American Chamber of Commerce; Club of producers; etc. The content of the sessions was related to features of Export Window. All sessions were organized in cooperation with Usaid Kosovo Compete Activity.



February 2023 – KCGF meet the Board of Directors of Kosovo Banking Association, to discuss challenges, responsibilities and forms of cooperation. In this meeting, KCGF presented the latest developments as well as new opportunities that will increase crediting for priority sectors. Among other, it was discussed how the banking sector and KCGF can cooperate in order to facilitate access to finance for certain groups of the economy and society who would benefit.



March 2023 – KCGF held the workshop for the RFIs staff members “Workshop for Reporting”. Over 20 participants from all RFIs attended the workshop where was discussed about the impact of reporting towards guarantee institutions and the digitalization processes.



March – April 2023 – KCGF started the cycle of lectures “Role and importance of guarantee schemes” in Higher Education Institutions. Throughout the year 2023 KCGF held lecture in RIT, Universum College, UBT, University of Peja, University of Agriculture and Riinvest.



April 2023 – The KCGF staff members together with representatives of the Municipality of Obliq, planted 14 linden trees in the yard of the pensioners’ association. An activity that has become a tradition at KCGF on the occasion of anniversaries.



April 2023 – On the occasion of the seventh anniversary of its foundation, KCGF launches two new guarantee schemes “Women in Business Window” and “Startup Window”. At the launching ceremony, the agreements with the IRFs related to these two new guarantee schemes were also signed.



April – September 2023 – KCGF after the launch of the two new windows “Women in Business” and “Startup”, started the series of orientation sessions for the staff of IRFs. The features and specifications of these two new windows were presented in these sessions.



June 2023 – KCGF participated in the ESG summit organized on the 20th anniversary of Raiffeisen Bank in Kosovo. KCGF was part of the discussion panel focusing on the topic “Transition to Green Economy”.



June 2023 – KCGF representatives Mr. Kreshnik Kurtishi, Independent Board Member and Alban Kastrati, Senior Risk Manager, participated in the 2023 Annual Meeting of the European Association of Guarantee Institutions held in Athens.



June 2023 – KCGF continued the cycle of orientation sessions designed for the staff of registered financial institutions. A session was held with the staff of the BKT bank, regarding the features of the guarantee schemes offered by KCGF: Standard Window, Export Window, Women in Business Window, and Window for Startups.



June 2023 – KCGF started the training cycle for the staff of registered financial institutions (RFIs) for the GROW window, dedicated to businesses investing in renewable energy (RE) and energy efficiency (EE). The main goal of the KCGF for organizing these training courses is that staff members of the RFIs, gain as much knowledge as possible regarding the key features of this window. Also, to expand their capacities and knowledge about the qualifying criteria for investments in RE and EE. KCGF during the trainings, through the consulting company MACS, presented the innovative application “eSAVE” as a calculation, monitoring and reporting instrument for the guarantee scheme of KDGF. This application will help all RFIs to manage more easily the loan portfolio of businesses focusing on renewable energy and energy efficiency.



July 2023 – KCGF was presented in the workshop “Sustainable and Inclusive Rural Economic Development” (SIREDD) organized by Melita & Partners, implementer of the project. Mr. Këpuska presented KCGF and spoke about the “Role of KCGF in facilitating access to finance for farmers and agribusinesses”.



August 2023 – KCGF signed MoU with Universum International College for the engagement of students in internship program implemented by KCGF. Internship program is designed to enable students a professional experience in practice. Also, it offers an opportunity to learn more closely about the operations and work of KCGF.



September 2023 – KCGF represented by Mr. Këpuska in OTP on agriculture, organised by AECM.



September 2023 – In accordance with the Law of Establishment of our institution, KCGF elected Mrs. Anila Statovci Demaj and Mr. Agan Azemi as new independent board members of the KCGF Board of Directors. At the regular meeting held on September 22nd, Mr. Azemi was unanimously appointed Chair of the KCGF Board of Directors by all board members.



October 2023 – KCGF part of the discussion panel “Opportunities of Sustainable Financing” represented by Mr. Berisha managing director in KCGF. The discussion panel was held as part of the Sustainable Finance Forum, an important economic event. Forum was organized by Central Bank of Kosovo, Kosovo Bank Association ; Sustainable Banking and Financing Network (SBFN) and International Financial Cooperation-IFC (member of the World Bank) in partnership with SECO.



October 2023 – KCGF participated in the discussion panel organized by NLB bank on ESG principles “Opportunities and Challenges of the businesses in integration of the ESG principles”.



October – December 2023 – KCGF signs the agreement with RFI on GROW window.



November 2023 – KCGF participated in “Food sector forum 2023 – Demand and Offer relation”. Also, KCGF was part of the discussion panel “Financial products adopted for agriculture and food processing sector” represented by Mr. Këpuska – Project manager at KCGF.



November 2023 – KCGF participated in the discussion panel “ Access to Finance for Women in Business” organized by TEB bank, as part of the “Global Entrepreneurship Week Kosovo”.



November 2023 – KCGF participated in the convention on Wood processing. Mr. Berisha, managing director of KCGF presented information about the export window, which finances wood processing businesses that export their products. This scheme is highly important for Kosovo's economy.



December 2023 – In a modest ceremony organized by KCGF, was signed the re-guarantee agreement between Sida and KCGF.



December 2023 – Kosovo Credit Guarantee Fund as part of its regular activities held the lecture titled " Role and Importance of the Guarantee Schemes" emphasizing the role of guarantee schemes for farmers and agribusinesses. The lecture was held in two educational institutions: UBT (Universiteti për Biznes dhe Teknologji) and Faculty of Agronomy in Prishtina.



December 2023 – Kosovo Compete Activity Usaid project, together with KCGF organized a roundtable " Evaluation of the possible financial instruments of risk sharing for factoring'. KCGF represented by managing director Mr. Berisha and Senior risk officer Mr. Kastrati, discussed the perspectives of inclusion of factoring product in the structure of possible risk. Attendees at the roundtable included registered financial institutions, sectorial associations, SMMEs from the wood and food processing sectors, insurance companies, and institutional representatives.

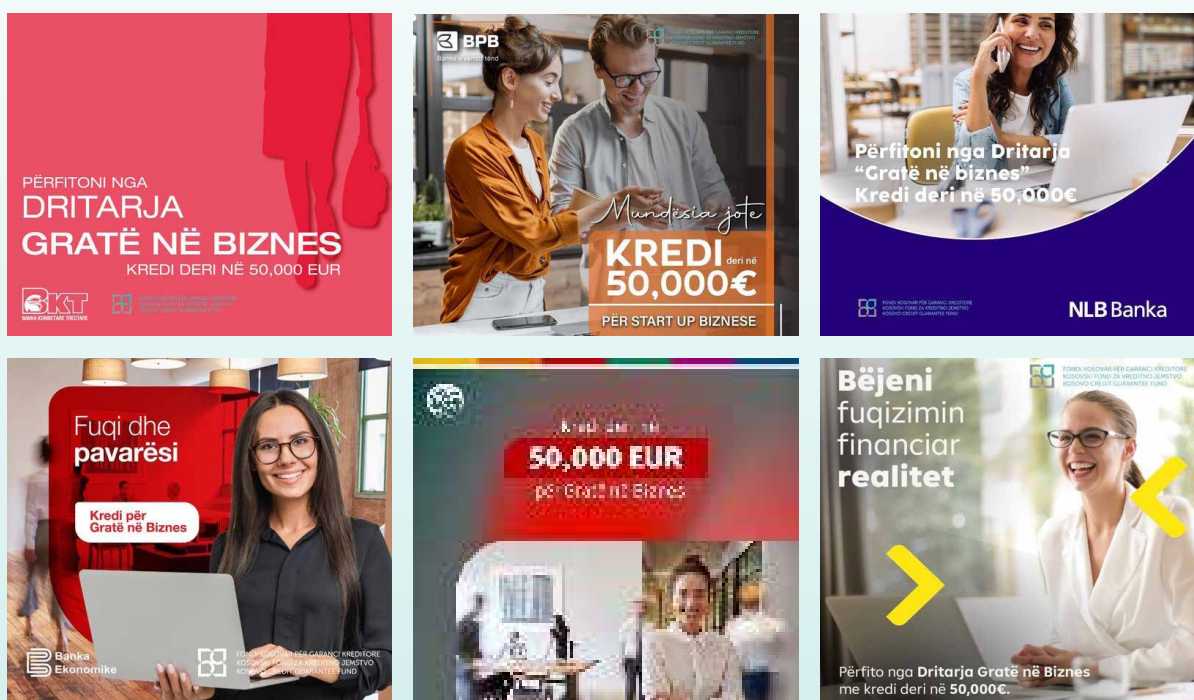


KCGF CAMPAIGNS IN 2023

In addition to the various activities where the KCGF was active and committed to present institution and the guarantee schemes, as well as communications about the guarantee schemes, KCGF initiated a joint communication campaign with the RFIs, particularly for the “Window for Women in Business” and “Window for startups”. The joint communication with the RFIs for the KCGF windows was implemented through the official web pages and social media of both parties.

January-February 2023 – The Kosovo Credit Guarantee Fund continued the implementation of the Standard Window through capital from the European Investment Bank (EIB) according to the agreement signed between the EIB and the Ministry of Finance of Kosovo. The Kosovo Credit Guarantee Fund continued the implementation of the export window, in which case it promoted this window through video, digital brochures explaining the features of this window.

May – September 2023 – Joint campaigns with RFIs on two guarantee schemes: ‘Window for Women in Business’ and ‘Window for Startups’. After the launch of the two new guarantee schemes, ‘Window for Women in Business’ and ‘Start Up Window,’ all banks that signed the agreement with KCGF for these schemes launched joint campaigns on social media and their official websites.



July 2023 – KCGF launched an online campaign on its Environmental and Social Management System (ESMS). During the campaign, KCGF published its environmental policy, regulations, environmental risk management practices, and best practices for ESMS.

September- December 2023 – KCGF, in collaboration with banks that signed the GROW agreement, promoted the window in the social media. In December, KCGF launched brand image video and videos for each guarantee scheme.

SUCCESS STORIES

BLETARIA BLENARDI

Bee hives in the picturesque village

Last week we visited the picturesque Village of Rubofc in the municipality of Lipjan, and the passionate beekeeper Bekim Bajqinca, owner of the Bletaria Blenardi company.

Bekim displays great organization, pedantry and dedication and a deep love and respect for the nature, which made him turn his hobby into a successful business. With a clear vision in mind, Bekim decided to continue his family's tradition of beekeeping, and not only contribute to the local economy, but also promote environmental protection. Bekim started his beekeeping journey and mission back in 1992, when his uncle started beekeeping, giving Bekim 4 hives.

He turned this hobby into a business, or rather a real passion. He increased the number of bee hives to 700, carefully nurturing his large number of bees throughout the summer season, spending countless hours with a dedication which eventually paid off, as he managed to not only produce honey of very good quality, but other bee products too, such as pollen, propolis, bee milk, etc.

The loan guaranteed by the Kosovo Credit Guarantee Fund was used for the purchase of new hives, 500 hives, as a back-up for winter preparations, so that next spring finds Blenardi beekeeping business prepared for the next season.

In and around the village of Rubofc, everyone has heard of the wonderful honey that Bekimi cultivates in his plantation. Thanks to the unique flower nuances, attributed to the rich diversity of flowers in the surrounding countryside, his honey became highly sought after, attracting not only local customers, but also attracting the attention of fine honey enthusiasts abroad.

Bekim's commitment is undoubtedly one of the key factors of his success. Working alone, he takes care of all the hives he owns. Today, the beekeeping business stands as a shining example of how a small effort, fueled by passion, and the desire to make a difference, can blossom into a remarkable success story. His dedication to the welfare of the bees, his focus on sustainable practices have not only created a thriving enterprise, but also fostered a sense of harmony between people and nature in the wonderful Village of Rubofc.



MY TAXI

A pioneering business for sustainable transport in the future

In the crowded and buzzing city of Mitrovica, an innovative transporting service company named "My Taxi" has revolutionized the transportation industry in this city. Founded in December 2021, by a group of visionary entrepreneurs aiming to create a greener and more sustainable future by investing in electric cars, brought innovation to the city.

Even though business started with fueled cars as a conventional trend, the owners took a step forward by investing in electric cars. This visionary move was made possible through the loan guaranteed by the Kosovo Credit Guarantee Fund, an institution affirmed in supporting environmentally friendly initiatives. The two co-owners, Mirsad Selmani, and Driton Berisha, two young people full of energy and commitment, purchased three MG4 type electric cars, thus initiating a new innovative trend.

These cars are proving to be more than just an environmentally friendly choice; low cost in the long run, saving the company a significant amount in fuel, maintenance and running costs. Their smooth rides ensure passengers a pleasant and calming travel experience.

Although new in the market, the fleet of electric cars became an attraction for citizens who with no hesitation started to use the new transport. The attractive and eye-catching green logo of "My Taxi" is gradually becoming a symbol of progress, sustainability.

Within a short period of time, electric cars became in high demand, constantly booked by locals and environmentally conscious tourists. Both demand and initial success gave the owners the confidence to expand further. They are determined to expand their fleet with electric cars and by the end of this year, they are planning to purchase ten new additional electric cars.

"My Taxi" with around 25 full time workers whose number increases during the busy season, created employment opportunities and are contributing to the local economy. The ten new electric cars they plan to bring will mark another moment and a turning point for the taxi service.

Even though they started with a modest number of cars, the impact of "My Taxi" on the environment is undeniable. Electric cars significantly reduced carbon emissions by 132 kg/km, creating a cleaner and healthier environment for the residents of the city of Mitrovica.

Initial success will be an inspiration for other businesses in the transportation industry to consider environmentally friendly alternatives, causing a positive domino effect in the community. "My Taxi" is an excellent example of how a business can be profitable and environmentally responsible.

Day by day, they prove that sustainability and profitability jointly, are setting a benchmark for others to follow. With their goals of continuous growth and expansion, "My Taxi" envisions a future where clean transportation becomes the norm, transforming their city into a greener, quieter, and healthier place for everyone.



JONI SH

An enterprise with a vision

In the heart of Ballofc village in Podujeva, we unveil a success story centered around JONI SH Shpk, an enterprise founded in 2016 by Alban Shabani, a young man with an entrepreneurial spirit and a clear vision.

JONI SH Shpk embarked on a journey that has not only transformed the fate of its owner but also impacted numerous farmers and employees who became part of this inspiring narrative. JONI SH's journey began with Alban, a young visionary determined to create something extraordinary.

Fueled by a profound passion for agriculture and an unwavering belief in his vision, he initiated fruit cultivation on the land inherited from his parents. What began as a solo endeavor soon blossomed into a continuously expanding company.

In 2020, the company became operational with support from donors and loans obtained from various banks. The latter were guaranteed by the Kosovo Credit Guarantee Fund, and the funds were utilized for working capital. This expansion broadened not only the company's physical size but also its impact.

Today, Joni Sh owns a state-of-the-art factory equipped with modern fruit packaging and freezing machinery, along with advanced refrigeration systems. It stands as the pioneer, not only in freezing various fruits like raspberries, blueberries, apricots, apples, blackberries, and plums, but also as the first to introduce packaged frozen fruits to the market.

Over the years, the team has grown significantly. From a solitary individual, there are now 25 dedicated regular employees who form the cornerstone of JONI SH Shpk. Their commitment and devotion have metamorphosed this enterprise into a business with a unique and extraordinary history. Alban's entrepreneurial spirit extended beyond the confines of his business. Recognizing the potential of collaboration and symbiosis, he forged partnerships with more than 30 local farmers, empowering them to contribute to his vision.

Currently, over 300 of these farmers, primarily cultivating raspberries, are integral to a supply chain that has penetrated international markets. This move not only bolstered business profitability but also brought the rich flavors of Albanian soil to global tables.

Offering a diverse range of high-quality fruits adhering to international ISO standards, these meticulously selected fruits are now relished by people across borders, uniting cultures through the simple joy of nature's bounty. Looking at JONI SH Shpk today, we don't merely see a business; we witness a testament to human potential and the potency of dreams. A once modest venture, stemming from the determination of one individual, has evolved into a symbol of success that has touched the lives of countless individuals. This narrative underscores that with passion, energy, adaptability, and a clear vision, even the most audacious dreams can materialize, reshaping the landscape of an entire industry."



REC PLAST

A business that cleans Kosovo by recycling 500 tons of waste

The Kosovo Credit Guarantee Fund is committed to sustainable corporate and social management. Always coordinating activities with donors, financial institutions and local regulators, we strive to serve the long-term economic interests of the country, the business community and our society in general. Therefore, we have selected a special business for this success story, businesses that directly contribute in improving the environment and cleaning the living area, among the collection and processing of waste. Vitomirica, a village near Peja, the region which is known for fresh air and a beautiful nature with landscapes surrounded by its mountains.

As soon as we arrived at RecPlast, Shefqet, the father and founder of the businesses we visited, welcomed us warmly, by sharing with us many interesting stories from his rich life experiences. Until the company's owner (Shefqeti's son) came, we didn't see the great importance of waste collection and recycling. In a wide space, full of plastic waste, a huge amount of waste that when only imagine the damage that would cause to environment if they were still in the are and roads of Kosovo, than we could understand how important is the concept of the business of this type.

The waste collected in that space, is sorted, classified and then processed with recycling machines, which are transformed into raw materials. Colorful plastic granules are the final product obtained from a series of production steps. "Protection of the environment is done by people in need" – stated Fazqet, Waste is collected by the people who are economically poor and whose primary job is to collect waste. Something that should have been different, but, its needed to create the conditions and adopt policies that would develop the business of this type of business.

RecPlast , during a year, manages to collect and eliminate 500 tons of waste all over Kosovo. Thus, our work contributes to a cleaner Kosovo – stated the owner. Through the loan guaranteed by the Kosovar Credit Guarantee Fund, RecPlast has bought a new recycling machine, which will increase the company's capacity in waste processing and recycling.

When all these efforts of collection of the waste, are translated into the positive impact this business plays a cleaner Kosovo, thus we will understand and support more these kind of businesses.



LET CENTER

A symphony of learning within the fascinating world of LET Center in Prishtina

In the heart of Prishtina, in a new neighborhood, I arrived at the LET Center, where I was met with a warm welcome of the smiling children and friendly staff, led by Lida, the energetic leader who filled me with positivity. Her dedication was noticeable the moment you stepped into the LET Center. With her team, she transformed the center into a sanctuary of joy and learning.

During my visit to the Center, I saw children brimming with smiles as they eagerly engaged in meticulously crafted activities, igniting their curiosity, and nurturing their imaginations. Classes of chess, arts, music, various other meticulously planned activities, all tailored to foster a welcoming environment for children aged 0-6.

Every corner of the LET Center was transformed into a vibrant space for learning, play, and activities, amplifying the sense of joy and creativity. Through interactive games and multifaceted learning approaches, educators wholeheartedly immersed themselves in molding the young minds, instilling an enduring love for learning without limits.

“We’ve arrived at this point through sheer hard work and commitment, together with all LET Center staff members”, said Lida, the Center’s owner/manager.

The beginning of any business is challenging. However, with determination, innovative ideas, and an unwavering dedication, we succeeded in establishing this center, which can now accommodate up to 120 children.

Access to financing, particularly for women, is not easy. Often, we find ourselves underserved in terms of financial opportunities, given the lack of property ownership. However, through our long-standing cooperation with the bank and the credit guarantee from the Kosovo Credit Guarantee Fund, we expanded our business and today, with my sister Fitore, we manage two children’s education centers, continued Lida.

“Like any venture, this business has its unique attributes and challenges. We’re deeply attuned to children’s needs and upbringing. As an educational center, we must cultivate trust among parents, meeting their expectations in terms of substance, as well as ensuring a quality, child-friendly environment. Through this approach, parents place their trust in us, comfortable in leaving their children in safe hands,” stated Lida.

Our center currently counts 15 educators and caters to 65 children, from 0 to 6 years of age. We will remain an education center for children in which everyone will feel the safety, well-being, and professionalism we provide.

Our ambitions extend further; we aim to foster children’s passion for art, music, physical education, knowledge, and creativity. We aspire to sow the seeds of critical thinking, paving the way for future generations’ prosperity.



SCAMPA

The journey of “Scampa”, a plastic products business.

In 2006, in the heart of the Drenas Industrial Park, emerged a start-up with big dreams, which is now a consolidated business. From a modest enterprise, it very quickly and convincingly turned into a successful company, thanks to the vision and energy of its founder, Kujtim Gjevori. Like any business, in its beginnings “Scampa” faced many challenges typical for startups – limited resources, competition, as well as changing market dynamics. However, driven by desire, ambition and commitment to quality, Kujtim was persistent in his vision. With a dedicated team, today composed of 50 employees, the company focuses on refining the production processes and expanding its product range. One of the major turning points came when the company embraced innovation and invested in the latest plastic processing technology to manufacture bags with custom designs and high-quality printing, setting itself apart from competitors and starting to export abroad as well, in the US and Europe.

Recognizing the potential of overseas markets, this company’s expansion plans strategically targeted European countries, such as the Netherlands and Belgium, known for their strict quality standards and environmentally conscious consumer base. This was achieved through partnership and joint investment with a Belgian company as well as the meticulous planning and high quality, they managed to successfully penetrate these markets, gaining the trust of customers.

The approach and work culture practiced at “Scampa” have fostered innovation and continuous improvement, both in quality and working conditions, ensuring the company’s distinguished status in this industry. With investments in new high-capacity machinery through financing from banks, as well as with the guarantee of a part of the financing from the Kosovo Credit Guarantee Fund through the export window that supports exporting businesses, the intended journey of this business became a reality.

Scampa products are made from 80%+ PCR (Post Consumer Recycled) waste. So, all the material, instead of being sent to a landfill, is reused and given a new form and life. The owner of the company told us that: “By using PCR waste in our products, we reduce our carbon footprint on the environment and promote sustainability.

By implementing the closed loop, which means all the waste generated in our factory during manufacturing, is recycled and becomes final products. The recycling and the new ongoing project are also the use of biodegradable materials are environmentally friendly practices”.

Today, this once small manufacturer of plastic bags stands as a shining example of entrepreneurial success. With strong foundations, a talented team, and a visionary leader at the helm, they continue to penetrate beyond the borders of Kosovo and constantly explore new opportunities for growth.

As they work towards the future, one thing is certain – the journey of this domestic company has opened the doors to more chapters of success that have not yet been written and will certainly be written in the future.



PART VIII

The background features several overlapping, wavy, organic shapes in shades of teal and light blue. These shapes flow from the top right towards the bottom left, creating a sense of movement and depth. The colors are soft and muted, contributing to a clean, modern aesthetic.



**AUDITED
FINANCIAL
STATEMENTS**

KOSOVO CREDIT GUARANTEE FUND

**Independent Auditor's Report and
Financial Statements for the year
ended December 31, 2023**

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INDEPENDENT AUDITORS' REPORT

To the Board of Directors of Kosovo Credit Guarantee Fund

Report on the Audit of the Financial Statements

Opinion

We have audited the financial statements of Kosovo Credit Guarantee Fund ("the Fund" or "KCGF"), which comprise: the statement of financial position as at December 31, 2023, statement of profit and loss and other comprehensive income, statement of changes in equity and statement of cash flows for the year then ended and notes to the financial statements, including a summary of material accounting policies.

In our opinion the accompanying financial statements present fairly, in all material respects, the financial position of the Fund as of December 31, 2023, and its financial performance and its cash flows for the year then ended in accordance with International Financial Reporting Standards (IFRSs).

Basis for Opinion

We conducted our audit in accordance with the International Standards on Auditing (ISAs). Our responsibilities under those standards are further described in the *Auditor's Responsibilities for the Audit of the Financial Statements* section of our report. We are independent of the Fund in accordance with the International Ethics Standards Board for Accountants' *Code of Ethics for Professional Accountants* (IESBA Code), and we have fulfilled our other ethical responsibilities in accordance with these requirements and the IESBA Code. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Reporting on other information

Management is responsible for other information disclosed in Annex 1 to these financial statements. Other information comprises of schedule disclosing the balances and transactions with World Bank.

Our opinion on the financial statements does not cover other information and we do not express any form of assurance conclusion thereon. In connection with our audit of the financial statements, our responsibility is to read the other information and, in doing so, consider whether the other information is materially inconsistent with the financial statements, or our knowledge obtained in the audit, or otherwise appears to be materially misstated.

Responsibilities of Management and Those Charged with Governance for the Financial Statements

Management is responsible for the preparation and fair presentation of the financial statements in accordance with IFRSs, and for such internal control as management determines is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the financial statements, management is responsible for assessing the Fund's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless management either intends to liquidate the Fund or to cease operations, or has no realistic alternative but to do so.

Those charged with governance are responsible for overseeing the Fund's financial reporting process.

Auditor's Responsibilities for the Audit of the Financial Statements

Our objectives are to obtain reasonable assurance about whether the financial statements are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance but is not a guarantee that an audit conducted in accordance with ISAs will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these financial statements.

As part of an audit in accordance with ISAs, we exercise professional judgement and maintain professional skepticism throughout the audit. We also:

- Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.
- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Fund's internal control.
- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by management.
- Conclude on the appropriateness of management's use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Fund's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause the Fund to cease to continue as a going concern.
- Evaluate the overall presentation, structure and content of the financial statements, including the disclosures, and whether the financial statements represent the underlying transactions and events in a manner that achieves fair presentation.

We communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that we identify during our audit.



Amir Dërmala
Engagement Partner
BDO Kosova L.L.C.

June 25, 2024

Ukshin Hoti, Building C 4/3, Ent. A, 2nd Floor,
Pristina, Kosovo

Kosovo Credit Guarantee Fund
Statement of Financial Position
As at December 31, 2023
(All amounts in EUR, unless stated otherwise)

	Notes	As at December 31, 2023	As at December 31, 2022
ASSETS			
Property, plant, and equipment	9	38,234	30,954
Intangible	10	22,147	17,509
Right of Use (ROU)	8	22,210	41,248
Total non-current assets		82,591	89,711
Deposits	6	55,932,554	42,174,250
Treasury Bonds	7	22,926,628	18,781,139
Trade and other receivables	5	335,651	282,333
Cash on hand and at banks	4	8,668,321	2,052,322
Total current assets		87,863,154	63,290,044
Total assets		87,945,745	63,379,755
EQUITY AND LIABILITIES			
Capital	13	76,932,511	54,300,921
Accumulated profit		4,360,451	3,434,390
Total equity		81,292,962	57,735,311
Accrued expenses		101,434	11,553
Lease liability	8	24,920	44,891
Total non-current liabilities		126,354	56,444
Reserve for losses on Guarantees	19	4,566,250	3,021,000
Deferred revenues	11	829,840	1,346,980
Accrual guarantee fees	12	1,130,339	1,220,020
Total current liabilities		6,526,429	5,588,000
Total liabilities		6,652,783	5,644,444
Total equity and liabilities		87,945,745	63,379,755

Authorized for issue by the management and signed on its behalf on June 25, 2024.


Besnik Berisha
Managing Director




Vjosa Balaj
Senior Finance Manager

The accompanying notes on pages 7 to 41 form an integral part of these financial statements.

Kosovo Credit Guarantee Fund
Statement of Profit or Loss and Other Comprehensive Income
For the year ended December 31, 2023
(All amounts in EUR, unless stated otherwise)

		Year ended December 31, 2023	Year ended December 31, 2022
	Notes		
Guarantee fees	14	2,374,801	2,457,527
Interest income	15	1,209,007	855,819
Other income	16	474,325	368,359
Gross profit		4,058,133	3,681,705
Personnel expenses	17	(335,474)	(287,630)
Operating expenses	18	(262,596)	(297,530)
Depreciation expenses	9,10	(23,626)	(21,155)
ROU depreciation	8	(19,038)	(19,038)
Net provision losses for guarantees	19	(2,397,124)	(269,387)
Net provision losses for other assets	19	(91,985)	34,531
Total expenses		(3,129,843)	(860,209)
Lease liability cost total expenses	18	(2,229)	(3,430)
Net profit for the year		926,061	2,818,066
Other comprehensive income		-	-
Total comprehensive income for the year		926,061	2,818,066

The accompanying notes on pages 7 to 41 form an integral part of these financial statements.

Kosovo Credit Guarantee Fund
Statement of Changes in Equity
For the year ended December 31, 2023
(All amounts in EUR, unless stated otherwise)

	Capital	Accumulated profit	Total
Balance at 1 January 2022	54,300,921	616,324	54,917,245
Net profit for the year	-	2,818,066	2,818,066
Other comprehensive income	-	-	-
Balance as at December 31, 2022	54,300,921	3,434,390	57,735,311
Balance at 1 January 2023	54,300,921	3,434,390	57,735,311
Net profit for the year	-	926,061	926,061
Paid in capital	22,631,590	-	22,631,590
Other comprehensive income	-	-	-
Balance as at December 31, 2023	76,932,511	4,360,451	81,292,962

The accompanying notes on pages 7 to 41 form an integral part of these financial statements.

Kosovo Credit Guarantee Fund
Statement of Cash Flows
For the year ended December 31, 2023
(All amounts in EUR, unless stated otherwise)

	Year ended December 31, 2023	Year ended December 31, 2022
Operating activities		
Net profit for the year before tax	926,061	2,818,066
<i>Adjustments for:</i>		
Depreciation and amortization expense	42,664	40,193
Losses from disposal of assets	-	108
Operating loss before working capital changes	968,725	2,858,367
(Increase)/decrease in trade and other receivables	(53,318)	(56,625)
Decrease in accrued expenses	89,881	(1,543)
Change in deferred revenues	(517,140)	(910,478)
Change in accrual guarantee fees	(89,681)	(106,566)
Net cash generated in operating activities	398,467	1,783,155
Cash flows from investing activities		
Increase in deposits	(13,758,304)	(5,038,340)
Increase in treasury bonds	(4,145,489)	(4,194,717)
Purchase of property, plant, and equipment	(35,544)	(27,579)
Change in reserve for losses on guarantees	1,545,250	(303,217)
Change in reserve for losses on other assets	-	(34,531)
Net cash used in investing activities	(16,394,087)	(9,598,384)
Cash flows from financing activities		
Decrease in lease liability	(19,971)	(18,770)
Paid in capital	22,631,590	-
Net cash generated/(used) in financing activities	22,611,619	(18,770)
Increase/(decrease) in cash and cash equivalents during the year	6,615,999	(7,833,999)
Cash and cash equivalents, the beginning of the year	2,052,322	9,886,321
Cash and cash equivalents, end of the year	8,668,321	2,052,322

The accompanying notes on pages 7 to 41 form an integral part of these financial statements.

Kosovo Credit Guarantee Fund

Notes to the Financial Statement for the year ended December 31, 2023

(All amounts in EUR, unless stated otherwise)

1. GENERAL

The Kosovo Credit Guarantee Fund ("KCGF" or "the Fund") is an independent and sustainable institution that issues guarantee to financial institutions to cover the risk for MSME (Micro, Small, and Medium Enterprises) loans.

KCGF was established, through a joint initiative between International Donors in Kosovo (mainly USAID and KfW) and the Government of Kosovo, in January 2016, based on the Law on Establishment of the Kosovo Credit Guarantee Fund.

The "Law on Establishment of the Kosovo Credit Guarantee Fund" (Law No. 05/L-057), henceforth referred to as LKCGF, created the Kosovo Credit Guarantee Fund (KCGF) as an independent, autonomous, non-profit public institution with full legal personality. This law distinctly separates the legal identity of KCGF from its Board of Directors and Executives. It also defines the KCGF's authority, structure, governance, operations, scope, policies, and procedures for issuing credit guarantees.

The Law on establishment of KCGF was initiated by MTI (Ministry of Trade and Industry), while USAID in Kosovo, through the EMPOWER Credit Support Program (ECS), supported the institution in becoming operational. The law entered into force on 23 January 2016. KCGF capital consists of funds donated by USAID, KfW, and the Government of Kosovo (GoK).

KCGF is created to help meet the need for increased access to finance for micro, small, and medium enterprises in Kosovo, create jobs, increase local production and value-added services, improve the trade balance, and enhance financing opportunities for MSMEs.

KCGF is governed by a Board of Directors composed of seven members: One ex-officio member appointed by the Ministry of Industry, Entrepreneurship and Trade of the Republic of Kosovo; One ex-officio member appointed by the Ministry of Finance, Labour and Transfers of the Republic of Kosovo; four independent members, appointed by donors, and the KCGF Managing Director, who collectively combine years of experience in financial management, risk management, commercial or financial law, private sector and auditing. The Board provides leadership and oversight for all KCGF's activities.

KCGF was established to provide partial risk credit guarantees to financial institutions on loans to MSMEs up to the credit guarantees coverage amount prescribed by the LKCGF and the Guarantee Agreement between KCGF and the financial institution.

For its main function, KCGF is responsible for:

- a. Issuing Credit Guarantees by the LKCGF and internal policies approved by the Board of Directors.
- b. Setting the conditions for registering qualified Financial Institutions in the KCGF, according to the Policy that regulates the Registration of Financial Institutions.
- c. Setting the conditions for issuing Credit Guarantees by the KCGF.
- d. Setting the credit Guarantee Fees.
- e. Depositing or investing directly or through delegation of authority the assets of KCGF within the limitations of the LKCGF.
- f. Paying Payable Amounts on Credit Guarantees to Registered Financial Institutions under the provisions of the LKCGF and the Guarantee Agreement, in provisions of the LKCGF and the Policy that regulates the handling of the claims.

1. GENERAL (CONTINUED)

KCGF's minimum capital is 300,000.00 Euros as defined in Article 10 of the LKCGF (Law on Establishment of the Kosovo Credit Guarantee Fund). KCGF's governing bodies are the Board of Directors and the Managing Director. The Board of Directors shall be the highest governance body of KCGF. The KCGF's fiscal identification number is 601642061.

KCGF operations and all administrative activities since June 10, 2017, are independent and under its own management.

On December 6, 2017, the Kosovo Credit Guarantee Fund (FKGK) signed the Guarantee Agreement with the Swedish International Development Cooperation Agency (SIDA), represented by the Embassy of Sweden in Pristina.

On May 14, 2019, the Kosovo Credit Guarantee Fund (KCGF) signed the Guarantee Agreement with the European Investor Fund under the COSME LGF (loan guarantee facility) program.

On May 11, 2022, the Kosovo Credit Guarantee Fund (KCGF) signed the portfolio Guarantee Agreement with the Development Finance Corporation (DFC).

On November 30, 2023, the Kosovo Credit Guarantee Fund (FKGK) signed the second Guarantee Agreement with the Swedish International Development Cooperation Agency (SIDA), represented by the Embassy of Sweden in Pristina.

The support of the guaranteed portfolio of KCGF by SIDA, COSME and DFC will further enhance the ability of the Fund to ensure a higher level of credit guarantees, while at the same time increasing the financial sustainability of the sector. The sustainability will reflect the facilitation of financial intermediation, hence increasing access to finance for micro, small, and medium-sized enterprises to promote economic growth and job creation for women, men, and youth of all ethnicities in Kosovo.

2. MATERIAL ACCOUNTING POLICIES

2.1 Basis of preparation and statement of compliance

These financial statements have been prepared by International Financial Reporting Standards (IFRS), as issued by the International Accounting Standards Board (IASB). The financial statements have been prepared using the measurement bases specified by IFRS for each type of asset, liability, income, and expense. The measurement bases are more fully described in the Note below. The preparation of these financial statements in conformity with IFRS requires the use of certain critical accounting estimates. It also requires management to exercise its judgment in the process of applying the Fund's accounting policies. The areas where significant judgments and estimates have been made in preparing the financial statements and their effects are disclosed in note 3.8.

2.1.1 *New and amended standards and interpretations*

The following new and amended standards and interpretations issued by the International Accounting Standards Board (IASB) are effective for the current reporting period.

- **IFRS 17 Insurance Contracts (including the June 2020 and December 2021 Amendments to IFRS 17)**

IFRS 17 establishes the principles for the recognition, measurement, presentation, and disclosure of insurance contracts and supersedes IFRS 4 Insurance Contracts. IFRS 17 outlines a general model, which is modified for insurance contracts with direct participation features, described as the variable fee approach. The general model is simplified if certain criteria are met by measuring the liability for remaining coverage using the premium allocation approach. The general model uses current assumptions to estimate the amount, timing and uncertainty of future cash flows and it explicitly measures the cost of that uncertainty. It considers market interest rates, and the impact of policyholders' options and guarantees.

2. MATERIAL ACCOUNTING POLICIES INFORMATION (CONTINUED)

2.1.1 *New and amended standards and interpretations (continued)*

Kosovo Council for Financial Reporting (KCFR) has postponed the implementation date of IFRS 17 for three years. Application of *IFRS 17 - Insurance Contracts* will become effective for annual reporting periods beginning on or after 1 January 2026.

KCGF does not have any contracts that meet the definition of an insurance contract under IFRS 17, thus the management of the Fund anticipates that the standard will have no impact on the Fund's financial statements in future periods.

- **Amendments to IAS 12 - Income taxes: Deferred Tax related to Assets and Liabilities arising from a Single Transaction**

Amendments narrow the scope of and provide further clarity on the initial recognition exception under IAS 12 and specify how companies should account for deferred tax related to assets and liabilities arising from a single transaction, such as leases and decommissioning obligations.

The amendments are effective for annual periods beginning on or after January 1, 2023, with earlier application permitted. The amendments had no impact on the financial statements of KCGF.

- **IAS 1 Presentation of Financial Statements and IFRS Practice Statement 2: Disclosure of Accounting policies (Amendments)**

The amendments provide guidance on the application of materiality judgements to accounting policy disclosures. In particular, the amendments to IAS 1 replace the requirement to disclose 'significant' accounting policies with a requirement to disclose 'material' accounting policies.

The Amendments are effective for annual periods beginning on or after January 1, 2023, with earlier application permitted. The amendments had no material impact on the financial statements of the KCGF.

- **IAS 8 Accounting policies, Changes in Accounting Estimates and Errors: Definition of Accounting Estimates (Amendments)**

The amendments introduce a new definition of accounting estimates, defined as monetary amounts in financial statements that are subject to measurement uncertainty, if they do not result from a correction of prior period error. Also, the amendments clarify what changes in accounting estimates are and how these differ from changes in accounting policies and corrections of errors.

The amendments become effective for annual reporting periods beginning on or after January 1, 2023, with earlier application permitted and apply to changes in accounting policies and changes in accounting estimates that occur on or after the start of that period. The amendments had no impact on the financial statements of KCGF.

2. MATERIAL ACCOUNTING POLICIES INFORMATION (CONTINUED)

2.1.2 *New and Revised Standards and Interpretations issued by IASB but not yet effective and not early adopted*

At the date of authorization of these financial statements, KCGF has not applied the following new and revised IFRS Accounting Standards that have been issued but are not yet effective.

- Amendments to IAS 1 Presentation of Financial Statements—Classification of Liabilities as Current or Non-current.
- Amendments to IAS 7 and IFRS 7 Supplier Finance Arrangements
- Amendments to IFRS 16 Lease Liability in a Sale and Leaseback

The management of the Fund do not expect that the adoption of the Standards listed above will have a material impact on the financial statements of the Fund in future periods.

- **Amendments to IAS 1 Presentation of Financial Statements—Classification of Liabilities as Current or Non-current**

In January 2020 and October 2022, the IASB issued amendments to paragraphs 69 to 76 of IAS 1 to specify the requirements for classifying liabilities as current or non-current. The objective of the amendments is to clarify the principles in IAS 1 for the classification of liabilities as either current or non-current. The amendments clarify the meaning of a right to defer settlement, the requirement for this right to exist at the end of the reporting period, that management intent does not affect current or non-current classification, that options by the counterparty that could result in settlement by the transfer of the entity's own equity instruments do not affect current or non-current classification. Also, the amendments specify that only covenants with which an entity must comply on or before the reporting date will affect a liability's classification. Additional disclosures are also required for non-current liabilities arising from loan arrangements that are subject to covenants to be complied with within twelve months after the reporting period.

The amendments are effective for annual reporting periods beginning on or after 1 January 2024 and must be applied retrospectively. KCGF will assess the impact the amendments might have on current practice.

- **Supplier Finance Arrangements - Amendments to IAS 7 and IFRS 7**

In May 2023, the IASB issued amendments to IAS 7 Statement of Cash Flows and IFRS 7 Financial Instruments: Disclosures to clarify the characteristics of supplier finance arrangements and require additional disclosure of such arrangements. The disclosure requirements in the amendments are intended to assist users of financial statements in understanding the effects of supplier finance arrangements on an entity's liabilities, cash flows and exposure to liquidity risk.

The amendments will be effective for annual reporting periods beginning on or after 1 January 2024. The amendments are not expected to have a material impact on the Fund's financial statements.

- **Amendments to IFRS 16: Lease Liability in a Sale and Leaseback**

IASB issued amendments to IFRS 16 to specify the requirements that a seller-lessee uses in measuring the lease liability arising in a sale and leaseback transaction, to ensure the seller-lessee does not recognize any amount of the gain or loss that relates to the right of use it retains.

The amendments are effective for annual reporting periods beginning on or after 1 January 2024 and must apply retrospectively to sale and leaseback transactions entered into after the date of initial application of IFRS 16. The amendments are not expected to have an impact on the Fund's financial statements.

2. MATERIAL ACCOUNTING POLICIES (CONTINUED)

2.2 Financial assets and financial liabilities

On initial recognition, a financial asset is classified as measured at amortized cost, FVOCI, or FVTPL. Financial liabilities are classified and measured at amortized costs.

A financial asset is measured at amortized cost if it meets both of the following conditions and is not designated as at FVTPL:

- the asset is held within a business model whose objective is to hold assets to collect contractual cash flows; and
- the contractual terms of the financial asset give rise on specified dates to cash flows that are solely payments of principal and interest on the principal amount outstanding.

A debt instrument is measured at FVOCI only if it meets both of the following conditions and is not designated as at FVTPL:

- the asset is held within a business model whose objective is achieved by both collecting contractual cash flows and selling financial assets; and
- the contractual terms of the financial asset give rise on specified dates to cash flows that are solely payments of principal and interest on the principal amount outstanding.

At the initial recognition, KCGF measures a financial asset or liability at its fair value plus or minus, in the case of a financial asset or liability not at fair value through profit and loss, transaction costs that are incremental and directly attributable to the acquisition or issue of the financial asset or liability, such as fees and commissions.

As of December 31, 2023, and 2022, financial assets and liabilities of the Fund are subsequently measured at amortized cost and include cash and cash equivalents, deposits, securities, trade, and other receivables and liabilities. Loss allowances for expected credit losses (ECL) are presented in the statement of financial position as a deduction from the gross carrying amount of the assets. The calculation of ECL for financial assets measured at amortized cost is disclosed in Note 2.13.

Financial assets, or a portion thereof, are derecognized when the contractual rights to receive the cash flows from the assets have expired. Financial liabilities are derecognized when they are extinguished (i.e. when the obligation specified in the contract is discharged, canceled, or expires).

2.3 Cash and cash equivalents

Cash and cash equivalents include cash in hand and balances with banks with an original maturity of fewer than 3 months. The Fund has a bank account opened with the Central Bank of the Republic of Kosovo and current accounts with Banka per Biznes, Banka Ekonomike, TEB Bank, Banka Kombetare Tregtare, ProCredit Bank, and NLB Bank.

2. MATERIAL ACCOUNTING POLICIES INFORMATION (CONTINUED)

2.4 Property, Plant, and Equipment

In the financial statement property, plant, and equipment are measured at the historical cost of acquisition less accumulated depreciation and impairment loss.

Initial recognition

Upon their initial acquisition property, plant, and equipment are valued at acquisition cost, which comprises the purchase price, including customs charges and any directly attributable costs of bringing the asset to working condition. The directly attributable costs include costs for site preparation, initial delivery and handling costs, installation costs, professional fees for people involved in the project, non-refundable taxes, etc.

The approach chosen by the Fund for subsequent measurement of property, plant, and equipment is the cost model under IAS 16 - acquisition cost less accumulated depreciation and impairment losses.

Gains or losses from the derecognition of an item of property, plant, and equipment (calculated as the difference between the proceeds and the carrying amount of the item) are recognized net within other income/other costs in profit or loss.

Depreciation methods

The Fund applies the straight-line depreciation method for property, plant, and equipment as follows:

(i) Equipment and IT equipment	3 years (useful life)
(ii) Office furniture	3 years (useful life)
(iii) Leasehold improvements	as per the lease contract

2.5 Intangible assets

In the financial statements, the intangible assets are measured at cost less accumulated amortization and any accumulated impairment losses. They include software programs and licenses for their use. The Fund applies the straight-line depreciation method for the intangible assets with a determined useful life of 5 years.

2.6 Right of use asset

The Fund recognizes a right-of-use asset and a lease liability at the lease commencement date. The right-of-use asset is initially measured at cost, which comprises the initial amount of the lease liability adjusted for any lease payments made at or before the commencement date, plus any initial direct costs incurred and an estimate of costs to dismantle and remove the underlying asset or to restore the underlying asset or the site on which it is located, less any lease incentives received.

The right-of-use asset is subsequently depreciated using the straight-line method from the commencement date to the earlier end of the useful life of the right-of-use asset or the end of the lease term.

The estimated useful lives of right-of-use assets are determined on the same basis as those of property and equipment. In addition, the right-of-use asset is periodically reduced by impairment losses, if any, and adjusted for certain remeasurements of the lease liability.

The lease liability is initially measured at the present value of the lease payments that are not paid at the commencement date, discounted using the interest rate implicit in the lease or, if that rate cannot be readily determined, the Fund's incremental borrowing rate.

2. MATERIAL ACCOUNTING POLICIES (CONTINUED)

2.6 Right of use asset(continued)

Lease payments included in the measurement of the lease liability comprise the following:

- fixed payments, including in-substance fixed payments.
- variable lease payments that depend on an index or a rate, initially measured using the index or rate as at the commencement date.
- amounts expected to be payable under a residual value guarantee; and
- the exercise price under a purchase option that KCGF is reasonably certain to exercise, lease payments in an optional renewal period if KCGF is reasonably certain to exercise an extension option, and penalties for early termination of a lease unless KCGF is reasonably certain not to terminate early.

The lease liability is measured at amortized cost using the effective interest method. It is remeasured when there is a change in future lease payments arising from a change in an index or rate, if there is a change in the Fund's estimate of the amount expected to be payable under a residual value guarantee, or if the Fund changes its assessment of whether it will exercise a purchase, extension or termination option.

When the lease liability is remeasured in this way, a corresponding adjustment is made to the carrying amount of the right-of-use asset or is recorded in profit or loss if the carrying amount of the right-of-use asset has been reduced to zero.

The Fund presents right-of-use assets that do not meet the definition of investment property in "property, plant and equipment" and lease liabilities in "other liabilities" in the statement of financial position.

On transition to IFRS 16, the weighted average incremental borrowing rate applied to lease liabilities recognized under IFRS 16 was 6.4%.

The Fund uses one or more of the following practical expedients according to IFRS 16.C10, applying it on a lease-by-lease basis:

- Using a single discount rate for a portfolio of leases with similar characteristics.
- Adjusting the right-of-use asset for any recognized onerous lease provisions, instead of performing an impairment review.
- Applying a recognition exemption for leases for which the lease term ends within 12 months of the date of initial application and leases of low-value assets. KCGF recognizes the lease payments associated with these leases as an expense on a straight-line basis over the lease term.
- Excluding initial direct costs from the measurement of the right-of-use asset.
- Using hindsight, such as in determining the lease term if the contract contains options to extend or terminate the lease.

At the inception of a contract, KCGF assesses whether a contract is, or contains a lease. A contract is, or contains, a lease if the contract conveys the right to control the use of an identified asset for a period in exchange for consideration. To assess whether a contract conveys the right to control the use of an identified asset, KCGF assesses whether:

- the contract involves using an identified asset - this may be specified explicitly or implicitly and should be physically distinct or substantially represent all the capacity of a physically distinct asset. If the supplier has a substantive substitution right, then the asset is not identified.
- KCGF has the right to obtain substantially all the economic benefits from the use of the asset throughout the period of use; and

2. MATERIAL ACCOUNTING POLICIES (CONTINUED)

2.6 Right of use asset (continued)

- KCGF has the right to direct the use of the asset. KCGF has this right when it has the decision-making rights that are most relevant to changing how and for what purpose the asset is used. In rare cases where the decision about how and for what purpose the asset is used is predetermined, KCGF has the right to direct the use of the asset if either:
 - KCGF has the right to operate the asset; or
 - KCGF designed the asset in a way that predetermines how and for what purpose it will be used.

This policy is applied to contracts entered, or changed, on or after 1 January 2019.

2.7 Impairment of non-financial assets

The carrying value of non-financial assets is reviewed for impairment when events change or changes in circumstances indicate that the carrying value may not be recoverable. If any such indications exist and where the carrying value exceeds the estimated recoverable amount, the assets are written down to their recoverable amount. The recoverable amount of such assets is greater than the net selling price and the value in use. In assessing value in use, the estimated future cash flows are discounted to their present value using a pre-tax-discount rate that reflects a current market assessment of the time value of money and the risks specific to the assets.

Impairment losses are recognized in the statement of comprehensive income.

2.8 Fund's balance

The Fund Balance is a grant provided by the Government of the Republic of Kosovo, USAID, and KfW.

2.9 Current and deferred income taxes

According to LKCGF, the Fund is exempt from Corporate Income Tax, VAT, and tax on dividends, interest, or investment income earned from funds on credit guarantees or investments, and any other levy, withholding, or tax to any aspect of the operations of the Fund.

2.10 Revenue recognition

Revenue from services is recognized when all the following conditions are satisfied:

- the amount of revenue can be measured reliably.
- it is probable that the economic benefits associated with the transaction will flow to the entity.
- the stage of completion of the transaction at the statement of financial position date can be measured reliably; and
- the cost incurred for the transaction and the cost to complete the transaction can be measured reliably.

The Fund's revenues are:

- (i) Revenues from guarantee fees;
- (ii) Interest from investments.

2. MATERIAL ACCOUNTING POLICIES (CONTINUED)

2.10 Revenue recognition (continued)

Guarantee fees

Once the loan is accepted and put under guarantee, the guarantee fee is also calculated. The guarantee fee is calculated based on the actual guarantee fee percentage specified for a Guarantee Agreement multiplied by the Approved Amount of the guarantee. The guarantee fee is calculated annually based on the active portion of the credit guarantee. The income from the guarantee fee is recognized on an accrual basis for a period of 12 months. The guarantee fees are recognized as revenues in the statement of comprehensive income at the end of each month by debiting Accrual Guarantee Fee and credit Guarantee Fees Income.

Interest from investment

Investment means investments of surplus funds where the overriding principle guiding the investment of surplus funds is to ensure that the primary objectives of safeguarding KCGF's assets and limiting its risk are balanced with the achievement of a satisfactory return.

2.11 Expenses

KCGF's expenses are:

- (i) Re-guarantee expenses (fees paid for a counter-guarantee)
- (ii) Operating expenses (general administrative expenses)
- (iii) Personnel expenses (salaries, board fees)
- (iv) Provision expenses (provision for guarantee losses)

The fund registers the expenses under the accrual basis of accounting. The difference between revenues and expenses represents the net income/loss during the accounting period, which is transferred into the accumulated profit as part of the capital of the fund. KCGF pays only contributions to a publicly administered pension plan on a mandatory basis. The contributions are recognized as employee benefit expenses when they are due.

2.12 Donations

KCGF accepts donations or Technical Assistance from donors. In the framework of Technical Assistance, KCGF receives funds for expenses specified in the contract, fixed or intangible assets, and capacity building. KCGF accounts for the amounts received depending on the specifics of the contract as deferred revenues and only after their realization registers them into donation revenues in the Income Statement.

2. MATERIAL ACCOUNTING POLICIES (CONTINUED)

2.13 Impairment provisions

An impairment provisioning policy specifies the process of setting aside certain reserves for all credits that are placed under guarantees that are expected or have incurred credit loss. In the year 2021, KCGF upgraded the model which calculates the historical data of the KCGF adapted from the macroeconomic model to derive the expected losses in the guaranteed portfolio, which is in line with the requirements of IFRS 9. The ECL calculations are based on the following input parameters:

- *Probability of Default (PD)*: This expresses the likelihood of default assessed on the prevailing economic conditions at the reporting date, adjusted to take into account estimates of future economic conditions that are likely to impact the risk of default, over a given time horizon, i.e., over 12-month for stage 1 exposures and over the entire lifetime for stage 2 and stage 3 exposures.
- *Exposure at Default (EAD)*: This is an estimate of the exposure at a future default date, considering expected changes in the exposure after reporting date, including repayments of principal and interest and expected drawdowns on committed facilities. For Guarantees, EAD will be based on the outstanding guaranteed amount.
- *Loss Given Default (LGD)*: This represents an estimate of the loss arising from a default event. It is based on the difference between the contractual cash flows due and those that the lender would expect to receive.

The impairment of credit guarantees according to the model is done in three stages, based on changes in credit quality since initial recognition.

The guiding principle of IFRS 9 is that Expected Credit Loss (ECL) reflects the general pattern of deterioration or improvement in credit quality. The amount of ECL recognized as a loss allowance or provision depends on the extent of credit deterioration since initial recognition.

Under the general approach, there are two measurement bases:

- 12-month ECLs (Stage 1), which applies to all items (from initial recognition) if there is no significant deterioration in credit quality.
- Lifetime ECLs (Stages 2 and 3), which apply when a significant increase in credit risk has occurred on an individual or collective basis.

Stage 1 - involves identifying financial instruments that have not deteriorated. For these instruments, 12-month expected credit losses would be recognized. That is, an estimate would be made of the probability of a default occurring in the 12 months following the reporting date. That probability would be multiplied by the shortfall in lifetime cash flows (that is, the present value of the difference of all principal and interest contractually due and the amount the entity expects to receive) In essence, the 12 months expected credit losses represent a portion of the lifetime credit losses.

Stage 2 - involves identifying financial instruments that have deteriorated significantly in credit quality since they were first recognized, and do not exhibit objective evidence of a credit loss event. For these instruments, lifetime expected credit losses would be recognized; interest revenue would still be calculated on the gross carrying amount for these instruments. In contrast to 12-month expected credit losses, lifetime expected credit losses represent estimates based on the probability of a default event occurring at any time over the life of an instrument and are not only weighted by the likelihood of possible default events over the next 12 months.

Stage 3 - is for those financial instruments that do show objective evidence of impairment at the reporting date. For such instruments, lifetime expected credit losses are recognized, but unlike for financial assets in Stages 1 or 2, the interest revenue on these assets is calculated on the net carrying amount (i.e., the gross carrying amount less the loss allowance for expected credit losses).

2. MATERIAL ACCOUNTING POLICIES (CONTINUED)

2.13 Impairment provisions (continued)

In addition, the ECL is calculated also for financial assets measured at amortized cost (Deposits and Securities). The ECL calculation for financial assets is based on external ratings where for each counterparty KCGF assigns a rating. As Kosovo does not have a rating, nor the deposit Financial Institutions are not rated, the average region most recent assessment is used.

2.14 Commitments and Contingencies

Contingent liabilities are not recognized in financial statements. They are disclosed unless the possibility of an outflow of resources embodying economic benefits is remote. A contingent asset is not recognized in the financial statements but is disclosed when an inflow of economic benefits is probable. The amount of a contingent loss is recognized as a provision if it is probable that future events will confirm that, a liability incurred as at the statement of financial position date and a reasonable estimate of the amount of the resulting loss can be made.

3. FINANCIAL RISK MANAGEMENT

3.1 Introduction and Overview

Risk is defined as the effect of uncertain events and their outcomes that may have a significant effect on KCGF operations. Risk management is the process of evaluating and responding to risks for the purpose of reducing those risks to acceptable levels. The evaluation of risk is based on the identification of threats, as well as the likelihood of the threats being realized and the potential impact on the KCGF. Risk management uses the results of risk assessments to make decisions and coordinate activities to direct and control an organization regarding risk.

The KCGF Risk Management Policy sets out the key principles to establish an appropriate system of risk oversight and management. The key principles for risk management are implemented in the Guarantee Agreement, in existing policies and procedures as well as methodologies and tools for risk measuring, monitoring, and reporting. Together these form the KCGF risk management framework.

3.2 Risk Governance Structure

The KCGF risk governance structure emphasizes oversight and control of risk and defines the processes and mechanisms by which decisions about risks are taken and implemented. KCGF's risk management governance structure begins with oversight by the Board of Directors. The Board receives regular updates on the key risks of KCGF - including a comprehensive summary of KCGF's risk profile and performance of the portfolio against defined goals, presented quarterly to the Board. The Board sets forth risk appetites for credit risk and liquidity risk and approves key risk policies, limits, and strategies. The Board also ensures that KCGF is taking appropriate measures to achieve a prudent balance between risk and reward.

The Board of Directors has established two committees to supervise specific areas and to prepare topics for consideration by the Board: Risk Management Committee and Audit Committee.

Risk Management Committee - the committee reviews and submits recommendations to the Board of Directors regarding KCGF risk appetites, risk policies, risk instructions, capital, leverage, liquidity, products and services from a risk perspective, and loan portfolio credit quality.

Audit Committee -The committee operates as a preparatory committee for the Board of Directors with respect to accounting and auditing matters, including related risk matters. In general, both committees assist the Board of Directors in ensuring strict risk management within KCGF and in ensuring that risk management and risk reporting are always compliant with the law and the KCGF general principles.

KCGF is not exposed to foreign exchange risk, since all assets, liabilities, and transactions are in EUR. KCGF is also not exposed to interest rate risk, since all assets and liabilities are at fixed interest rates.

3.3 Credit risk

Credit risk is the risk of loss resulting from the failure of a borrower to honor its financial or contractual obligations to a bank. KCGF's risks lie, correspondingly, with the banks. If nonperforming loans at a bank increase, putting their portfolio at risk, this will in turn increase KCGFs, in the sense that KCGFs may be called on the guarantees issued. This will have an impact on KCGF's capital position and expected fee income. Therefore, KCGF's counterparties' (Registered Financial Institutions' "RFI") credit assessment and their policies will influence the quality of KCGF's guaranteed portfolio. For Registering Financial Institutions, KCGF has implemented a Registration Policy which is aimed at ensuring registration of only financial institutions that are responsive and transparent and provide evidence of their ability to comply with KCGF requirements.

3. FINANCIAL RISK MANAGEMENT (CONTINUED)

3.3 Credit risk (continued)

The registration policy sets the key principles that financial institutions should have to be registered in KCGF:

- A sound capital base and financial position
- A good reputation in the market
- A willingness to further penetrate the MSME segment
- A willingness to reduce collateral requirements as a quid pro quo for KCGF's partial loan guarantees
- Sound loan underwriting policies and procedures

For ensuring that the guarantee commitments that KCGF are taking within its risk-bearing capacity and that its portfolio is well-diversified, KCGF has adopted a Credit Guarantee Risk Policy. This policy determines the risk appetite that KCGF is willing to take and sets the methodology for evaluating RFI exposure. The policy also sets a methodology for assessing RFI and allocating limits to RFI. The methodology defines that the main criteria for allocating an initial limit are market share and risk profile. However, exposure limits may be adjusted by the KCGF. Reasons for adjustment would include failure to use the allocated limit significantly or at all, poor quality of loans submitted for a guarantee; or safety and soundness issues in the overall condition of the bank.

Maximum exposure to credit risk for all financial assets is presented in the Statement of Financial Position and within the notes.

For addressing the capital investment, KCGF has adopted an investment policy that ensures the safety of the invested capital and accordingly evaluates the counterparty risk, hence setting the limits in accordance with the risk involved for each counterparty. KCGF manages investment risk by determining the percentage distribution of the amount invested in Registered term deposits with Financial Institutions in securities issued by the Government of Kosovo as well as the breakdown by investment maturity, where currently the maximum maturity is 5 years. Investments in deposits and Securities of the Government of Kosovo are categorized in Stage 1 according to IFRS 9, and no deterioration is expected.

3.4 Liquidity risk

Effective liquidity risk governance is essential to maintain the confidence of donors and RFI and to enable the core business to continue in order to bring additionality and support access to finance for MSMEs, even under adverse circumstances. Reliable arrangements, analysis of liquidity requirements, and contingency planning (for example, counter-guarantee arrangement) are crucial elements of strong liquidity.

KCGF acknowledges that the capital that it is holding as liquid assets should provide support for the achievement of its objectives. It is therefore committed to the principles of achieving value for money in treasury management and to employing suitable performance measurement techniques that balance risk and reward, within the context of effective risk management.

For the purpose of optimizing potential returns within acceptable risk parameters, KCGF has prepared an investment policy that clearly sets out an investment framework consistent with the KCGF mandate and its strategic objectives.

3. FINANCIAL RISK MANAGEMENT (CONTINUED)

3.4 Liquidity risk (continued)

	December 31, 2023			
	Up to 1 year	1 to 2 years	2 to 5 years	Over 5 years
Financial assets				
Cash and cash equivalents	8,687,761	-	-	-
Trade and other receivables	336,096	-	-	-
Deposits	46,458,137	9,722,287	-	-
Securities	-	-	22,962,536	-
Total financial assets	55,481,994	9,722,287	22,962,536	-
Financial liabilities				
Payables and other liabilities	4,971,349	-	-	-
Total financial liabilities	4,971,349	-	-	-
	December 31, 2022			
	Up to 1 year	1 to 2 years	2 to 5 years	Over 5 years
Financial assets				
Cash and cash equivalents	2,052,322	-	-	-
Trade and other receivables	282,334	-	-	-
Deposits	32,747,840	9,546,130	-	-
Securities	-	-	18,870,642	-
Total financial assets	35,082,495	9,546,130	18,870,642	-
Financial liabilities				
Payables and other liabilities	3,244,232	-	-	-
Total financial liabilities	3,244,232	-	-	-

3.5 Operational Risk

Operational risk can arise due to internal events such as the potential for failures or inadequacies in any of KCGF's processes and systems, or those of its outsourced service providers. Operational risk can come from a wide spectrum of different external events, ranging from power failures to floods or earthquakes.

Similarly, the operational risk may arise due to internal events, such as the potential for failure or discrepancy in any of the FKGGK processes or systems, or any of the external service providers. Operational risk stemming from human resource management may mean a range of issues, such as poorly trained or poorly managed workers; the potential for negligence or deliberate misdemeanor; conflict of interest; fraud; hostile action, and so on.

3. FINANCIAL RISK MANAGEMENT (CONTINUED)

3.5 Operational Risk (continued)

The KCGF's operational risk management focuses on proactive measures to ensure business continuity as well as the accuracy of information used internally and reported externally, competent, and well-informed staff, and its adherence to established rules and procedures as well as security arrangements to protect the physical and ICT infrastructure of KCGF.

KCGF's Operational Risk Management Framework include:

I) Clear strategies adopted by the Board of Directors and oversight exercised by Senior Management.

II) Strong internal operational risk culture (Internal operational risk culture is taken to mean the combined set of individual and corporate values, attitudes, competencies, and behavior that determine an institution's commitment to and style of operational risk management) and internal control culture, emphasizing on dual controls.

III) High standards of ethics and integrity, and

IV) Commitment to effective corporate governance, including, among others, segregation of duties, avoidance of conflicts of interest, and clear lines of management responsibility, accountability, and reporting, as reflected in the KCGF's governance documents. All levels of staff shall understand their responsibilities with respect to operational risk management.

Insurance policies may be used to confront losses that may occur because of events such as third-party claims resulting from errors and omissions, employee or third-party fraud, and natural disasters.

3.6 Financial instruments presented at fair value

The financial assets measured according to the fair value in the statement of financial position in accordance with the hierarchy of the fair value are shown in the next table. This hierarchy groups the financial assets and liabilities into three levels that are based on the significance of the incoming data used during the measurement of the fair value of the financial assets. The fair value hierarchy is as follows:

- Level 1: Quoted prices (unadjusted) in active markets for identical assets or liabilities that the fund can access at the measurement date.
- Level 2: Other than quoted market prices included within Level 1 that are observable for the asset or liability either directly or indirectly and
- Level 3: Unobservable inputs for the asset or liability.

As of December 31, 2023, and 2022, the Fund has no financial assets measured at fair value.

3. FINANCIAL RISK MANAGEMENT (CONTINUED)

3.7 Financial instruments that are not presented at fair value

The following table summarizes the carrying amounts and fair values to those financial assets and liabilities that are not presented in the Statement of financial position at their fair value:

	Carrying value December 31, 2023	Fair value December 31, 2023
Financial assets - at amortized cost		
Cash and cash equivalents	8,687,761	8,687,76
Trade and other receivables	336,096	336,096
Deposits	56,180,424	56,180,424
Securities	22,962,536	22,962,536
Total financial assets	88,166,817	88,166,817
Financial liabilities - at amortized cost		
Payables and other liabilities	4,971,349	4,971,349
Total financial liabilities	4,971,349	4,971,349

	Carrying value December 31, 2022	Fair value December 31, 2022
Financial assets - at amortized cost		
Cash and cash equivalents	2,052,322	2,052,322
Trade and other receivables	282,334	282,334
Deposits	42,293,970	42,293,970
Securities	18,870,642	18,608,402
Total financial assets	63,499,268	63,237,028
Financial liabilities - at amortized cost		
Payables and other liabilities	3,244,232	3,244,232
Total financial liabilities	3,244,232	3,244,232

3.8 Critical accounting estimates and judgments

The preparation of financial statements requires management to make judgments, estimates, and assumptions that affect the application of accounting policies and the reported amounts of assets, liabilities, income, and expenses. Actual results may differ from these estimates. Management also needs to exercise judgment in applying the KCGF accounting policies. Estimates and underlying assumptions are reviewed on an ongoing basis.

This note provides an overview of the areas that involve a higher degree of judgment and complexity, and major sources of estimation uncertainty. Detailed information about each of these estimates and judgments is included in related notes together with information about the basis of calculation for each affected line item in the financial statements.

3. FINANCIAL RISK MANAGEMENT (CONTINUED)

3.8 Critical accounting estimates and judgments (continued)

Impairment of credit guarantees

The Fund reviews its credit guarantee contracts to assess whether an impairment loss should be recorded in profit or loss. Management's judgment is required in the estimation amount and timing of future cash flows when determining the impairment loss. These estimates are based on assumptions about several factors. Details are provided in Note 2.13.

The useful life of depreciable assets

Management reviewed the useful lives of depreciable assets on December 31, 2023. Management estimates the determined useful life of assets and represents the expected usefulness (utility) of assets. The carrying values of such assets are analyzed in Notes 9. However, the factual results may differ due to technological obsolescence.

4. CASH AND CASH EQUIVALENTS

	As at December 31, 2023	As at December 31, 2022
Cash at Central Bank of Kosovo	8,277,074	1,777,895
Current Accounts	409,745	276,253
Petty cash	942	629
Total	8,687,761	2,054,777
Impairment	(19,440)	(2,455)
Total cash and cash equivalents	8,668,321	2,052,322

5. TRADE AND OTHER RECEIVABLES

	As at December 31, 2023	As at December 31, 2022
Receivables from RFI's	326,648	273,084
Advances	9,448	9,249
Total	336,096	282,333
Impairment	(445)	-
Total receivables	335,651	282,333

Receivables from clients as of December 31, 2023 and 2022 are past due. Receivables from clients are paid in the following month as the Fund generates the fees invoices in the following month after the bank's status update of the outstanding guarantee.

Kosovo Credit Guarantee Fund

Notes to the Financial Statement for the year ended December 31, 2023

(All amounts in EUR, unless stated otherwise)

6. DEPOSITS

The total deposits as of 31.12.2023 are in the amount of 55,536,300 EUR (2022: 41,840,832 EUR) with a minimum interest rate of 1.1% and maximum interest rate of 3.6% (2022: the minimum interest rate of 0.8% and maximum interest rate of 2.6%).

These investments, which should have a minimum maturity of 1 year and a maximum maturity of 5 years, are limited to banks that meet the criteria as approved by KCGF's Board of Directors.

	As at December 31, 2023	As at December 31, 2022
Deposits in banks in Kosovo	55,536,300	41,840,832
Accrued interest	644,124	453,138
Total	56,180,424	42,293,970
Impairment allowance	(247,870)	(119,720)
Total deposits	55,932,554	42,174,250

These investments are in compliance with article 22 - "Investment of KCGF Capital Fund" of the Law on the Establishment of the Kosovo Credit Guarantee Fund.

7. INVESTMENTS IN SECURITIES

The total investments in securities as of 31.12.2023 are in the amount of 22,856,673 EUR (2022: 18,791,668 EUR) with a minimum interest rate of 1.1% and maximum interest rate of 3.6% (2022: a minimum interest rate of 1.1% and maximum interest rate of 2.1%), and minimum maturity of 3 years and maximum maturity of 5 years.

The investments are classified as amortized cost and all investments are invested in securities issued by the Government of Kosovo.

	As at December 31, 2023	As at December 31, 2022
Investment securities - at amortized cost		
Government bonds	22,856,673	18,791,668
Accrued interest	105,863	78,974
Total	22,962,536	18,870,642
Impairment allowance	(35,908)	(89,503)
Total Investments in Securities	22,926,628	18,781,139

These investments are in compliance with article 22 - "Investment of KCGF Capital Fund" of the Law on the Establishment of the Kosovo Credit Guarantee Fund.

8. RIGHT-OF-USE ASSET AND LEASE LIABILITY

8.1 Right-of-use

Right of use assets comprises a building leased for the KCGF office.

	As at December 31, 2023	As at December 31, 2022
Carrying Amount at January 1	41,248	60,286
Additions	-	-
Disposal	-	-
Depreciation charge for the year	(19,038)	(19,038)
Carrying Amount at December 31,	<u>22,210</u>	<u>41,248</u>

8.2 Lease liability

	As at December 31, 2023	As at December 31, 2022
As at January 1	44,891	63,661
Additions	-	-
Lease payments	(22,200)	(22,200)
Accrued interest	2,229	3,430
Lease liability as at December 31,	<u>24,920</u>	<u>44,891</u>

The following table presents the maturity analysis of the lease liability:

	As at December 31, 2023	As at December 31, 2022
Less than one year	19,971	19,971
Two to five years	4,949	24,920
Total lease liabilities at December 31,	<u>24,920</u>	<u>44,891</u>

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Notes to the Financial Statement for the year ended December 31, 2023
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9. PROPERTY, PLANT, AND EQUIPMENT	Equipment	IT Equipment	Office furniture	Leasehold improvements	Total
Historical cost					
As at January 1, 2022	4,689	6,766	3,746	21,120	36,321
Additions during the period	12,550	5,073	1,915	1,310	20,848
Disposals during the period	(679)	-	-	-	(679)
As at December 31, 2022	16,560	11,839	5,661	22,430	56,490
Additions during the period	5,598	17,019	-	-	22,617
As at December 31, 2023	22,158	28,858	5,661	22,430	79,107
Accumulated depreciation					
As at January 1, 2022	(3,506)	(277)	(1,823)	(6,831)	(12,437)
Depreciation for the period	(4,354)	(2,802)	(1,623)	(4,891)	(13,670)
Disposals for the period	571	-	-	-	571
As at December 31, 2022	(7,289)	(3,079)	(3,446)	(11,722)	(25,536)
Depreciation for the period	(4,825)	(4,245)	(1,314)	(4,953)	(15,337)
As at December 31, 2023	(12,114)	(7,324)	(4,760)	(16,675)	(40,873)
NET VALUE					
As at December 31, 2022	9,271	8,760	2,215	10,708	30,954
As at December 31, 2023	10,044	21,534	901	5,755	38,234

As of December 31, 2023 and 2022, KCGF uses all property and equipment for its activities and there are no encumbrances over KCGF assets.

10. INTANGIBLE ASSETS

	Software
Historical cost	
As at January 1, 2022	103,076
Additions during the period	<u>6,731</u>
As at December 31, 2022	<u>109,807</u>
Additions during the period	<u>12,927</u>
As at December 31, 2023	<u>122,734</u>
Accumulated amortization	
As at January 1, 2022	84,813
Amortization for the period	<u>7,485</u>
As at December 31, 2022	<u>92,298</u>
Amortization of the year	<u>8,289</u>
As at December 31, 2023	<u>100,587</u>
NET VALUE	
As at December 31, 2022	<u><u>17,509</u></u>
As at December 31, 2023	<u><u>22,147</u></u>

As of December 31, 2023, and 2022, there are no encumbrances over KCGF intangible assets.

Management Information System is the Fund's software which was originally donated by USAID. This system was acquired and activated in July 2016 and its initial value was 66,825 euros. KCGF in 2017 and 2018 upgraded the system with its funds of 11,844 euros. With a donation from KfW, the Fund upgraded the system again in 2019 and 2020 for 17,885 euros. In 2021, with technical assistance from the project FSSP, the Fund upgraded the system for 5,386 euros, and with its funds in the amount of 1,136 euros. In 2022, with technical assistance from the project FSSP, the Fund upgraded the system for 5,080 euros. In 2023, with technical assistance from the project FSSP, the Fund upgraded the system for 12,927 euros. The Fund has recognized the system as an asset in the financial statements and has accounted for deferred income to the amount of the donation.

11. DEFERRED REVENUES

Grants related to depreciable assets are released to profit or loss over the estimated useful lives of donated assets - software and equipment. Grants related to non-depreciable assets requiring the fulfillment of certain obligations are recognized in profit or loss over the periods that bear the cost of meeting the obligations.

11.1 Deferred revenue from donated assets

	As at December 31, 2023	As at December 31, 2022
Equipment	9,646	8,480
IT Equipment (FSSP TA - Note 11.3)	19,027	4,061
IT Equipment (MFK TA)	2,424	4,369
Leasehold improvements (FSSP TA - Note 11.3)	695	1,293
Office furniture (FSSP TA)	902	1,542
Software (FSSP TA - Note 11.3)	18,398	8,538
Software (KfW TA)	1,977	5,557
Total in-kind contributions	53,069	33,840

	As at December 31, 2023	As at December 31, 2022
At the beginning	33,840	20,447
Additions during the year (Note 11.3)	35,544	25,110
Equipment (FSSP TA)	5,598	11,950
- IT Equipment (FSSP TA)	17,019	-
- IT Equipment (MFK TA)	-	4,853
- Office furniture (FSSP TA)	-	1,916
- Leasehold improvements (FSSP TA)	-	1,311
- Software (FSSP TA)	12,927	5,080
- Depreciation and amortization (USAID TA)	-	-
- Depreciation and amortization (KfW TA)	(3,580)	(3,577)
- Depreciation and amortization (FSSP TA)	(10,790)	(7,718)
- Depreciation and amortization (MFK TA)	(1,945)	(484)
Depreciation and amortization (Note 16)	(16,315)	(11,779)
At the end of the year	53,069	33,778

11.2 Deferred revenue from guarantee fee subsidy

	As at December 31, 2023	As at December 31, 2022
Fee subsidy	759,809	1,233,171
Total deferred revenues from subsidy fee	759,809	1,233,171

11. DEFERRED REVENUES (CONTINUED)

11.2 Deferred revenue from guarantee fee subsidy (continued)

	As at December 31, 2023	As at December 31, 2022
At the beginning	1,233,171	2,260,814
Additions during the period	-	-
Utilized (Note 12, Note 14)	(473,362)	(781,031)
Returned	-	(246,612)
	<u>759,809</u>	<u>1,233,171</u>
At the end of the year	<u>759,809</u>	<u>1,233,171</u>

KCGF as part of the economic recovery program and law on economic recovery, received as an advance the subsidy of the guarantee fee, in the amount according to the contract, distributed over a period of time. KCGF recorded the amount as deferred income and only after the realization of the guarantee, recorded it as income in the statement of comprehensive income. The contract was terminated on December 31, 2021.

In the framework of the Agreement between the Kosovo Credit Guarantee Fund and the Ministry of Finance, for the Subsidy of Guarantee Fees dated 31.12.2020, the Kosovo Credit Guarantee Fund has received the amount of 5 million euros (received in two parts, dated 18 February 2021 in the amount of EUR 1.5 million and on 17 August in the amount of EUR 3.5 million) for subsidizing tariffs for cases guaranteed under the Economic Recovery Package (PRE) in accordance with Law no. 07 / L -016 for Economic Recovery - COVID. Since the duration of the Law no. 07 / L-016 on Economic Recovery was until December 31, 2021, and a result, the validity of the guarantee windows as a special measure within the PRE has been up to this date, including the use of a dedicated budget of 5.0 million euros to subsidize guarantee fees. In agreement with the Ministry of Finance, Labor, and Transfers, it was decided that the unused funds from the amount of subsidy of guaranteed fees, in 2021 in the amount of 1,614,951 euros, and in 2022 in the amount of 246,612 euros, were returned to the Government of the Republic of Kosovo.

The initial maturity of the loan or lease was used as the basis for the calculation, assuming that each loan guaranteed under this window will be amortized according to the initial payment plan and eventual prepayments and restructurings that may occur during the maturity of the exposures are not taken into account. In addition to all revolving products (Overdrafts and Credit Lines), it is calculated that they will be re-extended for five cycles (years), as allowed in the Guarantee Agreement with partner banks. For Loans and Leases marked with irregular payment plans, the calculation is performed by considering the payment plans which are requested by the Banks.

11.3 Deferred revenue from technical assistance

	As at December 31, 2023	As at December 31, 2022
FSSP technical assistance	16,962	80,031
Total deferred revenues from technical assistance	<u>16,962</u>	<u>80,031</u>

11. DEFERRED REVENUES (CONTINUED)

11.3 Deferred revenue from technical assistance (continued)

	As at December 31, 2023	As at December 31, 2022
At the beginning	80,031	10,728
Additions during the period	221,673	170,012
Utilized FSSP TA (Note 11.1)	(35,544)	(25,110)
Utilized FSSP TA (Note 16)	(249,198)	(75,599)
	<u>16,962</u>	<u>80,031</u>
At the end of the year	<u>16,962</u>	<u>80,031</u>

KCGF in the framework of the contract signed on September 17, 2020, between KCGF and the Government of the Republic of Kosovo represented by the Ministry of Finance and the implementation of the Financial Sector Strengthening Project, receives advance technical assistance, according to the budgeted amount, which is determined according to the need to cover costs.

KCGF records the amount as deferred revenue and only after the realization of expenditures dedicated to the implementation of the project, records it as income in the comprehensive income statement. These funds cover the expenses of the staff engaged in the project in the amount of 120,312 euros, assets in the amount of 35,544 euros, and other consulting and administrative expenses in the amount of 83,436 euros. This value is recorded as other income for 250,082 euros and is reflected in disclosure 16, also the value of assets is recorded as income in the relevant period and is reflected in disclosures 9 and 10.

12. ACCRUALS

	As at December 31, 2023	As at December 31, 2022
- Accrual Guarantee Fee	479,869	466,575
- Accrual Guarantee Fee (covered by Ministry of Finance) (Note 11.2)		
- Accrual Annual Fee	342,402	292,085
- Accrual Annual Fee (covered by Ministry of Finance) (Note 11.2)	308,068	461,360
	<u>1,130,339</u>	<u>1,220,020</u>
Total accrual fees	<u>1,130,339</u>	<u>1,220,020</u>

Kosovo Credit Guarantee Fund
Notes to the Financial Statement for the year ended December 31, 2023
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13. CAPITAL

As at December 31, 2022 and 2021, capital consists of funds provided to the KCGF as grants as follows:

	As at December 31, 2023	As at December 31, 2022
Funds received from USAID	5,790,921	5,790,921
Funds received from KfW	24,100,000	24,100,000
Funds received from GoK	47,041,590	24,410,000
Total	76,932,511	54,300,921

In December 2021, KfW donated an additional capital of 5,600,000 euros to support the green recovery sector through KCGF. In April 2020, KfW donated an additional capital of 6,500,000 euros to Agro Window as part of the development of this KfW-supported sector. While in November 2020, KfW donated another 5,000,000 euros to support the windows under the Recovery Package, dedicated to the recovery of businesses during the pandemic crisis, and in 2021 another 5,600,000 euros. In 2020, the implementation of the World Bank project for the Financial Sector Strengthening Project began, where the Government of Kosovo donated to the KCGF 21,410,000 euros capital. From this capital, through FSSP, to address the request for financial support of MSMEs affected by the crisis caused by COVID-19, KCGF designed and implemented six windows in different sectors and generated revenues which are disclosed in Note 14. The windows within the Recovery Package have enabled the guarantee of loans up to 80%. In 2023, the Government of Kosovo donated to the KCGF 22,631,590 EUR capital, through the EIB agreement.

14. GUARANTEE FEES

	Year ended December 31, 2023	Year ended December 31, 2022
Guarantee fees	1,724,896	1,471,774
Release of deferred revenue for Guarantee fees covered by the Ministry of Finance (Note 11.2)	649,905	985,753
Total guarantee fees	2,374,801	2,457,527

Once the loan is accepted and put under guarantee, the guarantee fee is also calculated. The guarantee fee is calculated based on the actual guarantee fee percentage specified for a Guarantee Agreement, multiplied by the Approved Amount of the guarantee. The income from the guarantee fee is recognized on an accrual basis for a period of 12 months.

The guarantee fees are recognized as revenues in the statement of comprehensive income at the end of each month by debiting Accrual Guarantee Fee and Credit Guarantee Fees Income. The total fee income as of 31.12.2023 is in the amount of 2,374,801 EUR (2022: 2,457,527 EUR) with a minimum fee of 0.5% and a maximum fee of 2% (2022: a minimum fee of 0.5% and a maximum fee of 2%).

Kosovo Credit Guarantee Fund
Notes to the Financial Statement for the year ended December 31, 2023
(All amounts in EUR, unless stated otherwise)

15. INTEREST INCOME

	Year ended December 31, 2023	Year ended December 31, 2022
Interest income from deposits	885,468	574,576
Interest income from Government bonds	<u>323,539</u>	<u>281,243</u>
Total interest income	<u>1,209,007</u>	<u>855,819</u>

16. OTHER INCOME

	Year ended December 31, 2023	Year ended December 31, 2022
Funds for operating expenses	884	218,384
Release of deferred revenue for FSSP TA (Note 11.3)	249,198	75,599
Recovery	207,928	62,597
Release of deferred revenue for in-kind fixed asset donation (Note 11.1)	<u>16,315</u>	<u>11,779</u>
Total other income	<u>474,325</u>	<u>368,359</u>

Funds for operating expenses are part of the technical assistance under the contract between KCGF and the Government of the Republic of Kosovo represented by Ministry of Finance in the framework of the implementation of the project with the World Bank for the Financial Sector Strengthening Project (FSSP). It is important to note that the funds are used only to cover operating expenses according to the plan set out in the relevant contract.

17. PERSONNEL EXPENSES

	Year ended December 31, 2023	Year ended December 31, 2022
Salaries	276,344	236,950
Pension contribution	31,950	27,394
Tax salaries	<u>27,180</u>	<u>23,286</u>
Total personnel expenses	<u>335,474</u>	<u>287,630</u>

18. OPERATING EXPENSES

	Year ended December 31, 2023	Year ended December 31, 2022
Translator and other Professional services	103,471	30,300
Publications, Branding, and Marketing	49,476	16,068
Re-guarantee expenses	25,967	183,296
Training, Conferences, and Seminars	23,507	8,290
Maintenance & Repair Exp.	22,723	25,034
Expenses for Membership & Subscription	7,000	5,501
Phone and internet expenses	4,616	4,211
Interest expenses on the lease liabilities	2,229	3,430
Office rent & utilities	2,196	2,196
Bank fees	1,600	977
Other expenses	22,040	21,657
Total operating expenses	264,825	300,960

19. IMPAIRMENT PROVISION LOSSES

19.1 Impairment provision for guarantees

	Year ended December 31, 2023	Year ended December 31, 2022
Additional provision	6,771,011	5,184,809
Release of provision	(4,373,887)	(4,915,422)
Total net provision expenses	2,397,124	269,387

A provisioning policy specifies the process of setting aside certain reserves for all credits that are placed under guarantees that are expected or have incurred credit loss.

	Year ended December 31, 2023	Year ended December 31, 2022
As at 1 January	3,021,000	3,324,217
Additional provision	6,771,011	5,184,809
Release of provision	(4,373,887)	(4,915,422)
Claims paid	(851,874)	(572,604)
As at December 31,	4,566,250	3,021,000

The movement of the reserve for losses on guarantees for 2023 and 2022 is as follows:
The paid claims refer to 60 claims requested by 7 RFI's (2022: 44 claims, requested by 5 banks).

Kosovo Credit Guarantee Fund
Notes to the Financial Statement for the year ended December 31, 2023
(All amounts in EUR, unless stated otherwise)

19. IMPAIRMENT PROVISION (CONTINUED)

19.1 Impairment Provision losses for guarantees (continued)

	As of December 31, 2023 (EUR)	As of December 31, 2022 (EUR)
Stage 1	1,878,373	1,326,386
Stage 2	628,528	479,651
Stage 3	2,059,351	1,214,963
As of 31 December	<u>4,566,252</u>	<u>3,021,000</u>

Changes in the corresponding gross carrying amount and ECLs are as follow:

REGULAR Window	Stage 1 12-month ECL	Stage 2 Lifetime ECL	Stage 3 Lifetime ECL	POCI Purchased or originated credit- impaired	Total
Loss allowance as at 31/12/2022	1,259,123	436,116	1,180,646	-	2,875,884
Movements with P&L impact					
Transfers:					
Transfer from Stage 1 to Stage 2	(21,734)	21,734	-	-	-
Transfer from Stage 1 to Stage 3	(20,148)	-	20,148	-	-
Transfers from Stage 2 to Stage 3	-	(116,144)	116,144	-	-
Transfers from Stage 2 to Stage 1	166,930	(166,930)	-	-	-
Transfer from Stage 3 to Stage 2	-	17,000	(17,000)	-	-
Transfer from Stage 3 to Stage 1	21,522	-	(21,522)	-	-
New financial assets originated or purchased	742,937	104,250	187,908	-	1,035,095
Financial assets derecognized during the period other than write-offs	-	-	-	-	-
Changes in PDs/LGDs/EADs	(482,916)	246,498	502,349	-	265,932
FX and other movements	-	-	-	-	-
Total net P&L charge during the period	406,591	106,410	788,027	-	1,301,028
Other movements with no P&L impact					
Write-offs	-	-	-	-	-
Loss allowance as at 31/12/2023	1,665,714	542,525	1,968,673	-	4,176,912

Kosovo Credit Guarantee Fund

Notes to the Financial Statement for the year ended December 31, 2023

(All amounts in EUR, unless stated otherwise)

19. IMPAIRMENT PROVISION (CONTINUED)

19.1 Impairment Provision losses for guarantees (continued)

REGULAR Window	Stage 1	Stage 2	Stage 3	POCI	Total
	12-month EAD	Lifetime EAD	Lifetime EAD	Purchased credit-impaired	
Outstanding Guarantee as at 31/12/2022	105,001,439	1,744,921	2,209,352	-	108,955,712
Transfers:					
Transfer from Stage 1 to Stage 2	(1,828,665)	1,828,665	-	-	-
Transfer from Stage 1 to Stage 3	(1,681,145)	-	1,681,145	-	-
Transfers from Stage 2 to Stage 3	-	(505,100)	505,100	-	-
Transfers from Stage 2 to Stage 1	576,573	(576,573)	-	-	-
Transfer from Stage 3 to Stage 2	-	29,941	(29,941)	-	-
Transfer from Stage 3 to Stage 1	38,839	-	(38,839)	-	-
Financial assets derecognized during the period other than write-offs	-	-	-	-	-
New financial assets originated or purchased	43,955,420	349,578	280,356	-	44,585,354
Write-offs FX and other movements	(47,215,664)	(987,046)	(1,520,049)	-	(49,722,759)
Gross carrying amount as at 31/12/2023	98,846,797	1,884,386	3,087,124	-	103,818,307

31/12/2023

REGULAR Window	Gross exposure	Impairment allowance	Carrying amount	Fair value of collateral held
Credit-impaired assets (stage 3)*	CU'000	CU'000	CU'000	CU'000
Loan	2,902,220	2,018,064	884,156	1,792,834
Credit Line	23,560	16,496	7,064	28,280
OVD	161,344	107,383	53,961	5,556
Total	3,087,124	2,141,943	945,181	1,826,670

Kosovo Credit Guarantee Fund
Notes to the Financial Statement for the year ended December 31, 2023
(All amounts in EUR, unless stated otherwise)

19. IMPAIRMENT PROVISION (CONTINUED)

19.1 Impairment Provision losses for guarantees (continued)

31/12/2022

REGULAR Window Credit-impaired assets (stage 3)*	Gross exposure	Impairment allowance	Carrying amount	Fair value of collateral held
Loan	2,143,366	1,153,889	989,477	1,109,080
OVD	47,405	19,269	28,137	5,556
Total	2,190,771	1,173,158	1,017,614	1,114,636

31/12/2023

REGULAR Window	Stage 1 12-month ECL	Stage 2 Lifetime ECL	Stage 3 Lifetime ECL	POCI Purchased or originated credit- impaired	Total
Credit Grade					
Standard	98,846,795	201,707	-	-	99,048,502
Substandard	-	437,836	-	-	437,836
Watch List	-	1,244,843	-	-	1,244,843
Liquidated	-	-	-	-	-
Doubtful	-	-	886,250	-	886,250
Loss	-	-	2,135,910	-	2,135,910
Write Off	-	-	64,964	-	64,964
Gross carrying amount	98,846,795	1,884,386	3,087,124	-	103,818,305
Loss Allowance	1,665,714	542,525	1,968,673	-	4,176,912
Carrying Amount	97,181,082	1,341,861	1,118,451	-	99,641,393

31/12/2022

REGULAR Window	Stage 1 12-month ECL	Stage 2 Lifetime ECL	Stage 3 Lifetime ECL	POCI Purchased or originated credit- impaired	Total
Credit Grade					
Standard	105,001,439	658,193	-	-	105,659,632
Substandard	-	428,362	34,712	-	463,075
Watch List	-	658,366	-	-	658,366
Liquidated	-	-	-	-	-
Doubtful	-	-	533,584	-	533,584
Loss	-	-	1,581,214	-	1,581,214
Write Off	-	-	59,842	-	59,842
Gross carrying amount	105,001,439	1,744,921	2,209,352	-	108,955,712
Loss Allowance	1,259,123	436,116	1,180,646	-	2,875,885
Carrying Amount	103,742,316	1,308,805	1,028,706	-	106,079,827

Kosovo Credit Guarantee Fund
Notes to the Financial Statement for the year ended December 31, 2023
(All amounts in EUR, unless stated otherwise)

19 IMPAIRMENT PROVISION (CONTINUED)

19.1 Impairment Provision losses for guarantees (continued)

AGRO Window	Stage 1	Stage 2	Stage 3	POCI	Total
	12-month ECL	Lifetime ECL	Lifetime ECL	Purchased or originated credit- impaired	
Loss allowance as at 31/12/2022	67,462	43,536	34,317	-	145,315
Movements with P&L impact					
Transfers:					
Transfer from Stage 1 to Stage 2	(602)	602	-	-	-
Transfer from Stage 1 to Stage 3	(1,360)	-	1,360	-	-
Transfers from Stage 2 to Stage 3	-	(37,492)	34,492	-	-
Transfers from Stage 2 to Stage 1	8,330	(8,330)	-	-	-
Transfer from Stage 3 to Stage 2	-	-	-	-	-
Transfer from Stage 3 to Stage 1	-	-	-	-	-
New financial assets originated or purchased	139,828	62,088	4,272	-	206,188
Financial assets derecognized during the period other than write-offs	-	-	-	-	-
Changes in PDs/LGDs/EADs FX and other movements	(999)	25,600	13,237	-	37,839
Total net P&L charge during the period	406,591	106,410	788,027	-	244,026
Other movements with no P&L impact					
Write-offs	-	-	-	-	-
Loss allowance as at 31/12/2023	1,665,714	542,525	1,968,673	-	389,341

Kosovo Credit Guarantee Fund

Notes to the Financial Statement for the year ended December 31, 2023

(All amounts in EUR, unless stated otherwise)

19 IMPAIRMENT PROVISION (CONTINUED)

19.1 Impairment Provision losses for guarantees (continued)

	Stage 1	Stage 2	Stage 3	POCI	Total
	12-month EAD	Lifetime EAD	Lifetime EAD	Purchased credit- impaired	
AGRO Window					
Outstanding Guarantee as at 31/12/2022	7,467,815	175,762	93,870	-	7,737,447
Transfers:					
Transfer from Stage 1 to Stage 2	(66,637)	66,637	-	-	-
Transfer from Stage 1 to Stage 3	(150,440)	-	150,440	-	-
Transfers from Stage 2 to Stage 3	-	(37,492)	37,492	-	-
Transfers from Stage 2 to Stage 1	35,322	(35,322)	-	-	-
Transfer from Stage 3 to Stage 2	-	-	-	-	-
Transfer from Stage 3 to Stage 1	-	-	-	-	-
Financial assets derecognized during the period other than write-offs	-	-	-	-	-
New financial assets originated or purchased	7,877,307	163,951	4,959	-	8,046,217
Write-offs	-	-	-	-	-
FX and other movements	(3,171,062)	(96,045)	(89,804)	-	(3,356,911)
Gross carrying amount as at 31/12/2023	11,992,305	237,491	196,957	-	12,426,753

31/12/2023

AGRO Window	Gross exposure	Impairment allowance	Carrying amount	Fair value of collateral held
Credit- impaired assets (stage 3)*				
Loan	171,956	157,014	14,942	629,462
Credit Line	-	-	-	-
OVD	25,000	22,987	2,013	-
Total	196,956	180,021	16,955	629,462

Kosovo Credit Guarantee Fund
Notes to the Financial Statement for the year ended December 31, 2023
(All amounts in EUR, unless stated otherwise)

19. IMPAIRMENT PROVISION (CONTINUED)

19.1 Impairment Provision losses for guarantees (continued)

31/12/2022

	Gross exposure	Impairment allowance	Carrying amount	Fair value of collateral held
AGRO Window Credit-impaired assets (stage 3)*				
Loan	93,870	34,317	59,553	368,462
Credit Line	-	-	-	-
OVD	-	-	-	-
Total	93,870	34,317	59,553	368,462

31/12/2023

	Stage 1	Stage 2	Stage 3	POCI	
	12-month ECL	Lifetime ECL	Lifetime ECL	Purchased or originated credit-impaired	Total
AGRO Window					
Credit Grade					
Standard	11,992,305	64,395	-	-	12,056,700
Substandard	-	106,194	-	-	106,194
Watch List	-	66,904	-	-	66,904
Liquidated	-	-	-	-	-
Doubtful	-	-	91,508	-	91,508
Loss	-	-	105,448	-	105,448
Write Off	-	-	-	-	-
Gross carrying amount	11,992,305	237,493	196,956	-	12,426,754
Loss Allowance	212,659	86,004	90,678	-	389,341
Carrying Amount	11,779,646	151,489	106,278	-	12,037,413

31/12/2022

	Stage 1	Stage 2	Stage 3	POCI	
	12-month ECL	Lifetime ECL	Lifetime ECL	Purchased or originated credit-impaired	Total
AGRO Window					
Credit Grade					
Standard	7,467,815	8,750	-	-	7,476,565
Substandard	-	102,541	-	-	102,541
Watch List	-	64,471	-	-	64,471
Liquidated	-	-	-	-	-
Doubtful	-	-	34,409	-	34,409
Loss	-	-	46,961	-	46,961
Write Off	-	-	12,500	-	12,500
Gross carrying amount	7,467,815	175,762	93,870	-	7,737,447
Loss Allowance	67,462	43,536	34,317	-	145,315
Carrying Amount	7,400,353	132,226	59,553	-	7,592,132

19. IMPAIRMENT PROVISION (CONTINUED)

19.2 Impairment Provision losses for financial assets

	Year ended December 31, 2023	Year ended December 31, 2022
Cash	8,687,761	2,054,777
Receivables	321,304	
Deposits	56,189,124	42,293,970
Investment securities measured at amortized cost	22,962,536	18,870,642
Allowances for impairment	<u>(303,663)</u>	<u>(211,678)</u>
Total investments	<u>87,857,062</u>	<u>63,007,711</u>

Changes in the corresponding gross carrying amount and ECLs are as follow:

	Stage 1	Stage 2	Stage 3	Total
Investments as of 1 January	63,007,711	-	-	63,007,711
New assets originated or purchased	57,461,568	-	-	57,461,568
Assets derecognized or matured	<u>(32,520,232)</u>	-	-	<u>(32,520,232)</u>
As of December 31, 2023	<u>87,949,047</u>	-	-	<u>87,949,047</u>

	Stage 1	Stage 2	Stage 3	Total
As of January 1, 2023	211,678	-	-	211,678
New assets originated or purchased	195,031	-	-	195,031
Assets derecognized or matured	<u>(103,046)</u>	-	-	<u>(103,046)</u>
As of December 31, 2023	<u>303,663</u>	-	-	<u>303,663</u>

20. CONTINGENCIES AND COMMITMENTS

	No. of guarantees (No.)	Outstanding Guaranteed Amount (EUR)
As of December 31, 2023	6,957	116,245,060
As of December 31, 2022	6,720	116,693,160

Litigation and claims

As of December 31, 2023, there are no litigations or claims against FK GK (2022: no litigations or claims against FK GK).

21. RELATED PARTY TRANSACTIONS

Related parties consist of the Board of Directors of the Fund. Parties are considered related if one party could control the other party or exercise significant influence over the other party in making financial or operational decisions. The expenses shown below include compensation paid to Board Members (remuneration fee for meetings, pension contribution) as per the Statute, including the Managing Director of KCGF.

	Expenses
As at December 31, 2023	
Board Members	<u>61,412</u>
Total	<u>61,412</u>

	Expenses
As at December 31, 2022	
Board Members	<u>61,915</u>
Total	<u>61,915</u>

22. EVENTS AFTER THE REPORTING DATE

After December 31, 2023- the reporting date until the approval of these financial statements, there are no adjusting events reflected in the financial statements or events that are materially significant for disclosure in these financial statements.

Kosovo Credit Guarantee Fund
Annex 1 - Financial strengthening support project transactions
World Bank as of and for the year ended December 31, 2023
(All amounts in EUR, unless stated otherwise)

	2023	2022
Property, plant, and equipment (FSSP)	29,368	15,177
Intangible assets (FSSP)	18,398	5,080
Total non-current assets (FSSP)	47,766	20,257
Deposits (FSSP)	6,410,000	6,410,000
Treasury Bonds (FSSP)	15,000,000	15,000,000
Accrual interest	246,741	101,378
Receivables to be reimbursement	-	13,508
Cash and cash equivalents (FSSP)	79,513	94,919
Total current assets (FSSP)	21,736,254	21,619,805
Capital (FSSP)	21,410,000	21,410,000
Total capital (FSSP)	21,410,000	21,410,000
Accrued expenses (FSSP)	62,918	-
Total non-current liabilities (FSSP)	62,918	-
Deferred revenues (FSSP)	16,962	80,031
Accrual guarantee fees (FSSP)	-	-
Accrual annual fees (FSSP)	308,068	461,360
Total current liabilities (FSSP)	325,030	541,391
Guarantee fees (FSSP)	649,905	985,753
Interest income (FSSP)	287,045	119,675
Other income (FSSP)	250,082	83,318
Total income (FSSP)	1,187,032	1,188,746
Personnel expenses (FSSP)	(120,312)	(69,908)
Operating expenses (FSSP)	(56,062)	(5,692)
Depreciation expenses (FSSP)	(10,790)	(7,718)
Total expenses (FSSP)	(187,164)	(83,318)

The table shows the items in the FS that are directly related to the IDA financing funds, and the reinvestment of revenues from these operations is not considered because they cannot be correctly identified due to the nature of the accounting data.



Kosovo Credit Guarantee Fund

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