



2019 KCGF Summary at Glance

KCGF: The missing piece in MSME financing



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TO OUR PARTNERS

Portfolio Development Highlights

During 2019 KCGF¹ has continued further to grow its outstanding volume of guarantee portfolio. The overall outstanding portfolio reached the volume of EUR 43.9 mio distributed to 3,130 active loans. Total volume of loans that are guaranteed by KCGF until end of 2019 were EUR 156.3 mio distributed to 4,052 loans and they will provide additional EUR 169 mio of projected increase of sales for these clients compared to their initial sales. The previous year marked the total new guarantees in the volume of EUR 33.5 mio or 25.1% increase compared to the year 2018. Investments in the private sector, supported by the KCGF guarantee scheme, enabled the creation of more than 2,803 new jobs only during the last year and 6,004 new jobs in Kosovo's economy so far.

At the same time, this growth was associated with good quality as well, by closing the year with NPL² level of 1.29 %.

New Developments Highlights

The year was also characterized by implementation of new products and agreements with our partners. The implementation of Agro Window started by signing agreements with two other banks in the beginning of the year, by reaching the total number of seven banks that are currently using this window. Another important milestone was the agreement with EIF³ for the COSME⁴ facility of re-guaranteeing loans of KCGF for the period of two years starting from September 16th. Furthermore, the institution started to implement ESMF⁵ guidelines.

EUR 33.5 mio of total new guarantees or 25.1 % increase compared to previous year.

¹ Kosovo Credit Guarantee Fund

² Non-Performing Loans

³ European Investment Fund

⁴ Competitiveness of Small and Medium-sized Enterprises

⁵ Environmental and Social Management Framework

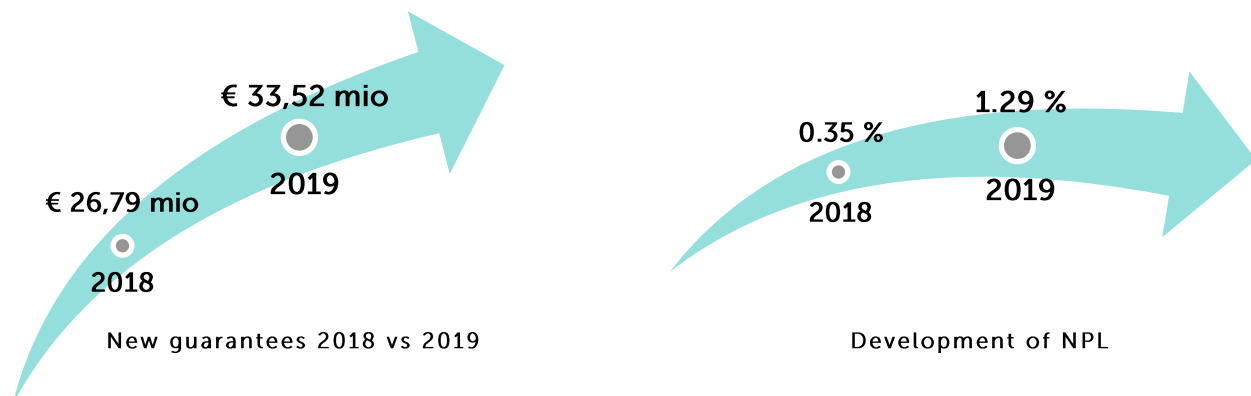
PORTFOLIO DEVELOPMENT SUMMARY

KCGF's performance during 2019 was characterized by continuous growth and good quality of portfolio, increase of maturity rate, average loan amount and lower collateral requirement compared to financial sector in focused category.

Out of guaranteed EUR 33.5 mio, EUR 4.6 mio (or 13.7%) were used to guarantee agriculture sector loans, while the level of financing the agriculture sector as the banks reported in CBK⁶ was around 4%.

The NPL trend of the overall portfolio has increased from 0.35% to 1.29%, which is still far below compared to the NPL of the banking sector.

The total amount of paid claims was EUR 82,351 for 4 cases.

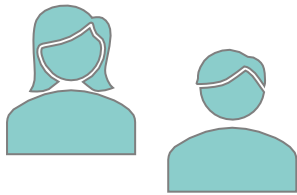
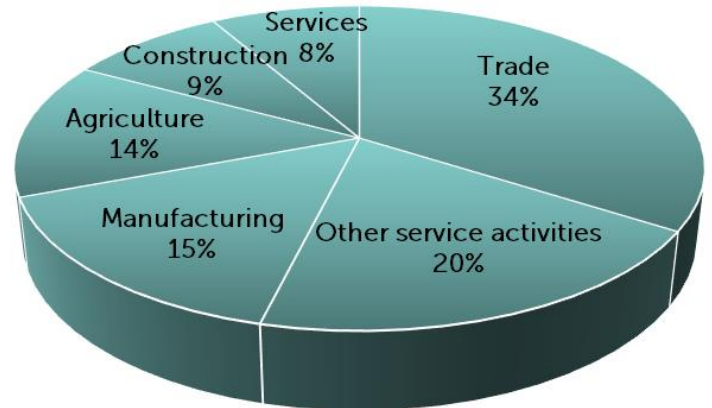


⁶ Central Bank of Kosovo



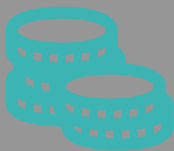
Total loans that are guaranteed by KCGF until end of 2019 were 4,052 loans and they will provide additional EUR 169 mio of projected increase of sales for these clients compared to their baseline (initial) sales.

Based on the sectorial distribution of guarantees during 2019, almost 1/3 of them are used for clients that are active in trade activities. It is worth mentioning that agriculture and manufacturing sectors have much more share in guarantees compared to their participation in the banking sector.



During 2019, the loans guaranteed to women have participated with 12.5% of total guaranteed loans, which represent a slight increase compared to 10% as it was in the end of 2018.

According to the bank reports, until end of 2019 there are 6,004 new jobs created.



NEW DEVELOPMENTS SUMMARY

Agro Window – The implementation of Agro Window started by signing agreements with two other banks in the beginning of the year, by reaching the total number of seven banks that are currently using this window. Agro Window will continue to develop a portfolio that aims to guarantee not only the primary agriculture production, but upper level of business activities in the value chain of the agriculture, including collection, processing and sales/distribution as well. Throughout this value-added chain approach within agriculture sector, we aim on covering the whole sector with credit guarantees offered by Agro Window.

Except initial EUR 5 mio that were used to increase the guarantee potential of the institution for implementing Agro Window, KfW will further continue to increase the capital base of KCGF by additional amount of EUR 6.5 mio. This contribution to the institution's capital base, will increase the ability of the financial institutions to continue further financing the agriculture sector while being guaranteed by KCGF with very favorable conditions.

It is worth mentioning that the mid of August marked the 100th loan guaranteed under the Agro Window. In total, until end of the year there were more than EUR 9.7 mio of agriculture loans disbursed or EUR 4.7 mio of guaranteed portfolio distributed over 232 agriculture loans.

COSME – On September 16th the KCGF concluded an important agreement - the COSME Guarantee Agreement with the EIF (part of the EIB⁷), for the support of SMEs. This event marked another milestone for KCGF as the agreement with COSME will enable the KCGF to increase the guarantee portfolio, that will further increase access to finance for MSMEs in Kosovo, increase employment and support the economic development of our country.

The benefits of re-guaranteeing facility are further forwarded to KCGF's partners in terms of better guarantee conditions. So far, seven banks started to use this facility.

⁷ European Investment Bank

Environment – In cooperation with World Bank, we have prepared the ESMF. This framework supported us further to build up the institutional ESMP⁸, which was approved by the Board of Directors.

Full implementation of ESMP will enable the KCGF to build an image of the environmental and social friendly institution. By doing so, our institution will help the reduction of negative environmental impact of the bank's operations.

Agreement with MFK⁹ – On October 2nd, 2019, MFK supported by the U.S. Millennium Challenge Corporation (MCC), has signed an Implementing Entity Agreement with the Kosovo Credit Guarantee Fund (KCGF), Kosovo's foremost guarantee vehicle to support access to finance for the private sector. This agreement has formalized collaboration between the two organizations to build expertise and open a Project Lending and Solar Renewable Energy Guarantee Window.

The credit guarantee window supported by MFK, will focus on three complementary interventions to increase solar energy financing in Kosovo:

1. Providing technical assistance and capacity building to establish a solar renewable energy guarantee window in project financing,
2. Launching a project accelerator focused on qualitative project screening and development of bankable projects by independent power producers,
3. Standardizing the market through a toolkit for training and project standardization to help KCGF partner banks assess risk factors when evaluating solar generation projects.

⁸ Environmental and Social Management Policy

⁹ Millennium Foundation Kosovo