

**14** The financial and real estate sector,  
attractive for investors

**10** Production  
for Europe

# IBANK

December 2018 | Nr. 17 - Gratis

**Mehmeti: Interest  
rates on loans could  
fall next year**

PAGE 07

## **BANKS, 210 MILLION € TO MANUFACTURING BUSINESSES**

Commercial banks in Kosovo have increased lending to manufacturing businesses, thus contributing to the overall economic development of the country. The Central Bank of Kosovo (CBK) has announced that the total amount of bank lending has reached 210 million euros only to manufacturing businesses, a measure that reduces dependence on imports and at the same time creates new jobs

PAGE 03

**Benefits from the  
development of  
agro-industry**

PAGE 02



# Benefits from the development of agro-industry



**EKREM GJOKAJ**

The share of agriculture in Gross Domestic Product (GDP) remains extremely important. The agriculture sector plays a dominant role in employment as well. From the 2014 agricultural registry, it is estimated that 86,620 full-time employees are employed in this sector, of whom about 50% are family members engaged in the farm, consequently, unlike 2016, in 2017 there was an increase for 4.2%.

Within the activities of agricultural businesses or agro-industry in 2017, the biggest turnover was in the processing of food products, this turnover value reached 227.4 million euros. Of the other branches of agro-industry, the production of beverages has been 95.7 million euros, followed by plant and animal production, hunting and related services, and totaling 48 million euros of turnover. Approximate turnover had also the wood and wood industry, with an annual turnover of 35.1 million euros.

During 2008-2016, the lowest share in total exports was 8.2% in 2011, while the highest share was achieved in 2017, with 16.2%. In the trade exchange of agricultural products, for the years 2008-2017, it is noted that there is an ongoing trend of slight increase in exports. The largest increase in export value of agricultural products was in 2017, with 61.3 million euros, which is an increase of 35.5% more than in 2016.

It is worth pointing out that the value of exports to EU countries during 2017 was over 18.3 million euros, which compared to the previous year turns out to be 53.4% higher.

Agriculture and industry are traditionally considered as two separate sectors, both by their characteristics and their role in economic growth. One of the sectors that can help promote socio-economic development in the coming years is agriculture and agro-processing industries. Thus, as a result of the financial support and the implementation of adequate policies by the MAFRD, there is a continuous increase of the surface area with different agricultural crops, and consequently the increase of production, both in the horticultural sector and in the cultivated crops. Compared with the previous year, only in the last year we have grown vegetable surfaces for about 2.1%, or 169 hectares, as well as raising new greenhouses by about 20% compared to the previous year. New orchards have also increased by 13.6%, with some 754 hectares of new orchards.

The vineyard sector also has also increased by 2.8% compared to the previous year. If we compare the number of beneficiaries from investment grants, this year we have increased the number of beneficiaries for about 70% compared to the previous year, which can be counted as the most successful year in implementing the program for agriculture and rural development, of the beneficiaries, both in the quality of the projects and their selection. Otherwise expressed, this year, all farm categories, ranging from small farms, start-up farms, market-oriented farms, large farms and processing companies, have been supported. We have supported over 20 agro-processing companies in the fruit and vegetable sector, dairy, meat and wine sectors.

Also, this year the construction of warehouses has been supported for the preservation of products, both at the level of individual farms and at the regional level as never before.

Generally speaking, the trend development of the agricultural sector is positive. In this sector we have slow but secure movements of structural changes, as we have a reduction of wheat surfaces for about 10-13% and an increase of surfaces in the horticultural sector for 13-20%, cultures that have comparative advantages and export potential.

Like in other countries also in Kosovo, it has been given special attention to the development of agroindustry through program development policies,

considering it as an industry sector that generates jobs where a large number of people depend directly or indirectly on their well-being. This is especially true for our country where many other branches of the industry need to be invested for their revitalization.

The Ministry of Agriculture, Forestry and Rural Development through subsidies and grants aims to increase the quality of agricultural products, increase production and market, reduce the import from which domestic product prices are also affected. Investing in the development of agro-industry does not only increase the income of farmers, but also creates new employment opportunities in rural areas. For this reason, many advances have been made in the agro-food industry technology, as old technologies could not be used because of their destruction during the war but also because of their aging.

Based on KAS data, we see that, starting from 2012 to 2014, the average participation of agricultural activities registered in the business register against other activities was 7.6%.

Starting from 2015 we have a growth of 9.6%, followed by increased participation to 10.4% in 2016. While in 2017 this share was 8.9%, such an increase is attributed to the financial support provided by MAFRD through implementation of this structural measure. Regarding the increase in the number of activities in agriculture, the most recent growth was in 2015, with 945 agricultural activities or 40.2% more than in 2014, continuing with growth in 2016 with 1,090 activities, or 15.3% more than in 2015. While in 2017 there were 268 businesses less compared to 2016 or a decline of 24.6%. Based on data provided by the Kosovo Agency of Statistics, agribusinesses have increased from year to year. From 2011 to 2016, the average turnover for these years was 307 million euros, continuing with an increase of 19.9% in 2017, compared to the average of six years (2011-2016).

**(THE AUTHOR IS THE  
ACTING DIRECTOR OF  
AGRICULTURE DEVELOPMENT  
AGENCY)**



# Banks, 210 million € to manufacturing businesses

Commercial banks in Kosovo have increased lending to manufacturing businesses, thus contributing to the overall economic development of the country. The Central Bank of Kosovo (CBK) has announced that the total amount of bank lending has reached 210 million euros only to manufacturing businesses, a measure that reduces dependence on imports and at the same time creates new jobs

The banking sector continues to be one of the main contributors to Kosovo's overall economic development. This is how the Governor of the Central Bank of Kosovo (CBK) Fehmi Mehmeti emphasized. According to him, about 75 percent of the loans are directed to businesses. "The banking sector continues to be among the key contributors to Kosovo's overall economic development. Support for this finding is the fact that around 75% of the

**The banking credit for the manufacturing sector in Kosovo has reached**

**210**  
million euros by  
September 2018

banking sector's loans to the local economy are directed to businesses," Mehmeti said. The total amount of loans approved by the Kosovo banking sector amounts to about 2.7 billion euros, with the annual growth of loans in October this year being 280 million euros or 11.6%, whereas in the same period of 2017 the annual loan increase was 234.4 million euros, or 10.7%. "This support

This significant financial support is an



**1.703 BILLION €**

IS THE GENERAL AMOUNT OF BANKING  
LOANS FOR ENTERPRISES

**973.2 MILLION €**

IS THE GENERAL AMOUNT OF  
LOANS FOR HOUSEHOLDS

**11.6%**

ANNUAL LOANS FOR  
ENTERPRISES HAVE  
INCREASED DURING  
2018

**11.3%**

LOANS FOR HOUSEHOLDS  
HAVE INCREASED DURING  
THIS YEAR



indicator of the impact of the banking sector on the overall economic development in Kosovo, "Mehmeti stressed.

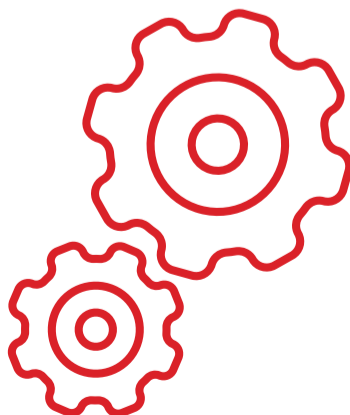
#### **HUNDREDS OF MILLION OF EUROS LOANS FOR MANUFACTURING SECTOR**

Commercial banks have consistently supported businesses that have presented good investment plans in various sectors of the economy, paying close attention to lending to the manufacturing sector. Banking lending to the country's manufacturing sector has reached 210 million euros.

"Banks are consistently supporting businesses that are investing in manufacturing sectors. This support is continuing to have a significant increase in lending, which has been noted since September 2016 that was 166.1 million euros, in September 2018 amounts to 209.9 million euros, "the governor of the CBK announced.

He added that in the recent years an increase in business awareness is noted, introducing ambitious investment plans for manufacturing to the banks. "The growth of lending in the manufacturing sector, through the support of businesses, directly affects the growth of domestic production and the reduction of imports."

**166.1**  
**MILLION EURO WERE THE**  
**TOTAL AMOUNT OF LOANS FOR**  
**MANUFACTURING SECTOR IN**  
**THE COUNTRY IN SEPTEMBER**  
**2016**



Cakolli: The banking system among the main promoters of private sector development

Bujar Cakolli, Deputy Minister of Innovation and Entrepreneurship in the Government of Kosovo, emphasized that the lending system through commercial banks represents one of the main pillars of financing the country's economy. "Commercial Banks in the Republic of Kosovo have supported and continue to support businesses in different sectors of the economy. According to the data from the Central Bank of Kosovo, the main part of bank loans in the recent months is directed towards businesses, which is a clear indicator of the support of local businesses by the banking sector in Kosovo, "Cakolli said.

The Deputy Minister of Entrepreneurship has pointed out that the interest rates on loans, which were higher earlier, have had very positive developments in recent times that have reflected in their noticeable decrease.

"I think that in the future the banking system's role in supporting businesses will be even greater when we consider that there is a constant decrease in interest rates but also the ever-increasing competition in this sector is one of the main factors that affects the development of the private sector " , Cakolli stressed.

‘Banks are consistently supporting the businesses that are investing in the manufacturing sectors. This support is continuing to have a significant increase of lending, which has been noted since September 2016, which amounted 166.1 million euro, on September 2018 amounts to 209.9 million euro,’ stated the Governor of the Central Bank of Kosovo (CBK) Fehmi Mehmeti

# 7.4%

is the average of effective interest rate on loans for households



# 6.6%

is the average interest rate on loans for enterprises



# 6.1%

is the average interest rate on mortgage loans



#### THE CONTRIBUTION TO ECONOMIC GROWTH

Within a short period Kosovo has managed to build a genuine financial and banking system, who continues to contribute in the country's economic growth. But, the purpose of the youngest state in Europe should be the growth of socio-economic welfare of citizens and fighting poverty. This is how the Executive Director of the Kosovo Banking Association, Petrit Balija stated. Even Ibish Mazreku, Vice Rector for international relations and quality enhancement at the Public University ‘‘Haxhi Zeka’’ in Peja, says that according to the data and development trends, the banking system in Kosovo is giving a lot of important contribution in providing financial resources for the Development of Small and Medium Enterprises operating in our country. According to him, based on the official reports from the Central Bank of Kosovo it is seen that the increase of lending to enterprises for this year is doubled.

He says that to develop SME's state should allocate certain funds which then throughout

banks will be put into operation of development of Small and Medium Enterprises, when it is known that a large number of employees with be employed.

#### POSITIVE EFFECTS FROM GUARANTEE OF LOANS

Besnik Berisha, managing director of the Kosovo Credit Guarantee Fund, announces that the institution that he runs is independent but issues guarantees to financial institutions for coverage of risk to micro, small and medium enterprises. According to him, by the end of October 2018, the sum total of loans approved by banks which are submitted under coverage of the guarantee has reached 75.3 million euros scattered on over 1,928 loans, while the share guaranteed by the Kosovo Credit Guarantee Fund has reached 36 million euros. ‘‘The total amount of guarantees released until now is 36 million while annual growth of 2018 based on the principal of the guarantee portfolio is 124%’’, the media have reported.

He has announced that loans guarantees are issued for private-owned SMEs which have business registration and fiscal numbers as well

which one hundred percent (100%) are owned by private citizens or permanent residents of Kosovo.

Kosovo Credit Guarantee Fund (KCGF) through guaranteeing the institution's loan portfolio of financial institutions, aims to support the private sector in Kosovo, expanding access to finance for SMEs that do not have enough collateral, thus enabling job creation, increased domestic production, improved trade balance and advancement of opportunities for economic sectors which are less serviced.

Moreover, as a result, SMEs due to their financial support they can realize new investments, innovative investments, thus increasing competition in the local, regional and international market etc.

According to Berisha, the investments made with these loans promise positive effects in general. ‘‘According to the forecast of borrowers from issued loans by the end of October 2018 2,681 new jobs will be created as well as 79.8 million euro increase turnover on the basis of current turnover of the corresponding SMEs,’’ he explained.



# MEHMETI: INTEREST RATES ON LOANS COULD FALL NEXT YEAR

Interest rates on bank loans have fallen drastically since 2008 and since Kosovo declared independence. But the Governor of the Central Bank of Kosovo Fehmi Mehmeti estimates there is room for loan interest rates to fall next year.

**T**he Governor of the Central Bank of Kosovo (CBK) Fehmi Mehmeti says that in 2018 commercial banks in the country have performed with positive financial results, where for the first time in the history of this sector, all banks have managed to distribute dividends, except for branches of foreign banks. "This includes local banks that already represent a success story," Governor Mehmeti said, adding that during January-October 2018, banks realized a net gain of 70.2 million euros.

The first of the CBK has announced that the loans in the banking sector have reached

about 2.7 billion euros, while deposits over 3.250 billion euros.

Although interest rates on loans have declined year-on-year, Mehmeti is convinced that in the next year the same will be further reduced.

"Based on the continuous improvement of loan quality and the banks' plans to continue with loan growth, we estimate that interest rates on loans will have room to be reduced even in the coming year. In this context, we should bear in mind the fact that interest rates on deposits are also increasing, reaching 1.37% in September 2018, which is a signifi-

cant increase compared to 0.95% in September 2017," said Mehmeti.

CBK Governor has also spoken about the global trends of digitalization, which are being followed by the banking sector of Kosovo by investing in electronic banking platforms through offering services to its customers 24/7.

He says that the digitization of services has not reduced the number of employees in the banking sector, as, according to Central Bank statistics, the number of employees is the same in the last four years, with 3375 employed in 2015, while currently there are 3374 workers.

## OVER 3.2 BILLION EURO DEPOSITS, ABOUT 2.7 BILLION EURO IN LOANS

**Mr. Governor we are at the end of 2018 how do you assess the performance of the banking sector during this year?**

**Mehmeti:** The performance of the banking sector during 2018 was positive, being above the given regulatory indicators, which, as we have said many times so far, continues to be stable, with sufficient and well capitalized liquidity. Banking sector assets in October 2018 totaled about 3,877 billion euro, with loans totaling 2,696 billion euro and deposits amounting to 3,251 billion euro. Viewed in an annual context, both loans and deposits increased by 11.6%, or 6.4%, respectively. Within the structure of assets loans dominate with a participation of 69.5%, while deposits within the liabilities with a participation of 95.7%.

The banking sector continued to perform with positive financial results this year, with a profit of 70.2 million euros until October 2018. On this occasion it should be noted that during 2018, for the first time in the history of the banking sector in Kosovo, all banks have managed to distribute dividends (except those that are licensed as branches of foreign banks). This includes local banks that already present a success story.

The trend of loan quality improvement in 2017 continued throughout 2018. The non-performing loans indicator in October 2018 decreased to 2.7% from 3.1% in December 2017. This indicator in October 2017 was 3.6%. Loan loss reserves cover nonperforming loans at a satisfactory level of 154.9%. Compared to the countries of the region Kosovo continues to have the lowest level of non-performing loans.

### NON-PERFORMING LOANS 2.7%

**The year 2018 has been characterized by lower interest rates on loans, as well as a reduction in the percentage of nonperforming loans. Is a fall in interest rate on loans expected in 2019?**

**Mehmeti:** Loan quality in the banking sector has marked continuous improvement over 2018. The non-performing loans indicator in October 2018 marks a rate of 2.7%, which in the same period last year was 3.1%. Similarly, interest rates on loans continued with the downward trend. The average effective interest rate on new loans in September 2018 was 6.99%, or if we take the average of January to September 2018 it was 6.76% (6.85% compared to the same time horizon as last year).

Based on the continuous improvement of loan quality, as well as banks plan to continue with loan growth, we estimate that interest rates on loans will be reduced even in the coming year. In this context, we also have to consider the fact that interest rates on deposits are also increasing, reaching 1.37% in September 2018, which represents a significant increase compared to 0.95% in September 2017.

### DECADE OF INTEREST RATE CUT ON LOAN

The performance of the banking sector during 2018 was positive, being above the given regulatory indicators, which, as we have said so far, continues to be stable, with a sufficient



**The performance of the banking sector during 2018 was positive, being above the given regulatory indicators, which, as we have said so far, continues to be stable, with a sufficient and well capitalized liquidity. Banking sector assets in October 2018 totaled about € 3,877 billion, with loans totaling € 2,696 billion and deposits amounting to € 3,251 billion. Viewed in an annual context, both loans and deposits marked an annual growth of 11.6%, respectively 6.4%, said the Governor of Central Bank of Kosovo (CBK) Fehmi Mehmeti**

and well capitalized liquidity. Banking sector assets in October 2018 totaled about € 3,877 billion, with loans totaling € 2,696 billion and deposits amounting to € 3,251 billion. Viewed in an annual context, both loans and deposits marked an annual growth of 11.6%, respectively 6.4%, said the Governor of Central Bank of Kosovo (CBK) Fehmi Mehmeti

**If we make a comparison with 2008, when Kosovo has declared independence, how much have the interest rates on loans fallen over the first decade of independence?**

**Mehmeti:** Compared to 2008 when Kosovo's independence was declared, there are generally very positive developments in the banking sector in Kosovo and particularly on interest rates. Before mentioning interest rates, let me point out that our approach as a regulator and supervisor of the financial sector is far more proactive and demanding. Manuals and other supervisory standards have been developed that enable the focus on risks that occur in the banking sector in Kosovo. Among other things, this has made us talk about a much more competitive banking sector, competition which has also appeared in the substantial reduction in the interest rate on loans. Moreover, during 2008, the average interest rate on new loans marked a very high level of 14.73%, where the rate above 14% of interest rate was applied for many years and was much higher than the countries in the region.

Thanks to the developments mentioned above, today we talk about interest rates comparable to the countries in the region and at certain points (mortgage loans) perhaps even lower. As noted above, the level of 6.35% represents the average of the certain period, whereas for certain products (mortgage loans) are at the level of about 5.24%.

**If statistics show a sharp fall in interest rates on loans for ten years, what has happened to interest rates on deposits, how have they moved over this time of period?**

**Mehmeti:** In 2008, the interest rate on new deposits marked a rate of 4.21%, in the period when the loans were over 14% and the difference of interest rate on deposits and loans was above 10 percentage points. Today, banks operate with much lower differences due to the continuous increase in competition, driven by legislative infrastructure and a closer supervision.

In September 2018, the deposit rate (as mentioned above) is 1.37%, while in time deposits longer than a year the interest rate is over 3%. What is to be noted in this case and that is something very positive is that despite the fact that banks in Europe mostly apply negative interest rates, this has never happened in Kosovo, on the contrary, depositors are attracted to time deposit cheap savings with attractive interest rates.

**How much is the banking system contributing in Kosovo's overall economic development?**

**Mehmeti:** The banking sector continues to be among the key contributors to Kosovo's overall economic development. The main factor to say this is the banking sector's lending to the local economy, where about 75% are directed to businesses. Loans have recorded a growth trend over the years, and especially the last two to three years (since 2016), marking double-digit loan growth rates.



# SECTOR LENDING

CONSTRUCTION



6.1%

TRADE



31.9%

PRODUCTION



8.2%

DIGITALIZATION OF THE BANKING SECTOR  
WITHOUT NEGATIVE EFFECT ON EMPLOYMENT



2015  
**3375**  
EMPLOYEES



2016  
**3375**  
EMPLOYEES



2017  
**3319**  
EMPLOYEES



2018  
**3374**  
EMPLOYEES

**Mehmeti:** The interest rate on new mortgage loans in September 2018 is 6.11%, compared to 5.88% as it was in the same period of the previous year. If we stop on certain components within mortgage loans, we see that mortgage loans with maturity over 10 years mark the rate of 5.11% in the January-September 2018 time horizon, compared to 5.18% last year.



General Loans in October 2018 marked an annual growth of 280.1 million euros or 11.6%, while the annual growth of total loans in October 2017 with the previous year was 234.4 million euros or 10.7%. This significant financial support is showing the impact of the banking sector on the overall economic development in Kosovo.

We are asking the question, if banks are growing fast and there is still room for growth, the answer is certainly positive. The indicator we use to measure the growth rate is that of financial intermediation in relation to gross domestic product in Kosovo. In this context, this indicator in June 2018 increased to 39.8% compared to 33.8% in 2015, marking gradual but steady growth. This is unlike the countries of the region that mostly have the same level or decline for certain states. In this case it should be noted that the average of the countries in the region in the context of financial intermediation is around 55%.

**In addition to increasing lending to households, bank lending growth has been registered for businesses as well. In which sectors of the economy are bank loans mainly concentrated?**

**Mehmeti:** The lending activity continues to be lending to the trade sector, whose share

in the total loan portfolio of the banking sector is 31.9% in September 2018 from 31.6% in December 2017. Individual-consumer loans recorded the same trend, the share of total loans, which accounts for about 36% in October 2018. Also, the participation of loans given has increased for production by 8.2% from 8%, in construction loans by 6.1% from 5.5%, and real estate loans from 0.5% to 1.3%.

**How are manufacturing businesses supported by commercial banks through loans in order to impact domestic growth and reduce import?**

**Mehmeti:** Commercial banks over the years have continued to support businesses that have presented good investment plans in various sectors of the economy, paying close attention to lending to the manufacturing sector.

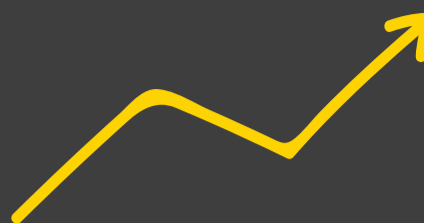
Banks are constantly supporting businesses that are investing in manufacturing sectors, a trend that is continuing to show a trend of significant loan growth, which has been rising since September 2016, which was 166.1 million euros, in September 2018 reaches the amount of 209.9 million euros. In the last few years, there has been an increase in business awareness through the introduction of ambitious investment plans in banks in production.

The growth of lending in the manufacturing sector, through the support of businesses, directly affects the growth of domestic production and the reduction of imports

**The interest rates on loans are lower for mortgage loans. How much are the average of interest rates on mortgage loans, how much is the total value of mortgage loans in Kosovo, and how much is the total amount of properties that are on the mortgage?**

**Mehmeti:** The Interest rate on new mortgage loans in September 2018 is 6.11%, compared to 5.88% as it was in the same period of the previous year. If we stop on certain components within mortgage loans, we see that mortgage loans with maturity over 10 years mark the rate of 5.11% in the January-September 2018 time horizon, compared to 5.18% last year.

The growth of trend of the total loans in Kosovo's banking sector has also followed the mortgage loans. In September 2018, mortgage loans amounted to about 370.0 million euros, which marked an annual growth of 45.0 million euro or 13.8% compared to the same period of the previous year.



# 3.251 BILLION €

has reached the total amount of deposits in the Kosovo banking sector.



# 2.696 BILLION €

has reached the amount of loans in the Kosovo banking sector



# 70.2 MILLION €

has reached the clear profit of Kosovo banks during January–October 2018



## SECURE DEPOSITS

**Even bank deposits of clients have reached a record of about 3.2 billion euros, much larger than Kosovo's annual budget. How safe are clients deposits in commercial banks?**

**Mehmeti:** Deposits have continued to be the main source of financing banks of the banking sector in Kosovo, which have been growing steadily in 2018.

The sector banks are very stable and have sufficient volume of liquid assets to be protected against risk of liquidity. They show higher rates of key liquidity indicators compared to the required regulatory rates. In addition, banks are members of the Deposit Insurance Fund, where each customer in each bank is provided up to 5.0 thousand euros. So generally, clients

deposits are safe, where banks are regularly reviewed by the CBK on regular basis, the trends are stable, and we do not anticipate any unusual developments. In this case it should be noted that banks are required every year to submit to the CBK their financial projections on the basis of which their development is followed throughout the year.

**Banks in Kosovo have already digitized many services, by forwarding the global digitization trends in this sector. But, did digitization affect the reduction of the number of employees in the banking sector?**

**Mehmeti:** Commercial banks in recent years have continued to be oriented towards the development of electronic communications channels which represent a worldwide trend of banking services ori-

entation. The banking sector in Kosovo is following the global trends of digitalisation by investing in electronic banking platforms by providing services to its customers 24/7.

Banks investments in electronic communication channels as a result of banks' strategies have also reflected the number of employees.

However, over the years there has been a steady trend in the number of employees in the banking sector, which has resulted from employee movements within the banking sector, which can be seen if compared: December 2014 of 3,507 employees, December 2015 of 3,375 employees, December 2016 of 3,375 employees; December 2017 of 3,319 employees and September 2018 of 3,374 employees in the banking sector.



# Production for Europe

The Kosovar company “Scampa”, which deals with the production of plastic bags, thanks to the 2 million euro investment in a new factory is about to start a “mini revolution” in the Kosovar market in the near future, where the production of bags is made from potatoes and not plastic. My products will be sold in Belgium.

**K**ujtim Gjevori, the owner of “Scampa” company, which deals with the production of plastic bags supplies a considerable domestic market and at the same time a smaller amount of production and exports to Europe, is ready to build a factory with a Belgian partner whose products will be sold to Belgium. The company “Scampa” produces plastic bags inside the Industrial Park in Drenas, where some businesses are located.

Initial investments in this factory are expected to reach 2 million euros, of which 1.2 million euros are loans secured by commercial banks in Kosovo, while the rest of the financing will be made by the Belgian partner, explained Gjevori. According to him, all investments in the factory will be made according to international standards, where the remaining products will be recycled. “Everything that is left in the factory is recycled and used for other products. The recycling machine is through the sealed water system, where neither the water nor sewage are drained. We are developing the company with parameters of European companies,” he says.

He points out that every time he has expanded his business through bank financing and admits that interest rates on loans have dropped significantly, compared to 2007 when he decided

## 5%

is the interest rate on the loan received by ‘Scampa’, previously it was up to **20%**.

to develop the business for the production of plastic bags.

The Central Bank of Kosovo (CBK) has announced that commercial banks in Kosovo in support of production businesses have approved about 210 million euros in loans.

### REVOLUTION BAGS

With 2 million euros investment, the company ‘Scampa’ plans to launch a mini revolution in the Kosovar market, where in the near future it plans that plastics should not be the raw material for the production of bags, but potato. “Within three years we will produce bags from potato. We will first export to Europe after finding a potential buyer in Belgium, but due to the higher

production costs, at least three times the current cost, the Kosovo’s market is not ready yet. Kosovo with the EU-integrated laws will also be forced to change and produce bags in this form. In Italy bags from potato are already produced,” said businessman Gjevori at the end.

### ONLY LOCAL PRODUCTION STOPS IMPORT

The continued growth of production capacities, besides increasing the number of employees in the factory, has had a direct effect on the drastic fall in the import of bags from the countries of the region and even farther. He shows that thanks to his great work and engagement today he is the leader in the field of producing bags and waste bags. “I have stopped importing bags together with others, as 90% of the market is covered by domestic production, while the rest is covered with bags produced in other countries that are imported into our country. Recently we started to export to different European countries, but export is below 10% of monthly production,” he said.

### FROM LOAN TO LOAN

Gjevori claims that Investments in Development of business has consistently been made with the help of commercial banks in Kosovo.



He points out that in 2007, when he decided to expand his business by opening a factory for bag production, “I received 300,000 euros from the bank and bought some cars and a land in Lipjan. At first we faced many challenges. When I started work at that time, I had 4-5 employees, while now the number of employees has increased by ten times,” says Gjevori, adding that at that time they could not produce as much as they had demand for their products. He further says: “So we continued expansion. Soon after the loan was not finished yet, we closed it and we took another one of 450 thousand euros, then proceeded with the new loans of 600 thousand euro, 800 thousand euro etc. and finally we got a loan of 1.2 million euro for business development. If they had not been bank loans I would not have been able to be here. The good thing is that again through loans I am opening a new factory with a Belgian partner,” he says.

#### **THE INTEREST RATE WAS NEVER OF IMPORTANCE**

Kujtim Gjevori, owner of “Scampa” company, further shows that from the beginning, but even now, has never been impressed by the interest rate on the loan. According to him, the insurance of financial means was neces-

sary at the time he needed them, rather than the amount of funds he subsequently paid on behalf of the interest rate.

“When I got the first loan maybe the interest rate was over 20 percent, now the latter is 5%, but to say with great sincerity I have never looked at this detail. There interest rate was never important for me. For me the partnership has been important, and when I received the money I needed, with them I have continuously developed my business,” he says.

#### **DEVELOPMENT IN LESS THAN TWO DECADES**

Gjevori shows how he had decided to deal with business soon after the end of the country’s 1999 war. At that time, he had worked as a translator at the UNMIK mission in Kosovo for a short period of time. But, at the end of 1999, he had left his job and had opened a small beverage distribution business, but today, nearly two decades ago, he has managed to hire 50 workers in the company, and in the following years he plans that the number of employees will increase even more. “I started my business in 1999 with the last salary I received at that time as a translator in UNMIK. After a short time, I needed financial assistance, my family did not have the opportunity, and at











# 90%

of the market is covered by domestic production, while the rest is covered with bags produced in other countries that are imported into our country

that time I got a 9,000 euro loan for business development, but, from that time until now, for me the main business partner has been the bank,” says businessman Gjevori. He further points out that in 2002 he had managed to buy an industrial sugar packing machine, which over time faced numerous challenges. “I entered into production without knowledge and without experience. For a while, I found it very difficult to sleep on sugar pallets. At that time I was forced to take a loan of 30 thousand euros. I had financial difficulties, but I have never been late in paying off loan installments, since at that time the bank was considered my main partner,” he points out.

# Financial and real estate sector, attractive for investors

Investements in **millions of euros** throughout the years

	2007	2008	2009	2010
 <b>AGRICULTURE</b>	7.9	8.5	13.1	0.9
 <b>MINERALS</b>	41.5	17.4	7.0	17.7
 <b>INDUSTRY</b>	74.8	53.7	57.6	101.1
 <b>ENERGY</b>	2.5	16.7	8.7	/
 <b>CONSTRUCTION</b>	52	13.5	35.5	54.2
 <b>COMMERCIAL SERVICES</b>	12.7	10.1	16.2	6.8
 <b>HOTELS AND RESTAURANTS</b>	12.7	2.1	2.4	/
 <b>TRANSPORT AND COMMUNICATION</b>	129.2	51.0	21.9	-15.9
 <b>FINANCIAL SERVICES</b>	102.0	109.6	75.3	39.4
 <b>REAL ESTATE. LEASE</b>	30.9	62.9	43.9	75.5

The real estate sector and the financial sector continue to be among the most attractive domestic sectors for foreign investors. Based on the official data from the Central Bank of Kosovo (CBK) it is seen that in 2017, 187.2 million euros were invested in the real estate sector. From the beginning of this year to the end of August, foreign investors have invested 117.3 million euros in this sector. Also, according to official data, the financial services sector is also attractive to foreign investors. Such findings may be based on the fact that in the last year, foreign investors have invested 55 million euros in this sector, while during

the reporting period January-August 2018 1.8 million euros were invested. Along with the official data of the Central Bank of Kosovo, it is seen that from the beginning of 2018 to the end of August in the agricultural sector were invested 200 thousand euros, while during the year that we left there was withdrawal of investments from this sector. According to this data, even in the energy sector during the first 8 months of this year, foreign investors have invested 2.9 million euros, while in the industry and the mineral sector there have been withdrawal by foreign investments.

2011	2012	2013	2014	2015	2016	2017	2018
0.6	0.3	0.4	0.2	1.0	1.2	-1.3	0.2
-5.2	-25.0	-14.1	4.2	-36.9	-19.1	-4.9	-6.9
46.9	27.4	11.5	-34.0	20.7	4.6	5.7	-17.3
0.2	2.2	48.8	13.4	11.9	3.4	-1.0	2.9
133.1	31.1	17.3	-19.9	46.3	28.2	5.0	-14.7
11.6	9.3	14.6	8.4	12.0	14.5	10.3	15.7
0.2	0.5	0.8	0.4	0.0	0.7	0.8	1.5
29.0	32.4	51.0	-9.1	-6.1	-9.1	-7.9	-4.4
33.0	22.4	4.4	41.9	64.3	19.00	55.0	1.8
60.5	115.7	136.1	142.1	189.6	167.2	187.2	117.3



SHOQATA E BANKAVE TË KOSOVËS  
KOSOVO BANKING ASSOCIATION

The voice of banking in Kosovo

# Kosovo Banking Association reacts to bank robberies

During 2018, the banking sector in Kosovo faced an unprecedented number of security incidents, most of which were robberies committed by armed criminal groups. While material damages were high, the Kosovo Banking Association has expressed the greatest concern for the security of clients and bank staff.

According to a media press release by the Kosovo Banking Association, the banking sector employs approximately 3,500 employees and serves thousands of clients each day, thus providing very important financial services to Kosovo's economy,

so for banks it is a key priority for their clients to feel safe and secure in obtaining services at banks, as well as for bank employees to perform their work in a safe environment.

'In some of these attacks, bank employees were hurt and have received medical treatment as these criminal groups are usually very dangerous and violent in their attacks. Moreover, these robberies empower these criminals to use stolen money to illegally buy guns, drugs, and commit many other crimes within Kosovo and the region, resulting in powerful organized criminal

groups, which poses a threat to the country's national security, "said among other things in the Association's announcement.

Based on the statistics provided by the Kosovo Police it is evident that other businesses in Kosovo are also facing attacks on a regular basis and are subject to such risks and threats. Therefore, the Kosovo Banking Association calls on security institutions in Kosovo to take urgent and strong measures against these criminal groups to neutralize and ensure a secure environment for Kosovo businesses, giving particular attention to financial institutions.

## CBK signed Memorandum of Understanding with the European Central Bank

The Central Bank of the Republic of Kosovo (CBK) has signed a Memorandum of Understanding with the European Central Bank (ECB).

On this occasion, CBK Governor Fehmi Mehmeti has expressed the pleasure of signing this Memorandum, which is of great importance for the CBK and Kosovo.

"This memorandum, among other things, aims to deepen the relations between the two banking regulatory institutions, enhancing cooperation in order to exchange information, cooperation related to supervision in the country, examinations and other issues. The Memorandum with the ECB strengthens the connection between

Kosovo and the European Union, and we as CBK will help us to move forward with the fulfillment of all obligations deriving from European integration, "declared Governor Mehmeti. The two signatories agreed to increase the exchange of knowledge and expertise, then technical advice, trainings, seminars, etc.



SHOQATA E BANKAVE TË KOSOVËS  
KOSOVO BANKING ASSOCIATION

This publication is supported  
by the Kosovo Banking Association