

# BANKING PERIODIC

## OVERVIEW OF THE FINANCIAL SECTOR IN KOSOVO



## KOSOVO CREDIT GUARANTEE FUND

# BANKING PERIODIC



SHOQATA E BANKAVE TË KOSOVËS  
KOSOVO BANKING ASSOCIATION

 **Banka Ekonomike**



 **BPB**

**iŞBANK**

 **NLB Banka**

 **ProCredit Bank**

 **Raiffeisen  
BANK**



 **ZiraatBank**

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# KOSOVO CREDIT GUARANTEE FUND

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# I. KOSOVO CREDIT GUARANTEE FUND FACILITATING ACCESS TO FINANCE FOR MSMEs

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The Kosovo Credit Guarantee Fund (KCGF) is a local, independent, sustainable credit guarantee facility that issues portfolio loan guarantees to financial institutions to cover up to 50% of the risk for loans to micro, small, and medium enterprises (MSMEs). KCGF is created to meet the needs for access to finance for MSMEs, thereby creating jobs, increasing local production, adding value, improving the trade balance and enhancing opportunities for underserved economic sectors. KCGF will broaden the scope for financial services and credit products.

To better understand the economic impact and the rationale behind the KCGF, let's briefly analyze the economic situation, MSME access to finance, and financial sector in Kosovo. Kosovo's economy has shown significant progress in transitioning to a market based economy and maintaining economic stability, but it remains highly dependent on aid from international donors and remittances from its diaspora. According to the Tax Administration of Kosovo (TAK) there were 52,380 private sector business enterprises registered with TAK in December 2014. The government categorizes business enterprises into sole entrepreneurs, micro-enterprises (up to 9 employees); small businesses (10 – 49 employees); medium sized businesses (50 – 249 employees); and large businesses (250 or more employees). 99% of Kosovo's business enterprises were micro, small or medium sized (MSMEs) in 2014, and they accounted for around 80% of employment. It is estimated that MSMEs account for between 50 to 60% of Kosovo's GDP. Wholesale and retail trade was the largest sector, accounting for 43% of all private sector enterprises and 33%

of employment. The fastest growing sectors during 2010-2013, both in terms of number of enterprises and employment were construction and business services. The number of enterprises starting up has increased every year between 2010 and 2013, but the number of closures (exits) generally has risen as well – an indicator of how risky new businesses are. However, according to TAK data, the contribution to new employment by startups and growing MSMEs is much greater than the jobs lost through businesses failings.

Currently, most Kosovar MSMEs are underserved by the financial system. This is true particularly for new or young MSMEs, women-owned MSMEs, and MSMEs in agriculture. The total number of financial institutions in Kosovo include 10 commercial banks, 18 insurance companies, 13 microfinance institutions and 6 non-bank financial institutions. Financial institutions perceive MSMEs as risky and expensive to lend to and often impose onerous collateral requirements on potential MSME borrowers (partly due to the perceived increased risk of lending to MSMEs and partly due to difficulties in enforcing loan contracts and obtaining sufficient recovery). The non-performing loans for MSMEs are higher than for corporate and individual consumer borrowers. Most MSMEs have no or limited real estate collateral to offer. The contract enforcement procedures in Kosovo, including foreclosure on collateral, have also been inefficient, time consuming and expensive, although there have been improvements with the implementation of the Private Enforcement Agents in mid-2014.

The inadequate access to finance for MSMEs can also be attributed to the borrowers themselves. For example, MSMEs need to improve their business plans and financial statements, report their sales, register their employees, run their transactions through the banks, improve their repayment discipline, and be more mindful of their credit history and credit report. Kosovar banks, on the other hand, have conservative lending policies, including a requirement for extensive immovable and movable asset collateral to support most types of loans. As a result, many MSMEs with strong growth potential cannot obtain the financing they need to grow and increase employment.

Six of the banks in Kosovo have experience working with loan portfolio guarantees, including ten loan portfolio guarantee facilities from the USAID Development Credit Authority (DCA). The facilities to date have focused on agriculture and MSMEs under three years old. The guarantee facilities for agriculture have been well utilized, encouraging the banks to lend more to that sector. USAID's DCA has extended loan portfolio guarantee (LPG) to banks in Kosovo, with guarantee coverage for loans totaling up to USD 40.4 million. All of DCA's guarantees are for 50% of the principal of the loans made by beneficiary banks, which means that the total amount reached USD 80.8 million with full utilization. The basic rationale behind DCA LPG facilities is to encourage the banks to make loans to populations, borrowers, sectors, regions, etc., which they would not otherwise make. There are also some loan guarantee programs from UNDP, the European Investment Fund and SPARK. All of these programs are quite helpful and demonstrate that loan guarantees can increase access to finance in Kosovo. However, all of these programs have a finite timeframe and a maximum credit ceiling, and are therefore not permanent or revolving. **The Kosovo Credit Guarantee Fund (KCGF) is a Kosovar institution that will be permanent, revolving, and sustainable.**

**KCGF plays a key role in facilitating MSMEs obtaining more financing for their growth.** By reducing the risk of lending to MSMEs, it encourages registered financial institutions to lend to more MSMEs, increase the amounts of lending, expand products and services available to MSMEs, and improve the terms and conditions for lending. KCGF will help financial institutions lend to viable MSMEs that might not have quite qualified without the guarantee to receive a loan, or, if it had a loan, would not have qualified to obtain the additional financing it needed to grow. The obstacles that KCGF will help overcome include the MSMEs not having adequate collateral or having a limited track record and credit history.

The USAID EMPOWER Credit Support Program estimates that there is approximately USD 600 million of excess liquidity in the Kosovar banking system. If those funds were lent to MSMEs there would be significant increases in local production, import substitution and exports, and employment. To add, USAID EMPOWER Credit Support Program calculates that the MSME financing gap in Kosovo is around USD 870 million, and therefore a facility like the KCGF is very much needed.

**The Kosovo Credit Guarantee Fund was established in January 2016** under the Law on the Establishment of the Kosovo Credit Guarantee Fund. KCGF aims to support the private sector in Kosovo by increased access to finance for MSMEs, thereby creating jobs, increasing local production, improving the trade balance and enhancing opportunities for underserved economic sectors. The establishing Law of the KCGF was initiated by the Ministry of Trade and Industry, and its development was supported by USAID Kosovo, through the EMPOWER Credit Support (ECS) Program. The Law entered into force on January 23, 2016.

Kosovo Credit Guarantee Fund (KCGF) **issued the first credit guarantees** for MSME loans. The total exposure of loans reached **1,670,000** Euros intended to be used in purchase of production machinery, agriculture equipment, and invest in energy efficiency.

KCGF will operate by issuing partial loan guarantees of up to 50% for investment or working capital loans by Registered Financial Institutions (RFI) to MSMEs. Businesses will apply for loans following a financial institution's requirements and procedures. It is the financial institutions that apply for the credit guarantees. The RFIs will source their own clients, perform due diligence and analysis, structure the loans, and monitor and collect on the loans. The RFIs will decide which loans to submit to KCGF to be covered by the guarantee, and will determine the percentage of the principal to be covered, up to a maximum of 50%. The RFIs will perform their own credit underwriting and determine the terms and conditions of the loans. It is expected that with the guarantees, the RFIs will be able to increase their lending to MSMEs and improve the terms and conditions of the loans over time.

The parameters for qualifying MSMEs to be financed under the guarantee includes but not limited to:

- MSMEs with less than 250 employees
- MSMEs that are viable but do not have enough collateral and/or credit history;
- MSMEs needing long-term finance;
- MSMEs that can increase local production and reduce imports and/or increase exports;
- Underserved economic groups such as woman, non-majority and entrepreneur-owned MSMEs;
- MSMEs that will create new jobs;

Description of Services

- Guarantees will be offered for up to 50% of the principal of loans to MSMEs
- Only new loans will be eligible for coverage.

Issuance of guarantees to cover refinancing or restructuring of loans will not normally be allowed, as the program is intended to make available new financing to MSMEs, rather than assist financial institutions with problem loans

- Guarantees will be issued for principal only. They will not cover interest or other amounts owed to or other costs incurred by the lender;
- The lending financial institution will apply their own regular credit approval criteria and determine the loan terms and conditions
- New loans to existing clients will be eligible for coverage
- Long term, investment loans (for purchase of machinery, equipment, technology and real estate in connection with business operations such as finance of business premises, e.g. factory buildings), as well as loans for working capital purposes, will be eligible for guarantee coverage

**Registered Financial Institutions** with the Kosovo Credit Guarantee Fund are: Banka Ekonomike, Banka për Biznes, NLB Banka, Procredit Bank, and Raiffeisen Bank. Banka Ekonomike has not yet officially signed a guarantee agreement. The four other banks have signed the agreement and have access to the KCGF management information system. Procredit is the first bank to use the KCGF credit guarantees, followed by Bank for Business.

**Capitalization.** Efforts to capitalize the KCGF are underway with funding commitments from the Government of Kosovo, through the Ministry of Trade and Industry, and the United States Agency for International Development (USAID), KfW Development Bank, and the Swedish International Development Cooperation Agency - Sida. Additionally, through USAID EMPOWER Credit Support Program, USAID has committed USD 4.7 million for technical assistance, training and the initial operational costs of KCGF.

**Management and Organization.** Kosovo Credit Guarantee Fund is governed by a Board of Directors consisting of seven (7) members:

- A. One (1) ex-officio member elected by the Ministry of Trade and Industry
- B. One (1) ex-officio member elected by the Ministry of Finance
- C. Four (4) members elected by the donors, and the
- D. KCGF Managing Director (also ex-officio)

KCGF will operate as an independent entity following the conclusion of the USAID EMPOWER Credit Support (ECS) Program. It will be governed by its Board of Directors and will report to the Central Bank of Kosovo.



## II. KEY INDICATORS OF THE BANKING INDUSTRY

### Structure of assets

STRUCTURE OF ASSETS OF THE BANKING INDUSTRY (2010-2016) (million euro)							
Description	2010	2011	2012	2013	2014	2015	Aug-16
Cash and balances with CBK	307.0	331.5	425.7	463.3	447.1	491.0	458.7
Balance with commercial banks	439.1	329.5	287.9	339.9	390.8	316.0	364.7
Securities	173.4	202.0	256.6	354.5	383.8	473.3	435.8
Loans and leasing	1,458.7	1,698.1	1,763.4	1,805.8	1,882.3	2,019.5	2,168.5
Fixed assets	44.0	47.4	57.7	55.5	53.7	57.0	56.6
Other assets	32.9	41.3	38.1	40.3	28.8	28.5	34.6
<b>Total assets</b>	<b>2,455.1</b>	<b>2,649.7</b>	<b>2,829.3</b>	<b>3,059.3</b>	<b>3,186.6</b>	<b>3,385.3</b>	<b>3,518.9</b>

Tab. 1 | Source: CBK – Balance sheet of other depository corporations

COMPOSITION OF THE ASSET STRUCTURE OF THE BANKING INDUSTRY (2010-2016)							
Description	2010	2011	2012	2013	2014	2015	Aug-16
Cash and balances with CBK	12.5%	12.5%	15.0%	15.1%	14.0%	14.5%	13.0%
Balance with commercial banks	17.9%	12.4%	10.2%	11.1%	12.3%	9.3%	10.4%
Securities	7.1%	7.6%	9.1%	11.6%	12.0%	14.0%	12.4%
Loans and leasing	59.4%	64.1%	62.3%	59.0%	59.1%	59.7%	61.6%
Fixed assets	1.8%	1.8%	2.0%	1.8%	1.7%	1.7%	1.6%
Other assets	1.3%	1.6%	1.3%	1.3%	0.9%	0.8%	1.0%
<b>Total</b>	<b>100.0%</b>	<b>100.0%</b>	<b>100.0%</b>	<b>100.0%</b>	<b>100.0%</b>	<b>100.0%</b>	<b>100.0%</b>

Tab. 2 | Source: CBK – Balance sheet of other depository corporations

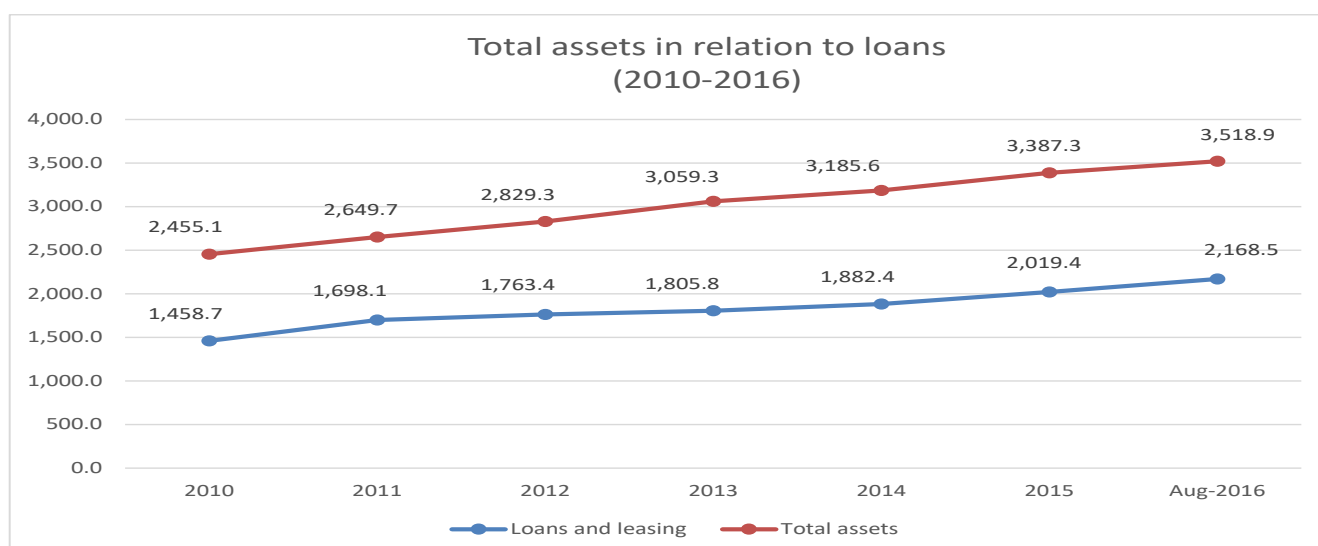


Fig. 1 | Source: CBK – Balance sheet of other depository corporations



LOANS BY ECONOMIC ACTIVITY (2010 - 2016)											
(million euro)											
Description	Agriculture	Mining	Manufacturing	Energy	Construction	Trade	Hotels & Restaurants	Other trade	Financial services	Other services	Total
2010	38.2	14.6	127.6	18.0	109.1	521.2	39.5	18.9	22.0	113.6	1,022.8
2011	40.5	17.2	136.7	14.5	116.3	606.2	39.9	23.4	55.0	99.9	1,149.5
2012	43.6	16.2	133.1	15.9	125.2	635.3	38.8	22.7	54.5	108.8	1,194.2
2013	45.8	20.1	131.7	20.8	118.7	640.6	49.2	19.1	68.8	102.6	1,217.4
2014	49.8	19.7	153.0	20.3	107.0	674.5	51.4	18.1	60.6	102.0	1,256.4
2015	59.9	19.2	164.1	17.8	99.5	683.0	50.7	21.3	94.0	123.8	1,333.4
Aug-2016	57.6	27.1	164.3	20.2	101.8	703.7	45.7	21.7	100.8	147.4	1,390.3

Tab. 3 | Source: CBK – Loans of other depository corporations by economic activity

COMPOSITION OF LOANS BY ECONOMIC ACTIVITY (2010-2016)											
Description	Agriculture	Mining	Manufacturing	Energy	Construction	Trade	Hotels & Restaurants	Other trade	Financial services	Other services	Total
2010	3.7%	1.4%	12.5%	1.8%	10.7%	51.0%	3.9%	1.9%	2.2%	11.1%	100.0%
2011	3.5%	1.5%	11.9%	1.3%	10.1%	52.7%	3.5%	2.0%	4.8%	8.7%	100.0%
2012	3.7%	1.4%	11.1%	1.3%	10.5%	53.2%	3.2%	1.9%	4.6%	9.1%	100.0%
2013	3.8%	1.7%	10.8%	1.7%	9.8%	52.6%	4.0%	1.6%	5.6%	8.4%	100.0%
2014	4.0%	1.6%	12.2%	1.6%	8.5%	53.7%	4.1%	1.4%	4.8%	8.1%	100.0%
2015	4.5%	1.4%	12.3%	1.3%	7.5%	51.2%	3.8%	1.6%	7.1%	9.3%	100.0%
Aug-2016	4.1%	2.0%	11.8%	1.5%	7.3%	50.6%	3.3%	1.6%	7.2%	10.6%	100.0%

Tab. 4 | Source: CBK – Loans of other depository corporations by economic activity

## Structure of liabilities

STRUCTURE OF LIABILITIES OF THE BANKING INDUSTRY (2010-2016)							
(million euro)							
Description	2010	2011	2012	2013	2014	2015	Aug-16
Balance from other banks	70.7	40.0	6.0	16.5	32.2	43.4	76.8
Deposits	1,936.8	2,104.0	2,279.1	2,449.0	2,537.5	2,702.9	2,797.1
Other borrowings	23.4	30.4	18.9	13.4	14.1	17.6	18.7
Written down provisions	0.1	0.2	1.7	2.0	2.9	2.7	6.4
Other liabilities	160.1	191.3	221.4	244.1	229.9	189.1	181.5
Subordinated debt	33.5	31.0	31.0	56.3	47.2	36.9	38.0
Bank's liabilities on acceptances outstanding	-	-	0.5	0.1	-	-	-
Own resources	230.4	252.8	270.7	277.8	323.1	392.7	400.3
<b>Total liabilities</b>	<b>2,455.1</b>	<b>2,649.7</b>	<b>2,829.3</b>	<b>3,059.3</b>	<b>3,186.6</b>	<b>3,385.3</b>	<b>3,518.9</b>

Tab. 5 | Source: CBK – Balance sheet of other depository corporations

## COMPOSITION OF THE STRUCTURE OF LIABILITIES OF THE BANKING INDUSTRY (2010-2016)

Description	2010	2011	2012	2013	2014	2015	Aug-16
Balance from other banks	2.9%	1.5%	0.2%	0.5%	1.0%	1.3%	2.2%
Deposits	78.9%	79.4%	80.6%	80.1%	79.6%	79.8%	79.5%
Other borrowings	1.0%	1.1%	0.7%	0.4%	0.4%	0.5%	0.5%
Written down provisions	0.0%	0.0%	0.1%	0.1%	0.1%	0.1%	0.2%
Other liabilities	6.5%	7.2%	7.8%	8.0%	7.2%	5.6%	5.2%
Subordinated debt	1.4%	1.2%	1.1%	1.8%	1.5%	1.1%	1.1%
Bank's liabilities on acceptances outstanding	-	-	0.0%	0.0%	-	-	-
Own resources	9.4%	9.5%	9.6%	9.1%	10.1%	11.6%	11.4%
<b>Total liabilities</b>	<b>100.0%</b>	<b>100.0%</b>	<b>100.0%</b>	<b>100.0%</b>	<b>100.0%</b>	<b>100.0%</b>	<b>100.0%</b>

Tab. 6 | Source: CBK – Balance sheet of other depository corporations

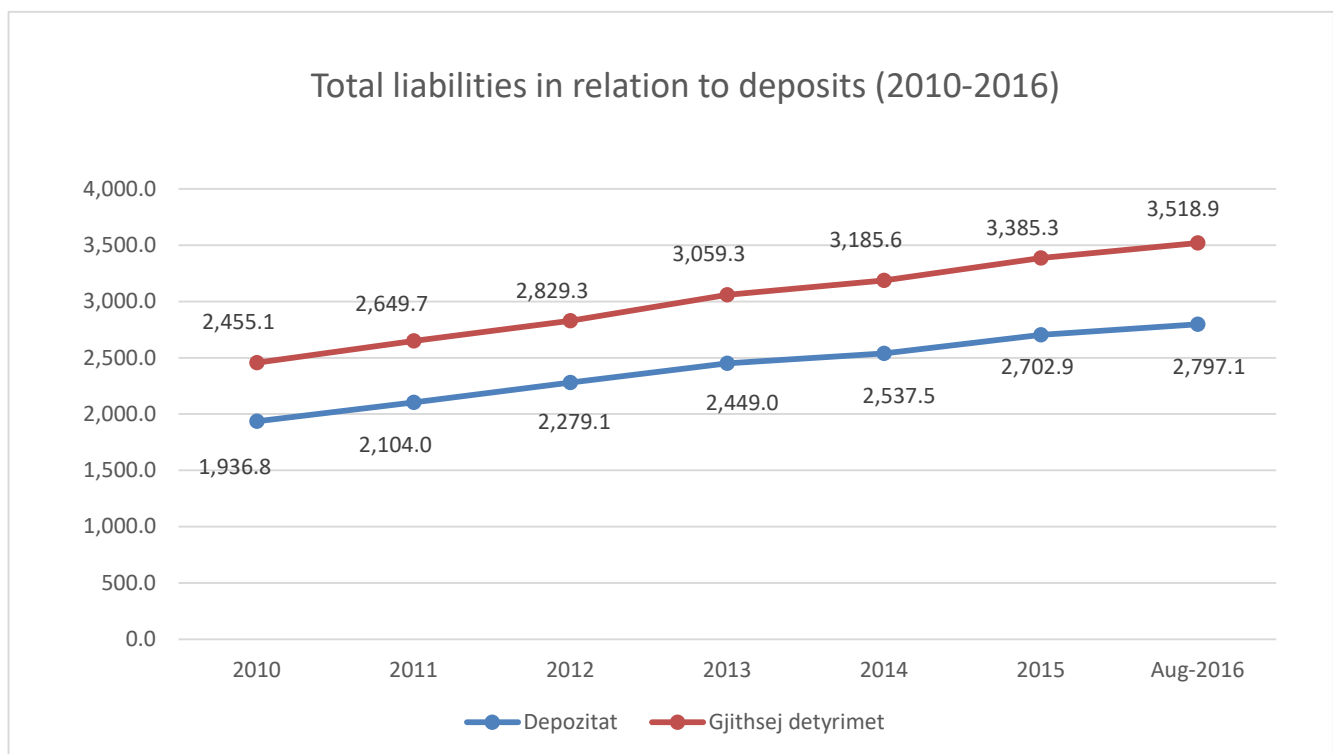


Fig. 2 | Source: CBK – Balance sheet of other depository corporations

## Revenues and expenses

REVENUES OF THE BANKING INDUSTRY (2010-2015) (million euro)								
Period	Interest income				Non-interest income		Income from revaluation	Total
	Loans	Bank placements	Securities	Other	Fees and commissions	Other operating income		
2010	169.6	2.7	3.1	-	37.5	3.9	0.3	217.1
2011	186.3	4.1	4.2	-	41.7	3.3	0.0	239.6
2012	194.9	2.0	2.3	-	44.9	2.4	0.7	247.1
2013	192.5	1.4	2.3	2.0	45.6	3.9	1.2	249.0
2014	189.5	1.1	2.9	-	44.5	3.3	2.9	244.2
2015	180.4	0.5	4.4	0.7	47.1	4.0	1.1	238.2

Tab. 7 | Source: CBK – Income statement of other depository corporations

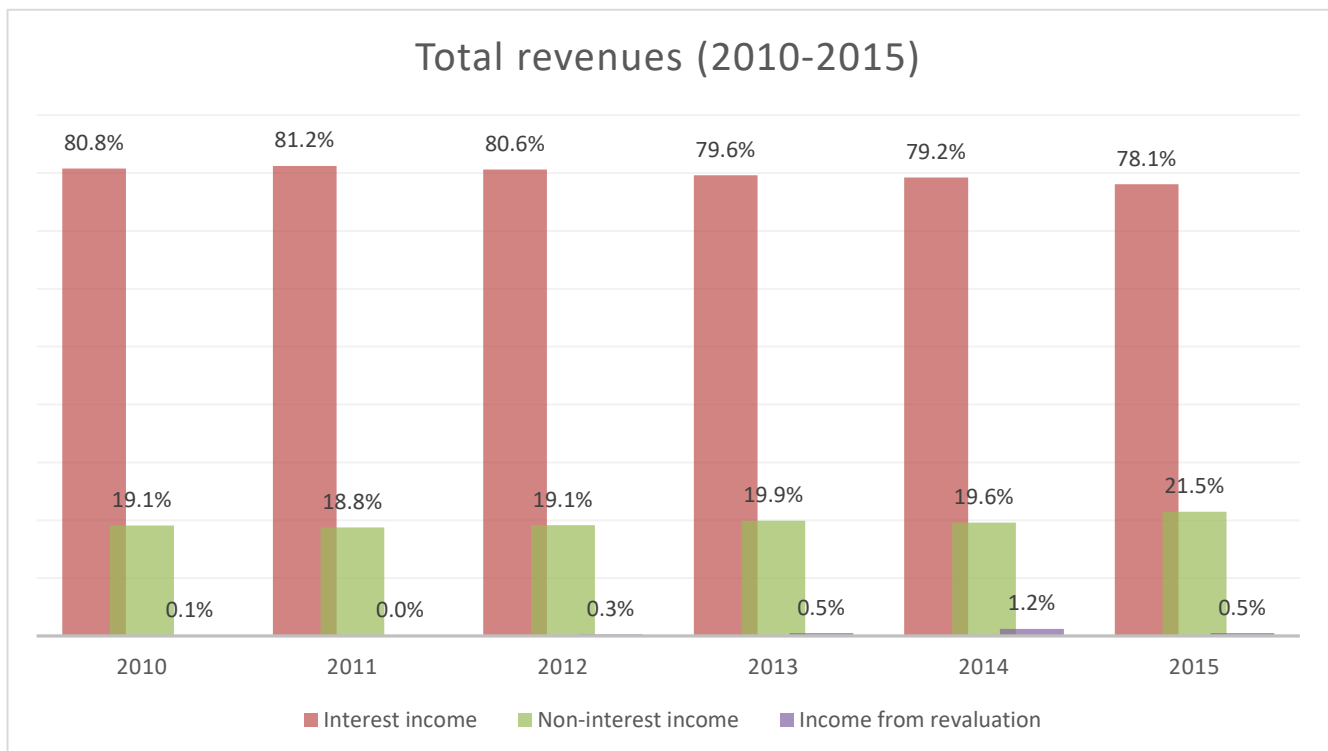


Fig. 3 | Source: CBK – Income statement of other depository corporations

**EXPENSES OF THE BANKING INDUSTRY (2010-2015)**  
 (million euro)

Period	Interest expense			Non-interest expense		General and administrative expenses			Tax provisions	Total
	Deposits	Borrowings	Other	Fees and commissions	Loan loss provisions	Personnel expenses	General expenses	Other non-interest expenses		
2010	49.4	4.8	1.0	7.7	28.3	37.8	37.6	12.6	5.0	184.3
2011	51.3	5.6	1.5	8.5	34.8	40.7	33.5	22.9	5.3	204.1
2012	57.6	3.2	2.3	8.7	50.3	42.3	35.5	24.5	4.0	228.6
2013	58.0	2.6	3.2	9.4	46.1	42.3	35.6	22.5	3.2	223.0
2014	36.4	3.1	4.5	11.1	20.5	42.4	34.8	24.5	6.8	184.2
2015	16.7	3.8	2.1	12.0	-8.4	44.0	35.7	27.8	9.7	143.5

Tab. 7 | Source: CBK – Income statement of other depository corporations

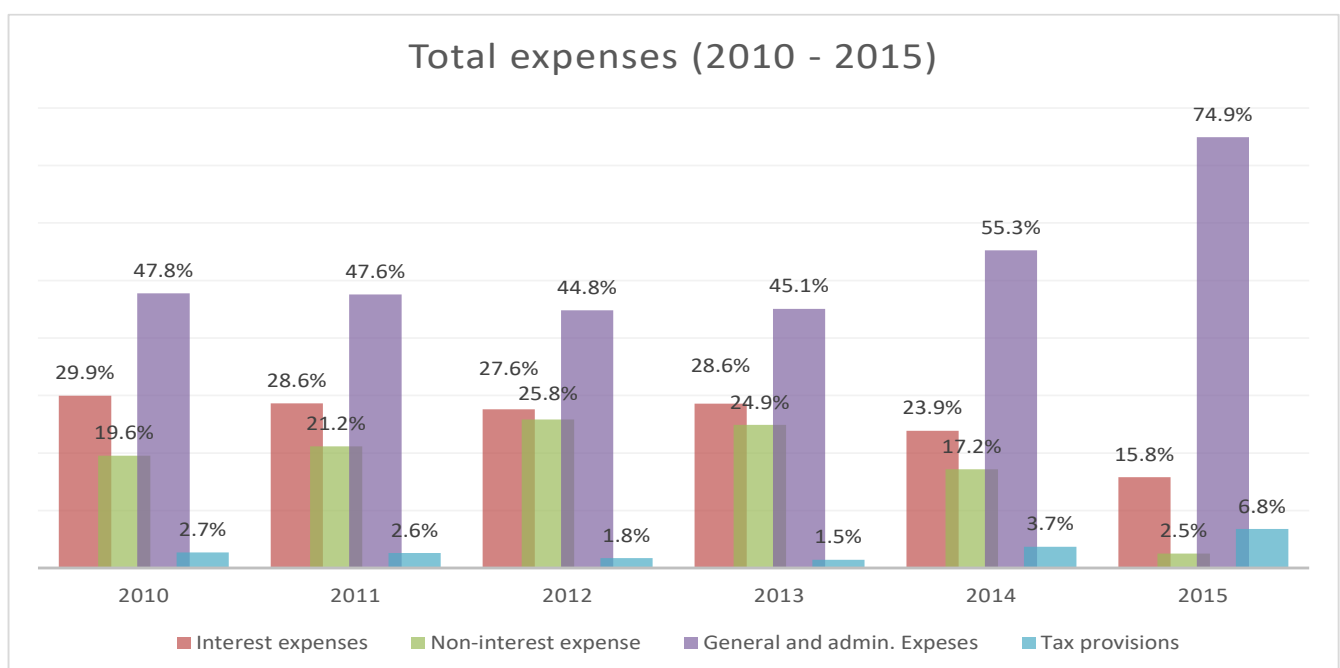


Fig. 4 | Source: CBK – Income statement of other depository corporations

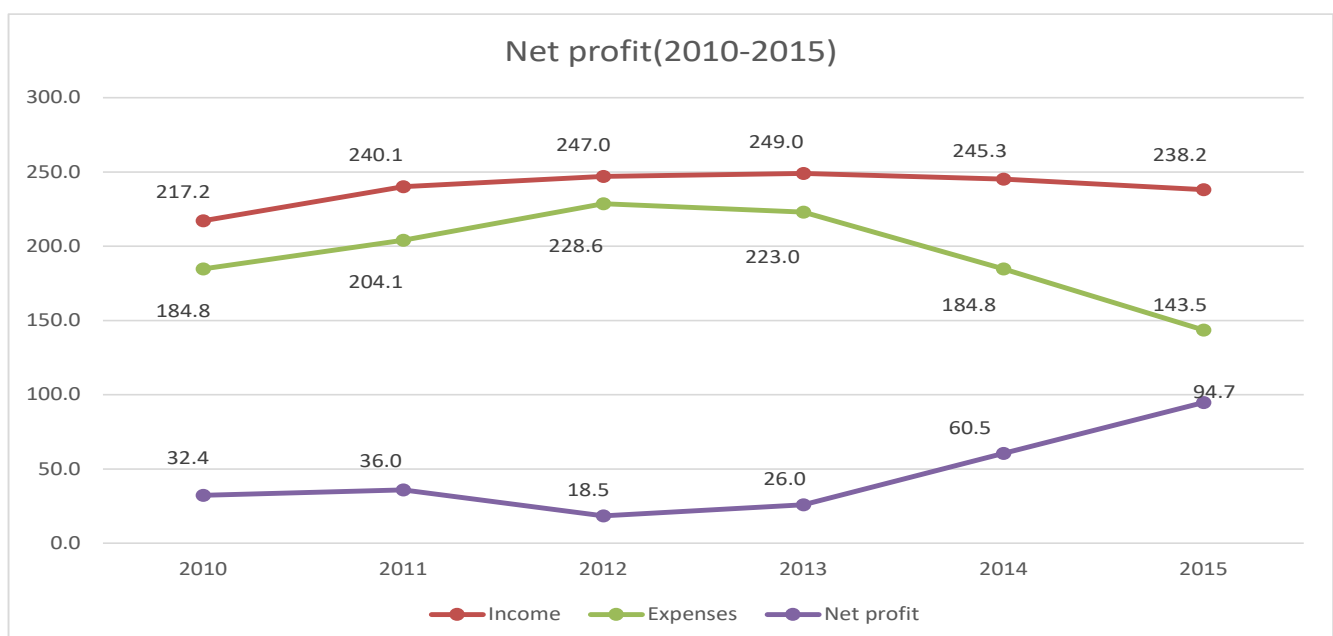


Fig. 5 | Source: CBK – Income statement of other depository corporations

**REVENUES OF THE BANKING INDUSTRY**  
 (million euro)

Period	Interest income					Non-interest income		Income from re-valuation	Total
	Total interest income	Loans	Bank placements	Securities	Other	Fees and commissions	Other operating income		
Aug-2015	125.6	121.9	0.4	2.8	0.5	30.8	2.4	0.8	<b>159.6</b>
Aug-2016	119.5	-	-	-	-	31.3	2.4	1.8	<b>154.9</b>

Tab.8 | Source: CBK – Income statement of other depository corporations

**EXPENSES OF THE BANKING INDUSTRY**  
 (million euro)

Period	Interest expense				Non-interest expense		General and admin expenses			Tax provisions	Total
	Total interest expense	Deposits	Borrowings	Other	Fees and commissions	Loan loss provision	Personnel expenses	General expenses	Non-interest expenses		
Aug-2015	15.9	11.9	2.6	1.4	7.8	1.2	29.1	22.0	18.0	5.8	<b>99.9</b>
Aug-2016	11.6	-	-	-	10.7	8.3	27.9	28.3	7.8	5.2	<b>99.8</b>

Tab. 9 | Source: CBK – Income statement of other depository corporations

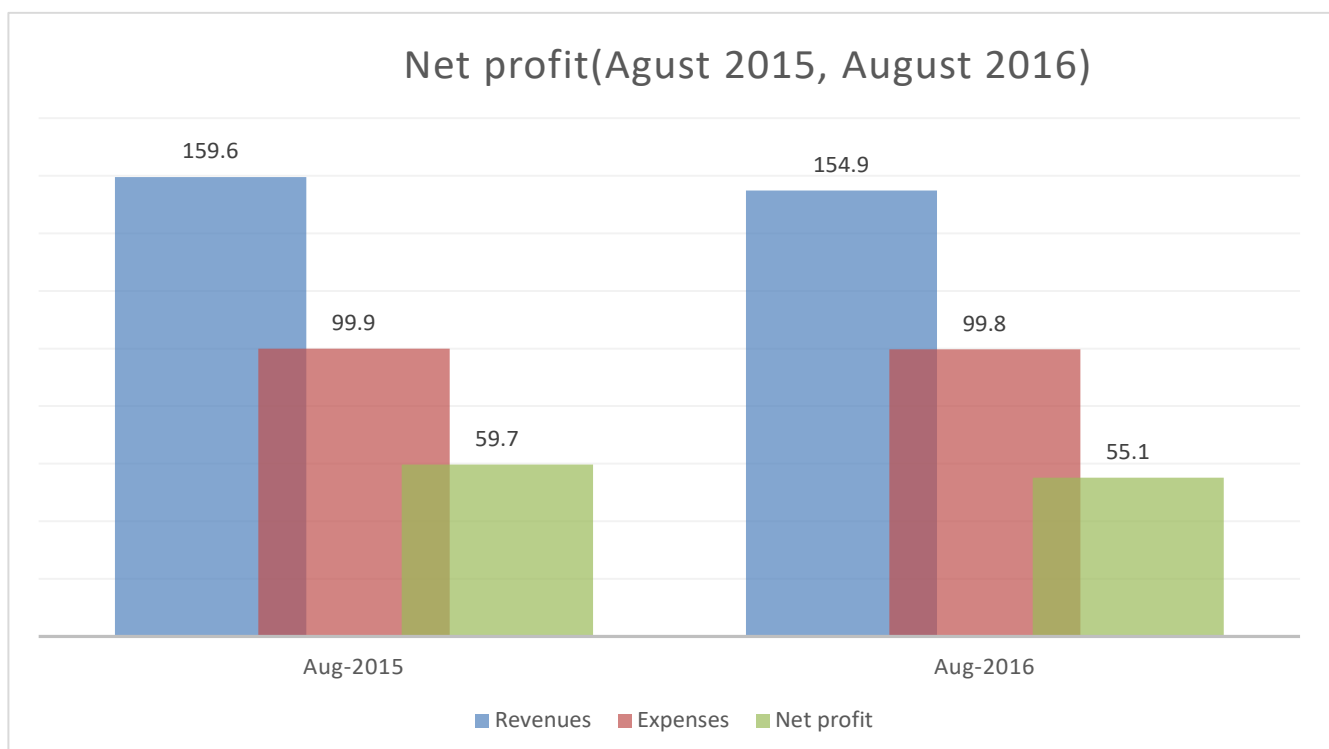


Fig. 6 | Source: CBK – Income statement of other depository corporations

## Effective interest rates on loans

### EFFECTIVE INTEREST RATES ON LOANS (2010-2016)

Description	2010	2011	2012	2013	2014	2015	Aug-16
Effective rates on new loans	13.97%	13.30%	12.24%	10.90%	9.29%	7.69%	7.52%
Effective rates on non-financial corporations	14.11%	13.04%	12.34%	10.75%	9.56%	7.39%	6.73%
Effective rates on households	13.77%	13.85%	12.00%	11.33%	8.88%	8.39%	8.11%

Tab. 10 | Source: CBK – Interest rates on loans for the banking sector

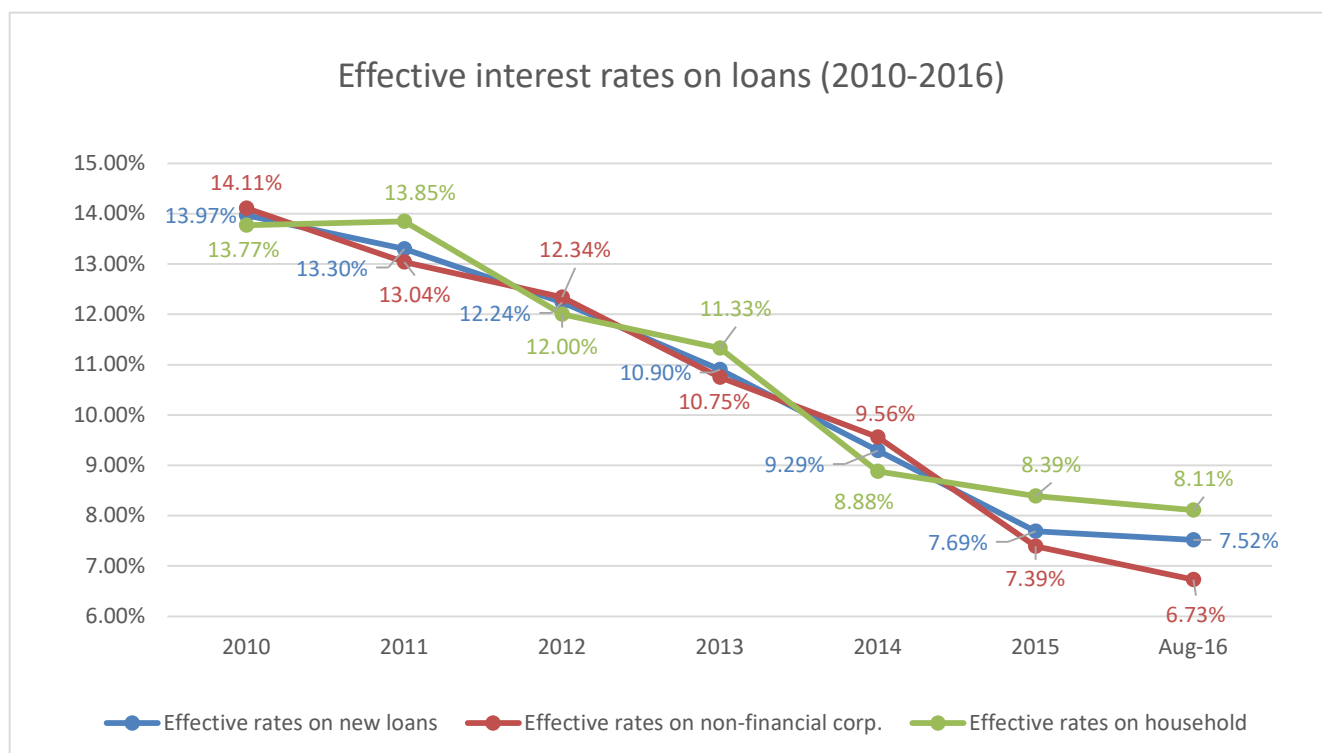


Fig. 7 | Source: CBK – Interest rates on loans for the banking sector

## Effective interest rates on deposits

### DIFFERENCE BETWEEN THE INTEREST RATES ON LOANS AND DEPOSITS (2010-2016)

Description	2010	2011	2012	2013	2014	2015	Jun-16
Effective rates on total new loans	13.97%	13.30%	12.24%	10.90%	9.29%	7.69%	7.52%
Effective rates on total new deposits	3.38%	3.62%	3.72%	2.40%	1.11%	1.15%	1.25%
<b>Difference</b>	<b>10.59%</b>	<b>9.68%</b>	<b>8.52%</b>	<b>8.50%</b>	<b>8.18%</b>	<b>6.54%</b>	<b>6.27%</b>

Tab. 11 | Source: CBK – Interest rates on loans for the banking sector

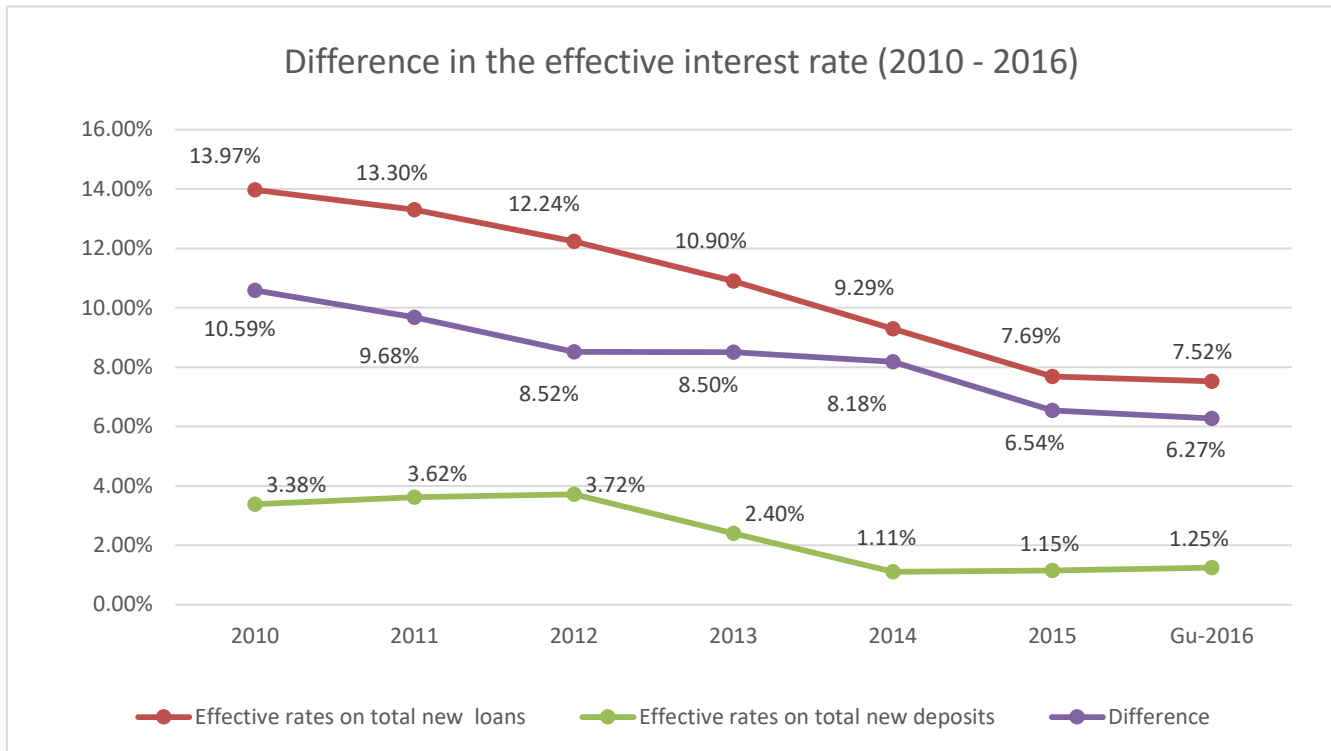


Fig. 8 | Source: CBK – Interest rates on loans for the banking sector

## Non-performing loans

NON-PERFORMING LOANS (2010-2016)							
Description	2010	2011	2012	2013	2014	2015	Aug-16
Value of non-performing loans	86.1	96.8	132.3	157.1	154.4	125.2	110.8
Loan loss provision	115.0%	116.7%	112.7%	110.5%	114.4%	115.1%	119.9%

Tab. 12 | Source: CBK – Annual report 2013, 2014, and monthly information report

NON-PERFORMING LOANS (2010-2016)							
Description	2010	2011	2012	2013	2014	2015	Aug-16
Non-performing loans (%)	5.90%	5.80%	7.50%	8.70%	8.30%	6.20%	5.10%
NPL growth/ decline (%)	51.70%	12.50%	36.60%	18.80%	-1.70%	-18.90%	-11.70%
Percentage growth of loans	13.20%	16.40%	3.80%	2.40%	4.20%	7.30%	7.40%

Tab. 13 | Source: CBK – Annual report 2013, 2014, and monthly information report

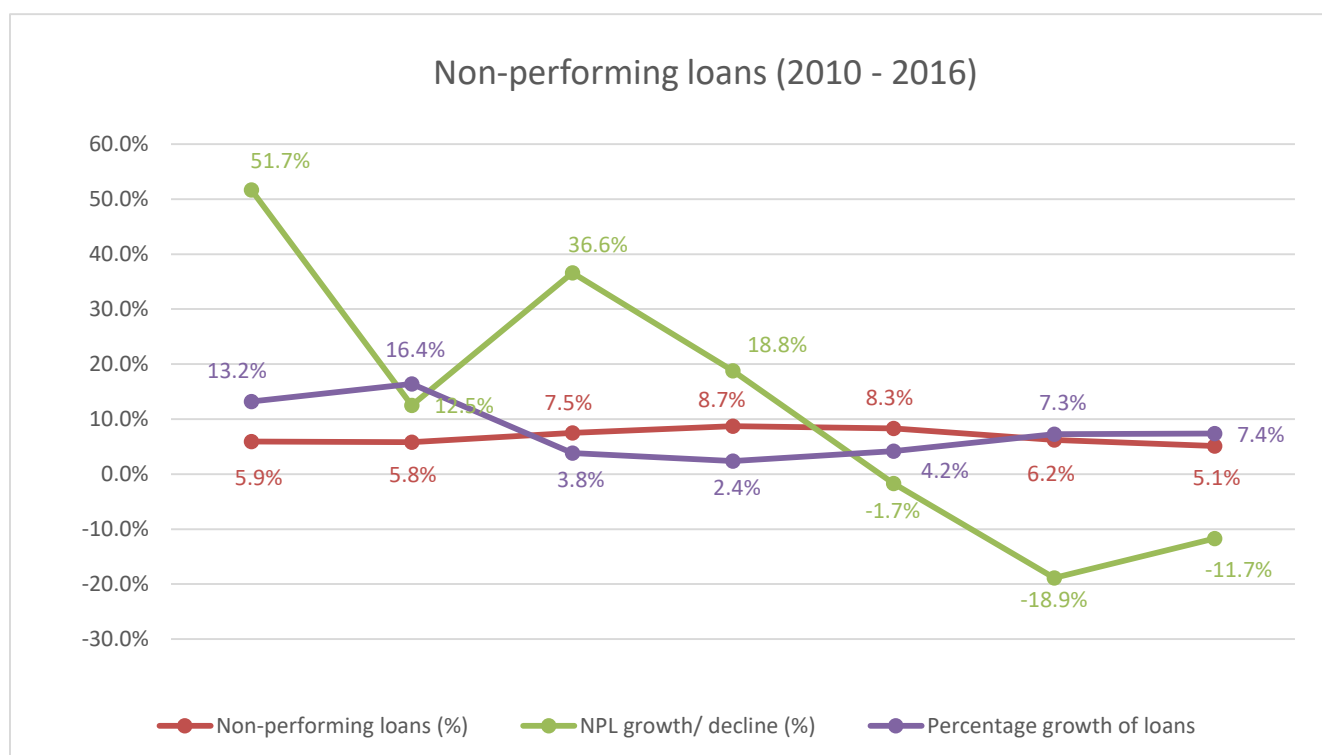


Fig. 9 | Source: CBK – Annual report 2013, 2014, and monthly information report

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## **PART III**

# **BANKING INDUSTRY AND ECONOMY NEWS THAT MARKED THE MONTH OF SEPTEMBER**

## PROCREDIT BANK SIGNS GUARANTEE AGREEMENT WITH KOSOVO CREDIT GUARANTEE FUND (KCGF)



ProCredit Bank Kosovo signed a guarantee agreement with the Kosovo Credit Guarantee Fund (KCGF), which will enable the bank to obtain additional collateral security for loans issued to very small, small, and medium enterprises (MSMEs).

The agreement aims to increase lending for Kosovar businesses, contribute to job creation and economic growth, as well as enhance opportunities for

underserved economic sectors and populations, including women, farmers, entrepreneurs and youth. The CEO of ProCredit Bank, Ilir I. Aliu, highlights the importance of this agreement in Kosovo: "This is good news, especially for the business community." The signing of today's contract also reflects the shared principles and goals of both institutions, the good co-operation and our joint commitment to promoting growth and employment by supporting very small, small and medium-sized enterprises."

Businesses will apply for a loan at the bank as usual, and if the value of the prospective borrower's mortgage/collateral is not sufficient or other terms are not fully met, the bank may decide to qualify the business and issue a loan using the KCGF guarantee. Businesses will not approach the KCGF directly to request a guarantee.

## NLB BANK SIGNED THE GUARANTEE AGREEMENT WITH THE KOSOVO CREDIT GUARANTEE FUND



Prishtinë, September 14, 2016 -The Kosovo Credit Guarantee Fund (KCGF), today, signed the guarantee agreement with the NLB Banka in Kosovo that enables the bank to obtain additional collateral security for loans issued to micro, small, and medium enterprises (MSMEs) registered in Kosovo. The agreement provides easier access to finance for

Kosovar companies.

The agreement aims to increase lending for Kosovar businesses, contribute to the job creation, economic growth, as well as, enhance opportunities for underserved economic sectors including women, minorities, farmers, and youth.

What is the procedure for businesses to benefit from it? Businesses will apply for a loan at a bank as usual, going through the bank's procedures. If the value of the prospective borrower's mortgage/collateral is not sufficient or other terms are not fully met, the bank may decide to qualify the business and issue the loan, using the KCGF guarantee. Businesses will not approach the KCGF to request the guarantee.

The signing ceremony took place at the KCGF offices located at Anton Cetta Str. 5A in Pristina.

## LAW ON THE PREVENTION OF MONEY LAUNDERING IS PRESENTED



Today, the draft law on prevention of money laundering and terrorist financing was presented in the Government of Kosovo. Minister of Finance (MF), Avdullah Hoti, said that this draft has been prepared after long discussions with experts in the field, local and international. “The implementation of this law depends on us. Money laundering is a global phenomenon and knows no nation”, said Hoti, reports “Epoka e Re”. (Epoka e Re, Telegrafi, Zeri, Kosova Sot, September 1st, 2016).

## DEBT FORGIVENESS DEADLINE IS CONFIRMED TO BE POSTPONED



The Ministry of Finance will proceed to the Assembly the amendment of the law on debt forgiveness for another 6 months. Finance Minister, Avdullah Hoti, said the postponement should be done by law and not by a decision. Hoti also said that until now, over 120 million Euros in debt have been forgiven, while, by restructuring the debt, the budget has collected over 50 million Euros. “There are over 120 million Euros forgiven so far. The amount expected to be forgiven is over 700 million Euros”, announced Minister Hoti. (Telegrafi, September 5th, 2016).

## FOR 8 MONTHS TAK COLLECTED 250 MILLION EUROS



During the first 8 months of this year the Tax Administration of Kosovo (TAK) has managed to collect 250.2 million Euros in revenue, or 16 percent more than the same period last year. While, according to the Law on Debt Forgiveness, the institution has managed to collect about 20.4 million, and has forgiven 207 million Euros. (Zeri, September 9th, 2016).

## DEPOSIT INSURANCE IN KOSOVO IS AT A SATISFACTORY LEVEL



The Center for Strategic and Social Research (STRAS), has held the conference “Deposit insurance in Kosovo”. Ibrahim Rexhepi From STRAS, said that other than deposits concerning CBK, they should be CBKs’ by creating appropriate policies, including the Ministry of Finance. “Deposits are an essential factor for the banking system. CBK is the biggest factor for financial stability”, said Rexhepi. While, Bedri Hamza,

Governor of CBK said that banks manage deposits, therefore, in his opinion, consumer confidence towards them is primary. “CBK’s objective is the creation of an efficient banking system by improving banking functions within economic growth. On the other hand, the Minister of Finance, Avdullah Hoti, said that Kosovo as a new country has created a banking system that can be trusted. “There is scope to pursue policies that maintain the stability of the country. Largely, the stability in the country was maintained because many banks are branches of foreign banks and work with European Central Bank directives. I am happy that the level of loans is growing, and the burden of capital investment financing is alleviated”, said Hoti. He said he is unhappy with the level of deposits. “I am not satisfied with the level of deposits of 2.5 billion and an unfavorable time, what also limits the banks”, he said. (Epoka e Re, Telegrafi, September 15th, 2016).

## GOVERNMENT RUSHES INTO THE TRUST MILLIONS



The Law on Pension Funds will undergo a process of change in the Assembly, in view of a greater access to the Government, about 1.4 billion Euros that the

Trust has in management, Koha Ditore writes today. Amendments, in principle, will be voted on Thursday by lawmakers. “In reviewing the draft law in the committees, the Government will push amendments so that the money is invested in the Kosovo Trust. The government aims to increase the budget with these funds”, the source said. The Cabinet of the Government has forwarded the Assembly the draft law that contains some amendments to the Law on Pension Funds, but such Government intentions are not surfaced. (Koha Ditore, September 22nd, 2016)

## TO DISTRIBUTE ASSISTANCE, THE POST OFFICE IS ASKED FOR A GUARANTEE TO PAY THROUGH BANKS



The Post office of Kosovo was asked for a guarantee or evidence that payments to beneficiaries of social assistance will be made into the bank accounts of

the beneficiaries, so that the latter would gain the right to distribute the social assistance. This request was made on recommendations that a working group formed at the Ministry of Labour and Social Welfare (MPMS) issued, which has been submitted to the Assembly Committee on Health, Labor, and Social Welfare on September 20th, writes “Koha Ditore” today. Also, in these recommendations a modification of a series of administrative instructions has also been required, which states that the distribution of assistance by the Post would be incompatible. (Koha Ditore, September 26th, 2016).

## FISCAL REFORM DID NOT AFFECT CONSUMER PRICES



Fiscal reform did not have an impact on consumer price declines, although it was predicted that it would have directly affected the consumer basket, businesses, and economic development. The reason

of the new fiscal package not reflecting the reduction in consumer prices was given by the Minister of Trade and Industry, Hykmete Bajrami. Ibrahim Rexhepi, expert on economic issues, said that based on the data of the Kosovo Agency of Statistics, the fiscal reform has not had an impact on the reduction of consumer prices. Removing of VAT and the introduction of equipment, production lines, and various machinery for manufacturing with almost zero taxes, has had a very positive impact, which has led to increased product quality and increased production in general. (Telegrafi, September 26th, 2016).

## FOREIGN INVESTMENTS TOWARDS HALVING



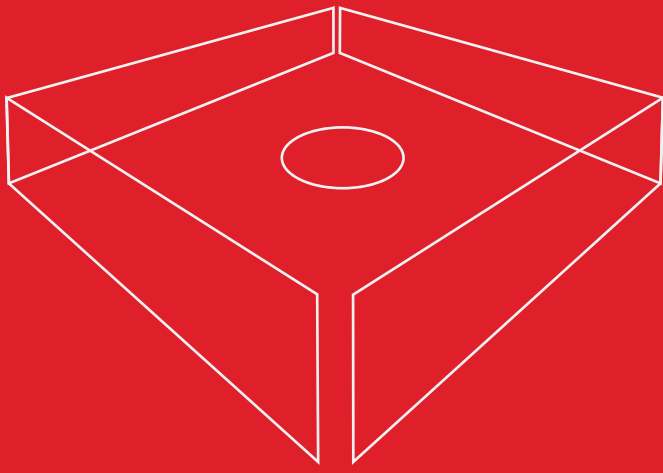
Days ago, officials of World Bank in Kosovo, unfolding the economic achievements in the region

of Southeast Europe, with special emphasis on the Balkans region have clearly shown that the self-praise of the Government of 'Isa Mustafa' saying that Kosovo has marked a rise of foreign investments, does not stand. WB has denied the latest data of the World Bank, according to which, we learn that Kosovo has marked a drastic decline in foreign direct investments. Foreign Direct Investments dropped by 36 percent in the first half of 2016. (Kosova Sot, September 30th, 2016).

## PUBLICATIONS OF THE KOSOVO BANKING ASSOCIATION

“Banking Periodic” is a monthly publication of the Kosovo Banking Association starting with its first publication in January of 2014. Monthly publications are comprised of data and general overview of the financial system in Kosovo. Each monthly publications will address specific issues of the financial system where the main focus is on the banking sector in Kosovo.  
[www.bankassos-kos.com](http://www.bankassos-kos.com).





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KOSOVO BANKING ASSOCIATION

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