

## **The third anniversary of the establishment of the Kosovo Credit Guarantee Fund**

**Honourable,**

**Mr Rinor Gjonbalaj, Chairman of the Board of Directors at the KCGF**

**Mr Christian Heldt, German Ambassador to the Republic of Kosovo,**

**Mr Bedri Hamza, Minister of Finance,**

**Mrs Lisa Magno, USAID Kosovo Mission Director,**

**Mr Riccardo Serri, Head of the EU Office,**

**Mr Alessandro Tappi, Chief Investment Officer at EIF,**

I am honoured to celebrate today with you the third anniversary of the establishment of the Kosovo Credit Guarantee Fund. It has been a privilege for the Central Bank to contribute, within its legal mandate, to the process of the Fund establishment, in particular in the area of proper legal framework. This fund has achieved tremendous success during these past three years, assisting the economic development and creation of new jobs in Kosovo. Within such a short time, the Fund has managed to guarantee more than 2,560 loans amounting to EUR 100 million, with a guaranteed amount totalling to EUR 47.5 million.

Studies to date show that, among others, access to finance is one of the obstacles to private sector development. Challenges faced by small and medium-sized enterprises for access to finance in one hand, and challenges faced by financial institutions during risk assessment of the financing of these enterprises on the other hand, are already known. So, by providing credit guarantees, the Fund has assisted in overcoming these challenges by facilitating access to finance for small and medium-sized enterprises. Therefore, financial institutions have channelled their liquidity into the type and value of proper funding for the needs of small and medium-sized enterprises.

This additional funding mechanism has helped them to develop, create new jobs, and export, thus positioning Kosovo at a competitive level in the regional and European markets.

An essential prerequisite for the proper functioning of the Fund is the interaction with a stable and efficient banking system. The continuous growth of competition in the banking system and the advancement of this sector have led to a decline in cost in bank financing conditions, and improvement thereof. The average effective interest rate on loans in March 2019 was 6.7%. This level of interest rates has now approximated the cost of bank financing in Kosovo to other countries in the region. Also, lending of the banking sector has increased significantly, raising its lending rate to over EUR 2.8 billion, with an annual growth rate of 11.4% in March 2019.

Considering the high level of banking sector stability, the continuous growth of the position of liquidity and capitalism, considerably above the level required by the Central Bank, the Fund's introduction and active participation in this sector have strongly influenced the continuation of significant increase and improvement of the aforementioned lending standards.

The satisfactory stability of the banking sector is also reflected by the good quality of the loan portfolio. The low level of non-performing loans marked a further decline to 2.6% in March 2019. This represents the lowest level so far, and continues to list Kosovo as the country with the lowest rate of non-performing loans in the region.

Despite the hitherto success, the Fund will face challenges in achieving future objectives. The good quality of loans guaranteed by the Fund, adequate operating tariff, effective risk management mechanisms, operational independence, and financial stability are essential for the functioning and development of the Fund. These can be achieved by proper corporate governance which is integrated into the institutional framework of the Fund. The Board of Directors and Management shall ensure that such a framework is prudent and operates in accordance with the law and the best internationally accepted standards.

It is very important for the Fund to increase its activity since the fund's guarantee potential is much higher than what it is currently being utilized. The agreement between the European Investment Fund (COSME Programme) and the Fund enables the re-guaranteeing of the portfolio up to EUR 45 million for a two-year period to a credible institution such as the European Investment Fund which will have a positive impact on increasing access to financing for micro, small and medium-sized enterprises. These benefits would enable the Fund to reduce the fee for loans re-guaranteed by the COSME Programme.

The CBK will continue to ensure the financial stability it currently enjoys. The role of banks in particular, and of other financial institutions in general, is very important and there is still room for this role to be further advanced in order to increase its impact on the development of Kosovo's economy and further development of the banking system itself.

Above all, it is a collective obligation to contribute to the development of a financially stable Kosovo Credit Guarantee Fund so that it serves to the development of micro, small and medium-sized enterprises.

Finally, I would like to conclude my speech with praises on the excellent work done so far in the functioning of the Fund, and looking forward to maximum inter-institutional engagement for advancing this Fund so that it further increases financial intermediation in Kosovo.