



**26.04.2016**

**Inauguration ceremony of Kosovo Credit Guarantee Fund**

Dear President of the Assembly Veseli,

Dear Prime Minister Mustafa,

Dear Ambassador Delawie

Dear Ambassador Viets

Dear Mr. Hops

Dear representatives of Kosovo institutions and International institutions

Dear guests,

I am pleased to address this honourable auditorium today when the financial sector is welcoming an important development institution, established as a result of the commitment of **the Kosovo institutions, donors and the private sector. The unwavering support of donors, in this case USAID, KFW, SIDA** and others, has been a key factor in designing of the Kosovo Credit Guarantee Fund in the structure that suits the level of financial sector development and economic growth in Kosovo. The establishment of the Kosovo Credit Guarantee Fund is an innovation in the financial sector of Kosovo, marking a new stage of development in facilitating access to finance for small and medium enterprises. Small and medium enterprises are the driving force for economic growth, creation of new jobs, and as such, with an optimal access to finance also the key factor of economic development of a country.

Today, worldwide there are **over 2000 Credit Guarantee schemes** operating in developed and developing economies. Kosovo has lacked such a scheme and this is a suitable moment to establish it, strengthening thus financial and private sector. It's been a privilege to the Central Bank, within its legal mandate, to contribute to the Fund establishment process, especially in the field of adequate legal framework.

Studies conducted so far show that among other things, access to finance is one of the critical issues that prevent the development of the private sector. There are known challenges faced by small and medium enterprises for finance access in one hand, and on the other hand challenges faced by financial institutions when assessing the risk for financing these enterprises. Therefore, by providing loan guarantees, the **Fund will serve as a powerful catalyst** in balancing these challenges by improving access to finance for businesses. In this way, financial institutions will be able to channel their liquidity on the form and value of appropriate funding for the needs of small and medium enterprises. Adequate financing mechanisms will help them to develop, create new jobs, export and place Kosovo at the competitive level in regional and European markets. The moment we reach that level, Kosovo will present its economy in a cycle of increasing productivity and accelerating economic growth. The latest World Bank report is encouraging estimating the economic growth of 2015 as 3.6 percent, driven by investments, unlike previous years when the consumption was the main factor that triggered economic growth.

An essential prerequisite for the proper functioning of the Fund is its interaction with a stable and efficient banking system. The ongoing growth of competition in

the banking system and promotion of this sector has resulted in the decrease of the cost and improvement of bank financing criteria. **The average loan interest rate, in December 2015 was 7.7 percent**, compared to the 9.3 percent in December 2014. This level of interest rates has brought the cost of bank financing in Kosovo at the approximate level with financing cost of other countries of the region. Moreover, banking sector crediting has noticeably increased, raising the **crediting level to over 2 billion euros, with an annual growth rate of 7.3 percent** in December 2015, while in the same period of the previous year loans recorded an annual rate growth of only 4.2 percent.

The category that contributed the most to the overall increase in loans was the category of **loans to enterprises for investment purposes**. In the total new loans to enterprises during this period, investment loans represented 63.5 percent.

Given the high level of banking sector stability, the ongoing growth of liquidity position and capitalization well above the level required by the Central Bank, the insertion and active participation of the Fund in this sector will strongly influence parameters of the above mentioned lending to continue with a substantial growth and improvement.

The satisfactory stability of the banking sector is reflected in the good quality of the loan portfolio. The low **level of non-performing loans decreased further**, falling to 6.2 percent in December 2015 from 8.3 percent in December 2014. This rate of non-performing loans represents the lowest level recorded since April 2012, keeping Kosovo as a country with the lowest rate of non-performing loans in the region.

Now let me share with you some of the factors that are very important for the proper functioning of the Fund in achieving the objectives of the foundation. Within the framework of the existing organization it is essential that the Fund has **sufficient capital** to ensure efficient initiation of activities. **Good quality of the loans** guaranteed by the Fund, **adequate operating fees**, the **effective mechanisms for risk management, operational independence** and **financial stability** are essential for the operation and development of the Fund. These can be obtained only with proper **corporate governance** and integration in the institutional framework of the Fund. The Board of Directors and Management must ensure that the framework is prudent and functions in accordance with the law and with the best internationally recognized standards.

The CBK will continue to provide financial stability that actually enjoys. The role of banks in particular and other financial institutions in general is very important and there is still room for the further advancement of this role in economic development of Kosovo and for the further development of the banking system itself. Above all, we have a collective obligation to contribute in building and development of an independent and financially stable Credit Guarantee Fund in Kosovo in the function of medium and small enterprises development.

Finally I would like to conclude my speech with a high appreciation for the excellent work that has been done so far in the establishment of the Fund, hoping for a inter-institutional commitment to transform the Fund into powerful catalyst of financial intermediation in Kosovo.

Thank you!