



BANKA QENDRORE E REPUBLIKËS SË KOSOVËS
CENTRALNA BANKA REPUBLIKE KOSOVA
CENTRAL BANK OF THE REPUBLIC OF KOSOVA

Governor's Greeting Speech

December 12, 2023

Conference: Financing Agriculture and Agricultural Insurance, IFC projects in Kosovo

Organizer: MAFRD and IFC

Time and venue: 12 December 2023, 09:30-13:30, Swiss Diamond Hotel, Prishtina

Dear Ms. Çerkini, Secretary General of the Ministry of Agriculture, Forestry and Rural Development

Dear Mr. Perani, Head of the International Finance Corporation Office for Kosovo

Dear Mr. Zaripov, Head of IFC Projects for Agricultural Insurance in Kosovo

Dear Leaders of Financial Institutions,

Dear entrepreneurs and farmers,

Highly respected attendees,

I am honoured to participate in this event today, to conclude the joint project between the Central Bank of the Republic of Kosovo, the Ministry of Agriculture, Forestry and Rural Development and the International Finance Corporation (IFC), member of the World Bank on the financing of agriculture and agricultural insurance.

As is well known, the agricultural sector in our country presents an extremely great opportunity to develop and contribute to the country's economic development and growth, although this sector is characterized by various natural uncertainties and market prices movement, beyond the tireless work of our farmers.

Considering the importance of this sector, it is necessary to strengthen our engagement through different mechanisms both from policymaking and from the perspective of financial and insurance support in the function of financial inclusion and access to affordable finance.

IFC, through projects to strengthen the agricultural sector, such as the agricultural insurance system and access to finance for farmers, has cooperated with the CBK and some of the lending financial institutions and insurance companies. As a result, in the agricultural sector, since the project has officially begun and so far, lending to the agricultural sector by banks has increased by 22.8 million euros or 50.7%, where the total portfolio has reached 67.9 million euros, while by the microfinance institutions it has increased by 37.1 million euros, with total credit portfolio reaching 54.2 million euros.

However, although lending to the agricultural sector in Kosovo has increased, it accounts for only 2.4% of total loans issued or 1.4% of the country's gross domestic product (compared to the participation of agriculture in the Gross Domestic Product by about 8%), and at a rate of non-performing loans of 3.8%, there is still room for financing with more favourable conditions. On the other hand, insurance-covered agricultural products, despite efforts in this sector, remain at low levels, where the sum insured is totally non-significant. However, in terms of legal infrastructure and technical capacities, progress has been made, which serves as a good basis for the future.

We encourage lending institutions to increase lending to the agricultural sector with more affordable conditions and insurance companies to increase voluntary products and coverage, especially in the agricultural sector, while we recommend to the Ministry of Agriculture, Forestry and Rural Development, when drafting such policies, to enable agricultural insurance to be prerequisites for farmers when obtaining grants and subsidies, in order to ensure the sustainability of investments, yields and sector as a whole.

Thus, regarding agricultural insurance, the CBK, based on its scope and as an implementing partner in this project, has contributed to the licensing, regulation and supervision of the activities and products of insurance companies, which have expressed interest in expanding their activity to cover the risks associated with the agricultural sector.

Insurers initially built their capacities through staff training on product development, insuring, measuring risks through actuaries and providing these products to clients dealing with the agricultural sector.

This project should also be of particular importance due to the fact that it would enable customers in the agricultural sector to have more favourable conditions through financing from banks and lending institutions, increased competition, sustainability and development independence without becoming a burden of state aid to cover losses associated with climate events such as frosts, hail, drought or excessive climate rainfall.

Therefore, although the legal and regulatory basis as well as the initial capacities have been built, despite the engagement, the field results still leave much to be desired, and require serious review, so the opportunities should be seen to advance these schemes with more innovative and comprehensive forms, as a prerequisite for further growth of this sector and contributing to the real economy.

On this occasion, I want to thank the International Finance Corporation for the ongoing support given to public institutions, businesses and financial institutions operating in Kosovo as well as the Ministry of Agriculture, Forestry and Rural Development for the contribution to this project and the willingness to further advance this sector of vital importance to the country's economy.

We are witnesses that the climate risks and the environment have become a problem of this century where governments, regulators, businesses and individuals are taking the necessary actions in response to this critical issue. Therefore, the CBK has addressed this issue through the Draft strategy on climate and environmental changes and, at the same time, through the CBK strategic plan for the period 2024-2028, along with the national strategy at the country level for addressing climate and environmental changes.

In conclusion, we can say that there is great potential for support in this sector and from the financial industry through various forms, both in lending and providing products in order to mitigate risks and increase sustainability. Financial protection, access to financial services, the overall sustainability of this sector and increased prospects for economic development in general remain the CBK's dedications and priorities.

I wish you successful work on the following panels and thank you!