



SUCCESS STORY

Loan Guarantees allow Kosovo Businesses to Grow



Business expanding and developing workforce as result of access to finance

Photo by: USAID EMPOWER Private Sector

“Without the loan, I would not have been able to get the finance required and most probably would lose the investment opportunity”

- Naim Beqiraj, the owner of Ital Term in Prizren (Central heating and installation firm).

June 2017— Creating business opportunities for Kosovo enterprises is crucial for private sector development in Kosovo. One of the main challenges that Kosovar micro, small, and medium-sized enterprises (MSMEs) continuously face is the limited opportunities for getting finance.

To overcome this obstacle and to stimulate economic growth, USAID through the EMPOWER Credit Support Program, established the Kosovo Credit Guarantee Fund (KCGF), an institution that issues loan guarantees to financial institutions to cover up to 50 percent of the risk for loans to Kosovo businesses.

The fund issued the first credit guarantees for MSME loans late September in 2016. Since then, a total of 321 loans exceeding 13.7 million euros have been granted for the purchase of production machinery, agricultural equipment, and investments in energy efficiency.

In less than a year of issuing loans, the initiative is showing positive impact in business empowerment and job creation. Beneficiaries report that banks have been more responsive in issuing loans despite insufficient collateral. The guaranteed loans enabled businesses to obtain needed finance on time, allowing them to complete their business investment transactions as projected, if not earlier. Beneficiaries also report that the transactions could not be completed without the support of the guarantee issued by KCGF.

USAID is committed to helping businesses thrive by overcoming this credit shortfall. Through the credit guarantee, Naim Beqiraj, the owner of a central heating and installation firm, Ital Term, in Prizren, was able to expand his business to a new location, with better positioning and the potential for adding a showroom. Ultimately, Ital Term’s sales, client base and number of employees all increased.

“Without the loan, I would not have been able to get the finance required and most probably would lose the investment opportunity,” said Naim.

Similarly, Besnik Spahija of IKRE Pharm in Peja, another loan beneficiary, sees the guarantee fund as a great financial tool to expand his

business by investing in new premises and purchasing inventory without any collateral.

The Kosovo Credit Guarantee Fund promotes the principle of “additionality,” which means that the bank would not have issued a loan without the guarantee in place—hence the “addition” of a new client/loan, adding to Kosovo’s economic growth. The KCGF, with USAID’s support, achieved additionality by stimulating new lending to Kosovar businesses, including women and minority-owned businesses.

USAID’s EMPOWER Credit Support Program ran from June 2014 to May 2017, and the Kosovo Credit Guarantee Fund continues as a sustainable local credit facility that partially guarantees bank loans to SMEs.