Kreditimi Rural i Kosoves

May 2008

Origin

In 2000, ADIE International designed, tested and began the implementation of RFPK (the Rural Finance Project of Kosovo), at the request of, and with financing from the EAR (the European Agency for the Reconstruction of Kosovo), & AFD (Agence Française de Développement).

View on arrival

The first transactions

Project development costs

€ 000s		TA & MIS	Oper.	Other	Total Subsidies	Loan funds
Q2-2000	R & D for RFPK		-	30	30	-
06-2000 to 12-2001	Project RFPK - pilot phase	760	270	190	1 220	1 070
01-2002 to 2003	Project Development	490	320	150	960	1 650
01-2004 to 12-2007	Institutionnal isation : KRK	210	-	-	210	3 300
Total		1 460	590	370	2 420	6 020
Jan. 2008	Consolidation of credit lines, capital increase and EFSE participation.					

Results

(Euro 000)	2007	2006	2005	2004	2003
Interest income	1 191	1 130	863	464	267
Interest expense	-150	-183	-141	-79	-8
Net interest income	1 041	946	722	384	259
Other operating income	82	84	75	97	38
Gross profit	**1 123**	**1 031**	**797**	**482**	**298**
General and admin. expenses	-569	-505	-443	-364	-295
Provision for loan losses	-27	-12	10	-32	-61
Total expenses	**-597**	**-517**	**-432**	**-397**	**-357**
Contributions	--	--	--	--	81
Income tax expense	-101	-101	-69	-17	0
Net profit for the year	**424**	**411**	**295**	**68**	**22**

Performance indicators

	Dec. 2006	Dec. 2007
O/S portfolio	€ 7,691,254	€ 8,161,632
No. of borrowers	5996	5431
PAR > 30	0,03 %	0,22 %
Operational exp.	7.4 %	7.2 %
Fin. expenses	2.6 %	1.9 %
Equity (incl. Accum. Results)	€ 1,021,758	€ 1,456,721

What does the comparison tell us ?

- Relative stabilization of portfolio growth over 2006-2007, compared to the previous years, due to a lack of additional financing
- Reduction in the number of borrowers (management strategy to confront resource shortage)
- Continued strong operational performance
- Reduction of financial expenses due to inability to access new resources
- Equity increase due principally to re-investment of net profits

Achieving financial transformation

- 2006-2007 were dedicated to transforming KRK from a donor-financed organisation to a sustainable, non subsidised MFI : operations and financing.
- The principal issue : <u>redeployment of ABU/EAR financing to "normal" financing</u>

Principle constraints

✓Political uncertainty

✓Absence of clarity concerning the final decision on the EAR / ABU refinancing

✓Balance sheet structure (high gearing, under-capitalisation)

An organisation such as EFSE could rise to the challenge because of its : awareness of the context thru' local presence, knowledge of the microfinance sector in the region, appreciation of KRK's performance, and not least, its own shareholding structure.

EFSE's proposal was tailored to the situation.

KRK capital

Shareholders	Capital 01/01/04	Capital 01/01/06	Capital 01/01/08	%
ADIE Int.	25 000	25 000	25 000	8.49
EFSE	-	-	74 500	25.29
FIEK	25 000	50 000	98 400	33.40
SEFEA	25 000	25 000	25 000	8.49
SIDI	25 000	50 000	61 200	20.77
Staff	-	-	10 500	3.56
Total	75 000	150 000	294 600	100

KRK's priorities

- Ensure the success of this 2nd transformation.
- Ensure future development within the mainstream of the sector, in Kosovo
- Renew with past growth trend and actively re-conquer the ground lost to competition in 2006-2007
- Adjust to the new paradigm : operations and financing.

Living up to its name !