

Press Release

For immediate release

Central Bank of the Republic of Kosovo and EFSE reaffirm commitment to promote micro and small enterprise financing

- **CBK and EFSE look back on nearly seven years of successful cooperation**
- **EFSE investments benefited 66,000 micro and small entrepreneurs with EUR 196 million since 2005**
- **Total volume of technical assistance projects to support financial sector development amounts to EUR 1.2 million**
- **Significant progress in jointly advancing agenda of responsible finance in Kosovo**

Luxembourg and Prishtina, 20 September 2012 – Representatives of the Central Bank of the Republic of Kosovo (CBK), Governor Gani Gërguri and Deputy Governors Nexhat Kryeziu and Lulzim Ismajli, today welcomed the Board of Directors of the European Fund for Southeast Europe (EFSE), headed by Monika Beck, Chairperson of the Board of Directors. The EFSE, the largest microfinance fund world-wide with more than EUR 850 million in capital, serves as a role model for innovative development financing. Looking back on nearly seven years of close cooperation, both institutions expressed their commitment to continue the successful partnership to further advance Kosovo's financial sector development, in particular to foster the growth of micro and small businesses.

Since the start of the EFSE's operations in Kosovo in 2005, the EFSE invested more than EUR 63 million in partner lending institutions, thereby facilitating more than 66,000 loans – totalling EUR 196 million – to micro and small businesses and households so far. Special funding contributions to the Kosovo investment portfolio were made by the German Federal Ministry for Economic Cooperation and Development (BMZ), the European Commission, the Swiss Agency for Development and Cooperation (SDC) and the Danish International Development Agency (Danida).

Today, the EFSE cooperates with five partner lending institutions – banks and microfinance institutions – in Kosovo. In addition, the EFSE provides technical assistance to financial institutions in Kosovo with the aim to strengthen their operational capacities. Over 24 projects totalling EUR 1.2 million have been completed since 2006, including activities to promote Responsible Finance at the financial sector level.

Following the meeting with the CBK, the Directors of the EFSE will visit branches of various partner lending institutions throughout the country to gain concrete insights into the realities of the Kosovar financial sector.

Gani Gërguri, Governor of the CBK, after highlighting good macroeconomic performance and strong stability of the financial sector of Kosovo, said that for him "it is a special honour to welcome in Prishtina the Board of EFSE – an institution that has substantially contributed in the development of our financial sector and without which the penetration of financial services to the economy would not have the same depth as it has today. The contribution of EFSE in Kosovo has been multidimensional, starting from the credit lines issued to the lending institutions, that have directly contributed to the development of small and medium enterprises in the country, to the research and technical assistance projects which have facilitated the responsible development of the financial institutions

operating in Kosovo. In this regard, it is worthy to emphasize the two research projects on the assessment of clients' over indebtedness in Kosovo which facilitated also the CBK's overall risk assessment for the financial sector.

During these seven years, the CBK has maintained the role of a close partner of EFSE and will continue to do so by intensifying even more the cooperation between the two institutions. In this regard, the Central Bank plans to undertake concrete steps towards facilitating lending to the least credited but important sectors of the economy, with a special focus on the agriculture sector, by approaching both the supply and the demand side. In our discussions with the EFSE representatives we have highlighted the need to increase the capacities for the risk assessment of agriculture projects on the side of bank officials as well as the need to support the business planning capacities on the side of agricultural borrowers. Moreover, we plan to extend our cooperation also in the field of financial education of the public, potentially by establishing a Debt Advisory Centre, which will contribute substantially to the increase of the responsible decision-making of the public in relation to financial institutions and *vice versa*.

To conclude, the CBK highly appreciates the EFSE's contribution during the seven years of its operation in Kosovo and will continue to maintain the close ties with this institution both through the cooperation with its local office in Prishtina and also through the Central Bank's regular participation in the EFSE's Advisory Board meetings."

Monika Beck, Chairperson of the EFSE, on the EFSE's future plans for Kosovo: "We look to the future with confidence, eager to contribute towards fostering job creation and prosperity in Kosovo in the spirit of Responsible Finance. In addition to increased investments on the part of the EFSE, we will also be stepping up technical assistance and training programmes for partner lending institutions. Along with supporting the Central Bank's efforts in promoting healthy financial sector developments, these measures will also serve to raise financial literacy. I am especially delighted that the EFSE's Board Meeting will be held in Prishtina as this reaffirms our strong partnership with Kosovo as a whole and with the Central Bank in particular."

ABOUT THE EUROPEAN FUND FOR SOUTHEAST EUROPE (EFSE)

The European Fund for Southeast Europe (EFSE) aims to foster economic development and prosperity in Southeast Europe and the European Eastern Neighbourhood Region (ENR) of the European Union, including Albania, Armenia, Azerbaijan, Belarus, Bosnia and Herzegovina, Bulgaria, Croatia, FYR Macedonia, Georgia, Kosovo, Moldova, Montenegro, Romania, Serbia, Turkey and Ukraine. As access to finance is a key success factor in developing the micro, small and medium enterprise segments, the EFSE focuses on assisting local financial sectors in strengthening their ability to ensure adequate and sustainable financing. The funding the EFSE provides as long-term finance primarily for micro and small enterprises (MSEs) – but also for private households in the form of home improvement loans – is channelled to these loan customers through local partner lending institutions. Supporting the EFSE's investment activities is the EFSE Development Facility, which provides partner lending institutions with technical assistance, consulting and training services to build operational capacities and professional management. Initiated by KfW (The German Development Bank) on 15 December 2005 from four multi-donor programs under its management, the EFSE is the first public-private partnership of its kind and the first privately managed fund in development finance to leverage private funding for MSE finance in the target region. Capital is provided by donor agencies, international financial institutions and private institutional investors, including the German Federal Ministry for Economic Cooperation and Development (BMZ), the European Commission, the Government of Albania, Small and Medium Business Credit Support CJSC (SMBCS), a

subsidiary of the Central Bank of Armenia, the Development Bank of Austria (Oesterreichische Entwicklungsbank - OeEB), the Swiss Agency for Development and Cooperation (SDC), the Danish International Development Agency (Danida), KfW as Lead Investor, the International Finance Corporation (IFC), the Netherlands Finance Company (FMO), the European Bank for Reconstruction and Development (EBRD), the European Investment Bank (EIB), Sal. Oppenheim and Deutsche Bank. Oppenheim Asset Management Services S.à r.l, Luxembourg, and Finance in Motion GmbH, Germany, are, respectively, the EFSE's Fund Manager and Fund Advisor.

For more information about EFSE, please visit: <http://www.efse.lu>

ABOUT CENTRAL BANK OF KOSOVO

For more information about the CBK, please visit : <http://www.bqk-kos.org>

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