



Albanian Development Guarantee Foundation

## **PERFORMANCE REPORT**

**Albanian Development Guarantee Foundation (ADGF)**

**Year 2022**

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## 1. OBJECTIVES AND ACTIVITY

This report has been prepared in accordance with Article no. 22 (3) of Law 25/2018 On Accounting and Financial Statements, amended, where non-profit organizations in Albania are required to prepare and publish, together with their annual financial statements, a performance report. This report is prepared by those non-profit organizations that in their financial statements, the amount of assets or income exceeds the value of 30 million ALL. Albanian Development Guarantee Foundation meets this condition. The main purpose of the performance report is to ensure that a non-profit organization is publicly accountable to stakeholders in presenting its performance.

Albanian Development Guarantee Foundation ("ADGF" and "Foundation") was established under the laws of the Republic of Albania. The foundation was formerly known as Rural Credit Guarantee Foundation ("RCGF"), established with the Decision of the Court no. 518, dated 08 July 2015 and the name change was approved by the court on 06 December 2021. The name change came in the context of expanding the scope of coverage for the guaranteed activities in order to be in line with the mission and vision of the foundation.

The idea of the establishment of the foundation was conceived as part of the EU framework of IPA to finance a program "Program for Rural Credit Guarantee" in Albania with the goal of increasing household incomes in Albania's rural areas. The activities were co-financed by the EU and the Government of Albania for a total value of 5.5 million Euro, out of which 5 million Euro were from EU (of which 3.57 million Euro were transferred to ADGF exclusively for the capitalization of the foundation) and 0.5 million Euro were from the Government of Albania. The initial project running from November 2014 through March 2016 was implemented by KfW Development Bank. The Foundation's capital was increased by additions of 29.35 million Euro in December, 2018; 6,76 million Euro in December, 2020 and 5.4 million Euro in December, 2021 from the German Government through KfW Development Bank, which continues to support the Foundation through technical assistance and studies.

ADGF mission is to provide access to finance, with the purpose to broaden the credit access in the underserved micro, small and medium enterprises ("MSME") segment in all sectors of the economy due to lack or insufficient collateral, to enable them to either survive or regain some lost capacity, resulting in job retention, recreation or creation.

ADGF pursues its mission through a risk sharing guarantee mechanism for:

- a) bank loans to MSME businesses in all sectors of the economy and
- b) commercial borrowings of non-banking financial institutions ("NBFI") for on lending to MSME businesses in all sectors of the economy.

The foundation objective is to contribute to encourage banks and non-bank financial institutions to provide financial services to MSME in various economic sectors of the economy on a sustainable basis to enable them to create new jobs, grow and become more competitive.

ADGF is a foundation that operates directly and independently in Albania, has no subsidiaries and is not affiliated with any other foundation.



## 2. ACHIEVEMENT AND PERFORMANCE

As at December 31, 2022, ADGF through its guarantee instrument, has supported more than 10,400 MSME borrowers for a total of 79.9 million Euro (cumulative loan volume since the beginning of the activity, out of which 31 million Euro was for NBFI), resulting in approximately 9,469 new jobs being created, and 15,238 jobs maintained in various economic sectors, as presented in the table no.1 below. Calculations are made by ADGF based on the data provided by the partner financial institutions (banks and NBFIs).

Number of Jobs		
Jobs Created	Banks	3,257
	NBFIs	6,212
	<b>Total</b>	<b>9,469</b>
Jobs Maintained	Banks	4,885
	NBFIs	10,353
	<b>Total</b>	<b>15,238</b>

Table no.1: Jobs created and jobs maintained since the foundation started providing guarantees  
Source: ADGF calculations

ADGF is not limited to any geographic area or business activity in Albania, as long as these sectors are not in the exclusion list. Furthermore, there are loan ceilings provided in the financing agreements.

In December 2019, an outbreak of a new strain of coronavirus, Covid-19, emerged in Wuhan, China. Within weeks, the number of infected people grew significantly, and the disease spread all over the world. On 11 March 2020, the World Health Organization announced a pandemic situation due to the global emergency. The effects of the coronavirus pandemic were significant on all economies worldwide.

In April 2020 the Foundation's Board of Directors approved a new product launched by the Foundation, for companies affected by the crisis caused by Covid-19, which was implemented through a new window aiming to sustainably provide access to finance to MSME business activities impacted by this crisis and collateral enforced measures. Initially, the funds allocated by ADGF for this product from the existing capital funds were 10 million Euro. Further, ADGF received also 6.76 million Euro in December 2020 from KfW Development Bank exclusively for Covid-19 window. The purpose was to contribute to the revival of the Albanian economy and generation or retention of employment in productive sectors through intermediation with financial instruments. The facility was temporary since it was foreseen to be available up to the end of 2022 and the possibility of extension was not deemed necessary. Therefore, the funds dedicated for this Window will be transferred in the Regular Window in the beginning of 2023.

Besides the Regular Window, ADGF has also active the Green Window with a fund of 2.65 million Euro received from KfW. Until the end of 2022, there is disbursed about 60% of the total amount and ADGF has required KfW to extend the agreement for this Window with another year.

In May 2021, the Board of Directors of ADGF approved the reallocation of 3 million Euro from the unrestricted core capital of the foundation for opening a separate window dedicated to start-ups. Further, ADGF received 5.4 million Euro in December 2021 from KfW Development Bank exclusively for Start-up window. The purpose is to improve access to finance for recently registered MSMEs in order to contribute to promote growth and employment in Albania.



### 3. FINANCIAL REPORTING

At the end of 2015, ADGF received 3.57 million Euro from EU. These funds were transferred from KfW to ADGF, based on the financial agreement that ADGF and KfW had signed for the guarantee activity.

Moreover, during 2015 and 2016, ADGF received a grant of 0.5 million Euro from the Ministry of Agriculture and Rural Development according to IPA 2012 Program. The purpose of this grant was to compensate the Foundation for operating expenses incurred.

During 2018, KfW and ADGF entered an agreement for a new funding up to the amount of 5 million Euro, divided in 2 tranches: first tranche of 4.35 million Euro (for the increase of the guarantee capital) and second tranche of 0.65 million Euro (for consulting services). The agreement was signed on September 12, 2018. Later that year, on December 5, 2018, KfW and ADGF signed a new agreement for a new funding in the amount 25 million Euro (for the increase of the guarantee capital). As at December 20, 2018 there were disbursed the first tranche of the first agreement, and all the funding from the second agreement. The total amount received in 2018 is 29.35 million Euro. The purpose of this financial contribution was to increase the guarantee capital of ADGF used for issuing guarantees to the benefit of micro, small and medium enterprises in the Regular Window and Green Window.

During 2020, KfW and ADGF signed an agreement for a funding of the amount 6.76 million Euro, for increasing the guarantee capital of ADGF in response to the Covid-19 pandemic. The funds were received in December 2020 under the Covid Window.

During 2021, KfW and ADGF signed another agreement for a new funding of the total amount of 6 million Euro, divided in 2 tranches: first tranche of 5.4 million Euro (for increasing the guarantee capital of ADGF for the recently registered MSMEs) and second tranche of 0.6 million Euro (for technical assistance for partner institutions and start-ups). The first tranche of 5.4 million Euro was received in December 2021 under the Start-up Window.

The funds are used to provide guarantees for customers through banking institutions on partial risk sharing basis and with maximum ceiling of 500,000 Euro and also guarantees for the commercial borrowings of NBFI from local banks under separate guarantees.

As at December 31, 2022 the guarantees provided are as follows:

	<i><b>Outstanding Guarantee Balance (ALL)</b></i>	<i><b>Disbursed amount guaranteed (ALL)</b></i>
Guarantees to NOA	390,542,460	1,066,300,000
Guarantees to FedInvest	210,585,400	480,040,400
Guarantees to Fondi Besa	279,521,800	932,625,800
Guarantees to CFFA	46,049,035	57,115,000
Guarantees to Agro Social Fund	109,281,335	116,969,883
Guarantees to Credins Bank's customers	185,181,624	507,873,219
Guarantees to BKT's customers	41,835,780	217,183,236
Guarantees to Union Bank's customers	788,679,866	1,137,350,750
Guarantees to Fibank's customers	69,423,723	115,733,675
Guarantees to OTP Bank's customers	803,658,530	1,263,051,220
<b>Total in ALL</b>	<b>2,924,759,554</b>	<b>5,894,243,182</b>



Outstanding guarantee balance is related with the outstanding balance of the guarantees provided by the ADGF. Disbursed amount guaranteed is related with the guaranteed amount of the disbursed loans, which is from 50% to 70% of the total amount disbursed for banks, and from 75% to 100% of the amounts disbursed for NBFIs, based on the conditions provided in the agreements with each institution.

The Foundation has invested the capital funds in securities (Treasury bills, Bonds, Eurobonds) issued by the Government of Albania and these investments are used as collateral for the financial guarantee contracts that are given to banks and NBFIs.

ADGF continuously looks for new partner institutions to achieve its mission. As at December 31, 2022, the partner banks and NBFIs of ADGF are as follows:

**Banks:**

- 1) Banka Kombetare Tregtare (BKT)
- 2) Credins Bank
- 3) Union Bank
- 4) First Investment Bank (FiBank)
- 5) OTP Bank
- 6) Raiffeisen Bank

**Non-banks Financial Institutions (NBFIs):**

- 1) NOA
- 2) Fedinvest
- 3) Fondi BESA
- 4) Crimson Finance Fund Albania (CFFA)
- 5) Agro & Social Fund (ASF)

The Foundation operates on the going concern principle, which is the assumption that the Foundation will remain in business for the foreseeable future based on its objectives for issuance of financial guarantees. Based on the approved budget, the Foundation plans to increase its operational activity and positive results is foreseen in the coming year.



#### 4. STRUCTURE, MANAGEMENT AND REPORTING

Albanian Development Guarantee Foundation is a Foundation registered under the laws of the Republic of Albania, known as 'ADGF', with NIPT number L52004452B, with the Court Decision for Foundation Establishment no. 518 dated 08 July 2015, located at street 'Abdi Toptani', Torre Drin, 9th Floor, No 93, 1001, Tirana, Albania.

ADGF's day to day management is run by the Executive Director and reports to a Supervisory Board. The Board of Directors is the highest level of governance, with 3 members, respectively Ms. Bahrije Dibra representing KfW Development Bank, Ms. Lauresha Grezda representing the Ministry of Agriculture and Rural Development and Mr. John Khoury, who currently chairs the Board, is an independent member nominated by KfW and the Ministry of Agriculture and Rural Development.

The organizational structure of ADGF is presented in the figure no.1 below:



*Figure 1. Organization Structure of ADGF*

According to the ADGF statute, the Executive Director can contractually commit the Foundation for a value up to 500,000 Euro (or respective equivalent in ALL). The contracts with value exceeding the amount of 500,000 Euro are subject to the preliminary approval of the Board of Directors.

The Donors of ADGF are: KfW, European Union and the Ministry of Agriculture and Rural Development.

One of the objectives of KfW as a development bank and of EU as a unique economic and political union, is to provide financing to governments, public enterprises and commercial banks engaged in microfinance and SME promotion in developing countries to help MSME to either survive or



regain some lost capacity, retaining and creating jobs. This objective constitutes the mission and the purpose of ADGF.

This report of the Foundation as at and for the year ended December 31, 2022 was prepared by the Management of Albanian Development Guarantee Foundation on June 5, 2023, and approved by the Chairman of the ADGF Board of Directors:

*Prepared by:*

Mr. Bajram Korsita  
Executive Director

Date: June 5, 2023



*Approved by:*

Mr. John P. Khoury  
Chairman of the Board

Date: June 6, 2023



## Annex 1: Abbreviations list

ADGF - Albanian Development Guarantee Foundation

ALL – Albanian Lek

EU – European Union

EUR – Euro

IPA - Instrument for Pre-Accession Assistance

KfW - Kreditanstalt für Wiederaufbau

MFI – Micro Financial Institutions

MSME – Micro Small Medium Enterprises

NBFI - Non-Bank Financial Institutions

RCGF – Rural Credit Guarantee Foundation

SME - Small Medium Enterprises