



Transforming Banking System in Kosovo

As the Kosovo crisis came to an end in 1999, entrepreneurs struggled to reestablish their businesses and faced a tough reality. In addition to the general devastation of assets and property, there was no access to capital or modern banking services, and insufficient credit to support the recovery of private enterprises.

Many businesses such as BAST, a plastics manufacturer based in Pristina, searched for capital but found funds only available to those who knew someone willing to lend excess cash. Without loans, BAST couldn't add equipment needed to produce the kinds of plastics now in demand.

To provide credit and help businesses grow, USAID initiated a finance project for small and medium enterprises (SMEs) to access credit through the creation of the Kosovo Business Finance Fund (KBFF) which established a quick-response facility providing lending and credit to SMEs. Business owners like BAST's Bajram Abdullahu and Sylejman Topanica could formally receive loans and build credit, something that previously did not exist.

BAST was among the first of 2,405 businesses to obtain a loan from the credit fund established by USAID. BAST signed a one-year loan agreement with KBFF to cover 80% of the cost of new equipment. "In order to exist, you always have to invest in something," says Abdullahu.



Photo:USAID/Kosovo Gail Gibson McCullagh

A USAID loan allowed Bajram Abdullahu and Sylejman Topanica to purchase equipment to produce marketable plastic bottles.

USAID's KBFF project led to the establishment of the American Bank of Kosovo (ABK) which now operates as a financial institution managed primarily by Kosovo citizens. With increasing consumer confidence, ABK saw a dramatic increase in deposits and loans, and became the first bank serving several minority areas of Kosovo. In less than a year, the locally staffed credit operation reached its ambitious goals of disbursing \$5 million SME loans, maintaining less than 4% delinquency on loan repayments, and creating 1,000 new jobs.

In December 2002, Raiffeisen Zentralbank Österreich AG, Austria (RZB), Austria's second largest banking group, purchased 76% of the capital stock of the American Bank of Kosovo. Then in July 2003, the final shares were sold to RZB and the bank became Raiffeisen Bank Kosovo. The purchase of American Bank of Kosovo represented the largest private sector post-conflict investment in Kosovo to date.

With USAID help, ABK reached its ambitious goals of disbursing \$5 million SME loans, maintaining less than 4% delinquency on loan repayments, and creating 1,000 new jobs in the first nine months.

The transformation of this USAID-funded project to a privatized, sustainable business was an achievement that will continue to create jobs and provide lending to support the economy. The program income will be used to finance further private sector development through the creation of an educational fund to provide scholarships to Kosovar students.

And as good credit customers, BAST has been promised full support from Raiffeisen Bank with investments in the future. The BAST owners update equipment and product lines as consumer trends changes. With the loan, they purchased new equipment necessary to produce updated plastic bottles to meet consumer demands, and added four more employees to help supply the growing demand for their plastics.

Success Story

