Strengthening MSME finance in Kosovo[1]

A baseline study of a Sida guarantee to KCGF to support women-led enterprises, export-oriented businesses and green investments

[1] All references to Kosovo should be understood to be in the context of the United Nations Security Council resolution 1244 (1999).

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Contents

1. Executive summary

This baseline study assesses the initial conditions and early effects of Sida's re-guarantee facility implemented through the Kosovo Credit Guarantee Fund (KCGF). The facility aims to enhance access to finance for micro, small, and medium enterprises (MSMEs) in Kosovo by reducing credit risk for financial institutions and encouraging lending, particularly to underserved business segments. It focuses on three thematic windows - Women in Business (WIB), Export-Oriented Enterprises (EXP), and Green Investments (GROW) – to support underserved businesses and contribute to inclusive economic growth.

The study employed a mixed-methods approach, combining portfolio analysis, borrower surveys, and interviews with partner financial institutions and KCGF. It analyzed loan characteristics, borrower profiles, business dynamics, and employment patterns. Data was also disaggregated by gender and loan window to assess differential impacts.

Key findings indicate that the facility has expanded lending to underserved segments, with particularly strong uptake for the WIB and EXP windows. WIB beneficiaries were typically smaller and newer businesses, while EXP and GROW supported more established firms. Survey data shows that 41% of borrowers were accessing formal credit for the first time—highlighting the facility's role in financial inclusion. Employment projections by borrowers were positive across all windows, especially for WIB (40% projected increase). Gender disparities persist: EXP firms employ substantially more men than women, while WIB-supported businesses show more balanced participation but remain small in scale. Wage data reflect concentration in lower pay brackets for both genders, with women more frequently represented at the lowest wage levels. Provision of social security contributions and additional benefits remains limited, highlighting the need for targeted support to strengthen businesses' practices.

Business dynamics indicate generally positive trends, with most borrowers reporting stable or growing client portfolios and optimistic turnover projections—particularly among WIB firms. However, the GROW window is underutilized due to competing green finance instruments and limited awareness among banks and MSMEs.

Operationally, participating financial institutions value the guarantee as essential for reaching higher risk clients, especially women led firms and early stage businesses. While all banks valued the KCGF guarantee, concerns remain regarding manual reporting burdens, collateral requirements, and limitations in monitoring borrower outcomes. Nonetheless, banks greatly benefited from KCGF's training and expressed strong interest in continued collaboration, especially in expanding to agriculture, start-ups, and green sectors.

Key recommendations include:

- strengthening KCGF's monitoring and evaluation systems, especially for employment quality and gender outcomes;
- expanding tailored training for bank personnel;
- advancing gender responsive lending and supporting borrowers to improve human resources management, wage equity, and labour standards compliance;
- establishing a robust control group for future evaluations; and
- boosting communication efforts to increase uptake of the GROW window.

Overall, the re-guarantee mechanism demonstrates strong potential to contribute to inclusive finance, enterprise growth, and improved employment opportunities, offering an important reference point for future studies and to inform improvements that maximize the facility's contribution to inclusive economic development in Kosovo.

2. Background

2.1. Study purpose and scope

The baseline study on the development impact of Sida's re-guarantee to the Kosovo Credit Guarantee Fund (KCGF) aims to establish an evidence-based understanding of the initial conditions surrounding the intervention. This study provides a foundation for measuring the impact of the re-guarantee mechanism by collecting and analyzing relevant financial, business, and socioeconomic indicators.

The baseline assessment offers insights into the accessibility and utilization of financial products under the re-guarantee, the profile of beneficiaries, and the operational dynamics of the financial intermediaries involved. The study also evaluates key economic constraints that the intervention seeks to address, particularly in the context of financial inclusion for underserved groups such as women-led businesses, export-oriented enterprises, and green investments.

By systematically capturing initial data points, this study will allow for a comparative analysis with future assessments, ensuring that the intervention's objectives—job creation, gender equality, export competitiveness, and green transition—are effectively tracked and measured over time. It also provides recommendations to improve the preliminary results identified.

2.2. Study objectives

The primary objective of this baseline study is to establish a comprehensive and data-driven reference point that enables the evaluation of the development impact of Sida's re-guarantee to the KCGF. Specifically, the study aims to:

- Assess the financial access landscape for micro, small, and medium enterprises (MSMEs) prior to the intervention, with a focus on the three financing windows:
  - Women in Business (WIB) – Supporting women-led businesses through improved access to credit.
  - Export-Oriented Enterprises (EXP) – Facilitating investments that strengthen Kosovo's export competitiveness.
  - Green Investments (GROW) – Encouraging businesses to invest in energy efficiency and renewable energy.
- Analyze borrower characteristics within the guaranteed portfolio, including gender distribution, business size, industry sector, financial performance, and employment capacity.
- Evaluate the lending behavior of Registered Financial Institutions (RFIs), including their strategies for engaging target groups, loan structuring practices, and risk assessment approaches.
- Identify operational challenges and market gaps in MSME financing that the re-guarantee mechanism seeks to address.
- Document the baseline status of key indicators related to employment, business growth, financial inclusion, and sustainability to enable future impact assessments.
- Provide policy and operational recommendations based on initial findings to improve the effectiveness of the intervention.

2.3. The re-guarantee

The Kosovo Credit Guarantee Fund ("KCGF") is an independent, development-oriented legal entity that provides credit guarantees for MSMEs in Kosovo, by sharing the credit risk with financial institutions. It was established in 2016 through a joint initiative between international development agencies in Kosovo, mainly USAID and KFW, and the government of Kosovo. By guaranteeing the credit portfolios of financial institutions, KCGF aims to enhance access to finance for MSMEs, support entrepreneurship development, support domestic production and services that create an added value, create new jobs and support overall economic development.

Building upon a previous collaboration with KCGF, Sida and the Embassy of Sweden in Pristina ("Embassy") recognized the importance of structuring a new re-guarantee to address key sectors identified as crucial for achieving positive development impact in line with Sweden's strategy in Kosovo. For that purpose, a portfolio re-guarantee agreement was signed between Sida and KCGF in November 2023. Sida is the guarantor and KCGF the re-guaranteed party. KCGF deploys guarantees to Registered Financial Institutions (RFI) in Kosovo, who will disburse working capital and fixed asset loans to eligible borrowers.

Sida's support to KCGF is expected to facilitate better access to finance for MSMEs, enabling increased lending, and improve MSME overall performance. Furthermore, through the re-guarantee, Sida will address the difficulties that the MSMEs face in access to finance, either due to a perceived higher risk of the banking sector or due to the lack of sufficient available collateral.

Key sectors supported by the re-guarantee, referred to as "windows", encompass a wide range of potential impact opportunities:

- Women in business (WIB),
- Enterprises engaged in export activities (EXP), and
- Green Investments (energy efficiency and generation of energy from renewable sources, GROW).

The re-guarantee mechanism enhances financial institutions' ability to lend to MSMEs, particularly those considered higher-risk due to limited collateral or business history. The expected long-term impact includes:

- Increased access to finance for underrepresented businesses.
- Improved employment opportunities, with a focus on women's economic participation.
- Strengthened export potential of Kosovo enterprises.
- Enhanced sustainability practices through green financing initiatives.

The maximum maturity for loans under these windows ranges from 84 to 120 months. Together, the re-guarantee will enable guarantees to RFIs of EUR 29.8 million, which is expected to allow for EUR 55 million in credit to be extended to nearly 700 MSMEs.

As of end-December 2024, 30.3% (around 4.5 million euros re-guarantee utilized out of the 14.9 million foreseen) of the Sida re-guarantee facility has been utilized by KCGF to cover guarantees issued to 7 RFIs: Banka Ekonomike, BKT, BpB, NLB, ProCredit Bank, Raiffeisen Bank and TEB Bank. This indicates moderate uptake within the first year of implementation, with significant room remaining for further deployment of the re-guarantee to support MSME lending.

3. Methodology

3.1. Data collection and analysis

This section outlines the approach undertaken for data collection, processing, and analysis. It also details the review of secondary sources, quality assurance measures, and the data analysis approach, including comparative and disaggregated analysis.

A mixed-methods approach was employed to ensure a robust and comprehensive evaluation of the project. The methodology integrated quantitative and qualitative data collection methods, including:

- A structured online survey administered to borrowers
- Key informant interviews (KIIs) with relevant stakeholders, including partner banks, implementing agencies, and donors
- A desk review of project documents and secondary sources

Data collection was conducted in coordination with project stakeholders, ensuring that all ethical considerations, including informed consent, were adhered to. The methodology allowed for both quantitative measurement of key indicators and qualitative exploration of experiences and perceptions.

3.2. Review of secondary sources

A comprehensive desk review was conducted, based on the following documents:

- Project design and implementation documents, including a set of indicators defined during project appraisal and expected to be covered by monitoring reports and surveys such as this study
- Loan portfolio and borrower data provided by partner banks
- Policy documents and guidelines related to SME financing and gender-specific lending

The review provided insights into the project's objectives, target groups, and key performance indicators, allowing for a structured analysis of primary data.

3.3. Data collection instruments

To ensure standardized and comparable data collection, the following instruments were developed. All data collection instruments were pre-tested to ensure clarity and relevance before full-scale implementation.

- A structured online survey questionnaire designed to assess borrowers' experiences, loan utilization, and outcomes. The questionnaire included both closed- and open-ended questions.
- Key informant interview (KII) guides tailored to different stakeholder groups, including RFIs, KCGF, and the donor.

Intervention Group

The intervention group consisted of borrowers who had received loans through the project. RFIs have screened the total number of 212[2], borrowers for consent to participate in the online survey. Accordingly, 123 borrowers consented out of which 69 responded. Borrowers for the survey belonged in the two project windows:

[2] Some clients had more than one product, so the number of loans disbursed is 229.

- Women in Business (WIB)
- Export-oriented businesses (EXP)

Despite efforts to include all loan windows, no responses were received from the GROW window. One GROW borrower's contact was shared by the bank, but he did not respond to the survey. Given the limited representation of this window, even if the responses from one borrower would be collected, they could not be included in the final analysis.

▶ Table 1 Main Indicators on Sample Borrowers

Window	Sample Number of Clients	Total Sample Guaranteed Volume	Total Sample Loan Amount	Sample Guaranteed Volume as % of Total Guaranteed Volume	Sample Loan Amount as % of Total Window Loan Amount
WIB	49	€700,350	€1,273,100	35%	34%
EXP	20	€958,500	€1,910,999	22%	20%
Total	**69**	**€1,658,850**	**€3,184,099**		

Control group

For the control group, contact information for 26 non-beneficiary businesses (clients who received loans but were not backed up with guarantees) was provided by one partner bank. Only 9 businesses responded to the survey, resulting in a 34% response rate for the control group. Given the low number of responses, no meaningful comparative analysis could be conducted.

3.4. Data analysis, comparative and disaggregation by group descriptors

Data quality was ensured through multiple steps:

- Survey data was checked for completeness, consistency, and duplicate responses. Incomplete responses were excluded from the final dataset only for those answers missing.
- Quantitative data validation was conducted through cross-referencing with secondary data sources where available.
- Ethical considerations were strictly followed, including obtaining informed consent and ensuring data confidentiality.

Data analysis was conducted using both quantitative and qualitative techniques:

- Descriptive statistics were used to summarize survey responses, including frequencies and percentages.
- Disaggregation by group descriptors was applied, including gender, project window (WIB, EXP), and wage groups where applicable.
- Thematic analysis was used for qualitative data from KIIs and FGDs, identifying key patterns and insights.

The findings from the different data sources were synthesized to provide a comprehensive understanding of the project's outcomes. The online survey captured quantitative data, while key informant interviews provided in-depth qualitative insights.

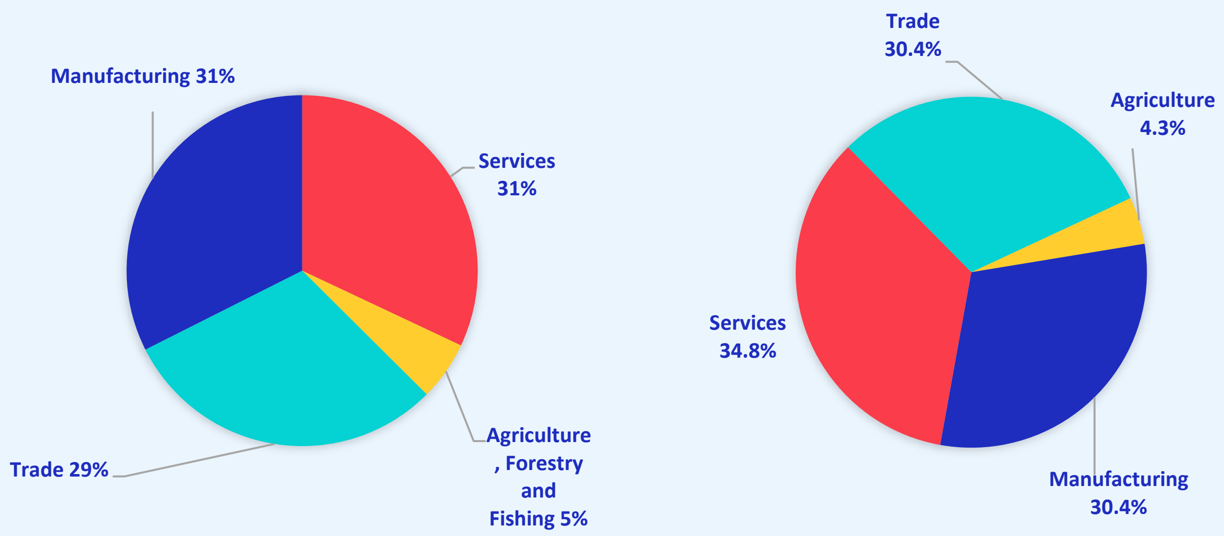
4. Findings

4.1. Findings at borrower level

4.1.1. Borrower characteristics

Borrowers across all three windows come from a broad range of economic activities. In Figure 1 are the sectors represented in the portfolio data which include all guaranteed clients on the left side. Wholesale and retail trade represent around 28.8% and manufacturing 31% rising above other activity types. A similar structure was also represented in the surveyed businesses on the right side, with the majority operating in Manufacturing (30.4%), followed by Services (28.9%), and Retail (20.2%). Smaller segments were observed in Agriculture (4.3%).

▶ Figure 1 Borrowers by type of economic activity- Portfolio Data and Survey Data



Source: Author's own elaboration

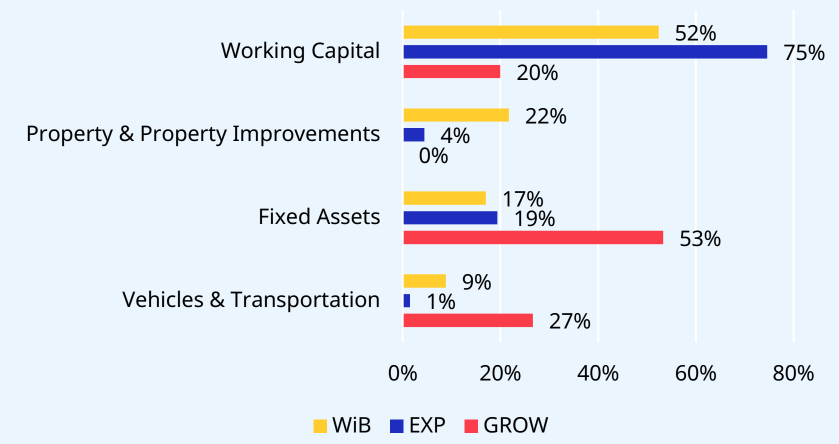
4.1.2. Loan specific insights

The Figures 2 and 3 present the purpose of loans disbursed under different guarantee windows, as captured through portfolio data and survey responses. While both highlight working capital as dominant use, some slight differences emerge in the detail and emphasis between the two data sources.

- Working capital is the dominant purpose of the loan for WIB (52%) and EXP (75%) borrowers, and lesser extent for GROW (20%) borrowers. A similar composition is also reflected in the survey data, where 46% of EXP reported working capital as main purpose, and 28% of WIB. Working capital needs also represented a significant motivation for loan uptake. Specifically, 71.4% of businesses in production, 61.5% in services, and 57.1% in trade reported using loans for this purpose. This reflects ongoing liquidity and operational financing needs, particularly in production-heavy sectors.
- Property and property improvements is considered the next highest rationale for loans by WIB (21.8%) and to lesser extent by EXP (4.5) and zero by GROW borrowers.
- Fixed assets are reported as the most significant loan purpose for GROW (53.3%) borrowers, followed by EXP and WIB borrowers at (19.4% and 17%) respectively.
- Significant portion of GROW borrowers reported both Fixed Assets and Vehicles/Transportation (around 47% of loans under GROW), indicating that the loans were taken for the purpose of buying electric vehicles.

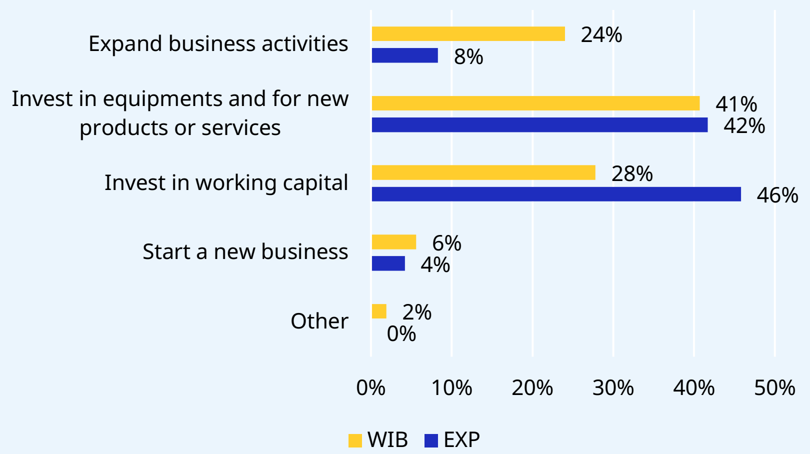
- Additionally, in the survey data, around 15% of WIB respondents reported using the loan to expand business activities, a category not explicitly captured in the portfolio classification. A small share also indicated using the loan to start a new business.
- These differences highlight the value of complementing portfolio data with survey insights to capture intentions and qualitative dimensions of investment, which may not be reflected in loan documentation. While the portfolio data provides accurate use categories at disbursement, the survey allows for self-reported motivations, including innovation, growth, or diversification goals.

Figure 2: Purpose of loan – Portfolio Data



Source: Author's own elaboration

Figure 3 Purpose of loan – Survey data



Source: Author's own elaboration

According to portfolio data, loan averages differ significantly by guarantee windows, owning to the structure of business and the respective size. WIB businesses are typical micro and small businesses, as opposed to EXP businesses that are more established and larger. Likewise, businesses in the GROW window are also larger companies, with much higher financing needs and investment opportunities. Average WIB loan is 25,173 EUR, EXP loan is 143,806 EUR, and GROW loan is 363,933 EUR. There are some shifts in the central value due to skewed distribution of loan values, but generally these are the typical value (it is mostly noticeable with very high outlier values scattered for EXP loans). The values and ranges are provided in the graph below.

▶ Table 2 Loan averages by window - Portfolio Data

Window	Average
EXP	€143,806
GROW	€363,933
WIB	€25,173
Total Average	**€82,072**

Total value of loans for each window is 3,700,400 EUR for WIB-Loans, 9,635,000 EUR for EXP-Loans, 5,459,000 EUR for GROW-Loans, and 18,794,400 EUR for the total portfolio as of the end of 2024.

4.1.3. Employment dynamics

Number of employees

The majority of both EXP (60%) and WIB (85%) beneficiaries are micro businesses with 0–9 employees. Small-sized firms (10-49 employees) are more present among EXP beneficiaries (35%) compared to WIB (15%), while medium firms (above 50 employees) are represented only within EXP at a very low share (5%). This suggests that both loan windows primarily serve microenterprises, though EXP also reaches somewhat larger businesses.

▶ Table 3 company size based on number of employees by window

	Survey Data			Portfolio Data		
	0-9 employees	10-49 employees	50-249 employees	0-9 employees	10-49 employees	50-249 employees
EXP	60%	35%	5%	48%	42%	10%
WIB	85%	15%	0%	95%	5%	0%

Table 4 below shows the average number of full-time employees (regardless of contract status) by gender and guarantee window. Exporting businesses employ significantly more men on average (8.6) compared to women (2.63), with wide variation. In contrast, businesses in the WIB window employ more women (2.8) than men (2.1), though both figures are lower overall. Across all businesses in the survey, male employment averages 4.1, while female employment averages 2.8, indicating a gender imbalance particularly pronounced in the export segment.

▶ Table 4 Full time employees (regardless of contract) per window-Survey Data

Guarantee window		Men	Women
EXP	Average	8.6	2.6
WIB	Average	2.1	2.8
Total	Average	4.1	2.8

Employment statistic by type of contract

Table 5 presents descriptive statistics on employment types across all businesses in the survey sample. On average, businesses reported 6.8 full-time employees, with 6.6 on permanent contracts. This is relatively lower than the average of 11 employees reported in the portfolio data, which covers the full population of 212 businesses supported.

The difference can be explained by the smaller and potentially more diverse sample size in the survey, which may include a greater share of micro or early-stage firms. In contrast, the portfolio data reflects the full population and may include more mature businesses or those that have grown further after support, skewing the average upward.

Part-time permanent employees are rare, with an average of just 0.34 per business. Temporary or seasonal employment is also low on average (1.74). However, the standard deviation for both full-time and seasonal employment is relatively high, indicating substantial variation across businesses, while many employ few or no workers in these categories, a few of them report higher numbers. This suggests that employment structures vary widely within the sample, especially in terms of reliance on full-time or temporary labour.

▶ **Table 5 Employment averages by type of contract- Survey Data**

	Full time employees regardless of contract status	Full time employees with permanent contracts	Part time employees with permanent contracts	Temporary / seasonal employees regardless of contract status
Average	6.85	6.62	0.34	1.74
Std. Deviation	8.165	8.350	0.921	8.616

The data shows that firms under the EXP guarantee window employ significantly more full-time and temporary staff than those under the WIB window. EXP firms report an average of 11.1 full-time employees (regardless of contract status), compared to 5.0 in WIB firms. They also have more temporary or seasonal workers (3.8 vs. 0.9). Interestingly, while EXP firms have slightly fewer part-time permanent employees (0.3) than WIB firms (0.4), they exhibit much higher overall employment levels. This suggests that EXP firms are generally larger and possibly more labour-intensive.

▶ **Table 6 Employment based on type of contract by window-Survey Data**

Guarantee window		Full time employees regardless of contract status	Full time employees with permanent contracts	Part time employees with permanent contracts	Temporary / seasonal employees regardless of contract status
EXP	Mean	11.1	11.3	0.3	3.8
WIB	Mean	5.0	4.7	0.4	0.9

Projected employment impact by borrowers

The borrowers, at the time of application were asked to report the number of current employees and turnover, and any anticipated change in the future as a result of the loan. The projected number of employees and the projected turnover amount represent the estimations provided by the borrowers. Analysis of employment comparing current to projected for each window shows projected increase of around 20%, with WIB borrowers reporting the highest (40%) increase in number of employees, (16%) in EXP and 11% in GROW.

▶ **Table 7 Ratios and other data per window- Portfolio Data**

Window	Average No. of Employees	Average Projected no. of Employees	Projected Employment Growth
EXP	25	29	16%
GROW	31	35	11%
WIB	3	5	40%
Average	11	14	20%
Total value	2,621	3,147	20%

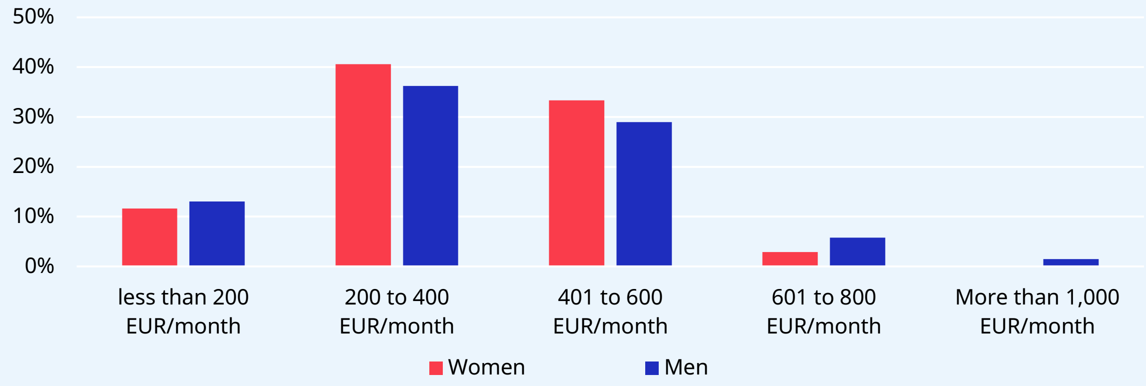
Wages

The minimum wage in Kosovo was based on a two-tier system of €130 and €170 per month depending on age and employment status, until its change in October 2024. From October 1st in 2024**,** a new unified gross minimum wage of €350 per month took effect, applying to all workers regardless of age or sector.

Figure 5 illustrates the distribution of the lowest monthly salaries paid to male and female employees, categorized by salary brackets. While it is evident that both genders are predominantly concentrated within the lower wage ranges, female employees are more frequently represented in the lower segment of this range, particularly in the €200–400 bracket. In contrast, male employees appear more often than female employees in the higher income brackets, especially in the €601–800 range. Furthermore, only men are represented in the highest income group, which is more than €1,000 /month, indicating greater upward wage mobility among male employees. Overall, male wage distribution spans a wider range from under €200 to over €1,000, while female wages are more narrowly clustered around the lower end, particularly between €200 and €400.

It is also important to note that the observed salaries below €350 (minimum wage) may reflect the timing of data collection—prior to the October 2024 minimum wage reform—as well as the inclusion of part-time or seasonal workers who are not always subject to the full minimum wage threshold. Given these differences, the impact of the new minimum wage on these businesses (as well as the level of compliance) is an important factor to be monitored.

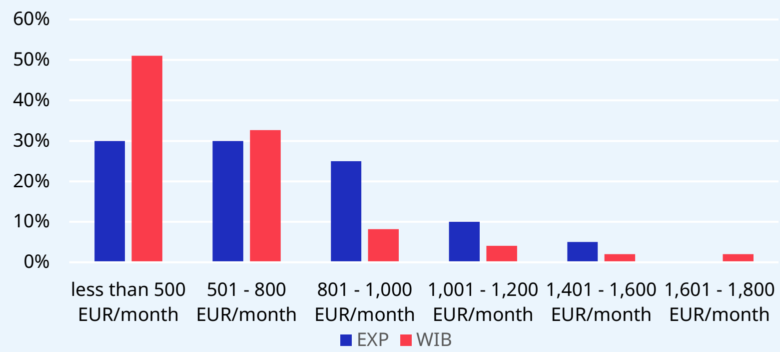
▶ Figure 5 Lowest wages by gender – Survey Data



Source: Author's own elaboration

When comparing the highest wages per window (Figure 6), a clear gap emerges between the two windows. Over half of WIB employees report their highest monthly wage as under €500, while only about 30% of EXP employees fall into this bracket. Meanwhile, EXP businesses have a more balanced wage distribution, with more employees earning mid- to higher-level wages, including €801–1,000 per month. These differences likely reflect the characteristics of the businesses supported under each window. WIB tends to support smaller, women-led firms with limited financial capacity, which may explain the wage concentration at the lower end. EXP businesses are generally larger and export-oriented, enabling them to offer more competitive and diverse wages.

▶ Figure 6 Highest Wages by Windows – Survey Data



Source: Author's own elaboration

Overall, the narrower wage range and lower earnings among female employees as well as WIB may suggest a more limited access for women to higher-paying opportunities. However, continued monitoring of wage data will be necessary to fully understand and confirm the extent of this disparity.

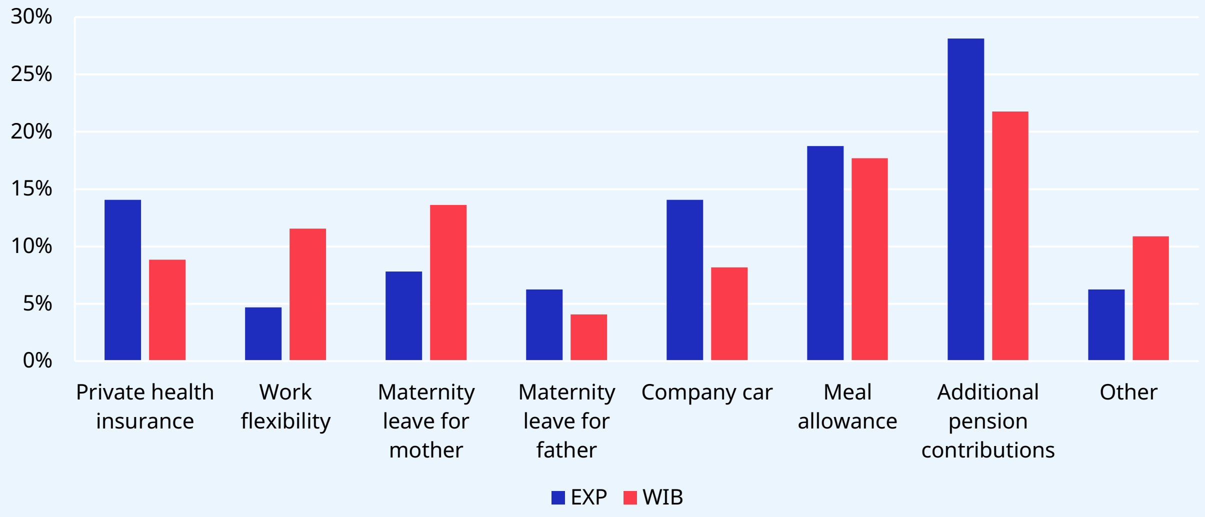
Employee benefits

Under Kosovo's Labour Law, employees are entitled to a minimum of 20 working days of paid annual leave per year, and up to 20 days of paid sick leave annually, covered by the employer. The law also has mandatory pension contributions that need to be paid. Maternity leave lasts up to 12 months, with the first 6 months paid at 70% of the salary by the employer, the next 3 months of average salary paid at 50% by the government, and the final 3 months unpaid and optional. Fathers are entitled to 2 days of paid paternity leave at childbirth and 2 weeks of unpaid leave within the first 6 months. While these are the minimum legal entitlements, employers may offer additional benefits through individual or collective contracts—such as bonuses, private health insurance, or meal and transport allowances—but cannot offer less than what the law requires.

Figure 7 compares employee benefits offered by businesses under the WIB and EXP guarantee windows. The most commonly provided benefit across both groups is additional pension contributions, offered by around 28% of EXP and 21% of WIB businesses, however, this may be just a representation of the mandatory pension contributions required by law. Meal allowances also rank high, with a slightly higher percentage in EXP (about 18%) compared to WIB (around 16%). Private health insurance and company car benefits are more frequently offered by EXP businesses (roughly 13% and 14% respectively) than by WIB businesses (around 9% each), reflecting the generally larger size and greater financial capacity of export-oriented firms.

Interestingly, maternity leave for mothers is relatively low, at approximately 13–14% in WIB and, around 9% in EXP firms. Despite the legal entitlement to 12 months of maternity leave under Kosovo's Labour Law, many private sector employers fail to comply fully. Reports show that women are often granted less leave than required, underpaid during their maternity period, or pressured to return early. Some employers perceive maternity obligations as a financial burden, which has led to discriminatory practices such as reluctance to hire women of childbearing age or requiring pregnancy-related disclosures during recruitment. These patterns are documented in several reports and investigative articles that highlight structural barriers to women's labour rights in Kosovo.[345]

▶ **Figure 7 Employee Benefits by Windows – Survey data**



Source: Author's own elaboration

[3] https://womensnetwork.org/wp-content/uploads/2021/04/Gender-Based-Discrimination-and-Labor-in-Kosovo-ENG.pdf
[4] https://kgscenter.net/site/assets/files/1896/women_s_property_rights_and_employment_in_kosovo.pdf
[5] https://www.democracyplus.org/wp-content/uploads/2022/06/Inequality-in-the-labor-market.pdf

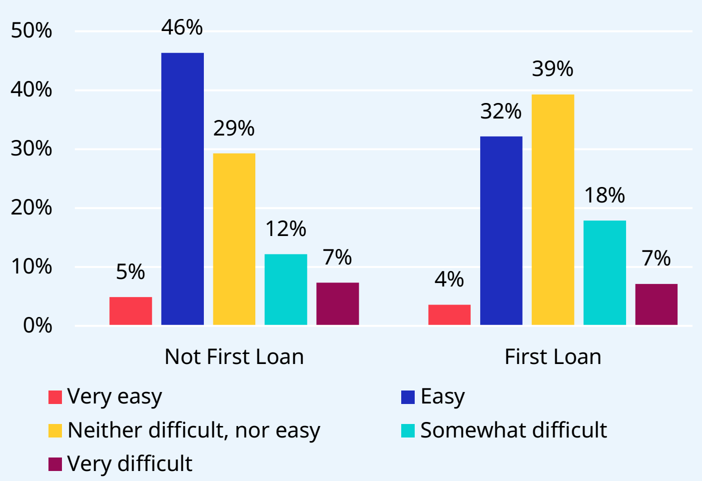
4.1.4. Profile and lending experience of guaranteed clients

This section explores the lending experience of guaranteed clients, including whether they were first-time borrowers and any challenges or delays encountered during the loan application and approval process.

Survey responses to the question "How difficult was it for your business to obtain this loan?" were analyzed by borrower type and are presented in Figure 8. Key findings include:

- Repeat borrowers were significantly more likely to report positive experiences. Among respondents who rated the process as "easy" or "very easy", over two-thirds were repeat borrowers.
- In contrast, first-time borrowers were more likely to report the process as "somewhat difficult" or "neither difficult nor easy", indicating a more mixed experience.
- There were no differences noted in terms of gender, both men and women business owners shared similar views.

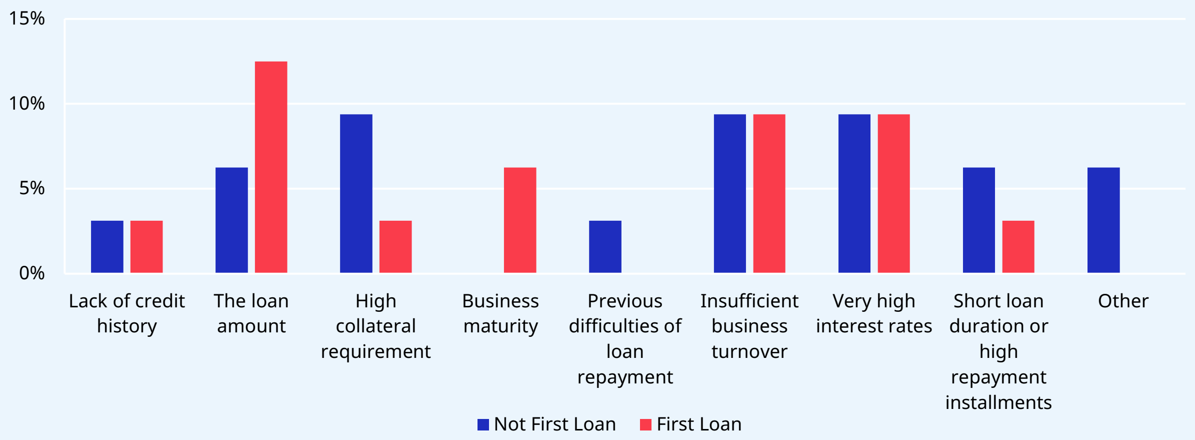
▶ Figure 8 Difficulties in Obtaining the Loan – Survey Data



Source: Author's own elaboration

These results suggest that familiarity with financial institutions plays a key role in shaping borrower experience. Repeat borrowers may benefit from existing relationships with banks, prior knowledge of procedures, or stronger financial profiles, making the process more navigable. Figure 9 presents a breakdown of the reasons why borrowers who reported difficulties or great difficulties in obtaining a loan found the process challenging. The responses are categorized by whether the borrower was applying for their **first loan** or **not their first loan**.

▶ Figure 9 Reasons for facing difficulties – Survey Data

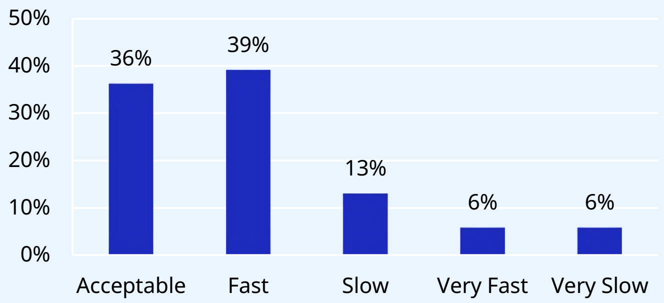


Source: Author's own elaboration

In terms of experience-related challenges, both first-time and repeat borrowers cited lack of credit history at the same rate (3%), indicating that this issue is no longer a significant differentiator. However, short business maturity was mentioned only by first-time borrowers (6%), suggesting that newly established businesses still face credibility concerns. In terms of business owner's gender, the only barrier that was slightly more pronounced in women business owners was "insufficient business turnover", reflecting a somewhat smaller business scale.

Regarding financial and collateral barriers, loan amount was reported as a challenge by 13% of first-time borrowers compared to 6% of repeat borrowers. Interestingly, collateral requirements were more burdensome for repeat borrowers (9%) than for first-time borrowers (3%), reflecting higher loan amounts requested among experienced borrowers. Insufficient turnover was equally noted by both groups (9%), while high interest rates were cited by 9% of both groups as well. Short repayment terms or high instalment burdens were seen as more of a challenge for first-time borrowers (6%) than repeat ones (3%). Regarding information and process-related barriers, no respondents from either group selected lack of borrower experience, insufficient information from banks, or slow processing as significant concerns. Similarly, administrative burden was not cited by either group. Regarding information and process-related barriers, no respondents from either group selected lack of borrower experience, insufficient information from banks, or slow processing as significant concerns. Similarly, administrative burden was not cited by either group.

▶ Figure 10 Time for Processing the Loan – Survey Data



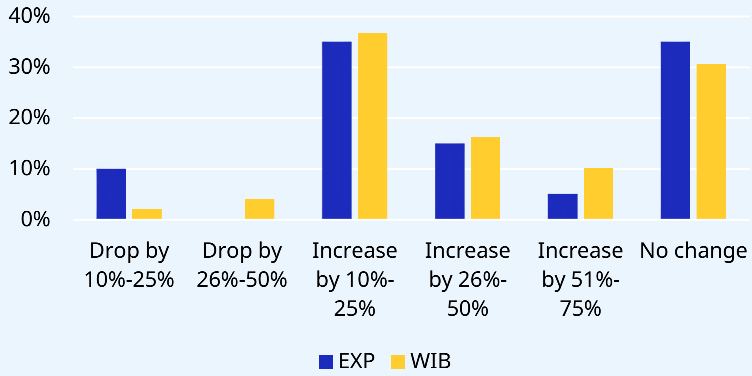
Source: Author's own elaboration

Figure 10 shows perceptions of loan application processing time among respondents. Most borrowers rated the process positively: 39% described it as "Fast" and 36% as "Acceptable", indicating that three out of four borrowers were generally satisfied with the duration of the loan processing. On the other hand, 13% considered the process "Slow", while only a small proportion reported extreme ratings — 6% found it "Very Fast" and 6% found it "Very Slow."

4.1.5. Business dynamics

In terms of portfolio dynamics, the majority of borrowers, both EXP and WIB reported positive trends in client numbers throughout 2023, with a notable share experiencing growth or stability.

▶ Figure 11 Percentage Annual Change in number of clients served in 2023 – Survey Data

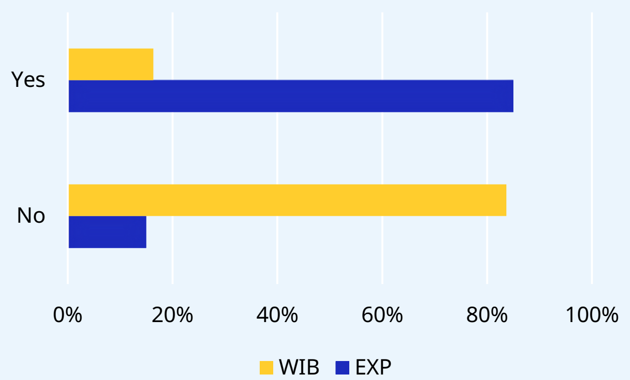


Source: Author’s own elaboration

The most commonly reported change among both groups was a 10%-25% increase in clients, cited by 35% of EXP and 36.7% of WIB respondents. This indicates that modest growth was the prevailing pattern, especially for WIB clients. Looking at more substantial increases, 16.3% of WIB and 15% of EXP respondents experienced client growth between 26%-50%, while 10.2% of WIB and only 5% of EXP saw increases between 51%-75% of clients. These figures suggest that a higher proportion of WIB clients benefited from stronger portfolio expansion compared to EXP counterparts. On the other hand, status quo (no change in the number of clients) was also common, with 35% of EXP and 30.6% of WIB reporting no changes in client numbers.

Regarding decline in number of clients, 10% of EXP clients reported a drop between 10%-25%, compared to just 2% of WIB. Additionally, 4.1% of WIB clients saw a steeper drop of 26%-50%, while none of the EXP respondents reported such a decline.

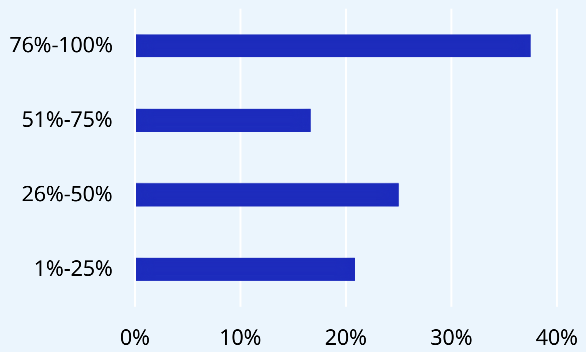
▶ Figure 12 Companies that export by window – Survey Data



Source: Author’s own elaboration

Among EXP respondents, as expected, the majority (around 85%) confirmed that they exported in the past year, aligning with the purpose of this window. Only a small portion (15%) of EXP clients indicated they did not export. In contrast, the vast majority of WIB respondents (around 90%) reported not engaging in exports, with only about 10% indicating they did export.

▶ **Figure 13 Turnover coming from exports in % share – Survey Data**



Source: Author's own elaboration

Figure 13 illustrates the distribution of businesses by the percentage of turnover derived from exports. The export intensity is categorized into four bands: 1–25%, 26–50%, 51–75%, and 76–100%. The largest proportion of businesses—nearly 40%—generate between 76% and 100% of their turnover from exports, indicating a strong dependency on foreign markets. Around 20% of businesses fall into the 26–50% and 1–25% categories respectively, suggesting a moderate level of export engagement. A smaller share—approximately 15%—report export contributions between 51–75% of their turnover.

This distribution suggests that while a substantial number of supported businesses are highly export-oriented, there is also a meaningful segment that is either just entering export markets or maintains a mixed revenue structure with partial reliance on exports. A significant portion of respondents (nearly 38%) report that exports make up 76%–100% of their turnover, highlighting a high dependency on external markets among many firms.

4.1.6. Limitations

While the baseline survey offers critical insights into the profile, challenges, and perspectives of supported businesses, several limitations should be taken into account when interpreting the results.

First, Kosovo's large informal economy poses significant constraints on the reliability of self-reported financial data.[6] Based on Kosovo 2023 Report by the EU, the informal economy which accounts for more than 30% of GDP and considered highest in Europe. Businesses were asked to report figures related to turnover, assets, or profit margins, the likelihood of underreporting or inaccurate estimation is high. This may stem from limited bookkeeping practices, reluctance to disclose sensitive information, or strategic understatement. In this baseline, discrepancies were observed when cross-referencing survey responses with data submitted to banks during the loan application process (in the guarantee portfolio). In many cases, turnover and asset values reported in the survey were significantly lower than those provided to banks, suggesting that financial indicators derived from self-reported data should be treated with caution.

Second, questions related to market size and market share posed notable comprehension challenges for respondents. Many micro and small enterprises, especially those operating locally or in an environment that has a significant level of informality, do not have a clear sense of their broader market context. As such, when asked about their market share or total market size, a large number of respondents were either unable to provide an answer or gave estimates with little basis. This may reflect not only limited business planning capacity but also a lack of exposure to competitive benchmarking and structured market analysis.

Taken together, these limitations highlight the importance of triangulating survey findings with administrative and portfolio data, using cautious interpretation, especially when evaluating sensitive or complex indicators.

Another significant limitation of this baseline study is the absence of a well-defined and sufficiently large control group, which undermines the potential for comparative analysis between businesses that received loans with a

[6] https://enlargement.ec.europa.eu/kosovo-report-2023_en

guarantee and those that did not. Only one partner bank shared contact information for non-beneficiary businesses, resulting in a total of 26 potential control group respondents. Of these, only 9 completed the survey, which is too small a sample to allow for meaningful statistical comparison or generalization.

Furthermore, the quality of the responses from the limited control group raises concerns. As external consultants (third-party evaluators), the study team had no means of triangulating key financial and employment data, such as turnover or employee contracts, to verify self-reported information. The absence of administrative or portfolio data for the control group prevents validation or cross-checking. Additionally, several survey questions required sensitive or complex financial details that may have been perceived as intrusive, further affecting data reliability. This is especially problematic for informal or early-stage businesses, which may lack structured financial records or the experience to accurately report on such topics.

4.2. KCGF and RFIs operational insights

This section provides qualitative insights into the operational experiences of KCGF and participating RFIs during the implementation of the guarantee scheme. While not designed for endline comparison, the findings highlight procedural observations and potential bottlenecks, offering insights to KCGF and Sida to strengthen implementation and address operational challenges in future phases.

The interviewed bank officers were those designated as liaisons with the KCGF, with some also involved in reporting. In a few banks, these functions were handled by different staff. Respondents reported generally being well-informed about the KCGF. Most banks have participated in the program for several years, though some joined more recently. The main responsibilities of liaison officers include coordinating with internal departments to implement necessary system and procedural adjustments, allocate and train staff, and ensure effective delivery of KCGF-guaranteed loan products.

Outreach to the target group

Banks indicated that outreach to prospective borrowers under the KCGF–Sida windows is primarily handled by their marketing departments as part of broader marketing strategies. Most banks deliberately avoid promoting the loan guarantee feature to prevent moral hazard, though a few have included it in product marketing. Various outreach channels have been used, including social media, business fairs, and collaborations with business associations. Banks noted partnerships with local chambers of commerce to enhance rural outreach, as well as campaigns focused on women entrepreneurs, promoting WIB loans through social media and women's business networks. One bank recently launched a startup-focused campaign with favorable loan terms, and two other banks actively participate in trade fairs and seminars to attract clients, particularly in the agricultural sector.

Banks offer loans with KCGF coverage, with loans as financial products differing with features that cater to specific windows. No new products have been created nor loans specific for targeting borrowers associated with specific loan guarantee windows, but rather classification of existing products that fit with the windows have been extended to borrowers. According to the bank officials, this implies that KCGF with the associated windows has not created any distortion in the market, but rather extended loan guarantee to borrowers of the applicable windows. Hence loan aspects such as interest rates and maturities, have remained rather within standard bank operations.

If the credit guarantee would have not been provided to banks, the general consensus by banks is that most of the crediting to current portfolio would have not been possible. The most plausible scenario in the absence of credit guarantee would be a significant reduction of loan amounts. Most banks consider that absence of credit guarantee would have mostly impacted women owned businesses (WIB window) as borrower category.

Guarantee implementation

Most banks focus their loan guarantee activities under the WIB and EXP windows, with limited engagement under the GROW window. Several banks also implement other KCGF guarantee windows outside the Sida re-guarantee framework, such as the Standard, Agro, Startup, and Diaspora windows.

Interviews indicate a generally standardized, though not fully uniform, approach to data collection and processing. Each bank maintains its own Management Information System (MIS) as a central data repository at the RFI level, used for internal lending operations and as the source for reporting to KCGF. Overall, banks reported that data collection and reporting are not particularly challenging.

Banks uniformly use KCGFs toolkit (MS-Excel worksheet) to classify loans into particular windows, and the system has been considered a great support that improves the process.

All banks collect data for gender of the key person, as criteria for classification of loan under the WIB window, also some banks are in possession of information if the loan is the first but these are not reported to KCFG. One bank specifically noted that they are maintaining a gender-disaggregated database, highlighting that nearly 50% of their KCFG supported loans are issued to women entrepreneurs. Information about business turnover is registered in the loan application.

Turnover data are collected and updated for loans below thresholds if borrowers have additional products in the meantime (e.g., overdrafts, credit lines), indicating higher exposure. Looking into the future, on the issue of business turnover information, based on the information provided by bank officers as of next year, Central Bank is preparing a regulation that will require all business borrowers to report their turnover to banks on annual basis; regardless of the turnover volume (no threshold).

Most banks reported lacking sufficient resources to regularly monitor borrower data such as turnover, profit, and workforce. Banks expressed concerns about the accuracy of reported turnover figures, citing risks of tax evasion or inflated financials by businesses, which may lead to misguided lending decisions. To mitigate these risks, banks have introduced verification practices such as cross-checking tax documents and bank statements or relying on credit officer expertise.

Operational challenges and collaboration with KCGF

Banks identified several key operational challenges, especially around loan approval processes and data entry. Manual data entry and the need to constantly update multiple systems lead to delays in loan processing. One bank noted that loan disbursement is sometimes delayed due to required internal approvals and documentation discrepancies.

Several banks have participated in KCGF training sessions and expressed the need for more frequent and specialized training, particularly on loan management and reporting. Cooperation with KCGF was described as proactive and productive, with support and consultations seen as highly valuable. Banks noted positive outcomes for businesses supported by KCGF, with many, especially women-led, transitioning to non-guaranteed loans. All banks expressed strong interest in continuing collaboration, particularly in agriculture and start-ups, while also calling for better data integration, less administrative burden, and future products for green and tech sectors.

Based on the interview with KCGF, a targeted outreach strategy includes training bank staff, organizing info sessions, and using social media, diaspora networks, and chambers of commerce. While banks have not significantly adapted products, they use the guarantee reactively. KCGF has trained 521 bank staff in 2024 and enhanced internal capacity, especially in risk and product development

According to KCGF, while most project objectives have been exceeded, the GROW window underperformed partly due to limited collaboration with other organizations that offer loan guarantees directly to RFIs in the green sector and that offer grants as part of the loan. Cooperation with banks is strong, though end-clients are not always directly informed. KCGF uses an MIS to track data and compares it with central bank records.

5. Conclusion

The baseline study finds that the re-guarantee facility supported by Sida and implemented through KCGF has achieved encouraging early results, particularly in expanding access to finance for micro, small, and medium enterprises (MSMEs), with strong uptake under the WIB and EXP windows. Results are expected to grow as guarantee utilization increases.

Access to finance

From the borrower perspective, 41% of survey respondents were first-time borrowers, reflecting success in reaching underserved groups. However, first-time borrowers reported more difficulty accessing loans, particularly due to collateral constraints and short business histories. Gender-disaggregated analysis suggests that women-led businesses have successfully accessed financing.

The facility has supported a diverse range of businesses, with WIB borrowers tending to be smaller, less structured enterprises and EXP/GROW borrowers representing more established firms. The loans are primarily for working capital, equipment purchases, and operational expansion. Projected turnover growth is also most pronounced in WIB-supported businesses.

Employment

Across the guarantee windows, supported businesses reported a projected average employment growth of 20% (526 direct jobs to be created), with WIB beneficiaries anticipating the highest increase (40%), compared to 16% in EXP and 11% in GROW. Employment structures vary widely, with significant reliance on full-time staff, but high variability in seasonal and part-time use.

Gender imbalance was observed as EXP firms employ significantly more men than women, while WIB firms show less unequal workforce, though overall levels of female participation in the workforce remain low. Wage data reveals both a concentration of employees in low wage brackets and a visible variation between genders. Benefits beyond legal minimums remain limited, with only a small share of firms offering private health insurance, transport, or maternity leave in line with legal requirements, highlighting a need for stronger compliance and gender-sensitive employment practices across sectors. Moreover, as data collection referred to periods prior to the introduction of the new minimum wage, the level of compliance and the impact of such on the borrowers are important factors to be monitored.

Financial service providers

Operationally, banks have generally integrated the re-guarantee scheme into their standard loan processes without significant product modification, maintaining consistency with market practices. All partner financial institutions view the guarantee as essential for enabling lending to higher-risk borrower segments, especially women entrepreneurs.

Despite this success, data monitoring and borrower verification remain key challenges. Banks cite limited human resources and concerns about the accuracy of reported financial information due to widespread informality and tax evasion. The Central Bank's forthcoming regulation requiring annual turnover reporting for all borrowers is expected to improve data quality.

KCGF has made considerable efforts to support implementation, including training over 500 banking staff and expanding its internal capacity, particularly in risk management and product development. Still, banks have requested more frequent and specialized training focused on practical applications, loan management, and reporting compliance. Overall, the collaboration between KCGF and RFIs has been viewed positively, with banks indicating strong interest in continued involvement—particularly in expanding services to agriculture, start-ups, and green business sectors.

6. Recommendations

Based on the study findings, a series of actions are recommended to stakeholders to improve guarantee effectiveness and results management during the re-guarantee period. While the recommendations are specific to challenges encountered during this study, they are generally applicable to similar contexts.

1. **Address gender disparities in lending and employment outcomes:** While the WIB window has expanded access to finance for women-led businesses, survey data reveal persistent gender gaps in employment levels, wages and terms of employment, particularly among borrowers in the EXP window. To address this, technical assistance could be provided on labour practices, including compliance aspects, as well as introducing gender-lens investing principles not only at the borrower level but also as part of its engagement with RFIs. Incentives could be developed for RFIs to adopt lending practices that encourage better gender outcomes, for example, by using gender-responsive loan appraisal frameworks, incorporating soft criteria that recognize businesses with equitable HR practices, or providing preferential guarantee terms for loans supporting women in management or high-growth roles. Technical assistance could also be provided to borrowers, focused on improving HR practices, wage equity, financial literacy and gender-sensitive business planning, helping businesses to scale while promoting inclusive employment.
2. **Expand practical, role-specific training for bank staff:** Banks welcomed KCGF training but requested more frequent, role-tailored, and practical training sessions, including on information management, impact reporting, and lending challenges. Modular, case-based training sessions tailored to different banking functions can be developed (e.g., credit officers, risk managers, MIS/reporting teams). Refresher courses could be offered regularly, and a learning platform could be considered for continuous learning. Peer learning among RFIs can also be facilitated to share practices and success stories.
3. **Strengthen impact monitoring, evaluation, and learning (MEL) systems:** Informality and limited data availability affect the reliability of self-reported indicators. Moreover, the study emphasized the need for data triangulation and structured tracking of outcomes over time. Developing an impact monitoring system at KCGF (including specific policies and procedures), that integrates administrative data from KCGF, RFI loan data, and periodic borrower surveys can help address this gap. This includes defining indicators to track over time (e.g., job creation, wage levels, gender aspects) and creating data dashboards to assess performance. Future evaluations could be designed to compare against this baseline with aligned indicators and sample structures.
4. **Strengthen evaluation design through control group:** To improve the credibility and evaluability of future assessments, it is recommended the establishment of a representative control group. A mid-term evaluation can support testing and refining methodologies. This includes developing mechanisms for RFIs to share anonymized data on non-guaranteed firms, exploring the use of targeted surveys if needed, and ensuring continuity in indicators and sample structures across evaluations. While the baseline study provides a solid foundation for measuring change among guaranteed businesses, the absence of a control group limits the ability to attribute observed outcomes solely to the guarantee scheme. A full set of methodological steps, covering control group development, options for mid-term data collection, and end-line evaluation design, has been designed in the context of this study.
5. **Strengthen underperformed windows through targeted communication campaigns:** Targeted outreach campaigns can help raise awareness among banks about types of different green initiatives and technologies among MSMEs, in addition to eligibility criteria, benefits, and application processes. By highlighting successful examples and providing accessible guidance, such campaigns can encourage broader participation from eligible businesses and increase uptake.
6. **Map supply and demand for capital, existing and expected guarantee facilities**: Overlap can dilute additionality, create reporting confusion for stakeholders, and make it harder to attribute impact. During the design phase of a guarantee, stakeholders may consider undertaking a coordinated mapping of existing and upcoming guarantee facilities (where such mapping is not yet available), with particular attention to thematic overlaps (e.g., green lending, export promotion, women-led enterprises), as well as on the supply and demand of capital for the target group. Where complementarity exists, structured coordination or joint tracking mechanisms could be explored to maximize developmental value and avoid duplication.

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