

PERFORMANCE REPORT

Albanian Development Guarantee Foundation (ADGF)

Year 2024



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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 1.43 million Euro were used for consultancy services for the establishment of the institution) and 0.5 million Euro were from the Government of Albania for covering the operating expenses. 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 (mainly in rural areas) and
- b) commercial borrowings of non-banking financial institutions (“NBFI”) for on lending to MSME businesses in different 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, 2024, it is estimated that, ADGF through its guarantee instrument, has supported more than about 25,730 MSME borrowers for a total of 168.2 million Euro (cumulative loan volume since the beginning of the activity, out of which 73.8 million Euro was for NBFIs), resulting in approximately 21,7071 new jobs being created, and 34,070 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	6294
	NBFIs	14777
	Total	21071
Jobs Maintained	Banks	9441
	NBFIs	24629
	Total	34070

Table no.1: Estimations about 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 with the partner financing institutions.

ADGF provides guarantees through several windows. The Regular Window is the largest guarantee window and has been active since the foundation's establishment.

Following that, in December 2018, the Green Window was launched with a total fund of 2.65 million Euro provided by KfW. This window focuses on renewable energy and energy efficiency by supporting business investments that result in at least an average of 20% reduction in energy consumption or CO² emissions. The entire fund was utilized by the end of 2024, but ADGF will continue to keep this window active by reallocating an additional 3 million Euro from the existing capital.

In April 2020, ADGF created a dedicated window (the Covid Window) to support companies affected by the Covid-19 pandemic, initially with 10 million Euro reallocated from existing capital, followed by an additional 6.76 million Euro provided by KfW. This window aimed to support economic recovery and maintain employment levels for businesses. This was a temporary measure, the window was closed at the end of 2022 and the remaining funds of 5.75 million Euro were transferred to the Regular Window at the beginning of 2023.

In May 2021, ADGF reallocated 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 of this window 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 businesses through banking institutions on partial risk sharing basis and with maximum ceiling of 500,000 Euro and also guarantees for the commercial borrowings of NBFIs from local banks under separate guarantees.

As at December 31, 2024 the guarantees provided are as follows:

	<i>Outstanding Guarantee Balance (ALL)</i>	<i>Disbursed amount guaranteed (ALL)</i>
Guarantees to NOA	688,601,156	2,017,857,812
Guarantees to FedInvest	650,359,000	1,258,048,739
Guarantees to Fondi Besa	835,062,815	2,078,091,942
Guarantees to CFFA	74,313,630	134,956,275
Guarantees to Agro Social Fund	178,421,360	308,049,223
Guarantees to Credins Bank's customers	227,903,414	776,374,127
Guarantees to BKT's customers	126,424,690	370,261,748
Guarantees to Union Bank's customers	1,114,095,433	2,492,181,418
Guarantees to Fibank's customers	72,364,377	158,571,729
Guarantees to OTP Bank's customers	547,337,700	1,400,243,725
Guarantees to ISP Bank's customers	100,193,176	131,017,491
Guarantees to Procredit's customers	26,728,223	27,102,250
Total in ALL	4,641,804,975	11,152,756,477



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, 2024, 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
- 7) Intesa San Paolo Bank
- 8) Procredit 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, Mr. Martin Mici 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:

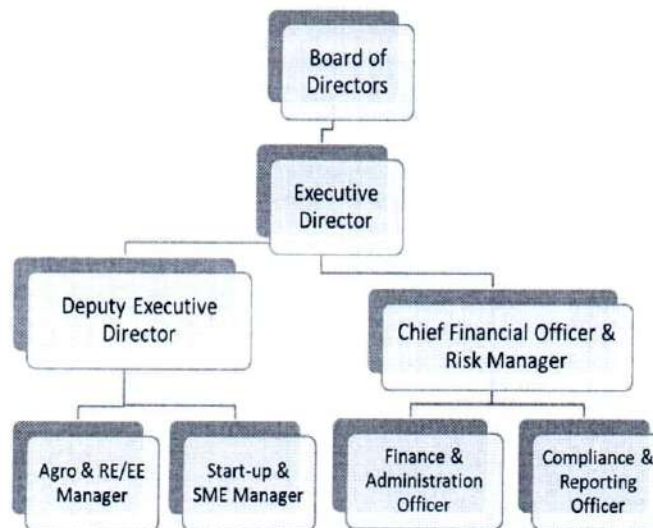


Figure 1. Organization Structure of ADGF

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, 2024 was prepared by the Management of Albanian Development Guarantee Foundation on April 24, 2025, and approved by the Chairman of the ADGF Board of Directors:

Prepared by:

Mr. Bajram Korsita
Executive Director

Date: April 24, 2025

Approved by:



Mr. John P. Khoury
Chairman of the Board

Date: April 24, 2025



Annex 1: Abbreviations list

ADGF - Albanian Development Guarantee Foundation

ALL – Albanian Lek

ASF – Agro Social Fund

BKT – Banka Kombëtare Tregtare

CFFA – Crimson Finance Fund Albania

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