

## European Investors Council Monthly Newsletter



*The pandemic has changed a lot in the economic prospect, and business models as well. For this month we have interviewed the board member of NLB Bank Mr. Lavdim Koshutova, with whom we spoke about sectors with greatest potential for investment, how the “go digital” approach is changing the work concept in the banking sector, and about the importance of integrating the social responsibility in the business model. “There has always been an upside down thirsty desire for investment into small and developing countries. The hypothesis is clear: assuming that you put resources into small and developing countries like Kosovo with youthful and quickly developing country, low cost labor, then you will remain competitive within more mature industrialized country due to the sustainable business strategy by enhancing cost-efficiency,” says Mr. Koshutova.*

## The EU Industry Days 2022 took place in Prishtina, by the lead of EIC

### *Green Agenda, Digital Transformation and Growth in the core of discussion*

The European Investors Council has organized in Prishtina the EU Industry Days 2022. This edition has brought discussions across industrial ecosystems on their green and digital transition, in support of strengthening the resilience of EU companies, including SMEs. It also held discussions on how the young generation can shape the future of the EU industry, in line with the Commission's proposal to make 2022 the European Year of Youth.

Kosovo should coordinate its economic policies with the EU agenda said the head of the EU Office in Kosovo, Thomas Szunyog, during his speech. *"The EU market is ready to create jobs and increase production capacity and Kosovo has the potential to become a forerunner in the region when it comes to renewable energy,"* said the head of the EU mission in Kosovo.

Building upon that, the Economy Minister Mrs. Artanë Rizvanolli, admitted that Kosovo is challenged very much by the energy crisis, therefore important decisions will be taken in addressing this crisis that wasn't present a year ago. "In terms of long-term strategy, we have a clear vision. We need to be aware of technical and financial constraints and ensure supply to customers. We need to work with Albania in the energy sector. We will strengthen this market like Northern Macedonia too," said the minister Rizvanolli, adding that the government will be working on legal framework for the renewable resources.

On the other side, the Minister of Industry, Entrepreneurship and Trade, Mrs. Rozeta Hajdari has pointed out the government is providing significant support for the digitalization of the economy. She said that thanks to the digitalization, many businesses have benefited from the pandemic by selling through the Internet. *"Digitalization has become a factor in the manufacturing industry,"* said Minister Hajdari.

Another priority on the government is the green agenda, which includes as well the climate change law. Mrs. Linda Çavdarbasha, from the Ministry of Environment, said that their priorities are on the green agenda, smart cities and the modernization of the network Prishtina, Peja and Prishtina, Hani I Elezit. *"The ministry is working on several projects that go towards the circular economy, in line with EU laws,"* she said.

The financial stability during the pandemic was another important topic discussed in this event. By confirming that financial sector in Kosovo was stable during the crisis, the Deputy Governor of the Central Bank of Kosovo (CBK), Mr. Sokol Havolli said that *"the financial stability is the hero of the health of a country's economy."* He added that as the green financing is one of the most attractive topics in the field of the financial sector CBK has taken some steps in understanding the risks. *"We have a simpler system that creates an advantage,"* said Mr. Havolli.

Thomas Heinemeier, from the European Commission for Internal Industries said that for the EU, this green agreement is the strategic presenter for economic growth. *"Many aspects need to change in economy in terms of production where as in terms of increasing investment in the manufacturing industry it can be considered a challenge because energy efficiency is required. Productivity is about services to businesses both in what businesses do but also export opportunities- It needs big investments,"* he said.

The session on *"the Green Agenda"* consisted of five panelists: Mr. Neil Taylor- The head of the EBRD office in Kosovo, Mrs. Artane Rizvanolli - the Minister of Economy in Kosovo, Mrs. Linda Cavdarbasha.

The EU industry days 2022 organized as well three sessions, where key stakeholders were invited to discuss on the green agenda, digitalization and the economic growth.



The session on “the Green Agenda” consisted of five panelists: Mr. Neil Taylor- The head of the EBRD office in Kosovo, Mrs. Artane Rizvanolli- the Minister of Economy in Kosovo, Mrs. Linda Cavdarbasha- Official from the Ministry of Environment and Spatial Planning, Mrs. Anita Kovacic- the head of the Raiffeisen Bank Kosovo, and Mr. Juan Zaratiegui- Deputy Head of Political Section at EU Office in Kosovo.



The session on “Growth” consisted of five panelists: Mrs. Blerta Qerimi -World Bank, Mr.Sokol Havolli- Deputy Governor of the Central Bank of the Republic of Kosovo, Mr. Konstantinos Mastrogiannopoulos- European Investment Bank (EIB), Mr. Thomas Heinemeier- DG Internal Market, Industry, Entrepreneurship and SMEs, European Commission, and Ms. Florence Dobbelle - Head of the Danube Balkans Regional Economic Service Embassy of France in Bulgaria.



The session on “Digital Transition” consisted of four panelists: Mrs. Rozeta Hajdari- Minister of Industry, Entrepreneurship and Trade, Mr. Valon Canhasi- CEO of Hallakate, Ms. Sofia Marinho de BASTOS - Senior Official, European Commission, DG Communications Networks, Content and Technology European Commission DG CNECT, and Mr. Ardian Shehu - President of Management Board at Asseco South-Eastern Europe (ASSECO).

## EBRD presents its strategy 2022-2027 to EIC and EU missions in Kosovo



The EBRD Kosovo Strategy 2022-2027 has been presented to and discussed with European Investors Council members and foreign missions in Kosovo. The head of EBRD Office in Kosovo, Mr. Neil Taylor unfolded priorities of the European Bank for Reconstruction and Development for Kosovo in the next five years. There

are three top priorities in this strategy that include increasing competitiveness, green economy and attracting FDI, such as:

- *Developing a more Competitive and Inclusive Private Sector to Foster Economic Recovery and Growth*
- *Supporting Green Economy Transition in Kosovo through a More Sustainable Energy Mix and Greater Resource Efficiency*
- *Strengthening Regional Integration, Connectivity and Foreign Investment.*

The EBRD Kosovo Country Strategy 2022-2027, has been approved by the EBRD Board of Directors on 26 January 2022.

The EIC has reemphasized that it will continue its cooperation with all the foreign missions operating in Kosovo and other relevant institutions, to create a better environment for foreign direct investments in the country.

## EIC meets with the Health Minister

Health is what matters the most, as it affects all aspects of life. To coordinate work between businesses and health institutions, the Health Minister, Mr. Rifat Latifi accepted in a meeting the Executive Director of EIC, Mr. Emrush Ujkani and Roche officials that represent the pharmaceutical sector in Kosovo. They discussed about ideas to increase cooperation

between the two sectors. In the core of the discussion were the planes and coordination in organizing in Kosovo the “EU Beating Cancer” which will be implemented in EU countries and is led by Roche. The European Investors Council received the support of the Ministry of Health for initiatives that contribute to creating a better environment and strategies for the common good.

## Western Balkans Investment Summit 2022

Monday 28 February, The Western Balkans Investment Summit 2022 was held at the EBRD HQ in London. The event was attended by all six heads of government from the region. The Western Balkans is a priority region for the EBRD. Today, the EBRD remains one of the largest institutional investors in countries of the region, with €15 billion invested to date. The aim of the Summit is to highlight potential investment and business opportunities in the Western Balkans region and to promote regional and cross-border projects. This is the fifth EBRD summit of its kind; the inaugural Western Balkans Summit took place at the EBRD in February 2014 and, for the first time, brought together all the region's prime ministers.

The traditional highlight of the Summit – interactive “Prime Ministers Session” - will see the six leaders and the President of the EBRD address the audience with their overall vision for the region, key regional projects and opportunities for investment at both regional level and in each of the countries of the region, which includes Albania, Bosnia and Herzegovina, Kosovo, Montenegro, North Macedonia and Serbia. The session featured extended Q&A with foreign investors, in which the EIC has attended virtually. EIC will continue working closely with all the EBRD and EU Institutions, creating a better environment for foreign investors in our country.



Western Balkans Investment Summit 2022

### Interview with Lavdim Koshutova-Member of Management Board at NLB Bank

The pandemic has changed a lot in the economic prospect, and business models as well. Which are the sectors with the greatest potential to increase the demand for credit in Kosovo?

**Mr. Lavdim Koshutova:** *We really want organizations to adjust and to ensure that they can adapt to an economy where the virus infection might erupt again all of a sudden. Working online and from office may be here to stay, yet that will expect changes to business regulation. Organizations need to know whether or not they are permitted to demand immunization. Many organizations might have to upgrade the working flow process in which they work for all time, and the sooner that happens the better. We will not dispose of Coronavirus now. The virus is probably going to be flowing for a long time to come and will continue changing. The public authority must be evident that splendidly compelling immunizations are accessible, urge individuals to get vaccinated, make sponsor shots accessible in the event that they are required and permit the world to fully recover.*

During 2021 the lending activity increased at a greater pace compared to 2020 and getting back at pre-pandemic levels. The loans as of December 2021 reached up to 3.7 Billion EUR and the main contributors to the growth in total loans were both, corporate loans and household loans. This growth was backed mainly by lending supply of banks taking into consideration the over liquidity and good capital positions, low NPL, improved outlook of the domestic market and supported by Economic Recovery Package.

The main sectors that have the greatest potential to increase the demand in Kosovo, will continue to be related mainly to both, corporate and household segment, taking into consideration also the pandemic which restricted households spending which in turn they caused deposits to increase, but since we are getting slowly back to a normal life spending will further increase which will lead to the increase for new loans.

In terms of the structure, loans to wholesale and trade sector have the highest share, followed by construction, manufacturing and they will remain the main potential to increase the demand for loans in Kosovo.

One of the pandemic aftermaths seems to be the inflation that is affecting societies and economies globally. With the increase of the price of energy and fuel, it was expected that prices of products and other commodities will increase as well. Have you evaluate, how all this can affect banking sector performance, knowing that with more spendings on daily consumption, people will shrink their investments plans?

**Mr. Lavdim Koshutova:** *As they say "Inflation is like a bad cold, it will get worse before it gets better". It is clear that the banking sector is taking soaring inflation seriously and policymakers are rather feeling "cheerless" about the outlook, estimating slower growth and the fall in net incomes. Just about, all of us are worried by rising prices and the pressure on our finances. The typical counsel is to begin by checking whether you are paying a lot for your energy bills which is currently happening. Inflation is basically being driven by higher energy costs that are pushing up costs for goods and services across many areas including higher food prices. Inflation will probably continue longer than expected, but expected to decrease over the year because energy prices might be anticipated to moderate.*

*There will be an increase in the cost of living, which we are witnessing currently and the purchasing power is decreased due to rising prices. In the first place, we are going to see a genuine crush on expectations for everyday comforts. It doesn't take any incredible numerical expertise to work out that loads of individuals are getting consistently more unfortunate. We begin settling on decisions regarding what to remove week after week from our financial plan. Valid, we will dispose of the extravagances first. Yet, we will likewise remove any things that have risen forcefully in cost. Furthermore, increase in prices would tend to open up space for cheaper companies to arise in the market. Assuming that they can observe an approach to offering a similar item or administration at a lower cost, maybe by tracking down less expensive providers, or working all the more proficiently, then, at this point, we can see new players in the market. Also purchasers who are feeling crushed will notice this move rapidly. And they will tend to switch to the similar goods but less expensive.*

*As far as The Financial Sector is concerned, it must be emphasized that it will be impacted negatively by inflation, because inflation leads to decrease of the*

real value of long term returns and reducing the real value of cash balances. By the same token, the real value of individual's deposits of the banking system will be reduced. Instability of inflation rates leads to difficulty of forecasting costs and profits and future planning of specific projects both for individual and businesses. The increase of prices for consumer commodities it summons stresses of a deteriorating economy, rising costs and a pay that can't stay aware of the typical cost for basic items along with the actual status quo trend at the level of monthly revenues which will definitely send a message to the banking sector to adjust to the actual situation. Property holders with contract rates that aren't fixed commonly see their acquiring costs climb intermittently and prompting bigger loan installments. This would trigger the banks to take necessary measures, to ease the requirement for loan products due to the decline in real wages and among many, to adjust loan products to customer needs with longer maturity. It is clear that Financial Sector plays an important role in terms of economic growth, by providing financial resources and employing these resources in productive projects that benefit all the society which in turn well-being of economic growth is achieved.

The pandemic as well has caused supply chain disruptions. This combined with climate change battle, is driving a lot of European businesses in replacing Asia in their market. For small and developing countries like Kosovo, this is considered a unique chance to increase exports to the EU market. How the banking sector is playing its role in all this. Ex. by increasing loans on investments with the export potential?

**Mr. Lavdim Koshutova:** *There has always been an upside down thirsty desire for investment into small and developing countries. The hypothesis is clear: assuming that you put resources into small and developing countries like Kosovo with youthful and quickly developing country, low cost labor, then you will remain competitive within more mature industrialized country due to the sustainable business strategy by enhancing cost-efficiency.*

*Therefore, It's a good investment opportunity for foreign investors taking advantage of high unemployment rates, cheap local labor and low taxes that currently are prevailing in Kosovo which in turn would also be useful to Kosovo by impacting a*

*reduction on the unemployment rate and reducing youth unemployment and skills mismatches.*

*Banking Sector has always played a supportive role by facilitating loan demand to a local companies and by encouraging all companies with export potential to increase their activities. This is mainly reflected in Central Bank statistics where it can be clearly seen that the investment activity is flourishing year on year. In addition, this is also reflected on the latest data published by the Kosovo Agency of Statistics, where the exports of goods in December 2021 were worth 65.0 million Euros, while imports 460.0 million Euros, a huge gap but, an increase by 39.3% for exports and 29.3% for imports, compared to the same period of 2020. The increase in exports as noticed by official data would not have been possible without the support from the banking sector in terms of playing a key role by providing loans to our customers, but there is still room for improvement in terms of increasing the share of exports especially to EU countries and bargaining in terms of potential investments for our clients. Only about 26.5% of total exports are directed to EU countries, even though compared YoY we have an increase of 43.5%, and taking into account that Kosovo's largest share in terms of loans is the trade sector where the main groups for export account 30.5% are the miscellaneous manufactured articles and 22.1% are base metals and articles. Furthermore, It has to be mentioned that factors that impacted on obtaining a loan in the bank were also supported by the Kosovo Credit Guarantee Fund, increased competitive pressure in the banking sector, lower collateral requirements, the decrease of financing cost, increase of loan maturity as well as the increase in risk tolerance. We support our clients in terms of providing favorable terms and conditions related to loans in terms of investment for export, not only in terms of loans but also in terms of facilitating international trade by offering products such a documentary business that is an alternative way of financing purchases in a safer, convenient, and flexible manner. We will continue to support the increase of potential loans for export by crediting clients as mentioned above also through constant facilitation of international trade across trade finance products.*

**Having discussed the above points, how much of the loan portfolio has been changed or is expected to be changed in the future at your bank?**

**Mr. Lavdim Koshutova:** *At one point, we were battling*

with impractical expense designs and disintegrating incomes when the Coronavirus pandemic struck. The emergency strengthened these difficulties and speed up the requirement for more extensive change. With clients moving to advanced channels more quickly than any other time in recent memory, and both on the web and portable mobile applications we had to meet always client needs with another need to keep moving forward. For this reason in order to manage these difficulties, we needed to re-create ourselves with another vision of how we can best serve the financial needs of retail and business clients, together with a working model and cost base planned around this vision. Changes to the retail-banking plan of action have generally come in light of the prevailing actual situation and long term planning of what the triumphant bank of things to come will resemble. Our bank is basically situated towards retail banking with the vision of expanding the portion of retail clients contrasted with our current exposure. This implies that we will be moving the biggest part of over liquidity towards retail and diminishing the portion of advances towards corporate, micro and SME clients and by taking this initiative the bank will decrease its risk exposure and expand its credit book further. The current share of retail towards corporate loans in a banking sector is 37% to 63% and we have widely contributed to this ratio and we tend to believe that in the future this ratio will change even more.

**“Go digital” approach is changing working strategy and environment, with bringing over to clients self-service, which can reduce costs for the banks, and it could also led to reducing the number of employees. How much it is expected to affect NLB’s employment strategy, the digitalization process?**

**Mr. Lavdim Koshutova:** *Certainly, the financial business has been contracting for quite a long time as more modest and average size banks are gained by bigger establishments. The theory and development of computer systems able to perform tasks that normally require human intelligence, cloud computing and the most advanced technology available will assume a bigger part in a wide range of activities of every day banking capacities by supporting role in managing payments, handling the loan process and authorizing loans and identifying misrepresentation. Customers ought to expect less bank offices all over and those that remain will probably shrivel. The times of clients depending on personal bankers to assist with their everyday transactions are fading quickly. It is a*

*fact that conventional teller positions and desk work weighty positions in cash handling have declined and banks have recruited new multitudes of technologists, online protection specialists, engineers and information experts. As innovation improves and machines become more smart, quicker and less expensive, it's feasible to envision a future in which other effectively automatable pieces of the bank to follow a comparable way, with current human workers preparing their robotic substitutions to take their positions.*

*While it is hard to characterize what explicit abilities will be the most esteemed in a future labor force, there are key human attributes that most advanced technology and innovation can never imitate, regardless of how cutting-edge they become. Along these lines, the bank will start to put more significance on creative thinking, advancement, and critical thinking in unsure and hazy circumstances where set guidelines and conventions may not dependably give a response or address a particular issue. It is very conceivable that the reception of these advancements will drive another flood of development across associations, prompting the formation of new items and administrations that will require gifted and prepared HR (individuals) to construct, lead, market, and keep up with them. By embracing these progressions early, monetary administrations organizations can more readily figure out what their future working environment will resemble and guarantee they have a prepared and devoted labor force prepared to help them contend and succeed.*

*NLB Bank will utilize different switches to send ability powerfully and to construct future labor forces, including re-skilling preparing a representative for a new position, up-skilling preparing a worker on extra abilities in a current work and redeployment which means relegating a worker to another job. During the pandemic we have been re-skilling our labor force quickly, exploiting the efficiencies accessible from ability adjacencies. They are likewise constructing foundation to help viable up-skilling and redeployment.*

*We will be concentrated into preparing our re-skilled tellers into universal bankers, where inclusive of they will be able to provide services remotely and in more general terms with a broader knowledge and “know-how” answers, including branch employees to be able*

to perform some roles of back office work i.e. shifting human power to another level.

**NLB has been engaged with many activities, as part of its giving back to community mission. Among many donations offered to the community were the recent donations in helping children of marginalized groups to develop their talents and helping QKUK with equipment, aiming to beat the cancer. How important it is for business community to integrate to their business model the social responsibility approach and what are future plans of NLB to continuing in giving such contributions?**

*Mr. Lavdim Koshutova: An important part of our mission – besides taking care for our customers with our commitment, knowledge and innovative solutions – is to create a better life, a better future for us all. That is why we have embarked on the path of intensive integration of sustainability into our operations so we can have a positive impact on the social and environmental systems. With the adoption of the NLB Group sustainability programme at the end of 2020, NLB has moved from the raising awareness phase to the phase of actively implementing sustainability elements into the business model.*

*We actively contribute towards wider socio-economic development through our Corporate Social Responsibility activities in the community where we operate with constant commitment to different groups of society, financially supporting initiatives that contribute to good health and well-being, quality education, reducing inequalities, poverty reduction, decent work and economic growth and contributing to a greener environment, fully aligned with UN Principles for Responsible Banking.*

**NLB is a member of the European Investors Council, and it was active in addressing its members concerns to relevant institutions. How would you evaluate EIC's performance in general, and how relevant is the newsletter for EIC members, by sharing their successful stories and activities with its members and wider audience?**

*Mr. Lavdim Koshutova: EIC with its initiatives is playing important role as intermediary between the government authorities with a very clear objectives to improve investment climate as pre-requisite to smoothen unemployment rate through direct investments that will have positive impact on overall*

*economy of Kosovo market. The current situation of European Investors Council it reflects an outstanding performance and the sharing experience of successful stories and activities it is a stepping stone that makes us understand each other better.*

**What is your message for EIC newsletter readers, and would you like to add something that was not addressed in question above?**

*Mr. Lavdim Koshutova: The approach of EIC members has the personality of social obligation by raising issues related not exclusively to progress in the field of economy yet additionally to exercises influence toward life improvement by raising the significance of ESG policies. Along these lines, I consider that together we have a great deal to work and contribute in the future.*



*Lavdim Koshutova - Member of Management Board at NLB Bank*



## ProCredit Bank Launches Mobile Application for Electric Car Charging Station Network

ProCredit Bank Launches Mobile Application for Electric Car Charging Station Network

While the promotion of environmental policies affecting the transportation sector started a long time ago across the globe, including Europe, Kosovo still lags behind with regard to providing infrastructure that encourages investment in sustainable transportation.

Cars that run on oil or gasoline contribute heavily to environmental pollution, as they emit a high percentage of CO<sub>2</sub> and particulate matter (PM<sub>2.5</sub>). These fine particles can penetrate deep in the lungs and pose a serious risk to human health. Therefore, car producers and users are increasingly focusing on new technologies that both preserve the environment and protect our health.

**NO MORE  
EXCUSES NOT  
TO DRIVE AN  
ELECTRIC CAR**

Network of electric  
chargers is free for you



In alignment with other activities aimed at protecting the environment in which we live, and in our capacity as a leader in introducing and adopting modern technologies, ProCredit Bank has undertaken the following steps:

To date, 24 electric car chargers have been set up out of a total of 30 to be installed by the end of the first quarter of 2022, covering the largest cities and busiest roads in Kosovo. Some of these chargers are supplied with electric energy from renewable resources, thus ensuring that part of the charging process uses clean energy. Additionally, ProCredit Bank has launched a special offer to finance the purchase of electric cars for private and business clients with an effective interest rate of 4% with zero administrative expenses. “We believe that each individual and team can

contribute to developing and transforming our polluted cities into a healthier and cleaner environment,” explains Besar Pllana, Head of Private Clients Department at ProCredit Bank, noting that environmental protection and promotion of sustainable environmental and social development is central to ProCredit Bank’s mission.

The entire group of ProCredit banks is part of this transformation. With the purpose of establishing appropriate infrastructure for free movement in the region, other ProCredit banks in the region, such as those in Albania, North Macedonia, Serbia, Bosnia and Herzegovina, Bulgaria, etc., have installed electric car chargers.

Another important step taken by the ProCredit group is the launching of the “ProCredit Electric Stations” mobile app, which can be downloaded from Google Play for Android users and from the AppStore for iOS users free of charge not only by the banks’ clients but by all users. In providing a very precise map of the location of the charging stations, the app greatly facilitates travel planning. Among other things, users can view the technical specifications of the ProCredit chargers, obtain directions to the locations and see pictures of the stations so as to be able to recognize them easily. The map is available to all users, and for the next two years, charging electric cars at these stations will be free of charge.

Through this investment, the ProCredit group aims to encourage people to buy environmentally friendly cars, thereby promoting a method of transportation that significantly reduces air pollution and generally reduces the cost of car maintenance and use.


For more information on the network of charging stations, the mobile application, and offers to finance electric cars, visit ProCredit Bank on its website and on social media channels.

### NLB Banka sponsored the "Light of the soul" written by people with special needs

As part of the NLB Group sustainability programme, the bank has supported another project that can have impact on lives of people with special needs. This time it is a book written by people with special needs the National Library of Kosovo and now it is published in four formats (typical, braille, acoustic and enlarged font.) The book contains series of essays that were selected from a competitive program that was organized by the NGO "You Can Do" jointly with the national library. Essays written by people with special needs coincide with the topic on the importance of life, as a person with special needs, and about difficulties and discrimination they face by the society. The three best essays were awarded with prizes, and they were chosen by the jury, consisting of Mrs. Radije Hoxha-A book editor and the head of the jury, Mr Hashim Llumnica- Director of "You Can Do" and Mr. Jusuf Fazliu-member of the jury. Mrs. Hoxha expressed her gratitude towards NLB Banka for supporting the publication of this book and invited everyone to get involved in supporting such activities, emphasizing that "In Kosovo there is a lack of publications in

Albanian language for people with special needs." NLB Banka's mission is to improve the quality of life in the community where it operates and will continuously support such projects that reduce inequalities and promote the talent of people with special needs. vironment for foreign investors in our country.



 European Investors Council  
Tringë Smajli, nr. 23

 +383 49 632 777  
+383 49 398 600

 EICKosovo  [www.eic-kos.eu](http://www.eic-kos.eu)

