Serbian Entrepreneurship Foundation
Srpska fondacija za preduzetništvo

ANNUAL REPORT

SERBIAN ENTREPRENEURSHIP FOUNDATION

YEAR 2022

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1. OVERVIEW

Serbian Entrepreneurship Foundation (SEF) was established in December 2019 by KfW (German Development Bank) and Privredna komora Srbije (Serbian Chamber of Commerce - PKS), under the Serbian Law of Endowments and Foundations, Registration Number 28831935. The Foundation has its legal seat in Belgrade, Republic of Serbia, with the registered address located at Vladimira Popovica Street No. 6, New Belgrade, Belgrade. The official web presentation of the Foundation is www.sef.rs .

The objective of Foundation is to facilitate and improve access to adequate financial products to start-ups, micro small and medium enterprises (MSMEs), entrepreneurs and registered farmers, by encouraging banks and non-bank financial institutions and other service providers and business development entities, to provide financial and non-financial services to this segment of the economy. Activities of the Foundation are directed towards generating and/or increasing employment, improving the standards of living and alleviating poverty and thereby contributing to the sustainable growth of the Republic of Serbia.

The Foundation is governed by a professional team led by a Managing Director and supervised by a Board of Directors.

Members of the Board of Directors are:

1. Mr. John Khoury, independent member and Chairman of the Board of Directors
2. Mr. Darko Ivkovic, member nominated by KfW
3. Mr. Milos Djekic, member nominated by the Privredna komora Srbije

The Managing Director is Mr. Aleksandar Grabovac, appointed by the Board of Directors.

As of December 31, 2022, the Foundation had 3 employees and Managing Director.

2. ACTIVITIES IN 2022

A) COVID-19 INITIATIVE

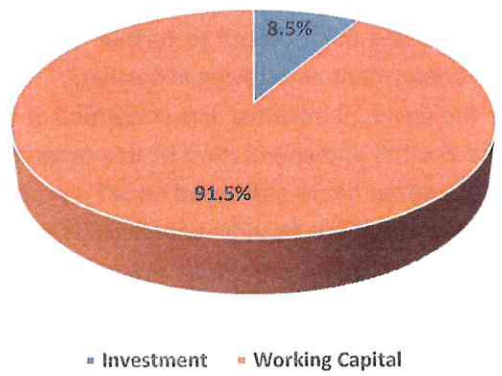
Recognizing the urgent need for financial support to MSMEs negatively impacted by the pandemic during 2020, SEF and its main donor, KfW, have worked to address this urgent crisis. As a result, the German Ministry for Economic Cooperation and Development (BMZ), through KfW, as the implementation partner, agreed to provide funding for the COVID-19 initiative in the form of a grant in the amount of EUR 5.000.000,00. In June 2021, this was increased by an additional amount of EUR 6.200.000,00. The objective of this initiative is to facilitate access to finance for clients whose business was affected by the pandemic the most. Due to lack or insufficient collateral SEF provides guarantees through a risk sharing mechanism and by this provides financing of much-needed working capital for the continuation and recovery of the most affected business.

The focus was on clients from the most affected economic sectors (hotels, restaurants, transport, services...). Also, this initiative enabled bank clients to further develop their business by supporting investment activities, maintain employment and staying in business.
The KfW grant agreement for the Covid 19 initiative was concluded at the end of 2020, first guarantee was issued in June 2021, while the full implementation of this program was carried out during 2022. Recognizing the requirements of partner banks and based on SEF's proposal, with full agreement of KfW as the donor, changes of the initial conditions for final beneficiaries were made in July 2022, in order to fully maximize the utilization of the approved grant. With these changes the maximum guaranteed loan amount was increased, maturity of the working capital loans was prolonged and the total program duration was extended until end of 2023.
In accordance with the new conditions, SEF guarantees cover the loans approved to final beneficiaries for working capital (maturity up to 36 months) and for investments (maturity up to 60 months). Maximum loan amount per beneficiary stands at EUR 100.000,00.
In addition to Halkbank, SEF's first partner bank in the programme, 3 (three) additional banks joined the Covid-19 Initiative during 2022, namely: Raiffeisen Bank in February, Addiko Bank in June and ProCredit Bank in August.
From the beginning of implementation, SEF has guaranteed 573 MSME loans, entrepreneurs and registered farmers that used the benefits of the guarantee scheme developed for the needs of Covid-19 initiative. More than 200 registered farmers benefited from this guarantee scheme.
Currently, the total guaranteed amount by SEF under the Covid-19 Initiative is EUR 7.376.335,24, and the total guaranteed loan amount of EUR 11.909.742,32. Average loan amount is EUR 20.785.

During 2022 and in accordance with the conditions of the guarantee scheme, SEF has made payments claimed by partner banks for 2 (two) guarantees in the total amount of EUR 18.373.

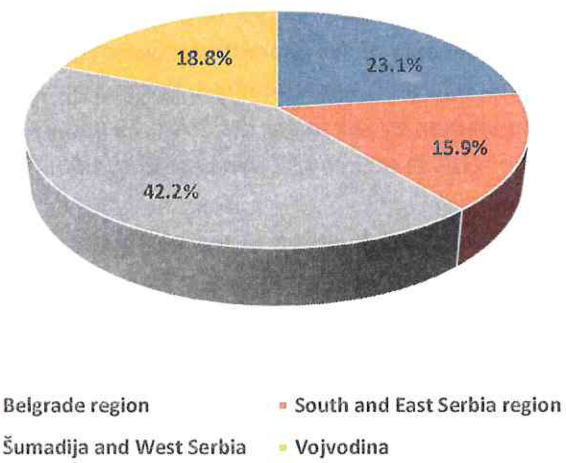
The largest number of the guaranteed loans were approved for financing working capital.

Structure of guarantees according to loan purpose

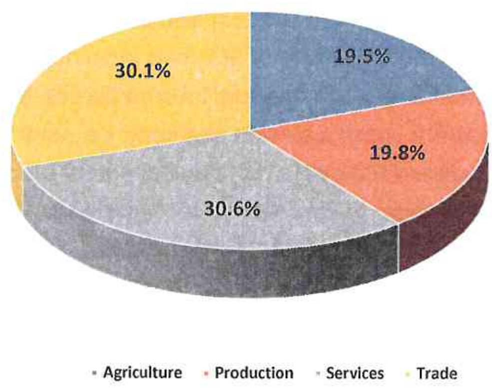


Beneficiaries of this guarantee scheme are from all parts of the Republic of Serbia:

Regional distribution of Covid-19 Iniciative beneficiaries

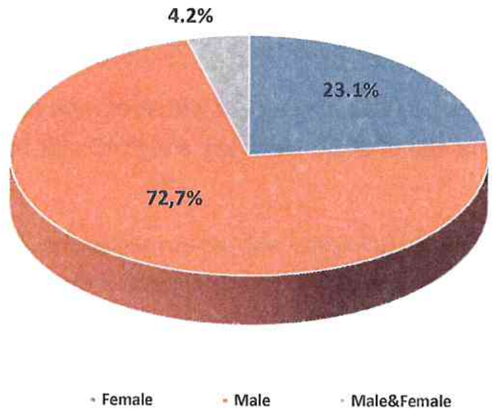


Structure per beneficiaries` activities



Almost a quarter of the beneficiares are companies, entrepreneurs and registered farms owned by women:

Gender structure of beneficiaries` owners



Special emphasis of the Covid-19 initiative is on maintaining and increasing employment with the beneficiaries of the guarantee scheme. Beneficiaries of the guarantee scheme, compared to the period before the outbreak of Covid-19 pandemic, increased the number of employees by 836, while the total amount of employees of the guarantee scheme beneficiaries, at the time of applying for a loan with the commercial bank was 3680.

The main benefit for final beneficiaries of this guarantee scheme is that the banks' requests related to loan security instruments are significantly reduced for loans guaranteed by SEF.

B) START-UP FACILITY

The primary goal for establishing the Serbian Entrepreneurship Foundation was to create a permanent, sustainable legal structure that will continue the initiative of KfW, the Ministry of Economy of the Republic of Serbia and the Public Investment Management Office (PIMO), a Government of the Republic of Serbia institution. The initiative, in line with the objectives of SEF, was launched through a Pilot phase not only to identify the need for access to finance through financial intermediaries, but also to further develop and improve financial products to support a specific market segment, i.e., start-ups. Business start-ups are legal entities, entrepreneurs and registered farmers that have been operating for less than 2 years at the time of submitting the loan application to the bank. In September 2021, SEF has received EUR 12.692.143,00 grant funds from the German Ministry for Economic Cooperation and Development and implemented by KfW, in order to start the 2nd phase (Roll-out phase) of the Promotion of the enrepreneurship and self-employment program through incentives to financial institutions for financing start-ups.

The Start-up Facility includes 4 components:

1. Training of beginners in business for preparation of business plan
2. Guarantees (up to 60% of the loan amount) to banks that finance beginners in business
3. Grants for beginners in business after fully repayment of the loan to the bank
4. Free of charge Mentoring/coaching program for beginners in business in the first year of using the loan, as well as training of bank staff that participate in the program.

In August 2022, SEF has signed a Partnership Agreement with ProCredit Bank for Start-Up Facility, as the second bank in the program. At the end of 2022, Halkbank and ProCredit Bank were SEF's implementing partners for this program.

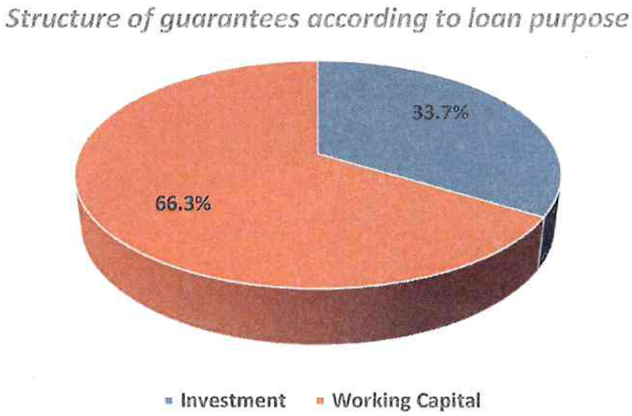
During 2022, active promotion of Start-Up Facility was performed to the banking sector, as well as other financial institutions (mostly leasing companies). It can be expected that during 2023, 2-3 new banks will take part in this program.

From the beginning of implementation of this program, SEF has guaranteed 73 loans for a total guarantee amount of EUR 706.502,22, and a total loan portfolio of EUR 1.177.503,70.

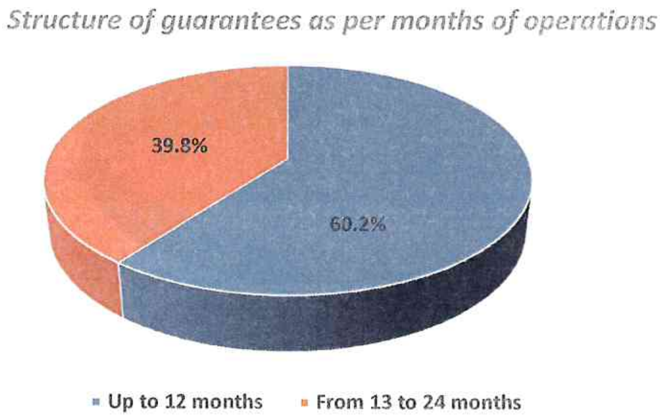
During 2022, there were no payments by SEF claimed by partner banks within this program.

SEF guarantees cover bank loans approved to start-up businesses for working capital (maturity up to 36 months) and for investments (maturity up to 60 months). Maximum loan amount per beneficiary is EUR 30.000,00.

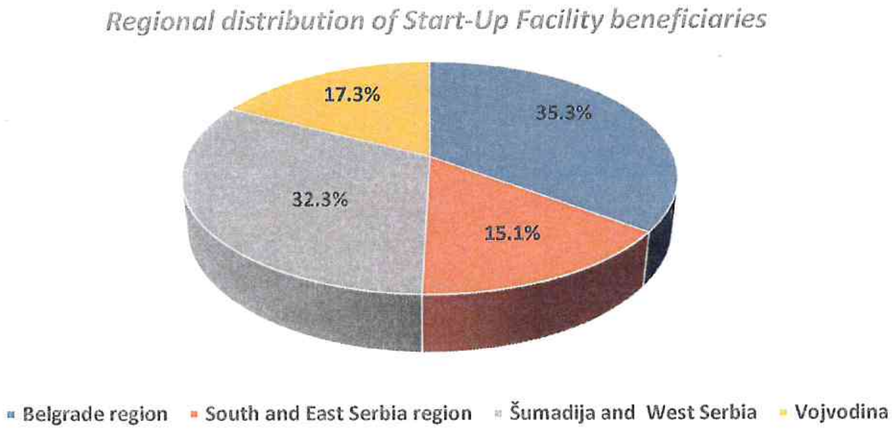
Start-Ups have mainly used the guaranteed loans for financing working capital:



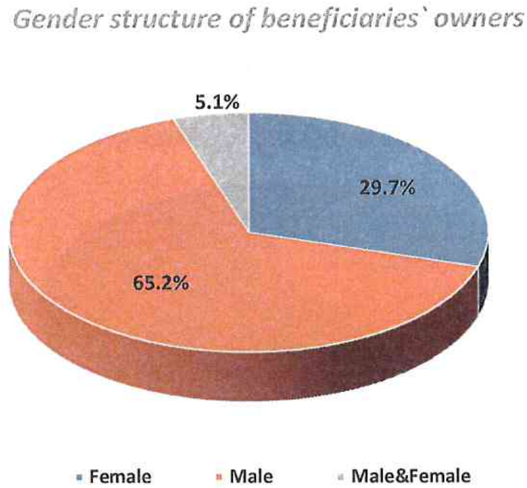
Most of the beneficiaries are entities in operation for less than 12 months:



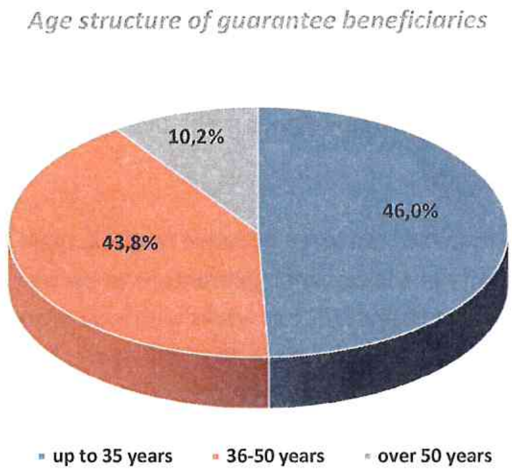
Beneficiaries of this guarantee scheme originate from different parts of the Republic of Serbia:



Almost a third of the beneficiares are entities owned by women:



A significant share of beneficiaries are entities and entrepreneurs whose founders are under 35 years old:



At the moment of the guarantee approval by SEF, start-up businesses had 143 employees in total.

3. FUNDING AND CAPITALIZATION

During 2022 SEF didn't receive new funds from Grant Agreements.
SEF has funds based on two Grant Agreements that are provided by the German Ministry for Economic Cooperation and Development Cooperation (BMZ) through KfW:

- Grant for Covid-19 Initiative in the amount of EUR 11.200.000,00
- Grant for Start-Up Facility in the amount of EUR 12.914.693,00, from which EUR 172.550,00 have been reimbursed to KfW for bridge financing of pre-operational expenses, in accordance with the Grant Agreement and for the costs that SEF encountered during SEF's establishment.

Grant funding, as well as revenues generated from the Foundation's activities in 2022 have enabled SEF to fully cover all operational expenses from its own income. SEF's income comes from two sources, i.e., return on capital investment and fee income for issued guarantees to partner banks.

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4. PROMOTION OF THE FOUNDATION'S ACTIVITIES

From its establishment, SEF has been working to raise awareness of targeted market segments and financial service providers in order to promote its objectives and programs. SEF team is in regular contact with banks, development agencies and potencial donors, Chamber of Commerce (PKS) and Ministry of Economy. Based on the achieved results in support of MSMEs and registered farmers, as well as beginners in business, SEF has become an interesting partner for implementation of other development programs, that are in accordance with SEF's objectives. Therefore, during 2022, SEF has made contact and discussed potential cooperation with Swiss Development Cooperation (SDC) and UNDP.

5. PLANNED ACTIVITIES IN 2023

After the successful implementaion of Covid-19 initiative in 2022, main focus for 2023 will be the full implementation of Start-Up Facility in all segments: guarantees to partner banks, technical assistance to partner banks in terms of training of bank staff that works with loan requests for start-up financing and training to beginners in business. Also, in 2023 SEF will work intensively on development and implementation of development projects of SDC and UNDPas well as green finance and woman in business programs.

Belgrade, February 2023

The Foundation's Annual report for the year 2022 was prepared by the Managing Director of Serbian Entrepreneurship Foundation (SEF) and approved by the Chairman of the Board of Directors.

Prepared by:

Aleksandar Grabovac
Managing Director SEF

СРПСКА ФОНДАЦИЈА ЗА ПРЕДУЗЕТНИШТВО
SERBIAN ENTREPRENEURSHIP FOUNDATION
BEOGRAD
BELGRADE

Approved by:

John Khoury
Chairman of the Board of Directors SEF