Serbian Entrepreneurship Foundation
Srpska fondacija za preduzetništvo

ANNUAL REPORT

2024

Belgrade, February 2025

1. BACKGROUND

The Serbian Entrepreneurship Foundation (SEF) was established in December 2019 by KfW (German Development Bank) and the Serbian Chamber of Commerce and Industry (Privredna komora Srbije- PKS), under the Law on Endowments and Foundations, with the registration number 28831935. The Foundation has its head office in Belgrade, Republic of Serbia, registered at Vladimira Popovića Street, No. 6, New Belgrade. The Foundation's official website is at www.sef.rs .

The objective of the Foundation is to facilitate and improve access to adequate financial products for start-ups, micro, small and medium-sized enterprises (MSMEs), entrepreneurs and registered agricultural holdings by encouraging banks and non-banking financial institutions, other service providers and development agencies to provide financial and non-financial services to this segment of the economy. The Foundation's activities are focused on maintaining and/or increasing employment, improving living standards and alleviating poverty, thereby contributing to the sustainable growth of the Republic of Serbia.

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

The members of the Board of Directors are:
Mr. John Khoury, independent member and Chairman of the Board of Directors
Mr. Darko Ivković, member of the Board of Directors appointed by KfW
Mrs. Jelena Cvijanović, member of the Board of Directors appointed by the Serbian Chamber of Commerce and Industry (PKS)

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

As of 31 December 2024, the Foundation has 5 employees and a Managing Director.

2. ACTIVITIES IN 2024

A) START-UP FACILITY

The primary goal of establishing the Serbian Entrepreneurship Foundation was to create a permanent, sustainable legal structure that would continue the initiative of KfW and the Government of the Republic of Serbia. The initiative, in line with SEF's goals, was launched through a Pilot phase that was initiated, not only to determine the need for access to finance via financial intermediaries, but also to further develop and perfect financial products as a form of support for specific market segments: start-ups. Start-ups, initially considered to be companies, entrepreneurs, and registered agricultural holdings that, at the time of applying for a loan with a commercial bank, have been in operation for less than 2 years. In September 2021, SEF received EUR 12,692,143.00 from the grant funds approved by KfW to start the 2nd phase (Roll-out phase) of the Entrepreneurship Development and Self-Employment Program through incentives to financial institutions for start-up financing.

The Start-Up Facility includes 4 components:
1. Training of start-ups for the elaboration of business plans and financial literacy.
2. Guarantees for commercial banks (up to 60% of the loan amount) financing start-ups.

3. Non-refundable funds (grants) for start-ups who repay the bank loan in full.
4. Training of bank staff working with start-ups' loan applications as well as cost-free mentoring for start-ups in the first year of using the loan.

SEF guarantees bank loans approved to start-ups for working capital (maturity of up to 36 months) as well as for investments (maturity of up to 60 months). The maximum loan amount per beneficiary is EUR 30,000.00.

One of the basic objectives of SEF, raising awareness and the importance of start-up finance in the banking sector in the Republic of Serbia, was successfully implemented in 2024:

- In January 2024, the SEF signed a cooperation agreement with ERSTE Bank as a Partner Financial Institution in the Start-Up Facility.

The signing of the Agreement with ERSTE bank

- In September 2024, SEF signed a cooperation agreement with NLB Bank to become a partner in the Start-Up Facility.

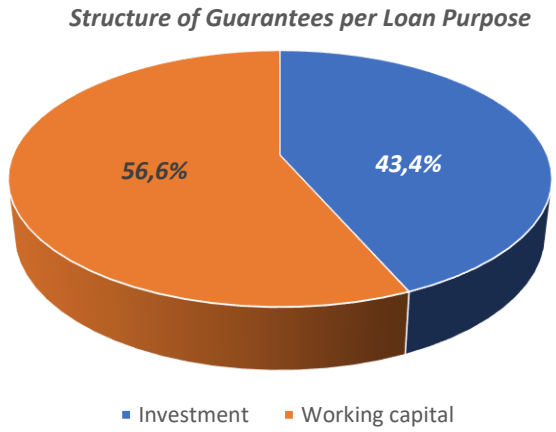
The signing of the Agreement with NLB Bank ad

At the end of 2024, five banks partnered with SEF to implement the Start-Up Facility: Halkbank ad Belgrade, ProCredit Bank ad Belgrade, 3 Bank ad Novi Sad, ERSTE Bank ad, and NLB Komercijalna banka. The banking sector in the Republic of Serbia recognized SEF as an organization playing a key role in promoting and facilitating access to financing for business start-ups.

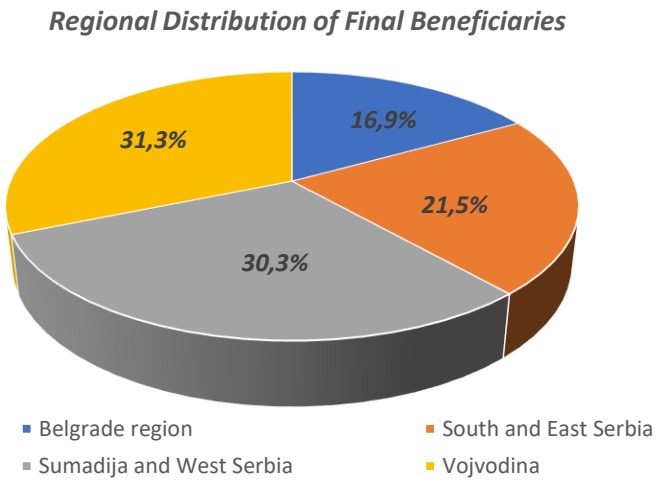
As of the onset of implementation until 31 December 2024, SEF guaranteed **2,066** start-up loans from this program, whereby the issued guarantees amounting to **EUR 7,585,922** directly supported **EUR 12,643,203** in loans to start-ups.

Partnering with new banks in this program has significantly contributed to the increase in the number of guarantee beneficiaries in 2024.

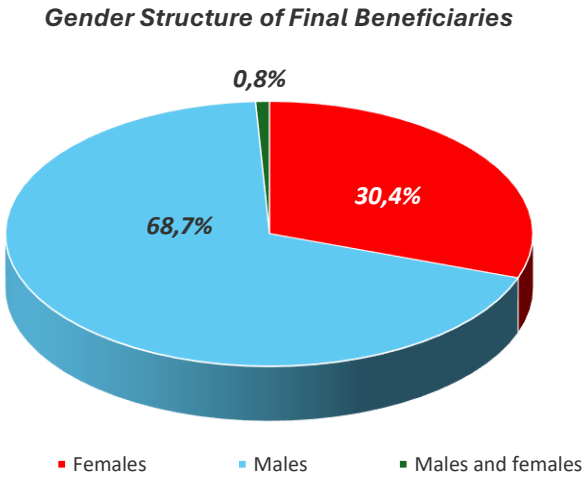
Start-ups have mostly used guaranteed loans for working capital.



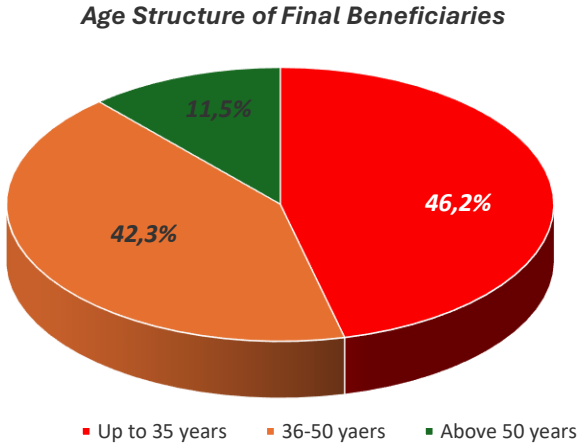
The guaranteed beneficiaries are evenly distributed across all regions of the Republic of Serbia.



Nearly one-third of the guarantees issued are issued to entities owned by women.



The largest share of guarantees' beneficiaries are companies and entrepreneurs whose founders are under 35 years of age.

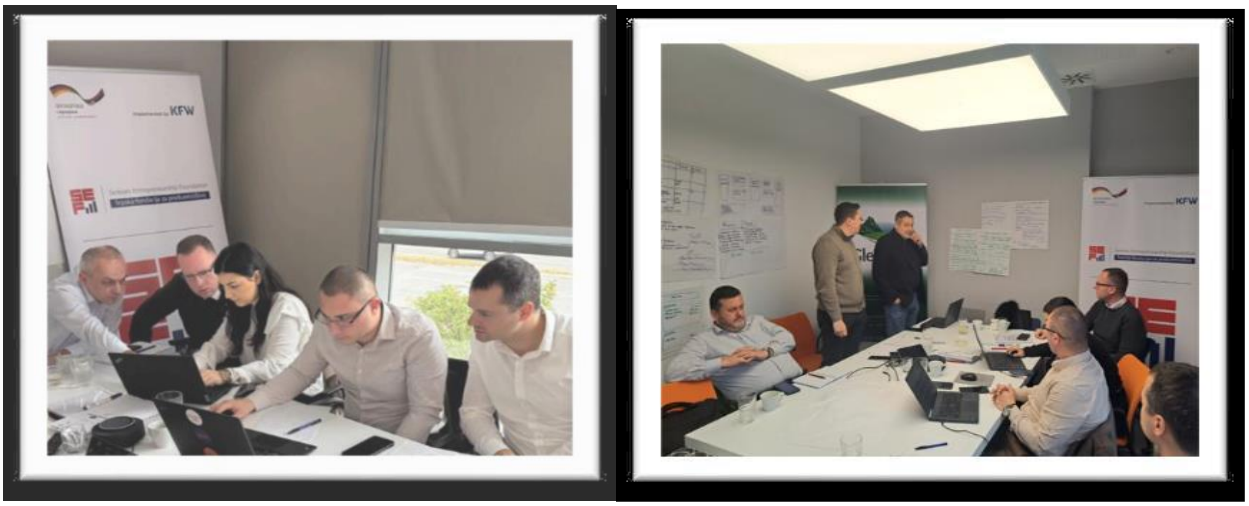


One of the most important components of this program is the assumption of risk for start-up loans. Hence, as of 31 December 2024, SEF paid 25 claims under guarantees to partner banks, amounting to RSD 8,078,981.07.

Non-refundable funds (grants) for beneficiaries from the Start-Up Facility who have duly repaid their loans to partner banks are also one of the program's components that are becoming increasingly present as the program progresses. For this purpose, as of 31 December 2024, SEF paid out **64** grants amounting to RSD 10,440,039.10.

Through its guarantee mechanism, SEF has directly contributed to the creation of new jobs in the Republic of Serbia. The start-ups for which the SEF provided guarantees, at the time of guarantee approval, employed **3,269** employees.

In December 2024, SEF organized a free three-day training for the first group of seven employees of NLB Commercial Bank. The aim of the training was to familiarize employees with the specificities of start-up financing, elaborating and understanding business plans, analyzing start-ups' credit applications, and the assistance that bank officers can provide to start-ups to help them present their business ideas as effectively as possible. These SEF activities will continue in the future for all interested partner banks.



Training for employees of NLB Commercial Bank

The Employee Reward Program, which targets bank staff exhibiting the best performance in financing start-up clients from the SEF program, continued throughout 2024. With the aim of promoting financing start-ups and raising awareness of its importance, in December 2024, SEF rightfully rewarded two ProCredit Bank employees for their exceptional results in financing start-ups. SEF will undoubtedly continue this practice with other partner banks.

Presentation of Awards to ProCredit Bank Staff

To extend the scope and invite more potential candidates for the Start-Up Facility, and having in mind the start-up definition in programs implemented by the European Union institutions in the Republic of Serbia, the definition of a business start-up was revised in November 2024, with the

consent of KfW to include companies, entrepreneurs, and registered agricultural holdings that have been in operation for less than three years or less than four years if the business owner is a woman, at the moment of the application for a loan with the commercial bank.

B) COVID-19 INITIATIVE

On 31 December 2023, the first program implemented by the SEF, the COVID-19 Initiative aimed at mitigating the consequences of the COVID-19 pandemic, was successfully completed. The focus was on clients coming from the most affected industries (hotels, restaurants, transport, services...). This initiative enabled bank clients to recover their businesses, maintain employment and further develop their business activities via investment support.

SEF guarantees cover bank loans approved to final beneficiaries for working capital (maturity of up to 36 months) and investments (maturity of up to 60 months). The maximum loan amount per beneficiary is EUR 100,000.00 in RSD counter value.

Four banks participated in this program: Halkbank ad Belgrade, Raiffeisen Bank ad Belgrade, ADDIKO Bank ad Belgrade and ProCredit Bank ad Belgrade.

As part of the Covid 19 Initiative, SEF guaranteed **847 loans** for SMEs, entrepreneurs, and registered agricultural holdings that benefited from this guarantee scheme.

Among the total number of beneficiaries, there were also 250 registered agricultural holdings that used this guarantee scheme.
The total amount of guarantees issued by the SEF from the COVID-19 Initiative guarantee scheme amounted to **EUR 14,072,496**, covering loans amounting to **EUR 22,752,839**.
The average amount of the guaranteed loan was EUR 26,863.

As the purpose of this guarantee scheme was to share the financing risk with partner banks for the target group of clients, conclusive with 31 December 2024 and in accordance with the terms and conditions of this guarantee scheme, SEF made claim payments to partner banks for a total of 31 guarantees in the amount of RSD 45,539,898.10.

This program has significantly contributed to achieving the goals for which SEF was established. Specifically, the COVID-19 Initiative contributed to:

- Facilitating access to bank loans for micro, small, and medium-sized enterprises, entrepreneurs, and registered agricultural holdings that suffered the effects of the global pandemic on their businesses.
- Reducing commercial bank requirements for security instruments towards micro, small and medium-sized enterprises, entrepreneurs, and registered agricultural holdings.
- Preserving employment and creating new jobs.
- Balanced regional development in the Republic of Serbia.

The funds released by the due repayment of loans under this program will mostly be used as SEF contribution to the EU counter-guarantee program for small and medium-sized enterprises, implemented by SEF in cooperation with KfW.

C) SME Hub Initiative

In July 2024, SEF and the Swiss Agency for Development and Cooperation (SDC) concluded a Loan-Guarantee Scheme Agreement for selected manufacturing SMEs in Serbia. With this Agreement, SEF joined one of the leading projects of Swiss developmental cooperation in Serbia. This public-private initiative is designed to assist small and medium-sized manufacturing enterprises by facilitating their access to funding sources and alignment with global standards. The signed Agreement involves a grant of EUR 2,100,000.00 for the implementation of a guarantee scheme that should provide financial support for domestic SMEs to meet the necessary standards to become part of the supply chain of large multinational corporations. The scheme includes credit support up to EUR 250,000 per enterprise, provided by SEF's partner banks.
Under this Agreement, in August 2024 SEF received the first tranche of funds in the amount of EUR 1,050,000.00.

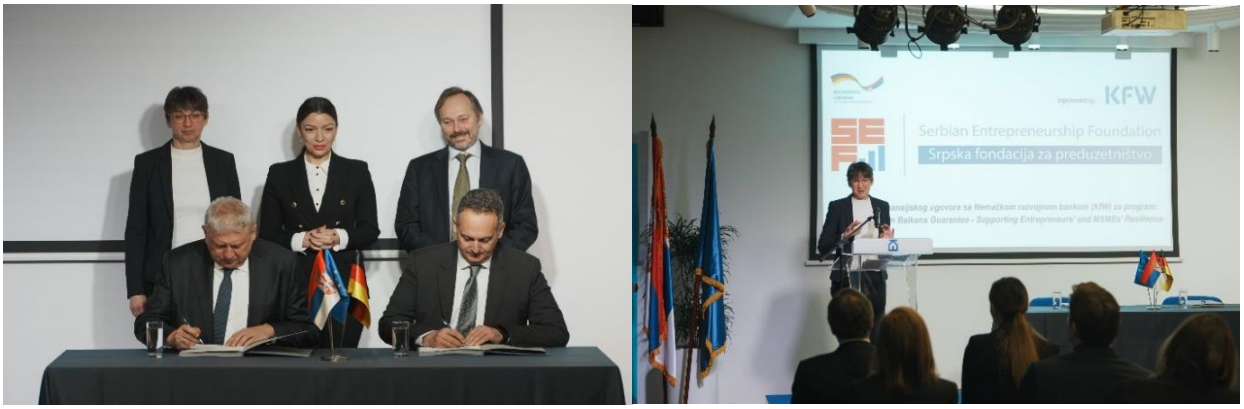
SEF's partner bank in implementing this guarantee scheme is ProCredit Bank, with whom a Partnership and Guarantee Agreement for this program was signed in December 2024.

The signing of the contract with ProCredit Bank, SDC SME Hub program

D) EU-KfW Western Balkans Guarantee - Supporting Entrepreneurs' and MSMEs' Resilience

In December 2024, SEF joined the joint EU- KfW guarantee program for the Western Balkans, offering support to entrepreneurs and small and medium-sized enterprises. The value of the Agreement signed with KfW is EUR 10,133,000.00. This program aims to support manufacturing enterprises, rural enterprises and business start-ups by providing adequate guarantee support to partner banks lending to these client groups. The Agreement also includes technical assistance to SEF for the implementation of this program. The signed Agreement will contribute significantly to the further development of SEF, primarily through the development of the so-called portfolio guarantees.

The signing ceremony was held at the premises of the EU House in Belgrade, with the presence of high officials from the Ministry of Economy, the EU Delegation to Serbia, and the Embassy of the Federal Republic of Germany in Serbia.



The signing of the contract with KfW for the EU-KfW Western Balkans Guarantee - Supporting Entrepreneurs' and MSMEs' Resilience Program

3. FINANCING AND CAPITALIZATION

In 2024, SEF received funds under the following agreements:

- the Grant Agreement for accompanying measures of 25 October 2023, in the amount of EUR 87,174.25.
- The Agreement on Contribution to the Loan-Guarantee Scheme Agreement for selected manufacturing SMEs in Serbia, concluded with the Swiss Agency for Development and Cooperation (SDC), amounting to EUR 1,050,000.00.

In 2023, the Foundation had funds available under

1. Three Grant Agreements provided by the German Federal Ministry for Economic Cooperation and Development (BMZ) and via the German Development Bank (KfW):

- A grant for the Covid-19 Initiative amounting to EUR 11,200,000.00. The grant was fully disbursed in 2020 and 2021.
- A grant for the Start-Up Facility amounting to EUR 12,914,693.00, where a portion of the funds amounting to EUR 172,550.00 was returned to KfW in accordance with the Grant Agreement to cover the costs incurred by KfW in establishing the SEF. The grant was fully disbursed in 2020 and 2021.
- A grant for accompanying measures amounting to EUR 500,000.00, of which EUR 158,174.23 was disbursed.

2. The Agreement on Contribution to the Loan-Guarantee Scheme Agreement for selected manufacturing SMEs in Serbia was concluded with the Swiss Agency for Development and Cooperation (SDC). The contribution value was EUR 2,100,000.00, of which EUR 1,050,000.00 was disbursed in 2024.

The funds disbursed from the grants were used exclusively for purposes defined in the Grant Agreements.

In 2024, SEF fully covered its operating costs from its own source revenues, which stemmed from interest income on grant funds; income from fees for issued guarantees that SEF collects from partner banks, and income generated on the basis of refund from loan collection by banks for which the SEF has made a payment as per guarantees.

Also, all payments pertaining to guarantees in 2024, which SEF paid to commercial banks, were exclusively covered from the Foundation's operating revenues.

Based on the financial results achieved in 2024, SEF has also allocated a portion of funds for the disbursement of grants in 2025 to start-ups who have duly repaid the loans guaranteed by SEF to commercial banks.

4. PROMOTION OF THE FOUNDATION'S ACTIVITIES

Since its establishment, SEF has been engaged in raising awareness among targeted market segments and financial service providers to promote its goals and programs. The SEF team maintains regular communication with banks, KfW, the Serbian Chamber of Commerce and Industry, the Ministry of Economy, and potential donors. Based on the results achieved in supporting MSMEs, registered agricultural holdings, and start-ups, the SEF is also open to implementing other development programs in line with the Foundation's objectives. In July 2024, following thorough negotiations, cooperation was established with the Swiss Development Cooperation (SDC) as a new donor.

In June 2024, a short promotional video was created on the success stories of the banks' clients supported by SEF under two programs (Start-Up Facility and Covid-19 Initiative). The video is available at: https://youtu.be/igXBlKkL7_c?si=5wgetW8PuwLFhTO1
The news on the Foundation's activities is regularly updated on the SEF LinkedIn account. The account registers a large number of followers and positive comments about the Foundation's activities.

5. ACTIVITIES PLANNED FOR 2025

One of SEF's key priorities for 2025 is the launching and implementation of the EU and KfW guarantee program for the Western Balkans, which offers support to entrepreneurs and small and medium-sized enterprises. In parallel, efforts will be channeled towards providing active support and promotion, in collaboration with the SME Hub programs implemented by SEF in cooperation with the Swiss Agency for Development and Cooperation (SDC).
The support to start-ups is an ongoing SEF mission via the Start-Up Facility. The focus will be on guarantees to partner banks and technical assistance to partner banks in the form of training for staff dealing with start-ups' loan applications. In line with the needs and dynamics of training delivery for start-ups from the pilot phase, a new round of start-up training will be organized in cooperation with the Serbian Chamber of Commerce and Industry.

The Foundation's report for the business year 2024 was prepared by the Managing Director of the Serbian Entrepreneurship Foundation and approved by the Chairman of the SEF Board of Directors.

Prepared by:

Aleksandar Grabovac

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Aleksandar Grabovac
SEF Managing Director

Approved by:

John Pierre Khoury

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Date: 2025.02.27 08:34:25 +01'00'

John Khoury
Chairman of the SEF Board of Directors