



Inclusive Entrepreneurship Policies: Country Assessment Notes

Croatia, 2018



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FOREWORD

Inclusive entrepreneurship policies aim to offer all people an equal opportunity to create a sustainable business, whatever their social group. This is an important requirement for achieving the goal of smart, sustainable and inclusive growth set out in the Europe 2020 strategy. It is also a means to respond to new economic challenges, to create jobs and to fight social and financial exclusion. Among the key targets of inclusive entrepreneurship policies and programmes are women, youth, older people, the unemployed, migrants and people with disabilities, who all continue to face challenges in the labour market and are under-represented or disadvantaged in entrepreneurship activities. ‘The Missing Entrepreneurs’ series of publications of the Organisation for Economic Co-operation and Development (OECD) and the European Union discuss how public policies and programmes can support inclusive entrepreneurship. This includes refining regulatory and welfare institutions, facilitating access to finance, building entrepreneurship skills through training, coaching and mentoring, strengthening entrepreneurial culture and networks for target groups, and putting strategies and actions together for inclusive entrepreneurship in a co-ordinated and targeted way. Governments are increasingly recognising the challenge of inclusive entrepreneurship, but there is still much to do to spread good practice.

In Croatia, the proportion of workers who are self-employed has declined in recent years. This is especially true for groups that often face greater challenges in entrepreneurship such as women, youth and older people. The proportion of working women who were self-employed declined from 13.7% in 2008 to 7.9% in 2017, while the proportions of self-employed youth and older people fell from 6.4% to 2.2% and 27.5% to 15.3% over the same period. Public policy support for entrepreneurship has grown in recent years with the adoption of the Entrepreneurship Development Strategy (2013-2020), Strategy of women entrepreneurship development (2014-2020), the Operational Programme Efficient Human Resources 2014-2020, the Youth Guarantee Implementation Plan and more. However, inclusive entrepreneurship support could be strengthened with more tailored support programmes such as entrepreneurship training, coaching and mentoring and network building.

This note is the third country assessment note prepared by the OECD in collaboration with the Directorate-General for Employment, Social Affairs and Inclusion of the European Commission on the state of inclusive entrepreneurship policies and programmes in each European Union Member State. Each note provides an overview and assessment of policies and programmes that support people from under-represented and disadvantaged groups in business creation and self-employment and suggests policy actions to address gaps in the support system and to improve the quality of available support offers. The notes cover national-level policies and programmes and, where relevant, sub-national initiatives and actions by the non-governmental sector. The 2018 notes include an additional section on female entrepreneurship support, which provides an overview of the entrepreneurship activity levels, obstacles faced and policy responses.

The notes are part of a wider programme of work by the OECD and the European Commission that includes ‘The Missing Entrepreneurs’ publications, the Better Entrepreneurship Policy Tool (www.betterentrepreneurship.eu), a series of Policy Briefs on specific target groups, policies and issues, and country reviews of youth entrepreneurship and women entrepreneurship. For more information please refer to: www.oecd.org/employment/leed/inclusive-entrepreneurship.htm.

ACKNOWLEDGEMENTS

This note is part of a series of notes on country-level inclusive entrepreneurship policies and programmes prepared by the Organisation for Economic Co-operation and Development (OECD) for the European Commission. These notes were prepared as part of the programme of work of the OECD Local Economic and Employment Development (LEED) Programme of the Centre for Entrepreneurship, SMEs, Regions and Cities (CFE) led by Lamia Kamal-Chaoui, Director. They provide an overview of current and planned policy actions and identify some actions that could be implemented to address gaps in the current support offering, or improve current offerings.

This note was prepared by Prof. Slavica Singer of Josip Juraj Strossmayer University in Osijek. David Halabisky and Cynthia Lavison of the CFE undertook additional drafting and editing of the note under the direction of Dr. Jonathan Potter, also of the CFE. A draft version of this note was discussed with a steering group at a workshop in London on 9 July 2018. The steering group was co-led by the OECD and Danica Eterović (CEPOR SMEs & Entrepreneurship Policy Centre). Other members of the steering group included Marijana Ćuk Kostrec, Jasminka Keser and Branka Bedek Vitanović (Ministry of Economy, Entrepreneurship and Crafts); Mirela Grgurić, Sanca Haviđić and Ksenija Slivar (Ministry of Tourism); Luka Novosel (Ministry of Labour and Pension System); Ivana Mikek Kupres, Ankica Paun Jarallah and Anita Štefanac (Croatian Employment Service); Anamrija Delic and Julia Perić (Faculty of Economics, Osijek); and Mirela Alpeza (CEPOR SMEs and Entrepreneurship Policy Centre). Much of the data contained in this note were prepared under the direction of Dr. Jonathan Levie of the Global Entrepreneurship Monitor. This note benefited from feedback and suggestions provided by Guy Lejeune of the Directorate-General for Employment, Social Affairs and Inclusion of the European Commission.

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KEY MESSAGES

- Entrepreneurship support has had a relatively high position on the political agenda in recent years. Entrepreneurship policies are guided by several key documents, notably the Entrepreneurship Development Strategy of the Republic of Croatia 2013-2020; the Strategy for Combating Poverty and Social Exclusion in the Republic of Croatia (2014-2020); the Strategy of women entrepreneurship development in the Republic of Croatia 2014-2020; and, the National Strategy for Inclusion Roma 2013-2020. As a result, several tailored programmes that support youth, women and the unemployed in entrepreneurship have been recently introduced. However, tailored policies and programmes for social target groups such as seniors and people with disabilities are outside of the scope of these documents.
- Indicators on business start-up and self-employment activities in Croatia suggest a downward trend in entrepreneurial activities. The proportion of workers who are self-employed has decreased over the past decade. It fell below the European Union (EU) average in 2014 and the downward trend has continued ever since. In 2017, the proportion of workers who were self-employed was 10.5%, relative to 13.7% across the EU. The youth self-employment rate decreased sharply from 10.1% in 2013 to 1.4% in 2015, and remained low at 2.2% in 2017.
- To further develop evidence-based inclusive entrepreneurship policies, it is recommended that the government (i) undertake an evidence-based assessment of inclusive entrepreneurship policies and programmes; (ii) tailor entrepreneurship training to the needs of the different target groups; (iii) develop entrepreneurship coaching and mentoring programmes for entrepreneurs from under-represented and disadvantaged groups; (iv) support the development of entrepreneurship networks for entrepreneurs from under-represented and disadvantaged groups; (v) use role models from different target groups to promote entrepreneurship using CEPOR SMEs and Entrepreneurship Policy Centre as the host for the Forum on Inclusive Entrepreneurship.

1. INCLUSIVE ENTREPRENEURSHIP OBJECTIVES AND TARGETS

Policy support for entrepreneurship has a long history that goes back to the establishment of the Ministry of Entrepreneurship and Crafts in 2001. Support has been intensified with the adoption of the Entrepreneurship Development Strategy of the Republic of Croatia 2013-2020. The strategy has five objectives that seek to increase the competitiveness of small businesses:

1. Foster business networks, R&D and innovation
2. Strengthen access to finance;
3. Promote entrepreneurship;
4. Improve entrepreneurial skills; and,
5. Support business development.

However, there are no specific objectives or targets related to the use of entrepreneurship policy as a tool to address social exclusion for people from groups that are under-represented or disadvantaged in the labour market (e.g. women, youth, seniors, migrants, the unemployed).

One of the most relevant programmes for inclusive entrepreneurship is the Operational Programme Efficient Human Resources 2014-2020 (OPEHR).¹ It includes a range of preventative labour market measures that seek to avoid long-term unemployment (e.g. education, training), as well as self-employment support. OPEHR is based on the concentration of investments in four thematic objectives: (i) High employment and labour mobility; (ii) Social inclusion; (iii) Education and lifelong learning; (iv) Good governance – nearly 80% of the total allocation EUR 1 582 210 000 from the European Social Fund (ESF) is planned for investments in employment measures and social inclusion (EUR 930 million or 61.34% for employment and EUR 328 million or 20.73% for social inclusion). Targets for 2023 identified in the OPEHR include:

- 21% self-employed, upon leaving status of unemployment (19% in 2013);
- 20% self-employed, six months after leaving status of unemployment (18% in 2013);
- 9 365 women in self-employment, out of the cohort of unemployed women;
- 6 607 persons above 54 years of age in self-employment, out of the cohort of unemployed persons in that age group;
- 12 919 created start-ups; and,
- 5% of young people who are not in employment, education or training (i.e. NEETs) become self-employed within six months after leaving NEET status (2% in 2013).

¹ <http://www.esf.hr/wordpress/wp-content/uploads/2015/02/FINAL-OP-EHR.pdf>

These targets are in-line with the national goal for 2020 of decreasing the number of persons at risk of poverty² and social exclusion by 150 000, from 1 370 000 to 1 220 000. This target is set in the Strategy for combating poverty and social exclusion 2014-2020, and actions are focused on three priorities:

1. Ensuring conditions for successful poverty reduction through measures targeting long-term unemployed and other vulnerable groups, increasing adequacy of social benefits in social welfare system, and equal access to public services. This priority includes, among others, the action on reducing the rate of unemployment and of insufficient participation on the labour market, increasing the employment rate to 62.9% by 2020.
2. Ensuring conditions for the prevention of new categories of poverty as well as the reduction of the number of persons at risk of poverty and social exclusion by ensuring access to early childhood services and equal access to social, health and other services, increasing employability of working active population, especially vulnerable groups. This priority includes, among others, the action on creating opportunities for raising the employment rate of working-age persons and increasing the employability of disadvantaged groups.
3. Establishing a co-ordinated system of support to groups in risk of poverty and social exclusion.

² In 2012, Croatia had one of the highest rate of persons at risk of poverty and social exclusion in the EU – 19.5% of total population, compared to EU average of 16.8%. According to activity status, at-risk-of-poverty rate was highest for the unemployed (42.9%), economically inactive (31.9%) and retired (21.8%). In 2015, overall at-risk-of-poverty rate slightly increased on 20.0 % in Croatia, but decreased in EU on 17.3%. (Source: Eurostat – At-risk-of-poverty rate threshold, age and sex – EU-SILC, last update: 19-07-2018 and Women and Men in Croatia, 2015, p. 45).

2. KEY INCLUSIVE ENTREPRENEURSHIP INDICATORS

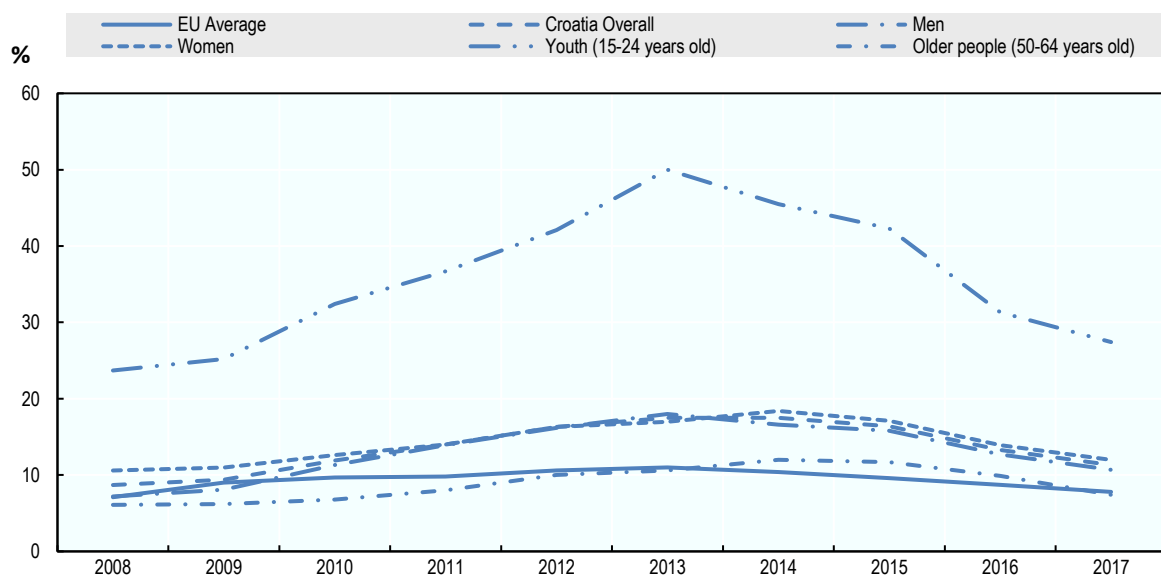
2.1. Labour market context

Prior to the economic crisis, unemployment had been declining in Croatia. However, the onset of the economic downturn in 2008 reversed this trend. The unemployment rate peaked in 2014 at 17.5%, which was above the European Union (EU) average of 10.4% (Figure 1). However, the unemployment rate declined to 11.3% in 2017, but remained above of the EU average of 7.8%. The unemployment rate for women was greater than the unemployment rate for men, but the gap has closed to approximately one percentage point.

Unemployment was very high among the youth over the past decade and grew rapidly after 2009. Between 2012 and 2015, the youth unemployment rate was approximately double the EU average (42.1% vs. 23.2%; 50.0 % vs. 23.7%; 45.5% vs. 22.2%; 42.3% vs. 20.3%, respectively). However, the youth unemployment rate declined from 50.0% in 2013 to 27.4% in 2017. Nonetheless, it was still 1.6 times greater than the EU average (16.8%) in 2017.

Unemployment among older people also increased with the onset of the recession, but to a lesser extent than for youth. The unemployment rate peaked for seniors in 2014 at 12.0%, which was double the rate in 2008. In 2017, the unemployment rate had declined to 7.4%.

Figure 1. Unemployment rate, 2008-17

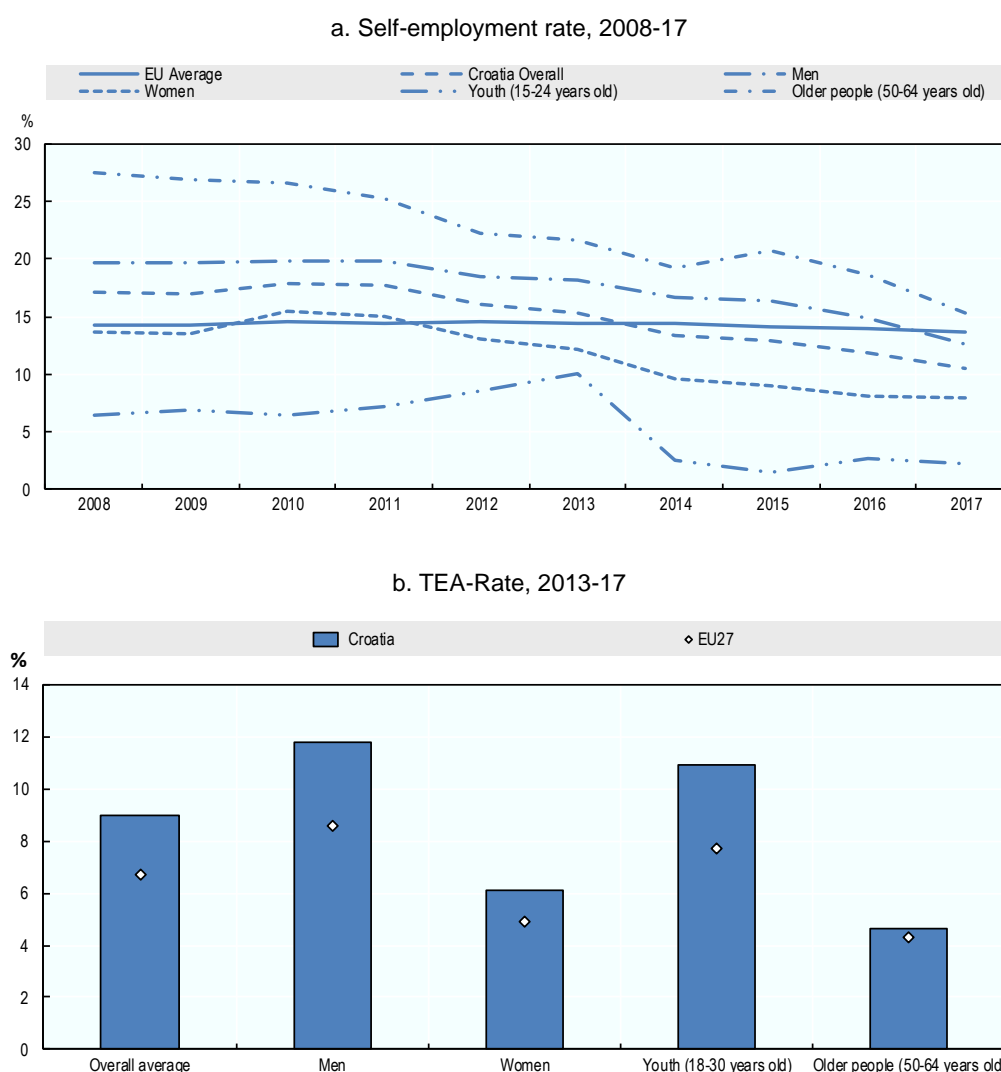


Source: Eurostat (2018), Labour Force Survey.

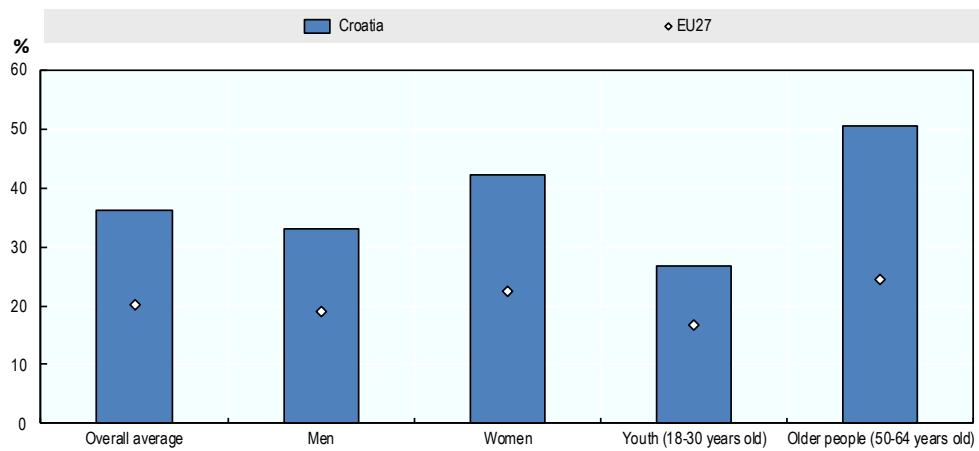
2.2. Self-employment and entrepreneurship rates

Overall, the proportion of workers who were self-employed in 2017 was below the EU average (10.5% vs. 13.7%) (Figure 2a). This represents a significant change in labour market activities over the past decade since the proportion of workers who were self-employed in 2008 was 17.1% -- nearly three percentage points above the EU average. The proportion of workers who were self-employed declined in all population segments over the last decade. This decline was particularly pronounced for youth in recent years – the self-employment rate fell from 10.1% in 2013 to 2.2% in 2017. The self-employment rate for women also declined substantially, falling from 13.7% in 2008 to 7.9% in 2017, as did the self-employment rate for older people, from 27.5% in 2008 to 15.3% in 2017.

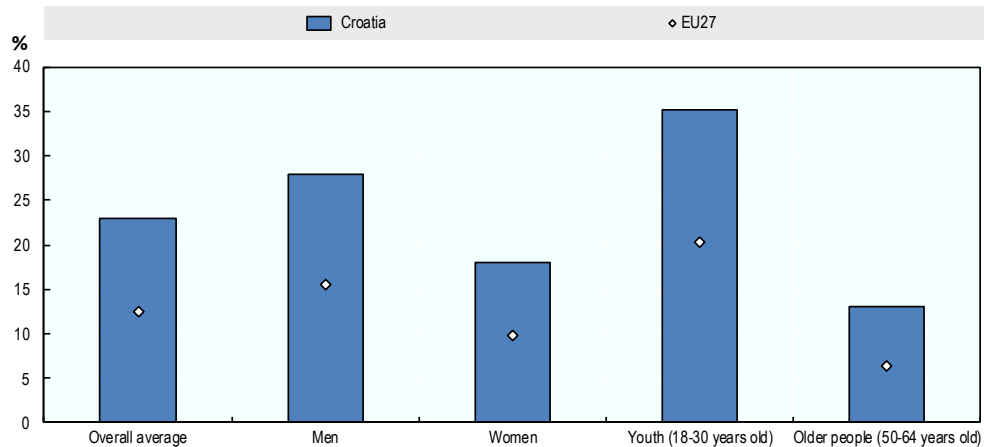
Figure 2. Entrepreneurship rates by target group



c. Proportion of TEA that is necessity entrepreneurship, 2013-17



d. Proportion who expect to start a business in the next 3 years, 2013-17



Note: The self-employment rate is defined as the proportion of those in employment who are self-employed. The TEA rate is the Total early-stage Entrepreneurial Activity rate, which is defined as the proportion of the population actively involved in pre-start-up activities and those who have started a new business within the last 42 months. The proportion of TEA that is necessity entrepreneurship is the proportion of entrepreneurs involved in setting-up a new business or operating a business that is less than 42 months old, who were motivated to start their business because they had no better options for work. Data for panels b, c, and d were pooled for the period 2013-17, producing an unweighted average. The EU27 average in panels b, c, and d covers all EU Member States except Malta because it is not covered by the GEM survey.

Source: Panel a contains data from Eurostat (2018), Labour Force Survey; Panels b, c, and d contain data from the 2013 to 2017 Global Entrepreneurship Monitor household surveys that were tabulated for the OECD (2018).

Entrepreneurship activities can also be assessed using surveys such as the Global Entrepreneurship Monitor (GEM), which monitors entrepreneurship activities at various points in the life-cycle model (i.e. pre start-up activities, new business operations, activities by established businesses, and business exits). The main indicator is the Total early-stage Entrepreneurial Activity (TEA) rate, which estimates the proportion of adults (18-64 years old) actively involved in setting up a business and managing a new business (i.e. less than 42 months old).

Overall, adults in Croatia were more likely to be involved in starting a business or managing a new business than the EU average over the period 2013-17 (9.0% vs. 6.7%) (Figure 2b). Although the TEA rate for women was slightly above the EU average rate for women for this period, it was half the rate for men (6.1% vs. 11.8%). This is consistent with the gender gap in the proportion of workers who are self-employed and can be explained by a lack of access to finance, small entrepreneurship networks and a lack of services supporting family life (e.g. kindergartens or care facilities for elderly people).³

However, many young people were involved in starting or managing new businesses. Between 2013 and 2017, 11.8% of youth were engaged in early-stage entrepreneurship activities, which was above the EU average (7.7%). Older people were less likely to be starting or managing businesses (4.7%), but this was essentially the same as the EU average (4.3%).

The high level of early-stage entrepreneurship activities over this period can be partially explained by the high proportion of new entrepreneurs who reported that they started their business due to a lack of opportunities in employment. Over the period 2013-17, between three- to four-in-ten entrepreneurs started out of “necessity” (36.2%), which was 1.8 times more likely than the EU average (Figure 2c). Half of older entrepreneurs indicated that they started their business due to difficulties in finding a job (50.4%). Women were also very likely to report this motivation (42.2%).

A similar pattern is observed in the proportion of people who expect to create a business (Figure 2d). Men had higher expectations to start a business than women between 2013 and 2017 (28.0% vs. 18.0%), and young people were more likely than older people to expect to do so (35.2% vs. 13.1%). However, all of these proportions were approximately double the EU average for each group. This is likely due to the high proportion of people that start businesses out of “necessity”.

2.3. A profile of the self-employed

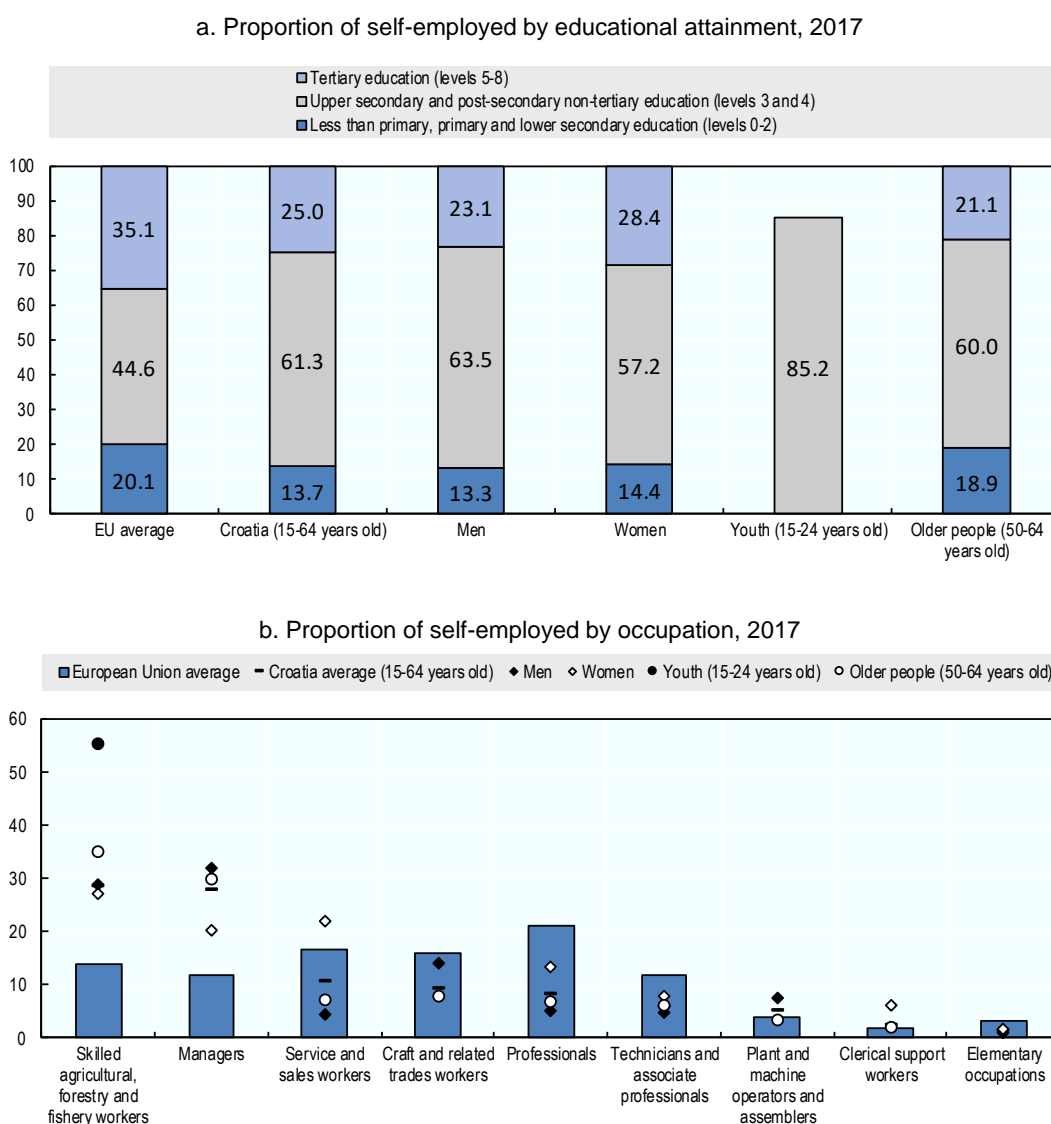
Education plays an important role in profiling self-employment structure. Both in Croatia, and in EU, most self-employed people have completed upper secondary and post-secondary level education (Figure 3a). There is a decreasing trend of self-employment among less educated people (lower secondary education and under) and increasing trend of self-employment among the highest educated population (with tertiary education). In Croatia, the majority of self-employed persons have upper secondary and post-secondary education (61.3% in 2017). Self-employment of less educated persons is decreasing (from 29.8% in 2007 to 13.7% in 2017) and self-employment of persons with tertiary education (levels 5-8) is increasing (from 12.5% in 2007 to 25.0% in 2017). It also holds for self-

³ As identified in the strategic documents related to women entrepreneurship in Croatia: Strategy of women entrepreneurship in the Republic of Croatia, 2014-2020 http://www.mingo.hr/public/Poduzetnistvo/Strategy_of_Women_Entrepreneurship_%20Development12117.pdf and in the Strategy of women entrepreneurship in the Republic of Croatia, 2010-2013. <https://vlada.gov.hr/UserDocsImages//Sjednice/Arhiva//45%20-%201a.pdf>

employed people among older population (50-64 years old) regardless of gender. Data for youth (15-24 years old) are not available.

Regarding the distribution of self-employed by occupation, the profile of self-employed workers in Croatia is quite different from the EU average. In Croatia, the majority of the self-employed are skilled agricultural, forestry and fishing workers (28.5%), managers (28.1%) and service and sales workers (10.7%). In the EU, professionals, service and sales workers and craft and related trades workers are dominant (21.0%, 16.5% and 16.0% respectively) (Figure 3b).

Figure 3. Characteristics of self-employed workers by target group



Note: The self-employment rate is defined as the proportion of those in employment who are self-employed.

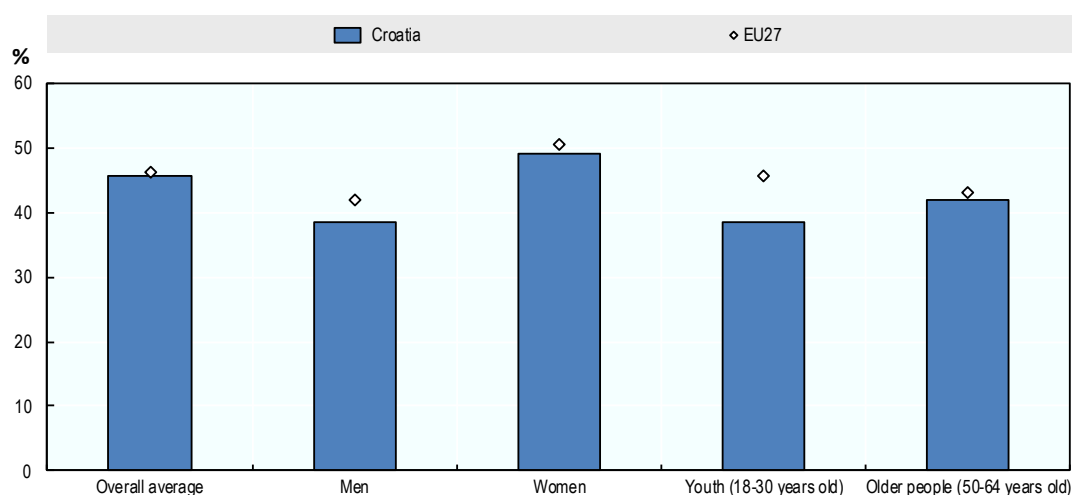
Source: Eurostat (2018), Labour Force Survey.

2.4. Barriers to business creation

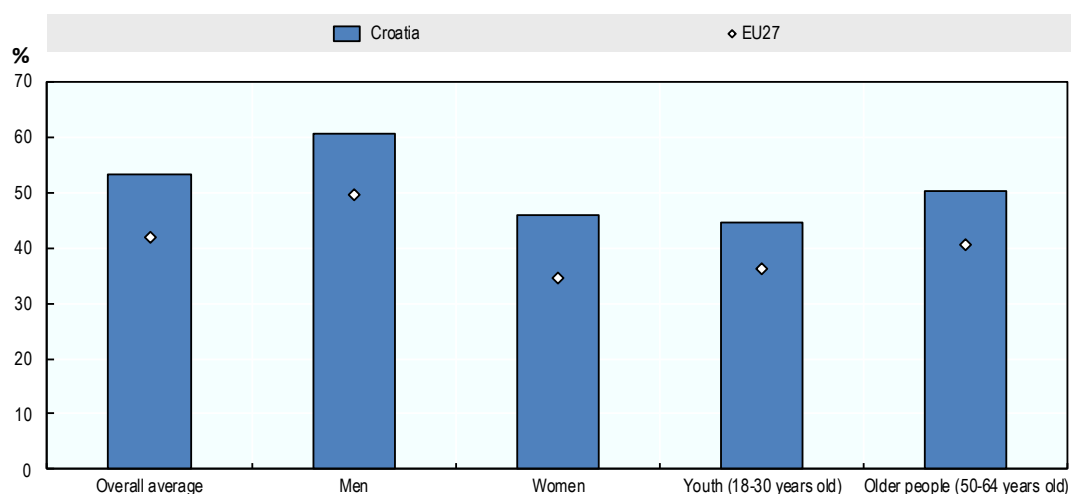
Over the period 2013-17, it is estimated that nearly half of the population (45.5%) report a “fear of failure” as an obstacle to entrepreneurship (Figure 4a). This was approximately equal to the EU average for this period (46.2%). Women were the most likely to report that a “fear of failure” was a barrier to business creation (49.2%), but it was also a barrier for older people (41.9%). Youth reported the lowest “fear of failure” (38.5%) comparing to the EU (45.5%). High unemployment of youth (lack of opportunities in the labour market) force young people into self-employment and in such situation a “fear of failure” as a barrier to business creation decreases. A possible explanation may be that in the absence of alternative options, people may tend to take risks they would not in other situations.

Figure 4. Barriers to entrepreneurship by target group

a. Proportion who report that a fear of failure prevents them from starting a business, 2013-17



b. Proportion who perceive that they have the skills to start a business, 2013-17



Note: Data were pooled for the period 2013-17. Responses were weighted to reflect the population in each year, but no weighting was used when pooling the time series data, i.e. all years have the same weight regardless of the sample size in each year. The EU27 average covers all EU Member States except Malta because it is not covered by the GEM survey.

Source: GEM (2018), special tabulations of the Global Entrepreneurship Monitor’s household surveys from the 2013 to 2017.

Usually, another important barrier is a lack of entrepreneurship skills. However, people in Croatia are, overall, more optimistic about their perceived entrepreneurship skills than the EU average. Over the period 2013-17, more than half of Croatians reported that they had the skills for business creation (53.1%). This was above the EU average for the same period (41.9%). Men, women, youth and older people were all confident in the entrepreneurship skills – 60.4%, 45.8%, 44.5% and 50.1%, respectively, reported that they had the skills and experience to start a business. All of these proportions were above the EU average for the 2013-2017 period. Such high confidence in own entrepreneurship skills also could be connected with high share of necessity based entrepreneurs – lack of other employment options force people to be more confident in own competences to start a business.

2.5. Entrepreneurship performance

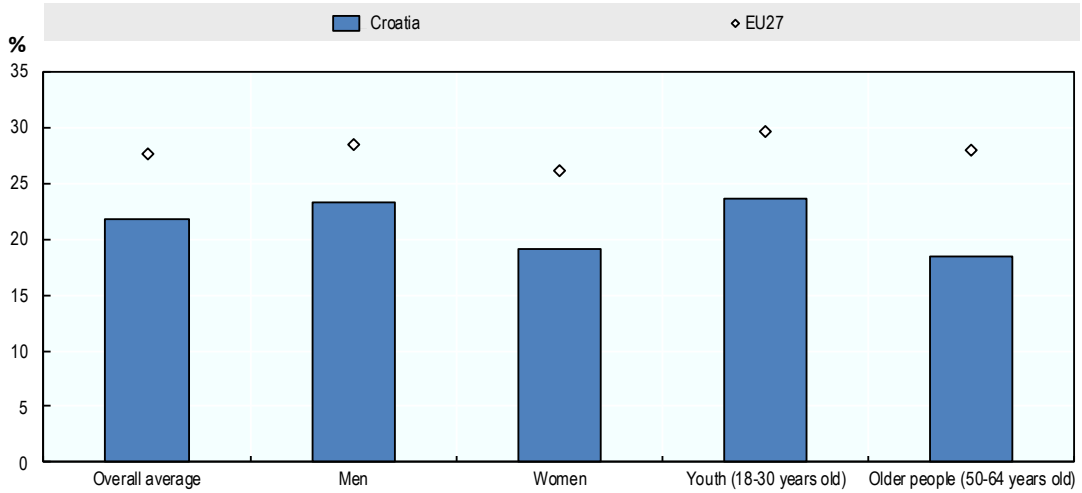
Overall, entrepreneurs in Croatia were less likely than the EU average to offer new products and services to their customers over the period 2013-17 (21.8% vs. 27.6%) (Figure 5a). Women and older people were less likely to offer new products and services during this period. Lack of new products and services is somewhat surprising since the GEM survey also indicates that Croatian businesses are technologically better equipped than EU counterparts (Singer et al., 2018). This inconsistency could be due to the role of collaboration between business sector and research community – in 2017, Croatia ranked 43rd out of 54 countries involved in GEM survey in the level of R&D transfers (GEM, 2018b). The issue of non-effectiveness of R&D transfer has been identified for years in surveying competitiveness by the World Economic Forum – in 2017/18 report, Croatia was ranked as 43rd out of 137 countries on technological readiness, but only 106th for innovation. More specifically, it ranked 118th for university–industry collaboration in R&D (Schwab et al., 2017).

This low level of innovation in Croatian businesses undermines its competitiveness on foreign markets, and for a country with a small internal market, exporting is more important to Croatian entrepreneurs than in average to EU entrepreneurs (Figure 5b). Over the period 2013-17, 84% of entrepreneurs report selling to customers in another country. Therefore, the long-standing issue of lack of innovative products has a negative influence on competitiveness on external markets, by directing Croatian export toward less demanding (and cheaper) markets.

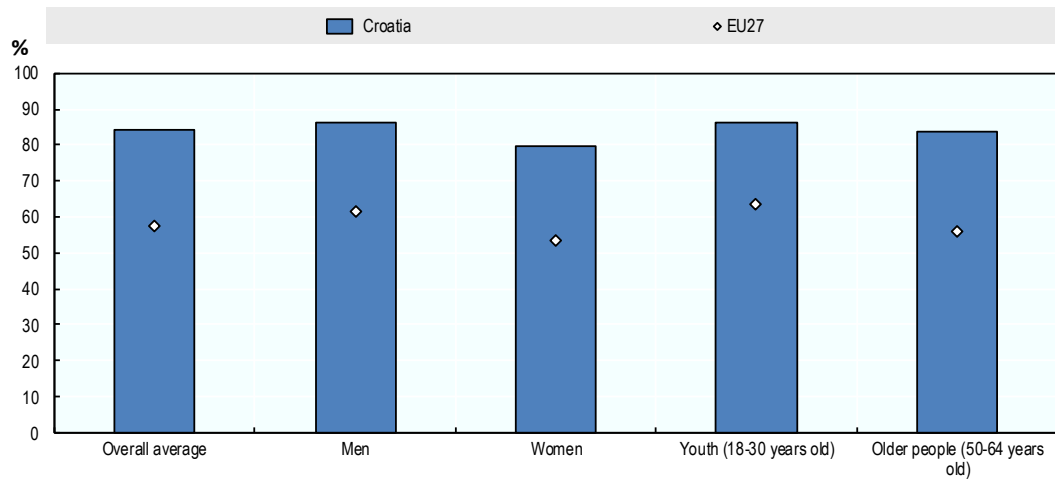
Nonetheless, Croatian entrepreneurs are optimistic when it comes to their expected job creation. Men and women, youth and older entrepreneurs were more likely than the EU averages to expect to create more than 19 jobs over the next 5 years: 13.5% vs 12.1% for men; 9.7% vs. 5.9% for women; 14.7% vs. 10.8% for youth; and 13.5% vs. 9.7% for older people (Figure 5c). However, this optimism is not supported with the level of innovativeness of businesses. Without portfolios of innovative products it is difficult to build profitable business models needed to fulfil the expectations for jobs creation.

Figure 5. Self-employment and entrepreneurship activities by target group

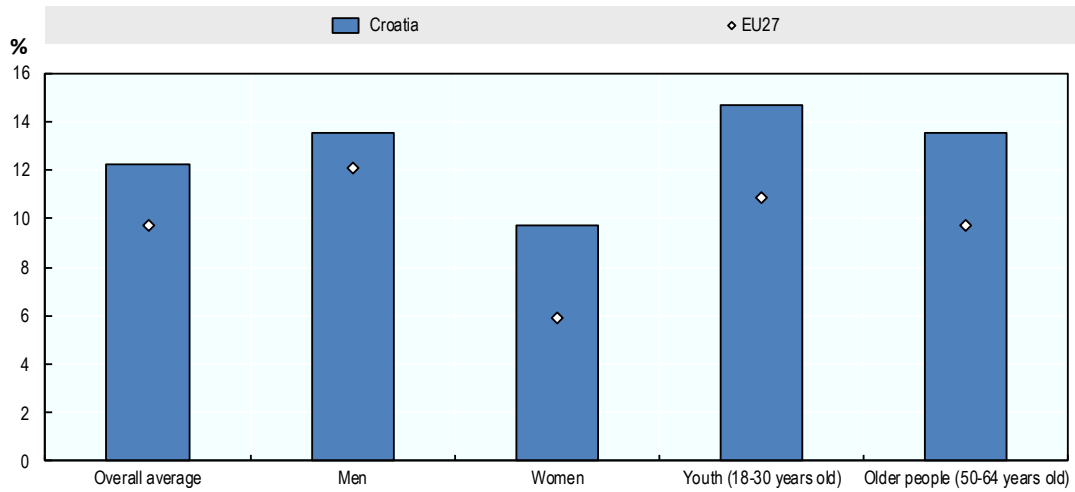
a. Proportion of new entrepreneurs whose products or services are new to all or some customers, 2013-17



b. Proportion who sell to customers in another country, 2013-17



c. Proportion of early-stage entrepreneurs who expect to create more than 19 jobs in 5 years, 2013-17



Note: Data were pooled for the period 2013-17. Responses were weighted to reflect the population in each year, but no weighting was used when pooling the time series data, i.e. all years have the same weight regardless of the sample size in each year. The EU27 average covers all EU Member States except Malta because it is not covered by the GEM survey.

Source: GEM (2018), special tabulations of the Global Entrepreneurship Monitor's household surveys from the 2013 to 2017.

In-depth analysis confirms the multifaceted features of firm growth, identifying a portfolio of factors that vary depending on the gender of the entrepreneur and the phase of business development (Singer et al., 2017). The motivation for business creation (opportunity or necessity) can be a strong predictor for building innovative businesses, among innovative women and innovative men in early stage of business activity (i.e. up to 42 months). In later phases of business development (i.e. businesses older than 42 months), the original motivation for business creation is no longer a strong determinant, but networking capacity, perceptions about personal capabilities (i.e. knowledge and skills) and perception how entrepreneurs are seen in the society. In both phases of business development, several factors can explain differences by gender, including motivation, access to networks, and cultural attitudes.

3. ASSESSMENT OF CURRENT AND PLANNED INCLUSIVE ENTREPRENEURSHIP POLICIES AND PROGRAMMES

3.1. Policy framework

The principle entrepreneurship policy is outlined in the Entrepreneurship Development Strategy of Croatia 2013-2020.⁴ Among other objectives, the strategy places a strong emphasis on increasing the levels of entrepreneurial skills amongst the population. Although the strategy does not outline any specific measures for inclusive entrepreneurship, a number of strategies have been developed to address specific labour market and social inclusion faced by certain population groups, including the use of self-employment as a tool.

The Strategy for Combating Poverty and Social Exclusion in the Republic of Croatia (2014-20)⁵ also supports groups such as the long-term unemployed, low-skilled workers, older workers, youth and women. The World Bank and the Croatian Bureau of Statistics (CBS) developed Income and Consumption-Based Poverty Maps at the municipal level in order to help policy makers, including the Ministry of Regional Development and European Union Funds (MRDEUF), and the Ministry of Demography, Family, Youth and Social Policy (MDFYSP) with the insight of the geographical distribution of poverty (October 2017).⁶ Croatian AntiPoverty Network⁷ has been established in 2014 as a national network of non-governmental organisations and individuals providing services and advocating for rights of socially excluded people. It is a part of European Minimum Income Network which is financed from the EU Program Employment and Social Innovation (EaSI) for the period 2017-2018.

There are two strategies that call on support for specific target groups (women and Roma): the Strategy of Women Entrepreneurship Development in the Republic of Croatia 2014-20 (see Section 4) and the National Strategy for Inclusion Roma 2013-2020. The National Strategy for Inclusion Roma 2013-20⁸ specifically addresses several priority strategy policies, among others especially focused on: education, employment and economic inclusion, inclusion in social and cultural life and improvement in statistics gathering. Despite there is a monitoring time frame in this document and identified body for reporting on progress, the last available report from 2015 reflecting on Action Plan 2013-15 concludes: “As of mid-March 2015, the only areas of the AP in which data are available for all measures are ‘Education’ and ‘Compliance of the Programs with International Standards and Accepted Treaties in the Area of Human Rights and Rights of Minorities’. In several other areas, data are unavailable for a majority of measures. Notwithstanding the incompleteness of data on AP implementation in the evaluation period, the design of the AP and information gathered in the course of the evaluation together suggest that the objectives of the AP cannot be fulfilled by 2015” (Friedman and Horvat, 2015). After

⁴ https://www.mingo.hr/public/Poduzetnistvo/Strategija_razvoja_poduzetnistva_RH_2013_2020.pdf

⁵ https://vlada.gov.hr/UserDocsImages/ZPPI/Strategije/STRATEGY_COMBATING_POVERTY_SOCIAL_EXCLUSION_2014_2020.pdf

⁶ <http://www.worldbank.org/en/country/croatia/brief/croatia-poverty-maps-a-policy-tool-to-combat-poverty-and-social-exclusion>

⁷ <http://hmps.hr/vijesti/>

⁸ https://ec.europa.eu/info/sites/info/files/roma_croatia_strategy_en.pdf

2015 there are no action plans for implementation of the National Strategy for Inclusion Roma 2013-20.

Additionally, the Strategy on development of social entrepreneurship in the Republic of Croatia 2015 – 20⁹ identifies one measure by which the social entrepreneurs will get financial support if they employ less employable persons and one measure to promote social entrepreneurship in all forms of education.

More generally, a number of other labour market strategies have been developed for various population groups, which typically reference a need to offer support for self-employment. These include the Strategy for the Life-long Guidance and Career Development 2016-20, which covers the long-term unemployed and people with a disability, the National Strategy for Equalisation of Opportunities for Persons with Disabilities 2011-15 (updated version for the period 2017-20) and the Strategy of Social Welfare for the Elderly 2014-26 (no updated version). These each mention the potential of self-employment as a labour market activity, but few people from these groups become self-employed.

The Strategy for the Life-long Guidance and Career Development 2016-20 was adopted in 2015. The Action Plan for 2018¹⁰ was approved by the Government of Croatia in April 2018 – almost all activities are planned for the second half of 2018. The Lifelong Career Guidance Centres are the implementation structure of this strategy, and their establishment across Croatia is in the process.

The National Strategy for Equalization of Opportunities for Persons with Disabilities, 2011-15 was updated for the period 2016-20. But, due to the changes in governments, this updated strategy was approved only in April 2017, for the period 2017-20¹¹. This updated document specifies one goal (out of 16) on professional rehabilitation, employment and labour. Self-employment was mentioned only in one suggested activity (develop and implement measures for stimulating self-employment), without being more specific.

From the implementation aspect, the most comprehensive and important tool is the Operational Programme Efficient Human Resources 2014-2020 (OPEHR)¹² which seeks to boost employment and labour mobility, improve social inclusion, and strengthen the governance of labour market and skills policies. Many of planned activities for 2017 (24 out of 35 operations) were postponed for the last quarter of 2017 or even for 2018¹³ for different reasons, but mainly due to the lack of administrative capacity, which includes as well the unsatisfactory intensity of collaboration among different ministries.¹⁴

⁹<http://www.esf.hr/wordpress/wp-content/uploads/2015/02/Strategija-razvoja-dru%C5%A1tvenog-poduzetni%C5%A1tva-u-RH-za-razdoblje-2015-2020.pdf>

¹⁰ <https://vlada.gov.hr/UserDocsImages/Sjednice/2018/04%20travnja/92%20sjednica%20VRH/92%20-%203.pdf>

¹¹ https://narodne-novine.nn.hr/clanci/sluzbeni/2017_04_42_967.html

¹² <http://www.strukturnifondovi.hr/UserDocsImages/Novosti/FINAL%20OP%20EHR.pdf>

¹³ http://www.esf.hr/wordpress/wp-content/uploads/2015/07/Zapisnik_7.-sjednica-OzP-a_prosinac-2017_izmjena.pdf_December_6,_2017

¹⁴ http://www.esf.hr/wordpress/wp-content/uploads/2015/07/Zapisnik_8.-sjednica-OzP-a_FINAL.pdf,_April_26,_2018

The Croatian Employment Service is the major implementing actor of the OPEHR, by performing a set of different active labour market policy programmes. At the end of 2017 these programmes have been re-structured in nine major programmes under the title From Measure to Career and their implementation started in 2018, which are mainly focused on self-employment, training and education of the unemployed, getting first employment experience and supporting employers for new employment.

The Youth Guarantee Implementation Plan (YGIP), which started in 2014, is embedded in the OPEHR. YGIP covers a set of measures that range from improving the regulatory and institutional framework (e.g. the registration of NEET persons) to formal and informal education to improving access to the job market, including self-employment. These measures seek to support various sub-groups of youth, including NEETs persons, the Roma population and young persons with disabilities. The programme is implemented by the Croatian Employment Service from 2014 in the framework of active labour market programmes. Revised implementation plan for 2017-18 is in the place from mid-2017.¹⁵

The European Commission's 2017 assessment report on YGIP¹⁶ stated that "the unemployment rate was still high at 16.5 %, particularly for young people (43% in the age bracket 15 to 24) and for the low skilled (22.8%). [...] The share of young people who were not in employment, education or training, fell from 19.6% in 2013 to just over 18.5% in 2015." The report states that "the quality of services offered by the Croatian employment service was improved and active labour market policy measures were re-designed with a focus towards the young without working experience, including those who are not in employment, education or training." At the same time, the Commission observes that job creation has mostly relied on temporary contracts, especially among young people: "for those 15-29 years old, 47.1 % of contracts in 2015 were temporary, compared with an EU average of 32.2 % for the same age group." The report emphasises important warning related to increasing gap between demand and supply of skills on the labour market, and especially on the level of tertiary education. The lack of coordination capacity is part of recommendations each year since 2014. The revised Implementation Plan for 2017-18 introduced new measures in order to achieve higher alignment with the main purpose of the Recommendations of the Council on the Establishment of a Youth Guarantee scheme, to be more in line with the present needs of labour market and to provide better visibility of the measures and reforms and greater transparency in their implementation. Measures are clustered in three sets of interventions: (i) direct interventions, (ii) outreach activities, and (iii) prevention and complementary measures.

In the Commission's 2018 assessment report on YGIP¹⁷ there is no evidence of major changes: "the rate of young people not in employment, education or training (NEET) (16.9 % in 2016) and the youth unemployment rate (26.4 % in 2017) both remain high" (p. 4). Some positive changes were observed: "Even though the NEET and youth unemployment rates are well above average, there are signs that the labour market situation in Croatia is improving for youth, and, overall, Croatia seems to have made good progress in implementing the Youth Guarantee. It was noted that Croatia has set up a well-structured plan with clear objectives. Croatia has created a NEET tracking system and is in the process of preparing an outreach campaign. There is a focus on personalized guidance and a systematic approach for building partnerships. The quality of offers and capacity of the stakeholders are also important challenges, as well as achieving the same level of outreach in the entire country" (p. 5). This tracking system is based on the established network of Lifelong Career Guidance (LLCG) Centres across Croatia as a step forward in the integration of employment programmes. "The Centres provide individual

¹⁵ http://www.gzm.hr/wp-content/uploads/2017/08/Usvojeni-PIGZM_2017-2018-web.pdf

¹⁶ Youth Guarantee country by country, Croatia, March 2017, European Commission, Employment, Social Affairs & Inclusion

¹⁷ Youth Guarantee country by country, Croatia, May 2018, European Commission, Employment, Social Affairs & Inclusion

and tailored career guidance support to all Croatian citizens. One of their main aims is to create targeted measures for the identification and activation of youth NEETs. The Centres use a partnership-based model and work with relevant stakeholders at local and county levels. So far there are 13 Centres and the plan is to reach at least 22 by 2020. In addition, the Croatian Public Employment Service and the Ministry of Science, Education and Sports as well as the Ministry of Labour and Pension System have signed agreements on the establishment of data exchange systems between them. This will allow tracking the youth NEETs and exchanging changing data on the career intentions of students in their final year of study” (p. 4).

The Operational programmes for national minorities for 2017-20 were adopted by the Government of Croatia on 24 August 2017.¹⁸ It includes programmes for Serbian, Italian, Albanian, Roma and Czech and Slovakian national minorities. The part of this Operational programmes related to Roma identified the need to revise the National Strategy for the Inclusion of Roma 2013-20, with special emphasis on education, social integration, employment and housing.

Despite there is not having a national strategy on immigrants, there are some ongoing initiatives that cover language training and credential recognition.¹⁹ The Action Plan for integration of persons who have been granted international protection for the period 2017 to 2019 was approved by the Government of Croatia on 23 November 2017.²⁰

Examining the key policy documents related to under-presented and disadvantaged groups reveals six gaps in the described policy framework: (i) a lack of policy cohesion results in weak collaboration among different actors involved in the design and delivery of support; (ii) monitoring indicators are not harmonised; (iii) evaluation reports are not easily accessible; (iv) evaluation results are not used to improve policies and programmes; (v) policy evaluations are not used as a tool to improve policies; and (vi) there is a lack of understanding of which policy interventions are effective.

3.2. Government regulations

Croatia has made substantial progress in the area of simplifying procedures for doing business in recent years. The regulatory environment for setting up a business remains, however, cumbersome. The burden of government regulation as a component of the entrepreneurship ecosystem is ranked 135th out of 137 countries in the Global Competitiveness Index 2017-18 (Schwab, 2017). The same ranks hold the Efficiency of legal framework in settling disputes and the Efficiency of legal framework in challenging regulations. The transparency of government policymaking ranks 128 out of 137 countries. Labour market efficiency is ranked 107 out of 137 countries. Government bureaucracy, followed by policy instability and tax regulations are identified as top three most problematic factors for doing business (Schwab, 2017). To improve the procedures for business creation, one-stop shops have been established throughout the country and the platform HITRO.HR was introduced to provide information on how to start a company and use different e-services. The introduction of the platform has further

¹⁸ <https://pravamanjina.gov.hr/vijesti/operativni-programi-za-nacionalne-manjine-za-razdoblje-2017-2020/739>

¹⁹ Round table on challenges of the economic integration of the third-country nationals under international protection, Zagreb, 11 March 2018

²⁰ This document refers to the The Migration Policy of the Republic of Croatia for 2013-2015, adopted by the Croatian Parliament on 22 February 2013, but not updated later.

<https://ljudskaprava.gov.hr/UserDocsImages//dokumenti//ACTION%20PLAN%20FOR%20INTEGRATION%202017-2019.pdf>

simplified required procedures and decreased time necessary for starting the business, as well as control of land registries data in the process of real-estate purchase.

New regulatory measures have been introduced to support the unemployed in business creation. The Employment Promotion Act (revisions adopted by the Parliament on 17 February 2017) makes special provisions for unemployed interested to enter self-employment, for employers employing young persons and for professional training of unemployed young persons without employment experience.

Youth entrepreneurship is indirectly supported through the Act on Amendment to the Contributions Act, which was adopted on 25 November 2014 and entered into force on 1 January 2015. This Act stipulates that an entrepreneur employing a young person for an indefinite period is exempted from paying contributions on the salary of the young employee to the amount of 17.2% for a period of five years. No need to claim for such allowances, because it is automatically implemented when a business reports to taxation office.

Croatian Employment Service (CES) implements the active labour market policies in accordance with the Terms and Conditions of using funds for implementation of Employment Promotion Measures financed by State Budget funds and through EU projects prepared by the CES in its framework of responsibilities. Managing Board of CES annually reviews and revises these terms and conditions for implementation of the active labour market measures²¹. State Aid Programme for Employment and Training under the CES' Responsibility between 2018 and 2020 includes nine different interventions, among which self-employment measures take important share targeting unemployed people.

Overall, the Croatian welfare system provides equal rights and benefits to entrepreneurs from all social target groups. However, the unemployed are able to convert their entitlement of unemployment benefits into an allowance that can be used for business creation as per legislation on employment mediation and unemployment benefits²². This unemployment benefit rights are managed by the CES.

3.3. Financing entrepreneurship

Despite of the abundance of the bank loans facilities, access to finance is an important challenge to entrepreneurs in Croatia, including entrepreneurs from disadvantaged and under-represented groups, especially for the most risky venturing phases: start-up and growth. According to the GEM survey (Singer et al., 2018), access to finance is ranked below the EU average but it has been improving. Croatia has introduced several policy measures in recent years to facilitate access to finance, mostly by including different grant schemes, and financing of innovation. Innovative financing instruments that combine debt and equity are, however, at an early stage of development.

Several grant programmes are implemented by four main institutions, the CES, the Ministry of Labour and Pension System, the SME Agency HAMAG-BICRO and the Croatian Bank for Reconstruction and Development. Of these, the only grant that is targeted to entrepreneurs from disadvantaged groups is the grant "General support to starting a business", which is for the unemployed and implemented by the CES under the same terms and conditions as other active labour market measures.

²¹ Paket mjera aktivne politike zapošljavanja u 2018. godini s naglaskom na izmjenama u odnosu na 2017. godinu [http://www.hzz.hr/UserDocsImages/Slike/PAKET%20MJERA%20AKTIVNE%20POLITIKE%20ZA%20PO%20C5%A0LJAVANJA%20U%202018.%20GODINI%20\(002\).pdf](http://www.hzz.hr/UserDocsImages/Slike/PAKET%20MJERA%20AKTIVNE%20POLITIKE%20ZA%20PO%20C5%A0LJAVANJA%20U%202018.%20GODINI%20(002).pdf)

²² https://narodne-novine.nn.hr/clanci/sluzbeni/2017_02_16_363.html - Act on employment mediation and unemployment rights

The Ministry of Economy, Entrepreneurship and Crafts has stopped directly offering finance to entrepreneurs. In 2017 the new established Ministry of Economy, Entrepreneurship and Crafts announced three grant schemes for innovative entrepreneurs financed through the European Fund for Regional Development but were not executed. Moreover, the government grant programme Entrepreneurial Impulse (*Poduzetnički impuls*) which ran several years, was stopped in 2016 (when the government acted as a technical government) and was not replaced with a new scheme.

As a part of the OPEHR 2014-20, the Ministry of Labour and Pension Systems implements the programme Make a Wish (*Zaželi*) for including very vulnerable groups of women into employment. Eligible beneficiaries are local governments and non-profit organisations, especially from rural regions and islands. The aim of the programme is to prepare (through education and training) and employ at least 7 000 women who will care about 30 000 older people in need and disadvantaged people at the places where they live. The programme targets women older than 50 years, with education up to secondary level, women with disabilities, homeless women, victims of domestic violence and those who have been treated for addiction. In one year period (30 June 2017 – 30 June 2018) 163 projects were funded with the amount of HRK 593 million (or EUR 79 million), providing employment for 3 703 women who care for 17 630 elderly people and disadvantaged persons in need.²³ The programme is highly popular and its funding has been allocated faster than anticipated. The result is long breaks in between project calls.

Beneficiaries of the Active Labour Market grant scheme implemented by the CEW can receive financial support to starting a business up to HRK 55 000 (approximately EUR 7 300), which can be combined with the financial allowance for unemployment, or up to HRK 70 000 if it is combined with occupational training without commencing employment (approximately EUR 9 300). In the case of starting a cooperative it is possible to get up to HRK 275 000 (approximately EUR 36 700), for five persons²⁴; for starting a craft (two persons, up to HRK 110 000 or EUR 14 700); or starting a joint limited liabilities firm (up to four persons, HRK 220 000 or EUR 29 300). Financial support in 2018 is much higher compared to 2017 and previous years.

Two additional active labour market policy programmes are important for unemployed persons: pre-qualifications and one-year long paid internships (no guaranteed permanent employment status). In 2017 there were 37 907 persons as new entrant beneficiaries of all active labour market measures.²⁵

- Different educational / training measures, 14 772 persons (training of the unemployed – 4 433; training of the employed persons – 138; workplace training – 254; occupational training without commencing employment – 9 947)
- Out-of-work income maintenance and support, 2 860 persons (job preservation subsidies - 29, permanent seasonal worker – 2 831)
- Employment incentives, 6 030 persons
- Self-employment incentives (start-up incentives), 3 583 persons

²³ <http://www.esf.hr/u-zagrebu-dodijeljeno-9-ugovora-za-program-zazeli-vrijednih-preko-20-milijuna-kuna/>

²⁴ Participants of the OECD workshop organised in Zagreb on 4 July 2018 suggested to lower this requirement on three members.

²⁵ http://www.hzz.hr/UserDocsImages/stat_bilten_12_2017.pdf

- Direct job creation (public work), 10 662 persons

Vulnerable groups as focused in this report participated as new entrant beneficiaries with following shares:

- women, 20 840 persons (54.9%)
- youth (up to 24 years of age), 10 851 persons (28.6%)
- Roma, 576 persons (1.52%)
- persons with disabilities, 1 093 persons (2.88%)
- war veterans, 2 758 persons (7.28%)

Non-bank start-up financing is also available but offers for entrepreneurs from under-represented and disadvantaged groups exist to a very limited extent. The Croatian Bank for Reconstruction and Development is in charge of implementing several loan programmes, through commercial banks but also directly, and with the guarantee schemes provided by the HAMAG-BICRO agency (the Croatian Agency for SMEs, Innovation and Investments). One of them targets women in particular – eligible beneficiary is a business entity if it is owned to 51% or more by a woman / women or if a woman is in a leading management position. Another one is targeting the youth – eligible beneficiaries are businesses in which a person or several persons under 30 years own at least 51% of the company's capital.

From 2011, the Croatian Bank for Reconstruction and Development implements (directly or in collaboration with the commercial banks) the loan program for women interested in starting or developing the business venture with dominant ownership of women. The maximum amount of the loan is up to HRK 700 000 or EUR 93 300 per loan, grace period two years, repayment period 12 years, including grace period and 2% of annual interest rate. The loan programme for women is in high demand and is included in the database of good practices of the EIGE - European Institute for Gender Equality because of its strong public-private partnership (it is implemented through a collaboration with 22 commercial banks).²⁶ Continuation of this programme for 2018 is secured in the bank's portfolio.

The Croatian Bank for Reconstruction and Development joined the Jobs for Youth Initiative launched by the European Investment Bank through which investments of SMEs into education and skills as well as employment of young people are financed. In order to stimulate SMEs to use this loan facility, the Bank reduced interest rates by 50 basis points if a SME – loan recipient employs and / or will employ young persons. In 2017, the Croatian Bank for Reconstruction and Development continued with the loan programme for supporting young persons up to 30 years of age to start their own businesses, which is delivered directly or in collaboration with the commercial banks. The maximum amount of the loan is up to HRK 700 000 or EUR 93 300, two years grace period, 12-year repayment period and 2% of annual interest rate.

²⁶ <http://eige.europa.eu/rdc/eige-publications/promoting-womens-economic-independence-and-entrepreneurship-good-practices>

There is also a loan programme for start-ups (within a range of HRK 80 000 to HRK 1 800 000, approximately EUR 10 500 to EUR 236 000), but elderly are explicitly excluded. As of 31 December 2017, following the loan activities were performed:²⁷

- youth loan programme, 24 loans, total amount EUR 1 660 000, average size of the loan EUR 69 000;
- women entrepreneurship loan programme, 501 loans, total amount EUR 30 720 000, average size of the loan EUR 61 320.

Venture capital is still at an early stage of development. The Croatian Bank for Reconstruction and Development participates as a qualified investor, appointed by the Government of Croatia, in implementation of the Economic Co-operation Funds (ECFs) jointly with private investors,²⁸ in accordance with the Alternative Investment Funds Act. So far, ECFs made 19 investments in the 18 companies. Investments were made through investing in equity or mezzanine financing. The companies that are the subject of funds investing are active in various sectors and activities (banking sector, IT industry, wood industry, construction sector, renewable energy resources sector, agricultural sector, textile industry, chemical industry, tourism). The investments were made in start-up projects (4), companies in the stage of development and expansion of operations (9) as well as in those that are in the restructuring process and the companies that were in the pre-bankruptcy process (5).

HAMAG-BICRO manages the Seed Co-Investment Fund, an open-ended fund with initial capital of EUR 2.5 million financed by proceeds from the World Bank loan. Eligible co-investors are business angels, incubators, accelerators, corporate investors and venture funds. Minimum equity investment is EUR 30 000. The first call was closed in February 2017, but there is no publicly assessed report on the results of the call.

In 2018, the HAMAG-BICRO announced the first call for innovation vouchers²⁹ (open from 21 May 2018 to 29 June 2020) by which the issue of lacking innovation capacity among small businesses is addressed. Innovation vouchers should enable and stimulate collaboration between micro, small and medium enterprises with research institutions. This grant scheme in the value of HRK 50 million (EUR 6.7 million) is financed by the European Fund for Regional Development, Operational Programme Competitiveness and Cohesion, 2014-20. The vouchers will be in the values from HRK 10 000 (EUR 1 350) to HRK 70 000 (EUR 9 350).

The Croatian Business Angels Network (CRANE) is currently the only formal business angel network in Croatia. It has been established in 2008 and till the end of 2015 total investments through CRANE have been approximately EUR 3 million (HRK 23 million) (Alpeza et al., 2017). Supporting entrepreneurs from under-presented and disadvantaged groups are not an explicit priority of their activities, but there are few examples of supporting ventures of young entrepreneurs. An example is the recent crowdfunding campaign for Entrio (in 2018),³⁰ which is the biggest Croatian ticketing platform.

²⁷ Information provided by the Croatian Bank for Reconstruction and Development, July 3, 2018

²⁸ Honestas FGS (www.honestas-pe.hr) ; Nexus FGS (www.nexusinspire.investments/-pe.hr/); Nexus FGS II i Prosperus FGS (www.prosperus-invest.hr) ; Quaestus Private Equity (www.quaestus.hr)

²⁹ <https://hamagbicro.hr/javni-poziv-inovacijski-vauceri/>

³⁰ <http://www.crane.hr/uz-pomoc-crane-a-od-studentske-ideje-do-prihoda-od-16-milijuna-kuna-za-2017/>

It started as a students' business idea in 2011 and developed into a profitable business with EUR 200 000 of annual income from sales.

As an alternative financing, Zagreb Stock Exchange presented in June 2017 the new financial platform PROGRESS MARKET³¹ which is operational from February 2018. PROGRESS MARKET is multilateral trading facility in Croatia and Slovenia, managed by the Zagreb Stock Exchange, Inc. intended for small and medium sized enterprises.³² The cooperation between Zagreb and Ljubljana Stock Exchanges should enable small and medium-sized companies interested in growth to raise capital in Croatia and Slovenia, by IPO or just testing the attractiveness of their values on the market. From February 2018 several promotional activities were organised in order to make small and medium businesses aware of such alternative financing opportunity.³³

The range of financing instruments used to support women, youth and the unemployed in business creation appears to be generally covered by grant schemes and loan facilities. However, alternative financing options are still missing, or exist in a very early stage. Greater attention to monitoring and evaluating these measures is needed to ensure that programmes and initiatives are effective and have an impact.³⁴ Moreover, the effort to improve accessibility to information on measures funded through the EU Structural Funds should be continued (<http://www.strukturnifondovi.hr>). Another potential area for further policy development is around business transfer, especially within the context of population aging.

3.4. Entrepreneurship skills

Entrepreneurship skills development policy is one of five strategic goals in the Entrepreneurship Development Strategy of the Republic of Croatia 2013-20.³⁵ Activities planned to achieve this goal include various forms of informal and formal education, as well as increasing public awareness of the need for education and lifelong learning. However, the interventions in the portfolio of formal educational programmes have not yet been introduced based on this strategic goal, primarily because of the lack of collaboration with the Ministry of Science and Education.

The Ministry of Economy, Entrepreneurship and Crafts is in charge for education for crafts. Based on annual programmes³⁶ different types of financial support are provided: for covering costs of preparing for craftsmanship exam, for pre-qualifications and getting licences for conducting practical part of craft education. In 2017, there were 901 beneficiaries of such support (individuals and legal entities as micro, small and medium sized enterprises, crafts, cooperatives) with the amount of HRK 2 380 360 (or EUR 317 380).

³¹ This platform, presented to the public on June 28, 2017, is a part of the project "SME Growth Market in Croatia and Slovenia" financed by the European Bank for Development and Reconstruction.

³² <https://progress.market/en>

³³ Roundtable "Financing Micro, Small and Medium Enterprises: Where is capital for growth?", organised by the Croatian Employers Association, May 2018; Lider's conference "The future of family businesses", March 2018

³⁴ Some evidence from the Croatian Employment Services on 75% of on year survival rates of self-employment grants additionally emphasise a need for counselling and mentoring services.

³⁵ There was also the *National Strategy for Entrepreneurial Learning 2010-2014* developed by the Ministry of Entrepreneurship and Crafts, which was never updated.

³⁶ <https://www.mingo.hr/public/Program%20Cjelo%20C5%BEivotno%20obrazovanje%20za%20obrtne%20A1tv%20za%202018.%20godinu.pdf>

Nonetheless, the Education and Teacher Training Agency (ETTA) is increasingly proactive and in the 2014-15 school year initiated a series of continuing professional development seminars and workshops for school principals, teachers and other school staff focusing on entrepreneurial education (EC, 2017). Education for entrepreneurial competences on secondary level is still mostly organised as extra-curricular activity. On tertiary level students have the possibility of choosing courses or programmes in entrepreneurship on undergraduate and graduate level at some polytechnics and universities. Only at the J.J. Strossmayer University in Osijek are there programmes on entrepreneurship for Bachelor, Master and Doctoral degrees (Alpeza et al., 2017).

The Youth Guarantee Implementation Plan contains several measures to boost entrepreneurship skills among youth. Many of these training programmes and internships are targeted at NEETs between 15 and 24 years old and are implemented by the CES. As of July 2015, 25 557 youth had benefited from these measures but it is not possible to identify the number who were supported in business creation and self-employment. Furthermore, the CES provides self-employment training and business advisory to persons with disabilities and the long-term unemployed.

While the availability of entrepreneurship training programmes has increased in recent years, there are few programmes that are tailored to the needs of key target groups such as women, youth and the unemployed. Key gaps in the current support system are a lack of training programmes for immigrants, people with disabilities, and the Roma, as well as a lack of coaching and mentoring programmes. Collaboration among the different ministries in charge of entrepreneurship, employment and education should therefore be enhanced and entrepreneurship education included earlier in national curricula.

3.5. Entrepreneurial culture and social capital

Social values toward entrepreneurship is one of the least valued component of entrepreneurial environment – jointly with government policies, transfer of R&D and education present obstacles in building entrepreneurial capacity of a country (Singer et al., 2018). The active promotion of entrepreneurship is one of the five core objectives of the Entrepreneurship Development Strategy of the Republic of Croatia 2013-2020. Implementation of this objective was under the responsibility of the Ministry of Entrepreneurship and Crafts until 2016. With the appointment of the new government in late 2016, the new Ministry of Economy, Entrepreneurship and Crafts took over it, and some workshops were organised throughout Croatia in 2017 to provide information about the grant programme “Commercialization of innovations”, financed by the EU Competitiveness and Cohesion Operational Programme. The promotion of entrepreneurship as an employment opportunity amongst under-represented and disadvantaged groups through education is not included in the document.

The Strategy of Women Entrepreneurship Development in the Republic of Croatia 2014-20 includes the promotion of women entrepreneurship as one of four core objectives next to improving coherence in networking and policy development, improving systematic support to women, and anchoring women entrepreneurship in the overall entrepreneurship support system. There are no specific reports related to this objective.

Similarly, the Youth Guarantee Programme further sets out concrete measures for promoting entrepreneurship amongst youth but there is no information on the impact of these activities.

HAMAG-BICRO and the Croatian Bank for Reconstruction and Development are also active in promoting entrepreneurship by participating in different events that are organised by local governments and associations, or in the small number of events that they organise. For example, HAMAG-BICRO participated in the event “Stay in Croatia”, which was organised by the Students’ association of the University of Zagreb and Croatian Chamber of Economy on 30 and 31 May 2017. During this event,

many ministries and government institutions presented their entrepreneurship and employment programmes as well as opportunities for young persons offered by successful Croatian businesses. The event was possible to attend alive and online.

More efforts are needed for the target groups of inclusive entrepreneurship and the use of role models and media to promote entrepreneurship as an employment opportunity amongst these groups should be intensified.

4. OVERVIEW OF WOMEN'S ENTREPRENEURSHIP

Women's entrepreneurship has been an issue for government since 2009 when the activities for developing the first strategic document were initiated. Using a participatory approach and bringing together representatives of the government, business sector, researchers and non-governmental organisations, the Strategy of women entrepreneurship development 2010-13 was developed. Based on this strategy, the Ministry of Entrepreneurship and Crafts (at that time) designed several programmes supporting women entrepreneurial ventures, mainly by providing financial support. A lack of collaboration among different ministries was a major issue, which narrowed the outreach of the implementation of the planned activities.

As follow up, the Strategy of Women Entrepreneurship Development in the Republic of Croatia, 2014-20³⁷ seeks to strengthen support for women's entrepreneurship. The accompanied action plan identified activities and indicators for monitoring the implementation process of four strategic goals: (i) to improve interlinkages and consistency of different gender policies; (ii) improvement of systemic support to women entrepreneurship through education and financing; (iii) institutional support to women entrepreneurship by providing services as counselling and mentoring; (iv) promotion of women entrepreneurship. One focus is to improve collaboration with sub-national institutions during the implementation of programmes. To support this, an inter-agency co-ordinating body was established in 2016. It consists of representatives from relevant national ministries, the Croatian Bank for Reconstruction and Development, HAMAG-BICRO, academia, business associations, local government and non-governmental organisations. The targets related to business creation or self-employment are expressed through the share of businesses owned by women (32% in 2020 from 26.5% in 2013) and the share of crafts owned by women (38% in 2020 from 31.9% in 2013). No reports on implementation results are publicly available.

In 2017, the European Parliament's Committee on Women's rights and Gender Equality (FEMM) published the commissioned survey on gender equality policies in Croatia.³⁸ In particular, it illustrates issues related to gender equality in the labour market and employment, women entrepreneurs, women in decision-making positions, policies against violence against women, reconciliation of private and professional life, gender stereotypes, sexual health and rights, economic independence for women and men, pay and pension gap, as well as national policies on eradication of gender based violence. "Although all of the analysed topics are covered by strategic documents and plans of action, the progress in many areas is still slow and unsatisfactory" (p. 15).

As described in section 3.3. on access to finance for business creation, there are essentially three programmes to support women in self-employment and entrepreneurship:

- Make a Wish, run by the Ministry of Labour and Pension System (as part of Operational Programme Efficient Human Resources, funded by European Cohesion Fund):

³⁷https://www.mingo.hr/public/Poduzetnistvo/Strategy_of_Women_Entrepreneurship_%20Development12117.pdf

³⁸ Gender Equality Policies in Croatia - Update
http://knjiznica.sabor.hr/pdf/E_publicacije/Gender%20equality%20policies%20in%20Croatia.pdf

- Employment / self-employment programme run by the Croatian Employment Service (as part of Operational Program Efficient Human Resources, funded by European Cohesion Fund);
- Self-employment and for development of existing businesses, if the business is owned dominantly by a woman / women, run by the Croatian Bank for Reconstruction and Development.

This small portfolio is a positive step but appears to be inadequate to support women entrepreneurs, especially those seeking to grow their business. Growth-oriented women entrepreneurs are not well-served by existing programmes as the financial instruments are not appropriate, and little training, business advice or mentoring are available. There is also a need to provide more comprehensive support for women entrepreneurs with family responsibilities, e.g. childcare.

5. POLICY RECOMMENDATIONS

Policy strategies and programmes that promote and support entrepreneurship, broadly, are in place but more can be done to improve the institutional and regulatory infrastructure. Co-ordinated policy implementation as well as tailored initiatives focused on groups that are either under-represented or disadvantaged in the labour market, are not yet well developed. Strategic policies have been developed for youth, women and Roma, but the implementing support measures remain limited, especially for Roma. To address the barriers to business creation and self-employment by under-represented or disadvantaged groups, the following recommendations are offered:

1. *Develop evidence-based actions plans for the development of tailored entrepreneurship support for key under-represented and disadvantaged groups.* Since all national strategic policies cover the period up to 2020, it is an opportune time to undertake a broad assessment of the various inclusive entrepreneurship policy actions to understand which instruments are effective and which are not. The evidence-based assessment should also cover governance issues. The results of this assessment exercise should inform the development of policy priorities, targets and actions plans for the key social target groups.
2. *Tailor entrepreneurship training to the needs of the different target groups.* Entrepreneurship training does not adequately address the different needs of different target groups. There appears to be a need for customisation of the training offered to the needs of different target groups. It is also important that training covers business development and growth in addition to business start-up to ensure sustainability. Ensuring trainers are representative of the different communities and receive communication training will make training more attractive to potential entrepreneurs.
3. *Develop entrepreneurship coaching and mentoring programmes for entrepreneurs from under-represented and disadvantaged groups.* Although the development of entrepreneurship skills is highlighted in all entrepreneurship policies and strategies, programmes are heavily focused on entrepreneurship training. Coaching and mentoring is not widely used in Croatia. Programmes could be developed using volunteer coaches and mentors to provide individual support to women and youth entrepreneurs, as well as helping them grow their entrepreneurship networks. Entrepreneurship coaching and mentoring programmes could also include other target groups such as older people, people with disabilities, the unemployed, and the Roma.
4. *Support the development of entrepreneurship networks for entrepreneurs from under-represented and disadvantaged groups.* Entrepreneurship networks help promote entrepreneurship and offer network members access to ideas, knowledge, and support, as well as potential partnerships and sources of funding and human resources. However, policies and strategies do not place an emphasis on helping entrepreneurs from under-represented and disadvantaged groups in growing their networks, which is a substantial gap in the support system.
5. *Use role models from different target groups to promote entrepreneurship.* Entrepreneurship success stories from different groups should be made more visible and entrepreneurship should be celebrated as a viable career path. A co-ordinated effort is required from a variety of stakeholders (media, educational institutions, ministries, agencies and non-government organisations) to enhance the entrepreneurial culture and social capital in Croatia. CEPOR

SMEs and Entrepreneurship Policy Center could host the Forum on Inclusive Entrepreneurship.

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ANNEX: METHODOLOGY

Each note was prepared by a national expert in co-operation with the OECD Secretariat. Information was collected through desk research and interviews (i.e. telephone, face-to-face, email) with key stakeholders and government representatives. The information was then verified by government partners, programme managers and other inclusive entrepreneurship stakeholder groups through email exchanges and one-day seminars in selected countries.

The notes are based on an assessment framework that was developed by the OECD Secretariat. The assessment framework provided a common analytical framework and report structure for the 28 notes that are in this series.

The framework contains five pillars:

1. Policy framework

- Is there an entrepreneurship strategy or action plan that explicitly covers the promotion and support of entrepreneurship for people in under-represented and disadvantaged groups?
- Is there a mechanism for co-ordinating inclusive entrepreneurship policy actions across relevant national ministries, and with regional and local governments and civil society organisations?
- Is there a systematic monitoring and evaluation process for the policies, programmes and schemes that promote and support entrepreneurship for people in under-represented and disadvantaged groups?

2. Government regulations

- To what extent are entrepreneurs from under-represented and disadvantaged groups treated equally with employees by social security schemes?
- Do measures exist that temporarily cover the loss of state income supports (e.g. unemployment benefits, disability allowances) for entrepreneurs amongst under-represented and disadvantaged groups when they start a business?
- Do measures exist to support under-represented and disadvantaged entrepreneurs in dealing with administrative procedures for entrepreneurship amongst under-represented and disadvantaged groups (e.g. information provision, support with administrative requirements)?
- Are there any entrepreneurship policy initiatives or schemes to address group-specific institutional challenges related to dependents (e.g. childcare, eldercare)?

3. Financing entrepreneurship

- Are there grants for business creation offered to support entrepreneurs from under-represented and disadvantaged groups?
- Is microcredit for business creation available to support entrepreneurs from under-represented and disadvantaged groups?
- Are there loan guarantee schemes for business creation to support entrepreneurs from under-represented and disadvantaged groups?
- Are there self-financing groups for business creation to support entrepreneurs from under-represented and disadvantaged groups?
- Are there public policy schemes that encourage and support business angel networks to support entrepreneurs from under-represented and disadvantaged groups?

- Are there schemes that encourage and support crowdfunding and peer-to-peer lending to support entrepreneurs from under-represented and disadvantaged groups?
- Is financial literacy training offered to support entrepreneurs from under-represented and disadvantaged groups?

4. Entrepreneurship skills

- Are there entrepreneurship training initiatives for entrepreneurs from under-represented and disadvantaged groups?
- Do high potential entrepreneurs from under-represented and disadvantaged groups have access to one-to-one or group coaching and mentoring?
- Are there public initiatives that provide information on available support programmes or on business start-up procedures for entrepreneurs from under-represented and disadvantaged groups?
- Are there business consultancy and advisory services for entrepreneurs from under-represented and disadvantaged groups?
- Are there business incubators for entrepreneurs from under-represented and disadvantaged groups?

5. Entrepreneurial culture and social capital

- Is entrepreneurship actively promoted as an employment opportunity amongst under-represented and disadvantaged groups through the education system, media, role models, etc.?
- Are there public policy actions that attempt to build specific business networks for entrepreneurs amongst under-represented and disadvantaged groups?

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