



Inclusive Entrepreneurship Policies, Country Assessment Notes

Croatia, 2017



Acknowledgements

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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 or personal characteristics. 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.

The proportion of workers who are self-employed in Croatia has declined over the past decade. 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 2007 to 8.1% in 2016, while the proportions of self-employed youth and older people fell from 7.1% to 2.6% and 26.4% to 18.7%, respectively. Public policy support for entrepreneurship has grown in recent years with the adoption of several strategic documents including the Entrepreneurship Development Strategy (2013-20), Strategy for the Development of Women Entrepreneurship (2014-20), the Operational Programme Efficient Human Resources 2014-2020, the Youth Guarantee Implementation. However, inclusive entrepreneurship support could be strengthened with more tailored programmes such as entrepreneurship training, coaching and mentoring as well as network building, notably for older people and people with disabilities.

This note is the second in a series of annual country assessments 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 2017 notes place a special focus on describing the characteristics of self-employment in each country.

The notes are part of a wider programme of work by the OECD and the European Commission that includes ‘The Missing Entrepreneurs’ publications, a series of Policy Briefs on specific target groups, policies and issues, country reviews of youth entrepreneurship and women entrepreneurship, and the production of online policy guidance. For more information please refer to: <http://www.oecd.org/employment/leed/inclusive-entrepreneurship.htm>.

TABLE OF CONTENTS

KEY MESSAGES	5
1. INCLUSIVE ENTREPRENEURSHIP OBJECTIVES AND TARGETS.....	5
2. KEY INCLUSIVE ENTREPRENEURSHIP INDICATORS	7
2.1. Labour market context	7
2.2. Self-employment and entrepreneurship rates	8
2.3. A profile of the self-employed	9
2.4. Barriers to business creation	10
2.5. Entrepreneurship performance	11
3. ASSESSMENT OF CURRENT AND PLANNED INCLUSIVE ENTREPRENEURSHIP POLICIES AND PROGRAMMES	12
3.1. Policy framework	12
3.2. Government regulations	14
3.3. Financing entrepreneurship	15
3.4. Entrepreneurship skills	16
3.5. Entrepreneurial culture and social capital	17
4. POLICY RECOMMENDATIONS	18
5. REFERENCES	19
ANNEX: METHODOLOGY	21

KEY MESSAGES

- Entrepreneurship support has been relatively high 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 for the Development of Women Entrepreneurship in the Republic of Croatia 2014-2020; and, the National Roma Inclusion Strategy 2013-2020. As a result, several tailored programmes that support youth, women and the unemployed in entrepreneurship have been recently introduced. However, tailored support for social target groups such as seniors and people with disabilities is 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 and fell below the European Union (EU) average in 2014. In 2016, 11.8% of workers in Croatia were self-employed relative to 14.0% for the EU as a whole. The youth self-employment rate decreased sharply to 1.4% in 2015 from 10.1% in 2013, and remained low at 2.4% in 2016. This drop coincided with Croatia joining the EU, which resulted in significant emigration to other EU countries.
- Some of the challenges faced in strengthening inclusive entrepreneurship policies and programmes include a lack of co-ordination mechanisms across ministries and agencies involved in entrepreneurship support, and insufficient monitoring and evaluation of policies and programmes.
- To further develop inclusive entrepreneurship policies, it is recommended that the government (i) undertake an assessment of inclusive entrepreneurship policies and programmes; (ii) tailor mainstream 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, notably youth and women; (iv) support the development of entrepreneurship networks for entrepreneurs from under-represented and disadvantaged groups; and (v) use role models from different target groups to promote entrepreneurship.

1. INCLUSIVE ENTREPRENEURSHIP OBJECTIVES AND TARGETS

Policy support for entrepreneurship in Croatia was strengthened significantly by the establishment of the Ministry of Entrepreneurship and Crafts in 2001. More recently, support initiatives have 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 groups that are under-represented or disadvantaged in the labour market (e.g. women, youth, seniors, migrants, the unemployed).

One of the most relevant strategies for inclusive entrepreneurship is the Operational Programme Efficient Human Resources 2014-2020 (OPEHR).¹ It includes a range of labour market measures that seek to avoid long-term unemployment (e.g. education, training), as well as self-employment support. Targets for 2023 identified in the OPEHR include:

- 21% of self-employment upon leaving the status of unemployment (19% in 2013);
- 20% of self-employment, six months after leaving the 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 self-employed among young people formerly not in employment, education or training (NEET), six months after leaving the NEET status (2% in 2013).

These targets are in line with the national 2020 target of decreasing the number of persons at risk of poverty² and social exclusion by 150 000, from 1 370 000 in 2013 to 1 220 000 in 2020. 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 the long-term unemployed and other vulnerable groups, increasing the adequacy of social benefits in social welfare system, and ensuring equal access to public services. This priority includes, among others, an action on reducing the rate of unemployment and addressing insufficient participation on the labour market to increase 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 the employability of the working age population, especially vulnerable groups. This priority includes, among others, an action on creating opportunities for raising the employment rate and increasing the employability of disadvantaged groups.

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

² In 2012, Croatia had one of the highest rate of persons at risk of poverty and social exclusion in the EU – 32.3% of total population. According to activity status, at-risk-of-poverty rate was highest for the unemployed (42.9%), economically inactive (31.9%) and retired (21.8%). (Source: Operational Programme Efficient Human Resources 2014-2020). In 2014, at-risk-of-poverty rate for unemployed increased to 43.1% (Women and Men in Croatia, 2016, p. 43).

3. Establishing a co-ordinated system of support to groups at risk of poverty and social exclusion.

2. KEY INCLUSIVE ENTREPRENEURSHIP INDICATORS

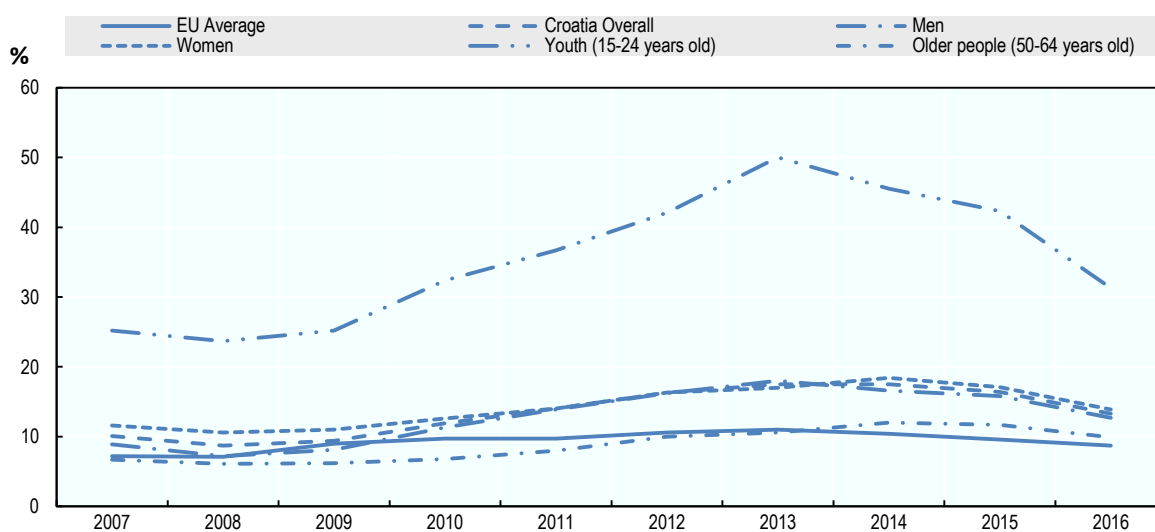
2.1. Labour market context

Prior to the economic crisis, unemployment had been declining in Croatia. However, the 2008 economic downturn reversed this trend. The unemployment rate peaked at 17.5% in 2014, significantly above the 10.4% European Union (EU) average for that year (Figure 1). The unemployment rate has been declining ever since, coming down to 13.3% in 2016, still above pre-crisis level and about 1.5 times the EU average. The unemployment rates for women and men have been relatively similar over the past decade, with the unemployment rate for women remaining slightly higher than this of men over most of the period.

Youth unemployment was consistently high in Croatia over the past decade and increased markedly after the crisis. Between 2012 and 2015, it was approximately double the EU average for youth unemployment. While the youth unemployment rate has declined substantially since its 2013 peak (50.0%) to 31.3% in 2016, it was still 1.7 times greater than the EU average for that year (18.7%).

Unemployment among older people also increased with the onset of the recession, but to a much lesser extent than for youth. The unemployment rate peaked for seniors in 2014 at 12.0%, which was double the 2008 rate. In 2016, the unemployment rate had declined to 9.9%, lower than the national average but still substantially above the EU average for this demographic group (6.5%).

Figure 1. Unemployment rate, 2007-16



Source: Eurostat (2017), Labour Force Survey 2016.

2.2. Self-employment and entrepreneurship rates

Overall, the proportion of workers who were self-employed in 2016 was below the EU average (11.8% vs. 14.0%) (Figure 2a). This represents a significant change over the past decade since the proportion of workers who were self-employed in 2007 was 17.0% – 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 – after a period of increase between 2010 and 2013, the self-employment rate fell from 10.1% in 2013 to 2.4% in 2014 and remained low at 2.6% in 2016. This drop coincided with Croatia’s accession to the EU and a significant increase in emigration. The self-employment rate for women also declined substantially, albeit to a lesser extent, falling from 13.7% in 2007 to 8.1% in 2016. A similar trend is also observed for the self-employment rate for older people, from 26.4% in 2007 to 18.7% in 2016.

Entrepreneurship activities can also be assessed using household 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). One of its main indicators is the Total early-stage Entrepreneurial Activity (TEA) rate, which estimates the proportion of people 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 or managing a new business than the EU average over the period 2012-16 (8.9% vs. 6.7%) (Figure 2b). Although the TEA rate for women (5.9%) was slightly above the EU average for this group over the period, it was only half of the rate for men (12.0%). A similar gender gap can be observed in the proportion of workers who are self-employed. Possible explanations include insufficient access to finance, small entrepreneurship networks and a lack of services supporting family life (e.g. kindergartens and care facilities for elderly people).³

Many young people were involved in starting or managing new businesses in Croatia over 2012-16: 11.0% of youth were engaged in early-stage entrepreneurship activities, which was above the EU average (7.8%). Older people were less likely to be starting or managing businesses (4.9%), but this was essentially the same as the EU average (4.3%).

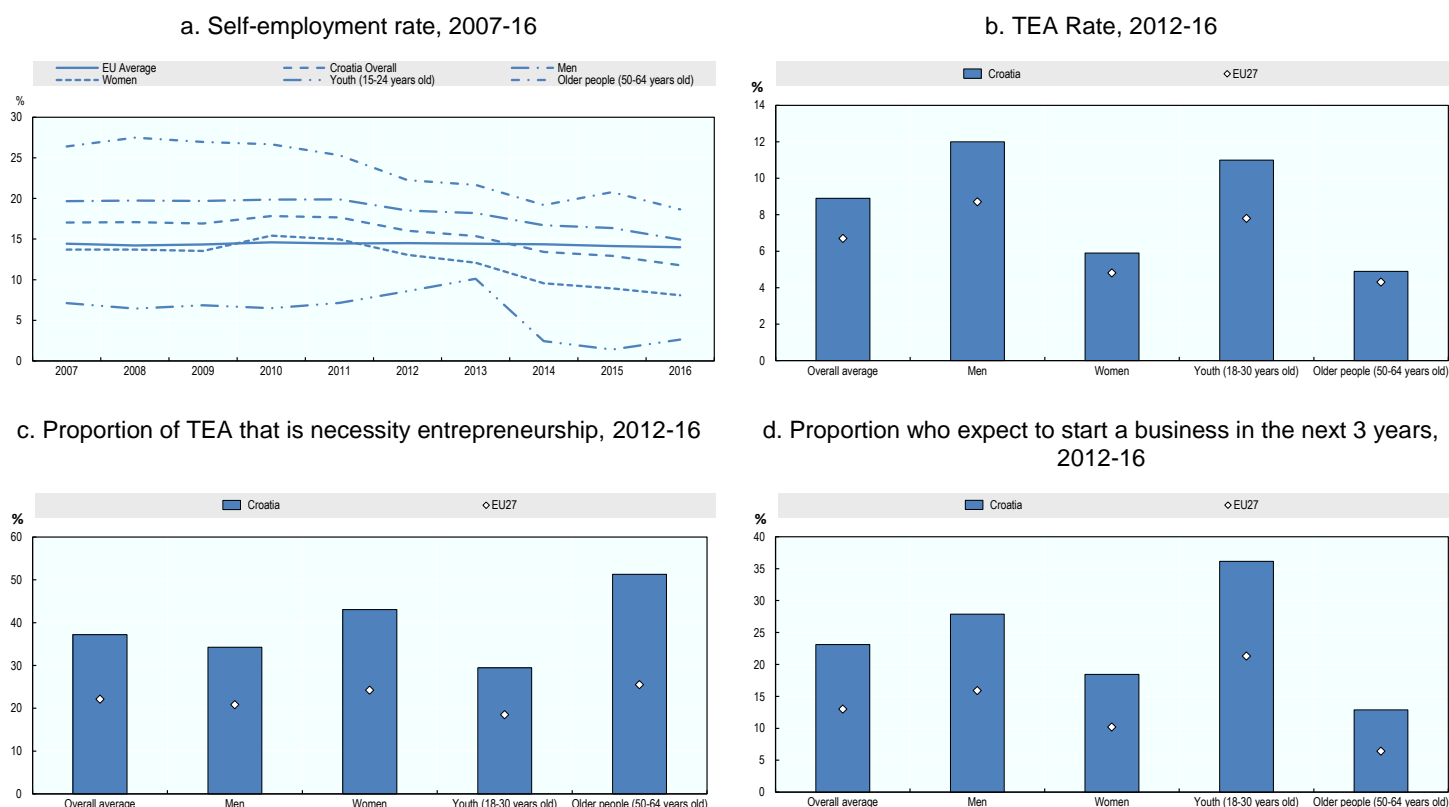
The high level of early-stage entrepreneurship activities over this period may be partially explained by the high proportion of new entrepreneurs who reported that they started their business due to a lack of opportunities in traditional employment. Over the period 2012-16, nearly four-in-ten entrepreneurs started out of “necessity” (37.2%), which was 1.7 times more likely than the EU average (Figure 2c) and the third highest value in the EU. More than half of older entrepreneurs indicated that they started their business due to difficulties in finding a job (51.3%). Women were also very likely to report this motivation (43.0%).

The proportion of people who expect to create a business in the near future is also quite high (Figure 2d). Men had higher expectations to start a business than women between 2012 and 2016 (27.9% vs. 18.4%), and young people were more likely to expect to become entrepreneurs than older

³ As identified in the strategic documents related to women entrepreneurship in Croatia: Strategy of Women's 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's Entrepreneurship in the Republic of Croatia, 2010-2013. <https://vlada.gov.hr/UserDocsImages//Sjednice/Arhiva//45%20-%201a.pdf>

people (36.1% vs. 12.9%). All of these proportions were approximately double the EU average for each group. This is likely to be linked to the high proportion of people that start businesses out of “necessity”.

Figure 2. Self-employment and entrepreneurship rates by target group



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 2012-16. 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 in panels b, c, and d covers all EU Member States except Malta.

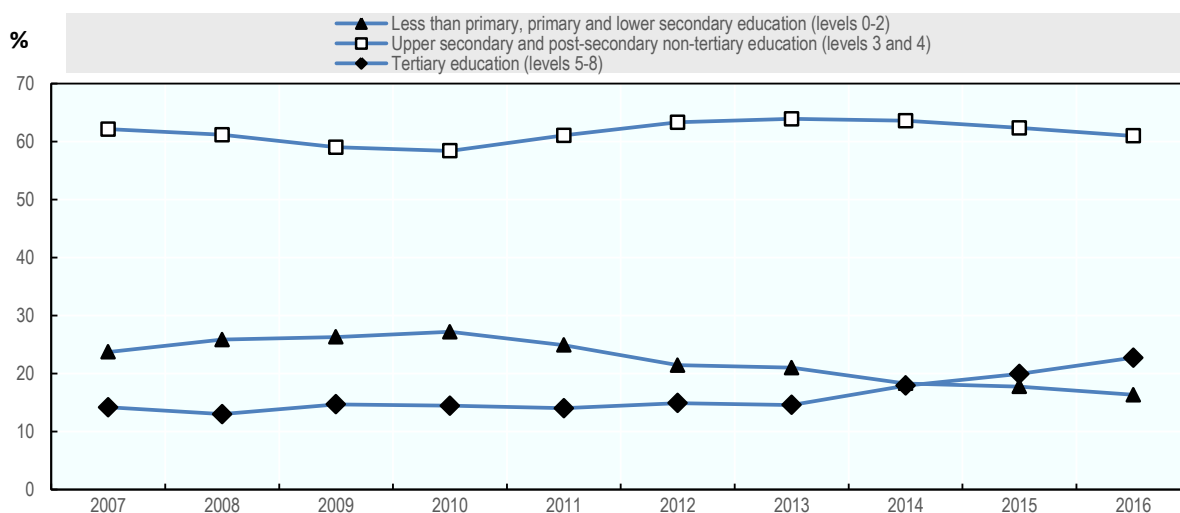
Source: Panel a contains data from Eurostat (2017), Labour Force Survey; Panels b, c, and contain data from the 2012 to 2016 Global Entrepreneurship Monitor household surveys that were tabulated for the OECD (2017).

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 medium level of educational achievements, having completed upper secondary or post-secondary non-tertiary education. There is a decreasing trend of self-employment among less educated people (lower secondary education or under) and increasing trend of self-employment among those with tertiary education. In Croatia, people with upper secondary or post-secondary education have made up the majority of self-employed workers over the past decade, ranging between 57% and 60% of this group between 2007 and 2016. Self-employment among less educated persons has been decreasing (from 29.8% in 2007 to 17.3% in 2016) while the opposite trend

has been observed among those with tertiary education which increased from 12.5% in 2007 to 23.2% in 2016 (Figure 3). This is observed in both genders. These observations also hold for self-employed people among older population (50-64 years old), regardless of gender. Similar data are not available for youth.

Figure 3. Educational attainment of the self-employed, 2007-16



Note: Education levels refer to the International Standard Classification of Education (ISCED)

Source: Eurostat (2017), Labour Force Survey.

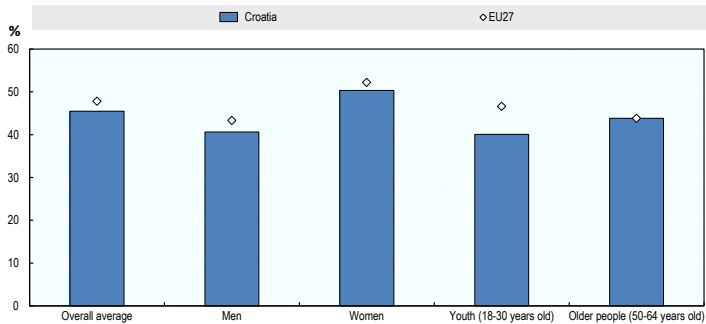
2.4. Barriers to business creation

Over the period 2012-16, nearly half of the population (45.5%) cited “fear of failure” (Figure 4a) as a deterrent to business creation. This was slightly below the EU average for this period (47.8%). Women were the most likely to report that a “fear of failure” was a barrier to business creation (50.3%), but it was also a barrier for older people (43.8%) and youth (40.1%).

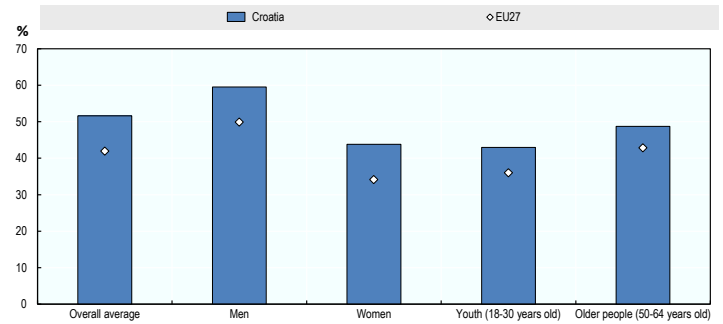
Another common barrier to business creation is a lack of entrepreneurship skills. However, Croatians are, overall, more optimistic about their perceived entrepreneurship skills than the EU average. Over the period 2012-16, more than half of Croatians reported that they had the skills for business creation (51.6%), one of the highest rates in the EU and well above the EU average for this period (41.9%). Women, youth and older people were all quite confident in their entrepreneurship skills: respectively 43.8%, 42.9% and 48.7% reported that they had the skills and experience to start a business. All of these proportions were above the EU average for this period.

Figure 4. Barriers to entrepreneurship by target group

a. Proportion who report that a fear of failure prevents them from starting a business, 2012-16



b. Proportion who perceive that they have the skills to start a business, 2012-16



Note: Data were pooled for the period 2012-16. 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.

Source: GEM (2017), special tabulations of the Global Entrepreneurship Monitor's household surveys from the 2012 to 2016.

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 2012-16 (21.7% vs. 28.9%) (Figure 4a). Women, youth and older people were all less likely than the EU average to offer new products and services during this period. This finding may be partially explained by low levels of collaboration between the business sector and the research community – in 2016, Croatia ranked 62nd out of 66 countries involved in GEM survey in the level of R&D transfers (GERA, 2017). The issue of non-effectiveness of R&D transfer in Croatia has been identified for years in surveying competitiveness by the World Economic Forum – in 2016-17 report, Croatia was ranked as 47th out of 138 countries on technological readiness, but only 103rd for innovation and 114th for university–industry collaboration in R&D (Schwab, 2016).

This low level of innovation in Croatian businesses undermines its competitiveness on foreign markets. This is an important issue as Croatian entrepreneurs export more than the average EU entrepreneur across all groups (Figure 4b). Approximately 80% of entrepreneurs report selling to customers in another country over the period 2012-16. 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 growth expectations. Women, youth and older entrepreneurs were more likely than the corresponding EU averages to expect to create more than 19 jobs over the next five years: 8.9% vs. 6.0% for women; 16.3% vs. 11.1% for youth; and 12.9% vs. 8.9% for older people (Figure 4c). However, without portfolios of innovative products it may be challenging to build the profitable business models needed to guarantee fulfilment of these expectations for jobs creation.

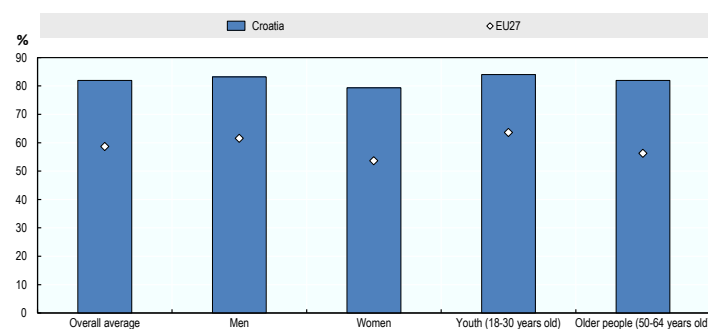
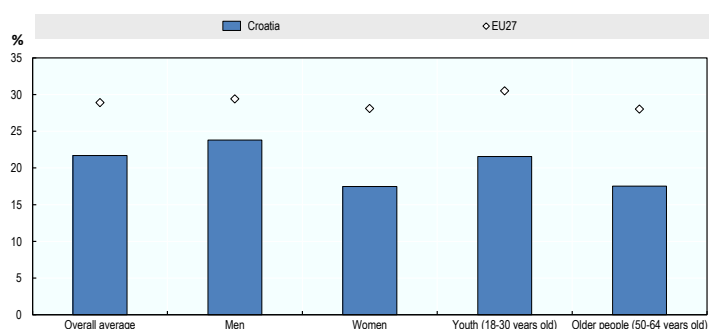
In depth analysis confirms firm growth is multifaceted: Singer et al. (forthcoming 2017) identified a portfolio of factors which varies depending on the gender and the phase of business development. The motivation for business creation (opportunity or necessity) is a very strong influencer for building innovative businesses, among innovative women and men in early stage of business activity (i.e. up to 42 months). In later phases of business development, the original

motivation for business creation is no longer a strong influencer, but networking capacity, perceptions about personal capabilities and perception how entrepreneurs are seen in the society become strong influencers. In both phases of business development, identified factors differ by gender.

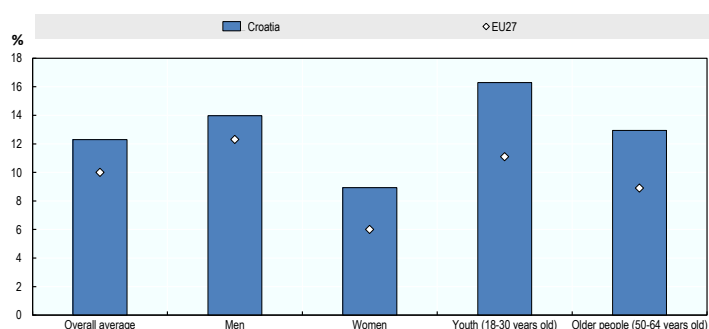
Figure 4. Self-employment and entrepreneurship activities by target group

a. Proportion of new entrepreneurs whose products or services are new to all or some customers and who have few or no businesses offering the same products or services, 2012-16

b. Proportion who sell to customers in another country, 2012-16



c. Proportion of early-stage entrepreneurs who expect to create more than 19 jobs in 5 years, 2012-16



Note: Data were pooled for the period 2012-16. 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.

Source: GEM (2017), special tabulations of the Global Entrepreneurship Monitor's household surveys from the 2012 to 2016.

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

3.1. Policy framework

The main 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

⁴ <http://www.seecel.hr/UserDocsImages/Strategy%202013%20-%202020%20MINPO.pdf>

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.

A number of strategies have been developed for the period 2014-20 to address specific labour market and social inclusion issues, including the use of self-employment as a tool. For example, the Operational Programme Efficient Human Resources 2014-2020 (OPEHR)⁵ seeks to boost employment and labour mobility, improve social inclusion, and strengthen the governance of labour market and skills policies. In addition, the Strategy for Combating Poverty and Social Exclusion in the Republic of Croatia (2014-2020)⁶ also supports groups such as the long-term unemployed, low-skilled workers, older workers, youth and women. Additionally, there are three strategic documents focusing on specific target groups (women, youth and Roma): Strategy of Women Entrepreneurship Development in the Republic of Croatia 2014-2020, the Youth Guarantee Implementation Plan (YGIP) and the National Strategy for Inclusion Roma 2013-2020.

The Strategy for Development of Women Entrepreneurship, 2014-2020 seeks to strengthen support for women's 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, the Croatian Agency for SMEs, Innovation and Investments (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.

The Youth Guarantee Implementation Plan (YGIP), which started in 2014, 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, the Roma population and young persons with disabilities. Full implementation of the Youth Guarantee scheme will take place in 2017, according to the Implementation Plan.

The Commission's 2017 assessment report on YGIP 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" (EC, 2017). 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 an 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 co-ordination capacity has been included in the recommendations each year since 2014.

⁵ <http://www.strukturnifondovi.hr/UserDocsImages/Novosti/FINAL%20OP%20EHR.pdf>

⁶ https://vlada.gov.hr/UserDocsImages/ZPPI/Strategije/STRATEGY_COMBATING_POVERTY_SOCIAL_EXCLUSION_2014_2020.pdf

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 2016-2020, which covers the long-term unemployed and people with a disability, the National Strategy for Equalisation of Opportunities for Persons with Disabilities 2011-2015, the Strategy of Social Welfare for the Elderly 2014-2016, and the National Strategy for the Inclusion of Roma 2013-2020. These each mention the potential of self-employment as a labour market activity, but few people from these groups become self-employed.

The National Strategy for Equalisation of Opportunities for Persons with Disabilities, 2011-2015 was updated for the period 2016-2020 and sent to the further procedures to the Government and to the Parliament.⁷ But, due to the changes in government, this updated strategy has yet to be approved. This updated strategy will have more measures related to employment and self-employment relative to the previous one, which only had one goal (out of 15) related to employment. Self-employment was mentioned only covered in one suggested activity (develop and implement measures for stimulating self-employment).

Examining the key policy documents related to under-presented and disadvantaged groups reveals four major 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; and iv) policy evaluations are not used as a tool to improve policies and programmes.

3.2. Government regulations

Croatia has made substantial progress in the area of simplifying procedures for doing business in the past years. The regulatory environment for setting up a business remains, however, cumbersome. The regulatory framework as a component of the entrepreneurship ecosystem is ranked at the top of barriers by the Global Competitiveness Index 2016-17 (Schwab, 2017), followed by tax rates and policy instability. Croatia is ranked 135 out of 138 countries regarding the burden of government regulations, and 134 in terms of efficiency of legal framework in settling disputes. 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 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 in entering self-employment, for employers employing young persons and for professional training of unemployed young persons without employment experience.

One of the main measures is “Support for Self-employment”, which targets unemployed persons who went through self-employment counselling process. Beneficiaries can get a financial support to starting a business – HRK 35 000 (approximately EUR 4 600), instead of the financial allowance for unemployment, or HRK 45 000 (approximately EUR 6 100) if it is combined with professional training. This measure can also be used to start businesses in pairs (two persons, HRK 70 000 or approximately EUR 9 450), starting a joint limited liabilities firm (up to four persons, HRK 140 000, approximately EUR 18 900), or starting a co-operative (up to five persons, HRK 175 000 or

⁷ National Social Report 2016, p. 7

approximately EUR 23 600). The previous iteration of this measure provided HRK 25 000 (approximately EUR 3 375) and could not be used for starting a co-operative or jointly owned firm. In 2016 there were 2 241 beneficiaries of this measure.

Overall, the Croatian welfare system provides equal rights and benefits to entrepreneurs from all social target groups. However, the unemployed are able convert their entitlement of unemployment benefits into an allowance that can be used for business creation. This measure is managed by the Croatian Employment Service.

3.3. Financing entrepreneurship

Access to finance is an important challenge to entrepreneurs in Croatia, and is even greater for entrepreneurs from disadvantaged and under-represented groups. Croatia has introduced several policy measures in recent years to facilitate access to finance, including grants, venture capital 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 three main institutions, the Croatian Employment Service, the Ministry of Entrepreneurship and Crafts and the SME Agency HAMAG-BICRO. 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. It offers up to HRK 25 000 (approximately EUR 3 300). Furthermore, the Ministry is considering implementing dedicated grant schemes for women and youth in the second half of 2016.

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 microcredit programmes, mostly through commercial banks and with the guarantee schemes provided by the HAMAG-BICRO agency. One of them is targeting women in particular – eligible beneficiaries are business entities that are at least 51% owned by one or more women, or if the business is managed by a woman. The loan programme is implemented through commercial banks and provides loans of HRK 80 000 to HRK 700 000 (approximately EUR 10 500 to EUR 92 000). Another loan product within the same scheme targets youth under 30 years old who own at least 51% of the company’s capital. There is also another more general loan programme for new business start-ups that lends between HRK 80 000 to HRK 1.8 million (approximately EUR 10 500 to EUR 236 000). However, seniors are not eligible for this general loan product.

The Croatian Bank for Reconstruction and Development operates a microloan programme to support business creation, which is partially targeted at the unemployed. This programme is designed and implemented in collaboration with the European Investment Fund. The loan programme is implemented through commercial banks, and the loans are up to EUR 25 000. The Croatian Bank for Reconstruction and Development joined the Jobs for Youth Initiative launched by the European Investment Bank, which offers loans to support training and the employment of youth. To stimulate take-up of this loan facility, the Bank reduced interest rates by 50 basis points for those SMEs who employ or will employ a young person.

In March 2016, the Ministry of Entrepreneurship and Crafts introduced the State Aid Grants Program to Increase Innovation of Small and Medium Enterprises (based on using European Social Fund, European Fund for Regional Development and European Cohesion Fund). Due to frequent changes of government since 2015, the implementation of this programme has been delayed. However, the Ministry of Economy, Entrepreneurship and Crafts announced three grant schemes in

2017 that will be financed through the European Fund for Regional Development and focused on innovative projects. Following calls are open till the end of 2017: “Internationalization of SMEs”, “Commercialization of Innovations” and “Through the Product Certification to the Market”. The government grant programme Entrepreneurial Impulse (*Poduzetnički impuls*) which ran for few years, was stopped in 2016 (when the government acted as a technical government) and was not replaced with a new scheme in 2017.

In addition, many efforts are ongoing to increase the amount of start-up financing available in Croatia through further development of venture capital funds, seed capital funds and angel investments. While SMEs and entrepreneurs will benefit from a greater supply of business financing, entrepreneurs from under-represented and disadvantaged group do not typically receive funding through these mechanisms.

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 investors⁸, in accordance with the Alternative Investment Funds Act. Further, HAMAG-BICRO manages the Seed Co-Investment Fund, an open-ended fund with initial capital of EUR 2.5 million financed by proceeds from a World Bank loan. Eligible co-investors are business angels, incubators, accelerators, corporate investors and venture funds. The minimum equity investment is EUR 30 000. The first call was closed in February 2017, but there is no public report on the results of the call.

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 HRK 23 million (EUR 3 million) (Alpeza et al., 2017). Supporting entrepreneurs from under-presented and disadvantaged groups are not an explicit priority of their activities.

Moreover, the Zagreb Stock Exchange has been developing a new financial platform called PROGRESS,⁹ which is planned to be operational on the beginning of 2018. It seeks to ease access to financial capital for SMEs that seek to grow through a public offering, or seeking to better understand their market value. It is not clear to what extent such a platform would be used by entrepreneurs from under-represented and disadvantaged groups.

The range of finance instruments used to support women, youth, older people and the unemployed in business creation appears to be generally sufficient. However, greater attention to monitoring and evaluating these measures is needed to ensure that programmes and initiatives are effective and have an impact. Moreover, the effort to improve accessibility to information on measures funded through the EU Structural Funds should be continued (<http://www.strukturfondovi.hr>).

3.4. Entrepreneurship skills

Entrepreneurship skills development policy is guided by the National Strategy for Entrepreneurial Learning 2010-2014. It is one of five strategic goals in the Entrepreneurship Development Strategy of the Republic of Croatia 2013-2020. Activities planned to achieve this goal include various forms of informal and formal education, as well as increasing public awareness on the need for education and

⁸ Honestas Private Equity Partneri (www.honestas-pe.hr) ; Nexus Private Equity Partneri (www.nexus-pe.hr); Prosperus Invest. (www.prosperus-invest.hr); Quaestus Private Equity (www.quaestus.hr).

⁹ 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.

lifelong learning. However, the anticipated formal educational programmes have not yet been introduced based on this strategic goal. Nonetheless, the Education and Teacher Training Agency (ETTA) is increasingly proactive and a series of continuing professional development seminars and workshops for school principals, teachers and other school staff focusing on entrepreneurial education was launched in 2014-15. Education for entrepreneurial competences on secondary level is still mostly organised as extra-curricular activity.

One of the main programmes to support entrepreneurs and SMEs is the Ministry of Entrepreneurship and Crafts' "Business Impulse Programme", which promotes and supports small businesses and crafts. It also includes a small number of measures for innovative entrepreneurship, and some targeted support services for women and youth. The Programme had a total budget of HRK 4.4 billion (EUR 57 million) in 2015 and is co-funded by EU Structural Funds.

Entrepreneurship training is also offered through the Youth Guarantee Implementation Plan, which contains several measures for youth. Many of these training programmes and internships are targeted at NEETs between 15 and 24 years old and are implemented by the Croatian Employment Service. 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.

In addition, the Croatian Employment Service provides self-employment training and business advice to persons with disabilities and the long-term unemployed.

There is a strategic document on lifelong career development strategy for the period 2016-2020,¹⁰ whose implementation is primarily organised through training activities by the Croatian Employment Service. It includes professional training measures for employers to cover up to 70% of training costs per employee (up to HRK 15 000, approximately EUR 1 980). Through this strategy, the Croatian Employment Service in 2016 provided financial support for training of 1 129 unemployed persons (CES, 2016). The measures contained in this strategy have yet to be evaluated for impact or effectiveness.¹¹

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, the unemployed, and the Roma. 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. There is also a need for increased collaboration between the different ministries in charge of entrepreneurship, employment and education.

3.5. Entrepreneurial culture and social capital

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

¹⁰ Strategija cjeloživotnog profesionalnog usmjeravanja i razvoja karijere u Republici Hrvatskoj, 2016-2020, Ministarstvo rada i mirovinskog sustava <http://www.mrms.hr/wp-content/uploads/2015/11/strategija-cpu-2016-2020.pdf>

¹¹ Some analysis conducted in the USA showed that the types of programs provided under Work Investment Act, such as classroom training and on-the-job training, that can be effective for adults are typically not effective for out-of-school youth (Barnow and Smith, 2015).

and Crafts took over it, and some workshops were organised throughout Croatia in 2017 to provide information about the grant programme “Commercialisation 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 the development of women entrepreneurship in the Republic of Croatia 2014-2020 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.

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 organising, and participating in, entrepreneurship events. For example, HAMAG-BICRO participated in the event “Stay in Croatia”, which was organised Students’ association of the University of Zagreb and Croatian Chamber of Economy on 30 and 31 May 2017. During this event, several 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 also broadcasted 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. POLICY RECOMMENDATIONS

Two years of political instability from the end of 2015 (two parliamentary elections, two governments) put on hold many activities in country, including implementation of policies and programmes related to inclusive entrepreneurship. Policy strategies and programmes that promote and support entrepreneurship in general exist, but institutional and regulatory infrastructures are not always in place. Co-ordinated policy implementation as well as tailored initiatives focused on groups that are either under-represented or disadvantaged in the labour market are mostly lacking. Strategic policies have been developed for youth, women and Roma, but support measures remain limited, especially for Roma. The following recommendations are rooted in conducted review of implemented measures with the aim to further develop policies and programmes related to inclusive entrepreneurship and to address the barriers to business creation and self-employment by under-represented or disadvantaged groups:

1. *Develop 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 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 mainstream entrepreneurship training to the needs of the different target groups.* Entrepreneurship training does not adequately address the different needs of different target groups. There is a need to better align the training offers with the needs of different target groups. It is also important that training covers business development and growth, in addition to business start-up. To make the training more attractive to potential entrepreneurs, trainers should be representative of the different communities and receive communication training.
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 focussed on entrepreneurship training. Coaching and mentoring is not widely used in Croatia. Programmes could be developed using professional 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 preferred 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.

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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 5 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?