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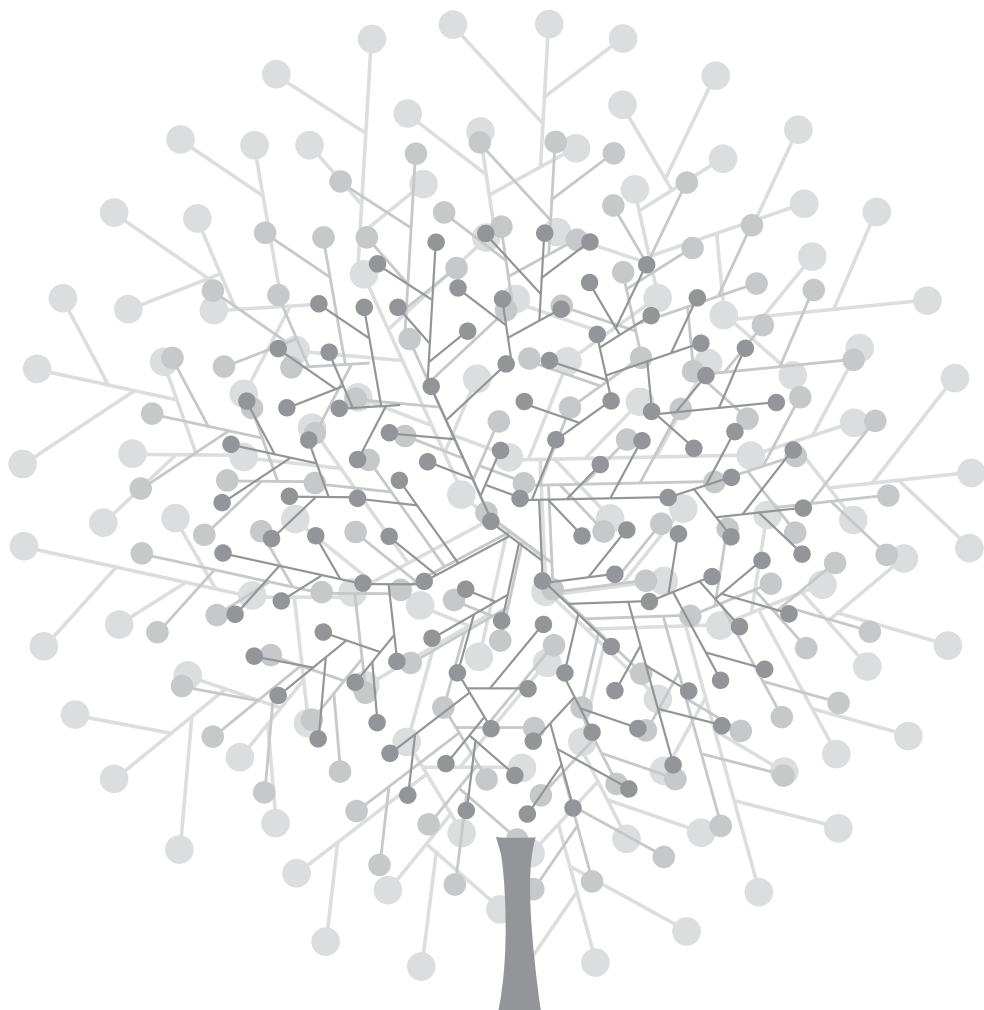


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Small and Medium Enterprises Report Croatia – 2016.

*including the results of
GEM – Global Entrepreneurship Monitor research
for Croatia for 2015*





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GEM – Global Entrepreneurship Monitor research
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Introduction

Small and medium enterprises are the backbone of every economy, and their importance is recognised in particular through the share in employment, total revenues and exports. In 2015, there were 106,221 micro, small and medium enterprises (99.7% of the total number of registered enterprises) operating in Croatia, which achieved a share of 54% in total revenues, 69.2% of employment and 50.3% of Croatian exports, and according to all these three key criteria they have increased their share and impact on the economy of Croatia in 2015 in relation to the previous year¹.

Small and Medium Enterprises Report – Croatia 2016 is published by **CEPOR² – SMEs and Entrepreneurship Policy Center** – the first policy think tank, which, since its establishment in 2001, deals with the issues of entrepreneurship and the small and medium enterprise sector in Croatia. CEPOR's mission is to contribute to the development of entrepreneurial culture, relevant policies, and stimulating institutional and regulatory framework for entrepreneurial activity in Croatia in order to achieve strong economic and social development.

CEPOR has been publishing the Small and Medium Enterprises Report – Croatia since 2011, in Croatian and English, with the aim to consolidate a multitude of fragmented information and data about the state, activities, support and environment of small and medium enterprises in Croatia. The annual **Small and Medium Enterprises Report – Croatia 2016** provides an overview of the situation of the small and medium enterprise sector in Croatia through the following aspects: dynamism, sector's significance for the economy and regional development, access to financing, availability of educational programmes and professional services, and gender balance in entrepreneurial activity. The Report presents data and analyses of the situation in the small and medium enterprise sector based on the financial statements from 2015 and their comparison with indicators from previous years – most often with 2014, or comparison of the five-year period from 2011 to 2015. In addition to the financial performance indicators of the sector, the Report presents activities carried out in 2015 and 2016 by institutions³ in charge of strengthening the quality of the environment in which small and medium enterprises in Croatia operate.

The data presented and analysed in the Report were collected from relevant stakeholders of the entrepreneurship ecosystem in Croatia – line ministry (Ministry of Entrepreneurship and Crafts, that is, Ministry of Economy, Entrepreneurship and Crafts), Croatian Chamber of Economy, Croatian Bank for Reconstruction and Development, Croatian Agency for SMEs, Innovations and Investments, FINA and others, and from reports of international research projects – Global Entrepreneurship Monitor, which is conducted by the Global Entrepreneurship Research Association (GERA) consortium, Doing Business, which is conducted by the World Bank, Global Competitiveness Report, which is conducted by the World Economic Forum, Corruption

1 Calculated on the basis of data from FINA, Croatian Chamber of Economy and Croatian Exporters.

2 CEPOR was established by an agreement between the Government of the Republic of Croatia and Open Society Institute Croatia in 2001. Ten institutional founders of CEPOR are leaders in their areas of activity – from academic community to associations of entrepreneurs, development agencies and centers for entrepreneurship. CEPOR's mission is to influence the public and political environment, emphasising the role of entrepreneurship and small and medium enterprises in the development of Croatian economy (www.cepor.hr).

3 Information on the activities carried out by individual institutions were collected on the basis of CEPOR's invitation for the purpose of gathering information for the preparation of the Report, and on the basis of information published on institutions' websites.

Perceptions Index, which is conducted by the Transparency International, etc. Sources of data on the performance of the small and medium enterprise sector in Croatia in the context of the European Union are EUROSTAT and the publications of the European Commission – SBA Fact Sheet, European Semester and Annual Report on European SMEs.

The Small and Medium Enterprises Report – Croatia 2016 is divided into seven chapters. The first chapter deals with the analysis of the state of the Croatian economy based on the perspective of achieving the Europe 2020 goals, through the European Semester reports. The second chapter analyses the situation and importance of the small and medium enterprise sector in Croatia in 2015, in comparison with previous years. The third chapter talks about the issues of women entrepreneurship in Croatia. The fourth part presents the environment of the small and medium enterprise sector – institutional and legislative framework and obstacles to the development of small and medium enterprises through the prism of international research. The fifth part analyses the possibilities of financing the development of the small and medium enterprise sector in Croatia. The sixth chapter presents the representation of entrepreneurial education at all levels of formal education in Croatia, and access to and availability of information and advisory services for small and medium enterprises are described in the seventh part of the Report.

The purpose of the annual reports on small and medium enterprises in Croatia, which are published by CEPOR, is to inform the public and institutions on whose activities shaping of policies and the entrepreneurship ecosystem depends on the issues of the small and medium enterprise sector. In this way CEPOR contributes to building a consistent information base for the adoption of policies, programmes and measures to improve the conditions for entrepreneurial activity in Croatia.

1. State of the Croatian economy from the perspective of the European Semester

Annual analyses of the state of the small and medium enterprise sector need to be based on the perspective of achieving the Europe 2020 goals, which is provided by European Semester reports.

In the context of the Europe 2020 strategy, Croatia has good results with respect to some national targets (early school leaving, reduction of greenhouse gas emissions...), but achieving several goals is either questionable or still below the level at which the EU average is planned:

- *Employment rate target: 65.2 % for Croatia vs. 75% for EU*
The employment rate in Croatia is one of the lowest in the EU, but moderate positive trends have been recorded since 2013 – the employment rate was 60.5 % in 2015. Croatia may achieve its national target of 65.2%, but this will be far below the EU average.
- *Research and development target: 1.4 % of GDP for Croatia vs. 3% for EU*
The level of investment in research and development in Croatia has increased from 0.75% of GDP in 2012 to 0.85% in 2016. The current level of 2% in the EU indicates a long-standing enormous difference in the capacity to transfer knowledge into the business sector. It is unlikely that Croatia will achieve its target of 1.4%, which is already less than half the planned target for the EU.
- *Tertiary education target: 35% for Croatia vs. at least 40% for EU*
Tertiary attainment of 30–34 year olds has been on a generally upward trend since 2012, with the achieved level of 30.9% in 2015. Croatia is on its way to achieving its national target of 35% by 2020, although the current level in the EU is 37.9%.

The European Semester report on the state of the economy in Croatia from 2016⁴ state that Croatia came out of its six year recession in 2015, with GDP growth of 1.8%. Between 2008 and 2014, real GDP contracted by more than 12%, and the unemployment soared from less than 9% to more than 17%. The recovery of the economy started at the end of 2014, mostly influenced by the recovery of domestic consumption, and to some extent by the investments initiated thanks to the increased absorption of funds from the European Union Funds. The forecast economic growth in the forthcoming period will still not be enough to bring the economy back to pre-recession levels.

Strengthening the growth potential requires deep structural reforms in the labour market, interventions in the area of specialisation (which would ensure participation in global value chains), improving productivity and competitiveness (not only through the cost component, but also through improving quality)⁵. Without such reforms, Croatia's economy is set to return to its long-term potential growth, which is currently estimated at below 1%. Without strengthening the growth potential, the rhythm and intensity of removing macroeconomic imbalances will be slow and insufficient.

4 COMMUNICATION FROM THE COMMISSION TO THE EUROPEAN PARLIAMENT, THE COUNCIL, THE EUROPEAN CENTRAL BANK AND THE EUROGROUP 2016 European Semester: Assessment of progress on structural reforms, prevention and correction of macroeconomic imbalances, and results of in-depth reviews under Regulation (EU) No 1176/2011 (SWD(2016) 71 to SWD(2016) 96) and (SWD(2016) 120), Brussels, April 07, 2017 COM(2016) 95 final/2

5 COMMISSION STAFF WORKING DOCUMENT Country Report Croatia 2016 Including an In-Depth Review on the prevention and correction of macroeconomic imbalances, Brussels, March 03, 2016 SWD(2016) 80 final/2

These conclusions in the European Semester report from 2016 refer to six recommendations from 2014, in which only limited progress was registered.⁶

The actuality of these recommendations is confirmed by the conclusions of the European Semester report for 2016 about the problems⁷ whose resolution must have priority:

- The unemployment rates are particularly high among the youth and the low skilled workers, which requires intervention of the education system, as well as various government programmes for the retraining of adults;
- The education and social protection systems still suffer from structural weaknesses. Although ambitious measures are being taken to improve the quality of education, shortcomings in the education system make it difficult for graduates to make the transition to the labour market and for adults to re-enter the education system. Enhancing the skills of adults and unemployed is not being prioritised, despite the direct link to productivity and employment;
- Lack of a coherent and integrated policy framework for research and development and a lack of financing;
- High administrative barriers, complex and often changing regulation, and slow and inefficient state administration make it difficult to launch and implement new investment cycles;
- A weak and fragmented public administration weighs on service delivery and penalises business, while inefficiencies in state-owned enterprises slow down the adjustment process. The high fragmentation of public administration translates into a multiplication of functions and public bodies, but disparities in the fiscal capacity of local government units result in regional inequalities in the services provided;
- Banks are the most important source of external financing, in particular for small and medium enterprises (SME), but there is scope for other types of funding. Obtaining start-up capital is one of the main financial obstacles. Some measures have been put in place to improve small and medium enterprises' access to alternative financing sources, such as venture capital.

From the perspective of achieving the targets of Europe 2020 and the perspective of the European Semester, the development of the Croatian economy, and thus the small and medium enterprise sector in the future period, will depend on the responses to the identified challenges.

⁶ **Recommendation 1:** Ensure a durable correction of the excessive deficit by 2016 by taking the necessary measures in 2015 and reinforcing the budgetary strategy for 2016. – limited progress

Recommendation 2: Discourage early retirement by raising penalties for early exits. – limited progress

Recommendation 3: Tackle the weaknesses in the wage-setting framework, in consultation with the social partners and in accordance with national practices, to foster the alignment of wages with productivity and macroeconomic conditions. Strengthen incentives for the unemployed and inactive to take up paid employment. – limited progress

Recommendation 4: Reduce the extent of fragmentation and overlap between levels of central and local government by putting forward a new model for functional distribution of competencies and by rationalising the system of state agencies. – limited progress

Recommendation 5: Significantly reduce parafiscal charges and remove excessive barriers for service providers. Identify and implement steps to improve the efficiency and quality of the justice system, in particular commercial courts. – limited progress

Recommendation 6: Reinforce the pre-insolvency and insolvency frameworks for businesses in order to facilitate debt restructuring and put in place a personal insolvency procedure. – some + significant process (insolvency acts)

⁷ *ibid*

2. Situation in the small and medium enterprise sector in Croatia in 2015

Situation in the small and medium enterprise sector in Croatia in 2015 is shown in comparison with 2014, and in some cases, due to observation of certain trends, in the 2011–2015 period. The key criteria for comparison are employment, total income and export intensity.

2.1. Importance of the small and medium enterprise sector in the Croatian economy

Characteristics of small and medium enterprises according to criteria of employment, total income and export intensity

The share of small and medium enterprises in the Croatian economy in 2015 is 99.7%, the same as in previous two years. The small and medium enterprise sector in Croatia in 2015 recorded an increase of 2% in the number of business entities in relation to 2014, whereby the number of small enterprises increased by 2.1%, while the number of medium enterprises decreased by 2.4% (Table 1).

Table 1: Enterprise structure with regard to size from 2011 to 2015

	2011		2012		2013		2014		2015	
	Number of entities	%	Number of entities	%	Number of entities	%	Number of entities	%	Number of entities	%
Small and medium enterprise sector	90,831	99.6	96,906	99.6	100,841	99.7	104,116	99.7	106,221	99.7
Small enterprises	89,539		95,597		99,573		102,895		105,029	
Medium enterprises	1,292		1,309		1,268		1,221		1,192	
Large enterprises	359	0.4	348	0.4	350	0.3	354	0.3	348	0.3
Total	91,190	100	97,254	100	101,191	100	104,470	100	106,569	100

Sources: "Economic Trends 3/4/2016", Croatian Chamber of Economy, 2016, p. 78;
 "Analysis of financial results of entrepreneurs in Croatia in 2015", FINA, 2016, p. 26

Small enterprises employ more than a half of all the employees in business entities in Croatia in 2015, the same as in the previous year. The number of employees in small enterprises in 2015 increased in relation to 2014 by 2.5%, in medium enterprises by 1.4%, while in the same period a decrease of 1.6% in the number of employees in large enterprises was recorded (Table 2).

Table 2: Enterprise size and total income, employment and exports in 2014 and 2015

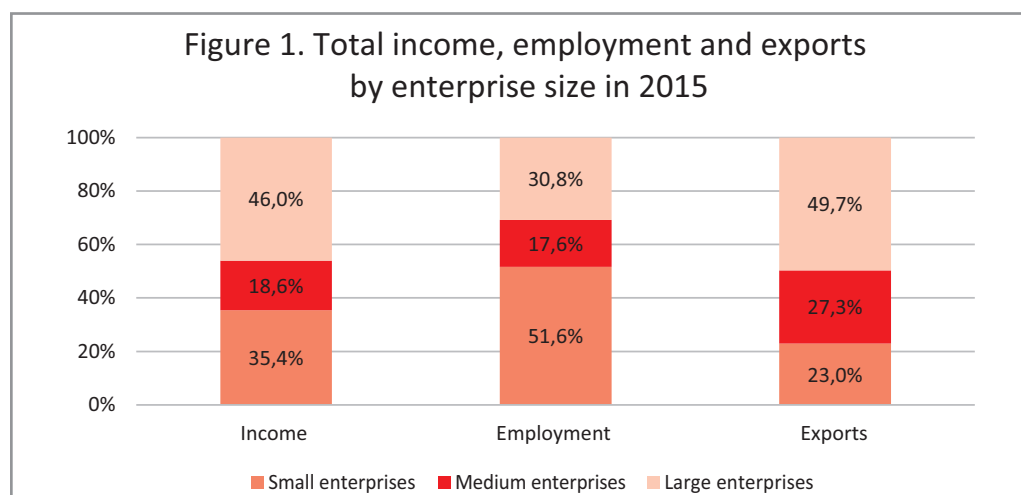
Economic criterion for sector evaluation	Enterprise size					
	Small		Medium		Large	
	2014	2015	2014	2015	2014	2015
Number of employees	422,238	432,934	145,246	147,250	262,632	258,400
Employment (share)	50.9%	51.6%	17.5%	17.6%	31.6%	30.8%
Total income (million HRK)	215,807	226,110	112,320	119,100	290,663	294,438
Total income (share)	34.9%	35.4%	18.1%	18.6%	47%	46%
Exports (000 HRK)	24,780,905	26,446,403	27,858,437	31,526,196	53,450,269	57,341,701
Exports (share)	25.2%	23%	23.3%	27.3%	51.5%	49.7%

Sources: "Analysis of financial results of entrepreneurs in Croatia in 2014", FINA, 2015, p. 21 and 22;
 "Analysis of financial results of entrepreneurs in Croatia in 2015", FINA, 2016, p. 26 and 27

U 2015, the share of small and medium enterprises in total income was 54%, which is an increase of 1 percentage point in relation to 2014. Total revenue of small enterprises in 2015 increased by 4.8%, of medium enterprises by 6%, and that of large enterprises by 1.3% in relation to 2014 (Table 2).

In the total exports of Croatian enterprises in 2015, small and medium enterprises participate with a share of 50.3%, overtaking large enterprises, which, with the share of 49.7% in 2015, for the first time account for less than a half of the total exports. This is a result of the increase of the share of exports of medium enterprises by 4 percentage points in relation to 2014, while the share of small enterprises decreased by 2.2 percentage points, and that of large enterprises by 1.8 percentage points. The value of exports of small enterprises in 2015 increased by 6.7%, of medium enterprises by significant 13.2%, and that of large enterprises by 7.3% in relation to 2014 (Table 2).

Figure 1 shows the differences in employment, total income and exports by enterprise size in 2015.



Even though they have the largest share in employment (51.6%), small enterprises participate in contribution to total revenues with 35.4%, and only with 23% in exports. Medium enterprises have an equal share in both employment and total revenues (at around 18%), but they participate with 27% in exports. Large enterprises are export-oriented the most. These data raise questions regarding the differences in productivity in individual enterprise categories and the ability to internationalise business.

Employment in small enterprises in the period from 2011 to 2015 stagnates at an average of 4 employees, while total income per employee continuously grows, by 5.6% in 2015 comparing to 2011 (Table 3). Employment in medium enterprises increased to an average of 123 employees in 2015, which is the level from 2011 and an increase in relation to an average of 119 employees in 2013 and 2014 (Table 4). Total income per employee, just like in small enterprises, is continuously increasing (15.4% in 2015 comparing to 2011), indicating an increase in productivity and competitiveness of small and medium enterprises in Croatia.

Table 3: Average number of employees and productivity in small enterprises from 2011 to 2015

Year	Number of small enterprises	Number of employees in small enterprises	Average – number of employees in small enterprises	Total income (in million HRK)	Total income per employee (in HRK)
2011	89,539	386,692	4.3	191,232	494,533
2012	95,597	406,834	4.2	199,774	491,045
2013	99,573	414,507	4.2	206,905	499,159
2014	102,895	422,238	4.1	215,807	511,103
2015	105,029	432,934	4.1	226,110	522,273

Sources: "Economic Trends 3/4/2016", Croatian Chamber of Economy, 2016, p. 78;
 "Analysis of financial results of entrepreneurs in Croatia in 2015", FINA, 2016, p. 26 and 27

Table 4: Average number of employees and productivity in medium enterprises from 2011 to 2015

Year	Number of medium enterprises	Number of employees in medium enterprises	Average – number of employees in medium enterprises	Total income (in million HRK)	Total income per employee (in HRK)
2011	1,292	159,616	123.5	111,896	701,032
2012	1,309	149,787	114.4	111,966	747,501
2013	1,268	150,605	118.8	112,309	745,719
2014	1,221	145,246	118.9	112,320	773,309
2015	1,192	147,250	123.5	119,100	808,828

Sources: "Economic Trends 3/4/2016", Croatian Chamber of Economy, 2016, p. 78;
 "Analysis of financial results of entrepreneurs in Croatia in 2015", FINA, 2016, p. 26 and 27

Starting business ventures and growing enterprises

GEM – Global Entrepreneurship Monitor is the world’s largest study of entrepreneurship in which Croatia has been involved since 2002⁸. GEM research monitors the level of activity in starting business ventures measured by the TEA index⁹. Entrepreneurial activity in Croatia measured by the TEA index in 2015 amounts to 7.7%, which is a decline compared to 8% recorded in 2014, and 8.3% in 2013 (Table 5). According to this indicator, Croatia slightly lags behind the average of the EU countries (8% in 2015), but significantly lags behind the average of countries whose economies are based on efficiency, involved in the GEM research (14.5% in 2015).

Table 5: Entrepreneurial activity in Croatia from 2011 to 2015, measured by the TEA index

	2011	2012	2013	2014	2015
TEA index (%), Croatia	7.3	8.3	8.3	8.0	7.7
TEA index (%), GEM average ¹⁰	14.0	12.4	14.4	14.0	14.5
TEA index (%), EU average	5.3	7.8	8.0	7.8	8.0

Source: GEM Croatia, CEPOR – SMEs and Entrepreneurship Policy Center, 2016

When analysing entrepreneurial capacity of a country it is important to observe differences in motivation for entrepreneurial activity, that is, whether starting an entrepreneurial venture is the result of recognising a business opportunity or lack of other opportunities for employment. GEM research measures starting entrepreneurial ventures because of opportunity or out of necessity using TEA Opportunity, TEA Necessity and motivational index¹¹. It is desirable that motivational index is as high as possible, because that speaks of potentially better preparedness for starting a business venture and of greater optimism, which is based on recognised opportunity. Motivational index of Croatia in 2014 and 2015 was just slightly higher than 1 (1.1 in 2014 and 1.5 in 2015), which suggests that the number of entrepreneurs who have started a business venture because of perceived opportunity is almost the same as the number of those who have become entrepreneurs out of necessity (Table 6). Croatia has the lowest motivational index of all the EU countries involved in the GEM research, and a significantly higher TEA Necessity index than the EU average in the observed period.

Table 6: Reasons for entry into entrepreneurial activity in Croatia from 2011 to 2015

Year	TEA Opportunity (%)			TEA Necessity (%)			Motivational index		
	Croatia	EU average	GEM average	Hrvatska	EU average	GEM average	Hrvatska	EU average	GEM average
2011	4.6	4.0	9.7	2.6	1.0	4.0	1.8	4.0	3.4
2012	5.4	5.8	9.4	2.8	1.7	3.4	1.9	4.8	3.3
2013	5.0	5.8	10.0	3.1	1.8	3.9	1.6	4.3	3.0
2014	4.1	5.7	10.0	3.7	1.8	3.7	1.1	4.6	3.3
2015	4.6	6.0	10.1	3.1	1.7	4.1	1.5	4.0	2.9

Source: GEM Croatia, CEPOR – SMEs and Entrepreneurship Policy Center, 2016

8 GEM research in Croatia is carried out by CEPOR – SMEs and Entrepreneurship Policy Center in cooperation with the research team from the Faculty of Economics in Osijek, J.J. Strossmayer University of Osijek.

9 TEA index represents the number of entrepreneurially active people (it combines the number of people that are trying to start an entrepreneurial venture and the number of owners or owners/managers of enterprises younger than 42 months) per 100 examinees that are 18-64 years old.

10 Average of countries whose economies are based on efficiency, involved in the GEM research in that year.

11 Motivational index is the ratio of TEA Opportunity to TEA Necessity. Value of motivational index above 1 means that more entrepreneurial ventures were started because of perceived opportunities, and value below 1 means that there are more of those who were forced into entrepreneurship by necessity, i.e., lack of other options.

A high proportion of entrepreneurs who opt for entrepreneurship out of necessity can be connected with long-standing high unemployment rate in the country. According to Eurostat¹² data, the unemployment rate in 2015 in Croatia stood at 16.3%, while the rate of youth unemployment in the same year was the third highest in the European Union, amounting to 43%.

In the current situation of high unemployment, starting business ventures out of necessity is one of the ways out of unemployment. Grant for self-employment of the Croatian Employment Service (CES) is a measure of active employment policy intended for people on the unemployment register who have an entrepreneurial idea¹³. Grant in the amount of up to HRK 35,000 is awarded to co-finance costs of opening and operating a business entity. This measure has been implemented since 2011.

In 2015, a total of 4,885 people registered in the unemployment register have used grants for self-employment, and the share of active users in 2015 was less than 1% of the number of unemployed in the CES register (Table 7).

Table 7: Users of grants for self-employment of the Croatian Employment Service from 2011 to 2015

Year	Number of self-employed persons – new users of CES's grants for self-employment	Number of self-employed persons – who have stopped using CES's grants for self-employment	Total number of users of CES's grants for self-employment in the year	Share of active users of CES's grants for self-employment in the number of unemployed, %
2011	772	369	1,026	0.2
2012	938	774	1,605	0.2
2013	4,906	937	5,737	0.9
2014	2,277	4,589	7,077	0.8
2015	2,776	2,238	4,885	0.9

Source: Croatian Employment Service, 2016

In addition to newly established entrepreneurial ventures, growing enterprises are also important for reducing unemployment. GEM research recognises growing enterprises by a series of activities focused on strengthening the competitiveness, that is, development of the innovative capacity of the enterprise (development of new products, technological modernisation, internationalisation).

In 2015, the number of small and medium enterprises whose products are new to everyone increased by 0.6 percentage point in relation to 2014. At the same time, the number of enterprises whose products are new to some increased by 0.3 percentage point, while the number of enterprises whose products are new to no one decreased by 0.9 percentage point. (Table 8).

12 Eurostat, Unemployment statistics, dostupno na: http://ec.europa.eu/eurostat/statistics-explained/index.php/Unemployment_statistics

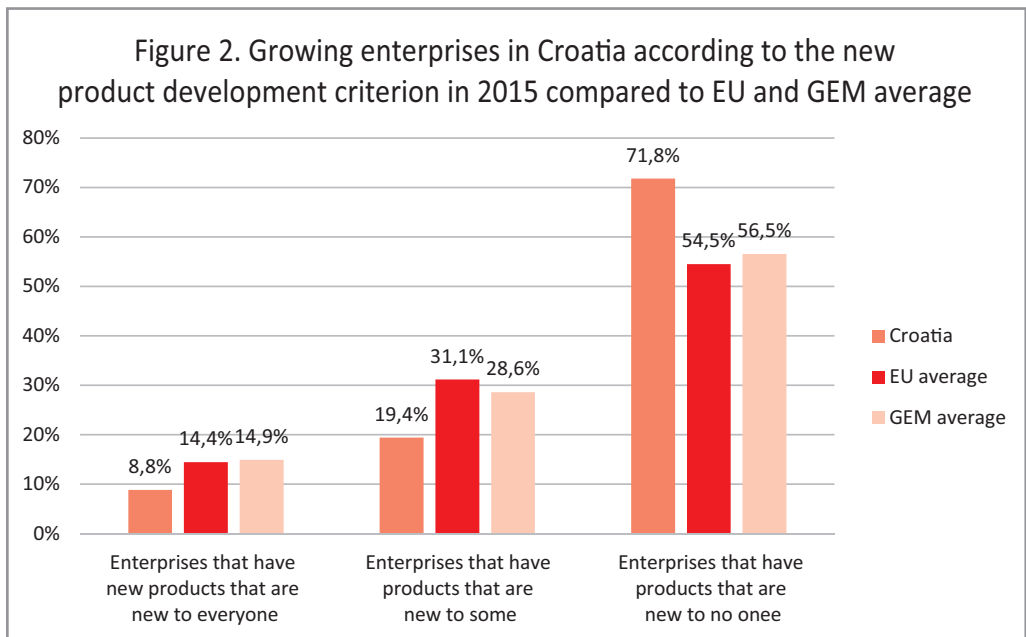
13 According to the Act on Employment Mediation and Unemployment Rights, Croatian Employment Service shall cease keeping an unemployed person in its records if this person registers a company or some other legal entity, or acquires more than 25% stake in a company or some other legal entity, registers a craft, an independent profession or activity in the field of agriculture and forestry.

Table 8: Growing enterprises in Croatia, according to the new product development criterion from 2011 to 2015

Criterion for categorization of growing enterprises	2011	2012	2013	2014	2015
Enterprises that have new products that are new to everyone (%)	12.6	9.0	8.1	8.2	8.8
Enterprises that have products that are new to some (%)	25.2	21.1	21.9	19.1	19.4
Enterprises that have products that are new to no one (%)	62.2	69.9	70.1	72.7	71.8

Source: GEM Croatia, CEPOR – SMEs and Entrepreneurship Policy Center, 2016

Comparison of the data for Croatia for 2015 with the average of EU countries and all other countries included in the GEM research, indicates that Croatia is lagging behind according to the share of enterprises that have products that are new to everyone, and enterprises with products that are new to some, while it has a significantly higher share of enterprises whose products are new to no one (Figure 2).



Source: GEM Croatia, CEPOR – SMEs and Entrepreneurship Policy Center, 2016

Investment in research and development and innovation of Croatian small and medium enterprises

Investment in research and development is one of the key components for increasing innovation and competitiveness of the economy. Gross domestic expenditure for research and development in Croatia in 2015 was 10% higher in relation to 2014. The business sector has the highest expenditure for research and development, which increased investment in R&D by 16.7% in relation to the previous year, while in the same period investment of the government and the non-profit sectors were increased by 3.5%, and that of the higher education sector by 3.8% (Table 9).

Table 9: Gross domestic expenditure on research and development – Croatia, 2011 – 2015 (in thousand HRK)

	2011	%	2012	%	2013	%	2014	%	2015	%
Business sector	1,118,722	44.7	1,137,971	45.9	1,346,810	50.1	1,251,944	48.3	1,461,802	51.2
Government sector	685,170	27.4	682,141	27.5	686,275*	25.5	676,146*	26	700,106*	24.5
Non-profit sector	3,768	0.1	3,471	0.1						
Higher education	694,616	27.8	658,574	26.5	654,919	24.4	666,514	25.7	691,771	24.3
Total	2,502,276	100	2,482,157	100	2,688,004	100	2,594,604	100	2,853,679	100

Source: "Statistical Information 2016", Croatian Bureau of Statistics, 2016, *Research and Development in 2015, First Release No. 8.2.1., 2016, Croatian Bureau of Statistics*

* Data for government and non-profit sector is published in consolidated form since 2013.

According to the **Global Innovation Index**¹⁴ international survey, in 2015 Croatia took 40th place out of 141 countries in which the level of innovation of the economy was measured by this survey. Croatia's rank represents a jump of 2 places compared to 2014, and Switzerland is at the top of the list, same as the year before. Croatia is behind Germany, which is in 12th place, Austria in 18th, Czech Republic in 24th, Slovenia in 28th, Italy in 31st, and Hungary in 35th place. Situated behind Croatia are Montenegro in 41th place, Greece in 45th, Macedonia in 56th and Serbia in 67th place.

Financial performance of small and medium enterprises

Due to significantly better financial performance of small and medium enterprises in 2015 compared to 2014 (large enterprises achieved net profit at the 2014 level), the total net profit of the business sector increased by 75% (Table 10).

14 The Global Innovation Index (GII) is a global survey that measures the level of innovation of a country. The level of innovation of an economy is determined according to five components that enable innovative activities: institutions, human capital and research, infrastructure, market sophistication and business sophistication, while the two components that determine the actual level of innovation are knowledge and technology, and creative results. More information: <https://www.globalinnovationindex.org/home>, downloaded on March 20, 2017

Table 10: Financial efficiency of enterprises in 2014 and 2015

Enterprises	2014		2015	
	Million HRK	%	Million HRK	%
Small				
Profit	14,139	40.5	14,542	40.5
Loss	11,978	47.6	11,421	60.8
Consolidated result	2,161		3,122	
Medium				
Profit	5,369	15.4	5,870	16.3
Loss	8,347	33.2	2,329	12.4
Consolidated result	-2,978		3,541	
Large				
Profit	15,397	44.1	15,513	43.2
Loss	4,825	19.2	5,036	26.8
Consolidated result	10,571		10,477	
Total				
Profit	34,904	100	35,926	100
Loss	25,150	100	18,786	100
Consolidated result	9,754		17,140	

Sources: "Analysis of financial results of entrepreneurs in Croatia in 2014", FINA, 2015, p. 21 and 22
 "Analysis of financial results of entrepreneurs in Croatia in 2015", FINA, 2016, p. 26 and 27

Small enterprises achieved HRK 3.1 billion of net profit in 2015, which is an increase of 44.5% in relation to the result from 2014. With a share of 51.6% of employees, small enterprises participated with 40.5% in the total profit of enterprises in Croatia in 2015.

Medium enterprises recorded a net profit of HRK 3.5 billion in 2015, by which they participated with 16.3% in the total profit of the economy with 17.6% of employees.

The profit of large enterprises in 2015 decreased by 0.9% compared to 2014, and 30.8% of employees in large enterprises participated with 43.2% in the total profit generated.

Situation in the small and medium enterprise sector in the European Union in 2015

According to the European Commission's report¹⁵, around 23 million small and medium enterprises operated in the European Union in 2015, which employed 90 million employees (67% of total employment) and generated EUR 3,900 billion in value added (57% of total value added). Compared to 2014, employment in European small and medium enterprises increased by 1.5%, and value added increased by 5.7%.

15 "Annual Report on European SMEs 2015/16 – SME recovery continues", European Commission, 2016, http://ec.europa.eu/growth/smes/business-friendly-environment/performance-review-2016_hr, downloaded on November 28, 2016

All EU member states except Finland have recorded an increase in employment in small and medium enterprises in 2015. With a share of 53%, micro enterprises were the most responsible for the increase in employment in SMEs. Since 2013, the average number of employees per enterprise is 4.

The problems that trouble small and medium entrepreneurs in the EU the most are related to finding buyers (25%), availability of skilled labour force and managerial personnel (18%), competition (14%) and access to finance (13%).

2.2. Dynamics of development of the small and medium enterprise sector

The basis for monitoring the dynamics of the small and medium enterprise sector is the data on the establishment of new and closing of existing enterprises. In 2015, 14,283 legal entities were established in Croatia, which is 7.5% less compared to 2014 (Table 11).

Table 11: Number of established legal entities in 2014 and 2015

	2014	2015	Difference in the number of newly established enterprises
Trading companies	12,852	12,429	-3,3%
Other	2,589	1,854	-28,4%
Total	15,441	14,283	-7,5%

Source: *Number and structure of business entities in December 2015, First Release No. 11.1.1/4., 2016, Croatian Bureau of Statistics*

According to the results of the GEM research, the rate of exit from business activity, that is, termination of entrepreneurial activity in 2015 in Croatia was 1.7%, and was at the level of the EU average (1.9%). Furthermore, GEM research also monitors the reasons for cessation of business activity (Table 12). The most common reasons for cessation of business activity in Croatia during 2015 were related to issues of tax policy and administrative burden (30.2%), followed by problems with access to finance (20.8%), and personal or family reasons (16.4%).

Table 12: Reasons for cessation of business activity in Croatia in 2014 and 2015 (%)

Reasons for cessation of business activity	2014	2015
Opportunity for sale	0.8	-
The company is not profitable	33.6	11.3
Problems with access to finance	23.5	20.8
Other job or business opportunity	12.9	6.2
The exit was planned	1.4	-
Retirement	2.5	8.3
Personal or family reasons	17.9	16.4
Incident situations	7.3	-
Tax policy/Administration	-	30.2
Other reasons	-	6.8

Source: *GEM Croatia, CEPOR – SMEs and Entrepreneurship Policy Center, 2016*

GEM data for Croatia for 2015 show that 8.3% of entrepreneurs decided to cease business activities due to retirement, and additional 16.4% entrepreneurs because of personal or family reasons, which indicates the importance of timely planning of the business transfer and finding the best solution for the survival of the enterprise after the retirement of the owner.

Business Transfer Barometer Croatia 2015 **Survey by the CEPOR – SMEs and Entrepreneurship Policy Center**

In the first half of 2015, CEPOR has conducted a survey on the topic of the future of small and medium enterprises in Croatia after the withdrawal of the founder – owner, that is, the first generation of entrepreneurs from the business due to retirement. The objectives of the Business Transfer Barometer survey in Croatia were to determine: the number of enterprises in Croatia, which, with regard to the age of the majority owner (55 years and older) and their attitude towards business transfer represent a risk group; the way in which they plan to conduct business transfer, and the need for support in that process.

The Business Transfer Barometer survey in Croatia has identified 16,590 Croatian enterprises whose owners should start planning the business transfer process, with about 179,000 employees in those enterprises. The survey results indicate that 32% or 5,300 enterprises represent a risk group because there is no understanding of the changes that will occur in the enterprise related to business transfer, nor is there adequate preparation. In this way, more than 57,000 jobs are jeopardised.

The overall results of the Business Transfer Barometer Croatia survey are available on the website of CEPRA – Center for Family Business and Business Transfer (www.cepor.hr/cepra), which operates within CEPOR since 2014.

2.3. Regional aspect of the importance of the small and medium enterprise sector

The GEM research monitors the regional differences¹⁶ in business venture start-up activity. In 2015, a significant increase in the value of entrepreneurial activity measured by the TEA index was recorded in the Istria, Primorje and Gorski Kotar region, from 6.8 in 2014 to 11.8 in 2015, which is also the highest value of the index among all Croatian regions in 2015. Regions of Dalmatia, Zagreb and surroundings, and Northern Croatia follow, all of which achieved worse results compared to 2014. On the other hand, entrepreneurial capacity measured by the TEA index is the lowest in regions of Lika and Banovina and Slavonia and Baranja (Table 13).

16 For the purposes of the GEM research since 2003, Croatian counties are grouped in six regions by criteria of geographical-historical conception of the regional structure of Croatia:

Istria, Primorje and Gorski Kotar – Istria County and Primorje-Gorski Kotar County

Zagreb and surroundings – City of Zagreb and Zagreb County

Dalmatia – Dubrovnik-Neretva County, Split-Dalmatia County, Šibenik-Knin County and Zadar County

Northern Croatia – Bjelovar-Bilogora County, Krapina-Zagorje County, Koprivnica-Križevci County, Međimurje County, Varaždin County and Virovitica-Podravina County

Lika and Banovina – Karlovac County, Lika-Senj County, Sisak-Moslavina County

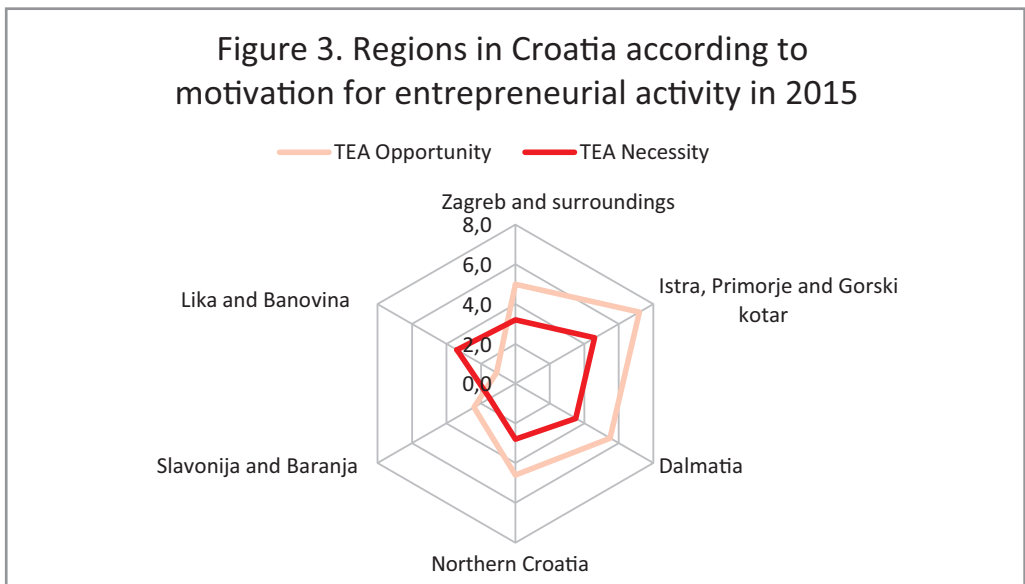
Slavonia and Baranja – Brod-Posavina County, Osijek-Baranja County, Požega-Slavonia County and Vukovar-Srijem County

Table 13: Regional differences in business venture start-up activity from 2011 to 2015 – TEA (%) and rank

Region	2011		2012		2013		2014		2015	
	TEA	Rank	TEA	Rank	TEA	Rank	TEA	Rank	Rank	Rank
Istria, Primorje and Gorski Kotar	8.7	2	12.2	2	9.6	3	6.8	4	11.8	1
Zagreb and surroundings	9.1	1	9.2	3	10.0	2	9.5	1	8.2	3
Dalmatia	8.6	3	12.6	1	10.7	1	9.2	2	9.0	2
Northern Croatia	5.2	5	5.2	4	3.8	6	8.8	3	7.7	4
Lika and Banovina	7.2	4	3.5	5	7.5	4	4.4	6	4.4	5
Slavonia and Baranja	4.7	6	5.2	4	6.8	5	5.8	5	3.9	6

Source: GEM Croatia, CEPOR – SMEs and Entrepreneurship Policy Center, 2016

The indicator of starting entrepreneurial ventures because of perceived opportunity (TEA Opportunity) in 2015 is the highest in the region with the highest indicator of business venture start-up activity – Istria, Primorje and Gorski Kotar, and the lowest in the region of Lika and Banovina, which is also the lowest ranked region according to the value of the TEA index (Figure 3).



The results of GEM research of regional differences in attitudes towards entrepreneurship during 2015, comparing to 2014, indicate a decrease in the number of respondents who intend to start a business venture in the next three years in almost all of the regions (except Zagreb and surroundings and Dalmatia which hold the same level of intentions).

Furthermore, in the same period an increase in the share of those who see an opportunity to start a business venture in the next 6 months was recorded in all the regions, with the highest increase of 8 percentage points recorded in the region of Northern Croatia. Over 50% of respondents in all regions see entrepreneurship as a good career choice in 2015, but compared to 2014, a significant drop in the share, by 11.4 percentage points, was recorded in Istria, Primorje and Gorski Kotar (Table 14).

Table 14: Comparison of regional differences in attitudes towards entrepreneurship in 2014 and 2015, as a percentage (%) of surveyed population – GEM

	Intention to start a business venture in the next 3 years		See an opportunity to start a business venture in the next 6 months		Have the knowledge, skills and experience needed for business venture start-up		Majority of people see entrepreneurship as a good career choice		Media have a positive influence on entrepreneurial culture development	
	2014	2015	2014	2015	2014	2015	2014	2015	2014	2015
Istria, Primorje and Gorski Kotar	30.7	24.4	23.7	25.3	49.9	47.2	68	56.6	39.4	46.1
Zagreb and surroundings	21.7	22.4	21.4	25.3	49	49.1	58.3	56.3	39.6	48.2
Dalmatia	26.1	26.5	23.5	26.1	47.8	55.5	62.8	65.4	38.1	45.9
Northern Croatia	17.3	15.7	13.9	21.9	41.9	40.8	62.1	64.2	43.9	51.2
Lika and Banovina	19.6	18	13.8	20.5	42.5	51.9	67.2	64.2	52.2	51
Slavonia and Baranja	23	16.1	11.5	12.5	41.9	40.4	67.8	64.1	36.3	43.7

Source: GEM Croatia, CEPOR – SMEs and Entrepreneurship Policy Center, 2016

2.4. Crafts in Croatia¹⁷

In 2015, there were 76,222 active crafts in Croatia, which represents 33% of registered business entities, and a decrease in the number of crafts by 2.4% compared to 2014 (and 11.8% compared to 2011). At the end of 2015, active crafts employed 175,942 people (including owners/partners in the craft and their employees), that is, 13.5% of the total number of employees in legal persons in Croatia, but the number of employees in crafts is 11% lower than in 2011 (Table 15).

Table 15: Number of active crafts and employees in crafts in Croatia, state in December 2011 – 2015

	2011	2012	2013	2014	2015
Number of active crafts	86,424	83,714	80,407	78,070	76,222
<i>Share in active trading companies</i>	44.2%	41.8%	38.3%	35.5%	33%
Number of employees in crafts	197,680	188,871	181,503	176,973	175,942
<i>Share of employees in crafts in the total number of employees</i>	14.5%	14.1%	13.7%	13.6%	13.5%

Source: Trades and crafts in numbers, Croatian Chamber of Trades and Crafts, March 2016

¹⁷ Source: Trades and crafts in numbers, Croatian Chamber of Trades and Crafts, Tomić, S. (Ed.), March 2016

During 2015, according to geographical distribution, there were the most active crafts in the City of Zagreb (16%), followed by Split-Dalmatia County (12.8%) and Primorje-Gorski Kotar County (10.2%).

According to guild structure, the most active crafts in Croatia in 2015 belonged to the guild of service crafts (36.6%), followed by the guild of hospitality and tourism (16.6%), and trade (13.8%).

During 2015, through the Entrepreneurial Impulse programme of the line ministry (Ministry of Entrepreneurship and Crafts), 2,102 grants were awarded to crafts, of which 793 grants for lifelong learning for craftsmen, 29 grants for apprenticeships, and 1,280 grants for scholarships for pupils in craft occupations. The total value of awarded grants was HRK 15.4 million.

In the school year 2015/2016, 4,172 pupils were enrolled in craft occupation programmes, which is 760 pupils less than the planned number of enrolments, and 933 pupils less than the previous school year. Pupils were enrolled in a total of 41 occupations, and the majority of students were enrolled in occupations of hairdresser, car mechanic, cook, heating and air condition installation technician, carpenter, electrician and waiter. Pupils have shown the least interest in occupations of goldsmith, sign painter and stonemason.

2.5. Cooperatives in Croatia¹⁸

According to the Cooperatives Act, a cooperative is a voluntary association of members in which each member participates directly and which by doing business together, enhance and protect their economic and other professional interest, for the purpose of making their own and joint profit of members. Cooperative is a legal entity and its establishment and operation must be an expression of the common interests of its members. In accordance with the cooperative principles and values of the cooperative form of business, in addition to economic objectives, cooperative takes care of the social interests of its members, thus creating benefit for the local community in which it operates.

At the end of 2015, 1,302 cooperatives operated in Croatia, with a total of 21,462 cooperative members and 2,744 employees, and they generated annual income of HRK 1.59 billion, which amounts to 0.5% of Croatian GDP. In 2015, 47 new cooperatives with 1,929 cooperatives and 14 employees were established. Compared with 2014, cooperatives in Croatia in 2015 recorded a slight increase in the number of cooperatives of 4.4%, and in the number of cooperatives of 6.3%, while the financial result of operations remained unchanged (Table 16).

¹⁸ "Annual report on the state of cooperative entrepreneurship for 2015", Croatian Centre for Cooperative Entrepreneurship, 2016

Table 16: Cooperatives, cooperative members, employees and income of cooperatives in Croatia, 2011 – 2015

	2011	2012	2013	2014	2015
Number of cooperatives	2,060	1,069	1,169	1,247	1,302
Number of cooperative members	28,866	18,767	19,485	20,192	21,462
Average number of cooperative members in a cooperative	14.0	17.5	16.7	16.2	16.5
Number of employees	4,246	2,680	2,734	2,716	2,744
Average number of employees in a cooperative	2	2.5	2.3	2.2	2.1
Income (billion HRK)	2.19	1.90	1.69	1.60	1.59

Source: Croatian Centre for Cooperative Entrepreneurship, 2016

The largest number of cooperatives (41%) work in the sector of agriculture and forestry, processing industry (17%) and services (15%). The largest shares in the total income of cooperatives belong to cooperatives in the sectors of agriculture and forestry (55%), fisheries (17%), processing industry (12%) and trade (8,8%).

According to geographical distribution, the largest number of cooperatives operates in Split-Dalmatia County (15.2%), Osijek-Baranja County (9.8%) and the City of Zagreb (9%).

Cooperatives may associate with one another in cooperative associations in order to promote the cooperative system and joint interests. There were 7 cooperative associations in Croatia in 2015.

Croatian Centre for Cooperative Entrepreneurship (<http://zadruga.coop/hr>) is a public institution representing and coordinating the interests of cooperatives and cooperative associations in Croatia, and works on enhancing and developing of the cooperative system in general.

3. Women entrepreneurship

Women entrepreneurship is an important, but still underdeveloped entrepreneurial activity in Croatia.

Analysis of data on entrepreneurial activity in Croatia by gender, based on data collected in FINA's Register of Annual Financial Statements, indicates that the share of woman entrepreneurs in 2015 was 18.3%, where women were majority owners in 18,115 enterprises, while they were co-owners with men or legal entities in another 7,525 enterprises.¹⁹ Analysing the ownership structure of enterprises in Croatia in the period from 2011 to 2015 by gender, it is possible to observe a slight increase in the proportion of enterprises owned by women between 2011 and 2014, from 17.3% in 2010 to 20.3% in 2014, while a decline by 2 percentage points in relation to the previous year was recorded in 2015.

Analysis of entrepreneurial activity of women by counties shows differences in the share of women enterprise owners in the total number of enterprises, which in 2015 ranges between 15.1% and 21.4%. The Bjelovar-Bilogora County is in the first place by entrepreneurial activity of women in Croatia, however, both in that county and at the level of entire Croatia, in 2015 a decline in the share of women enterprise owners was recorded, 23.1% in 2014 to 21.4% in 2015. In 2015, enterprises owned by women participate with 7.8% in the total number of employees of the Bjelovar-Bilogora County, and with 3.8% in the total income of the county.

The City of Zagreb is in the second place by entrepreneurial activity of women, where businesses owned by women in 2015 accounted for 20% of the total number of enterprises in the county, which is also a decline in the share of women entrepreneurs compared to 2014, when this number stood at 21.5%. Enterprises owned by women participate in the total income of the City of Zagreb with 3.5%, and with 6.4% in the number of employees. The lowest entrepreneurial activity of women is recorded in the Požega-Slavonia County, where the share of enterprises owned by women in the total number of enterprises in the county is only 11%.

In 2015 entrepreneurial activity of women is dominant in activity S – Other service activities with a share of 47.5% (participation of men in this activity is 29.6%), which is also the only area of activity in which women entrepreneurs are more represented than men. This is followed by activity Q – Human health and social work activities with share of women entrepreneurs of 33.3%, then area of activity P – Education, with share of women entrepreneurs of 32.8%, area of activity M – Professional, scientific and technical activities, with share of women entrepreneurs of 27.2%, and area of activity I – Accommodation and food service activities, in which women entrepreneurs participate with 20.4%. These data suggest that the difference in entrepreneurial activity of women and men is smaller in service activities, while the difference is very pronounced in other activities, especially in those of manufacturing character.

GEM research enables analysis of the difference in business venture start-up activity between women and men (Table 17). In 2015, the share of women in business venture start-up activities²⁰ is 5.7%, while the share of men is 9.7%, which indicates 1.7 times higher activity of men in business

19 "Analysis of the participation of women entrepreneurs in the ownership structure of companies", FINA, 2016

20 In relation to the total population of respondents (especially women and men) who participated in the GEM research, consisting of adults between 18 and 64 years of age.

venture start-up in relation to women, by which Croatia came closer to the average of countries involved in the GEM research (1.6 in 2015). According to the GEM research, the gap in business venture start-up activity between women and men in Croatia is smaller in 2015 compared to 2014, when men were 2.4 times more active than women in business venture start-up.

Table 17: Difference in business venture start-up activity by women and men in Croatia from 2011 to 2015, measured by the TEA index

	2011		2012		2013		2014		2015	
	Average of GEM countries involved in the research	Croatia	Average of GEM countries involved in the research	Croatia	Average of GEM countries involved in the research	Croatia	Average of GEM countries involved in the research	Croatia	Average of GEM countries involved in the research	Croatia
TEA Women	8.7	4.7	10.6	4.9	11.0	5.1	11.3	4.8	11.1	5.7
TEA Men	10.0	10.0	15.4	11.8	15.4	11.5	14.9	11.3	15.4	9.7
TEA Men / TEA Women	1.2	2.1	1.5	2.4	1.4	2.2	1.3	2.4	1.6	1.7

Source: GEM Croatia, CEPOR – SMEs and Entrepreneurship Policy Center, 2016

In order to increase the share of women in business venture start-up activities in Croatia, it is of utmost importance to carry out an evaluation of the effectiveness of the implementation of the Strategy of Women Entrepreneurship Development in the Republic of Croatia 2014-2020 in accordance with the identified performance indicators and, based on the results of the evaluation, define a broad spectrum of policy instruments and programmes that will enable the development of women entrepreneurship.

Women and Men in Croatia 2016²¹

In its publication „Women and Men in Croatia, 2016“, Croatian Bureau of Statistics illustrates the position of women and men in the Croatian society. Sex equality is one of the fundamental constitutional principles in the Republic of Croatia, and it relates to equal representation of women and men in all spheres of public and private life, equal status and equal opportunities for both sexes.

Analysis of the educational structure of the population by gender indicates that there were 157,827 students enrolled in the academic year 2014/2015, of which 56.4% were female students.

At postgraduate specialist and doctoral studies, the share of women is dominant. Of the total number of students enrolled in postgraduate specialist studies in the academic year 2014/2015, the share of women is 63.5%, and of men 36.5%. Postgraduate doctoral studies were enrolled by 57.3% of women and 42.7% of men. In 2015, 878 doctors of science were promoted, of which 56.6% were women. The area of engineering is the only area dominated by men, while all the other scientific areas have a greater share of female doctors of science.

²¹ "Women and Men in Croatia, 2016", Croatian Bureau of Statistics, downloaded on February 25, 2017

There are significant differences between women and men in employment and salaries. In 2015, 1,141,222 people were employed in legal entities, of which 47.6% were women. The highest percentage of women is employed in human health and social work activities and education, while the least women are employed in construction and mining. The average monthly net salary paid to women 2014 was HRK 5.190, while for men it was HRK 5,826. In the same year, the ratio of women's salaries to men's salaries was 89.1%. Construction and administrative and support service activities are the only activities where women are paid more than men, while in all the other activities men are paid more than women, and this difference is most pronounced in human health and social work activities, financial and insurance activities, and in real estate activities.

These inequalities are listed in the Global Gender Gap Report, which is prepared by the World Economic Forum. In 2015, the report covered 145 countries, and Croatia ranked as 59th.²² According to this index, which is calculated based on data from the areas of economy, education, health and politics, Croatia ranked the worst in the area of wage equality for same or similar work (108th place).

Programmes and projects to encourage the development of women entrepreneurship

The causes of large differences in entrepreneurial of women and men lie in the consistency of obstacles²³ to the development of women entrepreneurship in Croatia on the one hand, and insufficient efficiency of programmes and measures for the development and strengthening of women entrepreneurship on the other.

In 2014, the Government of the Republic of Croatia the national **Strategy of Women Entrepreneurship Development in the Republic of Croatia 2014 – 2020**²⁴, which is based on four strategic objectives: improvement in coherence and public policies networking, improving systematic support to women entrepreneurship, introduction of women entrepreneurship to the overall institutional infrastructure, and promotion of women entrepreneurship. The strategic objectives are complemented with specific measures, implementation activities, and the Action Plan that includes performance indicators for measuring the effectiveness of implementation of the Strategy.

The following programmes and projects aimed at encouraging the development of women entrepreneurship in Croatia have been implemented in 2015:

22 "The Global Gender Gap Report 2015", World Economic Forum, 2015, <http://reports.weforum.org/global-gender-gap-report-2015/>, downloaded on February 27, 2017

23 Past research has identified the key problems of development of women entrepreneurship in Croatia, and formulated them as structural, economic, and the so-called soft obstacles. The major structural obstacles are stereotypes about women in science and technology, traditional views on the role of women in society, and the lack of support for women with two jobs (family and profession). The economic obstacles are related to difficult access to finance and low level of networking of women, while the major „soft“ obstacles include lack of advice, mentorship, access to networks of female/male entrepreneurs, training, education and qualification programmes for technologically intensive ventures, and lack of self-confidence to take risks. Source: Study for the preparation of the Strategy of Women Entrepreneurship Development in the Republic of Croatia 2014 – 2020, CEPOR, 2014

24 Study for the preparation of the Strategy of Women Entrepreneurship Development in the Republic of Croatia 2014 – 2020 was prepared by CEPOR in April 2014.

Programme for the promotion of entrepreneurship and crafts „Entrepreneurial Impulse 2015“ is a combination of targeted measures and instruments for encouraging the development of the small and medium enterprise sector focused on achieving strategic goals related to the development of entrepreneurship at the national level. Through implementation of the „Entrepreneurial Impulse 2015“ programme, the Ministry of Entrepreneurship and Crafts awarded 2,470 grants to entrepreneurs in Croatia, with the total value of HRK 56.6 million. Within the programme, women entrepreneurs were awarded 769 grants with the total value of almost HRK 16 million, which represents a decrease in the total amount of grants awarded to women entrepreneurs in 2015 by more than HRK 3.7 million, or 19% compared to 2014 (Table 18).

Table 18: Grants awarded to women entrepreneurs through Entrepreneurial Impulse, 2011 – 2015

	Total number of awarded grants	Number of grants awarded to women entrepreneurs	Share of women %	Total amount of awarded grants HRK	Amount awarded to women entrepreneurs HRK	Share of women %
2011	5,537	2,549	46.0	199,723,565.72	42,992,785.22	21.5
2012	2,437	851	34.9	165,510,589.97	40,818,913.71	24.6
2013	1,765	694	39.3	136,595,800.06	22,517,730.87	16.5
2014	1,471	509	33.2	92,703,357.93	19,721,743.00	21.3
2015	2,470	769	31.1	56,619,706.44	15,955,115.13	28.2
Total	13,680	5,372	39.3	651,153,020.12	142,006,287.93	21.8

Source: Ministry of Economy, Entrepreneurship and Crafts, 2017

Although women have participated with nearly 40% in the total number of grants within the implementation of the Entrepreneurial Impulse in the 2011-2015 period, they have participated with only 22% in the total amount of grants. This results from a significant difference in the average value of grants for women and men: the average value of grants awarded to women entrepreneurs over the past five-year period was HRK 26,434, while the average value of grants awarded to male applicants within the Entrepreneurial Impulse was HRK 61,284.

Croatian Bank for Reconstruction and Development (HBOR) – programme for crediting women entrepreneurship „Women Entrepreneurs“

The aim of the „Women Entrepreneurs“ programme is to encourage founding and development of small and medium enterprises majority-owned by women, in accordance with the Action Plan for Implementation of the Strategy of Women Entrepreneurship Development in the Republic of Croatia for the Period 2014-2020.

In 2015, women entrepreneurs were approved 69 loans in the amount of HRK 29.5 million, which represents a decrease both in the number of approved loans (by 15%) and in the total approved funds (by 11.5%) within the „Women Entrepreneurs“ programme compared to 2014.

Since the start of implementation of the programme in 2011 until 2015, a total of 373 loans for encouraging women entrepreneurship were awarded, in total value of over HRK 169.1 million.

Table 19: Loans approved under the HBOR programme „Women Entrepreneurs“, 2011 – 2015

	Total number of approved loans	Amount of approval, HRK	Average approved loan amount, HRK
2011	32	15,269,215.94	477,162.99
2012	86	40,694,803.11	473,195.39
2013	105	50,348,419.52	479,508.76
2014	81	33,350,272.95	411,731.76
2015	69	29,481,854.00	427,273.25
Total	373	169,144,565.52	453,470.69

Source: Croatian Bank for Reconstruction and Development, 2017

South East European Centre for Entrepreneurial Learning (SEECEL) and Gender Task Force (GTF) – „Women Entrepreneurship – A Job Creation Engine for South Eastern Europe“ project

Project „Women Entrepreneurship – A Job Creation Engine for South Eastern Europe“ was launched in 2012 with the fundamental objective of promoting women entrepreneurship in South Eastern Europe through cooperation between the public and private sectors. In addition, other objectives of the project include the promotion of best practices of women entrepreneurship, building national and regional networks and associations of women entrepreneurs, and the creation of a framework for supporting women entrepreneurs. Implementation of the project is planned in two phases, with specific project activities and objectives, in the period from 2012 to 2015. Nine countries of South East Europe region²⁵ are involved in the project, and the project leader is the South East European Centre for Entrepreneurial Learning – SEECEL, in cooperation with the Initiative for Sustainable Growth – Gender Task Force (GTF).

In 2015, with the aim of promoting women entrepreneurship, SEECEL organised the recording of the documentary film “Women Entrepreneurs – Inspirational Stories” about examples of good practice and inspiring stories of women entrepreneurs. Twenty-seven inspirational stories were recorded in the form of informational and education materials intended for women entrepreneurs and women who want to become entrepreneurs. Also, in 2015 SEECEL organised the international conference “*Women in Entrepreneurship: A South East European Response*”, thus joining the *European SME Week 2015, campaign of the European Commission that aims to promote entrepreneurship in Europe*.

European Bank for Reconstruction and Development (EBRD), Advice for Small Business –Women in Business Programme

Under the auspices of the European Bank for Reconstruction and Development, the EBRD Small Business Support Team has been implementing the Women in Business Programme in Croatia since 2011 (www.ebrd.com/womeninbusiness). The programme is aimed at majority Croatian-owned private enterprises, which meet the criteria of the EU definition of small and medium enterprises, have the potential for growth and have a women at the top level of the management structure (it is not required that the company is owned by a woman). The programme consists

25 Albania, Bosnia and Herzegovina, Croatia, FYR Macedonia, Kosovo, Montenegro Gora, Serbia, Moldavia and Turkey, <http://www.seecel.hr/UserDocsImages/zene-poduzetnice-12557>, downloaded on February 28, 2017

of a financial and a non-financial component. The financial part relates to specialised loans for women entrepreneurs that are offered through Raiffeisen Bank and Privredna banka Zagreb. The non-financial part, encompasses a range of instruments which are subsidised for final beneficiaries, and they are: business consulting (consultancy services), education in the field of strengthening entrepreneurial skills, business coaching, mentoring, Business Lens online tool for business diagnostics, and a series of events and conferences aimed at networking of women entrepreneurs. The programme has so far encompassed over 300 women entrepreneurs who have used one or more services offered by the programme.

CESI – Center for Education, Counselling and Research

Within the partner project „Actively for social security and equal opportunities in the world of work“, the non-profit association CESI participates in strengthening and improving the implementation of programmes of providing social services through education, networking and promotion. Continuance of the mentioned project is the education within the BADGE – Counseling and Training for Women Entrepreneurs project, which includes educational workshops and mentoring support for long-term unemployed women who want to start their own business or have a more active approach to job searching.

In 2015, CESI launched the FREE – Rural Women and Entrepreneurship project whose main goal is to provide support to women from rural areas when starting their own company, as well as technical assistance to women who already own a company. The project is financed by the European Commission, and in addition to Croatia, it also includes partner countries Iceland, United Kingdom, Lithuania and Bulgaria. Following the needs of the target group of women, activities for strengthening skills and competences, networking, support to enterprise growth by encouraging creativity, encouraging launching of start-ups or growth of existing enterprises were designed. Previous activities of the project have resulted in launching of two Women Networks in 2015 – in Karlovac County, Sisak-Moslavina County and Zagreb County, whose key task is cooperation and networking with the aim of exchanging experiences and expanding sales channels.

Women in Adria

The „Women in Adria“ network of business women was launched in 2012 with the aim of networking and exchanging experiences of business women. The network operates through a web portal (www.womeninadria.com), social networks and organisation of networking events, thus seeking to provide support to women entrepreneurs and those in the corporate world, and effect an improvement of the situation of women in the business world. During 2015, a series of networking events for women entrepreneurs was organised in Zagreb with the purpose of exchanging ideas and experiences, awards ceremony for the best women entrepreneurs, whose role is to promote women entrepreneurship, and serve as inspiration for all women entrepreneurs or those who want to become involved in entrepreneurship. The network has also organised the „How to start and run a business from home“ conference in March 2015, which has established the home office as the most common incubator of women entrepreneurship, and highlighted issues related to the regulation of working from home.

4. Environment of the small and medium enterprise sector in Croatia

The environment in which small and medium enterprises operate is a complex system in which policies, programmes, legal regulation and institutional infrastructure are intertwined. Therefore, the analysis of the entrepreneurial ecosystem focuses on consistency of policies, quality and stability of regulatory environment and balanced distribution of institutional competences in the implementation of policies, programmes and legal regulation.

4.1. National policies and programmes relevant for the development of small and medium enterprises

Development of the small and medium enterprise sector and entrepreneurship in Croatia is guided through the following national policies and programmes:

Strategy for Development of Entrepreneurship in the Republic of Croatia 2013-2020, from 2013, whose aim is to increase the competitiveness of small and medium enterprises in Croatia by improving economic performance, improving access to finance, promoting entrepreneurship, improving entrepreneurial skills and improving the business environment;

Strategic Plan of the Ministry of Entrepreneurship and Crafts for the period 2015-2017, from 2014, which is based on the Strategy for Development of Entrepreneurship in the Republic of Croatia 2013-2020, specifies the programmes for increasing the competitiveness of small and medium enterprises in Croatia;

Programme to Encourage Entrepreneurship and Crafts – Entrepreneurial Impulse 2015, from 2015;

Strategy of Women Entrepreneurship Development in the Republic of Croatia 2014-2020, from 2014, whose aim is to achieve the coherence and interconnectedness of public policies, to improve systemic support for women entrepreneurship through the entire institutional structure, and to promote women entrepreneurship. For the purpose of implementing the Strategy, the **Action Plan for Implementation of the Strategy of Women Entrepreneurship Development in the Republic of Croatia 2014-2020** was defined in 2014;

Cluster Development Strategy in the Republic of Croatia 2011-2020, from 2011, whose aim is to improve the management of Croatian cluster policy, strengthen clusters and cluster associations, to promote innovation and transfer of new technologies, conquer new markets and internationalisation of clusters, and strengthen the knowledge and skills for cluster development;

Strategy for Innovation Encouragement of the Republic of Croatia 2014-2020, from 2014, which aims to build an efficient innovation system and improve the legal and fiscal framework, establish a means of communication and models of cooperation between the public, scientific research and the business sector in order to develop new products, services, business processes and technologies, and the manner of applying the results of scientific research in the economy and society as a whole;

2014–2015 Export Support Action Plan, from 2014, which was developed by the Government's Commission for Internationalisation of Croatia's Economy, whose purpose is to consolidate and display in one place all activities and measures that must be taken by the appropriate state bodies and institutions to ensure systematic and sustained support for Croatian exporters and to facilitate the placement of Croatian goods and services to foreign markets;

Action Plan for Reducing the Administrative Burden on the Economy, from August 2015, with which it is planned to reduce administrative burden by 20% in six regulatory areas relevant for the economy, and defining a model for horizontal coordination of measures for measuring and reducing the administrative burden on the economy;

The quality and conformity of national policies and programmes with the guidelines / documents of the European Union in Croatia, and their effectiveness in creating a stimulating business environment for small and medium enterprises can be directly monitored through two studies that are conducted on annual basis: SBA Fact Sheet and GEM research.

SBA Fact Sheet is an annual report of the European Union that monitors compliance of national programmes and policies relevant for the small and medium enterprise sector of EU Member States with the guidelines defined in the *Small Business Act of Europe*²⁶. The Small Business Act represents a comprehensive framework for defining European Union policy towards the small and medium enterprise sector aimed at removing regulatory and political obstacles to the emergence and development of entrepreneurial activity in the European Union. Areas of analysis of the SBA Fact Sheet report are: Entrepreneurship, Second chance, Think Small First, Responsive administration, State aids / public procurement, Access to finance, Single market, Skills & innovation, Environment and Internationalisation.

2016 SBA Fact Sheet²⁷ **for Croatia** identifies and analyses changes in the environment and regulatory framework that are relevant for the small and medium enterprise sector in Croatia. In 2015, the indicators for Croatia are weaker than the EU average, just as in previous years, in all areas analysed by the SBA Fact Sheet, and the general conclusion of the Report is that much more needs to be done to develop a more favourable environment for entrepreneurship development in Croatia. In 2015, Croatia has achieved the most significant improvements in the areas *Think Small First* and *Responsive administration*, whereby the adoption of the Action Plan for Reducing the Administrative Burden on the Economy is highlighted as a measure of significant improvement of entrepreneurial environment.

GEM research also monitors the quality of environment in which small and medium enterprises operate. In all the years of implementation of the GEM research in Croatia (since 2002), Government policies related to the issues of small and medium enterprises have been identified as extremely restrictive for the development of the small and medium enterprise sector. In 2015, ratings of Government policies were further reduced, especially towards regulatory framework (rating 1.4). The rating of policies supporting entrepreneurial activity is also extremely low (1.8), and in decline in comparison with the previous year, when it was 2.2 (Table 20).

26 Source: <http://eur-lex.europa.eu/LexUriServ/LexUriServ.do?uri=COM:2008:0394:FIN:EN:PDF>, downloaded on February 03, 2017

27 Areas of analysis of the SBA Fact Sheet report are: Entrepreneurship, Second chance, Think Small First, Responsive Administration, State aid and Public procurement, Access to finance, Single market, Skills and innovations, Environment, and Internationalisation.

Table 20: Evaluation of Government policies in 2014 and 2015

	2014			2015		
	GEM average	EU average	Croatia	GEM average	EU average	Croatia
Policies supporting entrepreneurial activity	2.6	2.7	2.2	2.5	2.5	1.8
Policies towards regulatory framework	2.5	2.4	1.6	2.4	2.4	1.4

Source: GEM Croatia, CEPOR – SMEs and Entrepreneurship Policy Center, 2016

Weak ratings of Government policies, together with indicators of weak results of entrepreneurial activity and weaker performance of the small and medium enterprise sector in Croatia are more than sufficient indicators for a necessary change in the direction of creating consistent policies for the development of the small and medium enterprise sector and ensuring regulatory framework and institutional infrastructure that will ensure the efficiency in their implementation.

4.2. Regulatory environment

The regulatory framework within which small and medium enterprises in Croatia operate is defined by a series of acts, which regulate different aspects of their operation. The acts that are new or have been changed in 2015 and 2016, are specially marked:

- Act on Improving Entrepreneurial Infrastructure (Official Gazette, NN 93/13, 41/14)
- **Small Business Development Promotion Act (Official Gazette, NN 29/02, 63/07, 53/12, 56/13, 121/16)**
- State Aid Act (Official Gazette, NN 47/14)
- **Companies Act (Official Gazette, NN 111/93, 34/99, 118/03, 107/07, 146/08, 137/09, 152/11, 111/12, 68/13, 110/15)**
- **Ownership and Other Proprietary Rights Act (Official Gazette, NN 91/96, 137/99, 22/00, 73/00, 114/01, 79/06, 141/06, 146/08, 38/09, 153/09, 143/12, 152/14, 81/15)**
- **Act on Investment Promotion (Official Gazette, NN102/15)**
- Foreign Exchange Act (Official Gazette, NN 96/03, 140/05, 132/06, 153/09, 145/10, 76/13)
- National Payment System Act (Official Gazette, NN 133/09, 136/12)
- Concessions Act (Official Gazette, NN 143/12)
- **Capital Market Act (Official Gazette, NN 88/08, 146/08, 74/09, 54/13, 159/13, 18/15, 110/15, 123/16)**
- Alternative Investment Funds Act (Official Gazette, NN 16/13, 143/14)
- Crafts Act (Official Gazette, NN 143/13)
- Trade Act (Official Gazette, NN 87/08, 116/08, 76/09, 114/11, 68/13, 30/14)
- **Court Register Act (Official Gazette, NN 1/95, 57/96, 45/99, 54/05, 40/07, 91/10, 90/11, 148/13, 93/14, 110/15)**
- Act on Services (Official Gazette, NN 80/11)
- Act on Public-Private Partnership (Official Gazette, NN 78/12, 152/14)
- **Accounting Act (Official Gazette, NN 109/07, 54/13, 78/15, 134/15, 120/16)**
- Competition Act (Official Gazette, NN 79/09, 80/13)
- **Public Procurement Act (Official Gazette, NN 90/11, 83/13, 143/13, 13/14, 120/16)**
- **Environmental Protection Act (NN 80/13, 78/15)**
- Physical Planning and Building Act (Official Gazette, NN 76/07, 38/09, 55/11, 90/11, 50/12)
- Labour Act (Official Gazette, NN 93/14)
- **Consumer Protection Act (Official Gazette, NN 41/14, 110/15)**

- Bankruptcy Act (Official Gazette, NN 71/15)
- Enforcement Act (Official Gazette, NN 112/12, 93/14)

Tax system legislation consists of the following acts:

- General Tax Act (NN 147/08, 18/11, 78/12, 136/12, 73/13, 26/15, 115/16)
- Contributions Act (NN 84/08, 152/08, 94/09, 18/11, 22/12, 144/12, 148/13, 41/14, 143/14, 115/16)
- Profit Tax Act (NN 177/04, 90/05, 57/06, 146/08, 80/10, 22/12, 148/13, 143/14, 50/16, 115/16)
- Income Tax Act (NN 177/04, 73/08, 80/10, 114/11, 22/12, 144/12, 120/13, 125/13, 148/13, 83/14, 143/14, 136/15, 115/16)
- Value Added Tax (NN 73/13, 148/13, 153/13, 143/14, 115/16)
- Real Estate Transfer Tax Act (NN 69/97, 26/00, 153/02, 22/11, 143/14, 115/16)
- Excise Duties Act (NN 22/13, 32/13, 81/13, 100/15, 120/15, 115/16)

The major tax burdens for enterprises in Croatia are value added tax, income tax, profit tax, and surtax (income of local communities – municipalities and towns, Table 21).

Table 21: Taxes in Croatia

Type of tax	Tax payer	Tax base	Tax rate
VALUE ADDED TAX	Physical and legal entity (entrepreneur) that delivers goods or performs services	Fee for goods delivered or services performed	25% 5% reduced rate applicable to bread, milk, newspapers, books, textbooks, scientific journals, medicines, medical equipment and supplies, cinema tickets 13% reduced rate applicable to services in tourism and hospitality industry, cooking oil, sugar, baby food, newspapers and magazines, water supplies, tickets for concerts
INCOME TAX	Physical entity that earns taxable income	Total income earned by local tax payers in Croatia and abroad and by foreign tax payers in Croatia	12% on income up to HRK 26,400.00 per annum 25% on income above HRK 26,400.00 to HRK 158,400.00 per annum 40% on income above HRK 158,400.00 per annum
PROFIT TAX	Enterprises and other legal and physical entities that perform activity with the aim of making profit	Profit (difference between income and expenses)	20% 15% on withholding tax 12% on dividends and profit shares
SURTAX	Tax on income of tax payers	Income tax	Municipality: up to 10% Town with population less than 30,000: up to 12% Town with population above 30,000: up to 15% City of Zagreb: up to 30%

Source: Tax system of the Republic of Croatia, www.porezna-uprava.hr, 2015

The principal act of the customs system is:

- Act on Implementing Customs Regulations of the European Union (Official Gazette, NN 54/13)

During 2015, as well as in previous years, there have been changes in the legislative framework that affect the activity of the small and medium enterprise sector. The Act on Investment Promotion and Development of Investment Climate ceased to have effect and the new Act on Investment

Promotion entered into force (Official Gazette, NN 102/15). The Bankruptcy Act (Official Gazette, NN 71/15) is also new. All the acts that regulate the tax system have been amended. The changes and amendments to the Value Added Tax from January 1, 2015 introduced the possibility of paying the VAT on paid instead of issued invoice for small entrepreneurs with revenues up to HRK 3 million.

World Bank's Doing Business study monitors the quality of the regulatory environment and its impact on business activity in individual countries of the world. The results of the Doing Business 2016²⁸ study position Croatia in the 40th place²⁹ out of 189 countries included in this study³⁰.

Table 22 provides an overview of indicators of regulatory environment for Croatia in relation to the best positioned countries in the Doing Business 2016 study, and Germany and Slovenia, according to indicators of complexity of regulatory environment for enterprise start-up and paying taxes.

Table 22: Overview of selected indicators of quality of regulatory environment according to the Doing Business 2016 study for 2015

Regulatory area	Indicator			
	Croatia	Best indicator (country)	Germany	Slovenia
Regulations for enterprise start-up				
Number of procedures	7	1 (New Zealand)	9	2
Time (days)	12	0.5 (New Zealand)	10.5	6
Cost (% of income <i>per capita</i>)	3.3	0 (Slovenia)	1.8	0.0
Minimum capital (% of income <i>per capita</i>)	26.6	0 (105 countries)	33.9	41.8
Paying taxes				
Number of payments per year	19	3 (Hong Kong)	9	10
Time (hours per year)	206	55 (Luxembourg)	218	245
Total tax burden (% of profit)	20	15.9 (United Arab Emirates)	48.8	31

Source: *Doing Business 2016, Economy Profile Croatia, Economy Profile Slovenia, Economy Profile Germany, The International Bank for Reconstruction and Development /The World Bank*

According to the criterion of regulations for enterprise start-up, Croatia took the 83rd place in the Doing Business 2016 ranking. A positive shift in relation to Doing Business 2015 has been made in reducing the number of days required to register an enterprise from 15 to 12. The number of procedures remained 7, as well as the required minimum capital in the amount of 26.6% of income, and the cost of registration increased slightly to 3.3% of the value of income.

28 Doing Business survey of the reference year is based on the data from the previous year.

29 Croatia is in the first place according to the criterion of trading across borders, while the worst ranking (129th place) is achieved in the area of obtaining construction permits, which it takes an average of 128 days and 19 procedures in Croatia.

30 Due to changes in methodology underlying the Doing Business study in 2016, ranks of countries in 2014 and 2015 are not directly comparable. Thus, 40th place in 2015 does not represent a leap of 25 places compared to 2014, when Croatia was positioned in the 65th place. The 2015 rank is comparable to the 39th place from 2014 (according to new methodology), which means that in 2015 Croatia dropped one place in the ranking of countries that participate in the Doing Business study.

In the *Paying taxes* category, according to the results of the Doing Business 2016 study, the total tax burden of entrepreneurs increased from 18.4% in 2014 to 20% in 2015, while the time to prepare and pay taxes slightly decreased from 208 to 206 hours per year. The number of taxes that have to be paid during a year is still 19, as in previous years, which is significantly higher than in, for example, Germany (9 taxes) or Slovenia (10 taxes), but in those countries it also takes significantly more time to prepare and pay taxes, and the profit tax rates are higher (Table X).

4.3. Distribution of competences for the adoption and implementation of policy decisions

The main actors in the formulation, adoption and implementation of the policy framework for the activity of the small and medium enterprise sector in Croatia are:

Line ministry (Ministry of Entrepreneurship and Crafts until the change in the structure of the Government that integrated this ministry into the **Ministry of Economy, Entrepreneurship and Crafts**) is responsible for the creation of policies aimed at the development of small and medium enterprises and creation of a favourable environment for entrepreneurship.

Croatian Bank for Reconstruction and Development – HBOR

„Croatian Bank for Reconstruction and Development is the development and export bank of the Republic of Croatia, whose main task is to encourage the development of the Croatian economy. By lending, insuring exports from commercial and political risks, issuing guarantees and business consulting, HBOR builds bridges between entrepreneurial ideas and their realisation with the aim of strengthening the competitiveness of the Croatian economy.“ (www.hbor.hr)

Croatian Agency for SMEs, Innovations and Investments – HAMAG-BICRO

„Croatian Agency for SMEs, Innovations and Investments was created in 2014 by merging the Croatian Agency for SMEs and Investments (HAMAG INVEST) and the Business Innovation Center of Croatia (BICRO) with the aim of creating create a unique system that will provide support to entrepreneurs through all the stages of development of their business – from the research and development of ideas to commercialisation and placement on the market. The activity of the agency includes promoting establishment and development of small business entities, promoting investment in small business, financing business operations and development of small business entities by lending and issuing guarantees to small business entities for loans approved by lenders, as well as providing grants for research, development and application of modern technologies. HAMAG-BICRO's activities are under the jurisdiction of the Ministry of Entrepreneurship and Crafts.“ (www.hamagbicro.hr)

Croatian Employers' Association – CEA

“Croatian Employers' Association was founded in 1993, as a voluntary, non-profit, and independent association of employers that protects and promotes the rights and interests of its members. It was founded by a group of prominent Croatian businessmen who recognised the power of joint action and the role of employers' association in tripartite relations. Founded on the principle of voluntary membership and the principles of democratic representation and expression of the will of its members, the association promotes entrepreneurial spirit and entrepreneurial rights and freedoms.” (www.hup.hr)

Croatian Chamber of Economy – CCE (www.hgk.hr) – is a non-profit, non-governmental association of all active legal entities in Croatia, membership in which is obligatory, which consists of 98.06% of small enterprises, 1.52% medium and 0.42% large enterprises. The **Industry and IT Sector** has been operating within CCE since 2012, within which the **Department for Entrepreneurship and Innovations** operates.

„The activities and services of the Department are aimed at providing timely and accurate information and assistance and support to every entrepreneur. The Department will, independently or in cooperation with other departments and sectors within CCE, and external partners, work on the following activities aimed at improving the work and operations of companies: defining measures for the improvement of entrepreneurial climate in the Republic of Croatia; monitoring and analysing the results of operations of small and medium entrepreneurship, representing interests and providing expert assistance to members in financing entrepreneurial ventures, counselling concerning applying to support schemes for small and medium enterprises.“ (www.hgk.hr)

Croatian Chamber of Trades and Crafts – CCTC – HOK (www.hok.hr) – is an independent professional and business organisation of craftsmen founded to promote, harmonise and represent the common interests of craftsmanship. Membership in CCTC is obligatory, and the organisation operates through 20 district chambers, 116 craftsmen associations and 18 sections and guilds.

SMEs and Entrepreneurship Policy Center

CEPOR is a non-profit organisation established in 2001, based on an Agreement between the Government of the Republic of Croatia and Open Society Institute Croatia, by 10 institutional founders – leaders in their areas of activity – from academic community to associations of entrepreneurs, development agencies and centers for entrepreneurship. CEPOR's mission is to influence the public and political environment, emphasizing the key role of entrepreneurship and small and medium enterprises in the development of Croatian economy. **Center for Family Businesses and Business Transfer – CEPRA**, a part of CEPOR, is an information, counselling and educational center focused on providing support to family and other small and medium enterprises in the field of business transfer and other specific challenges related to the management of family businesses. (www.cepor.hr)

4.4. Obstacles to the development of the small and medium enterprise sector through the prism of international research

The quality of business environment and its impact on the competitiveness of the national economy are the subject of numerous international studies. The studies in which Croatia has been involved in, for many years indicate the continuity of the following obstacles to the development of the small and medium enterprise sector in Croatia:

- Administrative obstacles, especially those related to long and expensive procedures for start-up and termination of enterprises,
- Inefficiency of the judiciary,
- Lengthy ownership registration procedures,
- Inadequacy of educational content for building entrepreneurial competences,
- Underdevelopment of informal forms of financing start-up and growth of business ventures.

The presence of the same obstacles over a number of years indicates a lack of long-term structural reforms needed to encourage productivity and entrepreneurship in order to initiate economic growth, on which both the standard of citizens and the reduction of unemployment depend.

GEM - Global Entrepreneurship Monitor research monitors the connection between entrepreneurial³¹ framework conditions and entrepreneurial activity at individual level. Since the beginning of implementation of the survey in 2002, the results of GEM research in Croatia consistently identify *government policies towards regulatory framework, entrepreneurial education and transfer of results of research to the small and medium enterprise sector* as the weakest components of the entrepreneurship ecosystem. The stated components had the lowest ratings in all the years of implementation of the GEM research in Croatia, because of which they can be considered key obstacles to the development of entrepreneurial activity.

Global Competitiveness report³², which is implemented by the World Economic Forum, measures national competitiveness of countries defined as the set of institutions, policies and factors that determine the level of productivity and the level of welfare of citizens. *Global Competitiveness Report 2015-2016* positions Croatia in the 77th place out of 140 countries included in the survey (the same as in 2014, table 23). Switzerland is at the top of the rankings, the same as in 2014, followed by Singapore and the United States, which also retained the same positions.

The rating of factors of competitiveness of macroeconomic environment in Croatia in 2015 declined, by 40 places in the period of two years (from 67th place in 2013 to 107th place in 2015). There has also been a decline in the rating of the financial market development (from 74th place in 2014 to 88th place in 2015)³³, while an increase was recorded in areas of higher education and training, labour market efficiency, technological readiness and innovativeness.

31 Entrepreneurial conditions framework includes availability of financial resources for business venture start-up, government policies and programmes for promotion of entrepreneurial ventures, quality of education and training for entrepreneurs, openness of the internal market and competitiveness, transfer of research and development results, access to physical infrastructure, as well as cultural and social norms.

32 Methodology of the World Economic Forum is based on the analysis of perceptive data obtained by researching opinions of businessmen and publicly available statistical indicators on 12 competitiveness factors, which include: institutions, infrastructure, macroeconomic environment, health and elementary education, higher education and training, labour market efficiency, goods market efficiency, technological readiness, business sophistication, innovativeness, market size and financial market.

33 "Global Competitiveness Report 2015-2016: Position of Croatia", National Competitiveness Council, Zagreb, 2015

Table 23: Results of the Global Competitiveness Report 2015 –2016 – Croatia and reference countries

Country	Rank 2015	Rank 2014	Change	
Poland	41	43	↗	+2
Czech Republic	31	37	↗	+6
Bulgaria	54	54	→	0
Slovenia	59	70	↗	+11
Hungary	63	60	↘	-3
Montenegro	70	67	↘	-3
Macedonia	60	63	↗	+3
Croatia	77	77	→	0
Romania	53	59	↗	+6
Slovakia	67	75	↗	+8
Bosnia and Herzegovina	111	-	-	-
Albania	93	97	↗	+4
Serbia	94	94	→	0

Source: *Global Competitiveness Report 2015-2016*, World Economic Forum / National Competitiveness Council, 2015

Compared to the previous year's *Report*, Slovenia has advanced 11 places, Czech Republic 6, Macedonia 3, Romania 6 and Poland 2 places. According to the results of the *Global Competitiveness Report 2015–2016*, Bulgaria, Greece and Serbia remained in the same positions as in 2014, while Hungary and Montenegro recorded a decline of 3 places (Table X).

Corruption Perceptions Index – survey carried out by *Transparency International* (www.transparency.hr) defines a ranking list of participating countries, according to the assessment of the extent of corruption, that is, measures the degree of perception of corruption in the public sector and among officials. Corruption Perceptions Index evaluates all levels of work of public authorities, and respondents are business people and analysts. The Corruption Perceptions Index in 2016 encompassed 176 countries worldwide, among which Croatia is ranked as 55th, scoring 49 points (0 represents complete corruption, and 100 no corruption). Compared to the previous year, this result represents a drop by 5 places, that is, 2 points.

According to the survey, the least corrupted countries are Denmark (90 points), New Zealand (89 points) and Finland (88 points), while South Sudan (11 points) and Somalia (10 points) are the most corrupt. The average value of the index in the European Union is 43 points, which indicates a high degree of corruption in the public sector of individual countries. As a reason for this, *Transparency International* cites the problem of inequality and strengthening of populism in the world. According to the results of the 2016 survey, *Transparency International Croatia* believes that Croatia must rely on its own forces in the fight against corruption.

5. Access to financing

The availability of various sources of financing start-up, growth and development of entrepreneurial activity in Croatia is very limited. Although providing easier access to financial resources is one of the main goals of the Strategy for Development of Entrepreneurship in the Republic of Croatia 2013–2020, the money market for entrepreneurial projects in Croatia can still be described as traditional, with dominant presence of bank and credit union loans, and government incentive programmes and subsidised credit lines. The possibilities of financing small and medium enterprises through venture capital funds and informal forms of financing (business angels), which are particularly suitable for riskier ventures in the start-up or rapid growth phase, are still underdeveloped.

The availability of non-traditional sources of financing is monitored by the GEM research, through evaluation of perception of their availability on a scale from 1 to 5, where rating 5 indicates that there are enough equity funds, debt financing, government subsidies, private investors, venture capital funds, and availability of initial public offering (IPO). In all the years of implementation of the GEM research, since 2002, the availability of non-traditional sources of financing for small and medium enterprises in Croatia has received lower than 3, which indicates consistently poor and limited availability of financial resources, as well as inefficiency of measures taken by governments in recent years to improve the quality of entrepreneurial environment in terms of access to financial resources. Compared to 2014, the rating of financial support in 2015 decreased from 2.3 to 2.0, which is again below the average rating of EU countries of 2.7, and the average rating of all countries involved in the GEM research, which is 2.5 (Table 24).

Table 24: Perception of availability of non-traditional sources of financing in 2014 and 2015

	Rating 5 indicates:	2014			2015		
		GEM average	EU average	Croatia	GEM average	EU average	Croatia
Financial support	There are enough equity funds, debt financing, government subsidies, private investors, venture capital funds; availability of initial public offering (IPO)	2.5	2.7	2.3	2.5	2.7	2.0

Source: GEM Croatia, CEPOR – SMEs and Entrepreneurship Policy Center, 2016

In addition to the GEM research, assessment of the quality of the money market for entrepreneurial activities is carried out by the European Commission through the SBA Fact Sheet, and the World Bank, through the Doing Business study.

The Doing Business study monitors the quality of the regulatory environment related to the credit market through three components: credit market, registering property and protecting investors (Table 25).

Table 25: Indicators of quality of the regulatory environment related to the credit market for 2015 – from the Doing Business 2016 report

Regulatory area	Indicator			
	Croatia	Best indicator (country)*	Germany	Slovenia
Credit market				
Strength of legal rights index (0-12)	5	12	6	3
Depth of credit information index (0-8)	6	8	8	4
Public registry coverage (% of adults)	0	100 (Portugal)	1.6	3.1
Private registry coverage (% of adults)	100	100	100	100
Registering property				
Number of procedures	5	1	5	5
Time (days)	62	1	39	49.5
Cost (% of property value)	5	0 (Saudi Arabia)	6.7	2
Protecting investors				
Strength of minority investor protection index (0-10)	6.5	8,3 (New Zealand)	6	7.5
Extent of disclosure index ** (0-10)	3	10	5	5

Source: *Doing Business 2016, Economy Profile Croatia, Economy Profile Slovenia, Economy Profile Germany, International Bank for Reconstruction and Development / World Bank*

* When no country is specified, it means that several countries have the listed indicator.

** Extent of disclosure index relates to demands for review and approval of transactions of related parties and to demands for disclosure of transactions of related parties.

The rating of the credit market in the Doing Business study is based on three criteria: strength of legal rights index, depth of credit information index and public registry coverage. According to these criteria, Doing Business 2016 positioned Croatia in 2015 in 70th place out of 189 countries that have participated in the research, which represents a decrease compared to the previous year, when Croatia took the 61st place. It is important to note that in 2013, according to the same criteria, Croatia was positioned in 34th place. The above indicates that there is significant room for improvement of the system that affects the regulation of the credit market in Croatia.

Doing Business study estimates the complexity of registering property, as an important element of the regulatory environment related to the credit market, based on the number of procedures required to register property, time required to register property and cost of registering property. Compared to Slovenia and Germany, Croatia has the same number of procedures (5), but significantly longer time required to register property (62 days in Croatia, compared to 49.5 days in Slovenia and 39 days in Germany). The aforementioned indicates that reducing the number of formal procedures is not enough to improve the entire property registration process, which greatly depends on the capacity and efficiency of the system for the implementation of procedures related to registering property. The inefficiency of the system leaves room for selectivity in the speed of solving individual requests based on corruptive actions, which, according to the results of Transparency International's research, is very pronounced in Croatia³⁴.

34 According to the results of the Corruption Perceptions Index survey, which is carried out by Transparency International, Croatia is in 2016 ranked as 55th out of 176 countries that have participated in the survey. Source: www.transparency.hr

2016 SBA Fact Sheet Croatia³⁵, in line with the results of the GEM research, indicates poor diversification of sources of financing for small and medium enterprises in Croatia and the dominance of bank loans. The share of small and medium enterprises to which banks refused to approve loans in 2015 is 7%, which is significantly less than in 2014, when the rate of refusal was 18%. Despite the greater willingness of banks to lend to small and medium enterprises and the availability of government incentive programmes and subsidised credit lines, the SBA Fact Sheet report for Croatia indicates that access to financial resources is still an aggravating factor in business operations small and medium enterprises in Croatia. The crisis in the previous period has resulted in a decrease in funds allocated for financing beginner entrepreneurs through government incentive and subsidy programmes. 2016 SBA Fact Sheet Croatia listed the following as the key measures of the Government of the Republic of Croatia and its institutions in 2015:

- *Regional Venture Capital Fund*, with a total value of EUR 40 million, with HAMAG BICRO's participation in implementation;
- *Reduction of interest rates for new investment projects* and *Abolition of lending restrictions*, introduced by the Croatian Bank for Reconstruction and Development through the abolition of restrictions related to lending to certain entrepreneurial activities and temporary reduction of interest rates by one percentage point;
- *Cooperation with banks on the model of the frame loan agreement* – which was initiated by the Croatian Bank for Reconstruction and Development, introducing simpler and faster procedures for granting and disbursing loans based on contracts with commercial banks;
- *Microcrediting – first step to entrepreneurship* – HAMAG BICRO's programme providing micro loans for new entrepreneurial ventures, with a total allocation of EUR 670,000 for this measure;
- *Programme for awarding small value grants aimed at improving the competitiveness and efficiency of small and medium enterprises in areas of developmental particularities through information and communication technologies*, set up by the Ministry of Entrepreneurship and Crafts with the aim of improving the competitiveness and efficiency of small and medium enterprises through the application of information and communication technology. The aim of the programme is to support investment in introducing new or improved ICT solutions to optimise business processes;
- *Building up SME production capacity, investments in equipment, and Investment in SME production technology*, is another measure of the Ministry of Entrepreneurship and Crafts, carried out under the Operational programme Competitiveness and Cohesion 2014-2020. The aim of the measure is to provide support for expanding the production capacity, diversification of production, and fundamental change in the overall production process.

5.1. Banks

Bank loans are the dominant form of financing entrepreneurial activity in Croatia.

In 2015, the decline in the total disbursement of loans by banks in relation to previous years continued. The total amount of disbursed bank loans at the end of 2015 was HRK 275.4 billion, which is a decrease of HRK 4.5 billion or 1.6% compared to the amount of disbursed bank loans at the end of 2014, and a decrease of 2.4% or HRK 7 billion compared to the end of 2013, when the total disbursement of loans was almost HRK 286.9 billion (Table 26).

³⁵ Source: 2016 SBA Fact Sheet – Croatia, European Commission

Table 26: Disbursed bank loans in 2014 and 2015 (end of period, in million HRK and %)

Loan users	2014			2015		
	Amount	Share	Change	Amount	Share	Change
Government units	43,017.4	15.4	-1.0	43,250.4	15.7	0.5
Enterprises	104,781.2	37.4	-3.0	1000,999.3	36.7	-3.6
Households	122,346.5	43.7	-1.0	120,426.6	43.7	-1.6
Other sectors	9,784.8	3.5	-17.2	10,745.6	3.9	9.8
Total	279,929.8	100.0	-2.4	275,422.0	100.0	-1.6

Source: „Annual Report 2015“, Croatian National Bank, Zagreb, 2016

In 2015, the largest decline in disbursement of loans was recorded in the segment of enterprise financing, by 3.6% compared to 2014. Banks continue to disburse most of their credit potential to households, to which 43.7% of loan funds were allocated in 2015, although this segment also recorded a decline of 1.6% in 2015 compared to the previous year.

**Workshops for representatives of financial institutions
on the topic of development of competences important for improving relations with
clients – owners of small and medium enterprises**

organised by CEPOR – SMEs and Entrepreneurship Policy Center

In 2016, CEPOR continued with the implementation of the programme to strengthen the capacity of banks to provide quality support to clients from the small and medium enterprise sector, which began in 2014. During February 2016, with the financial support of EFSE – European Fund for Southeast Europe, two workshops for representatives of financial institutions on the topic of development of competences important for improving relations with clients – owners of small and medium enterprises were organised. Workshops were held by Simon Haslam, British consultant and trainer, who holds workshops for the clients and bankers of the Royal Bank of Scotland at the Durham University Business School. The workshops were attended by more than 40 employees of banks, mostly associates and advisors for small and medium enterprises.

Commercial banks have various types of loans intended for financing small and medium enterprises in their offer: loans for financing exports, for working capital, investment loans, construction loans, loans for tourism services, mortgage loans, loans for specific (green) activities (development of olive growing, development of viticulture and winemaking), loans for financing solar systems for the production of electricity and heat, loans for beginners, loans for suppliers, loans for women entrepreneurs, etc.

In addition to the above offer of financial products, most commercial banks provide additional lines of financing, which are based on business cooperation with ministries, HBOR, HAMAG-BICRO, local self-government units, cities, counties, and international financial institutions (EBRD – European Bank for Reconstruction and Development, EIB – European Investment Bank, CEB – Council of Europe Development Bank, EFSE – European Fund for Southeast Europe, EIF – European Investment Fund, etc.).

Disbursement of long-term and short-term loans to small and medium enterprises in Croatia is subject to the following financing terms:

Long-term loans

Amount: mainly from HRK 37,000.00, while the maximum amount is not limited and depends on the specific investment project and client's creditworthiness
Duration: up to 15 years
Interest: consensual
Insurance: 1:1 -1:1.5; promissory notes, debentures, deposits

Short-term loans

Amount: mainly from HRK 10,000.00 to HRK 150,000.00, depending on client's creditworthiness
Duration: up to 12 months
Interest: consensual
Insurance: deposit, pledge of commission disbursements, pledge of securities, promissory notes, debentures

Table 27 provides an overview of terms and conditions for approval of long-term and short-term loans to small and medium enterprises according to the offer of banks in Croatia, which have, for the purpose of preparation of the *Small and Medium Enterprises Report – Croatia 2016*, delivered information about their offer and conditions to CEPOR.

Table 27: Loan offer for small and medium enterprises – Erste&Steiermärkische Bank d.d. and Zagrebačka banka d.d.

Type of loan	Loan purpose	Maximum amount	Interest rate	Repayment period
Erste&Steiermärkische Bank d. d.				
Credit line	Flexible withdrawal of needed liquid assets, used on the principle of credit line on retail current account. Serves to finance occasional needs for additional working capital, and for occasional maintenance of liquidity.		Contractual interest is paid only on the amount of funds in use.	Up to 12 months
Revolving loan	Financing occasional needs for additional working capital, for occasional maintenance of liquidity, and for financing export contracts and export preparations.			Up to 12 months
Loan for financing current business operations	Maintaining liquidity (e.g. payment of salaries, payments to suppliers...)	Depending on the creditworthiness of the borrower	Depending on the creditworthiness of the borrower	Up to 12 months / Up to 150 days
Short-term limit	Financing working capital needs			Up to 12 months
Loan for financing current operations, revolving and export preparations with HBOR's insurance policy	Financing export contracts and export preparations			Up to 12 months
Loans in cooperation with HBOR – financing export preparations	Limit within which the client can be approved all types of products with maturity up to 12 months, defined by the contract.		From 3% annually	Up to 12 months
Loans in cooperation with HBOR – financing preparations for the tourist season	Financing export contracts and export preparations	Maximum HRK 10,000,000.00	Variable, three-month EURIBOR + 3,75%	Two equal instalments –October 15 and November 15 of the current year
Loans in cooperation with HBOR – Liquidity	Financing working capital intended for the preparation of production for export	Depending on HBOR's available funds, the opinion of the commercial bank, and the possibility of using small value grant	4% annually	3 or 6 months
Short-term financing				

Short-term financing		Long-term financing	
Loans in cooperation with HBOR – Preparation of agricultural production	Financing working capital necessary for smooth running of agricultural production: for current production (purchase of raw and production materials and the like), and for purchase of agricultural products.	Minimum HRK 50,000.00, and the maximum amount depends on HBOR's available funds	Up to 12 months
Loans in cooperation with EBRD	Financing current liquidity	Depending on the creditworthiness of the borrower	Up to 12 months
Loans in cooperation with Bjelovar-Bilogora County for lending to agriculture	Financing purchase of production materials for sowing vegetable crops	Maximum HRK 11,100,000.00 per loan, maximum HRK 25,900,000.00 per user	Up to 10 months
Entrepreneurial starter	Programme aimed at unemployed people who want to go into entrepreneurship, i.e., beginner entrepreneurs that have opened their own business in the last two years. It provides free-of-charge support in shaping and realising a business idea, and it includes online training: tools, instructions and consulting for creating a business plan, and financing.	Up to HRK 1,000,000.00	Up to 7 years
Investment loan	Investment in modernisation and/or expansion of business, diversification of branch and production facilities, business and storage facilities, construction of land, vehicles, vessels and other fixed assets.	Depending on the project and the client	Up to 10 years
Loans for permanent working capital	Long-term financing of working capital. It is possible to finance purchase of production materials, preparation and maintenance of agricultural production, to finance VAT from the investment, and to finance investments in permanent working capital intended for the expansion of export activities.	Up to 80% of the total value of investment	Up to 7 years
Agri-financing	Covering current costs of agricultural production, and investment in land, construction/business facilities, equipment and devices, planting perennial crops or purchase of the basic herd. It is also possible to finance projects that will be co-financed from EU funds.	Depending on the creditworthiness of the borrower	Up to 10 years

Long-term financing					
Buyer's Credit	Financing exports of Croatian goods and services, except consumer goods pursuant to the rules determined by the OECD Consensus.	Depending on the creditworthiness of the borrower	Up to 10 years, up to 15 years if energy efficiency or renewable energy sources are involved		
Supplier's Credit	Financing exports of Croatian goods and services, except consumer goods pursuant to the rules determined by the OECD Consensus.	Depending on the creditworthiness of the borrower	Up to 10 years, up to 15 years if energy efficiency or renewable energy sources are involved		
Tourism loan	Purchase or construction of new or adaptation, extension or reconstruction of existing tourism facilities, purchase of vessels or other equipment for tourist rental.	Depending on the amount of the investment and own participation	Up to 15 years		
Loans in cooperation with EIB	Long-term financing of working capital and investment projects.	Up to HRK 92,500,000.00	Up to 12 years		
Loans in cooperation with EBRD	Long-term financing of working capital and investment projects.	Maximum HRK 11,100,000.00 per loan, maximum HRK 25,900,000.00 per user	Up to 5 years		
Loans in cooperation with EBRD – TFP programme	Financing imports, exports and local distribution.	Depending on the creditworthiness of the borrower	Up to 3 years		
Loans in cooperation with MINPO and counties and the City of Zagreb – Measure 1 With loan to competitiveness	Long-term financing of purchase, construction, reconstruction or expansion of business facilities, purchase of new equipment, working capital.	Up to HRK 5,000,000.00	Up to 10 years	3M EURIBOR + 4.5% to 3M EURIBOR + 6%	
Loan for financing current operations, revolving and export preparations with HBOR's insurance policy	Financing export contracts and export preparations.	Depending on the creditworthiness of the borrower	Up to 2 years	Depending on the creditworthiness of the borrower	

Long-term financing							
Loans in cooperation with HBOR – financing the economy	Long-term financing of fixed and permanent working capital.	Maximum loan amount is not limited (depends on the specific investment project and the creditworthiness of the borrower)	2% or 3% annually	Up to 12 years			
Loans in cooperation with HBOR – financing the tourism sector	Long-term financing of fixed and permanent working capital.		2% or 4% annually	Up to 17 years			
Loans in cooperation with HBOR – financing the municipal infrastructure	Long-term financing of fixed and permanent working capital.		4% annually	Up to 15 years			
Loans in cooperation with HBOR – financing the development of small and medium entrepreneurship	Long-term financing of fixed and permanent working capital.	From HRK 80,000.00 to HRK 8,000,000.00	2% or 4% annually	Up to 12 years			
Loans in cooperation with HBOR – Framework loan for working capital and investments	Long-term financing of investments in working capital of small and medium users.	Up to HRK 8,000,000.00	4% – 4.5% annually	Up to 12 years			
Loans in cooperation with HBOR – Financing of EU private sector projects	Financing of private sector projects that are co-financed by European Structural and Investment Funds.	Minimum HRK 80,000.00, maximum loan amount is not limited	Minimum 3% annually	Up to 15 years			
Loans in cooperation with HBOR – Financing of EU rural development, fisheries and wine envelope projects	Financing of investments proposed based on the tendering process from any of the mentioned EU agricultural and fisheries funds.	Minimum HRK 80,000.00, maximum loan amount is not limited	Minimum 3% annually	Up to 15 years			
Loans in cooperation with HBOR – New production	Long-term financing of fixed assets – land, construction facilities, equipment and devices, and costs of certificate procurement.	Loan amount depends on HBOR's financing possibilities, specific investment project, creditworthiness of the borrower, and the value and quality of the offered security instruments	2% or 3% annually	Up to 14 years			
Loans in cooperation with HBOR – Beginner entrepreneurs	Long-term financing of fixed assets – tangible and intangible assets, and permanent working capital, up to 30% of the total loan amount.	From HRK 80,000.00 to HRK 1,800,000.00	2% annually	Up to 14 years			

Long-term financing						
Loans in cooperation with HBOR – Youth entrepreneurship	Long-term financing of fixed assets – tangible and intangible assets, and permanent working capital, up to 30% of the total loan amount.	From HRK 80,000.00 to HRK 700,000.00	2% annually	Up to 12 years		
Loans in cooperation with HBOR – Agriculture	Long-term financing of fixed assets and permanent working capital, up to 30% of the total loan amount.	From HRK 80,000.00 to HRK 3,500,000.00	2% or 4% annually	Up to 14 years		
Loans in cooperation with HBOR – Inventions	Long-term financing of fixed assets and permanent working capital, up to 30% of the total loan amount.	Minimum HRK 80,000.00, maximum loan amount is not limited	2% or 4% annually	Up to 14 years		
Loans in cooperation with HBOR – Restructuring	Investments aimed at changing the maturity of sources of funds on business entities balance sheets.	Loan amount depends on HBOR's financing possibilities, specific investment project, creditworthiness of the borrower, and the value and quality of the offered security instruments	4% annually	Up to 10 years		
Loans in cooperation with HBOR – Permanent working capital	Long-term financing of investments in permanent working capital for business intensification.	Loan amount depends on HBOR's available funds, the opinion of the commercial bank, the creditworthiness of the borrower, borrower's needs for permanent working capital, and the possibility of using state small value grant	4% annually	From 2 to 6 years		
Loans in cooperation with HBOR – Women entrepreneurs	Long-term financing of fixed assets – tangible and intangible assets, and permanent working capital, up to 30% of the total loan amount.	From HRK 80,000.00 to HRK 700,000.00	2% annually	Up to 12 years		

Long-term financing							
Loans in cooperation with the City of Bjelovar "Bjelovar Entrepreneur 2016"	Long-term financing of purchase, construction, reconstruction or expansion of business facilities, purchase of equipment or parts of equipment, working capital.	Up to HRK 5,000,000.00	3M EURIBOR + 5.5%	Up to 10 years	Up to 10 years		
Loans in cooperation with the City of Bakar under the Entrepreneurship Development Programme 2016	Long-term financing of purchase, construction, reconstruction or expansion of business facilities, purchase of equipment or parts of equipment, procurement of vehicles necessary for carrying out activities and procurement of vessels for business purposes.	Up to HRK 500,000.00	Fixed, 5.9% annually	Up to 10 years	Up to 10 years		
Loans in cooperation with the City of Rab under the Lending Programme to Entrepreneurs in the City of Rab in 2016	Long-term financing of purchase, construction, reconstruction or expansion of business facilities, purchase of equipment or parts of equipment, and working machines, working capital.	Up to HRK 750,000.00	Fixed, 6% annually	Up to 10 years	Up to 10 years		
Loans in cooperation with the City of Sisak under the Programme Sisak Entrepreneur 2017	Long-term financing of investments in business facilities and equipment, and financing of working capital.	Up to HRK 4,000,000.00	Fixed, 5.5% annually	Up to 10 years	Up to 10 years		
Loans in cooperation with the Sisak-Moslavina County "Entrepreneurial Loans – 2016"	Long-term financing of fixed assets and working capital.	Loan amount depends on the quality of the entrepreneurial project, creditworthiness of the borrower, and the possibility of using state aid	6.5% annually fixed for maturity up to 5 years, 3M EURIBOR + 5% for maturity up to 10 years	Up to 10 years	Up to 10 years		
Loans in cooperation with the Osijek-Baranja County "Financing Working Capital"	Long-term financing of current liquidity and permanent working capital.	Up to HRK 200,000.00	Fixed, 5.9% annually	Up to 4 years	Up to 4 years		
Loans in cooperation with the Primorje-Gorski Kotar County "Entrepreneur in PGŽ in 2016"	Long-term financing of purchase, construction, reconstruction or expansion of business facilities, purchase of equipment or parts of equipment, working capital.	Up to HRK 3,000,000.00	Fixed, 5.9% annually	Up to 10 years	Up to 10 years		
Loans in cooperation with the Primorje-Gorski Kotar County "Entrepreneur in Tourism 2016"	Long-term financing of purchase, construction, reconstruction, modernisation or expansion of accommodation (hospitality) capacities, for purchase of equipment or parts of equipment, working capital.	Up to HRK 1,000,000.00	Fixed, 5.9% annually	Up to 10 years	Up to 10 years		

Zagrebačka banka					
Short-term loan for business financing	Financing of seasonal jobs, contracts for delivery of goods and services, working capital needs, investments in agriculture and refinancing loans for the same purpose.	Depending on the creditworthiness of the borrower			
Short-term general purpose micro loan	General purpose.	Up to HRK 150,000.00			
Loan for the development of tourism activities	Financing the preparation of the tourist season of the current year, and other investments in tourism.	Minimum HRK 18,500.00, and the maximum amount depends on the creditworthiness of the borrower			
Agricultural loans for farmers	Purchase of agricultural and construction land, construction and expansion of facilities, procurement of equipment, machinery and agricultural machinery, purchase of seeds, fertilizers and protective agents, purchase of the basic herd and planting perennial crops.	Depending on the creditworthiness of the borrower			
Loans in cooperation with EBRD – financing of business entities	For working capital and other short-term needs.	Minimum HRK 37,000.00, maximum HRK 11,100,000.00 for small and medium enterprises, and HRK 37,000,000.00 for large enterprises		Variable	Up to 12 months
Loans in cooperation with EBRD – energy efficiency and renewable energy sources	Investments for energy efficiency improvements, investments in renewable energy sources and in energy renovation of buildings.	Up to HRK 14,800,000.00			
Lending to members of the Croatian Chamber of Trades and Crafts	Financing of seasonal jobs, contracts for delivery of goods and services, working capital needs, settlement of debts to the Croatian Chamber of Trades and Crafts.	Depending on the creditworthiness of the borrower			
Loans in cooperation with EFSE	For working capital and other short-term needs.	Up to HRK 740,000.00			
Short-term financing					

Long-term financing						
Long-term investment loan	Purchase of land, development of infrastructure and construction of facilities for carrying out activities or for the purpose of expanding activities, procurement of equipment, machinery, agricultural machinery and vehicles, purchase of the basic herd and other investments in agriculture	Depending on the creditworthiness of the borrower		From 5 to 10 years		
Loan for financing permanent working capital	Financing permanent working capital.			Up to 3 years		
Long-term general purpose micro loan	General purpose.	Up to HRK 150,000.00		Up to 7 years		
Mortgage loan	General purpose.	From HRK 37,000.00 to HRK 518,000.00		Up to 7 years		
Loan for the development of tourism activities	Purchase, construction, reconstruction or adaptation of tourism facilities, purchase of vessels and equipment for tourist rental, and refinancing loans for the same purpose.	Minimum HRK 18,500.00, and the maximum amount depends on the creditworthiness of the borrower		Up to 15 years	Variable	
Agricultural loans for farmers	Purchase of agricultural and construction land, construction and expansion of facilities, procurement of equipment, machinery and agricultural machinery, purchase of seeds, fertilizers and protective agents, purchase of the basic herd and planting perennial crops.	Depending on the creditworthiness of the borrower		Up to 15 years		
Beginner Programme – loan for entrepreneurs in selected professions	Purchase of land, development of infrastructure and construction of facilities for carrying out activities or for the purpose of expanding activities, purchase of equipment, vehicles and ICT equipment.	From HRK 37,000.00 to HRK 1,850,000.00		Up to 25 years		
Senior Programme – loan for entrepreneurs in selected professions	Purchase of land, development of infrastructure and construction of facilities for carrying out activities or for the purpose of expanding activities, purchase of equipment, vehicles and ICT equipment.	Minimum HRK 37,000.00, and the maximum amount depends on the creditworthiness of the borrower		Up to 25 years		
Lombard loan based on deposits	General purpose.	Up to 95% of the amount of time deposit		Up to 7 years		

Long-term financing					
Loan for financing photovoltaic systems for electricity production	Purchase and installation of network-connected photovoltaic systems for electricity production, preparation of project documentation.	Up to HRK 750,000.00	10 years		
Loan for financing solar systems for the production of electric and heat energy	Purchase and installation of solar systems for the production of electric and heat energy, investments in improvement of energy efficiency of commercial and residential real estate, purchase or construction of low-energy real estate.	Depending on the creditworthiness of the borrower	10 years		
Loans in cooperation with EBRD – financing of business entities	Purchase of land, purchase, construction and reconstruction of facilities, purchase of equipment and vehicles, permanent working capital.	Minimum HRK 37,000.00, maximum HRK 11,100,000.00 for small and medium enterprises, and HRK 37,000,000.00 for large enterprises	Up to 5 years	Variable	
Loans in cooperation with EBRD – energy efficiency and renewable energy sources	Investments for energy efficiency improvements, investments in renewable energy sources and in energy renovation of buildings.	Up to HRK 14,800,000.00	Up to 5 years		
Lending to members of the Croatian Chamber of Trades and Crafts	Financing permanent working capital and settlement of debts to the Croatian Chamber of Trades and Crafts.	Depending on the creditworthiness of the borrower	Up to 3 years		
Loans in cooperation with EFSE	Financing investments in purchase, construction or expansion of facilities, procurement of equipment and vehicles, and permanent working capital.	Up to HRK 740,000.00	Do 15.12.2017.		

Source: Erste&Steiermärkische Bank d.d., 2016 and Zagrebačka banka d.d., 2016

5.2. Microfinance and credit unions

In Croatia, as well as elsewhere in the world, microfinance services are provided by credit unions, which operate in more than 100 countries worldwide and provide various financial services, primarily credit and deposit services. In Croatia,³⁶ compared to other actors in the capital market, the share of credit unions is very small, only 0.1%. However, credit unions have a very important and specific role, since they provide financial services to micro enterprises, self-employed and unemployed persons with limited access to funding. Access to financial resources often represents a high barrier to the implementation of an entrepreneurial venture for these specific groups, and approval or disapproval of a loan in the amount of e.g. HRK 20,000 could mean new employment on the one hand, or closure of a business entity, on the other.

Comparison of the microfinance model in Croatia with the best international practice indicates the underdevelopment of microfinance in Croatia³⁷ compared to developed financial markets where a wide spectrum of such institutions operates. Based on the *Credit Unions Act*³⁸ from 2011, savings and loan cooperatives in Croatia have been replaced by credit unions. The Credit Unions Act has also introduced numerous restrictions³⁹, and a certain number of cooperatives did not have the personnel, technical and financial capacity for transformation and establishment of a new way of operation as a credit union, which significantly reduced the number of savings and loan cooperatives that were transformed into credit unions.

In Croatia, there were 25 credit unions operating at the end of 2015 – one less than the previous year. Total assets of credit unions at the end of 2015 amounted to HRK 702 million, which is HRK 35 million, or 4.7% less compared to 2014⁴⁰. This represents a significant change compared to the 2012-2014 period when total assets of credit unions grew from year to year (at the end of 2012 they amounted to HRK 602 million, at the end of 2013 HRK 660 million, and at the end of 2014 HRK 737 million).

The data of the Croatian Association of Credit Unions (HUKU) show the number and total amount of loans that were disbursed by the members of the Association on an annual basis (Table 28).

36 „Annual Report 2015“, Croatian National Bank, Zagreb, 2016, p. 29.

37 In 2010, CEPOR – SMEs and Entrepreneurship Policy Center and Croatian Bank for Reconstruction and Development – HBOR conducted a survey among the participants of the Microfinance Workshop with the aim to collect opinions on application and possibilities of microfinancing in Croatia. The following were identified as the main problems of microfinance in Croatia: lack of guarantees for loans (60%); inadequate offer of banking products and services (53%); demanding loan documentation (46%); too high interest rate (34%), and lack of information among users regarding financial products (26%). Source: Korynski, P.: “Microfinance in Croatia: Research results”, CEPOR, 2010

38 Official Gazette NN 141/06, 25/09, 90/11

39 The restrictive provisions of the 2011 Credit Unions Act relate to the territorial principle restriction, according to which residence in the territory of the same local (regional) self-government unit is the condition for membership in the credit union, which has almost halved the membership of credit unions, thus also halving deposit and loan funds required for operations. Performance of payment transactions was also abolished, and lending is allowed only to natural persons and craftsmen.

40 „Annual Report 2015“, Croatian National Bank, Zagreb, 2016, p. 29.

Table 28: Loans granted by credit unions – members of the Croatian Association of Credit Unions in 2014 and 2015 (HRK)

Name of credit union	2014			2015		
	Number of loans	Loan amount	Average loan amount	Number of loans	Loan amount	Average loan amount
KU ABC Sisak	520	11,409,075.51	21,940	479	10,875,097.78	22,704
KU Apoen Valpovo	679	11,252,000.00	16,571	729	11,914,000.00	16,343
KU Deponent Zagreb	131	8,292,750.00	63,303	251	15,382,000.00	61,283
KU Dukat Viškovo	590	15,800,000.00	26,779	620	17,200,000.00	27,742
KU GAMA Zagreb	1,004	11,940,000.00	11,892	1,070	13,728,000.00	12,830
KU Libertina Čakovec	280	12,412,400.00	44,330	326	15,033,300.00	46,114
KU NOA Osijek	240	9,381,369.29	39,089	249	8,836,329.60	35,487
Zagorska KU Zabok	414	26,012,403.13	62,831	414	26,012,403.13	62,832
KU Jamstvo Županja	1,500	59,108,700.00	39,405	1,380	65,879,342.00	47,739
KU Sjenica Čakovec	317	9,905,400.00	31,247	470	11,898,600.00	25,316
KU Krajcar Županja	556	33,220,390.94	59,748	419	37,291,061.57	89,000
KU Marjan Split	1,524	57,160,000.00	37,506	1,484	51,872,800.00	34,955
KU Sindikalna Zagreb	1,096	16,200,000.00	14,781	1,534	14,500,000.00	9,452
Total	9,658	329,748,514.22	34,142	9,425	300,422,934.08	31,875

Source: Croatian Association of Credit Unions, 2016

In 2015, total disbursed funds through loans of the members of the Association decreased by 9% compared to the previous year, and the number of granted loans was lower by 233.

5.3. Venture capital funds

Venture capital⁴¹ is a type of investment by financial investors in the share capital of companies that are not listed on the stock exchange and have the potential to achieve high growth rates over a period of 3–7 years. Economic Co-operation Funds (ECF) are open-ended venture capital investment funds with private offering whose establishment is regulated by the Investment Funds Act⁴². In 2011, five Funds that have complied with all the prescribed conditions and received a work permit from the Croatian Financial Services Supervisory Agency (HANFA) were founded. The area of investment of Funds are companies with headquarters in Croatia, which exclusively or predominantly operate within the territory of Croatia, and the estimated duration of the investment is 10 years, with a maximum extension of 2 years⁴³. Croatian Bank for Reconstruction and Development (HBOR) was appointed by the Government of the Republic of Croatia as the qualified investor for participation in the establishment of ECFs, and participates in the implementation of activities of ECFs together with private investors in the amount equal to the amount of investment of private investors.

In 2013, the Alternative Investment Funds Act⁴⁴ entered into force, which regulates the operations of ECFs, and prescribes the conditions for the establishment and operation of alternative investment funds (AIF) and alternative investment fund management companies (AIFM).

In 2015, there were four alternative investment venture capital fund management companies in Croatia:

- Nexus Private Equity Partneri d.o.o. (<http://www.nexus-pe.hr/>), which manages three venture capital funds: Nexus ALPHA with HRK 254 million of accumulated capital, Nexus FGS with HRK 380 million of accumulated capital, and Nexus FGS II with HRK 600 million of accumulated capital. The company took over the management of the Nexus FGS II fund in November 2014, which previously operated under the name Alternative Private Equity FGS and was managed by Alternative Private Equity d.o.o.
- Quaestus Private Equity d.o.o. (www.quaestus.hr) manages two venture capital funds: Quaestus Private Equity Capital whose size is HRK 266 million and Quaestus Private Equity Capital II whose size is HRK 532 million. Quaestus Private Equity is the first Croatian venture capital fund established in 2003.
- Prosperus-invest d.o.o. (www.prosperus-invest.hr) manages the Prosperus FGS alternative investment fund, whose size is HRK 340 million.
- Honestas Private Equity Partneri d.o.o. (www.honestas-pe.hr) manages the Honestas FGS fund, whose size is HRK 155 million.

41 The term „venture capital“ was mentioned in Croatian legislation for the first time in 2006, in the Investment Funds Act. The first venture capital funds have appeared in Croatia at the end of the 1990s. One of the first was SEAF – Croatia, which has, through a combination of development and commercial elements, attempted to introduce patterns of corporate governance and investment of private capital with satisfactory financial returns. SEAF’s development component was derived from the mission of the involved investors: USAID, Norwegian and Finish Government funds, etc. Source: „How to Finance Business with Venture Capital Funds?“, Croatian Private Equity and Venture Capital Association, Marović, M. (ed.), Zagreb, 2011, downloaded on October 10, 2016

42 Official Gazette NN 150/05

43 “Annual financial statements of the Croatian Bank for Reconstruction and Development for 2015”, Croatian bank for Reconstruction and Development, 2016, p. 15.

44 Official Gazette NN 16/13, 143/14

According to the Croatian Bank for Reconstruction and Development⁴⁵, decisions were made that Economic Co-operation Funds will invest in 4 projects in 2015. Of these 4 projects, 3 investments totalling HRK 189 million were realised, out of which 50% relates to the share of the Republic of Croatia. Unlike in 2015, Economic Co-operation Funds invested in 7 projects worth more than HRK 250 million (share of the Republic of Croatia is 50%)⁴⁶ in 2014, which indicates a drop in the value of projects in which capital of alternative investment funds was invested in 2015 by HRK 61 million, or 24.4% compared to the previous year. In 2015, funds of alternative investment funds were invested in companies that operate in the sectors of tourism and banking and employ 1,210 workers.

At the end of 2015, the first regional venture capital fund – Enterprise Innovation Fund (ENIF) was launched. Investments of this Fund are focused on equity capital of technology companies, which are in the seed stage or in the early stages of growth, in the area of Western Balkans (Croatia, B&H, Macedonia, Kosovo, Montenegro, Albania and Serbia). The fund has around EUR 40 million at its disposal, of which EUR 1.5 million is intended for seed investments of individual value up to EUR 100,000, while the larger portion of the capital will be allocated to investments in companies in the early stages of growth, amounting up to EUR 3 million per company⁴⁷.

In 2015, the Croatian Banking Association analysed the availability of financing for small and medium enterprises. The results of the Croatian Banking Association's analysis point out the difficulties faced by small and medium enterprises in accessing capital. The key cause is the existence of the *investment gap*, or the difference between the average value of investment of around HRK 2 million (which relates to self-financing of enterprises and business angels) and investment of HRK 20 million (from where potential investments of venture capital funds and economic co-operation funds in Croatia start). The conclusion of the CBA's analysis is that the investment gap should be closed, while operations of venture capital funds in Croatia should be strengthened in order to facilitate growth and development of the economy as a whole⁴⁸.

5.4. Business angels

Business angels are successful entrepreneurs and leaders of companies/corporations who provide the initial capital for financing high-risk entrepreneurial projects by acquiring ownership equity and providing assistance in further development and commercialisation of projects. Business angels are informal individual investors who transfer their experience, knowledge, skills and business contacts to young entrepreneurs and help them develop entrepreneurial projects. The key reasons for the activity of business angels are profit, development of entrepreneurial initiatives, and enthusiasm for

45 "Annual financial statements of the Croatian Bank for Reconstruction and Development for 2015", Croatian Bank for Reconstruction and Development, 2016, p. 15.

46 "Annual financial statements of the Croatian Bank for Reconstruction and Development for 2014", Croatian Bank for Reconstruction and Development, 2015, p. 19.

47 The initial founders of the fund are the European Investment Fund (EIF), the European Bank for Reconstruction and Development (EBRD) and the European Commission, and among the first investors were the Ministry of Entrepreneurship and Crafts through the Croatian Agency for SMEs, Innovations and Investments (HAMAG-BICRO), the Government of the Republic of Macedonia and other institutional and private investors. Source: <http://www.hamagbicro.hr/pokrenut-regionalni-fond-rizicnog-kapitala-od-40-milijuna-eura-enterprise-innovation-fund-enif/>, downloaded on October 14, 2016

48 Through its series of publications titled CBA Analysis, Croatian Banking Association deals with the issues of financing of small and medium enterprises. CBA Analysis no. 52 from July 2015 is available at: http://www.hub.hr/sites/default/files/hub_analize_52_-_financiranje_msp_0.pdf, downloaded on October 28, 2016

participation in the creation of new value⁴⁹. Business angels are mostly individuals, but also possible are syndication deals, i.e., pooling of multiple investors who invest funds together. There are different modalities of business angels' investments, with the so-called equity deal being the most common, where business angels receive a share of ownership in the company as compensation for their investment. As a measure to promote this type of investment some countries have introduced tax relief (e.g. some federal states in the USA) or „matching“ programmes (e.g. Germany, Spain) through which the state matches each amount invested in the project. The aim of such measures is to increase the attractiveness of this type of investment.

CRANE (CRoatian Business Angels NETwork) – is the Croatian umbrella association of business angels (www.crane.hr), which brings together private investors interested in investing in innovative companies in early stages of development, in amount ranging from EUR 25,000 to 250,000. The association was founded in 2008, as an initiative of the following partner institutions: Agency for Export and Investment Promotion, Poteza Ventures, Croatian Private Equity and Venture Capital Association, Association for promoting software and online entrepreneurship 'Initium' and entrepreneurs Damir Sabol and Hrvoje Prpić.

From 2008 to 2015, CRANE recorded a total of 22 projects (Table 32), indicating a low level of development of this form of financing business ventures in Croatia. One investment in the value of HRK 494,000 was realised in 2014, while four entrepreneurial ventures were financed in 2015, with an average value of HRK 171,000. Since the establishment of the association in 2008 until the end of 2015, a total of more than HRK 23 million⁵⁰ was invested in 22 entrepreneurial projects.

Accurate data on the number of entrepreneurial projects and the amount of investment of CRANE members are not publicly available. Information is available on total investments of CRANE members, which show that since the foundation of the Association until the end of 2015, more than HRK 23 million was invested, which speaks of the still low development of this form of financing business ventures in Croatia. The precondition for a larger number of investments is the creation of a stimulating business environment and tax incentives for investments in start-up ventures, such as those present in most EU countries. CRANE, together with other partner institutions (HBOR, HAMAG-BICRO, CCE and line ministries), is working on introducing such stimulating measures in Croatia.

In 2015, Croatian Agency for SMEs, Innovations and Investments – HAMAG-BICRO announced an open public call according to the Programme for the promotion of investment in equity capital of innovative small enterprises⁵¹, which aims to encourage investment in equity capital of innovative enterprises by eligible investors for the purpose of further development and/or commercialisation of innovative products or services. Eligible investors are business angels, syndicates of business angels, corporate investors and venture capital funds. For the funds invested in equity capital of innovative enterprises by eligible investors, HAMAG-BICRO awards that enterprise a grant in the same amount, up to HRK 200,000, which reduces the investment risk to investors, and provides the necessary capital increase to innovative beginner entrepreneurs.

49 Adapted according to www.crane.hr, accessed on March 20, 2017

50 www.crane.hr, downloaded on March 20, 2017

51 The text of the call is available at: <http://www.hamagbicro.hr/javni-poziv-prema-programu-poticanja-ulaganja-u-vlasnicki-kapital-inovativnih-subjekata-malog-gospodarstva/>, downloaded on October 20, 2016

5.5. Government incentive programmes and subsidised credit lines

The Government of the Republic of Croatia encourages the development of the small and medium enterprise sector by awarding grants and subsidising interest on loans intended for start-up and development of entrepreneurial activity.

Grants of the Ministry of Entrepreneurship and Crafts

In February 2015, the Government of the Republic of Croatia adopted the **Programme to Encourage Entrepreneurship and Crafts – Entrepreneurial Impulse 2015** in the total amount of HRK 4.37 billion, whose value exceeds the value of this programme since the beginning of its implementation in 2012. Compared to Entrepreneurial Impulses from previous years, higher individual amounts of grants were awarded, which did not differ significantly from the amounts requested. An information campaign was carried out and a greater transparency of the allocation procedure was achieved. Every step of the evaluation of applications is explained in detail in public calls. In order to remove administrative barriers and reduce costs to entrepreneurs, the list of mandatory documents was reduced and the Ministry and HAMAG BICRO obtained most of the documentation from the relevant institutions. The system of monitoring and assessing the effects of the grants awarded has been improved.

The Entrepreneurial Impulse for 2015 contained three programme areas, namely:

I. Programme area – micro and small entrepreneurship and crafts, research and development, business environment with the following activities:

- Strengthening the competitiveness of the manufacturing industry
- Strengthening the competitiveness of service activities
- Revitalisation of business premises
- Foreign trade fairs
- Domestic trade fairs
- Master of one's trade – apprenticeship
- Scholarships for students in craft occupations
- Lifelong learning for craftsmen
- Proof of innovative concept programme – PoC
- Development of knowledge-based companies programme – RAZUM
- Collaborative research and development programme – IRCRO
- Technology transfer office support programme
- BICRO BIOCenter
- Promotion of entrepreneurship and crafts

II. Programme area – Operational programme Competitiveness and Cohesion 2014-2020 – the Ministry has the role of Intermediate Body level 1 within the Operational Programme, responsible for Priority Axis 3: Business Competiveness.

III. Programme area – easier access to financing encompasses guarantee programmes, micro loans – first step to entrepreneurship, subsidising interest rates for entrepreneurs, investment in economic co-operation funds, programme for encouraging investment in the equity of innovative small business entities and the development of a regional innovation fund.

Based on to the data of the Ministry of Economy, Entrepreneurship and Crafts, Table 29 shows the number and total and average amount of grants awarded for part of implemented measures of the I. Programme area within the Entrepreneurial Impulse 2015.

Table 29: Grants approved from the Entrepreneurial Impulse 2015 programme - part of implemented measures of the I. Programme area -

Activity/measure	Number of approved grants	Approved amount in HRK	Average grant amount in HRK
Lifelong learning for craftsmen	793	2,128,320.80	2,683.90
Domestic trade fairs	114	815,538.63	7,153.80
I. Foreign trade fairs – Group 2	15	986,499.92	65,766.66
I. Revitalisation of business premises	24	1,063,154.34	44,298.10
II. Foreign trade fairs – Group 2	10	594,814.44	59,481.44
II. Revitalisation of business premises	10	443,739.09	44,373.90
Strengthening the competitiveness of the manufacturing industry	99	28,936,075.82	292,283.60
Strengthening the competitiveness of service activities	78	7,905,343.18	101,350.55
Master of one's trade – apprenticeship	29	1,783,449.24	61,498.25
Programme to co-finance participation costs at the CeBIT trade fair in Hannover	2	58,069.60	29,034.80
Programme to co-finance participation costs at the INTEROP Las Vegas 2015 conference	6	160,304.42	26,717.40
Scholarships for students in craft occupations	1280	11,520,000.00	9,000.00
Co-financing the costs of presenting Croatian companies to investors „Investors meet innovations“ Bloomberg	10	224,396.96	22,439.70
TOTAL	2470	56,619,706.44	22,922.96

Source: Ministry of Economy, Entrepreneurship and Crafts, 2016 – temporary data until the completion of all programmes

Programme of improved lending to entrepreneurship and crafts „With loan to success 2014“

Implementation of the „With loan to success 2014“ Programme began in the 4th quarter of 2014 and is implemented until the utilisation of funds, no later than the 4th quarter of 2018. The programme implements measures of favourable financing of small enterprises and crafts through subsidised interest rates on entrepreneurial loans approved by commercial banks. The goal of the Programme is to make it easier for small enterprises and crafts to access finance, and, through improved lending conditions, to encourage improvement of business activity, new investment or maintaining business stability. The programme is implemented through two measures with specified loan purpose and loan terms:

Measure 1 – With loan to competitiveness

Loans in the amount from HRK 100,000 to HRK 5 million can be used for purchase of business facilities and new equipment, with an interest rate of up to 7% and a repayment period of up to 10 years. Funds for interest subsidy are provided by the Ministry of Entrepreneurship and Crafts:

2 percentage points for projects in the manufacturing sector and 1 percentage point for projects in the service sector, while the counties and the City of Zagreb additionally subsidise the interest according to their terms.

Measure 2 – With loan to a successful business

Loans can be used for financing current liquidity and permanent working capital, and the funds for interest subsidy are provided by the Ministry of Entrepreneurship and Crafts in the amount of 5 percentage points

Credit lines of the line ministry (Ministry of Entrepreneurship and Crafts) for the development of small business at the local level⁵²

In the period from 2004 to 2008, the „Local development projects – Entrepreneur“ (LPR-P) credit line was implemented in cooperation with counties and all major commercial banks. Loans were approved for 6 loan sub-programmes with subsidised interest and repayment period of up to 10 years. In 2009, the implementation of two loan projects was started: „Local projects for small business development“ (LPR-MG) and „Local development projects – microcrediting“ (LPR-MK), according to the model introduced during implementation of the LPR-P loan project, with the participation of counties and commercial banks. Within the credit lines „Local projects for small business development“ and „Local development projects – microcrediting“ from 2009, a total of 1,123 loans in the amount of HRK 1.473 billion were approved. Due to the utilisation of the credit potential, both credit lines were closed in March 2014. For all the implemented loan lines, as well as for the loan programme „With loan to success 2014“, which will be implemented until the utilisation of funds or until the 4th quarter of 2018 the latest, the Ministry pays subsidised interest, for which HRK 29.5 million were allocated in 2015.

Croatian Bank for Reconstruction and Development (HBOR)

HBOR encourages the establishment of new and development existing small and medium enterprises through a range of loan programmes. The goals that HBOR wants to achieve through loan programmes are the development of entrepreneurial ventures, strengthening the competitiveness of crafts, small and medium enterprises, balanced regional development, job creation, and support to enterprises when entering new foreign markets.

U 2015, HBOR supported 2,589 projects in the total amount of HRK 12.4 billion, through lending, insurance of export receivables and issuance of guaranties. This amount represents an increase of 127% compared to the number of projects approved in 2014, with twice the amount.

HBOR's credit activity increased significantly in 2015. During 2015, 2,285 loans in the total amount of HRK 7.8 billion were approved, which is 2.5 times the number of loans approved in the previous year, and the largest number in HBOR's operations thus far. EUR 7.3 billion was allocated for newly approved loans, which is twice more than in 2014. Of the total approved funds, 82% was approved for investments, and 18% for working capital. HBOR's loans are approved directly or through commercial banks. The share of directly approved loans in 2015 is 57%. Projects in the

52 „Entrepreneurial Impulse – Programme to Encourage Entrepreneurship and Crafts for 2015“, Ministry of Entrepreneurship and Crafts, 2015, p. 31 and 32.

sectors of tourism, food and beverage production, agriculture and fisheries, metal processing industry, manufacture of chemicals and chemical products, wood processing and paper industry, textile and leather industry and the electrical industry were supported by HBOR's funds.

The most numerous users of HBOR's funds are small and medium enterprises, to whom, under all programmes during 2015, 2,147 loans in the amount of almost HRK 3.2 billion were approved, which represents 94% of the total number of approved loans. In 2015, compared to 2014, 51% more loan funds were granted to small and medium enterprises, and nearly twice as many projects were supported (Table 30).

Table 30: Overview of loans granted to small and medium enterprises by HBOR in 2014 and 2015, by loan groups

HBOR loan programmes	2014			2015		
	Number of loans granted	Total amount of funds granted (million HRK)	Average loan amount (million HRK)	Number of loans granted	Total amount of funds granted (million HRK)	Average loan amount (million HRK)
Loans for SMEs in special state concern areas, on islands and for agriculture	113	267,0	2,4	83	229,2	2,7
Loans for SMEs for start-up and development of entrepreneurship	311	730,1	2,3	1.305	1.470,4	1,1
Loans for SMEs for tourism	58	445,1	7,7	78	796,2	10,2
Loans for SMEs for financial restructuring	4	4,2	1,1	4	11,0	2,7
Loans for SMEs for export	95	363,0	3,8	67	216,0	3,2
Loans for SMEs for working capital	147	291,5	2,0	610	456,2	0,7
TOTAL	728	2.100,9	2,9	2.147	3.179,0	1,5

Source: HBOR – Croatian Bank for Reconstruction and Development, 2017

During 2015 HBOR introduced numerous new initiatives, in the field of cooperation with commercial banks and leasing companies, reductions of interest rates, changes to the existing and introducing new lending programmes⁵³.

- *HBOR's COOPERATION WITH COMMERCIAL BANKS AND LEASING COMPANIES*

Framework loans and cooperation with leasing companies

At the beginning of 2015, HBOR started with the implementation of contracting framework loans with commercial banks and leasing companies, and contracts with nine commercial banks and four leasing companies were concluded during 2015.

⁵³ Source: „Annual financial statements of the Croatian Bank for Reconstruction and Development for 2015“, Croatian Bank for Reconstruction and Development, Zagreb, 2016, p. 11.

Increasing the margins of commercial banks

In order to encourage cooperation with commercial banks and approval of favourable HBOR's loan funds to entrepreneurs, bank margins for loans approved to small and medium enterprises were increased from one to two percentage points (at HBOR's expense).

Continued implementation of the risk sharing model with banks

With the aim of encouraging commercial banks to increase loan placements to the economic sector, HBOR continued with the implementation of the risk sharing model whereby HBOR and commercial bank share the risk of loan repayment. For large investments (above HRK 9 million), HBOR assumes 50% of the risk, and the bank the other 50% of the total loan amount, which it secures with instruments common in the banking business. For small and medium enterprises, HBOR assumes the risk up to 40% of the total loan amount with HAMAG BICRO's guarantee without additional security instruments, and the commercial bank assumes the risk up to 60% of the total loan amount, which it secures in accordance with its internal acts. During 2015, the possibility of granting working capital according to the risk sharing model was introduced.

- *DECREASING HBOR'S INTEREST RATES*

Extension of duration of the temporary measure of reduction of interest rate by one percentage point for new investments

Reduction of interest rate is valid for lending for new investments in agriculture and fisheries, tourism, industry and in energy efficiency and environmental protection projects. The interest rate is 2, 3 or 5% per annum, depending on the size and performance of the business, and the area of investment.

Reducing the interest rate for start-up exporters

Under the Pre- and Post-Shipment Export Finance for start-up exporters⁵⁴ programme, the interest rate was reduced by two percentage points.

Reducing the interest rate under the lending programme Economy

Until 2015, the interest rate under the lending programme Economy was 2, 4 or 6% (depending on the area of investment, business size and business performance). During 2015, the 6% interest rate was abolished.

⁵⁴ Start-up exporters are defined as economic entities entering foreign markets for the first time ever, or entering for the first time a foreign market where they have not been present before, or introducing a new product and/or service on a foreign market where they are already present.

Extension of subsidising interest rates under the programmes Beginners and Youth Entrepreneurship

The possibility of subsidising the interest rate by the Ministry of Entrepreneurship and Crafts under the above programmes has been extended. The annual interest rate for end users, with the subsidy of the Ministry, is 2% instead of the regular 4%.

- *NEW PROGRAMMES AND CHANGES TO THE EXISTING HBOR's PROGRAMMES*

Introduction of new lending programmes intended to facilitate and encourage the absorption of EU funds

The programmes are intended for financing public and private sector projects that are co-financed by ESI Funds. Loan funds can be used to complete the entire financial package (both acceptable and unacceptable expenditures under individual tenders). Loans are approved for a period of 17 years with an interest rate starting at 3 percent.

Microcrediting with EU support

Guarantee Agreement under the CIP programme was concluded with the European Investment Fund, and the implementation of the new programme Microcrediting with EU support started. Thanks to the CIP Guarantee Agreement, small enterprises have easier access to credit facilities due to significantly reduced requirements for insurance instruments.

Financing preparation of project documentation

In 2015, HBOR introduced a new loan programme aimed at providing investors with the funds necessary for the preparation of project and other investment documentation. Loan funds can be used to finance the development of conceptual designs, investment studies, bills of quantities, environmental impact studies, obtaining location, building and occupancy permits, and all other documents necessary for the implementation of investment.

Insurance of collection of foreign intended for small exporters and start-up exporters that are just starting business in foreign markets

HBOR has introduced a new programme for insurance of collection of export receivables with annual export turnover of up to HRK 2 million and deferred payment of up to 180 days, regardless of what countries they foreign buyers are from. The programme is intended for micro entrepreneurs that are just starting to sell their products and services on the foreign market.

Introduction of the possibility of direct lending under the programmes Liquidity, Tourism and Export – IBRD

From 2015, HBOR had been conducting lending of working capital exclusively through commercial banks, and since 2015 direct disbursement by HBOR can be also used for the same purpose.

As an export bank and export credit agency of the Republic of Croatia, HBOR follows Croatian exporters in all export phases, through lending programmes, issuance of performance related guarantees and insurance of export receivables. During 2015, exporters were approved 481 loans in the amount of about HRK 4.2 billion within all the programmes.

Croatian Agency for SMEs, Innovations and Investments (HAMAG-BICRO)

Croatian Agency for SMEs, Innovations and Investments was created in 2014 by merging the Croatian Agency for SMEs and Investments (HAMAG INVEST) and the Business Innovation Center of Croatia (BICRO) with the aim of creating a unique system that will provide support to entrepreneurs through all the stages of their business development. Activities of the Croatian Agency for SMEs, Innovations and Investments (HAMAG-BICRO) include encouraging the establishment, development, and investment in small enterprises, financing the operations and development of small and medium enterprises by lending and issuing guarantees for approved loans, and providing grants for research, development and application of modern technologies. The goal of HAMAG-BICRO is to provide financial support to innovative and technology oriented small and medium enterprises in Croatia, development and coordination of national policy measures related to innovation, and to provide necessary financial instruments with the ultimate goal to motivate the private and public sector to invest in research and development.

In 2015, **guarantees** were one of the most important areas of HAMAG-BICRO's work, with the aim of providing support to entrepreneurs in starting and developing entrepreneurial projects. Given the strict capital adequacy criteria and generally insufficient capitalisation of small and medium enterprises in the market, HAMAG-BICRO's guarantee programmes are an important segment in financing entrepreneurial ventures. The most important conditions for issuing guarantees are fully completed financial package of the project, liquidity of the project throughout the duration of the project, non-existence of debt to the state, economic justification of the investment, and the professional and entrepreneurial abilities of the investor.

HAMAG BICRO provides support to entrepreneurs through issuing guarantees and letters of intent under programmes: *Growing together*, *EU beginner* and *Farmers*. In 2015, a total of 352 guarantees were issued under all three programmes, with the majority issued under the Growing together programme (217 guarantees). The total amount of guarantees issued in 2015 is HRK 345 million, which is 14% more than in 2014 (Table 31). By counties, most guarantees were issued in the City of Zagreb (22.16%), Istria County (10.23%) and Split-Dalmatia County (8.52%).

Table 31: Guarantees granted and issued by HAMAG-BICRO in 2014 and 2015, by programmes

Guarantee programme	Number of granted guarantees by programmes		Number of issued guarantees by programmes		Amount of issued guarantees by programmes (thousand HRK)	
	2014	2015	2014	2015*	2014	2015
Growing together	126	229	131	217	182.098	161.145
EU beginner	94	107	73	85	53.697	97.431
Farmers	54	46	54	50	67.319	86.522
TOTAL	274	382	258	352	303.114	345.098

Source: HAMAG-BICRO, Annual Report 2015, 2016

*including guarantees granted in 2014 and issued in 2015

HAMAG BICRO has been implementing the **Microcrediting – first step to entrepreneurship** programme since 2013, which is intended for beginner entrepreneurs operating less than 24 months, with the aim of starting and expanding business activities. The lowest loan amount was HRK 10,000, and the highest HRK 120,000, with favourable, fixed annual interest rate of 0.99% (effective interest rate 1.09%) with repayment period of up to 5 years, including a grace period of up to 6 months. The maximum amount of working capital is 40% of the total loan amount, and debenture was used as security instrument.

In 2015, a total of 189 requests were received for the Microcrediting programme, and 34 micro loans were approved, with the average micro loan amount of HRK 108,000. In 2014, 263 loan requests were received, and 45 micro loans in the average amount of HRK 96,000 were approved. In 2015, 15% less funds than in 2014 were allocated to the Microcrediting programme (HRK 3,672,000 in 2015, compared to HRK 4,320,000 in 2014). In 2015, according to activity, 24 approved micro loans belong to the service sector (71%), 9 approved micro loans to the production sector (26%), and the remaining part belongs to the construction sector (3%).

Through its **innovation programmes**, HAMAG-BICRO seeks to motivate private and public sectors to invest in research and development by providing financial support to innovative and technologically oriented enterprises and scientific institutions. Programmes for encouraging investment in research and development activities are the following: TEST, PoC – Proof of innovative concept programme, RAZUM, IRCRO, EUREKA/EUROSTARS and TEHCRO. In 2015, 48 projects were financed through innovation programmes, totalling HRK 10,227,000, which is 73% less total allocated funds for financing innovation programmes in 2015 compared to 2014. Table 32 shows grants awarded under individual innovation programmes in 2014 and 2015.

Table 32: Projects financed through HAMAG-BICRO innovation programmes in 2014 and 2015

Programme	2014			2015		
	Number of users	Amount of awarded grants (HRK)	Average grant amount (HRK)	Number of users	Amount of awarded grants (HRK)	Average grant amount (HRK)
PoCPrivate	32	7,016,000	219,250	2	131,000	65,500
PoC Public	45	7,709,000	171,311	14	1,527,000	109,071
IRCRO	1	248,000	248,000	19	2,788,000	146,737
TEST	2	209,000	104,500	0	0	0
RAZUM	2	4,498,000	2,249,000	9	4,196,000	466,222
EUREKA	6	2,045,000	340,833	4	1,585,000	396,250
TEHCRO	3	1,375,000	458,333	0	0	0
Total:	91	37,825,000	415,660	48	10,227,000	213,062

Source: HAMAG-BICRO, Annual Report 2015, 2016

TEST is a programme for financing research projects initiated by Croatian scientists, through which new technologies are developed, in order to, upon completion of the research phase, move to the commercialisation phase and creation of new products or services. Projects within the TEST programme finance pre-commercial research activities of development of new technologies (products/processes/services) to the phase of creation of original solutions (prototype, pilot solution), and research linking fundamental sciences and their technological application in the industry and the economy in general.

In 2015, no projects were financed through the TEST programme, while in the previous year only 2 projects were financed, totalling HRK 209,000.

PoC – Proof of innovative concept programme is intended for financing innovative projects with clear and strong commercial potential, which are in the early phase of development of new products, services and technological processes. Proof of innovative concept is needed to provide evidence that a new process or technology are feasible and that potentially they can have commercial applications. Successful PoC provides greater certainty to investors that the process is technically feasible and that the prototype works. Through the realisation of PoC users greatly reduce the risks brought by further development in technical and commercial sense, determine the most appropriate strategy for commercialisation and initiate the protection of the invention. This programme has two categories of users, which are small and medium enterprises (PoC Private) and scientific institutions (PoC Public). PoC projects are funded in the amount from HRK 35 thousand to HRK 350 thousand for a period of 12 months.

In 2015, a total of 16 projects were financed through the PoC programme, in the total amount of HRK 1,658,000, which is a significant difference compared to the previous year, when 77 projects with total value of HRK 14,725,000 were financed through the PoC programme.

RAZUM is a programme aimed at providing financial support to technologically oriented, knowledge-based small and medium enterprises, which have innovative technology projects, with the aim of raising competitiveness of domestic enterprises and products, and creating conditions needed for successful transfer of knowledge.

In 2015, just as in 2014, over HRK 4 million was allocated to the RAZUM innovation programme. In 2014, 2 projects were financed through RAZUM, while in 2015 the average value per financed project was significantly lower (HRK 466,222 in 2015 compared to HRK 2,249,000 in 2014), and 9 projects were financed through this programme in 2015.

IRCRO – Programme to support collaborative research and development is intended to encourage cooperation between the scientific community and the economy on development projects. Projects are submitted by small and medium enterprises interested in technology transfer from research and development institutions in order to increase competitiveness by developing new or enhancing existing products, services or production processes. The maximum amount of support for projects under this programme is HRK 900,000.

Financing through the IRCRO programme in 2015 is significantly higher than in the previous year. Unlike 2014, when only one project was financed, 19 projects were financed in 2015, with an average value of HRK 146,737.

EUREKA/EUROSTARS is a European initiative for funding market-oriented projects associated with different fields of technology. The programme is intended for small and medium enterprises, which, in cooperation with research and development institutions, through transfer of technology and knowledge work on developing new products, services or processes. Partners in these projects must be from at least two different European Union Member States. The programme objectives are to encourage enterprises to invest in research and development activities and thus strengthen their innovation capacity, to encourage cooperation and pooling of resources of entrepreneurs and research and development institutions, and to create the foundations for placement in international markets.

In 2015, 4 projects in total value of HRK 1,585,000 were financed through EUREKA/EUROSTARS, which represents a decline in both the number of projects and the total allocated value for this programme in 2015 compared to the previous year, when 6 projects in total value of HRK 2,045,000 were financed.

TEHCRO – Programme of investment in technology and innovation infrastructure is focused on investment in start-up, improvement and development of infrastructural institutions, such as science and technology parks, incubators for new technologies, research and development centers and competence centers.

U 2015, no projects were financially supported through the TEHCRO programme, unlike in 2014, when 3 projects were financed, with an average value of HRK 458,333.

6. Education for entrepreneurship

Promotion and development of entrepreneurial education systems has been one of the key objectives of European Union's policies for many years. In the Entrepreneurship 2020 Action Plan⁵⁵, the European Commission defines entrepreneurship as one of three areas that require immediate intervention. Especially emphasised is the importance of developing entrepreneurial competences through new and creative ways of teaching and learning at all levels of education, and the promotion of entrepreneurship as a career choice. The European Commission points out that experiences from the real-world and the business environment should be incorporated in all educational disciplines and levels, and offer the opportunity to young people to have at least one practical entrepreneurial experience during education.

In 2015, the European Parliament resolution of 8 September 2015 on promoting youth entrepreneurship through education and training⁵⁶ was adopted, which specifically emphasises the need for a broader approach to entrepreneurship.

Entrepreneurship and proactivity have been recognised as one of the eight key life competences which represent a combination of knowledge, skills and attitudes that are necessary for personal fulfilment and development, the role of active citizen in society, social inclusion and employability.⁵⁷ The key competences are defined at EU level, with the recommendation that member states use them as the basic guidelines for the development of strategies and infrastructure that enable lifelong learning of individuals.

In 2010, the National Strategy for Entrepreneurial Learning 2010-2014⁵⁸ was adopted in Croatia, which defined the reasons for learning for entrepreneurship, proposal of implementation of the program of learning for entrepreneurship within the education system, as well as the expected results of entrepreneurship education development. Evaluation of the implemented measures from the Action Plan for implementation of the Strategy 2010-2014 has not been conducted, nor national strategy for entrepreneurial learning for the next period created, which was stated in the publication „Entrepreneurship Education at School in Europe⁵⁹“, published in 2016 by Eurydice – Education, Audiovisual and Culture Executive Agency of the European Commission.

55 Source: <http://ec.europa.eu/growth/smes/promoting-entrepreneurship/action-plan/>, downloaded on March 01, 2017

56 Source: <http://www.europarl.europa.eu/sides/getDoc.do?pubRef=-//EP//TEXT+TA+P8-TA-2015-0292+0+DOC+XML+V0//EN>, downloaded on March 02, 2017

57 Other competences are: communication in the mother tongue, communication in foreign languages, mathematical competence and basic competences in science and technology, digital competence, ability to learn, social and civic competences, and cultural awareness and expression. Source: European Commission/EACEA/Eurydice, 2012. *Developing Key Competences at School in Europe: Challenges and Opportunities for Policy*. Eurydice Report. Luxembourg: The Publications Office of the European Union.

58 Some of the most important measures of the Action plan for implementation of the Strategy for the period from 2010 to 2014 are: development of positive attitude and sensitizing the public about entrepreneurship, increasing the interest for training for entrepreneurship, introduction of entrepreneurial learning and training to all development policies and programs, introduction of entrepreneurship as one of the key competences in all education curricula, increasing the capacities of educational institutions for the introduction of education for entrepreneurship, increasing the competences of educators, teachers and trainers for education for entrepreneurship, and strengthening cooperation and networking between educational institutions, scientific-research and business entities on entrepreneurship programs. Source: http://www.hzz.hr/UserDocImages/Strategija_ucenja_z_a_poduzetnistvo_2010-2014.pdf, downloaded on March, 10, 2017

59 The *Entrepreneurship Education at School in Europe* report provides an overview of strategies, curricula and learning outcomes, an insight into the methods of funding and education and professional development of teachers in field of primary and secondary, and general and vocational education in 33 European countries, including Croatia. Source: Education and Teacher Training Agency, www.azoo.hr, downloaded on March 13, 2017

The National Framework Curriculum for Pre-school Education, General Compulsory and Secondary Education drafted by the Ministry of Science, Education and Sports, and adopted in 2010, defines entrepreneurial education through specific objectives by fulfilling which students will be trained to set, evaluate and fulfil personal goals, learn to write and implement business plans, acquire basic knowledge regarding economics and business administration, and become aware of the importance and opportunities for self-employment.⁶⁰ Development of school curricula that include entrepreneurship education has not yet been completed. Some schools have, within the pilot programme of entrepreneurship education implemented by the **South East European Centre for Entrepreneurial Learning (SEECEL)**, developed and incorporated into their school curricula experimental educational activities that imply the start of implementation of entrepreneurship education, but, application on a wider scale is lacking.

Teachers have an important role in the implementation of entrepreneurial education in school curriculum. In the school year, 2014/2015, the Education and Teacher Training Agency (ETTA) initiated a series of continuing professional development seminars and workshops for school principals, teachers and other school staff focusing on entrepreneurial education.⁶¹

Improving entrepreneurial skills, as one of the priority areas of action aimed at increasing competitiveness of small and medium enterprises, with further implications for the overall economy has been highlighted by the Government of the Republic of Croatia within the **Ministry of Economy, Entrepreneurship and Crafts Strategic Plan for the Period 2015-2017**. The said plan emphasises the importance of improving the quality of vocational education, developing entrepreneurial competences, creating stimulating entrepreneurial climate for the growth and development of entrepreneurship, and increasing competitiveness of the Croatian economy. Furthermore, the role of lifelong learning is emphasised, as a response to economic problems and increased unemployment, entailing the integration of formal, non-formal and informal learning.⁶² In achieving the special objective related to improving entrepreneurial skills through lifelong learning, craftsman education is included through the specific objective of modernising the curricula for acquiring craft occupations in the system of formal and lifelong education. Measurable indicators of achievement of these objectives are the grants awarded within the Entrepreneurial Impulse 2015 programme, within which 793 grants in the amount of HRK 2,128,320.80 were awarded for lifelong education for craftsmen, and 1280 scholarships in the amount of HRK 11,520,000.00 were awarded to pupils in craft occupations.

Entrepreneurship education has a more significant role at the tertiary level of education than at primary and secondary levels. Students in Croatia are offered the possibility of choosing study programmes in entrepreneurship at undergraduate, graduate and postgraduate levels, university and professional studies at universities, polytechnics and colleges. Tables 33, 34 and 35 provide an overview of educational programmes in the field of entrepreneurship, as well as those programmes that focus on small business management.

60 European Commission/EACEA/Eurydice, 2016. *The Entrepreneurship Education at School in Europe*. Eurydice Report. Luxembourg: The Publications Office of the European Union.

61 European Commission/EACEA/Eurydice, 2016. *The Entrepreneurship Education at School in Europe*. Eurydice Report. Luxembourg: The Publications Office of the European Union.

62 Government of the Republic of Croatia. Ministry of Economy, Entrepreneurship and Crafts: Strategic Plan for The Period 2015-2017.

Table 33: List of universities in Croatia with entrepreneurship programmes at undergraduate, graduate and/or postgraduate levels of study in academic year 2015/2016

University / Faculty		Public / Private	Undergraduate study	Graduate study	Postgraduate study	
					Specialist	Doctoral
J.J. Strossmayer University of Osijek – Faculty of Economics in Osijek		Public	Entrepreneurship	Entrepreneurial Management and Entrepreneurship	Entrepreneurship	Entrepreneurship and Innovativeness
University of Zagreb	Faculty of Economics	Public		Specialist Graduate Professional Study Economics of Entrepreneurship	Strategic Entrepreneurship *** Entrepreneurship and Entrepreneurial Management	-
	Faculty of Organization and Informatics Varaždin	Public	Ekonomika poduzetništva	Economics of Entrepreneurship	-	-
University of Split – Faculty of Economics		Public	Stručni studij Management malog poduzeća	-	-	-
University of Rijeka – Faculty of Economics		Public	Poduzetništvo	Entrepreneurship	-	-
Juraj Dobrila University of Pula – Faculty of Economics and Tourism “Dr. Mijo Mirković”		Public	Menadžment i poduzetništvo	Management and Entrepreneurship	-	-
University of Zadar – Department of Tourism and Communication Studies		Public		Entrepreneurship in Culture and Tourism		

Source: Agency for Science and Higher Education, 2016; web pages of universities in Croatia, 2016

Legal Economic Clinic at the Josip Juraj Strossmayer University of Osijek

Legal Economic Clinic, as a project of the Faculty of Law in Osijek and the Faculty of Economics in Osijek, is an example of interdisciplinary approach to issues of the small and medium enterprise sector in the Republic of Croatia. The Clinic was launched at the end of 2013, with the aim of facilitating the application of acquired theoretical knowledge in practice, and strengthening awareness of the necessity of cooperation and interdisciplinary approach to solving the problems of entrepreneurs.

The clinic focuses on the problems of beginner entrepreneurs, as well as all those who are just thinking about entering „entrepreneurial waters“. Problems in the Clinic are solved by mixed teams of students, supervised by mentors, who are experts in their areas of activity – professors of both faculties, lawyers, notaries, business advisors, jurists and judges of the Commercial Court of Osijek.

Questions that entrepreneurs most often seek answers to are choice of legal form of business, taxes and contributions related to a particular form of business, closing a simple limited liability company, harmonisation of statutes of associations with the new law, labour law, patent law, business planning, deletion of the company from the court register, etc. All advice and assistance provided by the Clinic are free of charge for clients.

Since its inception, 85 clients have sought advice in the Clinic. In early 2015, with the support of the City of Županja, the Clinic has established a branch office in Županja that provides advice to entrepreneurs in the area.

Table 34: List of polytechnics in Croatia with entrepreneurship programmes at undergraduate and/or graduate levels of study in academic year 2015/2016

Polytechnic	Public / Private	Study
VERN Polytechnic	Private	Undergraduate Professional Study Economics of Entrepreneurship (Zagreb) *** Specialist Graduate Study Entrepreneurial Management (Zagreb)
Polytechnic of Rijeka – Business Department	Public	Undergraduate Professional Study Entrepreneurship (Rijeka, Pazin) *** Specialist Graduate Professional Study Entrepreneurship (Rijeka)
Nikola Tesla Polytechnic Gospić	Public	Undergraduate Professional Study Economics of Entrepreneurship (Gospić)
Marko Marulić Polytechnic Knin	Public	Undergraduate Professional Study Commercial Business with Entrepreneurship (Knin) *** Specialist Graduate Professional Study Economic and Regulatory Framework of Entrepreneurship (Knin)

Source: Agency for Science and Higher Education, 2016; web pages of polytechnics in Croatia, 2016

Table 35: List of colleges in Croatia with entrepreneurship programmes at undergraduate and/or graduate levels of study in academic year 2015/2016

College	Public / Private	Study
College for Management in Tourism and Informatics in Virovitica	Public	Undergraduate Professional Study Entrepreneurship (Virovitica) *** Specialist Graduate Professional Study Management – major in Management of Small and Medium Enterprises (Virovitica)
University College of Economics, Entrepreneurship and Management Nikola Šubić Zrinski	Private	Undergraduate Professional Study Economics of Entrepreneurship (Zagreb) *** Specialist Graduate Professional Study Management of Small and Medium Enterprises (Zagreb)

Source: Agency for Science and Higher Education, 2016; web pages of colleges in Croatia, 2016

Online studies in entrepreneurship – accredited distance learning systems, have been introduced in the academic year 2015/2016. Students can obtain such education in the field of entrepreneurship at two educational institutions in Croatia – at the Faculty of Economics Rijeka (Graduate Study Entrepreneurship) and at the University College Nikola Šubić Zrinski (Professional Study Economics of Entrepreneurship and Specialist Study Management of Small and Medium Enterprises).

GEM research monitors the perception of quality of education for entrepreneurial activity at primary, secondary and tertiary levels of education. For the past several years, the results of GEM research in Croatia indicate a decline in the perception of quality at all three levels of education, and continuous lagging behind compared to the average of countries involved in the GEM research at the global level, and the average of the EU countries (Table 36). In 2015, quality of education for entrepreneurial activity at primary and secondary level in Croatia received a minimum grade (1.3), and just a slightly higher grade at the tertiary level (2.1), which means that neither the recommendations of the European Commission, nor the objectives defined by the National Strategy for Entrepreneurial Learning 2010-2014 found their application in the Croatian education system.

Table 36: Perception of quality of education for entrepreneurial activity in 2014 and 2015 (ratings ranging from 1 to 5)

	2014			2015		
	GEM average	EU average	Croatia	GEM average	EU average	Croatia
Education and training (primary and secondary level of education)	2.1	2.1	1.7	1.95	2.1	1.3
Education and training (tertiary level of education)	2.9	2.8	2.4	2.77	2.7	2.1

Source: GEM Croatia, CEPOR – SMEs and Entrepreneurship Policy Center, 2016

GEM research also enables the monitoring of perception of entrepreneurship as a business career choice. Positive attitude towards entrepreneurial career in Croatia, although in a slight decline in 2015 compared to 2014, is more pronounced compared with the average of EU countries involved in the GEM research. However, attitudes towards the status of entrepreneurs in society, and the media attention given to entrepreneurship, are significantly different. According to the perception of social status of entrepreneurs and the media attention to successful business ventures, GEM research positions Croatia at the rear of EU countries. If Croatia is compared with the average of countries included in GEM research, it is possible to observe almost the same situation, with a worse ranking of Croatia in terms of entrepreneurship as a career choice (Table 37).

Table 37: Perception of entrepreneurs' social status in 2014 and 2015 (%)

	2014			2015		
	GEM average	Croatia	EU average	GEM average	Croatia	EU average
Being entrepreneur is a good career choice	68.1	63.3	56.9	64.1	61.5	56.1
Successful entrepreneurs have high status in society	66.1	46.6	66.6	65.7	42.3	66.4
Media attention to entrepreneurship	63.8	40.4	53.3	63.3	47.5	54.1

Source: GEM Croatia, CEPOR – SMEs and Entrepreneurship Policy Center, 2016

The results of GEM research point to a discrepancy between individual attitudes and perceptions about entrepreneurship. A positive attitude about entrepreneurial career on the one hand indicates the willingness of individuals to take initiative and launch entrepreneurial ventures, but worse attitudes towards media attention to entrepreneurship, as well as low correlation between the success of entrepreneurs and their status in society on the other, indicate a lack of support for entrepreneurship at the level of the entire society.

There is a significant number of institutions in Croatia outside the system of formal education that offer education for beginner entrepreneurs and/or already operational enterprises, such as centres for entrepreneurship, business incubators, Croatian Chamber of Economy, Croatian Employers' Association and private enterprises active in the sector of adult education.

Erasmus for Young Entrepreneurs

„Erasmus for Young Entrepreneurs“ is one of the key measures of the Action Plan for Entrepreneurship 2020.⁶³ It is conceived as a cross-border project of exchange of young and perspective entrepreneurs, and the goal of the project is to build and upgrade knowledge and to exchange experiences between entrepreneurs. Beginner entrepreneurs who have been running their own business for less than 3 years and persons who plan to start a business based on a viable business plan can participate in the programme on the one hand, and successful and experienced entrepreneurs who have been running a company for more than 3 years on the other. „Erasmus for Young Entrepreneurs“ is financed by the European Commission, and the Croatian Chamber of Economy mediates as the local contact point providing professional business support.

The Programme was initiated in 2009. Past experiences of programme participants show numerous positive effects. Experience of participation enabled the acquisition and strengthening of a number of entrepreneurial skills and attitudes, including personal skills such as self-confidence and determination, followed by management and technical skills. Surveys show that 60% of new entrepreneurs who took part in the programme have upgraded their management skills, one-third of potential entrepreneurs who participated in the programme (36.5%) launched their own companies, and that more than half of new entrepreneurs (58.3%) believes that the exchange has significantly contributed to creation of new companies. Majority of new entrepreneurs have been recorded in Italy and Spain, followed by Romania, Greece and Poland. The most popular destinations are Spain, Italy, United Kingdom, Germany and Belgium.

The programme offers numerous benefits to host entrepreneurs, such as the opening of new markets and generating new ideas. Companies that have participated in the programme, on average, have proved to be more active in developing new products and services than other EU companies. Most entrepreneurs have recognised new possible business opportunities, established a wide network of international connections, and expanded business activities to other countries.

63 European Commission: Five Years of Erasmus for Young Entrepreneurs, available at: <http://europski-fondovi.eu/content/5-godina-programa-erasmus-za-mlade-poduzetnike>, downloaded on March 10, 2017

7. Access to information and advisory services

Institutions providing support to entrepreneurs in the form of informing, education, counselling, project design and connecting with investors have a significant role in strengthening capacities and building competences for entrepreneurial activity of individuals and organisations. The GEM research measures the quality of these services through ranking the commercial and professional infrastructure for support of the development of the small and medium enterprise sector. In 2015, the quality of infrastructure in Croatia received the rating of 2.6, which represents a decline compared to the previous year, when it received the rating of 2.9. These ratings in both years are lower than both the average of all countries involved in the GEM research and the average of EU countries involved in the GEM research (Table 38).

Table 38: Perception of quality of commercial and professional infrastructure for support of the development of the small and medium enterprise sector in 2014 and 2015 – ratings from 1 to 5

	Rating 5 indicates:	2014			2015		
		GEM average	EU average	Croatia	GEM average	EU average	Croatia
Commercial and professional infrastructure	There are consultancy, professional legal and accounting services; companies can afford them; they are of high quality	3.0	3.3	2.9	3.0	3.1	2.6

Source: GEM Croatia, CEPOR – SMEs and Entrepreneurship Policy Center, 2016

Although Croatia has invested intensively in the development of entrepreneurial infrastructure in the last few years, the shown rating of perception of the quality of commercial and professional infrastructure indicates underused potential of the existing infrastructure and a mismatch between the supply and the expectations and needs of small and medium enterprises in Croatia.

Below is the description of institutions operating which represent entrepreneurial support infrastructure, and advisory institutions relevant to the small and medium enterprise sector in Croatia.

7.1. Entrepreneurial support infrastructure

Entrepreneurial infrastructure in Croatia comprises of entrepreneurial zones and business support institutions, and their role and criteria for their establishing are described in the Act on Improving Entrepreneurial Infrastructure⁶⁴. The purpose of this Act is to enable start-up and implementation of entrepreneurial activities in standardised conditions of high level of infrastructural equipment within entrepreneurial zones and business support institutions, with the possibility of using a transparent system of incentive measures and benefits. Infrastructure is intended for entrepreneurs in the phase of initial investment and those who are in the phase of expansion of investment activities and operate within the entrepreneurial infrastructure⁶⁵.

⁶⁴ Source: Official Gazette NN 93/13, 41/14

⁶⁵ Central Government Portal [online]. Available at: <https://gov.hr/>, downloaded on March 25, 2017

In the narrow sense, entrepreneurial infrastructure comprises a system of entrepreneurial zones and business support institutions, which include development agencies, entrepreneurial centers, business incubators and accelerators, business parks, science and technology parks and competence centers⁶⁶.

The Act on Improving Entrepreneurial Infrastructure stipulates the establishment of the Unified Register of Entrepreneurial Infrastructure (JRPI) – integrated electronic database of subjects of entrepreneurial infrastructure. Recorded and systemised in the Register are only those subjects of entrepreneurial infrastructure in the Republic of Croatia, which are users of supports, incentive measures, grants or concessions granted by the line ministry (in 2014 and 2015 Ministry of Economy, Entrepreneurship and Crafts or other state administration bodies⁶⁷). The Register is maintained by the line ministry⁶⁸.

Entrepreneurial zones

Entrepreneurial zones are infrastructurally equipped areas defined by spatial plans, intended for carrying out entrepreneurial or commercial activities. The main characteristic of entrepreneurial zones is common use of infrastructurally equipped and organised space by entrepreneurs, to whom performing business operations within the entrepreneurial zone enables the streamlining of operations and use of available resources of the entrepreneurial zone together with other users of the entrepreneurial zone. In 2016, there are 178 entrepreneurial zones registered in the Unified Register of Entrepreneurial Infrastructure.

Entrepreneurial zone Janjevci – Donji Miholjac – an example of good practice of entrepreneurial zones

Entrepreneurial zone Janjevci is located in the southeastern part of Donji Miholjac. The zone is defined as industrial and construction of predominantly industrial plants and logistical support for manufacturing activities are planned in it. It is equipped with complete communal and business infrastructure (road, electricity, gas, water, sewage, industrial collector with biological wastewater purifier). The targeted activities of the zone include food processing, woodworking and metallurgical industries, and the processing of plastics and non-metals⁶⁹. The industrial zone Janjevci covers 126 hectares and belongs to the category of large zones in the Republic of Croatia. There are 30 companies operating within the zone, employing 742 workers. Within the 20th National Conference on Economy and Entrepreneurship organised by the line ministry - Ministry of Entrepreneurship and Crafts, it was declared the best entrepreneurial zone⁷⁰ in Croatia for 2015.

66 Act on Improving Entrepreneurial Infrastructure (Official Gazette NN 93/13, 41/14)

67 Instructions for creation and way of use of the Unified Register of Entrepreneurial Infrastructure (Official Gazette NN 123/2013)

68 Available at the link: <http://reg.minpo.hr/pi/public/#>

69 Miholjac Entrepreneurial Center – LDA [online]. Available at: <http://www.donjimiholjac.hr/industrijska-zona>, downloaded on March 25, 2017

70 Ministry of Economy, Entrepreneurship and Crafts [online]. Available at: <https://poduzetnistvo.gov.hr/vijesti/nagradjeni-najbolji-poduzetnici-u-hrvatskoj-za-2015/1483>, downloaded on March 25, 2017

Development agencies

The Act on Improving Entrepreneurial Infrastructure defines development agencies as registered legal entities that are involved in the operational implementation of measures for the development of the economy and entrepreneurship at the local (regional) and national levels, and encouraging and attracting investments. The role of development agencies is, furthermore, initiating and implementing projects to encourage economic development and entrepreneurship, with unification of the work of economic entities, local and regional entrepreneurial institutions, and higher education institutions and knowledge centers.

There are two basic types of development agencies: local development agencies, established by units of local self-government, and county development agencies, founded by regional self-governments. In accordance with the Act on Regional Development of the Republic of Croatia, county development agencies have the role of regional coordinators, and are responsible for efficient coordination and encouraging regional development of units of regional self-government. The law also recognises development agencies for specific activities, such as energy development agencies. There are 61 development agencies registered in the Unified Register of Entrepreneurial Infrastructure, which is an increase of 47 registered development agencies compared to the previous year, when there were 14 registered development agencies⁷¹.

Regional Energy Agency North – an example of good practice of development agencies

Regional Energy Agency North (REA North) was established as a public, independent and non-profit institution within the programme „Intelligent Energy Europe“ by cities Koprivnica, Varaždin and Virovitica, with the aim of supporting and consulting, and providing services to all stakeholders in the field of energy in northern Croatia⁷². In the Unified Register of Entrepreneurial Infrastructure, the Agency is registered as a specific activity development agency. Specific areas of activity of the Agency encompass promoting and raising the awareness and level of knowledge in the area of renewable energy sources, energy efficiency and environmental protection, consulting in the field of energy and sustainable development, developing strategic and implementing documents (energy balance, energy strategy, energy plans), and developing and implementing projects at local and regional level.

The Agency's most important national programmes are: „Sustainable Energy Action Plan – SEAP“, „Promoting energy efficiency in households“, and „Promoting use of renewable energy sources in households“. The Agency also participates in the implementation of the following international projects: „Innovative uses of low-temperature geothermal resources in South East Europe“, „Elaboration of joint energy efficiency plan for the border region“, etc.

71 Small and Medium Enterprises Report – Croatia 2015, CEPOR, 2016, p. 84.

72 Regional Energy Agency North [online]. Available at: <http://www.rea-sjever.hr/>, downloaded on March 24, 2017

Entrepreneurial centers

Entrepreneurial centres are part of the business support infrastructure focused on operational implementation of measures for the development and promotion of entrepreneurship in the local and wider area (counties and regions). The role of entrepreneurial centres is to provide advisory and educational services to entrepreneurs when launching and developing entrepreneurial ventures. In cooperation with local and regional administration, they participate in implementation of development projects aimed at supporting the development of the small and medium enterprise sector. Centers operate as parts of county or city administrations, as independent enterprises or as associations, and are financed from local budgets, European Union projects, line ministry supports and own sources of financing. Over the years of work and activity, some of entrepreneurial centers have developed into regional development agencies. There are 28 entrepreneurial centers registered in the Unified Register of Entrepreneurial Infrastructure (in 2016), which is an increase of 14 registered entrepreneurial centers in relation to the previous year, when there were 14 registered entrepreneurial centers⁷³.

Entrepreneurial Center Solin – an example of good practice of entrepreneurial centers

Entrepreneurial Center Solin is an association founded with the aim of developing entrepreneurship. It represents a place where entrepreneurs can get information related to starting and developing entrepreneurial activities, as well as about current support programmes of the City of Solin and relevant ministries⁷⁴. One of the Entrepreneurial Center Solin's recognisable projects is the Entrepreneurs' Camp⁷⁵, aimed at promoting entrepreneurship in the area of Split-Dalmatia County. Through discussions and lectures, young entrepreneurs are acquainted with the opportunities and threats in running an entrepreneurial venture. Entrepreneurs' Camp provides a platform to promising young entrepreneurs for presenting and improving their entrepreneurial ideas. There were 17 teams that attended the Entrepreneurs' Camp 2015, and the winners were awarded full consulting service of the Entrepreneurial Center Solin for further development of business idea and model.

Business incubators and accelerators

The goal of business incubators is to provide professional, technical and educational assistance to entrepreneurs when launching entrepreneurial ventures and to enable their rapid development and sustainability. The Act on Improving Entrepreneurial Infrastructure defines two types of business incubators: entrepreneurial incubators and incubators for new technologies. Entrepreneurial incubators provide support to beginner entrepreneurs through a range of business services and resources, including business (working) spaces under favourable conditions, typically until the third or no later than the fifth year of operation. Incubators for new technologies are specialised business entities with a thematic focus and orientation to areas of new (high) technology that support launching and growth of innovative entrepreneurial projects through incubation programmes, and which provide resources and services needed for growth and development to newly established innovative enterprises of similar profiles and interests. Entrepreneurial

73 Small and Medium Enterprises Report – Croatia 2015, CEPOR, 2016, p. 85.

74 Entrepreneurial Center Solin [online]. Available at: <http://poduzetnickicentarsolin.hr/>, downloaded on March 27, 2017

75 Croatian Employment Service [online]. Available at: <http://www.hzz.hr/default.aspx?id=35155>, downloaded on March 27, 2017

incubators are an important link in the system of support for the development of new small enterprises, which should become financially self-sufficient and independent after leaving the incubator.

Unlike incubators, business accelerators are specialised business entities in charge of providing support services to entrepreneurs in the post-incubation stage, or the stage of development and business expansion in the domestic and foreign markets. There are 42 business incubators and 3 business accelerators registered in the Unified Register of Entrepreneurial Infrastructure. In the previous year, there were 15 business incubators and 2 business accelerators registered in the Register⁷⁶.

Innovative Zadar Ltd. – an example of good practice of business incubators

Innovative Zadar Ltd. was founded by the City of Zadar in 2003 under the name Business Incubator Ltd. with the primary goal of encouraging the development of small and medium enterprises in the City of Zadar⁷⁷. The primary driving idea of the Incubator is to provide business and technical services to entrepreneurs, and to offer affordable lease of business premises to beginner entrepreneurs. At the end of 2014, the Incubator underwent a process of business transformation, its name was changed to Innovative Zadar Ltd., its activities were expanded and it became the carrier of coordinated and integrated development of ICT services and infrastructure for the purposes of local government. The incubator seeks to achieve its goals and business mission through a series of projects, some of which are: „InZad Incubator 2.0“, „Zadar Smart City“, „eZadrani“ and others. By implementing projects, Innovative Zadar seeks to contribute to the achievement of strategic priorities and goals of the City of Zadar, one of which is the transformation of Zadar into a smart city based on sustainable economic growth⁷⁸.

Business and science and technology parks

Business parks are registered legal persons that provide physical space, land and resources for accommodation of businesses entities on a commercial basis. The following business parks operate in Croatia: Business Park Bjelovar, Business Park Virovitica, Business Park Zagreb, Business Park Međimurje and Business Park Karlovac.

Technology parks place emphasis on development and scientific-research activities, and they are established primarily in the vicinity of higher education institutions and research centers, i.e. important economic-technological systems. The role of technology parks is to connect experts and entrepreneurs with the goal of achieving economic goals with the help on new technologies. The following technology parks operate in Croatia: Technology Park Varaždin, Technology–Innovation Centre of Rijeka, Technology Park Zagreb, Technology Center Split, Technology Development Centre – Regional Development Agency of Brod-Posavina County, Technology Innovation Centre Međimurje, Science and Technology Park of the University of Rijeka, Technology Park BISC Nova Gradiška, Technology Park Vinkovci and Tera Tehnopolis – Technology Development Centre in Osijek.

76 Small and Medium Enterprises Report – Croatia 2015, CEPOR, 2016, p. 85.

77 Innovative Zadar [online]. Available at: <http://inzad.hr/>, downloaded on March 27, 2017

78 Innovative Zadar [online]. Available at: <http://inzad.hr/>, downloaded on March 27, 2017

Technology Park Vinkovci – an example of good practice of technology parks

Technology Park Vinkovci was founded with the aim to promote entrepreneurial culture and activities in Vinkovci and throughout the Vukovar-Srijem County. Its objectives include the establishment of an incubation center for innovative technology start-ups, establishment of mechanisms for improvement of existing innovative technology enterprises, improvement of knowledge transfer from educational institutions and development centers to the economy, networking of enterprises, educational institutions, development agencies and innovative individuals, and change of perception towards innovation as the basis of the economy. There are 13 enterprises operating within the Incubator. Within the 20th National Conference on Economy and Entrepreneurship, organised by the line ministry - Ministry of Entrepreneurship and Crafts, Technology Park Vinkovci was declared the best business support institution⁷⁹ in Croatia for 2015.

Competence centers

The role of competence centers is to implement research projects development or production character and develop competences in specific areas. Centers of competence are focused on commercialisation of the results of research activities and supporting and strengthening intellectual property within specific subject areas and branches of competence. They are designed to support the strengthening of the capacity of the business sector, mainly small and medium enterprises, which lack their own capacities for research and development. Competence centers can be organised as a consortium between entrepreneurs and one or more organisations for research and dissemination of knowledge, as an innovation cluster, whose members are involved in research and development activities, or as a legal entity that manages research infrastructure that performs economic activities.

Pannonian Wood Competence Center – an example of good practice of competence centers

Pannonian Wood Competence Center is conceived as link between scientists, local community and industry for the purpose of developing innovative wood products and providing services to entrepreneurs from the wood-processing sector. Virovitica-Podravina County is the leader of the project through which the Pannonian Wood Competence Center was implemented, with project partners VIDRA – Virovitica-Podravina County's Development Regional Agency, Faculty of Forestry Zagreb and Ruđer Bošković Institute⁸⁰.

Pannonian Wood Competence Center provides services to small and medium entrepreneurs from the wood-processing sector in Croatia, in all phases of development of final wood products, placing an emphasis on innovation. In addition to research and development of wood products and related industries, the Center also offers technology transfer services to small and medium enterprises, as well as services of designing innovative wood product prototypes, product design, packaging design for wood products and products of related industries, and business consulting and new brand creation services.

⁷⁹ Ministry of Economy, Entrepreneurship and Crafts [online]. Available at: <https://poduzetnistvo.gov.hr/vijesti/nagradjeni-najbolji-poduzetnici-u-hrvatskoj-za-2015/1483>, downloaded on March 25, 2017

⁸⁰ Pannonian Wood Center [online]. Available at: <http://pdck.eu/drvni-centar/>, downloaded on March 27, 2017

In March 2013, Pannonian Wood Competence Center was declared a project of national importance for the wood-processing sector by the Croatian Competitiveness Cluster for Wood Processing, and the Center is also the first and largest project in the Republic of Croatia realised from EU Structural and Investment Funds.

7.2. Advisory institutions in the small and medium enterprise sector

Croatian Chamber of Economy (CCE) – Entrepreneurship and Innovation Department, www.hgk.hr

Entrepreneurship and Innovation Department operates within the CCE's Industry and IT Sector. The most important activities of the Department are aimed at providing information and support to entrepreneurs, implementation of EU projects, commercialisation of innovations and advice on financing of entrepreneurial projects. In 2015, the Department organised a series of business events and trainings, and a conference for beginner entrepreneurs entitled „The first three are the hardest“. Continuously, the Department each year co-finances presentation of Croatian innovations at international trade fairs in Malaysia, Switzerland, USA, United Kingdom, Poland, Germany, Taiwan, China and Belgium. The Department has organised eleven innovation missions within which Croatian innovative enterprises held some three hundred „B2B“ meetings with potential business partners, distributors and representatives. The Entrepreneurship and Innovation Department has provided professional and advisory assistance in obtaining loan funds for 96 projects worth HRK 70 million.

Croatian Chamber of Trades and Crafts (CCTC), www.hok.hr

The main activities of the CCTC are: promoting craftsmanship, representing the interests of craftsmen before state authorities in shaping the economic system, giving opinions and suggestions to state authorities when enacting legislation in the field of craftsmanship, establishing commissions for apprentice and master exams, and providing help to craftsmen during the establishment and operation of crafts. CCTC is also active in the organisation, co-financing and encouraging appearances of craftsmen at trade fairs in the country and abroad.

In 2015, the CCTC organised and financially supported the participation of its members at foreign trade fairs in Munich, Gračanica, Novi Sad, Celje and General B&H Fair ZEPS Zenica. 124 craftsmen exhibitors attended the aforementioned fairs with the Chamber's support, while seven national trade fairs were attended by 426 craftsmen exhibitors⁸¹.

CCTC provides advisory support to its members by giving business, tax, customs, accounting, finance and law, and engineering and technology advice. 3,889 expert advice were provided during 2015.

A novelty in the work of the Chamber in 2015 is the benefits project „Joint Procurement – CCTC KNOWS“. Through the project, CCTC aims to provide its members with better quality and more favourable business operations and provide a stimulating entrepreneurial environment, by securing benefits with suppliers of goods and services from various economic sectors, with which

81 Croatian Chamber of Trades and Crafts: 2015 Annual Work Report. Available at: <http://www.hok.hr/>, downloaded on March 25, 2017

the Chamber has signed cooperation agreements. Involved in the „CCTC KNOWS“ project are partners from various economic sectors, which are important to CCTC's membership in everyday business operations.

Croatian Employers' Association (CEA) – Small and Medium Sized Enterprises' Association, www.hup.hr/hup-udruga-malih-i-srednjih-poduzetnika.aspx

Small and Medium Sized Enterprises' Association of the Croatian Employers' Association actively participates in the processes of creating a better legal framework and improving business environment for small and medium enterprises in Croatia. The Association is included in the development of legislative and other solutions either through direct involvement of entrepreneurs in the drafting of specific laws, or through participation of the Association's representatives in working groups, bodies, commissions or committees. The Association's lobbying activities on behalf of small and medium enterprises encompass participation in research, preparation of studies and consultations, and participation in conferences, round tables and other events on the topic of development of small and medium entrepreneurship in Croatia.

Croatian Employers' Association White Paper 2015⁸²

The Croatian Employers' Association has published a document entitled CEA's White Paper in June 2015, which provides an overview of the most important problems of each of 30 CEA's sectoral associations, as well as concrete proposals to remove obstacles to the successful operation of enterprises within specific industries represented in CEA's associations. CEA's Small and Medium Sized Enterprises' Association has defined the following proposals for the purpose of improvement of the entrepreneurial environment in Croatia:

1. Improve access to finance. *Croatian small and medium enterprises are most often financed by bank lending or financing from EU funds. A certain amount of funding through EU funds is available in the form of non-refundable subsidies, but it is also often necessary to secure own or bank financing. In this area, many entrepreneurs encounter time and administrative complexity of realisation of the necessary funding. Likewise, it is observed that entrepreneurs require assistance in the preparation of projects. Despite the existence of numerous support institutions, which provide assistance with applications for grants from EU funds, entrepreneurs often remain deprived of concrete and relevant information in the preparation of EU projects. In addition, it is necessary to provide a larger number of micro-credit schemes in order to better respond to the specific needs of micro entrepreneurs for smaller, faster and cheaper funding.*

2. Improve the business environment – better adoption of regulations. *Administrative burden and high state costs, which burden operations of entrepreneurs through tax and non-tax levies, are the drawbacks of the Croatian business environment. The answer to the mentioned situation is to restructure the public administration and create an efficient and competent administration, reducing the burden on small and medium entrepreneurs. Instead of the current practice of frequent and ad hoc changes of laws and implementing regulations, entrepreneurs propose introduction of stability of laws and their implementation, as a measure for a more stable business environment. Likewise, they call for the implementation of the European Union's „Think Small First“ principle, which*

⁸² Croatian Employers' Association [online]. Available at: www.hup.hr/EasyEdit/UserFiles/Bijela%20knjiga%202015.docx, downloaded on March 25, 2017

presupposes respecting the fact that the applicability of laws (provisions and decisions) is reviewed primarily on the smallest enterprises and only then a decision on their application is made.

3. Improve access to markets – internationalisation. Despite the existence of EU initiatives to support export activities, numerous small and medium entrepreneurs are not sufficiently informed about them, and language and cultural barriers remain one of the biggest obstacles to these activities. Entrepreneurs need measures that will facilitate access to both the EU Single Market and the markets outside the EU. It is necessary to strengthen the role of state economic diplomacy and institutions that support entrepreneurs in export activities, with the aim to facilitate entry into foreign markets and use opportunities arising from membership in the EU as much as possible.

4. Promotion of entrepreneurship. Promotion of entrepreneurship in the broad sense includes continuous support to entrepreneurs through by encouraging entrepreneurial and innovation potential for growth. Promotion includes promoting entrepreneurship among the youth, so that they turn their ideas and initiatives into entrepreneurial ventures, as well as continuing support to existing entrepreneurs, whether they are in the growth phase, experiencing difficulties or in the phase of transfer of business to new generations.

5. Improve entrepreneurial skills and skills of employees. This proposal emphasises the importance of having specific knowledge and skills necessary for entrepreneurial achievement. It includes the introduction of entrepreneurship in the curricula of secondary schools, the introduction of a dual system of education in vocational education, and the improvement of the image of craft qualifications and technical jobs in small and medium enterprises.

SMEs and Entrepreneurship Policy Center – CEPOR, www.cepor.hr

CEPOR⁸³ is the first think-tank in Croatia whose goal is to influence the public-political environment emphasising the role of small and medium enterprises in the development of Croatian economy and contribute to the development of entrepreneurial culture and stimulating institutional and regulatory framework for entrepreneurial activity.

CEPOR monitors the small and medium enterprise sector and development of entrepreneurial activity in Croatia through two continuous projects:

- Participation in the global GEM – Global Entrepreneurship Monitor research since 2002, whose aggregate results for Croatia for the 2012-2015 period are published in the publication „What makes Croatia a (non)entrepreneurial country? –GEM Croatia 2012-2015“.
- Preparation of the Small and Medium Enterprises Report – Croatia, since 2011.

CEPOR actively works to promote the importance of timely preparation of owners of small and medium enterprises for business transfer, and advocates the development of a national ecosystem for providing support in the process of business transfer. Since 2014, CEPOR is member in TRANSEO – European Association for SME Transfer. That same year, CEPOR launched CEPRA –

83 Institutional founders of CEPOR are: Institute of Economics Zagreb, Josip Juraj Strossmayer University of Osijek – Faculty of Economics in Osijek, Institute for International Relations Zagreb, Croatian Chamber of Economy, Croatian Chamber of Crafts and Trades, REDEA Development Agency Medimurje – Čakovec, IDA Istrian Development Agency – Pula, Center for Entrepreneurship Osijek, Open Society Institute Croatia and UHIP, Croatian Institutions for Promotion of Entrepreneurship Association.

Center for Family Businesses and Business Transfer, which aims to provide professional advisory and educational assistance owners of family businesses in the process of business transfer.

Since 2013, CEPOR has been organising the Family Business Forum, whose goal is to encourage dialogue on the importance of family businesses in Croatia, to provide useful information to owners of family businesses and all other interested parties on the issue of transfer of ownership and management of the family business, and to connect owners with representatives of institutions providing advisory support in the process. The Family Business Forum held in November 2015 gathered more than 80 participants.

In 2015, CEPOR started implementing a one-year project entitled „*Support Youth Self-employment*“, whose goal is to provide support to owners of newly-established enterprises and trades, younger than 29 years. The project encompassed 20 young entrepreneurs who were, through educational workshops and mentoring, provided support in dealing with the challenges of the first year of business operations. The project was financed by EFSE – European Fund for Southeast Europe.

European Bank for Reconstruction and Development (EBRD), www.ebrd.com

The European Bank for Reconstruction and Development (EBRD) implements various initiatives aimed at strengthening small and medium enterprises. Through the platforms Small Business Initiative and SME Finance and Development, EBRD offers a range of financial products aimed at small and medium enterprises, such as direct financing, indirect financing through partner financial institutions, and programmes that combine financing and counselling. EBRD has launched a consultancy programme entitled „Blue Ribbon“, which offers various consulting services to small and medium enterprises with the greatest potential for growth. In cooperation with the Zagreb Stock Exchange, EBRD has launched the „Funderbeam SEE platform“ modelled on the Estonian crowdfunding platform. The „Funderbeam platform“ is an innovative solution, which allows start-up companies to access investors in the capital market on the one hand, and allows investors to trade in shares of start-up companies on the other, thus making their investment liquid. Also in cooperation with the Zagreb Stock Exchange, EBRD has launched the „SME Growth Market Project“, which is based on the creation of a trade platform that should provide easier access to capital and alternative sources of financing for small and medium enterprises.

European Enterprise Network (EEN), <http://een.ec.europa.eu>

The aim of the European Enterprise Network is to provide support and advisory services to entrepreneurs in Europe with the aim to exploit the opportunities provided by the EU and the Single European Market. The network was started in 2008 and it brings together around 600 business support organisations and over 4,000 experts from more than 50 countries. EEN operates through 90 consortiums, which consist of chambers of commerce, development agencies, technology parks, institutes, universities. The work of the Network is funded through the Programme for the Competitiveness of Enterprises and SMEs – COSME.

European Enterprise Network in Croatia (www.een.hr) is a consortium composed of six partner institutions, which support entrepreneurship and innovation: Croatian Chamber of Economy – also the coordinator of the Croatian consortium, HAMAG-BICRO, Technology Development Centre in Osijek – Tera Tehnopolis, Science and Technology Park of the University of Rijeka – STeP Ri, Technology Transfer Office of the University of Split and Technology Park Varaždin⁸⁴.

84 European Enterprise Network [online]. Available at: <http://www.een.hr/>, downloaded on March 26, 2017

During 2015, the EEN provided support to small and medium enterprises through training or mentoring, and some of the topics are: e-marketing and e-advertising, market research, access to finance and intellectual property rights. A novelty for small and medium enterprises were the workshops and info days for open tenders from the Structural Funds. During 2015, the consortium organised 53 events (seminars, conferences, info days) involving 1,509 participants. In 2015, either independently or in cooperation with other institutions, the EEN organised 30 „*business to business*“ meetings involving around two hundred Croatian companies, with 8 international agreements on business cooperation signed between Croatian and foreign companies as a measurable result of the project's success.

Conclusion

Small and Medium Enterprises Report Croatia – 2016 gives an insight into the issues and trends of development of the small and medium enterprise sector in Croatia. The results of international research in which Croatia has been involved for many years (Global Entrepreneurship Monitor, Doing Business, Global Competitiveness Report, Corruption Perceptions Index) are mutually reinforcing by pointing out the longevity of the key obstacles to the development of the small and medium enterprise sector in Croatia. The results of these studies published in 2016 again point out to insufficient level of activity in new business venture start-up, small share of growing enterprises, administrative obstacles to the implementation of entrepreneurial activity, insufficient development of the financial market, and lack of education focused on the development of entrepreneurial knowledge and skills.

Below are the conclusions identified by the Report, based on the analysis of performance results and recommendations of national and international studies for the improvement of the small and medium enterprise sector in Croatia.

Situation in the small and medium enterprise sector in Croatia

Small and medium enterprises are an important segment of the Croatian economy, because of its share in the total number of enterprises (99.7% in 2015), share in total revenues (54%), employment (69.2%), and total exports (50.3%). In 2015, according to all these criteria, small and medium enterprises increased their impact on the Croatian economy, and recorded growth of productivity and competitiveness compared to the previous year. However, there is significant room for improvement of business efficiency, since in 2015 51.6% employees in small enterprises participated with 40.5% in total net consolidated profit of the Croatian economy, while 30.8% employed in large enterprises achieved 43.2% of net consolidated profit.

There is an unfavourable trend in the entrepreneurial venture start-up activity (monitored by the TEA index in GEM research⁸⁵), which has been continuously declining in Croatia since 2013 (8.3% in 2013, 8% in 2014, 7.7% in 2015), as opposed to the average of all countries involved in the GEM research and the average of EU countries, which, after a drop in 2014 compared to 2013, again recorded growth in 2015. The data of the Croatian Employment Service, which in 2015 recorded a decrease in the number of users of grants for self-employment by 31% compared to 2014, also confirm the decline of interest in starting a business venture.

The value of the GEM indicator of motivation for starting an entrepreneurial venture in Croatia in 2105 is a warning factor, because at 1.5, it is the lowest of all the EU countries, unlike the average of EU countries where there are 4 times more entrepreneurs that start a business venture because of a perceived opportunity than those who do so out of necessity. The highest business venture start-up activity in 2015 was recorded in regions Istria, Primorje and Gorski Kotar, and Dalmatia, while it was the lowest in Slavonia and Baranja, and Lika and Banovina.

According to the results of the GEM research in Croatia, in 2015 the majority of growing enterprises in Croatia, as many as 71.8%, have products that are new to no one, while there are only 8.8% of enterprises whose products are new to everyone, which indicates a low level of innovation capacity. Investment in research and development is one of the key components for increasing

85 Percentage of newly launched ventures in adult population (18-64 years of age)

innovation and competitiveness of the economy, but Croatia, with investment at the level of 0.85% of gross domestic product (2015), is far below the EU average of 2%.

Women entrepreneurship

After a period of increase of the share of women – owners of enterprises in the Croatian economy from 2011 to 2014, the share of women – entrepreneurs in 2015 is 18.3%, which is a decline of 2 percentage points. Women are entrepreneurially active mainly in service activities, that is, there is smaller difference in the ownership structure of enterprises between women and men in those activities, while in the manufacturing sector the share of enterprises owned by men is significantly higher than the share of women enterprise owners.

GEM research monitors entrepreneurial activity of women in venture start-up. In 2015, entrepreneurial activity of women in that phase of entrepreneurial venture increased in relation to the previous year. Accordingly, there has been a decrease in the gap in activity of women and men in starting entrepreneurial activity – its value in 2015 was 1.7, compared to 2.4 in the previous year.

Given the decline in the values of indicators of overall entrepreneurial activity of women, and the still present gap in entrepreneurial activity of women compared to men, it is of utmost importance to thoroughly evaluate the existing programmes and measures for the development and strengthening of women entrepreneurship in Croatia.

Institutional and legislative framework

Croatia has for many years been included in a number of international studies that monitor the quality of institutional and legislative framework for business activity, indicating the complexity and non-transparency of the legislative framework as the most significant obstacle to strengthening the intensity of entrepreneurial activity in Croatia (Doing Business – World Bank, competitiveness – World Economic Forum, entrepreneurship – Global Entrepreneurship Monitor, SBA Fact Sheet – EU...). One of the problems is the lack of regular evaluation of effects of the legislative framework on the environment in which small and medium enterprises operate, especially when introducing new legal regulations that the Government should implement, in accordance with the Think Small First principle of the European Union.

The line ministry is the main carrier of operational programmes that should be transferred to implementation agencies and institutions (such as HAMAG-BICRO and HBOR). The role of the Croatian Employers' Association, Croatian Chamber of Economy, Croatian Chamber of Trades and Crafts and CEPOR – SMEs and Entrepreneurship Policy Center, following the example of the most developed economies of the European Union, should be more visible and more pronounced in the development of policies related to the small and medium enterprise sector.

Access to financing

Croatia is characterised by a well developed market of bank loans intended for small and medium enterprises. In addition to the offer of their own financial products, commercial banks provide additional lines of financing to entrepreneurs, which are based on business cooperation with ministries, HBOR, HAMAG-BICRO, local self-government units, cities, counties, and international financial institutions. Despite this, access to financing for small and medium enterprises in Croatia can be rated as very limited, due to lack of financial resources for the riskier stages of development of entrepreneurial ventures, such as venture capital funds and business angels.

Microfinance in Croatia, compared to best international practice, is also underdeveloped, and the

following were identified as the main problems: very restrictive regulatory framework, inadequate guarantee schemes, inadequate offer of financial products and services (credit unions cannot perform payment transactions, savings are not insured by the Croatian National Bank), and low level of awareness of clients about financial products.

It is difficult to evaluate the effectiveness of Government programmes for providing access to finance for small and medium enterprises in Croatia due to incoherence and lack of coordination of financing programmes intended for small and medium enterprises, which are implemented by several ministries. Involvement of the line ministry in operational implementation of financing programmes represents ministry's departure from its primary role, which is to focus on policy and regulatory aspects of the economic sector.

Education for entrepreneurship

Education for and about entrepreneurship is weak and insufficiently represented at all formal levels in the Croatian educational system. Entrepreneurial education is still not recognised and is minimally represented in the curriculum at the primary level of education, while in secondary education, entrepreneurship is present recognised only in vocational schools.

Non-formal education for beginner entrepreneurs and / or already launched enterprises is offered by institutions such as centers for entrepreneurship, Croatian Chamber of Economy, Croatian Chamber of Trades and Crafts, Croatian Employers' Association, and private companies active in the sector of adult education.

Access to information and advisory services

Access to information and advisory services is an important factor in the development of entrepreneurial activity. According to the Act on Improving Entrepreneurial Infrastructure, entrepreneurial infrastructure in Croatia, in the narrow sense, comprises a system of entrepreneurial zones and business support institutions, which include development agencies, entrepreneurial centers, business incubators and accelerators, business parks, science and technology parks and competence centers.

In 2015, the GEM research in Croatia recorded a decline in the rating of perception of quality of commercial and professional infrastructural support for the development of the small and medium enterprise sector in Croatia, from 2.9 in 2014 to 2.6 in 2015, which is below the level of rating of perception of quality of countries that participate in the GEM research (3 in 2015), as well as the EU countries that participate in the research (3.1 in 2015).

Due to relevance, presented below are the recommendations identified on the basis of the GEM research results in Croatia⁸⁶, which are relevant for the conclusions in this Report.

86 Source: Singer, S. et al.: „What makes Croatia a (non)entrepreneurial country? – GEM Croatia 2012-2015“, CEPOR, 2016, p. 64-65.

Recommendations for individuals / bearers of entrepreneurial activity in the direction of taking greater responsibility for personal decisions and choices and more proactivity and innovativeness:

- Insisting on a reform of the education system that will ensure adequate education for acquiring entrepreneurial competence
- Strive to acquire entrepreneurial competences by using other sources of informal learning
- Dissatisfaction with quality of life should be converted into entrepreneurial challenge by considering self-employment, with previous acquisition of the appropriate level of entrepreneurial competence.

Recommendations for institutions / bearers of responsibility for the quality of the entrepreneurial ecosystem in the direction of taking greater responsibility toward citizens and more proactivity and innovativeness:

- Harmonisation of policies, strategies, programmes and instruments on the basis of cooperation and simultaneity, and the use of the principle of open coordination
- Simplification of the regulatory framework in which entrepreneurial activity is taking place
- Strengthening the state venture capital fund, for financing innovative and growing small and medium businesses, and providing tax relief for those who act as business angels
- Development and implementation of a system for monitoring and evaluating the effects of government policies and programmes, ensuring public availability of such information
- Development and transparency of the framework for statistical monitoring of activities of small and medium enterprises
- Increasing the quality and the spectrum of services offered by the professional infrastructure for entrepreneurs
- Active role of the media and educational institutions in breaking social and cultural norms, and the non-supportive value system in relation to the valuation of entrepreneurial activity.

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The European Fund for Southeast Europe

The European Fund for Southeast Europe (EFSE) aims to foster economic development and prosperity in the Southeast Europe region, including the European Eastern Neighbourhood Region, through the sustainable provision of additional development finance. The Fund offers long-term funding instruments to qualified partner lending institutions to better serve the financing needs of micro and small enterprises and low-income private households.

EFSE's partner lending institutions include commercial banks, microfinance banks, microcredit organisations and non-bank financial institutions such as leasing companies. They on-lend funds received from EFSE to the Fund's ultimate target group: micro, small enterprises and low-income private households. All of EFSE's partner lending institutions are carefully selected: in addition to being financially stable, the institutions must treat their clients fairly and in a transparent manner.

Supporting the EFSE's investment activities is the EFSE Development Facility (EFSE DF), which was created in 2006 to support the EFSE's development finance mandate. Its mission is to deploy effective, targeted and innovative technical assistance to maximise the impact and outreach of the Fund's development finance mandate in its target countries. The capacity-building services of the EFSE DF encompass capacity building and training, financial sector support as well as applied research with the aim to strengthen the internal capacities and operations of the Fund's partner lending institutions.

The EFSE is the first public-private partnership of its kind and the first privately managed fund in development finance to leverage private funding for micro and small enterprise (MSE) finance in the target region. It was initiated by KfW Development Bank (KfW) on 15 December 2005 from four multi-donor programs under its management. Capital is provided by donor agencies, international financial institutions and private institutional investors, including the German Federal Ministry for Economic Cooperation and Development (BMZ), the European Commission (EC), the Government of Albania, Small and Medium Business Credit Support CJSC (SMBCS), a subsidiary of the Central Bank of Armenia, the Development Bank of Austria (Oesterreichische Entwicklungsbank - OeEB), the Swiss Agency for Development and Cooperation (SDC), the Danish International Development Agency (Danida), KfW as Lead Investor, the International Finance Corporation (IFC), the Netherlands Finance Company (FMO), the European Bank for Reconstruction and Development (EBRD), the European Investment Bank (EIB), Sal. Oppenheim and Deutsche Bank.

For more information about EFSE and the EFSE DF, please visit <http://www.efse.lu>

CEPOR – SMEs and Entrepreneurship Policy Center is an independent policy center which is dealing with issues of the small and medium enterprise sector in Croatia. CEPOR was established in 2001, based on an agreement between the Government of the Republic of Croatia and Open Society Institute Croatia.

Institutional founders of CEPOR are: Institute of Economics Zagreb, Josip Juraj Strossmayer University of Osijek – Faculty of Economics in Osijek, Institute for International Relations Zagreb, Croatian Chamber of Economy, Croatian Chamber of Crafts and Trades, REDEA Development Agency Međimurje – Čakovec, IDA Istrian Development Agency – Pula, Center for Entrepreneurship Osijek, Open Society Institute Croatia and UHIPP, Croatian Institutions for Promotion of Entrepreneurship Association.

CEPOR's mission is to influence the public-political environment emphasizing the role of entrepreneurship and small and medium enterprises in the development of Croatian economy. CEPOR wants to contribute to the shaping of entrepreneurial culture and to creation of stimulating institutional and regulatory framework for entrepreneurial activity.

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