

### The fact sheet in a nutshell:

- ✓ Croatia's SME sector mirrors that of the EU average closely and is an important driver of growth and jobs
- ✓ Croatia on par with the EU average in two out of six SBA areas, namely Responsive administration and Skills and innovation; for the remaining areas it falls behind the EU average. However, in almost all areas where Croatia lags behind, it has achieved considerable progress over the past years
- ✓ In 2010/2011, Croatia has addressed eight out of ten SBA areas by means of targeted policy measures, focusing in particular on entrepreneurship and skills and innovation

### About the SBA Fact Sheets<sup>1</sup>:

The Small Business Act (SBA) is the EU's flagship policy initiative in support of Small and Medium-sized Businesses.

The annually updated fact sheets contribute to a better understanding of recent trends in the SME environment and policy on a national level.

## 1. SMEs in Croatia – basic figures

	Number of Enterprises			Employment			Value added		
	Croatia		EU27	Croatia		EU27	Croatia		EU27
	Number	Share	Share	Number	Share	Share	Billion €	Share	Share
Micro	130.066	90,4%	92,0%	305.218	27,8%	29,5%	4	16,6%	21,4%
Small	11.320	7,9%	6,7%	221.155	20,1%	20,5%	5	20,2%	19,0%
Medium-sized	2.048	1,4%	1,1%	210.785	19,2%	16,9%	5	20,3%	18,1%
<b>SMEs</b>	<b>143.434</b>	<b>99,7%</b>	<b>99,8%</b>	<b>737.158</b>	<b>67,2%</b>	<b>67,0%</b>	<b>13</b>	<b>57,1%</b>	<b>58,5%</b>
Large	484	0,3%	0,2%	360.391	32,8%	33,0%	10	42,9%	41,5%
<b>Total</b>	<b>143.918</b>	<b>100,0%</b>	<b>100,0%</b>	<b>1.097.549</b>	<b>100,0%</b>	<b>100,0%</b>	<b>23</b>	<b>100,0%</b>	<b>100,0%</b>

The source of the figures for Croatia, for year 2008, is Croatia's National Statistical Office. The data for EU 27 are based of 2008 figures from the Structural Business Statistics database (Eurostat). The data cover the 'business economy' which includes industry, constructions, trade, and services (NACE Rev. 1.1 Sections C to I, K). The data does not cover the enterprises in agriculture, forestry, fishing or the largely non-market services such as education and health.

Croatia's SME sector is characterized by a large proportion of SMEs in general, and small firms in particular. Just like the other countries in the European Union, Croatia is relying heavily on the small and medium sized enterprises for providing growth and jobs. In terms of size class breakdown, the Croatian SME sector closely reflects that of the EU average, with micro and small enterprises accounting for nine out of every ten enterprises. Looking at employment, it is clear that the SMEs are all the more important since they provide work for more than three fourths of all Croatians employed in

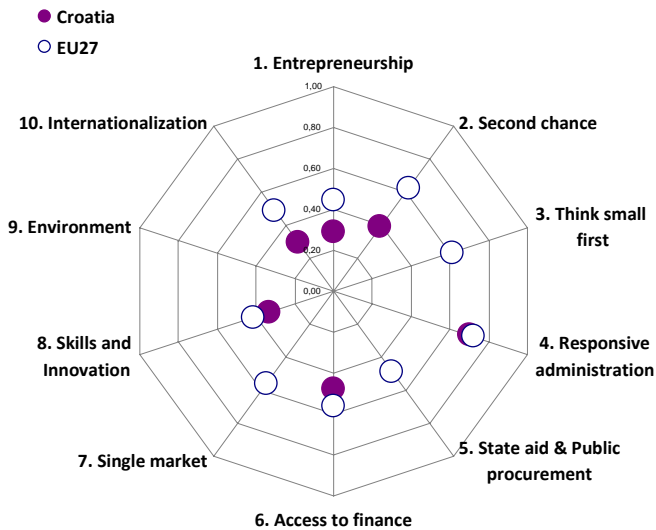
the non financial business economy. On average, an SME in Croatia employs 5 workers which is slightly higher than the EU average of 4,2 persons.

In terms of sectoral distribution, 39% of the Croatian SMEs are active in service sectors such as renting and business services, transport, tourism or constructions, 32% are active in trade and only about 16% work in manufacturing.

Basic statistics on the SME sector are very limited, hence it is not possible to analyse developments over time or to assess how the Croatian SME sector has been affected by the economic and financial crisis.

## 2. The SBA profile of Croatia

Croatia's performance against the EU average by SBA area<sup>2</sup>



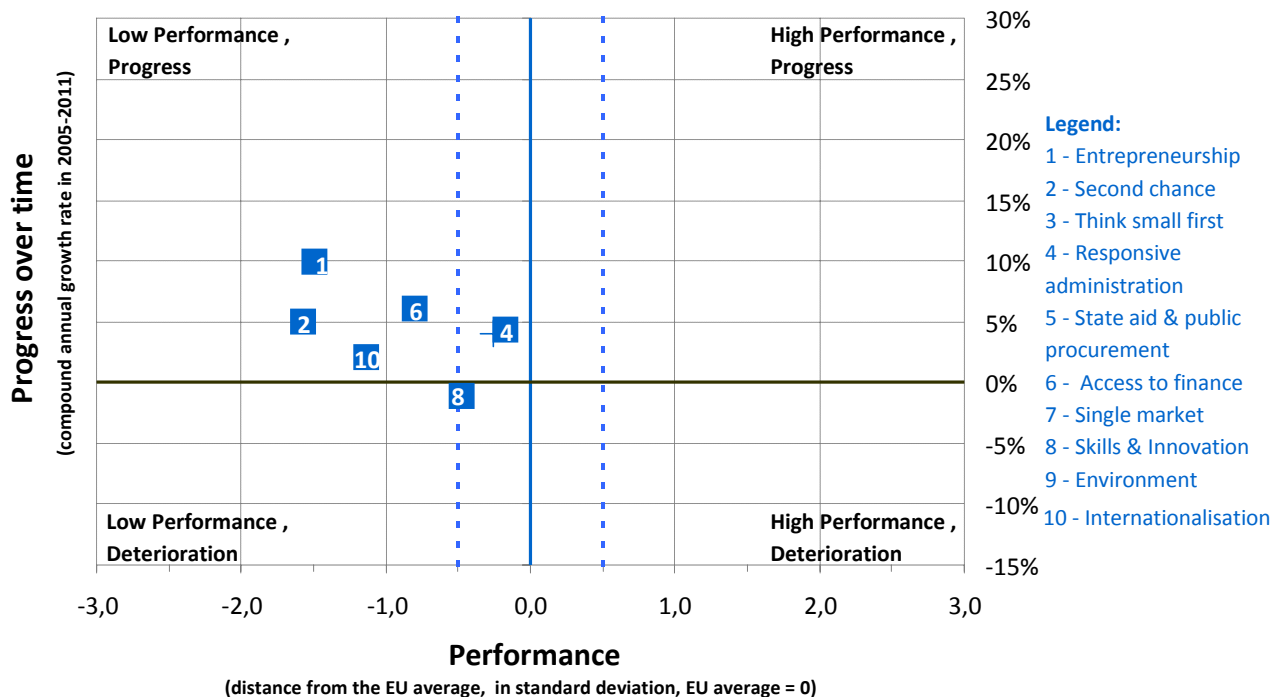
The country performs on a par with the EU-average in two out of six SBA principles for which scores are available, namely responsive administration and Skills and innovation. The remaining areas score below the EU-average.

This picture is complemented by a policy record showing that the Government has addressed eight of the ten principles of the Small Business Act by means of targeted policy measures. Focus has been placed on entrepreneurship and skills and innovation.

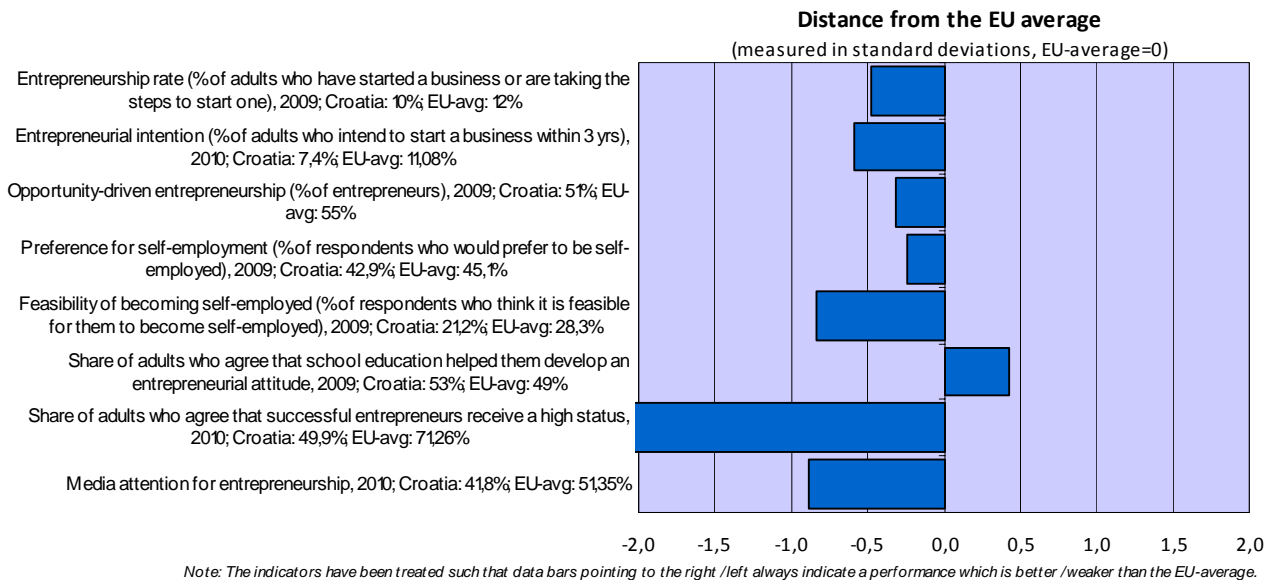
When Croatia's performance is compared with its own past results, a more encouraging picture emerges. Almost all policy areas where Croatia still lags behind have made progress in recent years, suggesting that the country is making up ground on its EU peers<sup>3</sup>.

Overall, the available SME-relevant statistics show an SBA profile for Croatia which leaves room for improvement.

### Croatia's SBA performance: Status quo and development over time, 2005-2011<sup>4</sup>



## I. Entrepreneurship



Although Croatia has achieved considerable progress over the past 5 years, it still trails most of the other EU countries in entrepreneurship.

There is room for improvement across many of the elements making up this area, but in particular in what concerns the society's perception of entrepreneurship, which in Croatia is less positive than in the EU, on average. Improving the image of entrepreneurs could have a positive multiplying effect on the citizens' willingness to assume the risks of business enterprise. At the same time, the indicators measuring the population's attitude towards entrepreneurship suggest there may also be additional practical obstacles (e.g. access to finance) to becoming an entrepreneur, since only 21% of Croatians as compared to 28% of the EU population believe it is feasible for them to become business owners in the next 3 years.

It is thus not surprising that the indicators measuring the actual entrepreneurial activity in Croatia are trailing the average, with 10% of the population being involved in entrepreneurship and only 7% having clear plans to become involved in the future.

To address these relative shortcomings, the Croatian Government has taken a few of **policy measures** to improve the entrepreneurial environment in 2010 and the beginning of 2011.

Thus, the Ministry of Economy, Labour and entrepreneurship developed two important documents in 2010. The Strategy for Entrepreneurial Learning lays the ground for mainstreaming entrepreneurial learning into all levels of formal, non-formal and informal education. This

Strategy has proposed measures aimed at stimulating innovative and entrepreneurial mindsets among young people by introducing entrepreneurship as a key competence in school curricula; raising positive attitude and public awareness about entrepreneurship; increasing capacity of entrepreneurs, educational institutions, as well as teachers, professors and trainers; ensuring cooperation among different stakeholders; and increasing a number of successful small enterprises.

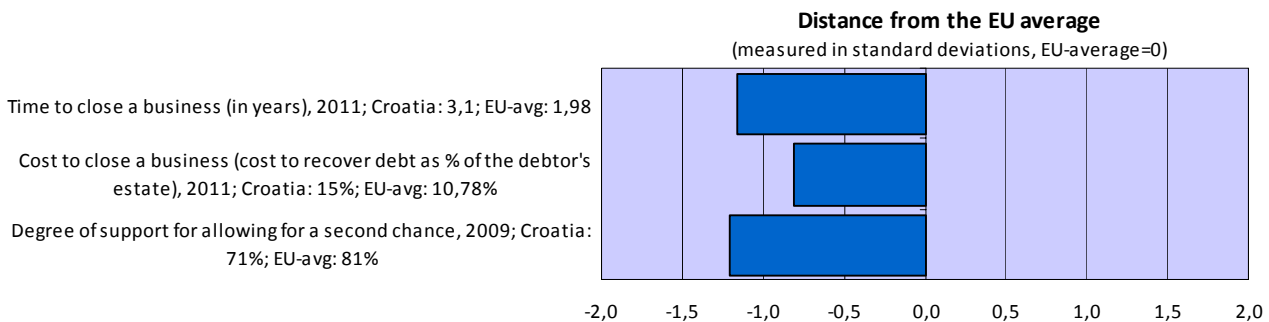
The second document, the Strategy for Women's Entrepreneurship Development aims at strengthening entrepreneurial activities of women and significantly increasing the number of women entrepreneurs by 2013. A set of inclusive and cross-cutting measures have been proposed under this Strategy which are based on the public policy (e.g. cross-department working group, coordinator for monitoring implementation of the Strategy, statistics, regulatory challenges), the interest and needs of women entrepreneurs (e.g. access to information and knowledge, networking, access to financial resources, transition from social care to self-employment, children care) and the institutional infrastructure needs (e.g. capacity development of women entrepreneurs, strategic planning, capacity building in developing networks, quality standards etc.) thus ensuring a full consideration of issues relevant for achieving the Strategy's main objectives.

In 2010, the Government has continued providing grants within the state aid scheme, which were primarily awarded to the entrepreneurs with the growth potential, new entrepreneurs and target groups entrepreneurs (women, young, start-ups, disabled persons, etc.), but also to the

institutions with direct or indirect role of entrepreneurship development (regional development agencies, entrepreneurship centres, technology parks, chambers, cooperatives, etc.). An allocated budget for the most important grant schemes, the “Women’s

Entrepreneurship” was €822,000, the “Entrepreneurship of young people and people with disabilities” was €411.000 and for the “Entrepreneurial Learning” was €674.360.

## II. Second chance



*Note: The indicators have been treated such that data bars pointing to the right /left always indicate a performance which is better /weaker than the EU-average.*

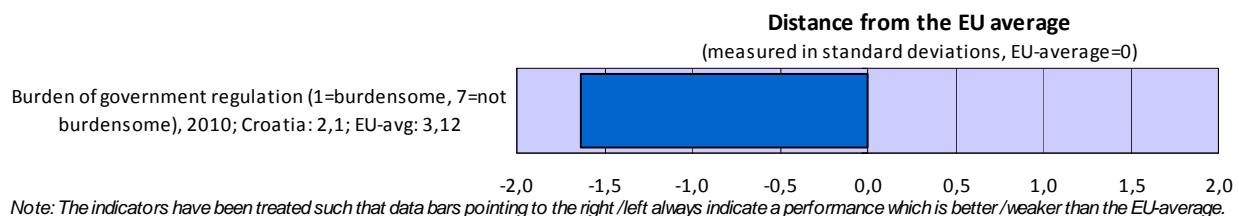
The indicators measuring 'second chance' reveal there are still some clear obstacles in the paths of entrepreneurs who have faced bankruptcy and would like to start all over again. Speed and low costs of bankruptcy proceedings are essential for saving viable businesses, especially in times of recession. In this area, Croatia has some clear room for improvement, given the long duration and relative high cost of bankruptcy proceedings.

Moreover, the Croatians seem less inclined that the nationals of other European countries to allow for a fresh start for entrepreneurs who have failed before.

**On the policy front**, as an anti-recession measure, the Government of Croatia adopted the Guidelines for

Assisting Entrepreneurs in Difficulties in April 2010, which are aimed at improving the quality of restructuring plans and ensuring more effective and timely response to SMEs through state aid instruments without affecting the market dynamic. Target groups are all entrepreneurs who had difficulties at the time of submitting the Restructuring Plan regardless of their size (i.e. small, medium and large entrepreneurs), meaning that they could not have, without the state intervention, survived at the market due to the decrease in their financial and organizational capacities.

## III. Think Small First

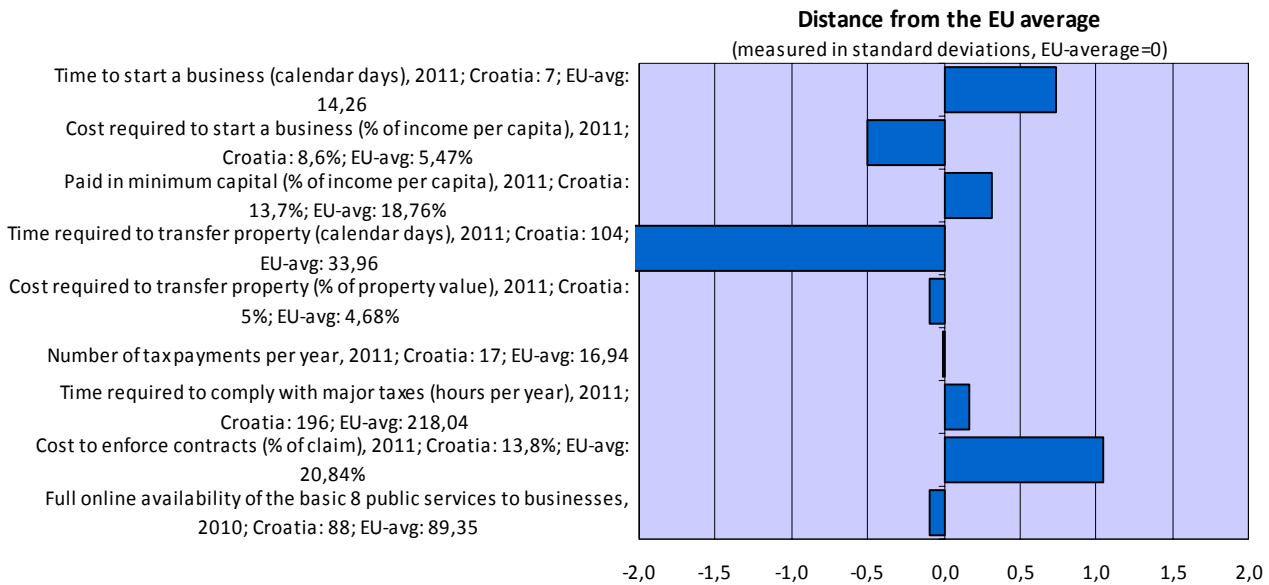


*Note: The indicators have been treated such that data bars pointing to the right /left always indicate a performance which is better /weaker than the EU-average.*

The one indicator available in this SBA area clearly outperforms the EU-average, suggesting that the Croatian enterprises feel to be burdened by government regulations in general, to a higher degree than the nationals of the EU countries.

**On the policy side**, no significant measures were reported in this area in 2010 and the first trimester of 2011.

#### IV. Responsive Administration



Note: The indicators have been treated such that data bars pointing to the right /left always indicate a performance which is better /weaker than the EU-average.

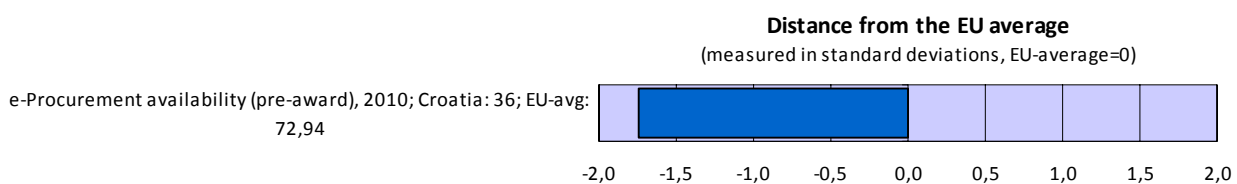
Croatia performs on a par with the other EU countries in responsive administration.

Firstly, the start up conditions – as measured by the duration and paid in minimum capital necessary for starting a business – are favourable for would be entrepreneurs in Croatia. However, the cost thereof of 8,6% of income per capita is slightly higher than in the EU. Secondly, there is clear room for improvement in what concerns the formal property registration and transfer procedures which are significantly lengthier even though equally costly in Croatia and the EU.

The other indicators that are important for day-to-day business operations such as the number and duration of tax payments, the online availability of some basis public services, or the cost to enforce contracts are either on par or above the EU-average.

In 2011, the Government of Croatia has developed the Strategic Plan for the Central Government Office e-HRVATSKA for 2011-2013, as a medium term strategy to speed up the procedures of the state administration and provide more effective services to SMEs. Specific objectives of the Plan were to support and monitor development of the information society in Croatia; implement the electronic government through stronger coordination among government bodies (building of a networked government); optimize and develop computer and communication infrastructure within the public administration– HITRONet, and harmonize the national policy of developing information society and using joint interoperation solutions at the level of EU.

#### V. State aid and Public procurement



Note: The indicators have been treated such that data bars pointing to the right /left always indicate a performance which is better /weaker than the EU-average.

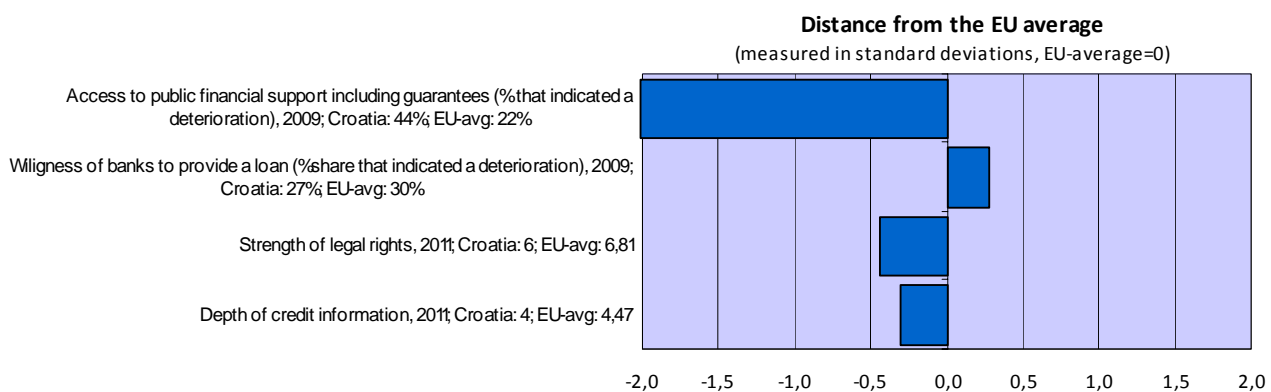
There are no indicators available for Croatia and it is therefore not possible to draw any conclusions about Croatia's performance in this area.

However, on the policy front a few actions were taken:

In January 2011, Ministry of Economy, Labour and Entrepreneurship, in partnership with the Federal Public Procurement Agency of the Republic of Austria, has launched the project aimed at strengthening of a reliable and transparent public procurement system in the Republic of Croatia in accordance with the standards of the European Union in order to reduce opportunities for

irregularities, including fraud and corruption in the public procurement procedures. The project consists of three components focusing on the development of tools and further improvement of legal framework, the enhancement of administrative capacities of the Department for Public Procurement System (DPPS) and the organisation of a public awareness campaign focused on prevention and suppressing irregularities in public procurement procedures.

## VI. Access to finance



Note: The indicators have been treated such that data bars pointing to the right /left always indicate a performance which is better /weaker than the EU-average.

Only four indicators are available for Croatia in this area and it is therefore not possible to draw any general conclusion.

Firstly, the indicator measuring credit lending show that about 27% of the SME owners had noticed that banks were less willing to provide loans. During the same time, there seem to have been a much more pronounced deterioration of access to public funds in the form of guarantees, since 44% of entrepreneurs confirmed a deterioration of the situation as compared to the previous year.

The creditors in Croatia seem to enjoy a slightly lower degree of protection through collateral and bankruptcy

laws than in the EU on average. The indicator measuring the reliability and coverage of public and private credit bureaus which is an important element of a stable financial market also falls slightly behind the EU average.

In order to improve access to finance for SMEs in Croatia, the Ministry of Economy, Labour and Entrepreneurship has established the Fund for Economic Cooperation, which was launched in December 2010. There are currently six private funds joining this Government initiative. The overall budget of about € 137 mln will be available for investments for competitive and growing companies in the next five years.

## VII. Single market

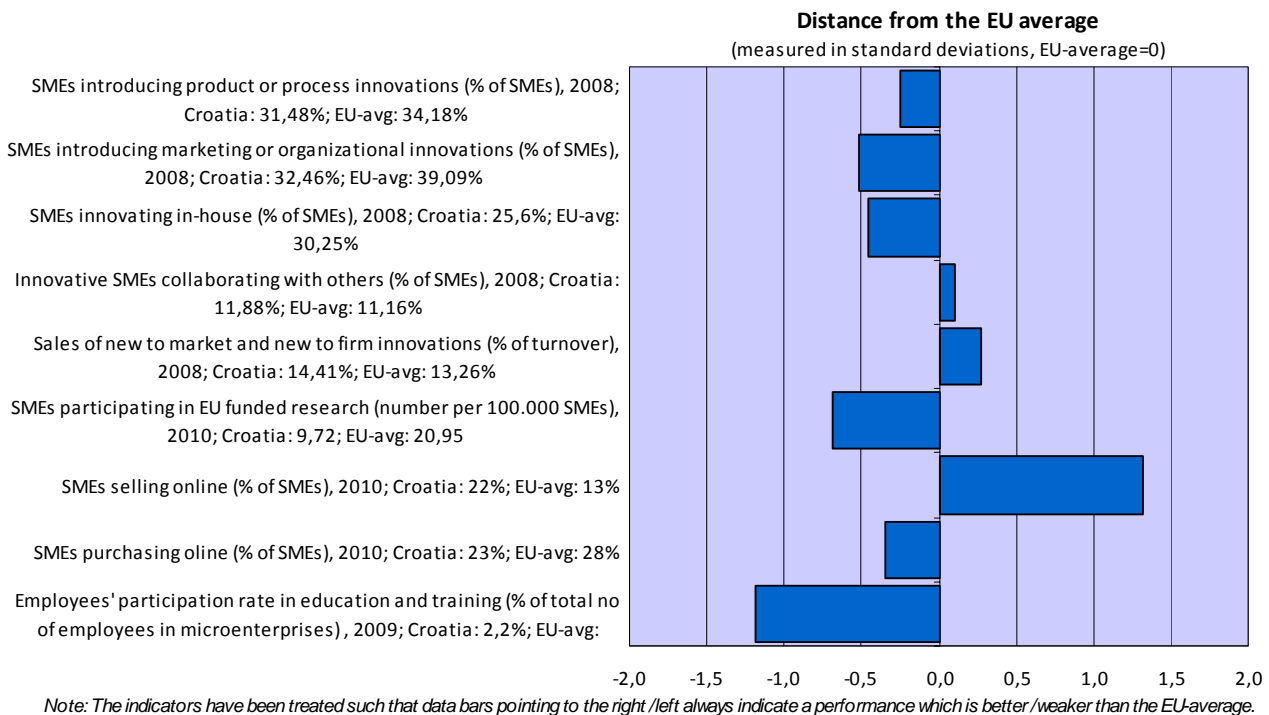
There are no indicators available for Croatia and it is therefore not possible to draw any conclusions about Croatia's performance in this area.

**On the policy front**, the Delegation of the European Union to the Republic of Croatia has provisionally closed Chapter 1, the principle of the free movement of goods with Croatia in 2010, enabling Croatian government to

bring down barriers at the internal market, create more jobs and increase overall prosperity. In order for this Chapter to be closed, Croatia had to transpose the relevant acquis into Croatian law, in particular on the community code relating to medicinal products for human use, as well as on the pricing and reimbursement of pharmaceutical products, and to demonstrate that it has

the adequate administrative capacity to properly implement and enforce the legislation in all horizontal areas affecting the free movement of goods.

## VIII. Skills and innovation



In this area, which covers both skills and innovation aspects, Croatia scores below the EU average.

All but one of the core indicators of innovation are slightly below par. Accordingly, SMEs in Croatia are less likely to introduce innovations, or innovate in-house. However, the firms that do innovate are more successful than their EU peers in converting these new products or processes into sales revenues.

Beyond the innovation indicators, the Croatian SMEs perform above average on the other aspects that characterise this area, such as their IT readiness as defined by their ability to sell their products on-line, even though they are less inclined to make online purchases.

The indicator measuring training and skills development scores below-average: the proportion of enterprises which provide vocational training to their employees is 23% in Croatia as compared to 28% in the European Union.

**On the policy side**, presently there are three on-going projects financed by the pre-structural funds in the fields of science, R&D and innovation, with direct relevance for regional development:

- Intellectual Property Infrastructure for the Research and Development Sector (CARDS 2003);
- Technological Park Net (INTERREG III C – CADSES);
- Joint European Project entitled Stimulating Croatia's Entrepreneurial Activities and Technology Transfer in Education (TEMPUS).

In January 2010, the Ministry of Regional Development, Forestry and Water Management have received the technical assistance for the project "Support to the effective implementation of the BRI grant scheme under the Regional Competitiveness Operational Programme". The objective of the project was to invest in the development of new and existing infrastructure in business zones, the development of new and existing incubators and other SME support institutions as well as the development of tourism infrastructure, which will result in a strengthened SME sector and the creation of new jobs, especially in the lagging areas.

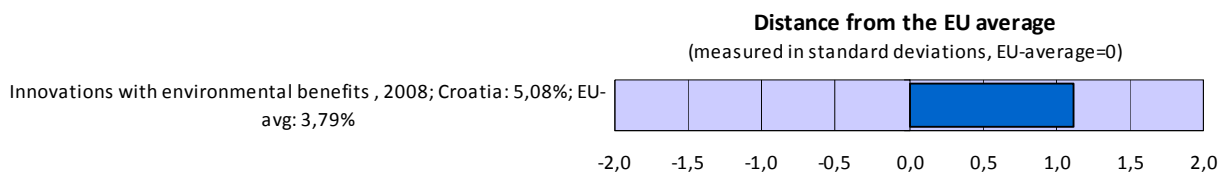
In June 2010, Administrative Office for e-Croatia has also rendered the implementation of electronic signature in e-Tax, e-Company service and e-Office. The Electronic Signature Act by its amendments from July 2008 is in full

compliance with the Directive on electronic signature. The electronic Business standard project (SPEUP) is implemented in all state and legal bodies in the Republic of Croatia.

In 2011, five sub-programmes currently implemented through the [Business Innovation Centre of Croatia](#)

(BICRO) and funded through the World Bank are coming to its end. Although BICRO is currently preparing and gaining capacity to become an implementing agency for Structural Funds, the new funding for above projects has not yet been secured, which puts the sustainability of programmes and their results to risk.

## IX. Environment



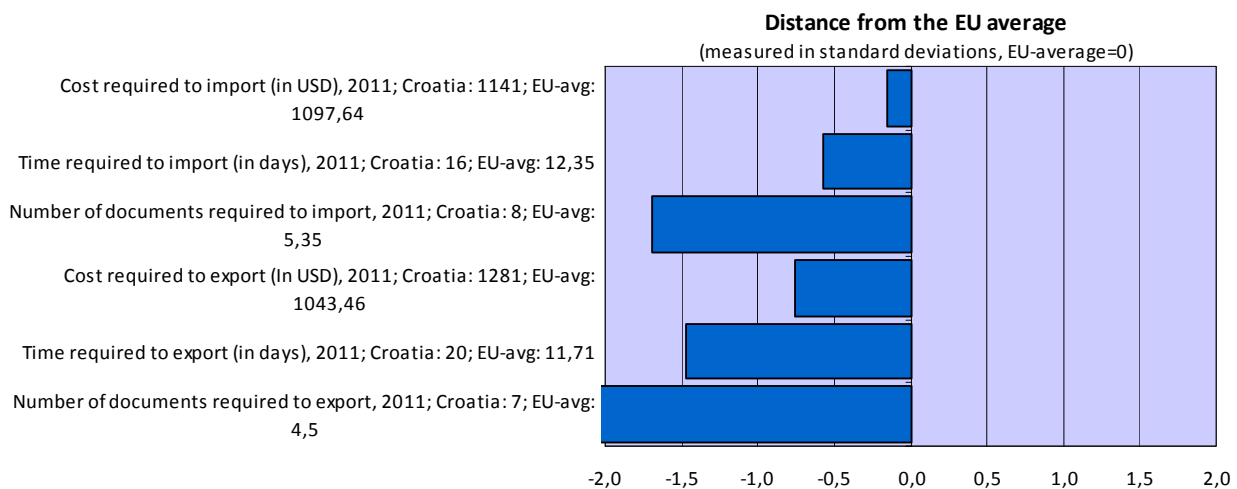
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In the area of environment there is a single indicator available, namely the share of small and medium sized enterprises that produce innovations with environmental benefits which in Croatia is above average.

On the policy side, the Central Office for Development Strategy and Coordination of EU Funds (CODEF) in cooperation with the Ministry of Finance and the Managing Authorities has developed the Draft National Strategic Reference Framework (NSRF) 2012-2013 as a response to the Community Strategic Guidelines on Cohesion. It is structured in line with the provisions of the Council Regulation no 1083/2006 laying down general provisions on the European Regional Development Fund, the

European Social Fund and the Cohesion Fund. As such, NSRF 2012-2013 is a key strategic document and reference point for the use of Structural Funds and Cohesion Fund in Croatia post-accession. It defines the priorities to be jointly financed through EU and national resources in line with overarching EU and national objectives and guidelines. Key target areas include the training and increasing capacity of SMEs; providing training and services to employees in the area of environmental protection; and the certification of companies according to standards HRN EN ISO 14001 for Environmental Management Systems (EMS).

## X. Internationalisation



*Note: The indicators have been treated such that data bars pointing to the right /left always indicate a performance which is better /weaker than the EU-average.*

Based on the available indicators for measuring internationalisation, Croatia is trailing behind the EU

average. This situation is determined by the general framework conditions for trading, as there are no



performance-related indicators available to measure the extent to which Croatian SMEs actually engage in exporting or importing. Thus Croatia appears more bureaucratic than the other EU countries in what concern

the time and cost as well as the number of documents necessary for trading abroad.

**On the policy front**, no significant measures were taken in this area in 2010 or, in the first quarter of 2011.

## Good practice

**To illustrate the efforts of the government to promote SMEs, the statistical and policy information of the fact sheet is enriched by an example of a good practice in SME policy.**

The Strategy on Entrepreneurial Learning that was launched in May 2010 and will last through 2014 is one of the most important documents proposed in Croatia in 2010. Importance of this Strategy, which will be implemented by the Ministry of Economy, Labour and Entrepreneurship, is in promoting and implementing entrepreneurial learning on all levels, starting from preschool to higher levels of education. The main objectives are to raise public awareness about entrepreneurship and develop a positive attitude towards lifelong learning for entrepreneurship, as well as to introduce learning and capacity building for entrepreneurship as key competencies in all forms, levels and types of formal, informal and non-formal education and learning. Target groups include schools, universities, teachers, regional and local authorities, businesses, private associations and civil society organisations. The strength of the Strategy is not only in mainstreaming entrepreneurial learning in all aspects of economic and social life in Croatia but also in ensuring timely and effective implementation of the measure, through the Coordination team, a special advisory committee to the Government of Croatia. The advisory committee will develop a special cooperation with the European Training Foundation (ETF), which is in the process of implementation of the European Charter for SME development and SBA a contact point for the development and strengthening of entrepreneurial learning in Croatia. Main contact will also be the South East European Centre for Entrepreneurial Learning (SEECCEL).

## About the SBA fact sheets

The Small Business Act (SBA) fact sheets are produced by DG ENTR as part of the SME Performance Review (SPR) which is its main programme for economic analysis of SME issues. The SBA fact sheets combine the latest available statistical and policy information for the 27 EU Member States and another 10 non Member States which also contribute to the EU's [Competitiveness and Innovation Framework Programme](#) (CIP). The fact sheets - produced annually- help to structure the available information so as to facilitate assessments of the SME policy assessments in the framework of the SBA implementation monitoring. The fact sheets refrain from policy evaluations, but are to document the status quo and progress in the different SBA areas. The SBA Fact Sheets are not standalone instruments. They do not constitute a comprehensive assessment of Member States' policies and should be regarded as a supplement to, and not a substitute for, available national publications. A good example for this is the policy information contained in the fact sheets: the fact sheets cite only those policy measures that were deemed by local SME policy experts of being of particular relevance. They do not -and cannot- reflect all measures undertaken by the government in the particular period of time. As a complement to the fact sheets additional policy information can be found on a database also located on the SPR-website. Please refer to the methodological note when reading this SBA Fact Sheet.

## For more information

SME Performance Review:

[http://ec.europa.eu/enterprise/policies/sme/facts-figures-analysis/performance-review/index\\_en.htm](http://ec.europa.eu/enterprise/policies/sme/facts-figures-analysis/performance-review/index_en.htm)

Small Business Act:

[http://ec.europa.eu/enterprise/policies/sme/small-business-act/index\\_en.htm](http://ec.europa.eu/enterprise/policies/sme/small-business-act/index_en.htm)

The European Small Business Portal:

[http://ec.europa.eu/small-business/index\\_en.htm](http://ec.europa.eu/small-business/index_en.htm)

[Entr-SPR@ec.europa.eu](mailto:Entr-SPR@ec.europa.eu)

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<sup>1</sup> The SBA fact sheets 2010-2011 benefitted substantially from input by the European Commission's Joint Research Centre (JRC) in Ispra, Italy. Most notably, important improvements in the methodological approach, statistical work on the dataset as well as the visual presentation of the data are owed to the JRC.

<sup>2</sup> The SBA radar chart plots for the different SBA areas the relative position of an individual country vis—à-vis the respective EU-wide area average. The individual values represent averages across all available indicators for this area. The scaling range is from "0" (minimum or "worst in the -EU-27- class") to "1" (maximum or "best in class"). The EU-average is located between those extremes and plotted as a grey band in the chart. The area average for principle 9 ("environment") is missing for all countries due to a lack of data.

<sup>3</sup> The policy measures presented in this SBS fact sheet may only be a selection of the entire range of measures undertaken by the Government in the year 2010 and the first three months of 2011. The selection was done by the SME policy country expert contracted by Ecorys (DG ENTR's lead contractor for the 2010-2011 fact sheets). The experts were asked only to select those measures that, in their view, were the most important, i.e. were expected to have the biggest impact in the specific SBA area. The complete range of measures that the experts compiled in the framework of producing this years' fact sheets will be published in the form of a policy database on the DG ENTR website alongside the fact sheets.

<sup>4</sup> The quadrant chart combines two sets of information: firstly it shows on the status quo performance based on data for the latest available years. This information is plotted along the X-axis measured in standard deviations of the simple, non-weighted arithmetical average for EU-27. The vertical corridor marked by the dotted lines defines the EU-average. Secondly, it reveals the progress over time, i.e. the average annual growth rates for the period 2005-2011. The growth rates are those of the individual which the different SBA area averages are made up of. Hence, the location of a particular SBA area average in any of the 4 quadrants, provides not only status quo information about where the country is located in this SBA area relative to the rest of the EU at a given point in time, but also to what extent there was an improvement in the period 2005-2011.