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FROM VULNERABILITY TO ENTREPRENEURSHIP

Unlocking Entrepreneurship for Vulnerable Groups in Croatia



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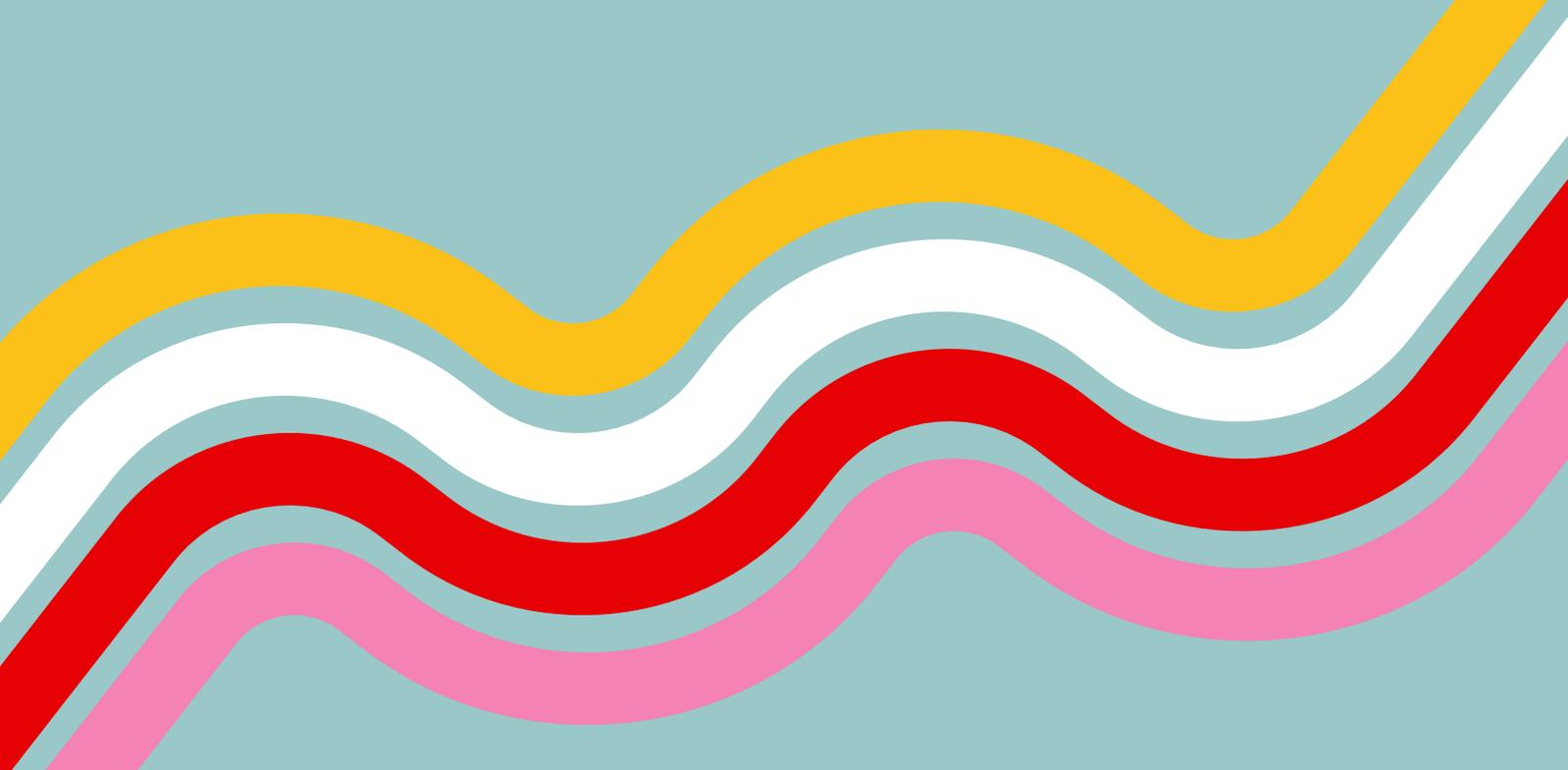


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ABBREVIATIONS

BOND	Business Organizations Network Development
CEPOR	SMEs and Entrepreneurship Policy Centre
CES	Croatian Employment Service
EBRD	European Bank for Reconstruction and Development
EU	European Union
FINA	Financial Agency
GEM	Global Entrepreneurship Monitor
HAMAG-BICRO	Hrvatska agencija za malo gospodarstvo, inovacije i investicije (Croatian Agency for SMEs, Innovation and Investments)
HBOR	Hrvatska banka za obnovu i razvitak (Croatian Bank for Reconstruction and Development)
IFIs	International Financial Institutions
MoE	Ministry of Economy
MSMEs	Micro, Small and Medium Enterprises
OECD	Organization for Economic Co-operation and Development
OIB	Personal Identification Number
SMEs	Small and Medium Enterprises

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A. INTRODUCTION

Certain groups in Croatia still face barriers and challenges in initiating, owning, and scaling a business. Women and people in older cohorts (ages 50–64) represent one of the largest groups of “missing” entrepreneurs – a term used by the Organization for Economic Co-operation and Development (OECD) to describe underrepresented populations in entrepreneurship due to systemic obstacles such as limited access to finance, networks, skills, and regulatory challenges (OECD & European Commission 2023). Almost 80 percent of these missing entrepreneurs are women. The OECD also notes that out of a total of 148,214 registered companies operating in the country in 2023, only 21.4 percent were exclusively owned by women, with another 9.1 percent being co-owned by women. At the same time, Croatia has the third-lowest share of people in older cohorts in the European Union (EU) who are involved in creating businesses (OECD/European Commission, 2023). Ethnic Roma are chronically underrepresented with low participation in entrepreneurial activities – only 2.1 percent of the total Roma population report being self-employed (Kunac et al., 2018). In the case of immigrants, the self-employment rate is among the highest in the EU at 19% (OECD & European Commission, 2023). However, this high rate may reflect economic hardship, as many turn to self-employment due to limited opportunities in the formal job market.

Underrepresented groups hold vast untapped entrepreneurial potential that could generate broad societal benefits, including job creation—but targeted support is essential to unlock it. Unlocking entrepreneurial talent among underrepresented populations fosters inclusive and sustainable growth, strengthens labor market participation, and enhances social and financial inclusion. Women, immigrants, youth, seniors, the unemployed, and people with disabilities make up the majority of these “missing” entrepreneurs in both Croatia and globally. The extent of these gaps is considerable. In the EU, these groups with untapped entrepreneurial potential make up 44 percent of the total number of current entrepreneurs (compared to the average figure across the OECD member states of 34 percent). This suggests that more individuals from these groups could become entrepreneurs if the barriers and policies for them to access entrepreneurship activities were removed.

Enhancing financial inclusion is essential to unlock diverse entrepreneurial potential, foster innovation, and strengthen economic resilience. The OECD emphasizes that financial inclusion fosters innovation by integrating diverse perspectives into the entrepreneurial landscape, leading to the development of new products and services. Moreover, inclusive financial systems contribute to financial stability and reduce income inequality, further supporting sustainable economic growth. OECD (2023) estimates that bridging the gaps for missing entrepreneurs could have transformative effects, potentially creating an additional 130,000 entrepreneurs and significantly boosting economic growth and job creation.

Nevertheless, Croatia does not have a comprehensive approach to financial inclusion and programs catering to vulnerable groups. The availability and quality of funding sources and support for initiating and developing entrepreneurial activities are uneven. Initiatives tailored to senior entrepreneurs and immigrant entrepreneurs are lacking compared to support catering to women and youth entrepreneurs. Further, the existing advisory support is largely focused on the early stages of entrepreneur development, with less attention given to the growth and exit phases. Non-refundable grants for self-employment should be adequately accompanied by non-financial support. In the absence of such support, those venturing into entrepreneurship activities out of necessity are more likely to be exposed to further financial difficulties without being equipped with sufficient coping mechanisms in the event of business failures.

Commercial banks hesitate to offer targeted micro-loans for vulnerable groups due to higher administrative costs and lower profits. Although commercial banks sometimes offer favorable terms (i.e., lower interest rates), the limited choices of right-sized financial products (i.e., targeted micro loans) could deter the uptake of such products. Banks often experience insufficient capacity to process small loan requests, often due to the absence of the applicants' credit history and relevant documentation requirements. Incentives for banks to approve financing for vulnerable groups are limited due to risk-aversion behavior in the banking sector, preference for their existing clients, and using general-purpose loans to cater for a smaller segment (i.e., consumer loans). While some banks also offer non-financial support for business development and incubation, such support and outreach programs may not be specifically designed for and may not effectively reach underserved groups. Further, evaluation of the effectiveness of such programs is often deficient, resulting in interventions not being adapted to the needs of these groups.

The report aims to gain deeper understanding of the specific challenges that vulnerable groups face in accessing entrepreneurial activities, as well as to assess the availability of financial products and services tailored to their needs. The World Bank commissioned a qualitative study on this topic between June 1 and September 30, 2023. The study reviewed literature on barriers to entrepreneurship, EU policy measures, and best practices, while mapping financial products and services available from Croatian public and financial institutions. It also employed a qualitative approach, including 14 expert interviews and Focus Group Discussions (FGDs). Interviews involved representatives from financial institutions, ministries, non-governmental organizations, representatives from the office of the Ombudsman of Croatia, the Croatian Employment Service, and other experts working with vulnerable populations. Focus groups were conducted with Roma, women, immigrants, and entrepreneurs from deprived areas. Additionally, a focus group discussion with local and regional government representatives examined the supply side of financial services. Women and ethnic Roma were purposively selected on account of their persistent underrepresentation in access to financing, while immigrants were included due to the general lack of knowledge about this group.

The findings aim to guide policymakers, government agencies, and financial institutions, providing a foundation for targeted interventions. By identifying key barriers to financial access and entrepreneurship, the report explores potential solutions, drawing insights from select government programs and financial services in Croatia and the EU. Insights generated through the report serve as a starting point for evaluating existing and future programs to enhance financial inclusion and access to entrepreneurship. Further studies could explore the experiences of other vulnerable groups not covered in this study, notably people with disabilities, youth, and the elderly. With the implementation of the EU sustainability requirements such as the Corporate Reporting on Sustainability Directive (CRSD),¹ the EU Taxonomy,² and increasing attention paid to social impacts, there is a pressing need to identify and address the key challenges that hinder vulnerable groups from realizing their full entrepreneurial potential.

B. BARRIERS IN ACCESS TO ENTREPRENEURSHIP



Vulnerable groups experience barriers differently. Any interventions should be informed by the drivers of exclusion and by the related aggravating circumstances. Croatian women were hit the hardest by the COVID-19 outbreak and were generally underserved by the financial sector (World Bank, 2021). Many women entrepreneurs operate subsistence-level businesses and micro-craft enterprises and often struggle to secure financing from the financial sector. Some of the underlying reasons include a lack of credit history, insufficient collateral, a lack of adequate and transparent financial accounts, and possibly conscious or unconscious biases. Other barriers include low levels of financial literacy and entrepreneurial skills, compounded by complex regulatory environments. Entrepreneurs from lagging regions experience double burdens due to higher logistics and operating costs, limited ability to attract workers with appropriate skills, and the lower value of collaterals.

Other barriers may arise from their unique identities. Immigrants often encounter barriers that do not affect non-immigrants. Some of the main challenges include language barriers that can inhibit the development of networks, and difficulties in obtaining credential recognition that can prevent the acquisition of some licenses and financing options (Brzozowski et al, 2021). The demographic composition of immigrants in Croatia is becoming more diverse, suggesting different challenges affecting these groups. Newly arrived third-country nationals from distant regions often lack financial and social capital and have limited understanding of the local business ecosystem. Ethnic Roma often experience discrimination and stigmas due to their identity.³

¹ Directive of the European Parliament and of the Council amending Directive 2013/34/EU; Directive 2004/109/EC; Directive 2006/43/EC; and Regulation (EU) No 537/2014 as regards corporate sustainability reporting. Available at <http://data.europa.eu/eli/dir/2022/2464/oj>.

² Regulation (EU) 2020/852 of the European Parliament and of the Council of 18 June 2020 on the establishment of a framework to facilitate sustainable investment and amending Regulation (EU) 2019/2088. Available at <https://eur-lex.europa.eu/eli/reg/2020/852/oj>.

³ According to the Roma Survey (FRA 2021), while Roma's experience of discrimination and harassment has generally improved since 2016, 27 percent of respondents surveyed still faced discrimination in various areas of life, particularly in seeking employment, education, health, housing, and public and private services (compared to 37 percent in 2016). More Roma men than Roma women felt that they were discriminated against for being Roma.



I. WOMEN

The growth of the share of women in entrepreneurship has not significantly changed over time. From 2012 to 2023, the share of women entrepreneurs (i.e., as owner or founder) ranged between 18 percent and 22 percent. Financial Agency (FINA, 2024) estimates that women-owned businesses predominantly operate in the service sector (60.3 percent) with lower growth and job creation potential. The concentration of companies exclusively owned by women in the City of Zagreb stands at 34.9 percent of the total number of women-owned businesses in the country (FINA, 2024). Further, women choose to start businesses in sectors in line with traditional gender roles and very rarely start businesses in traditionally male sectors that are also significantly more financially profitable.

Women are less engaged than men in establishing and managing businesses with high growth potential. The share of women entrepreneurs among self-employed people in Europe is only 34.4 percent, while just 30 percent of start-up ventures are led by women (European Parliament, 2022). Croatia has one of the lowest entrepreneurship rates in the EU and it is much less likely for women to become entrepreneurs than men. In Croatia in 2023, out of a total of 148,214 companies, only 21.4 percent were exclusively owned by women (31,689 companies), with another 13,588 companies co-owned by females and men and/or legal persons, which brings the share of women's entrepreneurship in the total number of companies to 30.5 percent (FINA, 2024). According to the Croatian Chamber of Trades and Crafts, as of 2023, women owned 41,465 of the 112,180 registered craft businesses in Croatia, accounting for 37% of the total (Croatia Chamber of Trades and Crafts, 2024). Women entrepreneurs in Croatia are predominantly active in sectors such as retail, tourism, education, health, and social services. These industries often have lower entry barriers but may also offer limited growth opportunities compared to sectors like technology or manufacturing (World Bank, 2019a).



SOCIAL CAPITAL

"Yes, I think we haven't mentioned it in this context before, but networking among women, some kind of professional connections, is much harder for women to achieve than for men."

Female respondent in Zagreb

LACK OF TIME

"If you're a woman, it's harder. And if you have children, if you don't have someone to look after them, and if you don't have—thank God I do—a supportive husband who will take care of everything so you can go to the workshop and complete your project, then it's really difficult."

Female respondent in Delnice

"Yes, why did we choose 10 AM [red. to start work]? Because of the logistics of children that we, as women, carry with us—taking care of kids, parents, shopping—so that we can focus on work from 9 or 10 AM until 3 PM, when we have to pick up the kids, prepare lunch, and handle everything else."

Female respondent in Zagreb



SUPPORT SYSTEM

"I feel like we, women entrepreneurs, are interesting to everyone in theory, but when it comes to actual support—grants, loans, funding—it all stays on paper. Either it's limited to a certain timeframe, or the system crashes, or there aren't enough forms, or we didn't make it this year, so maybe there will be a plan for next year."

Female respondent in Zagreb



LACK OF CONFIDENCE

"I just want to answer the question of whether it would be easier if we were men, and I will tell you—yes, it would. And you know why? Because they have confidence, and that's something women often lack. We have been through this so many times."

Female respondent in Zagreb



Women tend to carry household burdens, consequently placing them in a disadvantaged position relative to men when it comes to entrepreneurship. Traditional gender and cultural norms of roles and household chores and parental responsibilities represent obstacles amongst women in entrepreneurial activities. Women in Croatia spend two to three times more time than men on unpaid household chores and care (Eurostat, 2022). Croatia's score in this domain has worsened over time, marking one of the steepest declines observed across all EU Member States (European Institute for Gender Equality, 2023). In 2023, nearly 80 percent of Croatian women aged between 18 and 74 did cooking and/or housework every day, a rate more than twice as high as Croatian men, and far above the EU average. The uptake of parental leave among Croatian men was only 3.6 percent in 2023 while there are also gaps in childcare coverage (nearly 20 percent of children aged four to six are not in early childhood education and care (ECEC) facilities), which are unequally distributed across the country, especially in an urban-rural context, and the hours are not sufficiently aligned with full-time work (World Bank, 2025a). Women entrepreneurs in this study cited a lack of time due to caring and other household (unpaid) obligations, making it difficult for them to engage in entrepreneurship. Women also emphasized the lack of social capital in terms of fewer decision-making opportunities, participation in groups and networks where information is shared, as well as a lack of self-confidence. Some women felt that they experienced prejudice about a lack of capability in running a business.

Women have less capital, less pay and less collateral. Women in the Croatian labor market earn significantly less than men, with a gender pay gap of 7.4% in 2023 (Eurostat, 2023b). When employed, women are more likely than men to engage in nonstandard forms of work or unpaid labor. This pay gap can be partly attributed to occupational segregation, as women are overrepresented in lower-paying sectors such as healthcare and education, where they comprise 78% and 80% of the workforce, respectively. Female poverty among the elderly is 35 percent greater than that of elderly males (World Bank, 2019a). Despite women achieving more education than their male peers, they have lower representation in the STEM (science, technology, engineering, and math) fields that offer higher remuneration. Part-time work is less common for Croatian women compared to their EU peers (4.4 percent versus 27.9 percent, respectively, in 2023), and women are concentrated in sectors like education, healthcare, and services, where remote work options are less feasible (World Bank, 2025a). Women account for only around a quarter of managers in Croatia at 24 percent, comparably lower than the EU average of 34 percent (Eurostat, 2021). For the women interviewed in this study, lower pay and the lack of capital accumulation and ownership of collateralizable assets altogether result in lower credit scores.

Women often find it harder to decide on loans due to perceived risks (in paying back) and hence are less involved in entrepreneurship. The women interviewed in the study expressed a lack of familiarity with and experience of raising loans and tend to be more risk averse due to the lack of skills and the scale and profitability of the businesses they run. Further, there are examples where women do not act independently when decision-making roles need to be shared with men in order to meet the conditions of lending or to obtain a lower interest rate. Fear of failure and skill gaps are more likely to prevent women from starting a business than men (OECD, 2023). According to the Global Entrepreneurship Monitor (2023), more Croatian women than men start businesses out of necessity (74.5 percent compared to 67.9 percent of men), rather than out of opportunity (36.8 percent compared to 55.6 percent of men).

Box 1. Challenges Hindering Women Entrepreneurship



Women entrepreneurs believe that support to them is generally not available or attainable, due to:

- Gender stereotypes, traditional gender roles and consequently the difficulty in balancing private and professional life.
- Lack of affordable and accessible care and care services that prevent women from entering or re-entering the labor market.
- Personal and social barriers such as: lack of self-confidence, poor business networking (social capital), lack of risk appetite.
- Limited access and/or knowledge related to digital technology, limited access to information and education.
- Lack of capital and resources for access to financial products and services partly due to employment in lower-paid sectors.
- Lack of availability of fit-for-purpose financial products and services.
- Interest in starting a business in areas consistent with traditional gender roles, which are often not profitable areas.
- Underdeveloped networks to support women's entrepreneurship.

Source: Focus groups, interviews and research done for the qualitative study commissioned by the World Bank in 2023



II. ETHNIC ROMA

Roma continue to be one of the most underserved populations in Croatia. While Croatia has achieved notable progress on Roma inclusion, poverty continues to be prevalent in the Roma community. The Roma population in Croatia is estimated to represent up to one percent of the national population,⁴ with the largest population living in Međimurje County bordering Hungary. In 2021, fewer Croatian Roma lived in households experiencing severe material deprivation than in 2016. However, poverty remains widespread within the Roma community, with 86% of Roma in Croatia at risk of poverty in 2021 (European Union Agency for Fundamental Rights [FRA], 2021). Roma households generally receive social assistance more frequently than the general population (Tahiri et al., 2021). Further, while employment among Roma has improved, their representation in paid work remains persistently low. The percentage of Roma who declared being engaged in paid work increased from 21 percent in 2016 to 41 percent in 2021. However, the gender employment gap in paid work is strikingly high, with only 21 percent of Roma women participating in paid work compared to 61 percent of Roma men. This gap is one of the largest among all EU countries surveyed in 2021 (FRA, 2021).

Roma experience difficulty in securing a quality employment contract. Insecure employment generally reduces creditworthiness. While the percentage of Roma who declared being engaged in paid work increased from 21 percent in 2016 to 41 percent in 2021, employed young Roma men and women between the ages of 18 and 29 mostly work in low-paying and precarious occupations such as cleaner and production line worker (39 percent of men and 20 percent of women). Activities in the informal sector also represent a significant source of income for Roma, such as seasonal work in agriculture, forestry, fishing, hunting, as well as trade activities (Klasnić et al., 2020). Roma representation in high-earning occupations is chronically low and almost negligible. Lack of access to high-earning occupations may be attributed to low educational attainments amongst Roma.

²⁷ Data discrepancies between the national census and various studies on the Roma population indicate that a significant proportion of Roma potentially do not self-identify, most likely due to discrimination and stigma.



TARGETING

"I have been a trader for about forty years, moving from city to city across Europe. I mostly work off the books. Whenever we managed to establish something, the inspectors were always watching us. We tried, we really did... We tried by the sea, but we never had peace, never felt free."

Respondent 1 in Romska



DISCRIMINATION

"The real issue is discrimination, especially in banks. The rules are not the same for everyone. There are cases where just having a certain surname marks you as Roma. From a position of power, it's absurd—they even asked why they should give a loan, even though bank employees earn more points for approving them."

Respondent 3 in Romska



FIXED-TERM CONTRACTS

"I never applied for a loan because I could never get a permanent job, and that's a requirement for a loan. Roma rarely get permanent positions, and that creates a big problem for them."

Respondent 2 in Romska

INFORMAL EDUCATION

"When we talk about banks and money, what is specific to Roma is that many have not completed formal schooling and are often pushed into trades, limited liability companies, or entrepreneurship. However, only a small number actually become entrepreneurs. Željko has been an entrepreneur from the beginning. As a Roma, you don't learn this naturally; you acquire it over time. He has now become a very successful entrepreneur, but once he enters the formal structures—bookkeeping, administrative processes—he gets lost. If a Roma person needs to set aside a significant amount of money just to have someone manage these aspects for them, it becomes a major obstacle."

Respondent 4 in Romska



A significant share of adult Roma (i.e., 28 percent aged 24–44 and 46 percent aged 45+) have never participated in formal education or completed primary education, with more women leaving education early (61 percent) compared to men (53 percent) (Kunac, 2018). Participants in the study cited that the obstacles for Roma people in accessing financial products include lack of monthly financial resources due to low income, earnings that are not and cannot be evidenced, as well as insecure employment contracts that are not considered favorable for long-term loan tenure. Further, the lack of a credit history often deters financial institutions from extending loans to Roma. The lack of access to formal financial service systems has also encouraged the use of alternative financial services, such as peer-to-peer lending, fintech services, and so on.

Communication about financial services and products is not adapted to the needs of Roma.

Roma have often encountered difficulties in accessing information and in navigating the system and requirements for loan applications. Due to low educational attainment, illiteracy is generally high amongst Roma, particularly women. Seventeen percent of Roma women are illiterate, which is two and a half times higher than the share of illiterate Roma men (Tahiri et al., 2021). Illiteracy rates are higher in Northern Croatia compared to other regions. Almost half of Roma women in Northern Croatia (49 percent) and Međimurje (44 percent) dropped out of primary school (Klasnić et al., 2020). Information materials are often not presented in a simpler format or in a language accessible to them.

Certain biases could inadvertently exclude Roma from formal access to financing and entrepreneurship services. The types of enterprises and businesses that Roma run are often not in line with the traditional business models that commercial banks would typically finance. Roma cited that their businesses are often subject to inspections and sanctions (i.e., due to a lack of permits) and are therefore not eligible for financing. Alternative forms of financing such as usury and peer-to-peer loans are generally prevalent amongst Roma due to a lack of access to the formal system. Further, discriminatory practices on the basis of their identity as members of the Roma (i.e., surnames) result in differentiated treatments when it comes to opening a bank account and applying for a loan. Anecdotal evidence indicates that there are practices of changing "Roma" surnames to "Croatian" surnames when applying for a loan to minimize the likelihood of the loan application being rejected. While the experience of Roma of discrimination and harassment has generally improved since 2016 according to a Roma Survey commissioned by the EU Agency for Fundamental Rights (FRA), 27 percent of respondents surveyed still faced discrimination in various areas of life, particularly in seeking employment, education, health, housing, and public and private services (compared to 37 percent in 2016). More Roma men than Roma women felt that they were discriminated against for being Roma (FRA, 2021).

Box 2. Challenges Hindering Roma People Entrepreneurship



Roma men and women believe that barriers to financial services are attributed to:

- Low educational attainments, high-unemployment rates, low-paying employment, and occupations in the informal sector resulting in a lack of creditworthiness.
- Spatial segregation, with rural areas being underserved by financial services as well as other opportunities to create viable businesses and receive relevant support.
- Discriminatory practices on the basis of belonging to an ethnic group (i.e., surnames and other identity trackers), resulting in a higher likelihood of loan applications being rejected.
- Further exclusion of Roma women due to higher illiteracy rates, gender status, and norms resulting in double discrimination.
- The design and communication of financial products and services which are not adapted to the needs, knowledge, and skills of members of the Roma national minority.

Source: Focus groups, interviews and research done for the qualitative study commissioned by the World Bank in 2023



III. IMMIGRANTS

The demographic profile of immigrants in Croatia is becoming more diverse, suggesting different challenges affecting these groups. Immigrant entrepreneurs face a range of barriers to business creation, some of which are unique to them and do not apply to non-immigrants. Some of the main challenges include language barriers that can inhibit the development of networks, and difficulties obtaining credential recognition that can prevent the acquisition of some licenses. Newly arrived third-country nationals from distant countries are likely to lack financial and social capital and have low understanding of the business ecosystem in the country (Brzozowski et al, 2021).

The level of public support has not kept pace with the increasing flows of immigrants into the country. Public support for immigration has declined, with only 33 percent of citizens viewing it positively in 2023, down from 42 percent in 2021, placing Croatia below the EU average (World Bank, 2025b). With the adoption of the Foreigners Act⁵ in 2020, the process of obtaining work and self-employment permits has been simplified, particularly since 2021, and the number of foreign workers in Croatia, especially from third countries, is continuously rising. This has resulted in a sharp surge in labor immigration, with annual first-time work permits for foreign citizens rising from under 10,000 before 2016 to close to 80,000 in 2023. In per capita terms, Croatia went from being among the bottom five countries in the EU with the lowest issuance of first-time work permits for migrants by the time of EU accession to now ranking second (World Bank, 2025b). The refugee population has also grown significantly, reaching 27,000 in 2023, largely due to displacement from Ukraine following Russia's invasion in 2022. In the area of entrepreneurship, the existing policies and support are not calibrated to the needs of immigrants, particularly in terms of encouraging entrepreneurship. Croatia has a low score in the Migration Integration Policy Index⁶ where immigrants in Croatia enjoy basic rights and security, but not equal opportunities (Solano, & Huddleston, 2020). The difficult access to Croatian language courses and lack of policies to encourage entrepreneurship represent some of the main obstacles to integration.

⁵ Foreigners Act (OG 133/20, 114/22, 151/22, 40/25). Available at <https://www.zakon.hr/z/142/zakon-o-strancima>.

⁶ The Index covers the following indicators: i) labor market mobility; ii) family reunification; iii) education; iv) political participation; v) permanent residence; vi) access to nationality; vii) anti-discrimination; and viii) health.



LANGUAGE/CULTURE

"Ukraine is not in the EU, and we are considered a third country. Here, we are treated as if we are nobody and nothing.

In Ukraine, we have bachelor's and master's degrees, but they are not recognized here. Unfortunately, due to the language barrier, women often end up working as housekeepers or waitresses. The language is a major problem—we understand it, but speaking is difficult."

Ukrainian Refugee, Osijek



SOCIAL CAPITAL

"For migrants, we really pushed them to network and participate in various events to facilitate integration in any way possible.

You need business deals and connections to establish yourself in the market."

Expert B

BANK ACCOUNT ISSUES

"Some were allowed to open one type of account but couldn't open another. For example, they could open a personal or giro account but were unable to open a business account."

Expert A



DISCRIMINATION

"We noticed that some banks included nationality as a criterion in their internal regulations, associating it with high-risk clients. However, discrimination on the ground of nationality is prohibited under the Anti-discrimination Act. We proposed removing nationality from these internal policies, as high-risk status can be determined by other means."

Ombudsman respondent

Immigrants consist of diverse sub-groups with different needs and challenges. While historically dominated by workers from neighboring Western Balkan countries, Croatia is now receiving migrants from more diverse places, with the fastest growing group being South and East Asians, particularly from Nepal, India, the Philippines, and Bangladesh (World Bank, 2025b). Barriers experienced by these groups vary in terms of complexity and scale. Immigrants from third countries might find it more difficult to navigate financial services and meet the eligibility criteria for loan applications. Language barriers hinder the acquisition of information, and the licenses and other credentials required to kickstart a business. Financial and non-financial services, including the required licensing and professional accreditations, are mostly offered in Croatian and to a limited degree in English which may not be accessible to immigrants. Finally, newly arrived immigrants are not equipped with the necessary social capital such as networks, peer support, knowledge of the local market, etc., for them to start and sustain a business.

Box 3. Member States' interventions for immigrants



Most policy interventions are aimed at educating incoming entrepreneurs about starting a business. However, this training is most often performed in the local language or is promoted without cooperation with immigrant associations and communities, which leads to poor attendance at such events. Some countries have developed strategies to attract entrepreneurs who have great potential and offer a fast-track start-up visa (e.g. Finland, Italy) or a digital nomad visa (Croatia, Iceland), but such a practice has yet to be applied in other EU countries.

Small Business Academy for Migrants (Netherlands) is conducted by Qredits Microfinanciering Nederland, in cooperation with the Dutch Refugee Council, the Chamber of Commerce, and the Regional Office for the Self-Employed (RBZ) of Rotterdam. The program is financed from the Council of Europe Development Bank (CEB) and is free of charge for migrants. The aim of the program is to provide immigrants with information about launching an entrepreneurial venture in the Netherlands. In addition to the training, the participants of the Academy receive the support of a personal mentor.

Source: Focus groups, interviews and research done for the qualitative study commissioned by the World Bank in 2023

Legal requirements represent a major obstacle for immigrants from third countries. A limited liability company is the most common form of company in Croatia. Such a company can be founded by one or more natural or legal persons who contribute to the share capital, which amounts to at least EUR 2,500. The requirement applies to Croatian citizens and citizens of the EU, while for citizens of third countries, special rules apply. According to the Foreigners Act, the company's share capital or the assets of the limited or general partnership must exceed EUR 26,544. Additionally, the company, branch, or representative office of a foreign company must employ at least three Croatian nationals on a full-time, permanent basis in roles other than procurator, management board member, or supervisory board member. Each of these employees must receive a gross monthly salary at least equal to the average gross salary in the Republic of Croatia for the previous year, as officially published by the relevant government statistical authority. Furthermore, the foreign national's own gross monthly salary when self-employed must be at least 1.5 times the national average gross salary from the previous year, according to official statistics. Further, other issues such as the slow issuance of a personal identification number (OIB), the lack of transparency in the issuance of a work permit and license, the duplication of procedures with different public administration bodies, the length of asylum procedures, unpredictable tax regulations, as well as high tax burdens and fees were also identified by the respondents in the study as emerging obstacles.

Box 4. Challenges Hindering Immigrants Entrepreneurship



Immigrants, particularly those who have newly arrived, face barriers in accessing financial services due to:

-  Lack of accessible information and understanding of navigating financial and non-financial services due to language barriers and limited social capital (such as networks and peer support).
-  Discriminatory practices due to certain stigmas attached to immigrants.
-  Unfavorable legal requirements for starting a business with higher capital costs (compared to Croatian and EU residents).
-  Other barriers also associated with the acquisition of required permits and licenses, as well as professional accreditation and credentials.

Source: Focus groups, interviews and research done for the qualitative study commissioned by the World Bank in 2023



IV. OTHER VULNERABLE GROUPS

Entrepreneurs from lagging regions are not competitive compared to their peers in urban areas due to the transaction costs associated with accessing services and due to the lack of favorable business environments. Eastern Croatia lags behind the rest of the country in terms of productivity and innovation which consequently hamper the convergence of this region with the rest of the country.⁷ Large differences have been observed between rural and urban areas, mostly in Hrvatsko Zagorje, Gorski Kotar, and Lika, and on smaller and less developed islands in terms of access to financial and non-financial services (World Bank, 2020). Such a spatial difference, mostly between the urban and the rural, is influenced by the centralization of Croatia in terms of opportunities and the representation of business opportunities in the largest cities, particularly Zagreb and Split.⁸ Geographical barriers limit the acquisition of social capital, business networking, access to affordable technology, and other cooperation conducive to businesses. Choices of financing with favorable terms and conditions are more limited and, at the same time, logistical costs to run a business tend to be higher due to the distance and poorer infrastructure. Further, since real estate values are generally lower in rural areas, these entrepreneurs face difficulty in securing loans due to the lack of collateral.

Limited access to finance and inadequate support for entrepreneurship are also challenges faced by youth in Croatia. Their entrepreneurial activity is hindered by several factors, including limited access to funding, underdeveloped entrepreneurial skills, weak professional networks, and institutional barriers. Due to their disadvantaged position in the labor market, many young people are unable to secure loans to start their own businesses. Although the Croatian Employment Service (CES) provides subsidies to support business initiation, young Croatians have not been among the primary beneficiaries of these programs (World Bank, 2025c).

⁷ According to the World Bank (2019), Slavonia is now one of the regions lagging behind in Europe, and employment rates are very low (8.3 percent below those in the rest of Croatia), mainly due to even lower labor market participation. In addition, labor force participation is significantly lower among women, the younger and older age groups, and the lower educated.

⁸ National Bureau of Statistics, 2022, the CEPOR report (2022), confirms this with data on the number of crafts and companies that were most active in the City of Zagreb (19.5 percent) and in Split Dalmatia County (12.7 percent).



ENTREPRENEURSHIP SUPPORT CENTERS

"(Zagreb) has a larger market, incubators, accelerators, mentors, and even some investment funds—whatever my opinion of venture capital might be. There are people who have gone through the process, gained knowledge, and can support you, so you can find allies, so to speak. Zagreb is by far the leader in this regard."

Expert B

"I went and filled out the paperwork for small business support, and that was it. When I started writing the application, the women at the Entrepreneurship Center guided me through the entire process. Otherwise, I had rewritten my business plan 12 times before, but with their help, I finally got through. Without them, it wouldn't have been possible."

Respondent from Osijek

ACCESS TO FINANCIAL SERVICES

"We don't have ATMs evenly distributed across Croatia, and not all banks have ATMs everywhere. Elderly individuals or those with mobility issues often have to visit a bank branch in person just to withdraw their pension."

Expert A



MARKET AND COSTS

"...They are not aware of how much it costs to run a business here in Gorski Kotar—it's not sustainable. The cost of living, heating, firewood, general expenses, snow, and harsh weather conditions all add up." (Respondent from Delnice)

"We are disadvantaged in terms of market size and the number of people. It's much easier to operate in a larger urban area. Living here may be nicer—we all know each other and are more connected, and some challenges are solved more quickly—but expanding or securing a major business deal is much harder."

Respondent from Delnice

C. FINANCIAL AND NON-FINANCIAL SERVICES FOR VULNERABLE GROUPS



Croatia has various schemes to support new entrepreneurs who, due to the lack of creditworthiness, cannot access financing from commercial banks. These entrepreneurs can access non-refundable financial support (i.e., grants) offered by the Croatian Employment Service (CES), units of sub-national government, and the Ministry of Economy (MoE). To date, CES is cited as the most used source of financing for newly established businesses, including those owned by women. While the CES has provided targeted support for novice entrepreneurs, as well as entrepreneurs in earthquake-affected areas such as Sisak-Moslavina County, and lagging regions, the share of Roma, immigrant entrepreneurs, as well as other vulnerable groups (i.e., people with disabilities, senior entrepreneurs) who access this facility is largely negligible.

The existing financial services and products for potential entrepreneurs are not adequately equipped with non-financial support to promote sustainability and growth. Many potential entrepreneurs from vulnerable populations face challenges such as limited financial and digital literacy, difficulties in meeting administrative and regulatory requirements, and a lack of business planning skills. Non-financial support, including advisory services and training programs, is critical not only for overcoming these barriers but also for fostering confidence, building social capital, and expanding networks. In Croatia, business support institutions and other platforms¹⁰ usually focus on interventions during the initial phase of entrepreneurial activities with limited advisory support for the growth phase and exit from the entrepreneurial venture (Singer et al., 2023). Further, while the number of such business support institutions is increasing,¹¹ their distribution is uneven. As of September 2023, a total of 536 organizations were registered in the Single Register of Entrepreneurial Support Infrastructure at the MoE.¹² Most of these business support institutions are

⁹ Unemployed persons in Croatia deciding to start a business venture registered as a craft, a company, as self-employed, or as an institution can apply for grants for self-employment. This financing window is an active employment policy measure that has been implemented at national level since 2010. From 2010 to 2014, support for self-employment was mainly financed from the State Budget, and since 2015 it has been financed from the European Social Fund. From 2010 to 31 August 2023, a total of 52,493 people received grants worth EUR 392.3 million (EUR 114.6 million from the State Budget and EUR 277.7 million from the European Social Fund) (Source: CES).

¹⁰ Advisory support to entrepreneurs in Croatia is also offered by professional associations and chambers (the Croatian Chamber of Economy, the Croatian Chamber of Trades and Crafts, the Croatian Employers' Association) and IFIs (e.g., European Bank for Reconstruction and Development (EBRD), administrative departments for the economy of local and regional self-government units, as well as legal and economic clinics operating at the Faculty of Economics and the Faculty of Law. In the last few years, several free mentoring support programs have been available for entrepreneurs ([Senior Entrepreneurs Club SENTOR](#), HAMAG BICRO mentoring program as part of the EU project BOND – [Business Organizations Network Development](#)).

¹¹ An average of 20 new institutions are registered annually.

¹² Entrepreneurial support institutions in the Act on the Improvement of Entrepreneurial Infrastructure (NN 93/2013, 114/2013, 41/2014 and 57/2018) consist of entrepreneurial zones, development agencies, technology parks, business incubators, entrepreneurial centers, and competence centers.

owned by units of sub-national government and are focused on the design and implementation of EU-funded projects. This renders such support prone to cyclical project timeframes and hence may not allow sufficient capacity to monitor changes and adapt support to the needs of entrepreneurs. The limited adaptability to entrepreneurs' needs was particularly evident during the COVID-19 pandemic when most institutions reduced their support to merely providing guidance on filling out applications and implementing COVID measures (Singer et al. 2022). Further, although the number of business support institutions is growing, the perception of the quality of the commercial and professional infrastructure to support Small and Medium Enterprises (SMEs), as indicated in the Global Entrepreneurship Monitor (GEM) research, is generally poor (Singer et al., 2023). In 2022, Croatia ranked 16th out of the 18 EU countries included in the GEM survey.

Box 5. Examples of good practices in EU countries



The WALLONIE ENTREPRENDRE (WE) Agency for Small and Medium-sized Enterprises of the Province of Wallonia, Belgium,¹³ is a one-stop-shop for financial and non-financial support from the regional government of Wallonia for entrepreneurs. WE is committed to meeting the development needs of a company at all stages of its lifecycle. For a start-up of under one year of age, it offers loans up to EUR 25,000. The process is user-friendly for start-ups and fully digitalized. WE creates partnerships with other stakeholders and service providers for entrepreneurs in the entrepreneurial ecosystem to ensure complete support for entrepreneurs.

BPI France, known as the “Bank for Entrepreneurs” or the Development Bank of France, serves as a one-stop-shop for financial and non-financial services with a network of 50 regional subsidiaries. Together with partner institutions it disseminates information about products and services at more than 1,600 information points throughout the country. BPI France provides different support packages for companies at all stages of the life cycle (creation, development, external growth, innovation, etc.), also enabling easier ecological and energy transition and innovation. It provides smaller loans and longer tenure (i.e., EUR 1,000 – EUR 80,000, with a repayment period of up to seven years). BPI France conducts regular evaluations of existing funding programs and conducts different kinds of research.

Source: A desktop review conducted as part of a study commissioned by the World Bank in 2023

¹³ Further access: <https://www.wallonie-entreprenre.be/fr/>.

Although Croatia performs relatively well in basic digital skills, digital literacy remains lower among certain groups, particularly women with lower levels of formal education (World Bank, 2024). Among women entrepreneurs and the Roma community, access to digital finance remains limited. Key barriers include lower entrepreneurial experience, concentration in sectors less appealing to financiers, and potential gender biases in lending practices, all of which further restrict their ability to fully leverage fintech solutions for growth. Furthermore, digital finance adoption among firms and SMEs in Croatia is steadily increasing, with 56% of SMEs integrating digital tools – slightly below the EU average of 57.7% (European Commission, 2024). However, significant disparities remain between urban and rural areas (World Bank, 2023). The previous government program, "Improving Competitiveness and Efficiency of SMEs through ICT", aimed to strengthen the market position and operational efficiency of small and medium-sized enterprises (SMEs) in Croatia by promoting the integration of information and communication technologies (ICT) into their business processes. However, the funding provided was insufficient to fully meet market demands for digital technology adoption and lacked the reach needed to support underserved entrepreneurs.

Financial support provided by the government is tied to fiscal cycles and budget availability. The MoE has developed a special program targeting entrepreneurs in areas inhabited by members of national minorities. Such grants are awarded to support product and business development and/or improvement, including marketing, expert advice, as well as training for the owners and their employees. However, the consistency and availability of the budget is not guaranteed. For instance, 2022 saw a reduction of the overall budget by half compared to the figure in 2019.¹⁴ In addition, the program is not always available each year, rendering it difficult to sustain support throughout the business lifecycle of the beneficiaries. Further, grants provided by units of sub-national government are often restricted to specific sectors deemed to be of particular importance by local authorities, such as agriculture and honey production, which may not fully align with market demand.

Advisory support is largely deficient for senior entrepreneurs in the exit phase, and for entrepreneurs taking over established businesses. The Business Transfer Barometer survey (2015) identified 16,590 limited liability companies – representing 30 percent of all such companies – with a total of 179,000 employees, whose owners were 55 years of age or older (Alpeza et al., 2015). Among them, a third of entrepreneurs underestimate the complexity and length of the business transfer process. This calls into question the sustainability of businesses and jobs after these people retire. Entering into an entrepreneurial activity by taking over an established business and maintaining growth through acquisition represent an important but insufficiently recognized and untapped opportunity for the development of entrepreneurship in Croatia.

¹⁴ Interview with officials from the Ministry of Economy

Lending to vulnerable groups is often associated with higher transaction costs and lower profits and at the same time is perceived as risky. Vulnerable groups typically require small loans and since these groups often lack a credit history, financial institutions require additional resources to review and process the application for a loan. At the same time, profitability is reduced due to smaller interest revenues and higher transaction costs. The poor quality of loan applications, including business plans, not only causes delays in processing but also undermines the credibility of the loan proposals due to perceived risks. Data from the Croatian Bank for Reconstruction and Development (hereinafter: HBOR) indicate that loan rejections are often associated with unviable and/or opaque business ideas, unacceptable insurance instruments, the lack of a business track record and poor financial positions (in the case of companies on the verge of bankruptcy). An example of good practice includes a mentoring program offered by the Croatian Agency for SMEs, Innovations, and Investments (hereinafter: HAMAG-BICRO) through business incubation workshops and mentoring organized in collaboration with business support institutions. In addition, guarantees, which account for approximately 60 percent of the total HAMAG-BICRO portfolio for new entrepreneurs, could effectively reduce the risks associated with lending to MSMEs, and hence increase their bankability.

While the pricing of lending products is often favorable due to low interest rates, the limited choices of right-sized financial products (i.e., smaller amounts) could deter the uptake of such products. Entrepreneurs from vulnerable groups often require smaller amounts of financial resources with a longer-term tenure. Micro-loans (up to EUR 25,000) are considered the most appropriate for new entrepreneurs, given the limited scope of investments and resources to run such enterprises. Excessive financial resources without a viable business plan for the use of these funds can lead to the irrational allocation of funds and further expose these entrepreneurs to financial difficulties if their business fails.

Evaluation and continuous learning are generally lacking across support programs and financial products designed for vulnerable groups. While some aspects of existing programs are well intentioned, a lack of comprehensive understanding of the barriers, needs, and implementation challenges affecting vulnerable groups limits their effectiveness. Without the flexibility to adapt to these groups' complex and evolving needs, such programs risk inadvertently excluding them from fully benefiting. As a consequence, programs are not adapted to the changing environments and needs and may not yield the expected results.



D. GOING FORWARD

Barriers to financial access for entrepreneurship are complex and multifaceted, with vulnerable groups facing systemic obstacles that limit their access to conventional financial products. Exclusion often arises from entrenched biases and stereotypes, limited financial and digital literacy, insufficient collateral, and rigid regulatory frameworks that inadvertently exclude certain groups, such as immigrant entrepreneurs. Overcoming these barriers requires coordinated effort among policymakers, government agencies, and financial institutions—both public and private—to develop inclusive and adaptive financial solutions. Key insights from this study to inform future reforms include:

- 🎯 **Interventions aimed at vulnerable groups must be guided by a comprehensive understanding of the root causes of their exclusion.** Current data limitations pose a significant challenge to designing effective interventions. For example, there is a lack of disaggregated data on the business segments where vulnerable groups operate, and their key ownership characteristics including gender-specific data and firm maturity. Further research is needed to identify the needs and obstacles of population segments where information remains limited.
- 🎯 **Access to financial support must be complemented by fit-for-purpose business development support and services.** Raising awareness among vulnerable groups and equipping them with the knowledge and skills to navigate financial systems empowers them to make informed decisions, access opportunities, and actively engage in economic activities. Equally important is capacity-building and education for organizations and institutions responsible for designing and delivering financial services and products, ensuring they are inclusive and responsive to diverse needs. One key area is supporting digital technology adoption. Digitalizing processes can ease access to financial services for vulnerable groups by reducing administrative burdens and expanding opportunities for entrepreneurs in less developed regions. It also streamlines operations for financial institutions, enabling them to offer microfinancing instruments more efficiently.
- 🎯 **Effective data sharing, coordination, and collaboration among public and private financial institutions and authorities at both national and sub-national levels are essential for developing comprehensive financial products and services tailored to vulnerable groups.** This includes data sharing among institutions that support businesses at different stages, from incubation to scale-up and exit, ensuring seamless transition and continuity of support. A coherent strategy that promotes financial access and entrepreneurship, anchored in strong stakeholder collaboration within the entrepreneurial ecosystem, is key to ensuring inclusive and sustainable economic opportunities.

-  **To effectively serve vulnerable groups, existing financial and non-financial programs must be adapted and tailored to their specific needs. Information related to financial products and support services should be accessible and simplified, ensuring that entrepreneurs from diverse backgrounds can navigate them easily.** Additionally, loan amounts and collateral requirements should be proportional to the needs of vulnerable entrepreneurs, particularly those in less developed regions. Further, it is crucial to provide right-sized financial products that cater to the unique challenges faced by these groups, promoting inclusive and equitable access to financial resources.
-  **Lastly, continuous monitoring and evaluation of programs supporting vulnerable groups are essential to ensure their efficiency, relevance, and adaptability in an evolving context.** Demographic shifts, such as an aging population and a rising number of immigrants in Croatia, are not adequately reflected in the design of financial programs and services. Additionally, programs promoting female entrepreneurship continue to be implemented without significant adaptation, despite the slow growth of women entrepreneurs. Regular assessment of funding initiatives would create a framework for enhancing existing programs and designing new ones, ensuring they align with the evolving needs of entrepreneurs.

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