

Cheap loans for Croatia's women entrepreneurs

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Women Entrepreneurs' Loan Programme

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In brief

The Women Entrepreneurs' Loan Programme is an innovative loan programme initiated in response to low levels of women's employment and entrepreneurship in Croatia. It was set up by the Croatian Bank for Reconstruction and Development (HBOR) in cooperation with the Ministry of Entrepreneurship and Crafts (which provides funds for interest-rate subsidies) and the Croatian Agency for SMEs and Investments (HAMAG Invest) which provides guarantees to female entrepreneurs undertaking loans. Twenty-two commercial banks which operate in Croatia are taking part in the programme as well.

The programme targets trade and craft companies, sole proprietorships, co-operatives and institutes which are majority-owned and led by women. It makes favourable loans to women entrepreneurs to invest in initial funding, land, buildings, plant and machinery, breed stock and planting perennial crops, development of products or services, patents, licenses, copyrights, franchises, etc., and also to provide permanent working capital (up to 30% of the total loan). The loan conditions are much more favourable than the current situation on the market.

Altogether, 261 projects had been approved by the end of June 2014, and the amount lent totalled €15.912.329, – (on average €61,000 per project). Most applicants were in the service sector.

Narrowing the gender gap in business

The Women Entrepreneurs' Loan Programme is an innovative loan programme set up by the

Croatian Bank for Reconstruction and Development (HBOR) in cooperation with the Ministry of Entrepreneurship and Crafts (which provides funds for interest-rate subsidies), and the Croatian Agency for SMEs and Investments (HAMAG Invest) which provides guarantees to female entrepreneurs undertaking loans. The programme also involves 22 commercial banks which operate in Croatia.

The programme is open to trade and craft companies, sole proprietorships, co-operatives and institutes which are majority-owned and led by women. Its main aims are to encourage the establishment and development of small and medium-sized businesses owned by women, to increase the number of female entrepreneurs, to create conditions for the greater involvement of women in the economy and to create a favourable entrepreneurial climate.

The programme was initiated in 2011 as part of the National Policy for Gender Equality 2011-2015, which addresses the unfavourable position of women at the labour market and includes the promotion of women's entrepreneurship among its measures. The policy statement lists the HBOR as one of the key stakeholders in that respect. Other relevant policy documents are the Strategy for Development of Women's Entrepreneurship in Croatia 2010-2013 (which includes an Action Plan for Implementation of the Strategy, 2010-2013), and the Law on Gender Equality. The need to promote women's entrepreneurship and employment have become critical due to the prolonged economic crisis (which has lasted since 2009, with little sign of recovery so far) and particularly low employment rate. The total employment rate was 55.4% in 2012 in Croatia (68.4% in EU28), and the women's employment rate was only 50.2% (62.3% in EU28).

Within this context, and though several incentives in the area of women's entrepreneurship had been implemented by state agencies and NGOs, the HBOR established this programme which has become the biggest in terms of funding and number of users. The most important aspect of the programme is interest rate subsidies, which are funded from the state budget, through the Ministry of Entrepreneurship and Crafts.

The relevance of the programme derives not only from employment data, but also from those pointing to the rate of entrepreneurship in general and the gender gap in the area of entrepreneurship. According to the Global Entrepreneurship Monitor 2012 Global Report, the established business ownership rate was only 3% (as against 7% in the EU). Croatia has similar rates of necessity-driven and opportunity-driven entrepreneurship, while in the EU as a whole opportunity-driven rate is higher. Among adults, male 'total early-stage entrepreneurial activity' (TEA)[1] was 12%, and female 5% in 2012. In this context of the low employment rate and unfavourable economic position of women in Croatia the programme contributes to the employment and economic empowerment of women.

The programme's implementation has been based on the intention to encourage and promote

women's entrepreneurship and gender equality, but there are insufficient data to assess its long-term effects. However, the programme's effect is visible in the increased number of women who use guarantee schemes and risk capital funds for innovative projects.

Low-interest loans

The initiative makes available favourable loans for capital expenditure in women's businesses: it may cover initial funding, land, buildings, plant and machinery, breed stock and planting perennial crops, development of products or services, patents, licenses, copyrights, franchises, as well as permanent working capital (up to 30% of the loan amount).

The loan conditions are much more favourable than the current situation on the market: the loan amount can range from 80,000 to 700,000 HRK (€10,000 to €90,000), with an interest rate of 4% per year minus the subsidies which can be up to 2% per year. There is a grace period of up to two or up to five years, and a repayment period of 12 years, with a possibility to finance up to 100% of the investment.

Each application is analysed according to the procedure required by other loan programmes, which means that in addition to checking the required documents, the economic and financial viability, the reality of the input data, sensitivity, etc. are also analysed.

The number of applications approved in 2011 was 32, of which 10 were from novice entrepreneurs. In 2012 the number of applications approved grew to 86, of which 34 were submitted by novice entrepreneurs. By June 2014 it had approved 261 loans. The average loan was for €61,000 and the total amount lent was €15,912,329. The programme continues till the end of 2014.

The majority of the applicants are in the service sector, including personal services, health care, legal and accounting activities, manufacture of food products, vegetable and animal production, hunting and related services, and food, beverage and accommodation services, while there are significantly fewer applications from the manufacturing sector.

Working with stakeholders

The programme's success has been to cooperate successfully with stakeholders in complimentary initiatives and those identified in the National Policy for Gender Equality. Cooperation with EBRD BAS Croatia (European Bank for Reconstruction and Development Business Advisory Services)

and Croatia (European Bank for Reconstruction and Development Business Advisory Services), within the BAS *Women in Business* framework allowed valuable joint promotion, exchange of information and mutual references. HAMAG Invest provided guarantees which were vital for start-up entrepreneurs. Subsidies from the state budget and the support of the Ministry of Entrepreneurship and Crafts made it possible to have one of the lowest interest rate on the market.

However this dependence on state organisations also represents a threat to the programme's sustainability. In 2012 HAMAG Invest merged its Women Entrepreneurs Guarantee Programme into its newly adopted guarantee scheme. Also the ministry stopped providing its interest rate subsidies in the middle of 2013. However the HBOR continued to provide one of the most favourable interest rates on the market (2%) on its own and is planning to do so until the end of 2014. Thereafter, the future of the programme is uncertain. At the same time, the ministry itself launched a comprehensive SME programme in 2013. It has no separate line for women, but applications from women are scored preferentially. Being a woman (if a woman has owned more than 51% of the company for at least one year) scores a bonus of 15 points out of 100, and being a woman, Roma, a person with disabilities, etc. brings a bonus of up to 30 points.

Another possible obstacle to the programme's continuation is that the lack of monitoring and evaluation, and of statistical data in general, makes it difficult to provide evidence of the programme's results.

Two lessons stand out. First, guarantees are vital for start-up business. Secondly, it is important to involve key stakeholders and decision-makers throughout the programme implementation, on the basis of a very clear political commitment to directly address women's entrepreneurship.

[1] GEM defines TEA as the percentage of the 18-64 population who are either a nascent entrepreneur or the owner-manager of a new business

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