



INTERREG SIV

O.T4.1

Strategy for Capacities in Scale and Scope Version 1.0

Croatia

May 2022

Content

1. OBJECTIVES OF THE STRATEGY ACCORDING TO THE APPLICATION FORM	3
2. STRATEGIC FRAMEWORKS.....	3
2.1. Employment situation in the partner country	3
2.1.1. Main economic and labour market trends.....	3
2.1.2. Unemployment situation and data	5
2.1.3. Status and data about long-term unemployed persons.....	3
2.2. Status quo of social impact investments in the partner country/region	5
2.2.1. Private donations in Croatia	5
2.2.2. Overview of social impact investment in Croatia	5
2.2.3. Examples for social impact investors in Croatia	5
2.2.4. Social impact investment focusing on (long-term) unemployment in Croatia	6
2.3. Description of the social impact fund developed to finance social impact vouchers in the partner country/region	7
2.4. Challenges for scaling the social impact fund in Croatia	9
2.4.1. Economic challenges of scaling.....	9
2.4.2. Labour market challenges of scaling.....	9
2.4.3. Challenges based on the status of impact investments	10
2.4.4. Legal challenges	10
3. COUNTRY-SPECIFIC OBJECTIVES	10
4. ACTIONS.....	10
4.1. Action 1 - Scaling the scope of investors.....	10
4.2. Action 2 - Scaling the amount of money invested in the fund	11

1. Objectives of the Strategy according to the Application Form

This output will be a strategy for further uptake of the social impact fund by other stakeholders and an increased size of the existing fund, reducing long-term unemployment.

Accordingly, the strategy aims at describing the plans for scaling the social impact fund developed with the contribution of the partner organizations within the frameworks of the Social Impact Vouchers project regarding the number of contributors to the financial fund and the amount of the financial contribution paid into the fund.

2. Strategic frameworks

2.1. Employment situation in the partner country

[Revision and update of the D.T1.2.5. Report and Infographics for Target Group Segmentation. Please describe how the situation of employment as well as unemployment has changed in your country/region since the beginning of the project!]

2.1.1. Main economic and labour market trends

In the policy report D.T4.5.2 (January 2022) it was indicated that covid pandemic largely reshaped the general economic outlooks as well as employment situation in the whole world as well as in Croatia.

The impact of the pandemic on economic activities and various indicators is the subject of research and analysis by a large number of authors. There are numerous papers investigating the impact of the COVID-19 pandemic in Croatia on various economic aspects such as, for example, an analysis of the impact on the main macroeconomic indicators and gross domestic product and its components (Rogić Dumančić et al., 2020), mechanisms of impact on the Croatian economy and the macroeconomic framework of mitigation and exit from the crisis (Čavrak, 2020), analysis of the impact on retail consumption (Končar et al., 2020), analysis of the effects on the export competitiveness of enterprises (Stojčić, 2020), analysis of the impact on the tourism sector and the resilience of tourism to pandemic events (Payne et al., 2020) etc. The impact of the various restrictive measures taken to fight the pandemic is clearly reflected in the value of gross domestic product (GDP) achieved in different countries, with the degree of lockdown of society directly affecting the structure and value of GDP. GDP is the basic macroeconomic indicator representing the value of the total production of newly created goods in one economy (Nestić, 2004, p. 59). The data in Table 1 show the impact of pandemic reductions

GDP in the EU and other countries analysed. In Table 1. the GDP rates per quarter were shown, measured in relation to the previous quarter [Q/(Q-1)] and compared to the same quarter of the previous year [Q/(Q-4)]. At EU27 level, the largest drop in GDP of -13.8% was achieved in the second quarter of 2020. 2015, i.e. at Euro-Zone 19 level, a decrease of -14.6% compared to the same quarter in 2019. [Q/(Q-4)]. Among EU member states, Spain saw the biggest drop in Q2 GDP of -21.6%, while Ireland had the smallest drop -2.7%. None of the observed countries in Q2 achieved GDP growth. If the ongoing changes in GDP compared to the previous quarter [Q/(Q-1)] are considered, then the recovery in GDP is observed in the third quarter, followed by a rebound decline in the fourth quarter. On an annual basis, all EU27 countries except Ireland achieved negative GDP growth rates, with the largest fall in GDP in Spain (-10.8%), Italy (-8.9%) and Croatia (-8.4%). According to interim data from the Central Bureau of Statistics (CBS), the quarterly GDP rates for 2020 compared to the same quarter of the previous year were 0.2% for Q1, -15.4% for Q2, -10.0% for Q3 and -7.0% for Q4.

Country	Q1		Q2		Q3		Q4		2020.
	Q/(Q-1)	Q/(Q-4)	Q/(Q-1)	Q/(Q-4)	Q/(Q-1)	Q/(Q-4)	Q/(Q-1)	Q/(Q-4)	

EU 27 (since 2020.)	-3,3	-2,7	-11,2	-13,8	11,6	-4,1	-0,5	-4,6	-6,2
Euro-zone 19 (since 2015.)	-3,8	-3,3	-11,6	-14,6	12,5	-4,2	-0,7	-4,9	-6,6
Belgium	-3,4	-2,0	-11,8	-13,9	11,6	-4,3	-0,1	-5,1	-6,4
Bulgaria	0,4	2,3	-10,1	-8,6	4,3	-5,2	2,2	-3,8	-4,2
Czechia	-3,1	-1,8	-8,7	-10,8	6,9	-5,1	0,6	-4,8	-5,6
Denmark	-1,3	0,2	-6,7	-7,5	6,3	-2,2	0,7	-1,5	-2,7
Germany	-2,0	-2,2	-9,7	-11,3	8,5	-4,0	0,3	-3,6	-4,9
Estonia	-1,1	0,2	-5,2	-5,5	2,5	-3,5	2,1	-1,9	-2,9
Ireland	-3,9	4,1	-2,1	-2,7	11,8	8,9	-5,1	-0,2	3,4
Greece	0,4	0,1	-13,4	-13,8	3,1	-10,5	2,7	-7,9	-8,2
Spain	-5,4	-4,3	-17,8	-21,6	17,1	-8,6	0,0	-8,9	-10,8
France	-5,9	-5,6	-13,5	-18,6	18,5	-3,7	-1,4	-4,9	-8,1
<i>Croatia</i>	<i>-1,1</i>	<i>0,3</i>	<i>-15,4</i>	<i>-15,7</i>	<i>8,2</i>	<i>-9,8</i>	<i>2,7</i>	<i>-7,1</i>	<i>-8,4</i>
Italy	-5,5	-5,8	-13,0	-18,2	15,9	-5,2	-1,9	-6,6	-8,9
Cyprus	-0,5	1,4	-13,1	-12,6	8,9	-4,7	1,4	-4,5	-5,1
Latvia	-2,3	-1,2	-7,0	-8,6	6,9	-2,8	1,1	-1,8	-3,6
Lithuania	-0,3	2,5	-6,2	-4,7	6,1	0,1	-0,2	-1,0	-0,8
Luxembourg	-1,6	1,3	-7,3	-7,9	9,3	0,0	1,6	1,4	-1,3
Hungary	-0,5	1,8	-14,3	-13,4	11,0	-4,8	1,3	-4,1	-5,0
Malta	-2,4	2,1	-14,2	-14,6	8,0	-8,6	3,8	-6,2	-7,0
The Netherlands	-1,6	-0,4	-8,4	-9,1	7,7	-2,4	-0,1	-3,0	-3,7
Austria	-3,0	-3,6	-10,7	-13,6	11,8	-3,8	-2,7	-5,9	-6,6
Poland	-0,3	1,9	-9,0	-8,0	7,9	-1,8	-0,7	-2,7	-2,7
Portugal	-4,0	-2,2	-14,0	-16,4	13,4	-5,6	0,2	-6,1	-7,6
Romania	0,6	2,7	-11,8	-10,0	5,6	-5,4	4,8	-1,8	-3,9
Slovenia	-4,8	-3,3	-10,1	-13,0	12,2	-3,0	-1,0	-5,0	-5,5
Slovakia	-5,1	-3,8	-8,3	-12,1	11,6	-2,3	0,2	-2,6	-5,2
Finland	-0,6	-0,6	-4,7	-6,1	3,3	-2,7	0,4	-1,7	-2,8
Sweden	-0,3	0,1	-7,6	-7,7	6,4	-2,2	-0,2	-2,1	-2,8
Norway	-1,4	0,4	-4,6	-4,4	4,5	-0,1	0,6	-1,1	-0,8
Switzerland	-1,9	-0,6	-7,2	-8,1	7,6	-1,6	0,3	-1,7	-2,9
United Kingdom	-3,0	-2,4	-18,8	-20,8	16,0	-8,6	---	---	---
Serbia	-0,6	5,0	-9,2	-6,2	7,2	-1,5	2,2	-1,1	-1,0
Turkey	0,1	4,6	-11,0	-8,7	15,9	5,4	1,7	5,0	1,8

TABLE 1

During the pandemic, an unexpected and rapid economic contraction has led to a 8.4% reduction of GDP in the year 2020 and 2021 compared with pre-pandemic period. Although recovery was expected in 2022 and 2023, economic growth on a scale expected before pandemic was not expected earlier than mid-2024 in the best or early 2025 in the worst case scenario. However, raising uncertainties arising from the pandemic consequences, especially disruptions in supply chains and newly emerged crisis in Ukraine, had unexpectedly led to an economic outlook in which EU (and much of the world) will be faced with unprecedented levels of inflation combined with energy and food shortages for decades. This “perfect storm” of economic events brings economic outlook to the range of completely unpredictable scenarios, because not a single one of the economic models in use by major financial institutions and policy makers can predict the consequences of such major disruptions in global economic activity.

The best we can say at the moment that for year 2022 and most likely 2023, the inflation in Croatia will similarly to other EU countries stay in the double digit range of at least 10% at the year-to-year basis. Rising energy prices will put additional pressure to all energy-intensive economic activity. In addition many people, both employed and unemployed will face with two simultaneous effects of falling

purchasing power and increasing living costs that would most likely lead to increase in the poverty levels.

2.1.2. Unemployment situation and data

Guidelines for the development and implementation of active employment policy in the Republic of Croatia for the period 2018-2020 have established the basis for the development of active employment policy measures, evaluation of their application and their promotion. They also set priorities and objectives in the area of the overall employment policy in the Republic of Croatia for the three-year period: increasing the employment rate, adjusting supply and demand in the labour market and stepping up activities to inform labour market participants. The long-term goal set by the Guidelines is a competent and adaptable workforce that will be able to meet the requirements of the labour market and the interconnected institutions of the market that can provide high quality service.

Number of unemployed (Croatian Employment service, HZZ, 2020):

Year	Average number of unemployed
2018	153.542
2019	128.650
2020	150.024

The number of unemployed has decreased slightly due to the coronavirus pandemic and the closure of most of the economy in order to prevent the epidemic from spreading further. However, despite the emergency situation, the average number of unemployed people decreased by 2,718 people between 2018 and 2020. (HZZ, 2020)

	2018.	2019.	2020.
Male	66.402	57.125	67.229
Female	87.139	71.525	83.595
Total	153.542	128.650	150.824

Out of the total average number of unemployed persons (150,824) in 2020, 42,373 people under the age of 30, 28.1% of the total unemployed were registered as unemployed. Compared to 2018, the number of young unemployed people increased with 2,617 from 39,756 to 42,373 in 2020.

The unemployment rate in the 20-64 years old population in 2020 was 7.0%, while in 2018 it was 8.2%. Accordingly, the unemployment rate decreased by 1.2 percentage points in the respective age group.

	2018.	2019.	2020.
EU 27	7,2	6,6	6,9
Croatia	8,2	6,4	7,0

The following table describes the number of unemployed in the category of youth that have finished or dropped out from educational programs.

Unemployment rate (15-24) (Eurostat):

	2018.	2019.	2020.
EU 27	16,1	15,1	16,9
Croatia	23,7	15,1	21,1

Eurostat

The number of employees in the 20-64 age group in the Republic of Croatia increased by 0.5% in 2020 compared to 2018, while at EU-27 level the reverse trend is visible – the number of employees decreased by 0.5% over the same period.

	2018.	2019.	2020.
EU 27	189.824.800	191.449.800	188.933.000
Croatia	1.609.900	1.630.800	1.618.100

Eurostat

The employment rate in 2020 was 66.9%, while in 2018 it was 65.2% and our employment rate increased by 1.7 percentage points, while at EU-27 level the employment rate stagnated in the observed period.

	2018.	2019.	2020.
EU 27	72,3	73,1	72,3
Croatia	65,2	66,7	66,9

Eurostat

The youth employment rate in 2020 is the same as in 2018, at 25.6%, while at EU-27 level it decreased by 1.4 percentage points.

	2018.	2019.	2020.
EU 27	32,8	33,4	31,4
Croatia	25,6	27,7	25,6

This development is also reflected at the national employment data: "During the Corona pandemic, there was a strong increase in long-term unemployment data.

The slowdown in economic activity and the fall in GDP have affected the increase in the unemployment rate, which is recorded in the percentage of the active population (persons aged 15-74 years) who are without employment. In Table 2. survey unemployment rates are presented on a monthly basis for 1st, 6th and 6th. and 12. month 2020 as well as the number of unemployed at the end of the year.

Table 2 Unemployment rate and number of unemployed in 2020 In 2015, the

<i>Territory / Country</i>	<i>Jan 2020. (%)</i>	<i>Jun 2020. (%)</i>	<i>Dec 2020 (%)</i>	<i>Diff. Dec-Jan. month (%)</i>	<i>Number of unemployed Dec 2020 (thousands)</i>
EU 27 (as of 2020)	6,6	7,3	7,4	0,8	15.772
Euro-zone 19 (since 2015)	7,5	8,0	8,2	0,7	13.411
Bulgaria	4,2	5,6	5,3	1,1	177
Czech Republic	1,9	2,6	3,1	1,2	164
Germany	3,4	4,3	4,6	1,2	2.016
Ireland	5,1	5,3	5,8	0,7	140
Greece	16,7	17,8	15,8	-0,9	726
Spain	13,8	16,0	16,2	2,4	3.741
France	8,2	7,3	7,8	-0,4	2.284
<i>Croatia</i>	<i>6,0</i>	<i>8,5</i>	<i>7,7</i>	<i>1,7</i>	<i>137</i>
Italy	9,7	9,3	9,8	0,1	2.435
Hungary	3,8	5,0	4,1	0,3	200
Austria	4,4	6,0	5,8	1,4	265
Poland	6,8	7,5	6,9	0,1	542
Romania	3,6	5,6	5,2	1,6	468
Slovenia	4,1	5,3	5,2	1,1	54
Slovakia	6,0	6,8	6,9	0,9	188
Sweden	7,2	9,2	8,8	1,6	491

Source: Eurostat - <https://ec.europa.eu/eurostat>

Thus, at EU27 level in the December 2020. 15.77 million people have been unemployed, making the survey unemployment rate 7.4%. As the EU27 level has seen the survey unemployment rate of 6.6%, that means that in 2020 the unemployment rate has increased by 0.8%.

The highest monthly unemployment rates were achieved in Greece in the January and June 2020 (16.7% and 17.8% correspondently) and Spain in the December (16.2%), while the largest increase in the unemployment rate was from 13.8% to 16.0% during 2020. achieved also in Spain. In Croatia, the unemployment rate was the highest in June 2020 and was 8.5%. Lowering of unemployment rates has continued also in the first months of 2021 with 7.2 and 7.1% of recorded unemployment in January and February of 2021.

The number of unemployed in Croatia and the registered unemployment rate according to the Croatian Employment Service and Croatian Bureau of Statistics data are presented in Table 3. The number of unemployed rose in 2020 for 19.921 people, meaning that it was up by



14.24% in the Dec 2020 compared to January of the same year. The number of total employees increased only 0.28% in the same period, while the registered unemployment rate, calculated as the ratio of the number of unemployed to the total population, increased from 8.3% in January to 9.3% in December of 2020. A closer look at the monthly unemployment rates shows that the unemployment rate in 2020 is rising in the range of 8.2% in February 2020. To 9.4% in May 2020 when a total of 157,839 people were unemployed in Croatia.

Table 3 Unemployment rate and number of unemployed persons in the Republic of Croatia in 2020

<i>Indicator</i>	<i>Jan 2020</i>	<i>Dec 2020</i>	<i>Index Jan/Dec 2020</i>
Active population	1.686.724	1.710.906	101,43
Total employees	1.546.800	1.551.061	100,28
Employees in legal entities	1.344.119	1.347.866	100,28
Employees in crafts and freelance professions	183.505	183.981	100,26
Employed insured farmers	19.176	19.214	100,20
Unemployed	139.924	159.845	114,24
Registered unemployment rate (%)	8,3	9,3	112,05

Source: Croatian Bureau of Statistics - <https://www.dzs.hr/>

The activity rate in 2020 was 71.9%, an increase of 0.9 percentage points compared to 2018, while at EU-27 level the activity rate decreased by 0.2 percentage points .

	2018.	2019.	2020.
EU 27	77,9	78,2	77,7
Croatia	71,0	71,3	71,9

Eurostat

Between 2018 and 2020, 97,106 people used one of the active employment policy measures. Employment aid was the most used, at almost 25% compared to the total number of beneficiaries of the measures (HZZ, 2021).

Measure	Number of beneficiaries			
	2018.	2019.	2020.	2018.- 2020.
1. Aid for employment	9.169	8.734	5.908	23.811
1.1. Aid for the employment of the unemployed	7.121	6.783	4.355	18.259



<i>1.2. Employment aid for the acquisition of first work experience / traineeships</i>	2.048	1.951	1.553	5.552
2. Training aid	375	996	622	1.993
3. Aid for self-employment	6.485	8.723	3.778	18.986
4. Education and training	11.683	7.378	2.939	22.000
<i>4.1. Education of the unemployed</i>	<i>5.180</i>	<i>3.359</i>	<i>2.149</i>	<i>10.688</i>
<i>4.2. Education of employees</i>	-	-	3	3
	2018.	2019.	2020.	2018.- 2020.
<i>4.3. On-the-job training</i>	<i>492</i>	<i>578</i>	<i>361</i>	<i>1.431</i>
<i>4.4. Education for finishing primary school and obtaining the first profession</i>	-	-	0	0
<i>4.5. Activation programs</i>	-	-	398	398
<i>4.6. Vocational training for non-employment work</i>	<i>5.885</i>	<i>3.381</i>	26	9.292
<i>4.7. Training to experience appropriate work experience (30+)</i>	<i>126</i>	<i>60</i>	2	188
5. Public work	5.420	3.366	2.305	11.091
6. Aid for the preservation of jobs	0	2.446	1.429	3.875
<i>6.1. Support for reducing working hours</i>	-	281	0	281
<i>6.2. Support for the education of workers</i>	-	-	0	0
<i>6.3. Aid for the preservation of jobs in the textile, clothing, footwear, leather and wood sectors</i>	-	2.165	1.429	3.594
7. Permanent seasoner	3.803	5.283	6.264	15.350
ALTOGETHER	36.935	36.926	23.245	97.106



2.1.3. Status and data about long-term unemployed persons

Out of the total average number of unemployed persons (150,824) in 2020, 52,042 people were registered with the status of “unemployed for more than a year”, i.e. the share of the long-term unemployed amounted to 34.5% in the total unemployed. Compared to 2020 with 2018, the number of long-term unemployed decreased from 66,605 to 52,042 and 14,563 people, respectively.

Year	Long term unemployed
2018	66.605
2019	50.371
2020	52.042

HZZ, 2021

Although the current development of unemployment figures suggests a further easing of the labour market, the effects of the pandemic are still reflected in a high level of long-term unemployment: at the end of 2021, there were 54.542 unemployed people who had already been unemployed for twelve months or more. At the same time, a large number of unemployed people are at risk of crossing over into long-term unemployment. Meanwhile, the share of long-term unemployed among all unemployed remains at a high level. In December 2021, the share was 43.4%. This corresponds to an increase of 5.6% compared to the pre-crisis level (March 2020).” (HZZ, 2020)

Looking into more details about the structure of the long-term unemployment, HZZ data (HZZ, 2022) show the following.

Persons on the unemployment register can be classified according to the duration of their unemployment. Thus, out of the total number of unemployed at the end of 2021, 44.2% were unemployed for up to 6 months and 43.4% for more than one year. Compared to the end of 2020, the number of unemployed decreased in almost all groups according to the duration of unemployment. The number of unemployed people decreased the most from 9 to 12 months (46.8%). The exception is the group of unemployed from 2 to 3 years old, whose number increased by 30.9%.

Unemployed persons according to the duration of unemployment (31 December 2020 and 2021)

Duration of unemployment	2020.		2021.		Index 2021/2020
	Number	%	Number	%	
Up to 3 months	44,562	27.9	38,368	30.5	86,1
From 3 to 6 months	26,637	16.7	17,205	13.7	64,6
From 6 to 9 months	13,837	8.7	7,970	6.3	57,6
From 9 to 12 months	14,351	9.0	7,630	6.1	53,2
From 1 to 2 years	25,878	16.2	18,468	14.7	71,4
From 2 to 3 years	8,437	5.3	11,043	8.8	130,9
More than 3 years	26,143	16.4	25,031	19.9	95,7
ALTOGETHER	159,845	100.0	125,715	100.0	78,6

Given the duration of unemployment by gender, the share of the long-term unemployed (more than one year) in the total number of unemployed men was 45.2%, and in the total number of unemployed women it was 42.0%. Thus, long-term unemployment is similar in men and women, but slightly lower



in the latter. The proportion of unemployed people from 1 to 2 years and from 2 to 3 years is slightly higher in men than in women, while the proportion of unemployed for more than 3 years is much lower in women.

Unemployed persons by duration of unemployment and gender (31 December 2021)					
Duration of unemployment	Altogether	Men	%	Women	%
Up to 3 months	38.368	16.143	29,3	22.225	31,5
From 3 to 6 months	17.205	6.900	12,5	10.305	14,6
From 6 to 9 months	7.970	3.572	6,5	4.398	6,2
From 9 to 12 months	7.630	3.541	6,4	4.089	5,8
From 1 to 2 years	18.468	8.171	14,8	10.297	14,6
From 2 to 3 years	11.043	4.929	9,0	6.114	8,7
More than 3 years	25.031	11.796	21,4	13.235	18,7
ALTOGETHER	125.715	55.052	100,0	70.663	100,0

Finally, if the duration of unemployment is viewed according to the level of education, it is observed that among people with lower levels of education there is a significantly higher proportion of the long-term unemployed. Thus, the share of long-term (more than one year) unemployed in the total number of unemployed without a school and with an unfinished primary school was 65.4%, and with completed primary school it was 51.6%. The proportion of long-term unemployed was significantly lower in people with three- and four-year secondary schools (42.5% and 39.3%) respectively. The lowest proportion of the long-term unemployed were the groups of unemployed with higher education and higher education (36.1%). Therefore, it can be concluded that the level of education significantly affects the duration of unemployment.

Structure of unemployed persons according to the duration of unemployment and the level of education (31 December 2021)							
Duration of unemployment	Altogether	No school and unfinished basic school	Primary school	SS for occupations up to 3 year and school for KV and VKV workers	SS for occupations in duration 4 years and older and grammar school	Positive faculties, professional studies and academy	Faculty, academy, Master's degree, Doctorate
Up to 3 months	30,5	14,6	25,2	31,4	32,5	36,4	36,1
From 3 to 6 months	13,7	8,3	11,3	13,9	15,5	14,4	14,4
From 6 to 9 months	6,3	5,3	5,9	6,4	6,5	6,6	7,2
From 9 to 12 months	6,1	6,3	6,0	5,8	6,2	6,4	6,2
From 1 to 2 years	14,7	13,2	13,0	14,1	15,5	17,0	16,6
From 2 to 3 years	8,8	12,5	9,9	8,6	8,2	7,9	7,5



More than 3 years	19,9	39,8	28,7	19,8	15,6	11,2	12,0
ALTOGETHER	100,0	100,0	100,0	100,0	100,0	100,0	100,0
Short-term unemployment	56,6	34,6	48,4	57,5	60,7	63,9	63,9
Long-term unemployment	43,4	65,4	51,6	42,5	39,3	36,1	36,1

2.2. Status quo of social impact investments in the partner country/region

[Revision and update of the D.T1.1.2. Country Report on Social Impact Investment. Please describe how the situation of social impact investments has changed in your country/region since the beginning of the project!]

2.2.1. Private donations in Croatia

Described situation had large negative impact on both private donations and investments with private investors fleeing philanthropic and impact oriented activities and started transferring investments to assets that are perceived as more stable in the periods of crisis - real estate, land, commodities,...

In Croatia, private philanthropic and impact investing sector is still very much undeveloped so the only viable chance for private investments is through institutional, especially public investors.

2.2.2. Overview of social impact investment in Croatia

In Croatia social impact investment sector is virtually non-existent or in very early stages of development.

The most of the funding for the social economy sector is coming in the form of grants by EU, national government as well as some of the local governments as follows:

- ESF programme for Croatia - grants for social entrepreneurs (100.010.000,00 HRK / 95 funded projects)
- National programme for the development of cooperatives (stopped in 2020)
- Grants for work of NGOs and local economic actors related to the social economy activities, provided by municipalities.

2.2.3. Examples for social impact investors in Croatia

Few notable examples of those early-stage investment mechanisms include:

- Feels Good Venture Capital Fund - fund that just started operations in 2022, looking for startup companies that aim to achieve some impact with their business. However, in its selection policy, the fund mostly expects high-growth and high-return companies and is



inaccessible for many companies dealing with vulnerable social groups (<http://feelsgoodcapital.com>).

- ZEF (Cooperative for ethical financing) offers microloans of up to 25.000 EUR to social enterprises in collaboration with Polish-based ethical investment institution - TISE. However, pandemic has caused severe degradation in the quality of financed portfolio, making it impossible for ZEF to continue its microloan programme and it is expected that the programme will be shut down by the end of 2022. (www.zef.hr)
- ACT Group in collaboration with Philipp and Morris runs seed-grant programme for startup entrepreneurs focused to some impact-oriented business. However, grants are relatively small in amount and do not have proper established sources of follow-up financing (<https://pokreninestosvoje.hr>)
- Erste Bank has credit line for social enterprises, but accessibility to that credit line still remains the issue since collateral and general eligibility requirements are high and frequently very difficult to achieve by social economic actors in Croatia (<https://www.erstebank.hr/hr/press/priopcenja-za-medije/2019/12/10/programom-drustvenog-bankarstva-erste-banka-utjecala-na-otvaranje-235-radnih-mjesta>)
- Crowdfunding platforms run by several organisations (Croinvest, ZEZ (green energy) and ZEF for support of different projects (including those with positive social impact) (www.croinvest.eu ; www.ampnet.io ; www.zez.coop)

2.2.4. Social impact investment focusing on (long-term) unemployment in Croatia

There are no relevant specific programs in this field.



2.3. Description of the social impact fund developed to finance social impact vouchers in the partner country/region

[Please use the input you provided to PP2 to the deliverable D.T4.3.1 Growth forecast calculation! In case of partners participating in the transnational fund chapter 2.3 will be the same.]

1. Fund geographic scope:

- National/Transnational: **Transnational**
- Country (if national):

2. Fund type:

- Grant based/Investment based: **Grant based**
 - If fund is investment based, what is the expected return rate to investors?: **It is not possible to have return based fund for the activities supported by voucher programmes of organisations participating in transnational fund. The best that we can hope is to recycle funds to some extent and find a model of continuous inflow of funds in order to keep (and enlarge) its size.**

3. Fund is set up in a form of: **trust agreement**

4. Fund is already active?

- Yes/No: **No**

5. Fund has rules of operations?

- Yes/No: **Yes**

6. Fund has established a body that decides about giving funds to beneficiaries with at least 3 people participating in the decision making

- Yes/No: **No**

7. Fund has established a supervision body consisted of people that do not participate in the decision making about funding beneficiaries:

- Yes/No: **No**

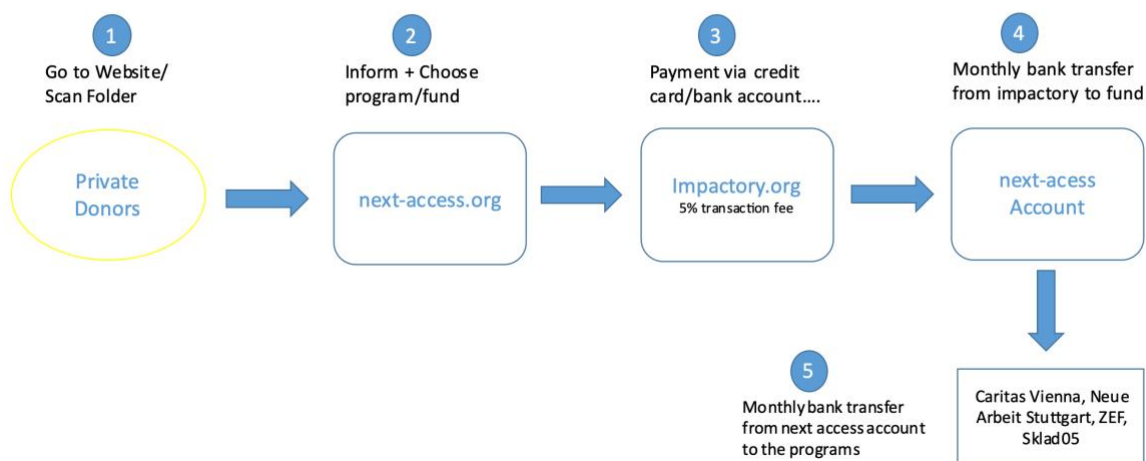
8. Fund has clear funding strategy in a form of a strategy document:



- Yes/No: **Yes**

9. The process of decision making about funding beneficiaries in the fund:

Private Donations



www.next-access.org

10. Financial size of the fund at the moment (paid-in contributions): **established yet**

not

- Private contribution: EUR ____.__, -
- Public contribution: EUR ____.__, -

11. Funds committed for the fund from private sources:

- EUR 50.000-

12. Funds committed for the fund from public sources:

- EUR 0-

13. Projection of new funds to be fund raised in the next 5 years:

- 2023: EUR _50.000,-
- 2024: EUR _50.000,-
- 2025: EUR ____.__, -
- 2026: EUR ____.__, -



- 2027: EUR ____.-

14. Amount eligible to be granted to a beneficiary:

- Minimum: EUR **10.00,-**
- Maximum: EUR ____.-, **-no limitation**
- Median expected: **100.00,-**

15. Expected lifetime of the fund:

- Number of years: indefinite
-

2.4. Challenges for scaling the social impact fund in Croatia

Labour and employment policies are seen as a responsibility of the state by private actors and there is no willingness to invest in it. On the other hand, public institutions do not have experience of collaboration with private actors on the topic of financing employment instruments and are reluctant to establish this type of partnership due to the lack of experience and unclear framework of collaboration

2.4.1. Economic challenges of scaling

- The value of the fund is usually not sufficient for scaling.
- Local conditions must be adapted in order to be able to implement scaling. There is often a lack of funds, human resources and stakeholders.

2.4.2. Labour market challenges of scaling

- Regional absorption capacity of the labour force, it is good in the cities, rather worse in the peripheral areas and the rural environment where unemployment is higher and availability of support services significantly lower. There is significant trend of asymmetric unemployment with people in urban areas being in position to find job much more easily than in rural areas.
- The conditions of the stakeholders, such as companies, agencies, etc. are heterogeneous and block scaling. Successful companies, employing people from disadvantaged groups and offering useful products and services to the market often have problem of scaling since they usually require specific skills that are not common among target social groups. On the other side, companies with ability to scale up quickly, usually have limited market making scaling up difficult and not sustainable on the longer term.



2.4.3. Challenges based on the status of impact investments

- There is still only partial knowledge about impact investment.
- There is a lack of specialists and experts to accompany the implementation process.

2.4.4. Legal challenges

- In the European context, various issues stand in the way of a European impact investment. There is no common legal framework for social enterprises, no clear mechanism for tax breaks to companies supporting employment of disadvantaged groups, no common employment support framework and administrative barriers and restrictions on the implementation of cross-border policies.
- This concerns in particular country-specific jurisdiction and tax law which does not favour neither recognize any non-government actors contributing to the employment policies. The only available mechanism is legal status of protected workshops but it's limited to associations and limited liability companies and cannot be given to cooperatives or other forms of social enterprises.

3. Country-specific Objectives

Objective 1: Increase awareness about the importance of labour policies among both policy makers, general public and investors

Objective 2: Create framework that will support innovation in the sector

4. Actions

4.1. Action 1 - Scaling the scope of investors

Enabling scheme that will enable public-private collaboration in the process.

The first challenge will be to establish institutional dialogue, expand existing measures to be available to actors of social economy.

The next step will be formal recognition of social businesses and social enterprises with clear definition of tax support mechanisms.



The third one will be implementation of social criteria in all public procurement processes.

Finally, all public funding should as a criteria use social-impact of the business receiving the funding which should include support for inclusive employment of the disadvantaged social groups.

4.2. Action 2 - Scaling the amount of money invested in the fund

- Establish official (financial) partnership with Croatian Employment Service and/or other government institutions to keep developing the investment and collaboration framework
- Explore possibilities of implementing social impact bonds or payments through Non Financial reporting directive on the EU level