

## **Croatian Enterprise Promotion Activity**

A project funded by USAID and administered by Deloitte Touche Tohmatsu Emerging Markets



Recommendations for Strategic Framework and Implementation process  
for the operationalization of



### ***THE CROATIAN AGENCY FOR SMALL BUSINESS (HAMAG)***

**And**

The Scope of Long Term Assistance for its realization

**Zagreb**

**April 29, 2003**



**Deloitte  
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## 1. EXECUTIVE SUMMARY

### **BACKGROUND**

The Government of Republic of Croatia passed a new law on 13<sup>th</sup> March, 2002, which enables the Ministry to establish a new Agency titled 'Croatian Agency for Small Business (HAMAG)'. This agency will absorb the existing 'Croatian Guarantee Agency (HGA)' and enlarge its role from provider of 'Credit Guarantees' to implementer of various SME incentives programmes and expert co-ordinator of SME promotion and support activities of various institutions.

Pursuant to the enactment of the cited new law, at the request of the Ministry, the USAID Croatian Enterprise Promotion Activity (USAID-CEP) provided expert advice on the design of organizational structure and services of the new Agency, entitled "The Croatian Agency for Small Business (HAMAG)". The Ministry is now in the process of establishing the legal and management structure of HAMAG and expects to have HAMAG operational by end of March 2003.

In that context, to manage the transition from the existing Agency the Ministry requested USAID-CEP to field a team of advisors to assist in HAMAG's strategic planning, and specifically, to make recommendations concerning the types of technical advisory assistance that would be required to assure rapid development and success of HAMAG's business promotion programs. The Consultant Team, comprising of Mr. Arvind Nande and Mr. Jeffry Baldwin, made a two-week visit to Zagreb from January 13 to 24, 2003. The team reviewed the Ministry's existing documents relating to HAMAG, held discussions with select business promotion agencies, assessed the Ministry's eventual technical support needs in the implementation of the envisaged strategies. A draft report, containing the team's recommendations, was submitted to the Ministry for their review and comment. This final report incorporates the Ministry's comments on the draft report and views concerning the role of HAMAG.

### **RECOMMENDATIONS FOR HAMAG'S STRATEGIES AND THE ROLE OF TECHNICAL ADVISOR**

#### **Underlying principles**

The recommendations made herein are based on the following best practice principles of SME Development Strategies:

- Need to set out clearly the contribution that SMEs will make to the broader national goals of economic prosperity
- Need to focus the strategy for SME Development on the minimization of current and emerging constraints to development of SMEs
- The Government/HAMAG cannot work alone to achieve its SME Development objectives. As such, the successful implementation of its strategic objectives require concerted and coordinated efforts of a range of stakeholders, and



- ❑ In addition to its coordinating role, HAMAG should be directly involved in delivery of support to entrepreneurs and in implementation of encouraging measures for SMEs.

### **Strategic Goals**

The Consultant Team recommends that, consistent with the strategy for national economic development, HAMAG's Long-term Strategic Objectives would be:

1. To increase the number of private sector SMEs operating in the formal economy with emphasis on:
  - (a) well balanced regional SME distribution to provide adequate employment opportunities throughout the country, and
  - (b) increased participation of 'youths' and women in the establishment and management of SMEs.
2. To substantially increase creation of new jobs by emerging and existing SMEs, the share of SMEs in total employment, and gross wages distribution (indicative of better living standards of employees).
3. To achieve greater diversity and integration of SME economic activity through increased proportion of SMEs engaged in production and non-trade services, and technology based SMEs.
4. To increase competitive SME activity in economic sectors where the Republic of Croatia is currently reliant on imported goods and services, and to increase the contribution of SMEs to export earnings (by way of direct exports and/or through entry into value/supply-chains of exporting companies).
5. To increase the participation of domestic SMEs in foreign strategic alliances and joint ventures.
6. To substantially increase the contribution of SMEs to GDP.

### **Strategies and Activities**

To achieve above goals, the following five immediate strategies have been identified for HAMAG's operations:

1. Establish efficient and effective structure and processes to assure delivery of cost-effective and appropriate support and services to SMEs nationwide
2. Establish a central information bank of business information that can be accessed by SMEs and all SME Development Stakeholders
3. Improve access to appropriate finance, coordinated with HAMAG's Guarantee providing activities
4. Create on-going process to enhance competitiveness of SMEs
5. Create an ongoing mechanism for providing appropriate inputs for policy and regulatory reforms needed to minimize constraints and barriers to SME Growth.



Based on our experience in the establishment of similar SME Development Agencies in other countries in transition, we believe that HAMAG must visibly and adequately establish a fully operational and effective program within one to two years of its inception in order to maintain full support for its activities. This necessity implies a highly focused and intensive effort to launch efficient and effective implementation of its strategies in the very first year. In this context, HAMAG will need continuous availability of international best practice advice and active assistance to implement the recommended immediate strategies.

**Accordingly, the Consultant Team, in consultation with the Ministry, determined that the types and scope of work involved, and the level of intensity of the technical assistance needed to implement HAMAG's immediate strategies, and create appropriate institutional capacity rapidly, imply a full-time resident advisor at least for a period of one year.**

Structured recommendations for HAMAG'S Activities in Year 1 within the framework of above strategies and the role of resident Expatriate Advisor are provided on pages 8-14.



## 2. BACKGROUND

The Parliament of the Republic of Croatia passed a new law on 13<sup>th</sup> March, 2002 titled “Law For Encouraging Small Business Sector”, which enables the Ministry of Crafts and SMEs to realize its vision to foster entrepreneurial spirit and to create a favorable environment for the growth and development of the SMEs. This law mandates restructuring the existing ‘Croatian Guarantee Agency (HGA)’, to enlarge its role from a provider of ‘Credit Guarantees’ to being the implementer of various SME incentives programmes and expert co-ordinator of SME promotion and support activities of various institutions.

Pursuant to the enactment of the cited new law, at the request of the Ministry, the USAID Croatian Enterprise Promotion Activity (USAID-CEP) provided expert advice on the design of organizational structure and services of the new Agency, entitled “The Croatian Agency for Small Business (HAMAG)” by reviewing its mission and benchmarking the recommendations with reference to similar agencies in Czech Republic, Slovenia, Netherlands, Hungary, USA and Ireland.

The Ministry is now in the process of establishing the legal structure of HAMAG and recruitment of three key managerial staff. HAMAG will be operational by end of March 2003. In that context, to manage the transition from the existing Agency the Ministry requested USAID-CEP to provide short-term technical assistance for HAMAG’s strategic planning, and specifically, to make recommendations concerning the scope of more intensive technical advisory assistance that would be required to assure rapid development and success of HAMAG’s business promotion programs. Accordingly, the USAID-CEP fielded a team of consultants, comprising of Mr. Arvind Nande and Mr. Jeffry Baldwin, who made a two-week visit to Zagreb from January 13-24, 2003.

This document outlines the recommendations by the USAID-CEP’s Consultant Team which are based on the review of the Ministry’s existing documents relating to HAMAG, discussions with selected business promotion agencies, and assessment of the Ministry’s eventual technical support needs in the implementation of the envisaged strategies.

### **Acknowledgment**

Annex 3 lists the persons met/interviewed by the Consultant Team in Croatia. The Consultant Team is grateful for the information they provided, which has been of substantial help in the preparation of this document.

## 3. GENESIS OF SME GROWTH STRATEGY DEVELOPMENT

The SMEs play a vital role in the nation’s economic restructuring and prosperity. Hence, in establishing the strategic objectives for Government intervention in SME development there is a need to set out clearly the contribution that SMEs might



make to the broader national goals of economic growth, new employment creation, productivity, equitable wealth distribution, equality of opportunity, innovation, technology transfer and the attainment of social and economic cohesion.

Secondly, since the SMEs operate in a business environment that is determined by government policies, public and private sector institutions and infrastructure, the strategy for SME Development needs to focus on the minimization of current and emerging constraints to development of SMEs, in particular, regulatory and administrative barriers; levels of business awareness and business skills; access to and availability of specialist business development services; access to affordable sources of medium and long term finance; and, access to sources of appropriate technology, business and market information.

Thirdly, in recognition of the fact that the Government/HAMAG cannot work alone to achieve its SME Development objectives, the successful implementation of its strategic objectives require concerted and coordinated efforts of a range of stakeholders, including National and Local Governments, business development service providers, commercial banks and other financial institutions, national and international lending institutions, foreign donors, non-governmental organizations, business representative organizations, and individual SMEs themselves.

In that context, there is a strategic need for HAMAG to establish pro-active relationships with all stakeholders. The initial focus should be on the establishment of an effective network of all SME assistance programs and initiatives, to maximize national benefits by complementing and/or leveraging their inputs and efforts, and most importantly, providing them with needs-based support to develop and implement measures to promote entrepreneurship and establish appropriate framework conditions for SME Development.

In addition to its coordinating role, HAMAG should be directly involved in delivery of support to entrepreneurs and in implementation of encouraging measures for SMEs. The role of Ministry is to create policy for SME support and make proposals to the Government, and HAMAG's task is to implement that policy, directly by delivering support/services and indirectly by coordinating supports of other institutions.

The Mission Statement from HAMAG's Statute reads as follows:

"The Agency is founded for encouraging small business sector development and increasing SMEs share in Croatian economy. The objective is to create a friendly environment, establish an effective network of support institutions at the national, regional and local levels, and to ensure direct supports in financing, technology development, quality improvement, competition strengthening, market building up, new employment and to link entrepreneurs, institutions and supports into an efficient system."

#### **4. LONG TERM STRATEGIC GOALS**

Consistent with the strategy for national economic development and the suggested Mission, Vision and Values, HAMAG's Long-term Strategic Goals would be:



1. To increase the number of private sector SMEs operating in the formal economy with emphasis on:
  - (a) well balanced regional SME distribution to provide adequate employment opportunities throughout the country, and
  - (b) increased participation of 'youths' and women in the establishment and management of SMEs.
2. To substantially increase new jobs creation by emerging and existing SMEs, the share of SMEs in total employment, and gross wages distribution (indicative of better living standards of employees).
3. To achieve greater diversity and integration of SME economic activity through increased proportion of SMEs engaged in production and non-trade services, and technology based SMEs.
4. To increase competitive SME activity in economic sectors where the Republic of Croatia is currently reliant on imported goods and services, and to increase the contribution of SMEs to export earnings (by way of direct exports and/or through entry into value/supply-chains of exporting companies).
5. To increase the participation of domestic SMEs in foreign strategic alliances and joint ventures.
6. To substantially increase the contribution of SMEs to GDP.

## **5. IMMEDIATE STRATEGIES, ACTIVITIES AND LEVELS OF TECHNICAL ASSISTANCE NEEDED**

In the context of the above long term strategic objectives, HAMAG's immediate strategies and activities, and the role of the Expatriate Technical Advisor are presented in the following pages.

Based on our experience in the establishment of similar SME Development Agencies in other countries in transition, we believe that HAMAG must visibly and adequately establish a fully operational and effective program within one to two years of its inception in order to maintain full support for its activities. This necessity implies a highly focused and intensive effort to launch efficient and effective implementation of its strategies in the very first year. In this context, HAMAG will need continuous availability of international best practice advice and active assistance to implement the recommended immediate strategies.

**Accordingly, the Consultant Team, in consultation with the Ministry, determined that the types and scope of work involved, and the level of intensity of the technical assistance needed to implement HAMAG's immediate strategies, and create appropriate institutional capacity rapidly, imply a full-time resident advisor at least for a period of one year.**

Duration of further advisory assistance could be determined based on the measurable results of the first years' advisory input, the level of institutional capacity acquired by HAMAG, and the level of intensity of the remaining tasks/activities.



Following pre-conditions would need to exist before fielding the 'Technical Advisor':

- A. HAMAG is fully registered as a Legal Entity (The legal registration process of HAMAG was completed on 22<sup>nd</sup> January, 2003).
- B. The three-member Management Team and its supporting staff are in place and operational.



**Strategy # 1:** Establish efficient and effective structures and processes to assure that the emerging and existing SMEs nationwide receive cost-effective and appropriate business support and services to SMEs including start-up assistance, business skills training, business advisory/counselling services, timely access to business information, quality business development assistance, appropriate finance, and needs based subsidies and grants.

ACTIVITIES	ROLE OF TECHNICAL ADVISOR
<p>1. Establish an ‘SME Development Advisory Group’ comprised of key representatives of active players in SME Development, and SMEs (select entrepreneurs)</p> <p><i>The Advisory Group will articulate the HAMAG’s implementation strategy and process, and make recommendations to HAMAG on the specific needs of active role-players in the national SME Development and Support arena in respect of HAMAG’s targeted support and services, thus assisting HAMAG to maximize its efficiency and effectiveness. As all ministries included in economic development have their representatives in the Managing Board of the Agency, they could be considered an advisory group. We believe it would be an advantage, however, to include additionally the views of private sector representatives in the advisory process on a regular basis. An advisory group separate from the Managing Board would be a good vehicle for accomplishing this function.</i></p>	<ul style="list-style-type: none"> <li>▪ Identify the most effective participants in the Advisory Group and advise on its constitution.</li> <li>▪ Develop the methodology for promoting, facilitating, constituting and establishing the Advisory Group.</li> <li>▪ Actively assist in the establishment of the Advisory Group and, in structuring and implementation of on-going process for its working.</li> </ul>
<p>2. Conduct inventory of and compile database on the on-going and planned SME Development/Support programs and initiatives across various Ministries, regional and local levels and private sector, including international donor supported programs.</p>	<ul style="list-style-type: none"> <li>▪ Actively assist in the development of the scope and structure of database, and in its creation.</li> </ul>
<p>3. In collaboration with the Advisory Group and taking into account the on-going and planned SME Development/Support programs nationwide, identify priorities for, and design further support interventions that will lead to the achievement of long term objectives.</p>	<ul style="list-style-type: none"> <li>▪ Actively assist in the design and facilitation of workshops, incorporating international experiences.</li> </ul>
<p>4. Establish a National SME Services Network comprising of regional and local economic development agencies, business development/support service providers, business advisory/counselling centres, business incubators, techno-centres, business associations (e.g., Chambers) and local foundations and associations – all of whom are entities that provide services directly to SMEs.</p>	<ul style="list-style-type: none"> <li>▪ Assist in the identification of participants in the SME Network.</li> <li>▪ Develop methodology for promoting, facilitating, constituting and establishing the Network.</li> <li>▪ Design the structure and implementation of on-going process for its working, and assist in its implementation.</li> </ul>

*Strategy # 1 continued on the next page*



**Strategy # 1:** Establish efficient and effective structures and processes to assure that the emerging and existing SMEs nationwide receive cost-effective and appropriate business support and services to SMEs including start-up assistance, business skills training, business advisory/counselling services, timely access to business information, quality business development assistance, appropriate finance, and needs based subsidies and grants.

ACTIVITIES (continued from previous page)	ROLE OF TECHNICAL ADVISOR
<p>5. Establish and implement, in consultation with the SME Network and with the assistance of institutions that make use of international best practice experience such as The Association of Management Consultants, an appropriate accreditation system for SME Support/Service providers which guarantees maintenance of high standards in their advisory, training, information, and financial services.</p>	<ul style="list-style-type: none"> <li>▪ Develop accreditation criteria based on a combination of international best practice and local conditions.</li> <li>▪ Assist in the design and implementation of accreditation process.</li> </ul>
<p>6. Develop and establish a programme of financial support and institutional capacity building/strengthening assistance to accredited SME Support/Service providers as well as those that have the potential to be accredited in order to enable them to qualify for accreditation and to increase supply of business services to SMEs in areas of entrepreneurship education and training, start-up services, in-business counselling, access to finance, etc. in an efficient and effective manner.</p> <p><b>Sub-activity:</b> Develop and support cost-effective programs for promotion and provision of basic business education and training to emerging and existing SMEs for start-up and early stage businesses. Wherever possible, HAMAG will make use of existing and emerging business skills training programs that make use of international experience and expertise in the design and delivery of such programs, (e.g. the ILO's Start and Improve Your Business Program.</p>	<ul style="list-style-type: none"> <li>▪ Assist in the inventory and assessment of institutional capacities of SME Support Service providers.</li> <li>▪ Identify the types of capacity building interventions that are needed.</li> <li>▪ Assist in the design of capacity building interventions combining the international best practice experience and the identified needs.</li> <li>▪ Assist in the development of budget models for support centres and criteria for targeting financial and capacity building support.</li> <li>▪ Assist in the inventory, assessment and evaluation of SME training and advisory assistance programs.</li> </ul>
<p>7. Identify in collaboration with the SME Network, SMEs and business activities that have exceptional growth potential within the context of both, the domestic and international markets and facilitate design, financing and implementation of special programs to support them to realize their growth potentials</p>	<ul style="list-style-type: none"> <li>▪ Develop criteria for selection of enterprises for special assistance.</li> <li>▪ Assist in the design and implementation of special assistance programs.</li> </ul>

*Strategy # 1 Strategy # 1 continued on the next page*



**Strategy # 1:** Establish efficient and effective structures and processes to assure that the emerging and existing SMEs nationwide receive cost-effective and appropriate business support and services to SMEs including start-up assistance, business skills training, business advisory/counselling services, timely access to business information, quality business development assistance, appropriate finance, and needs based subsidies and grants.

ACTIVITIES (continued from previous page)	ROLE OF TECHNICAL ADVISOR
<p>8. Establish Internet Web-based chat forums in which the SMEs nationwide and SME Network would actively participate for discussion of SME development and support topics/issues such as access to finance, help to SMEs from national and local governments, access to domestic and international markets, etc.</p> <p><i>Findings and conclusions of these discussions will help HAMAG in the implementation of its various strategies.</i></p>	<ul style="list-style-type: none"> <li>▪ Assist in the identification of topics for discussion.</li> <li>▪ Provide needs based on-site training and assistance to support centres.</li> </ul>
<p>9. Engage in proactive dialogue with the Chamber of Commerce and Association of Crafts to enhance their efficiency and effectiveness in fulfilling their role in providing human resource development assistance (technology/skills training of employees) to growth oriented and technology based SMEs. providing specialist education, providing business-to-business linkages, promoting internationalisation and establishing and maintaining quality standards.</p>	<ul style="list-style-type: none"> <li>▪ Arrange for, in cooperation with Association of Management Consultants design and delivery of training to service provider staff.</li> <li>▪ Coordinate with AMC to design provide training for service provider staff. Explore the use of AMC trained consultants to provide training, as appropriate.</li> </ul>



**Strategy # 2:** Establish a central information bank of demand-driven business information (e.g. laws and regulations, new products and processes, new/appropriate technology, market trends and business opportunities, new markets and customers, financial assistance programs, SME success stories, etc) that is readily available to emerging and existing SMEs nationwide, Business Support/Service Providers, business incubators, technology centres, business associations, banks and financial institutions, policy makers and all such other national and international entities that may have a need for such information.

ACTIVITIES	ROLE OF TECHNICAL ADVISOR
1. Identify and establish in collaboration with the Advisory Group and SME Network, the types and topics of information most needed by its users.	<ul style="list-style-type: none"> <li>▪ Conduct research on types and topics of centralized information needed by support centres for dissemination to their respective target SMEs, and update periodically.</li> <li>▪ Propose procedures.</li> <li>▪ Train HAMAG Staff in web-based research techniques and preparation of informational materials.</li> <li>▪ Organize and chair inter-ministerial information coordination working group</li> <li>▪ Develop work description for the information dissemination desks.</li> <li>▪ Assist in conducting meetings and organizing discussion forums.</li> </ul>
2. Establish procedures for periodic compilation, updating and synthesizing of access to/dissemination of appropriate business information (see the strategy description).	
3. Establish Internet Web based information bank, including links to other national and international information sources that can be and, wherever appropriate, provide print/publications based information updates.	
4. Educate/train SME Network on the scope of information available from the web-based information bank and how to access and disseminate that information.	
5. Establish an information promotion and dissemination desk within HAMAG for addressing information needs of SMEs and SME Network that would not be satisfied adequately through the information bank.	
6. Engage in proactive dialogue with the Chamber of Commerce and Association of Crafts to enhance their efficiency and effectiveness in fulfilling their role in disseminating appropriate information to SMEs.	



**Strategy # 3:** Influence and catalyse and/or establish sources of finance/credit to assure that emerging and existing high growth potential, export/import-substitution oriented and technology based SMEs nationwide receive needed finance coordinated with HAMAG's Guarantee and subsidy/grant providing activities.

ACTIVITIES	ROLE OF TECHNICAL ADVISOR
1. Engage in on-going proactive dialogue with the commercial banking sector aimed at influencing their increased participation in the volume and quality (e.g. procedural ease, softer/affordable terms, alternative forms of collaterals, etc.) of SME finance in accordance with the international lending practices and prudential requirements.	<ul style="list-style-type: none"> <li>▪ Organize and participate in public-private sector working group on SME Finance, including participation of representatives of banking sector, government regulatory agencies, SME service providers, SMEs, etc.</li> </ul>
2. Develop Resource partnerships (Banks, Business/Entrepreneurship Centers, Business Angels, International donor agencies, Private Sector and other Ministries) and in collaboration with them, investigate the feasibility of establishing new forms of SME finance (including Loan Guarantees) that will address the current and emerging gaps in the market provision - in particular, within the context of needs articulated by the SME Network.	<ul style="list-style-type: none"> <li>▪ Develop case studies and prepare papers on constraints faced by SMEs in access to finance and recommend remedial measures.</li> </ul>
3. Examine the feasibility of HAMAG establishing special programs for direct financing of emerging and existing high growth potential, export/import-substitution oriented and technology based SMEs nationwide that do not have the possibility of sourcing their financial needs from the existing structures, generate through its parent Ministry the required resources for feasible programs, and implement those programs through active involvement of the SME Network.	<ul style="list-style-type: none"> <li>▪ Conduct international best practices comparative study on direct financing programs that are relevant to Croatia and develop and recommend options for feasible alternate financing models.</li> </ul>
4. Research, assess and recommend SME financing programs in other areas such as leasing, NGO's as intermediaries, investment funds, credit unions, etc.	<ul style="list-style-type: none"> <li>▪ Maintain liaison with donors on design/re-design of SME finance and guarantee programs.</li> </ul>



**Strategy # 4:** Create an on-going process to assess and enhance the competitiveness of SMES in specific sectors that are especially relevant to Croatian Export and Import-Substitution Goals.

ACTIVITIES	ROLE OF TECHNICAL ADVISOR
1. Identify, in collaboration with the SME Network, the specific SMEs, regions and SME sectors in those regions that have the potential for developing competitiveness in the context of export development and imports substitution.	<ul style="list-style-type: none"> <li>▪ Coordinate with donor programs, academic institutions, industry associations, and other knowledgeable institutions and individuals to produce periodic competitiveness assessment of specific Croatian SMEs and industry sectors with recommendations for program enhancements.</li> <li>▪ Promote external funding and special studies.</li> <li>▪ Research success stories in other countries.</li> <li>▪ Coordinate and liase with AMC for development and delivery of Competitiveness Enhancement Training Programs.</li> <li>▪ Develop criteria for targeting SMEs for special Competitiveness Enhancement programs.</li> </ul>
2. Develop and implement, in collaboration with competent institutions that have expertise in the design and implementation of enterprise competitiveness interventions, special Competitiveness Enhancement programs for select SMES that have the potential to enhance their competitiveness.	
3. Promote and provide inputs for public/private competitiveness awards initiatives	



**Strategy # 5:** Create an on-going structured process to periodically identify, assess, evaluate and provide inputs to policy-makers reality based data on constraints and barriers to entry and growth of SMEs that will help the policy-makers to create and further develop an SME enabling environment.

ACTIVITIES	ROLE OF TECHNICAL ADVISOR
1. Establish a structured process of periodic compilation, through the SME Network and Web-based Chat Forums ( <i>see Strategy # 1: activity # 8</i> ), of factual data on policy and regulatory constraints and barriers to entry and growth faced by SMEs and the resultant adverse impact of those constraints.	<ul style="list-style-type: none"> <li>▪ Train HAMAG staff in implementing these tasks.</li> <li>▪ Draw up agendas for discussions and actions.</li> </ul>
2. Regularly assess, evaluate and synthesize the compiled factual data and research international best practice in regulatory reforms that aim at minimization of identified constraints that have significant adverse effects on the growth of SMEs.	<ul style="list-style-type: none"> <li>▪ Research international best practice and input recommendations for measures that Croatia could adopt.</li> </ul>
3. Prepare and submit to the Ministry of Crafts and SME periodic reports on the findings and recommendations in respect of the desired policy and regulatory reforms.	<ul style="list-style-type: none"> <li>▪ Assess the needs for relevant study tours, and organize those as might be needed.</li> </ul>
4. Engage in proactive dialogue with the Chamber of Commerce and Association of Crafts to enhance their efficiency and effectiveness in fulfilling their role in lobbying for regulatory and administrative reforms aimed at minimization of barriers to establishment and growth of SMEs and representing the interests of SMEs at all levels.	
5. Facilitate establishment of public-private sector forum on SME policy and regulatory environment to review, discuss and articulate needs for policy and regulatory reforms.	



## Annex 1

The activities/tasks of “The Croatian Agency for Small Business (HAMAG)”, as defined in the cited Law enacted on 13<sup>th</sup> March, 2002 titled “Law For Encouraging Small Business Sector”<sup>1</sup>:

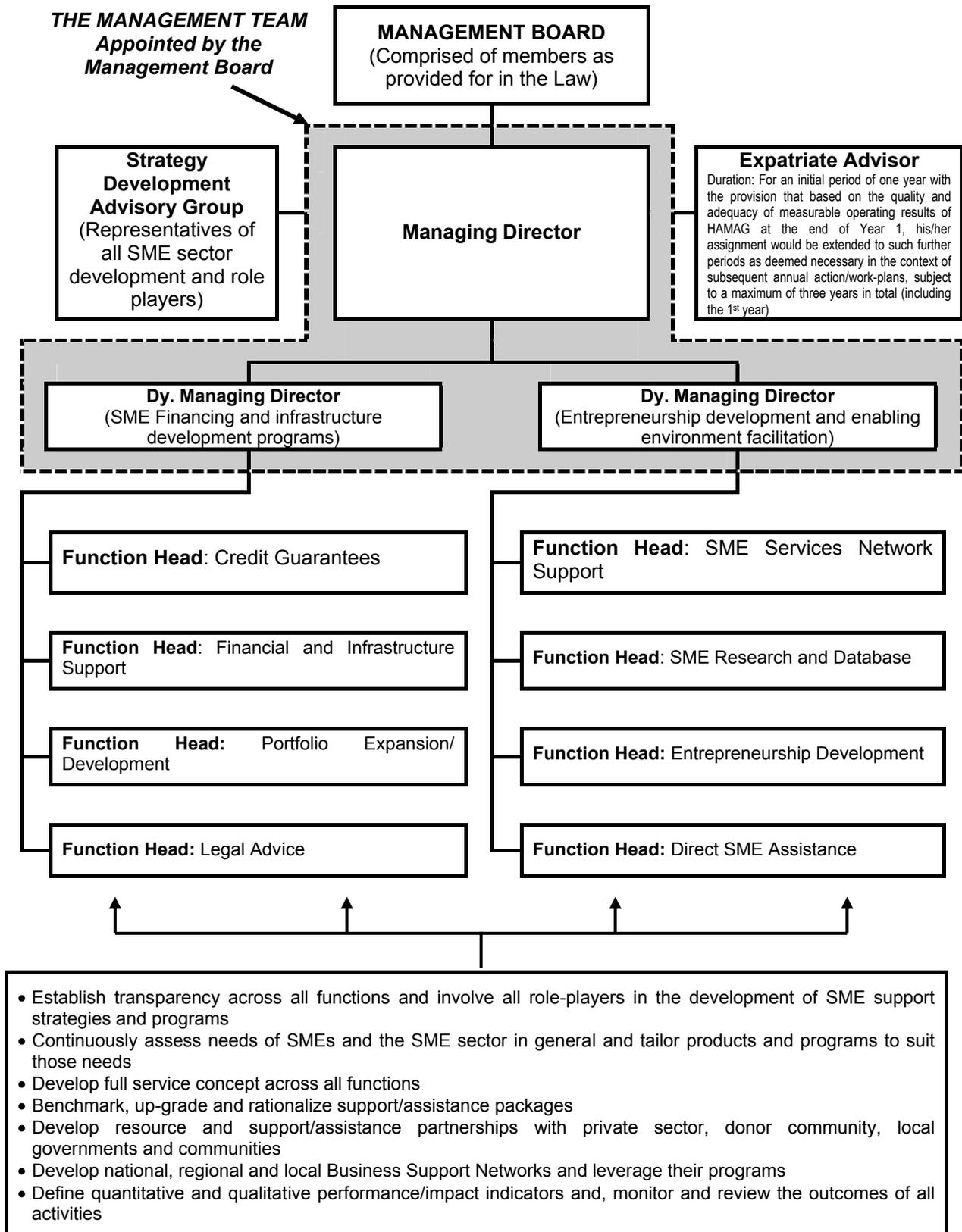
- Encouraging of the creation, business activities, and development of micro, small and medium enterprises
- Small Business Investment Incentives
- Business financing and development of the SME under favourable credit conditions and other incentives that make business environment favourable
- ensuring credit guarantees for commercial loans
- ensuring financial support for lowering the credit expenses
- subvention of the interest rate of the commercial credits
- sell or rent of the state owned real estate and other infrastructure facilities (that are under management of the Agency by the “Programme for Encouraging the Small Business Sector”)
- ensuring financial support for fostering employment, vocational training and structural change in qualification of the employees
- ensuring financial support for innovation implementation and endorsement of the new technology
- partial cost covering of the participation at domestic and international exhibitions
- business consulting for the SME’s
- entrepreneurship promotion
- monitoring of the proper use of the issued benefits
- evaluation, analysis and reporting of the incentives measures
- other specialised tasks in order to promote the development of the Small business sector that are given into the responsibility by the Government of the Republic of Croatia or the Ministry of Small and Medium Enterprises.

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<sup>1</sup> Transcribed from the English Translation of the Law

## Annex 2

### Management/Administrative structure of HAMAG





## Annex 3

### Persons met/interviewed

1. **Ms. Sanja Želinski Matunec**, Assistant Minister, Ministry of Small And Medium Enterprises
2. **Mr. Velko Pauš**, Advisor to the Bank for Credit Management, Croatian Guarantee Agency (HGA)
3. **Mr. Davor Ilijasic**, Executive Director – Local Economic Development Agency, Western Slavonia, Okucani
4. **Mr Dragan Jelić**, Director – Technology Development Center (CTR), Slavonski Brod
5. **Ms. Mirela Brechelmacher**, Technology Development Center (CTR), Slavonski Brod
6. **Dr. Davor Salmon**, Managing Director – BICRO Innovation and Investment Company, Zagreb
7. **Dr. Milford Bateman**, Principal Consultant, IMC Consulting Limited
8. **Mr. Geert van Boekel**, Regional Expert on Local Economic Development, International Labor Organization (ILO)
9. **Mr. Richard Wolfe**, Chief of Party – USAID Croatian Enterprise Promotion Project, Deloitte Touche Tohmatsu Emerging Markets
10. **Mr. Hayley Alexander**, Dy. Chief of Party - USAID Croatian Enterprise Promotion Project, Deloitte Touche Tohmatsu Emerging Markets
11. **Mr. Jeffrey Baldwin** – Consultant, USAID Croatian Enterprise Promotion Project, Deloitte Touche Tohmatsu Emerging Markets
12. **Mr. Veljko Mijić**, – USAID Croatian Enterprise Promotion Project, Deloitte Touche Tohmatsu Emerging Markets



## **Annex 4**

### **Suggested Mission, Vision and Values of HAMAG**

#### **MISSION STATEMENT**

*HAMAG, in collaboration with its (strategic) resource partners, will strengthen the overall SME sector to maximize its contribution in the strengthening of the Nation's economy. HAMAG will establish an efficient SME developmental infrastructure at the national, regional and local levels. That infrastructure will help the emergence of viable SMEs in all regions of the country and survival, recovery, growth and internationalization of the existing SMEs by enhancing SME's access to finance, and delivery of coordinated system of needs-based quality SME business development and support activities through efficient and effective small business support networks.*

#### **HAMAG's VISION**

*To be a leading and dynamic National Agency that supports and further develops a vibrant, competitive and thriving Small and Medium Enterprise sector in the Republic of Croatia*

#### **HAMAG's VALUES**

*We commit ourselves to provide our support and services in a professional and demand-driven manner and to leverage results through sound partnerships based on mutual trust, strategic alliances, and effective exploitation of the technology.*