



Action Plan of the Interreg Europe Project BRESE

Border Regions in Europe for Social Entrepreneurship

Action plan for Croatia, Bosnia and Herzegovina and Montenegro

HAMAG-BICRO





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1. Executive Summary

The Action plan gives an insight into action Microloans for social enterprises (SE) aimed to directly support social entrepreneurship in Croatia (HR) and indirectly in Bosnia and Herzegovina (BA) and Montenegro (ME) from 2021-2027.

The action results from the three BRESE project meetings with HAMAG-BICRO regional stakeholders from HR, BA and ME (November 2019, October 2020 and June 2021) <https://hamagbicro.hr/hamag-bicro-odrzao-sastanak-dionika-na-podrucju-drustvenog-poduzetnistva-u-sklopu-projekta-brese/> ; <https://hamagbicro.hr/brese-sastanak-drustveno-poduzetnistvo-u-hrvatskoj-bosni-i-hercegovini-i-crnoj-gori/>

The stakeholders discussed on the meetings Report on the regional state of the play of the social entrepreneurship in HR, BA and ME, brought up the best practices, and highlighted obstacles and opportunities. All stakeholders agreed that SE is in its beginning two main challenges preventing foster of SE were undefined legal framework and lack of financial instruments.

It was agreed that instead of INTERREG IPA CBC, as a policy instrument in 2021-2027 period, European Social Fund (ESF) will be more suitable to foster SE in the region.

2. General information

The cross border region HR-BA-ME includes 12 Counties in Croatia (HR); Brčko District and 109 municipalities in Bosnia and Herzegovina (BA) and 10 municipalities in Montenegro (ME). It spreads on 87.453.95 km² and has 5.587.836 inhabitants.



Figure 1: Regions in Croatia, Bosnia and Herzegovina and Montenegro
Source: <https://www.interreg-hr-ba-me2014-2020.eu/about-programme/programme-facts/>

The Report on the state of the play in the social entrepreneurship that was presented to all HAMAG-BICRO region stakeholders on the meeting in October 2020 revealed that in the EU about 10% of all companies are social and are developing rapidly, while HR-BA-ME region is at the beginning of the development of social entrepreneurship. In Croatia improvements and initial steps were done through implementation of the Strategy of the Development of Social Entrepreneurship in the Republic of Croatia 2015-2020, while Bosnia and Herzegovina and Montenegro were at the beginning of SE concept promotion and implementation through several ongoing projects funded by USAID or NGOs only.

All stakeholders agreed that BRESE project was important for the region as through the project HAMAG-BICRO as a project partner and national Croatian Agency for SMEs, Innovation and Investments, would foster SE in the region by implementing specific policy actions and financial instruments and by rising public awareness of SE importance within regional economy.



3. Policy Context

Meetings that HAMAG hold with its stakeholders conceived collaboration among HAMAG-BICRO and two policy makers: Ministry of Labour and Pension System, Family and Social Policy (MLPFSP) and Ministry of Regional Development and European Union Funds (MRDEUF) with aim to propose specific actions to support SE in Croatia and the region. Based on conclusions presented in the Report, all parties agreed about joint action, and proposed the ESF as a policy instrument 2021-2027, which supports SE on a wider scale and with more funds than INTERREG IPA CBC.

The justification was based on two points:

- 1) Changes of priorities in SE coverage in the IPA V to IPA VI;
- 2) Funds allocation IPA vs ESF.

The HAMAG-BICRO and its regional stakeholders participation in the BRESE project was based on the INTERREG Programme IPA V – Cross-border Priority axis 4: Enhancing competitiveness and developing business environment in the program area, main objective of the Priority axis 4: to enhance institutional infrastructure and services in order to accelerate the competitiveness and development of business environment in the program area.

Analysing INTERREG IPA CBC HR-BA-ME 2014-2020, it was highlighted that for the SE was allocated 1.2 million Euros, which was not enough to significantly support SE in the region. During the project implementation and development of the INTERREG IPA CBC 2021 – 2027; it was highlighted that social entrepreneurs were mainly covered under Priority Axis 4 – Sustainable and inclusive tourism and culture, Specific objective 4.6 - Enhancing the role of culture and sustainable tourism in economic development, social inclusion and social innovation.

Therefore, it was concluded that ESF provides more opportunities to support SE comparing to IPA CBC 2021 – 2027 and that HAMAG BICRO and Ministries will take action and launch a 50 million Euros micro-loans call for SMEs, in a way that half of the total funds will be assigned to SE.

The action will be implemented by the end of 2023, through the policy instrument ESF Operational programme efficient Human resources 2021-2027, *Priority Axis 1*, Specific objective: Greater access to employment and incentives for all jobseekers, especially young people, in particular through the implementation of the Youth Guarantee, the long-term unemployed and disadvantaged groups and the inactive, and the promotion of self-employment and the social economy - to support further development of the policy instrument.



The Croatian SE will be eligible for receiving instrument, while the regional stakeholders from Bosnia and Herzegovina and Montenegro will benefit by twinning sessions and by the knowledge transfer from the Croatian partners and stakeholders to the regional.

Project	<i>BRESE</i>
Partner Organisation	<i>HAMAG-BICRO</i>
Other partner organisations (involved if relevant)	<i>N/A</i>
Country	<i>Croatia</i>
NUTS2 region	<i>01,02,03 and 04</i>
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Policy Context (*Tick relevant box below*)

- The Action Plan aims to impact:
- Investment for Growth and Jobs programme
 - European Territorial Cooperation programme
 - Other regional development policy instrument



4. Action

4.1. Action 1 - Micro-loans for social enterprises

4.1.1. Background

Lesson 1 - Regional analysis on the state of social entrepreneurship in the Programme area

The first lesson of interregional learning process and experience exchange within the BRESE project, started with regional analysis on the state of social entrepreneurship in the Programme area, conducted by external experts from the BB Consult.

Conclusions and recommendations for better public policies and policy instrument implementation were summarized under following 4 aspects:

1) Education and Skills

It is necessary to develop and offer educational programs for managers and employees of the social enterprises by preparation and implementation of the training programs. The same should be done for the employees in the public administration dealing with social entrepreneurship.

2) Financing

The policy instrument Interreg IPA V HR-BA-ME programme allocated only 1.2 million Euros to social entrepreneurship activities what is far below needs in SE sector. Additional resources in the next programming period are required to promote SE concept.

It is necessary to provide easier access to SE financing because it is one of the most significant challenges and obstacles with which SEs are dealing in targeted region. Securing financial resources for initial investment in social entrepreneurship and their lack are often the reason that prevents people to start social entrepreneurship activities at all. Therefore, it is necessary to work further on developing programs for financing, investing and opening credit lines for SE.

It is also necessary to consider opening new or merging existing funds to encourage social entrepreneurial initiatives: direct grants and financial instruments for SE development activities are required.

3) Networking and promotion

It should be foster further development of the infrastructure and cross-sectoral cooperation. Networking of social entrepreneurs represents a platform that creates an opportunity for collaboration and access to useful resources.

4) Legislation

It is necessary to institutionally and legislatively regulate these types of economic activities in order to successfully build a comprehensive model of social



entrepreneurship and enabled the establishment and functioning of social enterprises.

It should be create Strategy for the development of social entrepreneurship in Bosnia and Herzegovina and Montenegro as a guide document which elaborates a whole set of economic policies and measures for its implementation.

Also, it must be prepared the systematic and comprehensive Law on Social Entrepreneurship at national level (HR-BA-ME) in which the elements of the social entrepreneurship from existing various laws (e.g. company law, laws on foundations, laws on the promotion of small and medium-sized enterprises, employment laws for the disabled persons and other laws) will be incorporated.

Lesson 2 - Joint meeting HAMAG-BICRO and MRDEUF to propose financial instrument for SE

The second lesson emerged from the project meetings with regional stakeholders, points that lack of funds and lack of legislative framework were two major obstacles to foster social entrepreneurship in the region. It was concluded that HAMAG-BICRO and Ministry of Labour and Pension System, Family and Social Policy and Ministry of Regional Development and EU Funds, need to hold a meeting and discuss creation of the new instruments to support and promote a social entrepreneurship.

It was concluded that social entrepreneurs could be funded by European Social Fund (ESF) by micro loans that would be offered to the SMEs and SE by HAMAG-BICRO. The micro loans would be available for all Croatian social entrepreneurs, including those located in the cross-border areas with Bosnia and Herzegovina and Montenegro. HAMAG-BICRO would make agreements or initiatives with regional stake holders from Montenegro and Bosnia and Herzegovina to organize twinning sessions to pass the knowledge and practice about this initiative which will be used as a role model for them.

4.1.2. Action description

The action comprises of two phases. The phase 1 starts with the analysis and preparation of the financial instrument, while the phase 2 carries on with implementation and twinning meetings. All regional stakeholder HR_BA_ME will be included in both phases.

Based on the ESF OP HR 2021-2027, HAMAG-BICRO and Ministry of Labour and Pension System, Family and Social Policy will launch a call worth 50 million Euros for SMEs support. Fraction of 20 million Euros is allocated to support social enterprises. The allocated funds will be available via micro loans which will be given by HAMAG-BICRO. It has been considering to adopt two models of financing SE rather than just one. The first one would be a typical micro loan, where SE SMEs are obliged to pay back all borrowed money and corresponding interest. The other one would be offered



to new SE SMEs which would be free of paying back the principal in a case of successfully launching a new enterprise.

The maximum loan will be up to 150 thousand Euros per applicant.

The eligible criteria is micro, medium or small social enterprises, that meet required criteria and comply to the definition of social enterprises according to the [ESF+ regulation](#) of 24 June 2021 (Article 2. – definitions).

The interest rate 0.1 %.

Time of repayment 5 years.

4.1.3. **Players involved**

All listed players/regional stakeholders participated on our project meetings and contributed to the creation of the Report on the regional state of the play of the social entrepreneurship in HR, BA and ME players will be twinning partners and will act as knowledge transfer points for their regions.

1. HAMAG-BICRO - <https://en.hamagbicro.hr/about-us/>
Croatian Agency for SMEs, Innovation and Investments which implements programs and offers financial instruments for SMEs. During its 25 years of operation, HAMAG-BICRO has been consistently committed to growth and development of SMEs and crafts in the Republic of Croatia by facilitating their access to finance. It provides support to entrepreneurs through all development stages of operation starting from research and development of an idea to commercialization and placement on the market.
It also acts as an Intermediary body of level 2 authority for EU programs.
2. Ministry of Regional Development and EU Funds (<https://razvoj.gov.hr/>) is coordination body for EU funds in Croatia. It is in charge of planning and implementation of regional development policies, activities related to harmonization with the European Union in the field of regional policy and the use of funds from the European Union but it is also Body 1 Level authority in hierarchy of EU programs and funds implementation (Croatia).
3. Ministry of Economy and Sustainable Development Ministry of Labour and Pension System, Family and Social Policy (Croatia) <https://mrosp.gov.hr/en> is a major player in the call design and implementation.
4. Economy of Chamber Montenegro (ECM) <https://www.privrednakomora.me/en> is the major Montenegrin stakeholder and interregional HAMAG-BICRO project



partner. They have participated at the all BRESE project meetings and have been involved in the Regional analysis on the state of social entrepreneurship in the Programme area.

As a result of their involvement in the BRESE project, HAMAG BICRO and ECM signed in February 2022 Agreement of collaboration. The MAC role is knowledge receiver and it will act as a focal point of transferring best practices from Croatia and region to the stakeholders in Montenegro.

5. Associations of the Employers of the Federation of Bosnia and Herzegovina <http://www.upfbih.ba/>
6. Eko design doo Mostar <http://www.ekodizajn.ba/>
7. USAAid Bosnia and Herzegovina <https://www.usaid.gov/bosnia>

4.1.4. Timeframe

The first phase will be finished by the end of 2022. During this phase it will be defined proposed criteria of eligibility, the maximum amount available per participant, repayment period, required project documentation, and all other. So far it has been proposed that instrument is micro loan, aimed for micro, medium and small enterprises and SE. It has not yet been defined criteria of eligibility in terms whether will be given extra points to SMEs for participants which are in domain of green environment, tourism, women enterprises etc.

The second phase starts by mid-2023 when the call is expected to be launch. This phase will last until 2027 or until the funds runs out. During the second phase, from 2024 onwards, it will be organized twinning sessions between Croatia, Montenegro and Bosnia and Herzegovina. The main objective of the twinning sessions is transfer knowledge and experience of the action, including preparation activities for the launch and implementation of the call and success stories of the entrepreneurs participated in the call.

4.1.5 Costs and Funding Source

ESIF Program - 50 million Euros, out of which 20 million Euros for SE.



4.1.6 Expected impact / Potential for improvement

Although the instrument targets only Croatian SMEs, through the twinning sessions it will have impact on the Bosnia and Herzegovina and Montenegro via twinning meetings and knowledge transfer.

It is expected that this instrument will increase interest for social entrepreneurship in a way that it will increase the rate of the new comers and that it will improve and increase the business scope of the existed ones. So far there was no national financial instrument which would target social entrepreneurs only and that was brought up as the major obstacle on our meeting in October 2020 by all stakeholders (policy makers, SMEs and intermediary bodies). Based on this instrument in the future can be created more specific instruments, which would support particular activities.

4. Conclusion

There was no much improvement in terms of fostering SE in Croatia, Bosnia and Herzegovina and Montenegro in the last five years. One of the reason is unexpected economic and political stagnation due to COVID restrictions. Another is still slow and inefficient regional policy makers and institutional bodies.

Croatia is still the leader in the region, while in BA and MA, social entrepreneurship still relies on the several projects funded by USA AID and NGOs.

In BA in December 2021 was adopted the Legislation of social entrepreneurship, and in February 2022 the same was adopted for the Serbian district

<https://dobo.gov.ba/wp-content/uploads/2021/07/Zakon-o-drustvenom-preduzetnistvu-Republike-Srpske.pdf>

By the end of 2022 it was supposed to start a new SE project funded by the Delegation of EU in BA, worth 250 000 Euros. The project is continuation of the recently finished three year project Contribution of civil society organizations to the development of social entrepreneurship.

In Montenegro there have been no new initiatives apart from the agreement of cooperation between HAMAG-BICRO and Chamber of economy of Montenegro, which is our project regional stakeholder

<https://hamagbicro.hr/potpisan-sporazum-o-suradnji-hamag-bicro-a-i-privredne-komore-crne-gore/>

However, the action presented in this action plan is expected to encourage social entrepreneurs and to increase their impact in regional economy in upcoming period 2021 – 2027.



European Union
European Regional
Development Fund



Date: 28 April 2022

Signature: Ebonita Ćurković

Stamp of the organisation (if available):