**Republic of Croatia**

**Croatian Bank for Reconstruction and Development (HBOR)**

**STAKEHOLDER ENGAGEMENT PLAN**

**FOR THE**

**HELPING ENTERPRISES ACCESS LIQUIDITY**

**PROJECT**

**2023**



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# Introduction

## Context

The project development objective (PDO) is to support the recovery of private sector exporters from the economic impact of the COVID-19 pandemic, enhance access to finance for firms in underserved segments and lagging regions, and strengthen HBOR's institutional capacity as a development bank. The ultimate sub-loan beneficiaries will be private sector firms (SMEs and mid-caps). These are firms with private ownership (defined as more than 50 percent private ownership or private control) that are operating at the territory of Republic of Croatia. For the purpose of this project, and in line with Government policy and the borrowers’ existing practice, eligible firms are defined either as (i) SMEs (firms employing fewer than 250 people) or (ii) mid-caps firms (defined as firms employing from 250 to 3000 people). The firms may be an exporter and/or firms in the underserved segments (women-owned firms, defined as firms with at least one female shareholder with a properly documented representative and managing powers; and young enterprises, defined as firms with less than 5 years in operation) and in lagging regions, as defined by the Act on Regional Development.

The Project funding will be used for extending sub-loans for working capital and financial restructuring. Working capital will cover current business operations and may include, inter alia, salaries and labor costs, purchase of raw materials, production materials, semi-finished products, small inventory, settlement of obligations towards suppliers, and general current operating expenses such as office/factory/warehouse rent and utilities. Financial restructuring will include the settling of existing obligations towards suppliers (excluding related entities) and financial institutions to help the beneficiaries to retain employees and stay in business. No physical investments will be financed through by means of this Project.

## Project Description

The project development objective (PDO) is to support the recovery of private sector exporters from the economic impact of the COVID-19 pandemic, enhance access to finance for firms in underserved segments and lagging regions, and strengthen HBOR's institutional capacity as a development bank. The ultimate project beneficiaries will be private sector firms (SMEs and mid-caps). These are firms with private ownership (defined as more than 50 percent private ownership or private control) that are operating at the territory of Republic of Croatia. For the purpose of this project, and in line with Government policy and the borrowers’ existing practice, eligible firms are defined either as (i) SMEs (firms employing fewer than 250 people) or (ii) mid-caps firms (defined as firms employing from 250 to 3000 people). The firms may be an exporter and/or firms in the underserved segments (women-owned firms, defined as firms with at least one female shareholder with a properly documented representative and managing powers; and young enterprises, defined as firms with less than 5 years in operation) and in lagging regions, as defined by the Act on Regional Development.

The Project funding will be used for extending sub-loans for working capital loans and financial restructuring. Working capital will cover current business operations and may include, inter alia, salaries and labor costs, purchase of raw materials, production materials, semi-finished products, small inventory, settlement of obligations towards suppliers, and general current operating expenses such as office/factory/warehouse rent and utilities. Financial restructuring will include the settling of existing obligations towards suppliers (excluding related entities) and financial institutions to help the beneficiaries to retain employees and stay in business.

## Objectives of the Stakeholder Engagement Plan

As per the Environmental and Social Standard (ESS) 10 on “Stakeholder Engagement and Information Disclosure”, implementing agencies should provide stakeholders with timely, relevant, understandable and accessible information and consult with them in a culturally appropriate manner, which is free of manipulation, interference, coercion, discrimination and intimidation.

The overall objective of this Stakeholder Engagement Plan (SEP) is to identify key project stakeholders and to define a program for stakeholder engagement, including public information disclosure and consultation, throughout the entire project cycle. The SEP outlines the ways in which the project team will communicate with stakeholders and includes a mechanism by which people can express their views, raise concerns, provide feedback, or make complaints about project and any activities related to the project.

HBOR is committed to actively encouraging stakeholder input, so as to benefit from stakeholders’ contributions and to better fulfil its mission. Due to its dual character as a financial and public institution, HBOR considers transparency, information disclosure and effective communication an essential condition for a free and open exchange with all stakeholders and commits to fairness and clarity for all parties.

The SEP will contribute to increasing the efficiency, effectiveness and sustainability of the Helping Enterprises Access Liquidity project, reinforce HBOR’s zero-tolerance of fraud and corruption, ensure financed projects’ adherence to the World Bank’s Environmental and Social (E&S) Standards and promote overall accountability and good governance.

The SEP was disclosed before project appraisal to seek the views of stakeholders and include their feedback, to the extent possible, and as appropriate, on HBOR’s proposed stakeholder engagement strategy. It will be periodically revised and updated as necessary in the course of project implementation in order to ensure that the information presented herein is consistent and is the most recent, and that the identified methods of engagement remain appropriate and effective in relation to the project context and specific phases of its development.

HBOR will require PFIs to conduct stakeholder engagement in a manner proportionate to the risks and impacts of their subprojects, and which reflects the type of subprojects financed.

## Legal/regulatory provisions relevant to stakeholder engagement

### Croatian Constitution

According to the Croatian Constitution’s **Article 46,** “*Everyone shall be entitled to file petitions and complaints and to submit proposals to governmental and other public bodies, and to receive responses thereto”*, notwithstanding the possibility to lodge a complaint to the Ombudsperson if a citizen “*deems that his/her constitutional or legal rights have been threatened or violated as a result of any illegal or irregular act by governmental bodies and the civil service, local and regional self-governmental bodies and bodies vested with public authority*” (**Article 93**).

### Right to access information

The right of access to information and the re-use of information are exercised pursuant to the **Act on the Right of Access to Information** (Zakon o pravu na pristup informacijama) (Official Gazette no. 25/2013).

The right of access to information is founded on the principles of public and free access, timely, complete and accurate information, the principle of equality, the principle of the availability of information and, pursuant to Article 5, paragraph 1, point 5 of the Act, this right "*entails the right of a user to request and receive the information, as well as the obligation of the public authorities to provide access to the information requested, that is, to publish the information even when no particular request has been made, when publication stems from their obligation prescribed by law or some other general regulation*"[[1]](#footnote-2).

Upon receipt of a request for access to information, a public authority body issues its decision and provides the information (in the case that the information in not available due to other law or regulations) within 15 days from the date of submission of an orderly request. This deadline can be prolonged by another 15 days in case of complex requests.

The right of access to information and re-use of information may be exercised by submitting an [application](https://vlada.gov.hr/pristup-informacijama-11859/sluzbenica-za-informiranje-vlade-rh/11860/doc/13136) to HBOR or to the Information Officer of HBOR via the following channels:

|  |  |
| --- | --- |
| Post | HBOR Strossmayerov trg 9 10 000 Zagrebhttps://www.hbor.hr/pristup-informacijama/ |
| **Email** | sluzbenikzainformiranje@hbor.hr |
| **Phone** | +385 1 45 91 571 |

### Aarhus Convention

Croatia is party to the United Nations Economic Commission for Europe (UNECE) Convention on Access to Information, Public Participation in Decision-making and Access to Justice in Environmental Matters done at Aarhus, Denmark, on 25 June 1998, which is based on three pillars:

* **The right to information**: citizens have the right to access environmental information held by public authorities upon request;
* **The right to participate** in decision-making during the preparation of plans, programs, policies and legislation relating to the environment; and
* **The right to justice**: citizens have the right to access justice regarding environmental matters; to challenge a refusal or inadequate response to request for information; and to challenge the legality of a plan or challenge actions or omissions that contravene national environmental law.

Any member of the public has the right to submit communications to the Aarhus Convention Compliance Committee concerning alleged non-compliance of a party with the Convention.

###  General Data Protection Regulation (GDPR)

The General Data Protection Regulation (Regulation (EU) 2016/679) is a European Union law that was introduced on May 25, 2018 and requires organizations to safeguard personal data of natural persons (individuals) and to uphold the privacy rights of natural persons in the EU territory.

The GDPR includes seven principles of data protection that must be implemented and eight privacy rights that must be facilitated. It also empowers member state-level data protection authorities to enforce the GDPR with sanctions and fines. The authorities can levy harsh fines against those who violate privacy and security standards prescribed by GDPR, with penalties reaching into the tens of millions of euros. A Data Protection Officer (DPO), as an employee within an organization, is responsible to inform and advise the organization and with monitoring of organizations compliance with the GDPR. The DPO is the main point of contact for the data protection authority. Typically, the DPO has knowledge of both information technology and law.

# Stakeholder identification and analysis

## Methodology

Stakeholders are defined in **HBOR’s Corporate Governance Code** (Kodeks korporativnog upravljanja, from February 2013).

The stakeholders vis-à-vis HBOR are the persons who affect HBOR or who are affected by HBOR’s decisions and activities. HBOR’s stakeholders are government and public administration bodies, clients, foreign and local financial institutions, regulatory bodies, rating agencies, employees, local community, non-governmental organizations, suppliers/investors and media.

HBOR monitors the standpoints of the stakeholders, assesses their foundation and takes necessary measures to gradually improve relationships and develop transparency. HBOR communicates with the stakeholders actively and openly with a special focus on the improvement in quality of communication with clients.

Different stakeholders’ groups have been engaged as part of HBOR regular activities undertaken by different organizational units and regional offices. These engagements include:

* activities to inform the public about ongoing and new business processes and services, by means of press releases and press conferences, website updates, meetings and periodic INFO days held at HBOR regional offices, annual Export conference;
* collaborative activities with different stakeholders’ groups, by means of participation in ongoing working groups, research studies, events and round tables, networking through associations and clubs;
* taking part or conducting surveys (clients satisfaction survey, employee satisfaction survey, non-financial report materiality assessment survey), addressing inquiries and complaints received via different grievance mechanisms, seeking and implementing stakeholder feedback while developing new/strategic business initiatives/programmes (NEW Natural Capital Finance Facility, NEW midterm strategy);
* open two-way communication via different channels.

The new HBOR Strategy 2020-2024 fully recognizes the need to actively engage stakeholders. More than 10 Stakeholder engagement activities aimed at promoting collaboration, increasing transparency and fostering inclusive development of communities and regions are to be undertaken in the coming period, under HBOR Key Strategic Initiatives. In the circumstances of COVID-19 crisis, alternative virtual communication methods and teleworking means such as conference calls and webinars have been introduced in order to limit travel and physical contact while engaging with stakeholders.

For the purposes of effective and tailored engagement, project stakeholders can be divided into the following core categories:

* **Affected Parties** – persons, groups and other entities within the Project Area of Influence that are directly influenced (actually or potentially) by the project and/or have been identified as most susceptible to change associated with the project, and who need to be closely engaged in identifying impacts and their significance, as well as in decision-making on mitigation and management measures;
* **Other Interested Parties** – individuals/groups/entities that may not experience direct impacts from the Project but who consider or perceive their interests as being affected by the project and/or who could affect the project and the process of its implementation in some way; and
* **Vulnerable Groups** – persons who may be disproportionately impacted or further disadvantaged by the project as compared with any other groups due to their vulnerable status[[2]](#footnote-3), and that may require special engagement efforts to ensure their equal representation in the consultation and decision-making process associated with the project.

## Affected Parties

Under the project, the following Project Affected Parties (PAP) have been identified:

* **Participating Financial Institutions (PFIs),** i.e. commercial banks or other financial institutions through which HBOR will provide loans to firms;
* **Shareholders, managers and employees of private sector companies (SME)** operating on the territory of Republic of Croatia and affected by the economic impact of COVID-19 pandemic, especially those in sectors that are hit hard by the crisis, such as services and hospitality;
* **Shareholders, managers and employees of larger firms** operating on the territory of Republic of Croatia and affected by the economic impact of COVID-19 pandemic;
* **HBOR regional offices** (Regional Office for Dalmatia, Regional Office for Istria, Regional Office for Lika, Regional Office for Primorje and Gorski kotar, Regional Office for North-West Croatia, Regional Office for Slavonia and Baranja);
* **HBOR managers and employees;**
* **Government officials from the Ministry of Finance.**

## Other Interested Parties

Under the project, the following Other Interested Parties have been identified:

Public sector actors:

* **Regional self-governments**, in particular Regional Development Agencies in each county, since they may have knowledge of companies in their region that could benefit from the program;
* **The Croatian Employment Service** (Hrvatski zavod za zapošljavanje, HZZ), in charge of promoting the adaptability of enterprises facilitating redeployment and restructuring and encouraging new job creation;
* **Government officials from the** **following ministries**: Ministry of Tourism; Ministry of Economy, Entrepreneurship and Crafts; Ministry of Regional Development and EU funds; Ministry of Labor and Pension System; and Ministry of Demographics, Family, Youth and Social Policy;
* **The Croatian National Bank**.

Business associations:

* **The Croatian Chamber of Economy/Commerce** (Hrvatska gospodarska komora - HGK), which is the independent professional and business organization of all legal entities engaging in business in Croatia[[3]](#footnote-4).
* **The Croatian Employers’ Association** (Hrvatska udruga poslodavaca – HUP) [[4]](#footnote-5), an employers' confederation which unites 30 branch associations, with regional offices in Rijeka, Osijek and Split. HUP’s almost 6,000 voluntary members employ around 400,000 workers, which is approximately 46% of all private sector employees[[5]](#footnote-6). In April 2020, HUP included “maintaining liquidity for businesses” as part of nine key proposed measures to revive the economy[[6]](#footnote-7).
* **The Croatian Small Business, Innovation and Investment Agency** (HAMAG-BICRO)[[7]](#footnote-8), a government agency which offers a range of services for entrepreneurs in small and medium-sized enterprises, in particular those in need of financing for business development. HAMAG-BICRO has already introduced COVID-19 small loans for working capital.
* **The Croatian Tourism Association** (HUT), founded in 2018 as an umbrella sectoral organization of the most important Croatian industry – tourism, which brings 17 percent of GDP, and employs more than 10 percent of the total number of employed in the country. Members of HUT include the 14 biggest hotel companies in Croatia and the largest associations of the Croatian tourism sector – the Association of Employers in Croatian Hospitality (UPUHH) and Croatian Camping Association (KUH).
* Any other **business associations,** gathering members from different sectors.

Local communities

* The **local communities**, affected by the pandemic, residing in the regions where the beneficiary firms are located and which will indirectly benefit from the project.

Non-governmental organizations

* The **think tank “SMEs and Entrepreneurship Policy Center”** (Centar za politiku razvoja malih i srednjih poduzeca i poduzetništva, CEPOR), which has experience cooperating with private banks to advocate for the needs of SME owners[[8]](#footnote-9);
* Any other **civil society groups and NGOs** on the national, regional, or local level that pursue environmental and socio-economic interests.

Media

* **Television channels**;
* **Radio stations**;
* **Business magazines**, and business daily newspapers;
* The **Croatian national news agency** HINA;
* Other **online and print newspapers** at the local, regional and national levels;
* **Social media sites** and discussion groups.

International partners

* The **European Commission**, which approved two state aid schemes to HBOR, with an overall estimated budget to grant aid up to EUR 1.8bn;
* The **European Investment Bank**;
* The **Council of Europe Development Bank**.

## Vulnerable groups or individuals

In accordance with the Anti-Discrimination Act (OG 85/08, 112/12), the project will equally benefit citizens of Croatia regardless of race or ethnicity or skin color, gender, language, religion, political or other beliefs, national or social background, property status, union membership, education, social status, marital or family status, age, health status, disability, genetic inheritance, gender identity, expression or sexual orientation.

In the context of this project, the following vulnerable individuals and groups have been identified:

|  |  |
| --- | --- |
| **Vulnerable group** | **Characteristics** |
| Firms operating in lagging regions[[9]](#footnote-10) | Firms concentrated in less developed regions may face challenges in accessing information about the project. |
| Women-owned firms[[10]](#footnote-11) | This group of firms may be impacted more severely by the tightening of credit conditions, given that banks perceive them as higher-risk even in normal times. The underlying reasons include, among others, a lack of credit history, insufficient collateral, lack of good and transparent financial accounts, and possibly conscious or unconscious bias. |
| Young firms[[11]](#footnote-12) | This group of firms may be impacted more severely by the tightening of credit conditions, given that banks perceive them as higher risk even in normal times. The underlying reasons include, among others, a lack of credit history, insufficient collateral, lack of good and transparent financial accounts, and possibly conscious or unconscious bias. |

Vulnerable groups within the communities will be further confirmed and consulted through dedicated means, as appropriate.

# Stakeholder Engagement Program

## Summary of stakeholder engagement during project preparation

Project consultations have been limited to date due to national restrictions on public gatherings aimed at preventing the spread of the coronavirus in the country. However, the Ministry of Finance and HBOR (inclusive of its information offices) have had an active engagement with Croatian Employers’ Association and private enterprises from various sectors (potential direct beneficiaries of this facility) most affected by the impacts of Covid-19 pandemic. The affected private firms’ expressed needs are reflected in the project design. The financing under the project is to help those companies protect employment and recover faster after the general situation improves and economic activity starts accelerating.

HBOR aims to establish broader stakeholder engagement continuously during project implementation, beginning with project affected parties mainly through virtual communication and not in person due to the risk of Covid-19 spread. For this reason, an initial SEP was prepared at Project appraisal stage, and was updated after Project effectiveness. It will be updated periodically as necessary.

During Project preparation consultations were also held with IFIs (the European Investment Bank and the Council of Europe Development Bank) regarding obtaining funding to finance those companies affected by the crisis caused by the Covid-19 pandemic. Since the beginning of the pandemic, consultations have also been held with commercial banks such as Addiko Bank d.d., Erste&Steiermärkische bank d.d., Hrvatska poštanska banka d.d., OTP banka d.d., Privredna banka Zagreb d.d., Raiffeisendbank Austria d.d., Sberbank d.d. and Zagrebačka banka d.d., the Croatian National Bank and the Croatian Banking Association regarding measures aimed at maintaining the level of economic activity, keeping the liquidity of economic operators stable and, most importantly, preserving jobs. HEAL project fully fits into the mentioned measures.

## Adapting stakeholder engagement to the evolving Covid-19 situation

With the evolving situation, as the Croatian Government has taken measures to impose restrictions on public gatherings, meetings and people’s movement, the general public has also become increasingly concerned about the risks of transmission, particularly through social interactions. Hence alternative ways have been adopted to manage consultations and stakeholder engagement in accordance with the national regulations, policies and new social norms in effect to mitigate prevention of the virus transmission.

These alternate approaches for stakeholder engagement include: consultations in small groups if smaller meetings are permitted, and making reasonable efforts to conduct meetings through online channels (e.g. MS teams, Skype for Business), project website and dedicated phone-lines when stakeholders do not have access to online channels or do not use them frequently.

In terms of consultations with stakeholders on project design, activities and implementation arrangements, etc., this revised SEP, lays out all types of relevant stakeholders, anticipated issues and interests, methods of involvement and proposed communication methods.

## Proposed Stakeholder Engagement Program

|  |  |  |  |  |  |  |
| --- | --- | --- | --- | --- | --- | --- |
| **Project stage** | **Target stakeholders** | **Engagement topic** | **Method used** | **Responsibilities** | **Frequency** | **Indicator** |
| Project preparation | * Private firms impacted by the Covid-19 crisis
* PFIs
* Ministry of Finance
* Business associations
 | Purpose, nature and scale of the HEAL project  | Email/Phone correspondence Remote meetings and consultations (e.g. through videoconferences, phone calls) | Participants from several organizational units of HBOR | One consultation per region at project launch |  |
| Project Implementation | Private firms impacted by the Covid-19 crisis | Awareness-raising about the HEAL project | Press release (PR) | HEAL Project Team | Once, in June 2021 | 1 publication6 presentations1 publication |
| Promotion of the HEAL project and HBOR’s loan programs | Info days/presentations of regional offices - special focus on women entrepreneurs, young firms and firms operating in lagging regions | HBOR Regional offices (Rijeka, Osijek, Gospić, Split, Varaždin and Pula) | Min 6 presentations per quarter, throughout the project implementation |
| Social media posts (LinkedIn) | HEAL Project Team  | Once in Q2/Q3 2022; in all other years of the project implementation once in Q1 |
| Eligibility criteria for project beneficiaries and their loans with defined procedures for the identification, assessment and management of environmental and social risks and impacts of their projects  | HBOR & PFIs websites | HEAL Project Team   | Throughout the project implementation (update in Q1 and Q4, if needed) | continuously during implementationN/A |
| Physical or remote meetings and consultations (e.g. through videoconferences, phone calls) | When needed |
| Grievance mechanism (GM) | HBOR & PFIs websitesEmail/Phone correspondence | Throughout the project implementation (website update in Q1 and Q4, if needed) | continuously during implementation |
| Beneficiary satisfaction survey  | Email correspondence  | after 70% of the credit line amount is allocated | 1 survey |
| PFIs | Awareness-raising about the HEAL project | Press release (PR) | HEAL Project Team | Once, in June 2021 | 1 publicationcontinuously during implementation2 presentationsN/Acontinuously during implementation |
| Eligibility criteria for project beneficiaries and their loans with defined procedures for the identification, assessment and management of environmental and social risks and impacts of their projects | HBOR & PFIs websites | Throughout the project implementation (website update in Q1 and Q4, if needed) |
| Presentations to PFIs: HEAL project & ESMS | Min 2 presentations in Q2/Q3 2022 |
| Physical or remote meetings and consultations (e.g. through videoconferences, phone calls) | When needed |
| Grievance mechanism (GM) | HBOR & PFIs websitesEmail/Phone correspondence | Throughout the project implementation (website update in Q1 and Q4, if needed) |
|  | Beneficiary satisfaction survey  | Email correspondence | after 70% of the credit line amount is allocated | 1 survey |
| Business associations  | Awareness-raising about the HEAL project | Press release (PR) | HEAL Project Team | Once, in June 2021 | 1 publication6 presentations1 publicationcontinuously during implementation |
| Promotion of the HEAL project and HBOR’s loan programs | Info days/presentations of regional offices - special focus on women entrepreneurs, young firms and firms operating in lagging regions  | HBOR Regional offices (Rijeka, Osijek, Gospić, Split, Varaždin and Pula) | Min 6 presentations per quarter, throughout the project implementation |
| Social media posts (LinkedIn) | HEAL Project Team  | Once in Q2/Q3 2022; in all other years of the project implementation once in Q1 |
| Grievance mechanism (GM) | HBOR & PFIs websitesEmail/Phone correspondence | Throughout the project implementation (website update in Q1 and Q4) |
| Media | Awareness-raising about the HEAL project | Press release (PR) | HEAL Project Team  | Once, in June 2021 | 1 publicationcontinuously during implementation1 publicationcontinuously during implementation |
| HBOR & PFIs websitesEmail/Phone correspondence | Throughout the project implementation (website update in Q1 and Q4) |
| Social media posts (LinkedIn) | Once in Q2/Q3 2022; in all other years of the project implementation once in Q1 |
| Grievance mechanism (GM) | HBOR and PFIs websitesEmail/Phone correspondence | Throughout the project implementation (website update in Q1 and Q4) |
| Public sector representatives from various Ministries & Local government representatives | Awareness-raising about the HEAL project | Press release (PR) | HEAL Project Team  | Once, in June 2021 | 1 publicationcontinuously during implementation1 publicationcontinuously during implementation |
| HBOR & PFIs websitesEmail/Phone correspondence | Throughout the project implementation (website update in Q1 and Q4) |
| Social media posts (LinkedIn) | Once in Q2/Q3 2022; in all other years of the project implementation once in Q1 |
| Grievance mechanism (GM) | HBOR and PFIs websitesEmail/Phone correspondence | Throughout the project implementation (website update in Q1 and Q4) |
| Vulnerable groups  | Awareness-raising about the HEAL project | Press release (PR) | HEAL Project Team | Once, in June 2021 | 1 publication2 presentations2 workshops1 presentation1 presentation1 publicationcontinuously during implementationN/Acontinuously during implementation |
| Promotion of the HEAL project and HBOR’s loan programs  | Info days/presentations of regional offices - special focus on women entrepreneurs, young firms and firms operating in lagging regions | HBOR Regional offices (Rijeka, Osijek, Gospić, Split, Varaždin and Pula) | Min 2 presentations per quarter, throughout the project implementation |
| Young firms - workshops 7 steps to credit |
| HBOR Regional office Gospić | Participation in the International Conference on Women in Entrepreneurship “Žene i TOČKA”, organized by the Otočac County in December each year |
|  | Promotion and visibility at expert panels and discussions | HEAL Project Team | Lider Women in Business in December  |
|  | Social media posts (LinkedIn) | Once in Q2/Q3 2022; in all other years of the project implementation once in Q1 |
| Eligibility criteria for project beneficiaries and their loans with defined procedures for the identification, assessment and management of environmental and social risks and impacts of their projects | HBOR & PFIs websites | Throughout the project implementation (update in Q1 and Q4, if needed) |
|  | Physical or remote meetings and consultations (e.g. through videoconferences, phone calls) | When needed |
|  | Grievance mechanism (GM) | HBOR & PFIs websitesEmail/Phone correspondence | Throughout the project implementation (website update in Q1 and Q4, if needed) |
|  | Beneficiary satisfaction survey  | Email correspondence |  | after 70% of the credit line amount is allocated | 1 survey |
|  | Non-governmental organizations & Local communities | Awareness-raising about the HEAL project | Press release (PR) | HEAL Project Team   | Once, in June 2021 | 1 publicationcontinuously during implementation1 publicationcontinuously during implementation |
|  | HBOR & PFIs websitesEmail/Phone correspondence | Throughout the project implementation (website update in Q1 and Q4) |
|  | Social media posts (LinkedIn) | Once in Q2/Q3 2022; in all other years of the project implementation once in Q1 |
|  | Grievance mechanism (GM) | HBOR and PFIs websitesEmail/Phone correspondence | Throughout the project implementation (website update in Q1 and Q4) |
|  | HBOR employees including regional offices | Awareness-raising about the HEAL project | Presentation on the HEAL project & ESMS | HEAL Project Team  | Q1/Q2 2022 | 1 presentationcontinuously during implementationcontinuously during implementation |
|  | Project activities | Information on HBOR’s Intranet | When needed, throughout the project implementation |
|  | Grievance mechanism (GM) | HBOR websiteEmail/Phone correspondence | Throughout the project implementation (website update in Q1 and Q4, if needed) |

The language of communication is Croatian.

HBOR will respond to public enquiries and concerns in a timely manner.

HBOR has created a dedicated webpage on the project on its existing website. That dedicated webpage discloses project-related environmental and social monitoring reports, details about the project’s grievance mechanism including an electronic submission form, and contact details of PIT staff responsible for stakeholder engagement.

HBOR will update its website regularly (at least on a semi-annual basis) with key project updates and environmental and social performance reports.

HBOR PIT will utilize their existing online communication channels and facilities for the disclosure of written/visual materials. Project updates will be posted on HBOR’s website with links to that of PFIs. A **stakeholder engagement/beneficiary satisfaction survey** will be carried out to seek feedback from PFIs and beneficiary firms and evaluate their perceptions of various aspects of the project, including transparency, ease of accessing the loans, etc. This beneficiary satisfaction survey will be conducted after 70% of the credit line amount is allocated; details of the survey will be determined during project implementation. The PIT will share the survey results with the World Bank and discuss them with PFIs as appropriate.

## Review of Comments

Suggestions and comments received during consultations (both electronic and face-to-face), and received through website and social media accounts, will be reviewed, and to extent possible, and as appropriate, integrated in the SEP and project design and implementation.

Complaints and suggestions received through the Grievance Mechanism will be addressed in a timely, effective and efficient manner and the complainant or feedback provider will also be responded to in a timely manner.

## Timelines and Future Phases of Project

Stakeholders will be kept informed as the project develops, including reporting on project environmental and social performance and implementation of the SEP and the grievance mechanism.

HBOR PIT and dedicated staff of PFIs will ensure that engagement activities that require face-to-face interaction will resume after restrictions on movement and social distancing requirements are eased or lifted.

# Resources and Responsibilities for implementing Stakeholder Engagement activities

## Resources

One person within HBOR's PIT (from existing PR/communication department staff) is appointed for the implementation of the stakeholder engagement program overall, with the support of all other project team members and relevant organizational units.

The total indicative budget required for implementing the stakeholder engagement activities is included in the table below and may be revised later, based on the needs of the project. All costs listed in the table below will be paid by HBOR.

|  |  |  |  |  |
| --- | --- | --- | --- | --- |
| **Costs** | **Unit** | **Quantity** | **Unit Cost (in EUR)** | **Total Cost (in EUR)** |
| 1. HBOR PR/communication staff
 | Hour | 90 | 25 | 2.250 |
| 1. PR consultancy
 | Service | 6 | 200 | 1.200 |
| 1. Communication campaigns (e.g. social media posts, information events, printing of informational documents, flyers, and other visibility actions)
 | Hour  | 1004 | 25 | 25.100 |
| 1. Beneficiary satisfaction survey
 |  Hour | 150 | 25 | 3.750 |
| 1. Website updates to create dedicated project page and allow online uptake of grievances
 | Hour | 30 | 25 | 750 |
| 1. Grievance handling/management
 | Hour | 256 | 25 | 6.400 |
| **Total costs**  |  |  |   | **39.450** |

## Management Functions and Responsibilities

The project is to be implemented through HBOR’s Fund Managing Division. The Fund Managing Division, represented by the Executive Director, will be responsible for daily management of the project.

HBOR assigned one designated expert within the PIT for the management and monitoring of stakeholder activities including the monitoring of grievance related actions taken. That expert is paid by HBOR. PFIs will designate a person to implement stakeholder engagement activities and convey stakeholder engagement related issues and progress (including grievances) to HBOR.

# Grievance Mechanism

## Objective of the Grievance Mechanism

The main objective of a Grievance Mechanism (GM) is to assist to resolve complaints and grievances in a timely, effective and efficient manner that satisfies all parties involved. It provides a transparent and credible process for fair, effective and lasting outcomes. It also builds trust and cooperation as an integral component of broader community consultation that facilitates corrective actions. Specifically, the GM:

* Provides affected people with avenues for making a complaint or resolving any dispute that may arise during the course of the implementation of projects; and
* Ensures that appropriate and mutually acceptable redress actions are identified and implemented to the satisfaction of complainants.

## Reporting complaints vs. irregularities

HBOR’s clients and employees as well as other interested third parties may submit:

* complaints and
* report irregularities.

**A complaint** is a statement of dissatisfaction sent to HBOR by a natural person or a legal entity in connection with the provision of HBOR’s services. Complaints are managed by Management Board Office in a timely, effective and efficient manner.

**An irregularity** is an action or omission that is unlawful and that:

1. falls within the scope of the application of European Union acts set out in Part I of the Annex to the Act concerning the following areas:
* public procurement
* financial services, products and markets, and prevention of money laundering and terrorist financing
* product safety and compliance
* transport safety
* protection of the environment
* radiation protection and nuclear safety
* food and feed safety, animal health and welfare
* public health
* consumer protection
* protection of privacy and personal data, and security of network and information systems
1. affects the financial interests of the European Union as referred to in Article 325 of the Treaty on the Functioning of the European Union and as further specified in relevant European Union measures
2. relates to the internal market, as referred to in Article 26, paragraph 2 of the Treaty on the Functioning of the European Union, including breaches of European Union competition and State aid rules, as well as breaches relating to the internal market in relation to acts which breach the rules of corporate tax or to arrangements the purpose of which is to obtain a tax advantage that defeats the object or purpose of the applicable corporate tax law
3. relates to other provisions of the national law if such breaches jeopardise public interests.

## Existing grievance/feedback mechanisms at HBOR

### Reporting irregularities

HBOR’s system of reporting irregularities was harmonized with the Act for the Protection of Persons Reporting Irregularities (“Whistleblowers”), Official Gazette of the Republic of Croatia No. 46/22 (hereinafter: the Act) that has been in effect since 23 April 2022. In June 2022, the Ordinance on the Manner of Appointment of the Grievance Officer and on the Irregularity Reporting Procedure at HBOR was adopted, pursuant to which clients, workers and other interested persons who want to report irregularities, fraud or suspicion of corruption need to fill in a dedicated pdf form available on HBOR’s website under the following link:

<https://www.hbor.hr/naslovnica/hbor/prijava-nepravilnosti-prijevare-sumnje-korupciju/>

and send it by post or email to HBOR.

In July 2022, in accordance with the Act and the Ordinance, HBOR appointed the new grievance officer that was authorised to act on irregularity reports (in the case of internal reports as well as in the case of third-pary reports).

### General user feedback and complaints

Regarding broader feedback or user enquiries, the “Ask us” section of HBOR website has the possibility for people to enter their name and surname (optional), their email, and to send in via the website a message related to “loans” or “other”: <https://www.hbor.hr/en/front-page/pitajte-nas/>.

Complaints can also be sent to e-mail address: hbor@hbor.hr.

## Grievance procedures under the project

The project GM utilises existing grievance channels of HBOR, and all complaints relating to the project are separately marked and reported on the website dedicated to the project.

### Grievance uptake channels

COMPLAINTS, PRAISES, SUGGESTIONS

Complaints, praises or suggestions can be sent to the address hbor@hbor.hr which is checked on a daily basis. The project will widely advertise the possibility to use this email address to voice any concerns, suggestions, enquiries, questions, or praises about the project.

REPORTING IRREGULARITIES

All interested parties, whether HBOR employees or a third interested party, are allowed to report any irregularity, fraud or suspicion of corruption of HBOR employees.

The reporting person may submit a report:

1. in writing,
2. orally on the minutes (oral reporting is possible by phone or other voice message systems and upon request of the reporting person at a physical meeting within a reasonable time) or
3. by using a report template available at HBOR’s internet sites.

A report contains:

1. data on reporting person,
2. data on natural person or legal entity (HBOR) that is being reported
3. information on irregularities, and
4. report submission date.

Reports can also be submitted anonymously.

The completed report template can be sent:

* + by an e-mail to the address: povjerljivaosoba@hbor.hr, or
	+ by postal mail to the address:

Hrvatska banka za obnovu i razvitak

Povjerljiva osoba

Strossmayerov trg 9, 10 000 Zagreb

### Grievance acknowledgment, investigation and resolution

COMPLAINTS, PRAISES, SUGGESTIONS

All messages received to the email address hbor@hbor.hr are read by the Management Board Office and are immediately forwarded to the organisational unit to which the individual inquiry relates. The organisational unit in charge reacts to the inquiry in the shortest term possible and responds to the inquirer either independently or in cooperation with the Management Board Office. Records of the received complaints are kept in the Management Board Office.

IRREGULARITIES

The grievance officer shall:

1. receive an irregularity report,
2. inform the sender of the report of the receipt of the report with the period of 7 days from the report receipt,
3. if the report contains the elements of complaint, forward to the Business Communications and Marketing Department,
4. if the report contains the elements of irregularity, carry out the procedure in accordance with the description below and inform the Management Board about the irregularity report.

*Preliminary procedure*

The grievance officer carries out the preliminary procedure during which he/she assesses the following:

1. are there elements of irregularity in the report and, if yes, classifies them as internal irregularity reporting or irregularity reporting by third parties
2. are there elements of complaint in the report and, if yes, forwards the report to the Business Communications and Marketing Department

If, according to the assessment made by the grievance officer, there are no elements of irregularity in the report, the grievance officer shall not carry out the further procedure and shall accordingly inform the reporting person if the reporting person has made it possible to contact him/her and shall inform him/her about the possibility of submitting the report to HBOR’s responsible expert team for further procedure.

*Procedures upon irregularity reports*

The grievance officer implements the procedure upon reporting of irregularities, which must be completed within 30 days from the date of confirmation of receipt of the report, or if the confirmation was not sent to the person reporting the irregularity, after 7 days from the date of submission of the report, or within 90 days if it is a more complex procedure (e.g. a procedure that requires the involvement of other expert teams of HBOR).

The grievance officer examines the circumstances of the case for the purpose of assessing the merits of the report and proposing measures to stop and eliminate irregularities, taking into account the protection of the identity of the person reporting the irregularity and other persons in the procedure.

The grievance officer shall:

1. in the case of reports that can be made by the Grievance officer, take actions in order to establish the irregularities and the merits of the report, whereby he/she can, if necessary, request an opinion from the expert team of HBOR to which the report refers, as well as from other expert teams of HBOR that could contribute to examining the circumstances of the case and proposing measures, and will determine a reasonable deadline for the delivery of the requested opinion. For these purposes, the grievance officer will ask the person in charge of that HBOR expert team to designate a worker who will be engaged to cooperate in examining the circumstances of the case within the scope of his/her professional expertise, simultaneously taking care of the fact not to prejudice the worker's objectivity and impartiality. In the event that it is necessary to determine a replacement for the selected employee, the person responsible for that HBOR expert team will inform the grievance officer about this and will propose the selected replacement,
2. in the case of reporting that contains an element of fraud, and in the manner determined by the Ordinance on Fraud Risk Management at HBOR, send the report to the Commission for Handling Fraud Reports,
3. in the event of the need to undertake more extensive investigations of facts and circumstances in order to establish irregularities and the merits of reporting, in the form of information about the reporting, forward the report to the Management Board (or in appropriate situations to the Supervisory Board of HBOR), and for further substantive examination of possible irregularities by other expert teams of HBOR (especially the Internal Audit) and proposing corrections of irregularities, that is, to propose that, due to the impossibility of appropriate action, when the reporting person is the whistleblower, the case should be sent to the competent authority for external reporting of irregularities in accordance with the Act.

For the purpose of carrying out the procedure following a report of irregularities, the grievance officer may engage, or propose to the Management Board to engage, external experts, based on their assessment.

In order to carry out further actions, the grievance officer may request additional information and evidence from the reporting person if the reporting person has allowed to be contacted and set a reasonable deadline for the delivery of information.

In all his/her actions and communication with expert teams, the grievance officer will submit all relevant data for the actions of expert teams, by taking care to protect the identity of the reporting person, the reported person and other persons covered by the procedure. All workers included will sign a confidentiality statement and, when investigating the circumstances of the case, will act in accordance with the contents of the confidentiality statement.

All expert teams and persons engaged in accordance with the provisions of this article are obliged to submit to the Grievance officer the results of the procedures, established irregularities, information on the merits of the report and proposed measures to eliminate the irregularities within the agreed deadline.

On the basis of the procedure carried out in accordance with the provisions of this part of the Ordinance, the Grievance officer submits a final report to the Management Board in which he/she presents the course of the procedure, the result of the implemented procedure, the finding whether an irregularity exists, the merits of the report in relation to the reported person (legal entity or natural person) if the above can be established, and a proposal for measures to stop and eliminate irregularities in the event that irregularities are established in accordance with paragraph 7 of this article. If it is not possible to establish the merits of the report in relation to the reported person, it is necessary to state the reasons for the impossibility of such establishment.

In case of any complaints related to gender-based violence, provisions of national legislation framework will be followed (article 134 of the Labour Law on sexual harassment at the workplace; Gender Equality Act, Anti-Discrimination Act and Protocol in Cases of Sexual Violence (focus survivor-oriented assistance and support.

*Sexual harassment at the workplace:*

HBOR has in place a procedure for the protection of the dignity of employees provided by the Labor Act and the Labor Ordinance, which provides for the protection of employees from sexual harassment. HBOR applies this procedure when there is a suspicion of harassment and sexual harassment between employees. The main steps in the prescribed procedure are: the employee submits a complaint to the Commissioner for the Protection of Dignity by post or to an email address dostojanstvo@hbor.hr; the Commissioner for the Protection of Dignity may request further clarifications from the complaint worker. The Commissioner also examines the employee against whom the complaint has been lodged, including possible witnesses, and informs the Management Board about the procedure carried out and the facts and circumstances and may propose measures to protect the dignity of employee (within 6 days of receiving the complaint). The Management Board is not bound by the Commissioner proposal and can independently decide on the measures to protect the dignity of employees. The management Board decides on the complaint, measures to protect the dignity of employees and other issues related to protecting the dignity of employees and resolving the complaint. The procedure must be completed within 8 days of receiving the complaint. The decision of the Management Board has to be delivered to the employee and the employee against whom the complaint has been lodged. All information in this procedure is confidential.

If HBOR does not take measures to prevent sexual harassment within the period of 8 days, or if the measures he has taken are manifestly inappropriate, the sexually harassed employee shall have the right to suspend work until protection is provided, under condition that he seeks protection before the competent court within a further period of 8 days.

If there are circumstances due to which it is not justified to expect the employer (HBOR) to protect the dignity of the employee, the employee is not obliged to submit a complaint to the employer (HBOR) and has the right to terminate work, provided he requested protection before the competent court and notified the employer.

*Anti-Discrimination Act:*

All legal and natural persons are obliged to report a well-founded suspicion of discrimination to the Ombudsman or special ombudsmen, with the consent of the person suspected of being a victim of discrimination. The legal and natural persons shall, within 15 days, provide all information and requested documents related to discrimination at the request of the Ombudsman or special ombudsmen. Anyone who considers that a right has been violated as a result of discrimination may seek protection of that right in court proceedings.

### Grievance recording, monitoring and analysis

COMPLAINTS, PRAISES, SUGGESTIONS

A dedicated PIT member will be in charge of recording complaints, praises and suggestions.

The number of complaints, praises and suggestions received will be made available to the public once a year in HBOR’s Report on Corporate Social Responsibility and Sustainability as well as on HBOR’s website. In the operational manual, HBOR will request the PFIs to report about each complainant, nature of complaint and actions taken.

A complaints log will be kept, which will include: name of complainant/feedback provider; gender; contact details; date complaint was received; channel through which it was received; short summary of the complaint; grievance category; responsible person assigned to the complaint’s resolution; date receipt was acknowledged to complainant; short summary of action taken; date the response was provided to the complainant; resolution time (in days); complainant satisfaction with resolution proposed; date of resolution. Likely grievance categories, which will be refined, include: lack of awareness of the loan; loan not used by some company for purpose given; lack of understanding of reasons of not receiving a loan; gender-based violence; dissatisfaction about loan servicing; some firms getting loans under more favorable conditions than others, etc.

IRREGULARITIES

The grievance officer runs the register of cases, from which the course of the procedure upon the received reports is visible.

A case file kept with respect to the submitted report shall contain:

1. data on reporting person submitted by the reporting person (if the report is not submitted anonymously),
2. data on natural person or legal entity (HBOR) that is being reported, which is necessary for the processing of the report,
3. information on irregularities,
4. report submission date, and
5. depersonalised mark of the report.

## Existing grievance/feedback mechanisms at PFIs

Participating commercial banks have also established and maintain processes and means by which complaints and grievances can be raised and the way these are being addressed and monitored.

Usual practice shows that complaints are received in a bank in a decentralised manner, i.e. each employee can receive a complaint. They are then entered into a specialised application for complaints and forwarded through it to teams/services that have expertise in resolving them (teams differ depending on the topic to which the complaint relates). The expert service in charge of complaints resolution provides a draft response that has to be submitted to the client, and the client receives the response from the employee who received the complaint (unless the complaint relates to that employee).

Banks usually have official channels for receiving written complaints. A written complaint can be submitted to an employee at the branch office, and the employee will confirm its receipt in writing.

All information on receiving complaints is visible to clients usually on bank’s website in branch offices on placards and interactive touchscreen devices.

Special emphasis is given to the promptness of complaints resolving, comparisons of types of complaints by products, types of clients who complain, etc. A more detailed information on the grievance mechanism will be provided upon cooperation agreement of HBOR and participating PFIs.

# Monitoring and Reporting

## Involvement of stakeholders in monitoring activities

HBOR will be seeking feedback from PFIs, beneficiary firms and other relevant stakeholders throughout the project, including via the Grievance Mechanisms described in the previous section. A satisfaction surveywill be conducted by HBOR to seek feedback from the beneficiary firms and PFIs on project implementation once the loan funds will have been 70% allocated. The survey results will be analyzed and will inform project implementation as appropriate. Details of the survey will be determined during project implementation. HBOR will conduct the survey itself and out of its own resources. A satisfaction survey will also be carried out with complainants to evaluate their level of satisfaction with the response and resolution provided (details of the survey will be determined during project implementation).

## Reporting back to stakeholder groups/monitoring SEP implementation

HBOR PIT will maintain a simple database and activity file detailing all disclosure information and grievances collected throughout the project. Through regular reports and information also received from PFIs, HBOR will ensure that records of all stakeholder engagement activities are kept in the database which will include, among others, dates, venues, attendees, objectives and outcomes.

HBOR’s PIT staff member(s) in charge of stakeholder engagement will monitor and report a number of Key Performance Indicators (KPIs) on stakeholder engagement activities, including the following:

* Number of consultations conducted within a reporting period
* Number of stakeholders involved in consultations and other project SEP related activities
* Number of grievances received annually (both directly by HBOR and by PFIs) and average resolution time (disaggregated by gender and firm size)
* Total number of grievances and percentage of resolved grievances since the beginning of the project.

These KPIs as well as any complementary information on public engagement activities undertaken by HBOR will be conveyed to stakeholders in a short standalone note published or updated yearly on HBOR’s website. Stakeholder engagement activities conducted by HBOR will also be reported back to the World Bank in annual progress reports under a separate section.

# ANNEX 1: Grievance Mechanism Form for HBOR and PFIs

|  |
| --- |
| **GRIEVANCE MECHANISM FORM** |
| Name of Personnel Receiving the Grievance |  | Date |
| Title |  |
| **Stakeholder Information (Optional) - *(This section may not be filled if the complainant wishes to remain anonymous)*** | **Grievance Receipt Method** |
| Name-Surname  |  | Phone  |
| Gender |  | Mail |
| Phone |  | Website |
| Email |  | Branch/Office visit |
| Address |  | Email |
| Signature |  | Site visit |
| Other |
| **Details of Grievance** |
|  |
| **Grievance Closing** |
| Assessment of Grievance |  |
| Response/Corrective Action Required? | Yes (if yes please provide details)  | No  |
| Result |
|  |
| **Responsible Personnel** |
| Name Surname |  |
| Date and Signature |  |

1. https://vlada.gov.hr/access-to-information/15017 [↑](#footnote-ref-2)
2. Vulnerable status may stem from an individual’s or group’s race, national, ethnic or social origin, color, gender, language, religion, political or other opinion, property, age, culture, literacy, sickness, physical or mental disability, poverty or economic disadvantage, and dependence on unique natural resources. [↑](#footnote-ref-3)
3. https://hgk.hr/ [↑](#footnote-ref-4)
4. Iva TOMIĆ, Ivica RUBIL, Danijel NESTIĆ, Paul STUBBS. October 2019. The employment and social situation in Croatia. European Parliament. Policy Department for Economic, Scientific and Quality of Life Policies. Directorate-General for Internal Policies. [↑](#footnote-ref-5)
5. <https://www.eurofound.europa.eu/country/croatia#actors-and-institutions> The numbers of HUP’s members and membership density have been stable over the past 10 years. [↑](#footnote-ref-6)
6. https://www.croatiaweek.com/croatian-associations-welcome-government-decision-to-relax-coronavirus-measures/ [↑](#footnote-ref-7)
7. https://hamagbicro.hr/ [↑](#footnote-ref-8)
8. https://www.ensr.eu/news-from-cepor-croatia-2/ [↑](#footnote-ref-9)
9. Entities in lagging regions are defined as:

• Supported Areas – units of local government classified into groups I, II, III and IV pursuant to the Act on Regional Development of the Republic of Croatia (Official Gazette of the Republic of Croatia, Nos. 147/2014, 123/2017, 118/2018) and the Decision on Classification of Local or Regional Government Units on the Basis of the Level of Development (Official Gazette of the Republic of Croatia, No. 132/2017 as amended from time to time) [↑](#footnote-ref-10)
10. • Women-owned (with at least one female shareholder with a properly documented representative and managing powers) or women-managed firms. Female entrepreneurs are business entities that are more than 50 percent owned by at least one female or by several females jointly and that are also managed by a female. In case of a company that is neither a micro company nor a small company, a female or several females jointly can hold less than 50 percent of ownership provided that at least one female holds a key management position related to financial and/or operating activities and/or strategy [↑](#footnote-ref-11)
11. Defined as firms with less than 5 years in operation [↑](#footnote-ref-12)