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D.1.1.1 Entrepreneurial Framework Conditions study

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SFERA

Strategic Framework for Entrepreneurship in Rural Areas

D.1.1.1 Entrepreneurial Framework Conditions study

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Italy – Croatia



Table of contents

INTRODUCTION	6
1.0 OVERVIEW OF ENTREPRENEURSHIP IN APULIA	7
1.1 Number of enterprises in Apulia	7
1.2 Most important sectors of the Apulian economy.....	8
1.3 Employment rate and unemployment	11
1.4 Population and demographics	12
1.5 Economic conditions	12
2.0 OVERVIEW OF ENTREPRENEURSHIP IN LIKA.....	14
2.1 Number of enterprises in Lika	14
2.2 Major sectors	15
2.3 Employment rate and unemployment	16
2.4 Population and demographics	18
2.5 Economic conditions	19
3.0 EXISTING MARKET OPPORTUNITIES IN APULIA.....	20
3.1 Growing sectors	20
3.2 Consumer trends.....	21
3.3 Export opportunities	22
3.4 Available funding and incentives.....	23
4.0 EXISTING MARKET OPPORTUNITIES IN LIKA.....	25
4.1 Growing sectors	25
4.2 Consumer trends.....	26
4.3 Export opportunities	29
4.4 Available funding and incentives.....	30
5.0 TRENDS AND CHALLENGES IN APULIA	39
5.1 Digitization and technology.....	39



Italy – Croatia



5.2 Sustainability and the environment..... 40

5.3 Globalization and competition 40

5.4 Demographic changes 41

6.0 TRENDS AND CHALLENGES IN LIKA..... 42

6.1 Digitization and technology..... 42

6.2 Sustainability and the environment..... 43

6.3 Globalization and competition 44

6.4 Demographic changes 46

7.0 FACTORS INFLUENCING ENTREPRENEURSHIP IN APULIA 47

7.1 Infrastructure and services 47

7.2 Training and education..... 47

7.3 Access to credit..... 48

7.4 Regulation and Bureaucracy..... 50

7.5 Entrepreneurial culture and mentality 51

8.0 FACTORS INFLUENCING ENTREPRENEURSHIP IN LIKA..... 53

8.1 Infrastructure and services 53

8.2 Training and education..... 53

8.3 Access to credit..... 53

8.4 Regulation and Bureaucracy..... 55

8.5 Entrepreneurial culture and mentality 55

9.0 CONCLUSIONS AND RECOMMENDATIONS 57

REFERENCES AND SOURCES 59



INTRODUCTION

This report will be concerned with analyzing the economic condition and health of businesses in Apulia and Lika-Senj County in order to define what conditions support business activity, or the obstacles that make the path of business growth perilous. In particular, the object of the analysis will be those businesses practicing in areas defined as rural, areas in which more than 50 percent of the population resides in rural municipalities, which by definition have a population density of less than 150 inhabitants per square kilometre¹.

The study is supported by secondary research sources, that is, by consulting online sources, academic articles, market reports, government statistics and other relevant data. The data were analyzed both quantitatively and qualitatively.

The ultimate goal of the study is to provide an overview of the regional business environment as comprehensive as possible in a first part of the report; the analysis follows with the identification of the major opportunities in the area and what are the challenges for an Apulian or Lika-Senj County business based in a rural area. Also covered in the survey are the factors that, directly or otherwise, influence the development and economic growth of companies currently active in the regions.

¹ Organization for Economic Cooperation and Development (OECD) definition, <https://ec.europa.eu/enrd/enrd-static/fms/pdf/82E212E6-AAF0-F826-7111-F71E97FE8A42.pdf>.



1.0 OVERVIEW OF ENTREPRENEURSHIP IN APULIA

1.1 Number of enterprises in Apulia

Active enterprises in Apulia as of November 30, 2023 totaled 331,034 and were down 0.6 percent from the previous year, as shown in the following table, which examines activities divided by economic sector².

Imprese attive in Puglia suddivise per settore economico	30/11/2023	Quota settori	30/11/2022	Saldo annuale	var. tendenziale al 30/11/2023
Commercio all'ingrosso e al dettaglio, ripar. autoveicoli e motocicli	93.933	28,4%	95.635	-1.702	-1,8%
Agricoltura, silvicoltura e pesca	75.386	22,8%	77.619	-2.233	-2,9%
Costruzioni	41.332	12,5%	41.032	300	0,7%
Attività dei Servizi di alloggio e ristorazione	24.952	7,5%	24.530	422	1,7%
Attività manifatturiere	23.276	7,0%	23.723	-447	-1,9%
Altre attività di servizi	15.031	4,5%	14.884	147	1,0%
Attività professionali, scientifiche e tecniche	10.049	3,0%	9.583	466	4,9%
Noleggio, agenzie di viaggio, servizi di supporto alle imprese	9.495	2,9%	9.124	371	4,1%
Trasporto e magazzinaggio	8.008	2,4%	8.006	2	0,0%
Attività immobiliari	6.470	2,0%	6.222	248	4,0%
Attività finanziarie e assicurative	6.136	1,9%	5.979	157	2,6%
Servizi di informazione e comunicazione	5.558	1,7%	5.496	62	1,1%
Attività artistiche, sportive, di intrattenimento e divertimento	4.540	1,4%	4.430	110	2,5%
Sanità e assistenza sociale	3.117	0,9%	3.028	89	2,9%
Istruzione	1.883	0,6%	1.851	32	1,7%
Altri Settori	1.868	0,6%	1.855	13	
Totale imprese attive	331.034		332.997	-1.963	-0,6%

Figure 1³

As for SMEs, the most recent data are from 2022 and count 5,684 small-medium enterprises active in the Apulian territory, a significant decrease of 13.7 percent compared to 6,585 SMEs in 2021⁴.

² Aforisma – Rapporto annuale sullo stato dell'economia pugliese 2023 Outlook 2024, p. 10, <https://www.aforisma.org/wp-content/uploads/2024/01/estratto-2023web.pdf>.

³ Aforisma, *ibidem*.

⁴ Confindustria, Rapporto regionale PMI 2023, p. 25, <https://www.confindustria.it/wcm/connect/9bcf45e7-5aae-4e44-a23d-c74c04a1d318/Rapporto+Regionale+PMI+2023.pdf?MOD=AJPERES&CACHEID=ROOTWORKSPACE-9bcf45e7-5aae-4e44-a23d-c74c04a1d318-oA2f7Ke>.



1.2 Most important sectors of the Apulian economy

As the table shows, the Apulian economy has a well-diversified economy. The most important sectors appear to be:

- **Agriculture and agribusiness**⁵: Apulian agriculture is intensive in character and is affected by a profound modernization in cultivation techniques, which has enabled the region to rank among the top in the rankings for several products, such as durum wheat and tomatoes in the province of Foggia, as well as the traditional and well-known production of olive oil. Not to be outdone is the fruit and vegetable sector, which makes Apulia first in Italy for horticultural farms that do not use greenhouses; of particular note are peaches, table grapes, lettuces, fava beans, artichokes and tomatoes for processing.
- **Manufacturing Industry**⁶: Despite the gradual reduction of manufacturing enterprises, Apulia remains the most industrialized region in the southern part of the Boot. The largest number of industrial settlements is located in the Bari - Brindisi - Taranto triangle. This sector is supported by the regional research system, which engages researchers and professionals specializing in interdisciplinary fields.

Analyzing specializations in more detail, the province of Bari is characterized by the presence of food, chemical, petrochemical, textile, wood and especially mechanical industries. In the provinces of Barletta-Andria-Trani and Lecce there is a concentration of textile and shoe industries. The industries in the Foggia area are mostly food. Brindisi stands out for its aeronautical, electrical, plastics and furniture industries. Finally,

⁵ Unioncamere Puglia, agriculture sector, <https://www.unioncamerepuglia.it/settori/agricoltura/>.

⁶ Unioncamere Puglia, manufacturing sector, <https://www.unioncamerepuglia.it/settori/la-manifattura/>.



Italy – Croatia



Taranto sees steel as its main activity, active since the 1950s within ILVA, one of the largest steel mills in Europe.

- **Tourism**⁷: with 18,942 K tourist presences, 2023 saw a 7 percent increase in the number of visitors to the Apulia Region, which affected all provinces, arranged below following the descending order according to the number of visits totaled: Bari, Lecce, Brindisi, Foggia, Taranto, Barletta - Andria - Trani. Not insignificant was the number of foreigners visiting Apulia: 6,976 k coming mainly from Germany, France, Switzerland (including Liechtenstein), the United Kingdom and the United States of America⁸.
- **Trade and export**⁹: Unlike other Italian regions, trade in Apulia sees a predominance of retail trade, where small stores and sole proprietorships predominate over wholesale or trade in public areas. In parallel, large-scale retail trade is developing, involving businesses from clothing to groceries, from meat to fruit and vegetables, from pharmacies to tobacconists.

Exports continue to grow in value (but not in quantity)¹⁰, so much so that in 2023 ISTAT estimated their value at 10,155 billion euros. The sectors registering the greatest growth in foreign markets there are mining or quarrying products (+229.4 percent), food, beverages and tobacco (+15.7 percent), paper and paper products, products of printing and reproduction of recorded media (+8.4 percent), computers and electronic and optical equipment (+6 percent), machinery and apparatus (+14.3 percent), means

⁷ Unioncamere Puglia, tourism sector, <https://www.unioncamerepuglia.it/settori/il-turismo/>.

⁸ DMS Observatory - Tourism and Culture in Apulia, https://osservatorio.dms.puglia.it/knowledge-vue/document-composite/Homepage_public.

⁹ Unioncamere Puglia, trade sector, <https://www.unioncamerepuglia.it/settori/commercio/>.

¹⁰ Aforisma, *idem*, p. 12.



Italy – Croatia



of transport (+6.8 percent), and motor vehicles (+16.6 percent). We highlight Apulia's sustained growth in non-EU countries of +21.9% and the increase in exports to EU countries of +10%¹¹.

Export per Anno e Merce Ateco 2007 -

Periodo riferimento: III trimestre 2023 - Valori in Euro, dati cumulati

MERCE	2022	2023 provvisorio	variazione
	export	export	
CL-Mezzi di trasporto	1.203.444.354	1.286.290.347	82.845.993
CA-Prodotti alimentari, bevande e tabacco	963.898.022	1.111.824.974	147.926.952
CK-Macchinari e apparecchi n.c.a.	747.278.070	823.738.750	76.460.680
A-PRODOTTI DELL'AGRICOLTURA, DELLA SILVICOLTURA E DELLA PESCA	698.398.643	677.960.231	-20.438.412
CB-Prodotti tessili, abbigliamento, pelli e accessori	637.366.894	605.032.951	-32.333.943
CF-Articoli farmaceutici, chimico-medicinali e botanici	557.532.624	511.313.415	-46.219.209
CG-Articoli in gomma e materie plastiche, altri prodotti della lavorazione di minerali non metalliferi	472.905.181	413.304.453	-59.600.728
CH-Metalli di base e prodotti in metallo, esclusi macchine e impianti	460.211.033	387.414.989	-72.796.044
B-PRODOTTI DELL'ESTRAZIONE DI MINERALI DA CAVE E MINIERE	87.910.032	312.892.556	224.982.524
CE-Sostanze e prodotti chimici	527.179.289	312.494.628	-214.684.661
CM-Prodotti delle altre attività manifatturiere	384.147.189	297.533.144	-86.614.045
CJ-Apparecchi elettrici	274.908.440	244.029.815	-30.878.625
CD-Coke e prodotti petroliferi raffinati	293.313.155	226.207.593	-67.105.562
CI-Computer, apparecchi elettronici e ottici	122.522.064	144.196.397	21.674.333
V-MERCI DICHIARATE COME PROVVISI DI BORDO, MERCI NAZIONALI DI RITORNO E RESPINTE, MERCI VARIE	38.248.579	85.437.153	47.188.574
CC-Legno e prodotti in legno; carta e stampa	31.978.195	27.491.621	-4.486.574
E-PRODOTTI DELLE ATTIVITÀ DI TRATTAMENTO DEI RIFIUTI E RISANAMENTO	28.564.642	26.071.139	-2.493.503
J-PRODOTTI DELLE ATTIVITÀ DEI SERVIZI DI INFORMAZIONE E COMUNICAZIONE	1.975.753	1.170.854	-804.899
R-PRODOTTI DELLE ATTIVITÀ ARTISTICHE, SPORTIVE, DI INTRATTENIMENTO E DIVERTIMENTO	511.331	456.911	-54.420
	7.532.293.490	7.494.861.921	-37.431.569

Figure 2¹²

¹¹ Press Regione Puglia, «Pubblicati dati ISTAT. Puglia: +26mila occupati ed export in crescita nel 2023», March 15, 2024, <https://press.regione.puglia.it/-/pubblicati-i-dati-istat.-puglia-26mila-occupati-ed-export-in-crescita-nel-2023#:~:text=La%20Puglia%20continua%20a%20crescere,nell'aggiornamento%20della%20banca%20dati>.

¹² Unioncamere Puglia, «Il sismografo», February 23, 2024, p. 13, <https://www.unioncamerepuglia.it/wp-content/uploads/2024/02/21.-Economia-pugliese-nel-2023-1.pdf>.



Italy – Croatia



1.3 Employment rate and unemployment

In 2023, Apulia experienced significant growth in employment, with a 2.3 percent increase over 2022. This increase raised the number of people employed in the region from 1,267,000 in 2022 to 1,293,000 in 2023. The employment rate rose to 50.7 percent, marking an increase of 1.3 percent from the previous year and as much as 4.4 percent compared to 2019, before the pandemic, the outbreak of war in Ukraine, and high energy prices. Also decreasing in 2023 is the unemployment rate by 0.5 percent compared to 2022 and 3.3 points compared to 2019; inactive persons are reduced by 24,000 in the year 2023 compared to the previous year, lowering the relative rate by 1.2 percentage points. These positive data point to a solid economic and employment recovery for Apulia in 2023, with an excellent performance that places it among the most dynamic regions in the South in terms of employment¹³.

Gli occupati in Puglia

Anni	2019	2020	2021	2022	2023	Differenza 2022/2023	Differenza 2019/2023
Totale Occupati	1.216.000	1.188.000	1.207.000	1.267.000	1.293.000	+26.000	+77.000
Indipendenti	309.000	295.000	275.000	301.000	314.000	+13.000	+5.000
Dipendenti	907.000	893.000	932.000	965.000	979.000	+14.000	+72.000
di cui a tempo indeterminato	709.000	706.000	712.000	750.000	773.000	+23.000	+64.000
di cui a tempo determinato	198.000	186.000	220.000	215.000	205.000	-10.000	+7.000

Fonte Istat

Figure 3¹⁴

¹³ Press Regione Puglia, *ibidem*.

¹⁴ Press Regione Puglia, *ibidem*.



1.4 Population and demographics¹⁵

Apulia's demographics follow the European and industrialized states' trend of progressive population aging, due to medical advances and the spread of a healthy eating style, which have increased the average lifespan. At the same time, the birth rate is declining: currently each woman gives birth to an average of 1.24 children, below the replacement threshold set at 2.1, which would be the minimum to ensure population stability.

Specifically, in 2002 Apulia's population stood at 4 million and 20,694 residents; at the beginning of 2023, data show 3.9 million and 22,941 residents, a loss of 97,753 inhabitants.

The region's productive segment (16-64 years old) has an average incidence of 64.12 percent, perfectly in line with the European average of 64.1 percent. This band is crucial because it represents the productive component of the social environment, and its numerical consistency corresponds to the ability of a geographical area to support the economy, making it less vulnerable to sudden changes, allowing it to continue growing even during a financial crisis, while maintaining a high standard of living, and social welfare.

1.5 Economic conditions¹⁶

The most recent analyses of the economic situation of Apulian businesses focus on the first nine months of 2023 and portray a landscape that has maintained a subdued and steady regional growth in the months of January through June, due to the end of the rebound phenomenon that occurred following the pandemic period and that remains in line with

¹⁵ Ufficio Statistico Regione Puglia, «Tendenze demografiche in Puglia nel contesto nazionale e europeo», focus No. 3/2023, https://www.regione.puglia.it/documents/359604/4160461/definitivo+FOCUS+Tendenze+demografiche+in+Puglia+nel+contesto+nazionale+e+europeo+3_2023.pdf/17f029bc-ed7a-fac9-d1a5-25483819d873?t=1683594839103.

¹⁶ Aforisma, *idem*, pp. 12-13.



Italy – Croatia



southern and Italian trends for the same year and previous ones¹⁷. GDP increased by 1.2 percent compared to the same period last year, which stands at €19,500 per capita. In the following quarter, the region experienced a slight slowdown due to the worsening economic scenario.

The number of active businesses in Apulia decreased in all areas, but especially in the agricultural sector with 2,233 fewer (from 75,386 to 77,619). Commerce fell from 93,933 to 95,635 activities; despite the growth in e-commerce activities, there was a 1.8 percent decrease in neighborhood stores. Also shrinking are manufacturing activities: from 23,276 to 23,723. The construction sector continued to grow thanks to public investment supported by the Piano nazionale di ripresa e resilienza (Pnrr), while private construction was affected by the credit assignment freeze and invoice discounting. The sector has benefited from a strong boost thanks to tax breaks introduced and extended, from year to year, with the intention of encouraging renovations and rehabilitation of the housing stock, as well as upgrades aimed at saving energy in buildings. Then, with the arrival of inflation, there has unexpectedly been an increase in the propensity of Apulians to take economic risk through the investment of savings with investment and distribution activities of stocks, mutual funds, government bonds, insurance policies, pension funds and so on in order to obtain a higher return.

¹⁷ Banca d'Italia, «Economie regionali - L'economia della Puglia, Aggiornamento congiunturale», No. 38, November 2023, p. 7, <https://www.bancaditalia.it/pubblicazioni/economie-regionali/2023/2023-0038/2338-puglia.pdf>.



2.0 OVERVIEW OF ENTREPRENEURSHIP IN LIKA

The economic characteristics of the area are observed through the main economic activities, the state of the economy, and the labor market. Before the Homeland War, there were several companies operating in the area of Lika that repurchase agricultural products and dairies, which provided the local population with security in the production and marketing of products. As a result of war operations and the occupation of a large part of the area, companies collapsed, so in the postwar, transitional period, agricultural producers had difficulty in marketing their products. When analyzing the economy, we should also take into account the history of the Lika area, which was a Military Territory for many years and the population preferred civil service, while agriculture was a supplementary activity. A similar practice has persisted to this day, because the population, regardless of age, prefers a job in the state or local service. In the time after the Homeland War, but also thirty years earlier, there was a strong emigration of the population from the area of Lika and the coast under Velebit mountain, while the population that remained mostly, moved to more urban areas. This trend results in the abandonment of agricultural land, as well as the villages in general, so the area of Lika today, with its approximately 8 inhabitants per km², leaves the impression of an abandoned area.

2.1 Number of enterprises in Lika

According to APPRRR data, about 3,500 PGs are registered in the area of Lika. In the total number of PGs, the largest share is occupied by OPGs and SOPGs (over 98%). The remaining PGs are registered as trading companies, trades, and cooperatives. According to the same data, the largest number of agricultural holdings in the Lika area has a size of 3 to 20 ha



Italy – Croatia



(59.00%), while the average size of PG according to data from the ARKOD database is about 10 ha. Despite the above, there is still a large number of pasture areas that are neglected and uncultivated, which gives the opportunity for the development of livestock and farming based on high-quality unpolluted land and ecological agriculture. The continuous increase in the use of agricultural land from year to year is evident. The reason for the increase in used land can be reflected in the fact that agriculture has received significant emphasis in the economy through various types of support - from state support to EU funds.

The largest increase in the use of agricultural land was recorded in the area of the Municipality of Udbina. The reasons for this are the allocation of state land for the use and development of farming and extensive animal husbandry. The share of business entities (trading companies) in Lika in the number of business entities in the Republic of Croatia is around 0.7% per year, while the share of the number of craftsmen in the total number of craftsmen in the Republic of Croatia is around 1% and is in direct correlation with the share of the population of Lika in the number residents of the Republic of Croatia. Growth in the number of entrepreneurs in Lika is present every year and follows the rate of growth in the number of entrepreneurs at the level of the Republic of Croatia. The city of Gospić has the largest share of entrepreneurs in the total number of entrepreneurs in Lika.

2.2 Major sectors

The largest share in the number of employees in the last few years can be seen in the sector of providing accommodation and preparing and serving food - 22.0%, then in the sector of the processing industry - 21.8%, construction - 13.3%, the sector of wholesale trade and little - 11.2%, while the shares of other sectors are below 10.0%. The sector in which the largest



Italy – Croatia



number of entrepreneurs is registered is the sector of providing accommodation and preparing and serving food (about 20%), and the sector that generates the highest income is the sector of electricity, gas, steam, and air conditioning (about 17% of total income).

2.3 Employment rate and unemployment

Data on the number of employees in legal entities include employees in legal entities of all forms of ownership, state authorities and bodies of local and regional self-government units. The data includes an estimate of the number of employees in legal entities that have fewer than 10 employees, and for which the State Bureau of Statistics has not received reports. The data does not include employees in trades and independent professions, nor employed insured farmers. The data can only be processed at the level of the Lika-Senj County and are not publicly published by cities and municipalities. In this way, data on 13,596 persons employed by legal entities in Lika-Senj County is available. If we add to that number of employees of tradesmen (2,492) and the number of active insured persons - 485, we get the information that the total number of employees in Lika-Senj County in 2022 was 16,573 people. The total number of employees in Lika-Senj County is shown in the following table.

NUMBER OF EMPLOYEES	2021.	2022.	2023.	IND 23/22
- with legal entities	11.610	11.605	12.349	106,41
- with craftsmen	2.203	2.240	2.286	102,05
- farmers	453	485	509	105,00
OVERALL:	14.266	14.330	15.144	105,70

Figure 4



Italy – Croatia



The total number of employees in Lika-Senj County is growing year by year. Thus, in 2023, compared to 2022, it increased by 5.7%. There is a visible increase in the number of employees of legal entities by 6.4%, an increase of farmers by 5.0% and craftsmen by 2.05%.

According to data from the Central Bureau of Statistics (Statistics in series - Employment and wages - overview by county), on March 31, 2023, 1,342 unemployed persons were registered in Lika-Senj County, while 111,980 unemployed people were registered in the Republic of Croatia, which means that in Lika-Senj County a total of 1.2% of all unemployed people were registered in Senj County. The trend in the number of unemployed by cities and municipalities of the Lika-Senj County in December 2022 and 2023 is shown in the following table¹⁸.

City/Municipalities	2022.		2023.		Index 23/22
	Number	Share	Number	Share	
Brinje	79	5,3	66	4,7	84
D.Lapac	200	15,1	190	13,5	95
Gospić	313	25,1	305	21,7	93
Karlobag	18	1,2	13	0,9	72
Lovinac	32	1,9	33	2,4	100
Novalja	78	3,1	91	6,5	116
Otočac	262	18,6	253	18,0	97
Perušić	48	4,2	31	2,2	65
Pl.Jezera	142	8,8	127	9,1	89
Senj	219	11,2	220	15,8	100
Udbina	43	3,7	44	3,1	102
Vrhovine	26	2,1	30	2,1	111
OVERALL	1.460	100,0	1.403	100,0	96

Figure 5

¹⁸ HZZ Monthly statistical bulletin January 2023 January 2024



Italy – Croatia



Data on the number of unemployed by local government units for 2022 and 2023 show that in 2023 there were 4% fewer unemployed than at the end of 2022. From the total number of unemployed on 31.12.2023, 55.3% (776) are women. At the end of December 2023, in the total number of unemployed according to education level, there were the most persons with completed high school for occupations lasting up to 3 years and school for VKV workers - 423 (30.1%) and high school for occupations lasting 4 years - 361 (25.7%), while the least number of persons with a university degree are recorded - 57 (4.1%). According to the data of the State Bureau of Statistics, the registered unemployment rate in 2023 in Lika-Senj County was 8.1%, which represents a decrease of 2.1 percentage points compared to the end of 2022, when the unemployment rate was 10.2 %. In the Republic of Croatia, the registered unemployment rate in 2023 was 6.6%, which is a decrease of 1% compared to 2022, when it was 7.6%.

2.4 Population and demographics

Demographic recovery is one of the biggest problems facing Lika today. The current demographic situation in Lika is far from ideal and represents a serious problem and limitation in further overall development, which is why it is necessary to implement urgent measures. The county of Lika-Senj (the largest part of which is located in Lika) recorded a continuous decrease in the number of inhabitants in the last two population censuses. According to the latest estimates, there are 42,893 inhabitants in Lika-Senj County (State Statistical Office of the Republic of Croatia), in addition to the fact that the continuous process of depopulation has been present for years due to the emigration of the population and the negative ratio of births and deaths. The population of Lika-Senj County in 2011 was only 1.19% of the total



Italy – Croatia



population of the Republic of Croatia and 3.61% of the population of Adriatic Croatia. In 2021, the share of Lika-Senj County in the total population of the Republic of Croatia was slightly smaller and amounted to 1.1%, while in the total population of Adriatic Croatia, the share was 3.31%. According to data from the population census from 2001 to 2011, Lika-Senj County had a depopulation rate of 5.12% of the population, Republic of Croatia 3.44%, and Adriatic Croatia 1.06%. In the period from 2011 to 2021, the de-population rate in Lika-Senj County doubled and amounts to 18.73%. At the level of the Republic of Croatia, it amounts to 9.25%, and at the level of Adriatic Croatia, 7.69%.

2.5 Economic conditions

According to the latest available data, the gross domestic product (GDP) per inhabitant of the Lika-Senj County amounted to EUR 12,704.23 in 2021, which is 22% more than the GDP per inhabitant in 2020 (EUR 10,372.56). At the level of the Republic of Croatia, GDP per inhabitant in 2021 compared to 2020 increased by 18.5% and amounted to EUR 14,810. GDP per inhabitant in Lika-Senj County is 85.78% of GDP per inhabitant of the Republic of Croatia, i.e. it is 14.22% lower than the average of the Republic of Croatia. The share of VAT of Lika-Senj County in the gross added value of the Republic of Croatia in 2021 was 0.94%.



3.0 EXISTING MARKET OPPORTUNITIES IN APULIA

3.1 Growing sectors¹⁹

The world of work in Apulia is going through a phase of change and transformation, with new opportunities opening up in sectors such as tourism, technology and renewable energy.

- Tourism is active and vital, as shown by the increase in the number of employees in all sub-sectors (lodging, catering, travel agencies). Same trend for cultural and entertainment industries. The number of employees and the number of lodging and travel agency businesses are also growing. This is a clear sign of the expansion of tourist flows to Apulia; of particular interest to tourists are the rural inland areas and Salento.
- Business and personal services show good signs for increase in the number of companies and excellent for employees, whose numbers are growing: many are the new employees in the sectors of beauty and coiffeur, wellness centers, sports and entertainment, creative and artistic activities. In addition, residential social work has seen a boom in workers with more than 1,100 new positions filled.
- Construction remains a sector with lively indicators despite the depletion of bonuses. In particular, specialized construction work shows markedly expansive results: plumbers, masons, and window and door fitters increase in both consistencies and workers. The performance of real estate activities and architectural firms remains good.

¹⁹ Unioncamere Puglia, *idem*, pp. 5-11.



3.2 Consumer trends

From the research carried out during the study, consumption trends for 2024 are characterized by a focus on healthier and more sustainable food, with an increased interest in health and wellness, accompanied by shrewdness in spending and a tendency to moderate alcohol consumption. It is now clear that sustainability becomes a key value for consumers in Apulia.

- **Food and drink:** consumption of meat and animal by-products declines in parallel with increased interest in plant-based alternatives, generated by awareness of management conditions within intensive livestock farms and increased sensitivity to sustainability and consumption of organic, pesticide- and preservative-free, and minimally processed foods²⁰.
- **Spending and saving:** as a result of inflation, consumers are seeking a balance between price and quality more than in the past, preferring premium branded and discount products equally²¹.
- **Wellness and sustainability:** consumer environmental awareness, which is inextricably linked to food safety, and the impact of consumption on pollution, has become of great importance. Increasingly, fair and virtuous policies, sustainable or regenerative agriculture and possibly locally sourced ingredients are being advocated²², as are

²⁰ Puglialive, «Tendenze alimentari 2024: un 2024 all'insegna del Plant-Based», December 29, 2023, <https://www.puglialive.net/tendenze-alimentari-2024-un-2024-allinsegna-del-plant-based/>.

²¹ GS1 Italy, «Un anno di tendenze», 2023, p. 44, https://gs1it.org/content/public/6d/d9/6dd965dc-b889-4a5b-9885-8171be2787cc/un_anno_di_tendenze_2023.pdf.

²² GS1 Italy, *idem*, 2023 p. 66.



the value of the production chain, the origin of the food and the authenticity of the brands²³.

3.3 Export opportunities

Analyses covering the first three quarters of 2023 showed that Apulia's exports declined compared to the same period in the previous year, due to the gradual decrease in inflation. However, some sectors have recorded a surprising increase in international trade: these are the stone industry (+224million exported), the food and beverage industry (+147mln and 50 thousand tons more goods sold abroad), automotive (+82mln) and mechanics (+76mln); and it is on these that it is needed to push to increase the value of Apulian products in international trade. The foreign countries to which Apulian products are exported most are Germany, the United States and France; trade to Turkey and the United Kingdom is also growing²⁴.

The Apulia Region is especially focusing on the agri-food sector, which could further improve with more effective protection against international "agro-piracy" whose value has risen to 120 billion, due to the war that restrains trade with sanctions and embargoes, fosters protectionism and multiplies the spread of fake foods that have nothing to do with the national production system²⁵.

In support of this, there are several initiatives that support Apulian companies in exporting, offering tools and opportunities to increase their presence in foreign markets, such as the

²³ Puglialive, *ibidem*.

²⁴ Unioncamere Puglia, *idem*, p. 13.

²⁵ Coldiretti Puglia, «Commercio estero: balzo export Puglia con aumenti a doppia cifra per olio (+25%), frutta e ortaggi lavorati e conservati (+18%)», March 20, 2024, <https://puglia.coldiretti.it/news/commercio-estero-balzo-export-puglia-con-aumenti-a-doppia-cifra-per-olio-25-frutta-e-ortaggi-lavorati-e-conservati-18/>.



Project Sostegno Export Italia – SEI, which provides a multisectoral incoming mission to Apulia for accompanying services to companies²⁶ or the event of BIAT - Innovation and High Technology Exchange, which involves all regions of southern Italy and is now in its ninth edition²⁷.

3.4 Available funding and incentives

There are a number of funding and incentives available for businesses in Apulia, both nationally and regionally. Below is a list of the most important funding to support businesses. The most important ones are presented below²⁸.

- TecnoNidi targets technology startups and innovative small businesses that have invested in research and development;
- Nidi (new business initiatives) consists of support for the creation of microenterprises;
- Program contracts useful for SMEs, startups and innovative enterprises to submit innovative programs under the technical responsibility of large enterprises;
- PIA is for SMEs, startups and innovative enterprises to submit, individually or with other SMEs, investment programs for industrial research and experimental development activities;
- MINIBOND fund for small and medium-sized enterprises;
- MiniPIA, Integrated Facilitation Packages that target both micro and small enterprises and freelancers, with the aim of facilitating integrated programs that combine

²⁶ Incentivi.gov.it, «Progetto Sostegno Export Italia – SEI – 2024, Avviso di selezione missione di incoming multi-settoriale in Puglia - Camera di Commercio di Foggia», <https://www.incentivi.gov.it/it/catalogo/progetto-sostegno-export-italia-sei-2024-avviso-di-selezione-missione-di-incoming>.

²⁷ BIAT – Innovation and High Technology Lab, <https://biat-ita.com/>.

²⁸ Pugliasviluppo – Società finanziaria della Regione Puglia, <https://pugliasviluppo.eu/it>.



productive investments with innovation, personnel training, environmental protection interventions, specialized consulting, internationalization programs and participation in trade fairs;

- Titolo II Capo 3 dedicated to micro, small and medium-sized enterprises;
- Titolo VI Energy Efficiency Fund contributing significantly to the achievement of the Europe 2020 goals for the transition to a low-carbon economy;
- Fondo Finanziamento del Rischio 2014/2020 to facilitate access to credit and capital strengthening of SMEs;
- PIA and MiniPIA dedicated to the tourism sector;
- Titolo II Turismo Capo 6 is dedicated to micro, small and medium-sized enterprises operating in the tourism sector aimed at the rehabilitation and/or refunctionalization of existing properties, the construction or modernization of bathing establishments, the construction and/or management of tourist landings;
- Titolo IV Aiuti all'internazionalizzazione aimed at small and medium-sized enterprises that intend to implement a program for the internationalization of their business;
- Resto al Sud 2.0 welcomes economic initiatives aimed at starting self-employment, entrepreneurial and freelance activities, individually or collectively²⁹.

²⁹ Resto al sud 2.0 – Fino a 40mila euro per i giovani under 35, <https://www.agevolazioni.puglia.it/resto-al-sud-2-0-regione-puglia/>.



4.0 EXISTING MARKET OPPORTUNITIES IN LIKA

Existing market opportunities in rural areas, considering the achieved economic results of the past years, are mainly related to tourism. A large number of protected areas, namely three national parks (Plitvička jezera, Northern Velebit, part of the Paklenica National Park), the Velebit Nature Park, the sea, numerous other geomorphological, hydrographic and landscape resources that characterize the county, represent a decisive attractive factor for an increasing number of visitors. tourist. Particularly noticeable trends are that in the total number of accommodation capacities, household facilities (room, apartment, holiday house, campsite - Robinson's accommodation) occupy an increasing place, and that in this category of accommodation capacities there is plenty of room for further development.

4.1 Growing sectors

The sector with the highest growth rates in Lika-Senj County is tourism. Compared to previous years, the number of tourist arrivals in 2023 has increased significantly. Thus, in 2023, Lika-Senj County was visited by 747,112 tourists, which is 14.7% more than the previous year, and 3.0 million overnight stays were achieved, which is 3.2% more than last year.

At the same time, 92 million overnight stays were realized in the Republic of Croatia in 2023, i.e. a 2.2% increase in overnight stays compared to 2022. Since according to the data of the State Bureau of Statistics in the Republic of Croatia in 2023, 92 million overnight stays were realized, the number of overnight stays realized in the County in 2023 constitutes 3.3% of the total number of overnight stays realized in the Republic of Croatia in 2023.



Italy – Croatia



Table ³⁰ Number of overnight stays and tourist arrivals in Lika-Senj County

YEAR	2018.	2019.	2020.	2021.	2022.	2023.	Ind- 2022/2021
Arrivals	789.330	820.648	267.856	505.991	651.122	747.112	114,7
Overnight Stays	2 749 230	2.856.171	1.330.923	2.646.973	2.815.862	2.903.811	103,2

Figure 4

Foreign tourists accounted for 92.90% of overnight stays in Lika-Senj County, while the share of foreign tourists in overnight stays in the Republic of Croatia was 91.21%.

4.2 Consumer trends

Euromonitor International analysts point to new trends that provide insight into consumer habits and explore how consumer behavior is redefining their motivations and needs for purchases. Furthermore, they point out that the impact of artificial intelligence (AI), the importance of sustainability initiatives and social, economic, and political factors are key to understanding global consumer trends this year. Six consumer trends that, according to Euromonitor International analysts, will have a crucial impact on consumers and companies today are:

1. **The pursuit of value** - inflation has brought a new financial mindset, but consumers won't skimp on what they really want. Instead, they look for the best deals and find smart ways to maximize their budgets without sacrificing quality. Companies, for their part, should adapt to consumers and offer innovative solutions so that their products are accessible to consumers;

³⁰ Source: State Statistical Office, Statistical reports: Tourism in 2018, Tourism in 2019, Tourism in 2020, Tourism in 2021, Tourism in 2022, Tourism in 2023



2. **Artificial intelligence** - AI technology will become more and more woven into our daily lives, so companies must use the creative power of artificial intelligence to improve personalization and enrich the consumer experience.
3. **Focusing on beautiful things** - Consumers want to take a break from everything that causes them stress on a daily basis. They want to get rid of anxiety and get away from everyday life. They want to indulge in positive emotions and experience moments filled with excitement and good feelings. Brands that find a way to turn consumers' minds to something beautiful—from point-of-sale to campaigns—will build strong connections with customers, improve brand perception and consumer relationships.
4. **Fight against misleading environmental claims** - Consumers cannot fight the climate crisis alone. They are taking steps to live sustainably, but they also question whether companies and governments are using all possible resources to make a real difference. People are strongly opposed to unsubstantiated claims designed to mislead consumers into believing that a company's products are environmentally friendly or that they have a greater positive impact on the environment than they actually do. People know that their eco-friendly choices help to some extent, but that real change needs to be a collective effort. Therefore, consumers are asking companies to also take responsibility, especially when it comes to CO₂ emissions.
5. **Progressive Polarization** - Social and political movements continue to drive debate around the world. Tensions are expected to escalate in 2024 and a



progressively polarized landscape will intensify. It is unpredictable how consumers will react to the attitude of brands.

- 6. Wellness Pragmatists** - Consumers want to look and feel their best. This is not new. But their methods of self-care are changing. They move away from complicated regimens, invasive procedures or long-term treatments. Instead, they opt for easy and efficient solutions that provide immediate results, fit into their lifestyle and require little time or effort. They want to realize immediate benefits.

According to data from the National Bureau of Statistics, for the last few years, the prices of goods and services for personal consumption, measured by the consumer price index, have been growing on average by around 12% annually. Observed according to the main groups of the ECOICOP classification (European classification of personal consumption according to purpose), on an annual level, the largest increase in consumer prices was achieved on average in the groups Food and non-alcoholic beverages, by 19.2%, Restaurants and hotels, by 17.6%, Furniture, home equipment and regular household maintenance, by 15.3%, Transportation, by 14.1%, Housing, water, electricity, gas and other fuels, by 10.5%, Recreation and culture, by 9.4 %, Miscellaneous goods and services, by 8.1%, and Clothing and footwear, by 6.4%. One of the two sectors in which the largest price increase was recorded (after food and beverage production) is tourism. It is important to point out that nowadays tourists are looking for different and new forms of vacation. It is precisely rural tourism, as well as agrotourism, for which there are significant growth potentials in Lika-Senj County, that refreshes the tourist offer. Agrotourism, as a form of tourism that is realized on a tourist peasant family farm, offers tourists the opportunity to participate in the life and work of a rural household.



Italy – Croatia



When it comes to the available forms of rural tourist offer, the following are available in Croatia:

- agritourism/ rural economy/ farm
- rural holiday home
- rural villa with pool
- rural family hotel/pension
- facilities that provide bed and breakfast services (B&B)
- rooms and apartments - traditional architecture
- rooms and apartments - new architecture
- points of ecotourism
- restaurants, taverns etc.³¹

4.3 Export opportunities

Foreign trade statistics include all goods exported from the country or imported into the country. Thus, exports include all goods exported from Croatia, originating from domestic production or internal trade. Therefore, the export indicators do not include financial indicators in tourism that would significantly affect the results of the foreign trade exchange of the Lika-Senj County. With the accession of the Republic of Croatia to the European Union on July 1, 2013, statistical data on the trade of the Republic of Croatia with foreign countries are obtained from two different sources: the Intrastat form for the statistics of trade between EU member states and the Single Customs Declaration for the statistics of trade no exchanges with non-EU countries (Extrastat). Data by county were obtained based on the

³¹ (Jelinčić, 2007).



Italy – Croatia



classification of companies, which realized export and import, in the county in which they were registered according to the Statistical Business Register. The share of the County's imports in the total imports of the Republic of Croatia in 2021 was 0.2%, while the share of exports was 0.5%. According to the latest available data, in 2022 in Lika-Senj County, HRK 701.7 million in revenue was generated from exports. At the same time, goods worth HRK 223.2 million were imported into Lika-Senj County. At the level of the Republic of Croatia, a negative foreign trade balance was achieved, while a positive balance was achieved in the Lika-Senj County in the amount of HRK 478.4 million. The largest share of exports was realized in mining and quarrying activities (71.3%), while the largest share of imports was realized in electricity supply activities (59.8%). From the structure of exports and imports in Lika-Senj County in 2022, it is evident that the largest share of exports was realized in mining and quarrying activities (68.5%), while the largest share of imports was also realized in mining and quarrying activities. extraction (39.6%). Innovative products with significant added value regularly have a significant export potential, the production of which is supported by numerous support programs from various institutions. An example of such production in the Lika-Senj County area is the recent production of eco-organic fertilizer from raw sheep's wool by the company Fema d.o.o. Otočac (more info at www.woolee.hr).

4.4 Available funding and incentives

The main opportunities for the development of the economy in the area of Lika arise from the availability of funds and new EU programs as a source of financing for projects in the field of economy, then from the area of environmental and nature protection, but also from the use of incentive sources of financing such as national programs, incentive loans from



Italy – Croatia



HBOR whose the interest is subsidized by the Lika-Senj County and others. What would provide a significant boost to the development of the economy in this area is the introduction of tax breaks for entrepreneurs, which have not yet been determined. Financial support for the realization of individual projects is regularly provided annually by the Ministry of Economy, the Croatian Tourist Board, the Ministry of Regional Development, LAG Lika, Lika-Senj County, as well as cities and municipalities from the Lika area in accordance with budgetary possibilities.

Ministry of Economy and Sustainable Development from 2014 to 2020 in accordance with the Law on Small Business Promotion (Official Gazette 29/02, 63/07, 53/12, 56/13, 121/16) and the Law on State Aid (Official Gazette 47/14, 69/17) and taking into account the Treaty on the European Union and the Treaty on the Functioning of the European Union (2016) and the Partnership Agreement between the Republic of Croatia and the European Commission for the use of EU structural and investment funds for growth and jobs in 2014 – 2020, adopted by the European Commission on October 30, 2014, approved grants to small and medium-sized enterprises based on multi-year programs such as:

- Program for awarding small value grants intended to improve the competitiveness and efficiency of SMEs through information and communication technologies (ICT),
- Program for awarding grants of small value for the introduction of the business process and quality management system,
- Program for awarding grants of small value for innovations of newly established SMEs,
- Program for awarding grants of small value for the establishment of quality marks,



Italy – Croatia



- Program for awarding small-value grants to increase the innovation of small and medium-sized entrepreneurs in S3 areas (identified priority thematic areas and cross-sectoral topics of the Smart Specialization Strategy),
- Program for awarding state grants for the development of small and medium enterprises,
- Program for awarding small-value grants intended for the provision of high-quality services for SMEs through innovation vouchers.

The programs were generally implemented up to four years from the announcement of the call for the use of the funds provided by the program or until they are used and are available through the website of the Ministry of Economy. In 2023 and 2024, the implementation of several development programs was recorded, such as:

- The cooperative entrepreneurship development program for the year 2024 with the aim of increasing the competitiveness of cooperative products and services with the application of new technologies and innovations,
- Program "Preservation and development of traditional and artistic crafts" for the year 2023,
- Program "Development of small and medium-sized enterprises and crafts in areas inhabited by members of national minorities for the year 2023"
- Public call for digitization vouchers.

All public invitations and programs are published on the website of the Ministry www.mingo.gov.hr.



Italy – Croatia



Since 2017, the Croatian Tourist Board has been implementing annual programs for awarding de minimis grants for the development of the tourism sector. Based on the aforementioned support programs, HTZ awards grants to entrepreneurs for co-financing the costs foreseen by the Program, and by Commission Regulation (EU) 1407/13 of December 18, 2013, on the application of Articles 107 and 108 of the Treaty on the Functioning of the European Union to de minimis grants. In the implementation of the Program, public calls are announced annually for the approval of grants for the following purposes:

- encouraging tourism initiatives and products in touristic undeveloped areas,
- approval of grants for various events in tourism,
- approval of support for programs of destination management companies.

Through published public calls, the Croatian Tourist Board allocates funds intended for programs of development and introduction to the market of complex tourist products for the market of special interests with the aim of activating less used tourist resources and creating new motives for tourist arrivals throughout Croatia, enriching the tourist offer, developing innovative products that make it possible to extend the tourist season and reduce seasonality and increase tourist traffic, especially in the period before and after the season and on the continent, to create a recognizable image of Croatia as a tourism destination of special interests and market valorization of complex tourist products as a reason for tourists to come to a particular destination in Croatia.

The programs for which support is approved annually are selected in accordance with elaborated criteria, established points and ranking results, and the conditions for receiving



Italy – Croatia



support in accordance with the mentioned pro-grams are published on the HTZ website <https://www.htz.hr/hr-HR/projekti-and-support/support-of-the-Croatian-tourist-community>

The Ministry of Regional Development and European Union Funds grants support to the development of entrepreneurship through various programs, based on the Law on the Institutional Framework for the Use of EU Funds in the Republic of Croatia (Official Gazette 116/21) and the Treaty on the Functioning of the European Union (2016) and the Partnership Agreement between the Republic of Croatia and the European Commission for the financial period 2021-2027. adopted by the European Commission on December 2, 2022.

Thus, several programs are being implemented:

- Program for awarding state grants for strategic partnerships for innovation, through which activities of research and development and construction of research infrastructure for testing and experimentation are financed that perform economic activity to develop new products and services in priority niches of regional economies that are determined by plans for industrial transition Republic of Croatia by the identified thematic priority areas of the Smart Specialization Strategy until 2029;
- The program on awarding small-value grants to island employers for starting economic activities and preserving jobs from March 28, 2024, through which grants are awarded to island employers for starting activities and preserving jobs, and to encourage competitive-ness and growth of entrepreneurship on the islands.

The aforementioned programs were adopted for a multi-year period (until 2026) and are implemented based on annual public calls for entrepreneurs, which are available through the Ministry's website www.razvoj.gov.hr.



Italy – Croatia



By the end of 2023, LAG Lika has conducted a total of seven LAG Competitions from the Local Development Strategy of LAG LIKA for the period 2014-2020. For the implementation of Measure 6.1.1., 6.3.1., 6.4.1. and 7.4.1., for the financing or co-financing of projects that with their activities contribute to the goals of LRS, i.e. increasing the competitiveness of agricultural production and processing while respecting the principles of sustainable, smart and inclusive growth, effective use of natural and cultural resources for economic recovery and the creation of new jobs, and reducing rural depopulation and increasing the quality of life. In the program period 2014-2020 and the transition period 2021 and 2022, LAG LIKA made a decision on project selection for 54 users from the area of LAG LIKA and allocated them a total of 1,631,814.98 Euros for the implementation of their project activities. More than 60% of the available funds, or 1,022,344.84 Euros, was directed to the development of the agriculture and agritourism sector, while 40%, or 609,470.14 euros, was directed to the development of local basic services for the rural population and related infrastructure. Thanks to the funds of LAG LIKA for the implementation of measures, 39 beneficiaries or OPGs from the area of LAG LIKA improved their business, modernized the economy and increased the economic size of the economy, which made their economies more competitive and sustainable. In addition, LAG funds for the implementation of Measure 6.1.1. "Support to young farmers" and Measures 6.4.1. "Development of non-agricultural activities in the rural area" achieved self-employment, maintained existing or created new jobs for a total of 15 young people from the LAG LIKA area, which according to the 2021 population census records a large decrease in the number of inhabitants.

By financing and co-financing projects of local self-government units submitted to the LAG Tenders for measure 7.4.1. "Investments in starting, improving or expanding local basic



Italy – Croatia



services for the rural population, including leisure and cultural activities and related infrastructure" contributed greatly to the LAG's priority "Development of infrastructure of basic services for the local population". The LAG's available funds for the implementation of the aforementioned measure in the amount of 609,470.14 euros were allocated to local self-government units for investments in four children's playgrounds (reconstruction and equipment), reconstruction of two cemeteries, reconstruction of a community center, equipment of two kindergartens, construction of a garage and halls for the needs of DVDs, building a park, equipping a market and a football field. The allocation of non-reimbursed grants by the County of Lika-Senj for the development of small and medium-sized enterprises is regulated by multi-year programs for encouraging the development of entrepreneurship adopted on the basis of the Act on the Encouragement of the Development of Small Businesses (Official Gazette 29/02, 63/07, 53/12, 56/13, 121/ 16) The Program for encouraging the development of small businesses in the Lika-Senj County from 2022 to 2025 is being implemented ("County Gazette" number 19/2022). Striving to actively contribute to the creation of assumptions and an environment stimulating the development of the economy, the County plans to implement the following measures from 2022 to 2025 through the adopted Program:

1. Ensuring favorable financing for the development of entrepreneurship at the county level, as well as improving the availability of loans to entrepreneurs;
2. Encouraging investment in basic assets for the performance of activities;
3. Promotion of the County's economy;
4. Development of entrepreneurial support institutions and attracting investments;
5. Development of human resources.



Italy – Croatia



Funds from the County budget provided for the implementation of measures within the mentioned Program are allocated based on annual Public Calls published on the County's website www.licko-senjska.hr.

Cities (Gospić, Senj, Novalja, Otočac) and municipalities (Brinje, Donji Lapac, Lovinac, Perušić, Karlobag, Plitvička jezera, Vrhovine, Udbina) in the Lika-Senj County also adopt support programs for the development of small businesses and implement them by budgetary possibilities. Thus, in the City of Gospić, the "Program of support in agriculture and rural development of the City of Gospić for the period 2023-2027" (Official Gazette of the City of Gospić No. 4/2023) is being implemented, which defines the conditions for granting grants for the following purposes:

1. By the Regulation of the European Commission No. 1407/2013
 - Investments in the processing of agricultural products - investments in the construction and equipping of processing capacities in agriculture;
 - Encouraging the promotion and marketing of autochthonous and traditional agricultural products;
 - Co-financing of technical assistance for EU programs;
 - Establishment and strengthening of producer groups and producer organizations;
 - Investments in starting non-agricultural activities on OPG.
2. By the Regulation of the European Commission No. 1408/2013
 - subsidies for plant production;
 - analysis of agricultural land;
 - grants for livestock development;



Italy – Croatia



- support for co-financing part of the costs of expert supervision in ecological production;
- support for sustainable agricultural production;
- subsidies for the purchase of mineral fertilizer.

The conditions for using grants from cities and municipalities are available on their websites. It should be noted that some cities and municipalities in Lika-Senj County implemented programs to support the survival of small businesses at the time of the COVID-19 virus epidemic. Thus, the City of Gospić granted grants based on the Decision on the allocation of non-reimbursable financial resources intended to mitigate the consequences caused by the coronavirus epidemic (COVID-19) and granted grants to entrepreneurs who were affected by the work ban (more on: <https://arhiva.gospic.hr/sluzbeni-vjesnik-grada-gospica/sluzbeni-vjesnik-grada-gospica-broj-4-2020/odluka-o-dodjeli-bespovratnih-financijskih-sredstava-namijenjenih-ublazavanju-posljedica-izazvanih-epidemijom-koronavirusa-covid-19>). A similar decision was made and implemented by the Perušić Municipality (https://licko-senjska.hr/images/stories/Glasnik_2020/37-2020.pdf), Karlobag municipality (County gazette no 15/2020, 38B/20), Udbina ("County gazette " no 12/20).



5.0 TRENDS AND CHALLENGES IN APULIA

5.1 Digitization and technology

Digitization is an important opportunity for Apulian companies, which can use it to increase their competitiveness in national and international markets. The region has already proven to be an innovation hub, with a strong ecosystem composed of universities, businesses, technology districts and research centers, which collaborate, achieving important results³². However, many Apulian businesses are still not adequately digitized, especially in rural areas, which is why numerous initiatives are active aimed at supporting the technological and digital development of businesses and freelancers, establishing a Network of Digital Facilitation Services (*Rete dei servizi di facilitazione digital*)³³, developing a Digital Agenda for the Apulia Region³⁴, organizing meetings dedicated to women in the sector to deepen skills regarding artificial intelligence³⁵ and encouraging the development of open innovation to encourage the exchange of knowledge flows between the actors of production processes and research and thus facilitate and stimulate the meeting between the demand for innovation and innovative supply³⁶.

³² Corrierecomunicazioni, «Open innovation, la Puglia si dà una legge. Delli Noci: “Puntiamo alla crescita economica e occupazionale”», March 18, 2024, <https://www.corrierecomunicazioni.it/digital-economy/open-innovation-la-puglia-si-da-una-legge-delli-noci-puntiamo-a-crescita-economica-e-occupazionale/>.

³³ Digital Facilitation Services Network, <https://www.regione.puglia.it/web/trasformazione-digitale/punti-di-facilitazione-digitale>.

³⁴ Digital Facilitation Services Network.

³⁵ Puglia Women AI, <https://pugliawomenlead.com/puglia-women-ai/>.

³⁶ Apulia Region Digital Agenda, <https://www.regione.puglia.it/web/competitivita-e-innovazione/puglia-digitale/agenda-digitale-della-regione-puglia>.



5.2 Sustainability and the environment

Sustainability is an increasingly important issue for businesses and consumers, so there is a need for Apulia businesses to adopt sustainable practices to reduce their environmental impact and increase their competitiveness. In a climate (national and international) of deep interest in the issue of climate and environmental sustainability, Apulia is working to promote ecological values through information portals, monitoring initiatives and concrete actions for land protection and responsible resource management³⁷. Through the instrument of Planning, Public Administrations implement policy directions and sector regulations by intervening to restore, improve, and protect the quality of environmental components, the territory, the cultural heritage, and to provide answers to specific social demands (e.g. mobility, water services, waste disposal, etc.)³⁸.

5.3 Globalization and competition³⁹

The globalization of markets has led to fierce competition both regionally, nationally and internationally. This poses a challenge for Apulian firms, which, in order to compete with firms around the world, need to innovate, increase their productivity and improve their quality to remain competitive in global markets. Therefore, the region has prepared digitization strategies, already discussed in detail in the previous section, and state aid regulations and open innovation laws with the aim of supporting economic and employment growth. There

³⁷ Environment – Apulia Region, <https://www.regione.puglia.it/web/ambiente>.

³⁸ Environmental planning, <https://pugliacon.regione.puglia.it/web/sit-puglia-dipartimento/navxx>.

³⁹ Programma di Sviluppo Rurale 2014-2022 Regione Puglia, <https://psr.regione.puglia.it/aiuti-di-stato-e-apalti-pubblici>.



are also several State Aids granted to certain economic activities, which are given an advantage that can affect domestic trade and distort or threaten to distort competition.

5.4 Demographic changes⁴⁰

With the gradual decline in birth rates, an aging population, and the transfer of young people seeking employment from cities in rural areas to other European regions and states, Apulia is experiencing a trend of demographic aging. To counter this phenomenon, the Apulia Regional Council has approved a strategic document to implement a turnaround: the #mareAsinistra project was created with the intention of attracting and enhancing talents, students, digital nomads, startupper, returning Apulians, new investors, top scientists, artists, creative and technological talents at the international level, professional figures who contribute to bring change and innovation.

⁴⁰ Arti, «Verso la strategia di attrazione e valorizzazione dei talenti in Puglia #mareAsinistra», September 11, 2023, <https://www.arti.puglia.it/knowledge-hub/verso-la-strategia-di-attrazione-e-valorizzazione-dei-talenti-in-puglia-mareasinistra>.



6.0 TRENDS AND CHALLENGES IN LIKA

6.1 Digitization and technology

The Industrial Strategy for a Competitive, Green, and Digital Europe is a new growth strategy of the EU whose goal is to transform the EU into a fairer and more prosperous society with a modern, resource-efficient, and competitive economy with no net greenhouse gas emissions by the middle of the century. The main goal is to use the considerable potential of global markets for low-emission technologies and sustainable products and services to achieve climate neutrality by 2050.

However, to achieve a climate-neutral and circular economy, a complete mobilization of the industry is necessary. All industrial value chains, including energy-intensive sectors, will play a major role. The new industrial strategy for Europe will lead to a comparative green and digital transition and increase our competitiveness at the global level. It will help the industry reduce its carbon footprint by providing affordable and clean technology solutions and developing new business models. With an updated strategy based on the experiences gained during the COVID-19 pandemic, the EU seeks to ensure that European industry leads the accelerated green and digital transition. The European Commission has adopted a series of proposals to reduce net greenhouse gas emissions by at least 55% compared to 1990 levels by 2030 through climate, energy, transport, and tax policies.

In February 2024, the Commission adopted an EU strategy for industrial carbon management to ensure investment in technologies that can sustainably capture, store and reuse carbon. This is necessary so that the EU can achieve the goal of climate neutrality by 2050. The strategy sets out how to expand carbon capture technologies at EU and national level



Italy – Croatia



and introduce the necessary infrastructure to establish a single market for CO₂ in Europe in the coming decades. Strategy for SMEs and sustainable digital Europe from March 10, 2020. proposes measures in the following three pillars:

- capacity building and support for the transition to sustainability and digitization;
- reducing the regulatory burden and improving market access;
- improving access to financing.

6.2 Sustainability and the environment

Climate change and environmental destruction are a threat to the existence of Europe and the world. To address these issues, the European Green Deal will transform the EU into a modern, resource-efficient, and competitive economy and ensure that:

- non net greenhouse gas emissions by 2050;
- economic growth does not depend on the use of resources;
- no person or region is neglected.

The European Commission has adopted a series of proposals to reduce net greenhouse gas emissions by at least 55% compared to 1990 levels by 2030 through climate, energy, transport, and tax policies. Numerous public calls through which grants are awarded to the development of small and medium-sized enterprises from the available funds of the European Union are aimed precisely at strengthening sustainability and encouraging the green and digital transition of entrepreneurs. Recently, several such public calls or projects have been implemented, such as, for example, call for grants to companies for the transition to an energy and resource-efficient economy for the year 2024, for the implementation of which the Ministry of Economy is responsible, and eligible applicants are small, medium and



large entrepreneurs (<https://fondovieu.gov.hr/pozivi/108>). The subject of this Call is to encourage production investments of small and medium-sized and medium-capitalized companies (mid-caps), from energy-intensive industries, which will result in more energy and resource-efficient economy through the promotion of a circular economy by introducing resource efficiency into the production cycle and life span products, including sustainable supply of primary and secondary raw materials and/or decarbonization, increasing the use of renewable energy sources and reducing emissions from energy-intensive industries.

Since tourism is an important direction of the development and economy of Lika-Senj County, it is necessary to highlight the challenges in this sector. The length of stay of tourists in Lika-Senj County is shorter than the average for the Republic of Croatia. Although tourism in Lika-Senj County is developing more and more every day, it can be said that the accommodation facilities can-not meet the demand. There are only a few high-class buildings in the area of Lika-Senj County, and there is a great demand for them.

6.3 Globalization and competition

The National Development Strategy of the Republic of Croatia until 2023 defines "Global recognition and strengthening of Croatia's international position and role" as strategic goal 4. To develop and achieve a higher level of security and well-being of Croatia, special work will be done on the political positioning and economic strengthening of Croatia, while simultaneously preserving the Croatian historical and cultural identity in the age of globalization. The same document defines "Competitive and innovative economy" as strategic goal 1. Namely, the goal is to increase the competitiveness of the Croatian economy. This will be achieved by improving the processes and procedures that entrepreneurship encounters in



Italy – Croatia



working with public bodies and by supporting the development of a competitive, technologically advanced, and export-oriented economy based on knowledge, innovation, and the application of advanced technologies.

The priorities in the implementation of public policies that will contribute to the development of a globally competitive, green, and digital industry defined by the National Strategy are:

- encouraging the development of the circular economy;
- encouraging investment in research, technological development and innovation;
- encouraging cooperation between the business and research sectors;
- improvement of the business environment and management quality in the public sector;
- modernization and decarbonization of energy-intensive industries.

The recorded challenges of economic development in the area of Lika, the solution of which must be addressed as a matter of priority by public policies in order to create preconditions for the realization of the goals of the National Development Strategy I, are listed below:

- absence of an effective national policy aimed at encouraging the development of poorly developed regions (hilly and mountainous areas and assisted areas);
- open market from the EU (business entities);
- outflow of highly educated staff (due to opening up the possibility of faster employment outside the county);
- emigration of the population;
- absence of tax benefits for entrepreneurs in LS County;
- reducing the number of producers and loss of production;



Italy – Croatia



- passivity and inactivity of entrepreneurs;
- fragmentation of the land prevents competitive agricultural production;
- growing competition from producers from the EU and developed domestic regions in agriculture and the processing industry;
- rapid development of technology that requires constant and high investments.

6.4 Demographic changes

In addition to ignorant challenges, Lika-Senj County has problems of a demographic nature. The small number of inhabitants and their emigration is a significant problem for this country. Lika-Senj County is in the 1st group of local (regional) self-government units, which according to the index value are in the second half of the lower average ranked units.

By improving the demographic dynamics, both natural movements and migrations, the potential for long-term growth of the economy is raised. This can be achieved by returning people, attracting entrepreneurs, talents, and workers, and demographic renewal.



7.0 FACTORS INFLUENCING ENTREPRENEURSHIP IN APULIA

7.1 Infrastructure and services⁴¹

The quality of infrastructure and services is an important factor influencing entrepreneurship. In Apulia, infrastructure is still lacking in some areas, especially in rural areas. It is necessary to invest in transport, telecommunications and energy infrastructure to improve connections between the south and north of the country, as well as with the rest of the world, by sea and high-speed rail; in this way, the competitiveness of Apulian businesses will be able to unlock its potential. To this end, it is of fundamental importance and usefulness to seize the opportunity to use Pnrr funds to modernize logistics, which every year represents a loss for Italy in terms of fewer export opportunities.

7.2 Training and education⁴²

ISTAT data report an important piece of information on the incidence of education in the professional life of citizens in the South, namely that educational qualification plays a central role in labor market participation. Considering the 25-64 age group, in Italy in 2022 the employment rate of college graduates is 30 points higher than that of those with no more than a high school diploma (83.4 percent compared to 53.5 percent) and 11 points higher than that of high school graduates (72.4 percent); at the same time, the unemployment rate is 7.0 points lower than that of those with low educational qualifications and 2.6 points lower than that of high school graduates (3.9 percent, 6.5 percent and 10.9 percent, respectively). This

⁴¹ Coldiretti Puglia, *ibidem*.

⁴² ISTAT, Rapporto annuale 2023 – La situazione del Paese, <https://www.istat.it/storage/rapporto-annuale/2023/Rapporto-Annuale-2023.pdf>.



points to the greater employability of college graduates, despite a labor market that does not always reward acquired education.

Education plays a particularly important role in boosting female employment in the South: the share of 25-64 years old in work reaches 70.3 percent among female college graduates (while it stops at 20.7 percent among women with low degrees).

Higher levels of education also result in income benefits, which reward investment in education. Therefore, it becomes necessary to invest in education and training to create a skilled and competitive workforce.

7.3 Access to credit

Despite the fact that banks can sometimes be reluctant to lend to SMEs, the Apulia Region has championed a number of programs and initiatives that aim to support local businesses through subsidized financing, direct grants and financial support to promote innovation, competitiveness and economic development in the region. One can think, for example, of the guarantee of Consorzi Fidi and Guarantee Cooperatives (Cooperative di garanzia)⁴³, or the supports provided by UniCredit to facilitate the achievement of MiniPIA financing⁴⁴.

Also of great help is the establishment of the ZES for the Mezzogiorno, which was introduced by DL 91/2017 and will be active as of January 1, 2024. The Special Economic Zone (Zona Economica Speciale, ZES) is a delimited area of state territory in which companies already operating and those that will set up will be able to benefit from facilities for business

⁴³ Access to Credit for SMEs, <https://www.sistema.puglia.it/portal/page/portal/SistemaPuglia/info?id=1841D27DDB40DF2E>.

⁴⁴ Unicredit, «Puglia: Unicredit supporta gli investimenti nell'ambito dei finanziamenti agevolati MiniPIA», April 16, 2023, <https://www.unicreditgroup.eu/it/press-media/news/2024/april/puglia--unicredit-supporta-gli-investimenti-nell-ambito-dei-fina.html>.



Italy – Croatia



development and new investments. The ZES for the Mezzogiorno, includes the territories of the regions of Abruzzo, Basilicata, Calabria, Campania, Molise, Apulia, Sicily, Sardinia⁴⁵. According to ISTAT data on local business units and employees in the non-agricultural private sector, the municipalities at which the ZES areas are located are characterized by a higher density of productive activities, especially industrial⁴⁶. Joining the ZES in the South of Italy allows to enjoy subsidizable investments; moreover, by the end of 2024, the modalities for accessing the tax credit will be issued, which will allow already operating companies and those that will set up to benefit from facilities for business development and new investments⁴⁷.

⁴⁵ The Single Southern SEZ, <https://www.strutturazes.gov.it/it/la-zes-unica-mezzogiorno/la-zes-unica-mezzogiorno/>.

⁴⁶ Banca d'Italia, «Economie regionali - L'economia della Puglia, Rapporto annuale», No. 16, June 2023, p. 5, <https://www.bancaditalia.it/pubblicazioni/economie-regionali/2023/2023-0016/2316-puglia.pdf>.

⁴⁷ ZES one great opportunity but only for 2024, <https://www.agevolazioni.puglia.it/zes-unica-grande-opportunita-ma-2024/>.



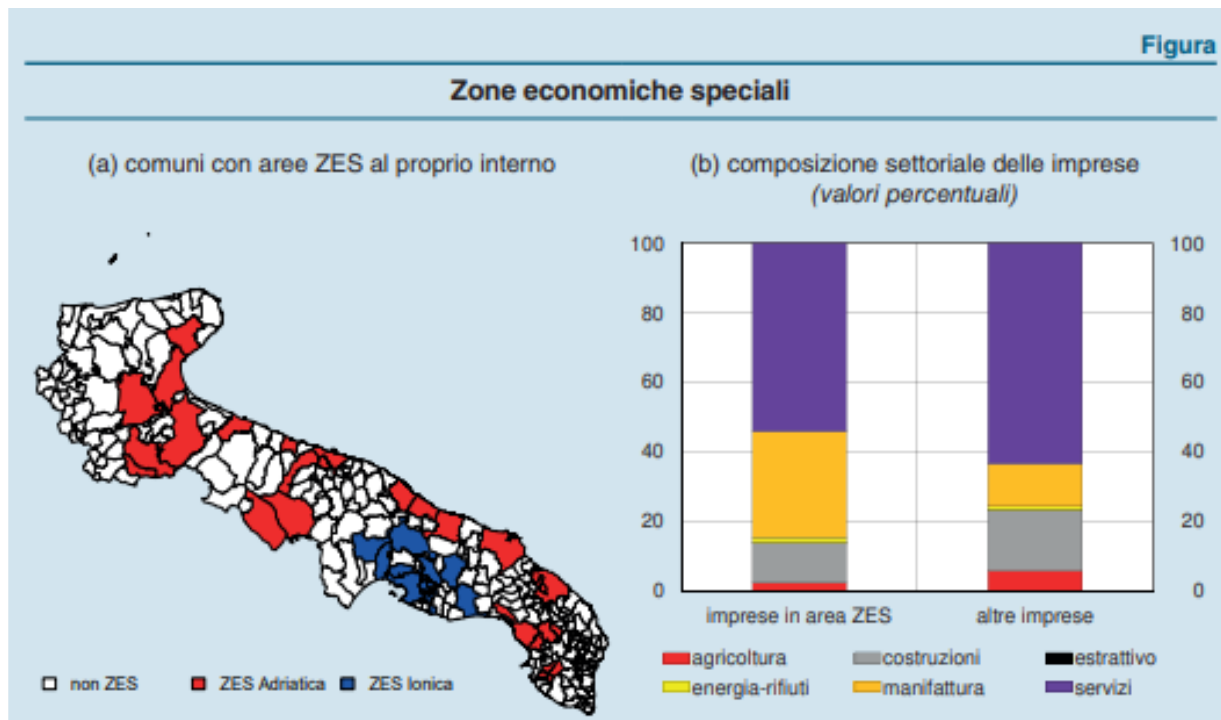


Figure 5⁴⁸

7.4 Regulation and Bureaucracy

Bureaucracy and regulatory complexity are an obstacle for many Apulian businesses. There is a need to simplify bureaucracy and reduce regulatory complexity to foster entrepreneurship. In fact, the decision-making delays caused by Italy's legislative tangle (ten times denser than the total number of laws in France, Germany and the United Kingdom) make Italy one of the least efficient countries in Europe, with very high annual costs weighing on the shoulders of SMEs. It is above all the regions of Southern Italy that pay the consequences, as is clear from the analysis of the Institutional quality index (IQI): in the ranking of the 106 provinces, which sees Trento in first place for efficiency and Vibo Valentia in last, the best

⁴⁸ Banca d'Italia, *idem*, p. 11.



positioned is Lecce, in 67th place; followed by Bari in 72nd, Barletta - Andria - Trani in 75th, Brindisi in 83rd, Taranto in 88th and finally, Foggia, in 97th. The solution that the Cgia research office hopes for is a reduction in the number of regulations, better drafting of laws by legislators, the elimination of overlaps between the various levels of government and the use of a lexicon that leaves no room for doubts and interpretations⁴⁹.

7.5 Entrepreneurial culture and mentality

Culture and the entrepreneurial mentality in Apulia are still underdeveloped compared to other Italian regions, however there are several projects aimed at their development and growth, which are generating interest and success. It is the Apulia region itself that has prepared the PiiiL - Strategic Plan for Culture 2017-2026⁵⁰, one of the objectives of which is the focus on the development of a new business culture to encourage self-entrepreneurship, especially among young people; in addition, it aims to consolidate and increase the presence of the Cultural and Creative Industry (CCI) in the economic fabric of Apulia, encouraging integration processes according to network logic and accompanying processes of evolution from associationism and voluntary work towards innovative forms of enterprise (non-profit, profit and benefit), capable of generating work and good employment, against all forms of exploitation, undeclared work and evasion/avoidance⁵¹.

⁴⁹ La Gazzetta del Mezzogiorno, «La “mala-burocrazia” frena Puglia e Basilicata: ecco la classifica», December 17, 2023, <https://www.lagazzettadelmezzogiorno.it/news/puglia/1459507/la-mala-burocrazia-frena-puglia-e-basilicata-ecco-la-classifica.html>

⁵⁰ PiiiL – Piano Strategico della Cultura 2017-2026, https://partecipazione.regione.puglia.it/uploads/decidim/attachment/file/2861/PiiiL_cultura.pdf.

⁵¹ PiiiL, *idem*, p. 127.



Italy – Croatia



Another interesting initiative is that of the Lecce-based WeDo! Academy, carried out since 2021 through the experience of numerous Summer Camps, a five-day full immersion during which a group of professionals united by the desire to give back to the younger generations the success and achievements that life has given them⁵².

The entrepreneurial interest of women is also growing steadily, and in Apulia they are the founders of 14.38% of all innovative start-ups in the region⁵³.

⁵² WeDo! Academy, <https://www.we-do.academy/chi-siamo/>.

⁵³ Startup Italia, «Quante sono le imprese e le startup a guida femminile in Puglia?», March 21, 2024, <https://startupitalia.eu/unstoppable-women/startup-guida-femminile-puglia/>.



8.0 FACTORS INFLUENCING ENTREPRENEURSHIP IN LIKA

8.1 Infrastructure and services

In the area of Lika-Senj County, existing and planned entrepreneurial/business zones have been registered in eight local self-government units. The existence and planning of entrepreneurial/business zones represents a certain potential for new investments that can generate new jobs and profits in Lika-Senj County.

8.2 Training and education

Two higher education institutions operate in the County:

1. University of Zadar, Department of Teacher Studies in Gospić
2. Polytechnic "Nikola Tesla" in Gospić

It is evident that there is insufficient professional knowledge and a low level of education of people engaged in agricultural production and tourism. Likewise, we find the highlighted problem of Lika in the insufficient awareness of the majority of the holders of economic activity about the importance of lifelong education.

8.3 Access to credit

Today, credit is the most common way of financing entrepreneurs in Croatia. The reasons for this are the legal provisions according to which debt financing is more tax-acceptable than financing with the owner's capital, i.e. principal.

In principle, a company can be financed with retained earnings, equity investment, and borrowing, most often from banks. The optimal financing structure should be represented by a balanced combination of the above-mentioned sources. The company and the trade can be



Italy – Croatia



financed with the owner's money and the realized income (eng. bootstrap), but this is a slower way, it is faster by obtaining money from outside (eng. raise money), provided that the company has the possibility of growth in the market and a realistic business plan. Companies in their development need to obtain money periodically several times in time intervals. For Croatian small and medium-sized companies, access to financing during the entire transition is one of the biggest obstacles in business. In other transition countries, the biggest obstacles are the search for customers and competition. Compared to companies from the European Union, the companies have a shorter lifespan, lower productivity, and higher financing costs. They are mostly driven by necessity, and less by a recognized market opportunity, as is the case in the European Union.

Today, only 20 banks operate in Croatia. According to the statistics of the Croatian National Bank, of the loans given to micro-entrepreneurs, 60% of the amount is intended for investments, and 25% for working capital. On the other hand, small companies use 50% of loans for investments and 33% for working capital.

In accessing banking sources, companies are faced with structural barriers such as lack of collateral. In asset-based lending, the bank focuses on the assets of the company and its owners as collateral, and it does so primarily because of the impossibility of trusting the company's financial information. Moreover, although the legal minimum was 1 to 1.2, most banks required that the value of the collateral be at least 2 times the value of the loan. The effects of such requirements are reflected in making it more difficult for clients to access loans, especially small businesses, and making loans more expensive.

The Croatian financial system will have to be differentiated so that it can more easily meet the financial needs of companies in different phases of the life cycle. The financial market is



Italy – Croatia



dominated by banks and debt financing, which is generally available to established companies with a stable business image. The result is the relatively high debt load of Croatian companies and their low capitalization. In addition to generally limiting the ability of companies to grow, such a situation will also increase their vulnerability to the effects of the crisis caused by the pandemic.

Therefore, in the coming period, efforts will be made to increase the availability of favorable sources of financing, primarily through European funds, in order to achieve their greatest diversity, but also to enable the connection of different sources necessary for financing the growth of companies in different phases of the life cycle. This will increase the company's potential for growth and overall business dynamics, which is reflected in the creation of small innovative companies, start-ups and growing (scale-up) knowledge-based companies.

8.4 Regulation and Bureaucracy

Considering the problem of bureaucracy, it is evident that in the Republic of Croatia various measures are being used to influence the reduction of this problem, i.e. they want to simplify the administration and abolish unnecessary regulations, but in the end, they still fail to achieve such a goal. Exactly the opposite, new regulations are constantly being passed, which makes it much more difficult for entrepreneurs to do business.

8.5 Entrepreneurial culture and mentality

Lika-Senj County is one of the less developed counties of the Republic of Croatia. Despite this, the last few years have seen progress in numerous economic segments. Among them, the development of entrepreneurship can be highlighted. Entrepreneurs in Lika-Senj County are recording positive results that can be significantly improved. It should be emphasized



**Italy – Croatia**



that entrepreneurs are provided with an adequate support structure that is continuously improved and that local governments, in principle, create an environment adapted to entrepreneurs. Admittedly, additional measures are necessary, and a possible step forward in the development of entrepreneurship can be seen in greater investment in education.



9.0 CONCLUSIONS AND RECOMMENDATIONS

The analysis of the Apulian entrepreneurial context returns an articulated picture full of challenges, but also of interesting development opportunities. The regional economy, although characterized by a certain heterogeneity, has growth sectors such as tourism, agrifood and construction, driven by increasing demand and a growing focus on product quality and sustainability. Digitalization, ecological transition and internationalization represent further challenges to be taken up by Apulia's businesses, which can take advantage of a growing innovation ecosystem and a system of incentives and support for expanding enterprises.

However, a number of obstacles persist that hinder the full growth of Apulia's entrepreneurial potential. These include the lack of adequate infrastructure, especially in rural areas, the poor dissemination of a solid entrepreneurial culture and bureaucratic complexity. In order to overcome these obstacles, a synergic commitment is needed from all the actors involved, from institutions to businesses, passing through the education and training system.

Ultimately, Apulia has all the potential to become a dynamic and competitive business hub. Investing in infrastructure, human capital and bureaucratic simplification, together with an openness towards innovation and a valorization of the specificities of the territory, with particular attention to rural areas, are the keys to unlocking the potential for growth and building a prosperous future for the region.

On the other hand, examining the entrepreneurial environment in Lika-Senj County provides a clear picture that is full of difficulties, but also intriguing prospects for growth. There is a significant number of entrepreneurial zones that provide resources that significantly facilitate business. Incubator and accelerator services are available to entrepreneurs at the beginning of business development. These and numerous other support systems are



Italy – Croatia



monitored, improved and offered by quality institutions and associations, such as the Development Agency of Lika-Senj County, the Local Action Group of Lika and the Development Center of Lika-Senj County. From all of the above, it follows that the Lika-Senj County is an economically less developed county in the Republic of Croatia, which, according to numerous economic indicators, has shown significant progress in recent years. Management of local self-government budgets is satisfactory, and entrepreneurs can count on a certain stability of the environment that such management creates. In addition, entrepreneurs can count on a comprehensive system of old and new grants from various institutions at the level of the Republic of Croatia and within the county. Therefore, we can expect a continuation of the positive trend of indicators of the success of entrepreneurship in Lika-Senj County. However, from the data on the number and quality of companies and trades, it can be read that entrepreneurship in Lika-Senj County is based on business with a low level of innovation, which urgently needs to be changed.



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Italy – Croatia



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Italy – Croatia



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Italy – Croatia



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