Subnational Business Ready in the **European Union 2024:**

CROATIA

WORLD BANK GROUP
Development Economics | Global Indicators

SUBNATIONAL BUSINESS READY

With funding by the European Commission

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Foreword

In a world of stifled business growth, unemployment, and multiple socioeconomic crises, the significance of understanding and enhancing the business climate cannot be overstated. The launch of the *Subnational Business Ready* (B-READY) studies occurs at a pivotal moment in the context of Europe's economic landscape—they provide a rigorous and comprehensive examination of the business environments across diverse regions within six European Union Member States: Bulgaria, Croatia, Hungary, Portugal, Romania, and the Slovak Republic. This initiative is not solely analytical—it is fundamentally transformative, aiming to catalyze policy reforms and invigorate the private sector by leveraging diverse regional strengths within the European Union.

The effective cooperation between the World Bank and the European Commission, particularly the Directorate-General for Regional and Urban Policy (DG REGIO), has been instrumental in supporting Member States in achieving cohesive policy objectives. This collaboration has also generated globally relevant analytics and knowledge spillovers. The launch of these Subnational B-READY studies builds on previous studies, funded by DG REGIO, in which 115 locations from 16 Member States were benchmarked between 2017 and 2022.

The World Bank's commitment to promoting economic development and mitigating barriers that hinder private sector growth is closely aligned with its goal of eliminating poverty on a livable planet. This is reflected in the methodical approach of the Subnational B-READY team—analyzing and comparing business environments at the local level to foster sustainable and inclusive economic growth. By incorporating aspects of environmental sustainability into its assessments, the Subnational project directly supports the World Bank Group's livable planet mandate. With the continuous support of the European Commission, the project provides an overview of countries' regulatory processes, highlighting regional variations in business regulations and their practical implementation. The Subnational studies provide pathways to developing effective regulatory frameworks and enhanced administrative processes that are pivotal for economic resilience and growth.

By focusing on a range of topics, including Business Entry, Business Location, Utility Services, Dispute Resolution, and Business Insolvency, the Subnational project ensures a comprehensive evaluation of factors that influence business climates. Facilitating business entry is key for job creation and economic growth, with simple registration processes and transparency safeguarding business integrity. Secure property rights and effective land administration promote investment and market efficiency, while a robust environmental framework for construction protects the public and ensures sustainability. Reliable utility services, especially electricity and water, are critical for operations and profitability. Efficient dispute resolution and strong judicial systems encourage investment by providing timely and cost-effective processes. Finally, robust business insolvency frameworks are essential for economic stability, resilience, and job preservation. Understanding and optimizing these areas is crucial for crafting environments conducive to sustainable and inclusive business operations.

Moreover, the collaborative nature of the Subnational B-READY studies—conducted in alignment with the priorities of the national and local governments—guarantees that insights from the studies are both relevant and action-

able. This engagement is a testament to a shared commitment from various governmental levels to refine business practices for amplified economic impact.

As these assessments unfold, the objective extends beyond identifying discrepancies; the aim is to guide policy makers and foster a dialogue between local and national governments and the private sector. The exchange of best practices and success stories is intended to spark innovative and effective reforms across regions, setting a precedent for future economic enhancements.

In essence, the Subnational B-READY studies for these six nations represent more than mere reports—they are a guide toward smarter, more efficient policies that empower businesses and foster substantive economic growth. We are confident that the insights from these assessments will catalyze significant strides in private sector development and economic policy making at both regional and national levels.

We extend our deepest gratitude to all contributors, partners, and stakeholders, whose expertise and unwavering dedication have been instrumental in sculpting these comprehensive studies. Your continued engagement and insightful feedback are crucial as we advance our mission to enhance business environments globally, paving the way for an era of renewed growth and prosperity.

Norman V. Loayza
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Global Indicators Group, World Bank

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Data collection was carried out in collaboration with the law firm Hanžeković & Partners and with Best Advisory d.o.o. More than 200 business consultants, engineers, lawyers, electricians, architects, construction experts, utility providers, public officials, judges, and enforcement agents contributed to the study. The team would like to express its special gratitude to the national and local public officials and members of the judiciary who participated in the project and who provided comments during the consultation and data review period.

Subnational B-READY is a product of the Development Economics Vice-Presidency (DECVP), led by Indermit Gill, Senior Vice President and Chief Economist of the World Bank Group. B-READY is housed in the Global Indicators Group, Development Economics (DECIG), and is supervised by Norman Loayza (DECIG Director). The Subnational B-READY projects are implemented by a team led by Mădălina Papahagi (Senior Private Sector Specialist,

DECSN) and Valentina Saltane (Manager, DECSN), in collaboration with other DECIG units (Business Ready, led by Valeria Perotti, and Enterprise Analysis, led by Jorge Rodriguez Meza).

The Enterprise Analysis team collected all the B-READY firm-level data through the implementation of the expanded Enterprise Surveys and provided invaluable advice on questionnaire design and indicator development. This team is led by Jorge Rodriguez Meza (Manager) and consists of Gemechu Aga, Nesma Ali, David C. Francis, Norma Janeth Gomez Caceres, Caroline Gomes Nogueira, Arvind Jain, Filip Jolevski, Nona Karalashvili, Hibret Maemir, Eugenia Aurora Rodriguez Cuniolo, Davide Salvatore Mare, William Soh, Nazim Tamkoc, Kohei Ueda, Domenico Viganola, Rose Wairimu Gachina, and Joshua Wimpey.

The team extends its apologies to any individuals or organizations inadvertently omitted from this list and conveys its appreciation to all contributors to the Subnational B-READY in the European Union, including those whose names may not be listed here.

Executive Summary

Subnational Business Ready (B-READY) in the European Union: A Comprehensive Assessment of Regional Business Climate

The Subnational B-READY in the European Union (EU) series is a project led by the World Bank in partnership with the European Commission's Directorate-General for Regional and Urban Policy (DG REGIO) aimed at assessing and enhancing the business environment across different regions within the EU. This year, the Subnational B-READY series cover 40 cities in six EU Member States—Bulgaria, Croatia, Hungary, Portugal, Romania, and the Slovak Republic—covering 36 European regions. This phase builds upon the World Bank's previous Subnational studies conducted in these countries between 2017 and 2022. More broadly, the former Subnational in the EU reports assessed business environments in Bulgaria, Hungary, and Romania (2017); Croatia, the Czech Republic, Portugal, and the Slovak Republic (2018); Greece, Ireland, and Italy (2020); Austria, Belgium, and the Netherlands (2021); and Denmark, Finland, and Sweden (2022), covering 115 locations across 16 EU Member States. These studies have laid the groundwork for identifying regulatory gaps and sharing best practices to strengthen the EU's regional economic cohesion. As part of an ongoing effort, the team is launching the second round of measurements, which will cover over 60 cities from the Czech Republic, Greece, Ireland, Italy, Poland, and Spain. A third round is set to begin in 2025, expanding the assessment to more EU Member States.

Objective

The primary objective of the Subnational B-READY studies is to identify and address regional disparities in regulatory environments and to promote reforms that foster private sector growth, job creation, and sustainability. The Subnational B-READY series delivers a rigorous, data-driven analysis of business climates at the local level, offering actionable insights for policy makers. By examining key areas of the life cycle of the firm—Business Entry, Business Location (including Building Permitting, Environmental Permitting, and Property Transfer), Utility Services (Electricity, Water, and Internet), Dispute Resolution, and Business Insolvency—this report offers a road map for improving administrative processes and regulatory frameworks that directly affect businesses at the local level in five Croatian cities: Osijek, Rijeka, Split, Varaždin, and Zagreb.

Intended Audience

This Subnational B-READY report series targets a wide audience, from national to local government officials, and from private sector stakeholders to development agencies, policy makers, and researchers. The findings are meant to help these groups identify best practices, reduce regulatory bottlenecks, and foster a more unified and efficient business environment across regions. Additionally, the collected data serve as an effective tool for local governments, enabling them to benchmark and track performance over time vis-à-vis not only national standards but also international benchmarks. The comprehensive underlying country-specific datasets provide ample opportunities for further research in the area of private sector development and growth.

The Importance of Regional Data

An insight into regional dynamics allows an economy to be more inclusive and sustainable in its economic growth. The Subnational B-READY reports offer governments the evidence needed to design targeted reforms, allowing regions to enhance their business climates and bridge performance gaps. It is hoped that the key findings will encourage peer learning across regions by disseminating good practices observed in high-performing cities. It is expected that such a sharing of best practices would lead to cross-regional improvements and eventually spur competitiveness across the EU.

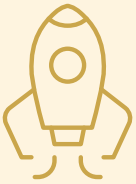
By highlighting both achievements and areas for improvement, these assessments aim to support national and regional policy makers in driving meaningful reforms. In this way, the project exemplifies the shared commitment of the World Bank and DG REGIO to enhancing economic cohesion and resilience within the EU through rigorous analysis and evidence-based policy recommendations.

Key Findings

- Each Croatian city has room for improvement on most of the measured topics. For example, Varaždin is a top performer on the Business Location topic, but it lags behind other cities in Dispute Resolution. Split receives a higher score on Business Insolvency, which is in contrast to its weaker performance on Business Location.
- On the Business Entry topic, company incorporation is implemented with equal effectiveness across the measured cities. In addition, all cities achieved an Operational Efficiency score of 99.5 points out of 100. Incorporating a company is fast and inexpensive.
- Varaždin has the biggest gap between its best (Business Entry) and worst (Dispute Resolution) topic scores. Data obtained through Enterprise Surveys reveal that senior management of companies perceive courts as an important obstacle to business operations more in Varaždin than in the other measured cities.
- The process of obtaining of a building permit is most efficient in Varaždin, where it takes four months, due to the city's efficiency in providing the required municipal permits. Conversely, the process is slowest in Split, where it takes almost a year.
- At the national level, 8 percent of Croatian firms reported access to land as an obstacle––significantly lower than in some peer countries, such as the Slovak Republic, Romania, and Portugal. The lowest percentage in Croatia was recorded in Zagreb (4 percent).
- The time required for the electricity-connection process varies. The differences stem primarily from the waiting period for receiving an excavation permit from the municipality and from the completion of external works. Obtaining a new connection is fastest in Osijek (83 days) and slowest in Split (99 days).
- In the area of Utility Services, Zagreb's score is significantly lower than that of the other cities mainly because the water-connection process takes longer––95 days in Zagreb, compared to 31 days in Osijek and 37 days in Rijeka.
- Court automation, training, and specialization represent key drivers in increasing Operational Efficiency of the Business Insolvency process. Courts where respondents noted limited broadband or lack of IT equipment are generally the ones reporting higher times for the finalization of cases.
- Cities such as Split are excelling on both liquidation and reorganization times, while Zagreb does better with reorganization than with liquidation, thanks to the more specialized expertise of local judges on law and economics issues. Zagreb lags behind in terms of court Operational Efficiency, mainly because of the time it takes to go through the liquidation process: 40 months, which is four months slower than Rijeka, the second slowest city.
- In general, Pillar III, which measures the Operational Efficiency of the Regulatory Framework, is the driver of most variations across the cities, especially on the Business Insolvency topic.

Areas of Improvement

Business Entry



The multiplicity of channels for company registration in Croatia has produced a fragmented registration process. Modernizing Croatia's business registration regime and aligning it with EU practices and directives will require integrating the disparate databases, closing parallel online and physical channels for registration services, and digitalizing and integrating all registration procedures for all legal entity types onto one platform. Similarly, reviewing the rules to approve company names by a more transparent process could help Croatian entrepreneurs. The authorities could also explore the approach followed by Portugal, where a preapproved list of names is available for entrepreneurs to choose from before registration.

Other areas for improvement for Business Entry in Croatia include eliminating the start-up capital requirement for limited liability companies. The removal of the minimum capital requirement aligns with trends in other EU Member States, including Belgium, Finland, Ireland, and the Netherlands. Other EU Member States, such as Bulgaria, Greece, and Portugal, have reduced the capital requirement to less than 0.1 percent of income per capita.

Business Location

Recently introduced reforms and digital transformation have enhanced public services and transparency of information for Building Permitting. For example, the e-Conference module in the ePermit system has reduced the number of steps required to obtain these permits. Despite these efforts, developers still need to wait about five months from the initial request for a building permit until receipt, and about two months, on average, from the initial request for an occupancy permit until obtainment, mostly due to backlogs in the municipality. For this reason, Croatia could consider introducing a fast-track procedure for an extra fee. New regulations could establish different levels of examination—and therefore different time frames—for different levels of complexity. The Austrian capital, Vienna, implemented a simplified, fast-track building-permit process for common low-risk construction. This process allows a developer to begin construction one month after submitting the application if the building authority has not indicated that the standard permit-processing procedures apply.

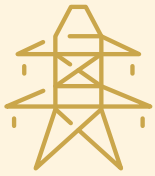
Another solution to increase efficiency would be to invest in improving workflow methodology and internal IT processes to determine the reallocation and hiring of staff to handle the applications. Improving the building-permitting process is possible by hiring a greater number of new skilled professionals, who will specialize in working on specific steps in the permit-issuance process. Other areas of improvement include enhancing Croatia's spatial planning with ePlans-Editor and e-Regimes integration. The ePlans-Editor features for drawing official maps of spatial plans would enhance planning decisions, provide standardized and automated data import control according to preestablished rules, and report errors that need to be corrected. The e-Regimes module would make it possible to create real-time plans for all infrastructure under and above ground, enabling the introduction of the "one dig" policy for utilities. These developments could improve the efficiency and standardization of the permitting process while moving toward complete digitalization.

Croatia could consider developing and deploying a comprehensive online platform that would modernize and streamline the environmental-permitting process. The new digital system could be designed to replace the current paper-based application method and introduce efficiencies in permit processing. Drawing on successful models, Croatia could benefit from adopting a fully integrated online Environmental Permitting platform similar to Portugal's SILiAmb system, which includes a full suite of online functionalities that streamline the permitting process and enhance stakeholder engagement. Furthermore, the country could undertake a dual strategy to increase the efficiency of Environmental Permitting procedures by enhancing the clarity of legal norms and capacity building of government officials through continuous training programs.

To further enhance land administration and Property Transfer in Croatia, a distinct dedicated compensation mechanism could be set up at the Land Registry. Additionally, its offices, hampered by case backlogs, may contemplate sharing some of the workload with a less burdened Land Registry office.

Finally, relevant authorities could increase transparency of the land administration system by publishing and committing to service standards at both the Land Registry and Cadaster, as well as developing statistics on property-related disputes and the time it took to solve them.

Utility Services



To enhance the provision of electricity service in Croatian cities, one potential improvement could be replacing the requirement for an internal wiring certificate with a system of self-certification of compliance. While ensuring the safety and quality of electrical installations is paramount, it is possible to achieve this without imposing additional hurdles for obtaining new connections. In other EU Member States, such as Denmark and Germany, regulations allow the contractor responsible for internal installation to submit a self-certificate, ensuring quality and safety without the need for third-party inspection. Additionally, the effectiveness of the online application platform utilized in Croatian cities could be improved. Although an online application portal exists, many users opt for email or paper-based methods due to their unfamiliarity with the platform. In the short term, HEP (*Hrvatska Elektroprivreda*), the national electrical power company, could enhance efficiency by appointing a single point of contact to assist customers throughout the connection process, minimizing confusion and facilitating smooth communication. In the longer term, Croatian cities could emulate the approach taken by the Netherlands, where a single centralized platform enables developers and citizens across the country to request various utility connections. This centralized system would streamline permitting processes, align local and national laws, and promote efficiency.

Croatian cities could enhance the efficiency and transparency of acquiring excavation permits by integrating local water utilities' systems with the national e-Construction Permit platform. This measure would benefit cities such as Zagreb, where obtaining a municipality excavation permit currently entails a monthlong process. Technological solutions, when coupled with user-awareness campaigns and real-time troubleshooting mechanisms, prove highly effective in mitigating delays. Furthermore, these solutions could facilitate data collection to identify the root causes of delays. Implementing a tracking system for applications would be equally pivotal in streamlining the process. Cities in Croatia could follow the example of Rijeka, where obtaining an excavation permit for a water connection requires only 10 days. In Rijeka, the efficiency is attributed to regular meetings known as "Coordination of Activities and Operations on Roads and Public Areas," where representatives from the local municipality, electricity and water utilities, and other stakeholders convene. To improve efficiency, cities could also pursue the digitalization of processes such as online applications for water connections. Additionally, the country could enhance its regulatory framework by implementing both financial and nonfinancial incentives to encourage the adoption of demand-side water-management practices.

Dispute Resolution

Improving the Croatian dispute-resolution framework requires addressing several key areas. Firstly, publishing all first instance and appellate court decisions online within a searchable database would enhance transparency and improve public trust. Secondly, promoting alternative dispute-resolution mechanisms could reduce judges' caseloads and alleviate the backlog of cases. Finally, while Croatia has made progress in digitalizing its judicial system, it could further strengthen the digital capacity of all its courts to implement the already available digitalized platform for publishing the court schedules online.

Business Insolvency

Several key areas have been identified for enhancing the insolvency framework of Croatia. Firstly, to improve the efficiency of the proceedings, tailored and continuous educational training could be provided to both judges and insolvency practitioners. This would ensure better decision-making throughout the insolvency proceedings. Secondly, enforcing audits and evaluations for the performance of insolvency administrators would enhance their accountability, efficiency, and professionalism. Finally, incorporating special proceedings for micro-, small, and medium-sized enterprises into the regulatory framework would provide more streamlined and improved second chances for local businesses.

Table 1. Summary of Potential Opportunities for Regulatory Improvement in Croatia

Topic	Areas of Improvement	Relevant Stakeholders
Business Entry	Move toward a single window for business registration	• Ministry of Economy • Ministry of Justice, Public Administration and Digital Transformation
	Eliminate the start-up capital requirement for limited liability companies	• Ministry of Justice, Public Administration and Digital Transformation
	Increase certainty in company name verification	
Business Location	Building Permitting	
	Reduce the waiting time for processing municipal permits	• Ministry of Physical Planning, Construction and State Assets
	Enhance Croatia's spatial planning with ePlans-Editor and e-Regimes integration	
	Environmental Permitting	
	Develop and deploy an integrated online environmental permitting platform	• Ministry of Economy • Environmental Protection and Energy Efficiency Fund
	Simplify the regulatory framework and strengthen capacity building for government officials	• Environmental Protection and Energy Efficiency Fund
	Property Transfer	
	Complete the integrations between the Land Registry's and the Cadaster's records	• Ministry of Justice, Public Administration and Digital Transformation • State Geodetic Authority
	Complete registration of all private properties in the country	• Ministry of Justice, Public Administration and Digital Transformation
	Conclude sharing workloads agreements	• Municipal courts
	Set up a distinct compensation mechanism at the Land Registry	• Ministry of Justice, Public Administration and Digital Transformation
	Increase transparency of the land administration system	• Ministry of Justice, Public Administration and Digital Transformation • State Geodetic Authority
Utility Services	Electricity	
	Improve the reliability of the electricity supply	• Croatian Energy Regulatory Agency (HERA) • National electrical power company (HEP) • Ministry of Economy
	Replace the internal certificate with self-certification of compliance	
	Strengthen the online application platform	
	Water	
	Streamline the excavation permit process	• Ministry of Physical Planning, Construction and State Assets • Municipalities • Water utilities
	Review the excavation permit process	• Croatian Roads Agency • Municipalities • Water utilities
	Improve digitalization	• Water utilities
	Incentivize water-saving practices	• Ministry of Economy • National regulator (*Vijeće za vodne usluge*, or Council for Water Services)

Table 1. Summary of Potential Opportunities for Regulatory Improvement in Croatia

Topic	Areas of Improvement	Relevant Stakeholders
Dispute Resolution	Expand the publication of court judgments	• Ministry of Justice, Public Administration and Digital Transformation
	Promote alternative dispute resolution mechanisms	
	Improve the digitalization of courts	
Business Insolvency	Adopt tailored training programs for judges who are dealing with insolvency proceedings	• Ministry of Justice, Public Administration and Digital Transformation
	Implement continuous training programs for insolvency administrators	
	Enforce audits and evaluations of insolvency administrators' performance	
	Implement special rules for micro-, small, and medium-sized enterprises	

Source: Subnational Business Ready

Methodology

As part of the World Bank's overarching effort to promote private sector development, the Subnational B-READY provides assessments of the business environment in select cities within measured economies with the aim of delineating the geographic variation. The assessments adopt a holistic view of the private sector as they consider all the stakeholders in private sector development—including existing firms, potential entrants, and the citizens at large—by evaluating aspects such as transparency and environmental requirements. The assessments are based on original data collected by the Subnational B-READY team and are published through reports and online.

As a new product, the Subnational B-READY is using the methodology of the Global B-READY report, adapting it to project-specific contexts based on client needs. Over time, the project will grow in geographic coverage, and its methodology will be refined. In the first phase of the Subnational European Union (EU) project, the Subnational B-READY assessments have been prepared for 40 cities in six EU economies—namely, Bulgaria, Croatia, Hungary, Portugal, Romania, and the Slovak Republic.

The selection of cities for Subnational B-READY assessments in the EU is based on geographical coverage and size in consultations with the European Commission and the national governments. In Croatia, the Subnational B-READY covers five cities in four regions at the NUTS2[1] level: Osijek (Pannonian Croatia), Rijeka (Adriatic Croatia), Split (Adriatic Croatia), Varaždin (Northern Croatia), and Zagreb (City of Zagreb) (map 1).

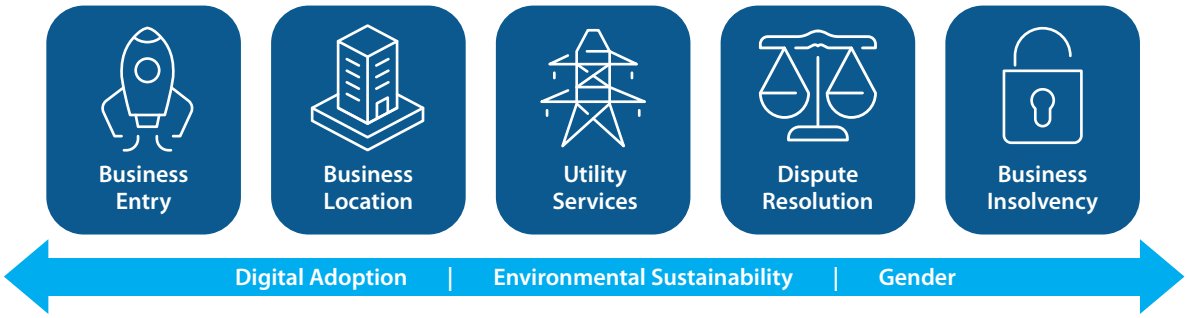
Map 1. Cities in Croatia Covered by Subnational B-READY

Source: Subnational Business Ready

Subnational B-READY assessments in the EU are organized into five topics that follow the life cycle of the firm: Business Entry, Business Location, Utility Services, Dispute Resolution, and Business Insolvency (figure 1). Across the

1 Nomenclature of Territorial Units for Statistics (NUTS) is a geocode standard for referring to the administrative divisions of countries for statistical purposes developed and regulated by the European Union. There are three major categories of administrative divisions: NUTS1 (major socioeconomic regions), NUTS2 (basic regions for regional policies), and NUTS3 (small regions for specific diagnoses). For more details, see https://ec.europa.eu/eurostat/web/nuts.

Figure 1. Subnational B-READY Topics



Source: Business Ready

five topics, assessments include crosscutting areas of digital adoption, environmental sustainability, and gender.

Each of the five Subnational B-READY topics rests on three pillars: Regulatory Framework, Public Services, and Operational Efficiency (figure 2). The Regulatory Framework pillar comprises the rules and regulations that firms must follow as they open, operate, and close a business. Public Services refers to both the facilities that governments provide to support compliance with regulations and the institutions and infrastructure that enable business activities. In the project, Public Services are limited to the business environment areas related to the life cycle of the firm. Operational Efficiency refers to both the ease of compliance with the Regulatory Framework and the effective use of Public Services directly relevant to firms.

The Subnational B-READY methodology compiles a large set of indicators for each pillar within each topic following the Global B-READY categorizations.[2] The selection of indicators is based on their relevance, value added, and complementarity. These indicators have five major characteristics: they are indicative of established good practices; they are quantifiable and actionable through policy reforms; they seek to balance *de jure* and *de facto* measures within topics; they are comparable across economies and representative within each economy; and they span the most relevant aspects of each topic.

In the Regulatory Framework pillar, the indicators address the quality of rules and regulations, distinguishing between those that lead to clarity, fairness, and sustainability of the business environment and those that impose

Figure 2. Subnational B-READY Pillars

Source: Business Ready

2 Adjustments have been made to the Global B-READY indicators to make them more suitable for Subnational B-READY assessments: two indicators in the Operational Efficiency pillar of Business Entry have been excluded due to not being relevant at the regional level, and one indicator in the Operational Efficiency pillar of Business Location has been excluded due to insufficient regional coverage.

unnecessary restrictions on entrepreneurial activity. In the Public Services pillar, the indicators emphasize digitalization, interoperability, transparency, and adequacy of services directed at easing regulatory compliance and enabling business activities. In the Operational Efficiency pillar, the indicators across topics assess a firm's experience in practice with respect to the business environment.

The Subnational B-READY combines primary data from expert questionnaires with data collected through Enterprise Surveys following the Global B-READY methodology (figure 3). In the EU context, data from the Enterprise Surveys aggregated at the NUTS2 region level were used for each city. Detailed data to help produce the Regulatory Framework and Public Services indicators were collected exclusively through expert questionnaires. Data for the Operational Efficiency indicators were collected through a combination of expert questionnaires and Enterprise Surveys for Business Location, Utility Services, and Dispute Resolution.[3] For topics related to issues that are not faced routinely by firms, such as Business Entry or Business Insolvency, the data-collection process relied solely on expert questionnaires.

Similar to the Global B-READY methodology, in the Subnational B-READY, data collected through expert surveys are validated against surveys received from the public entities. All responses that result in contradictory or inconclusive data points are followed up on with the experts. Moreover, in the case of the Subnational B-READY methodology, the reconciliation process is pursued until the data point is firmly established through hard evidence based on additional research, in-depth interviews with contributors, or data validation with public entities.

The Subnational B-READY implements a scoring methodology that aggregates individual indicators to subcategories, categories, and pillars following the Global B-READY methodology (figure 4). The methodology allows comparisons across pillars and economies by weighting each subcategory accordingly. From indicators to pillars, scores are aggregated through summation of the weighted scores. Each pillar is scored out of 100, and the topic score is obtained by averaging the pillar scores.

The Subnational B-READY is governed by the highest data-integrity standards, including sound data-gathering processes, robust data safeguards, and clear approval protocols, which are detailed in the *Subnational Business Ready (B-READY) Manual and Guide*, publicly available on the Subnational B-READY website. Additionally, the B-READY Methodology Handbook details both the B-READY indicators and the scoring approach. Any deviations from the B-READY Methodology Handbook are detailed in the Subnational B-READY Manual and Guide. The project governance documents will be updated and improved as the project progresses through the initial phases. The cornerstone of B-READY governance is transparency and replicability; as such, all data at the individual city level used to calculate scores will be made publicly available on the project's website.

Figure 3. Subnational B-READY Data Sources

Expert Questionnaires

- Collect data from experts who regularly deal with business regulations and related public services and institutions.
- Provide mainly *de jure*, but also *de facto*, information.
- Data collection through topic-specific questionnaires, administered to three to five experts per questionnaire and city.
- From experts in the private sector and public agencies.

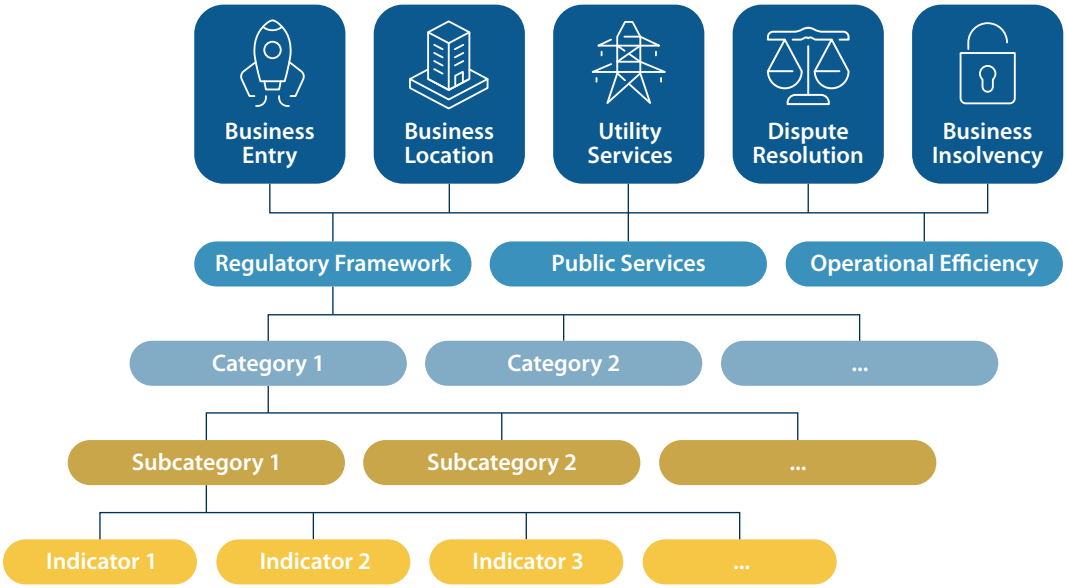
Enterprise Surveys

- Collect data from the owners or managers of a representative sample of registered firms.
- Provide *de facto* information.
- Data collection embedded in the World Bank Enterprise Surveys (expanded from 15 to 65 Enterprise Surveys a year).
- Updated every three years for each economy.

Source: Subnational Business Ready

3 For one indicator in the Operational Efficiency pillar of the Utility Services topic, data from expert surveys, rather than Enterprise Surveys, have been used, in contrast to the Global B-READY, because of limitations of the Enterprise Surveys data at the regional level.

Figure 4. Subnational B-READY Scoring Cascade



Source: Business Ready

Subnational Business Ready
in the European Union 2024:
CROATIA

1. Overview

1.1 Overall Results

No two Croatian city did equally well on all topics. This means, in practice, that cities have something to share with and learn from each other. For example, Varaždin is a top performer on the Business Location topic, yet it lags behind other cities on Dispute Resolution. Split receives a higher score on Business Insolvency, which is in contrast with its weaker performance on Business Location.

On average, the most marked differences in performance within the country are in the area of Business Insolvency, where there is a significant difference in scores (10.6 points) between the worst performer (Osijek) and the best (Split) (figure 5). The gap is driven by Split's leading results for time and costs for liquidation proceedings, and by the fact that Osijek lacks specialized insolvency judges.

Croatian cities score the highest in the Business Entry topic at 86.9 points. On this topic, scores do not vary across cities, indicating that company incorporation is implemented with equal effectiveness across the country. Entrepreneurs in Croatia benefit from business regulation that follows international good practices regarding registration requirements on company and beneficial ownership information[4] and regulatory restrictions for business entry. While electronic public services for business registration are available and some key public agencies exchange information on new companies, there are limitations in terms of the full digitization of the database on company information, the ease of confirming the availability of company names online, and the possibility of conducting updates on company information.

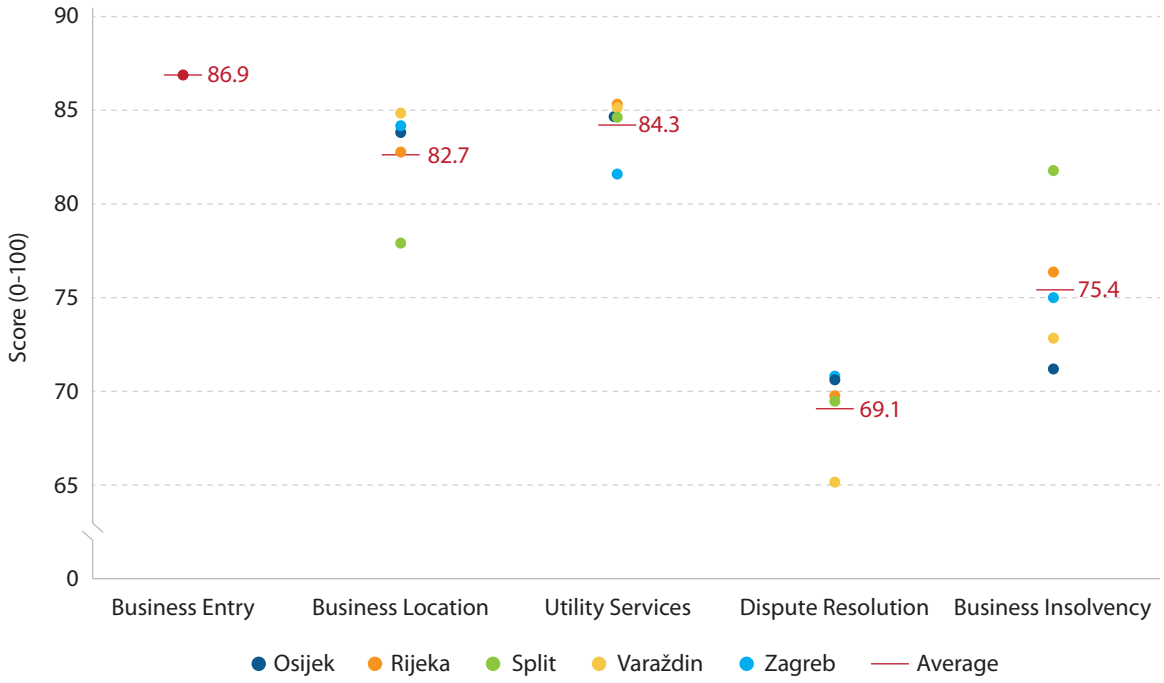
Cross-city scores are mostly homogeneous in the Utility Services topic, except for the case of Zagreb. The capital city's score is significantly lower than that of the other cities. This is mainly because the water-connection process takes longer in Zagreb than in the other cities measured. In Osijek, the water-connection process takes one month. In Zagreb, it takes three times longer.

On the Dispute Resolution topic, the average score of 69.1 signals considerable room for improvement. There is an important difference between the cities at the top (Zagreb, with 70.7 points) and at the bottom (Varaždin, with 65.1 points). Zagreb leads mainly because alternative dispute resolution (ADR) mechanisms are deemed more reliable there, based on Enterprise Surveys data, while Varaždin lags behind mainly because Enterprise Surveys data reveal that courts pose an obstacle to business operations more than in the other measured cities. However, Varaždin obtained the highest score in the pillar measuring the provision of Public Services for Dispute Resolution (Pillar II); its courts are the second fastest in the country according to the Subnational B-READY findings.

Cities in Croatia perform better on average on the pillar that captures the strength of the Regulatory Framework (Pillar I) in Business Location and Utility Services (figure 6). In Business Location, Croatia has undergone a digital transformation of the building-permitting process that has facilitated access to information on space use, reduced the number of steps, and unified the process across the country. In Utility Services, the national regulatory framework

4 A beneficial owner is considered the natural person who ultimately owns or controls a company, even if the title to the property is under another name (that is, the ownership or control is exercised through a chain of ownership or by means of control other than direct shareholding).

Figure 5. Overall Topic Scores, by City



Source: Subnational Business Ready

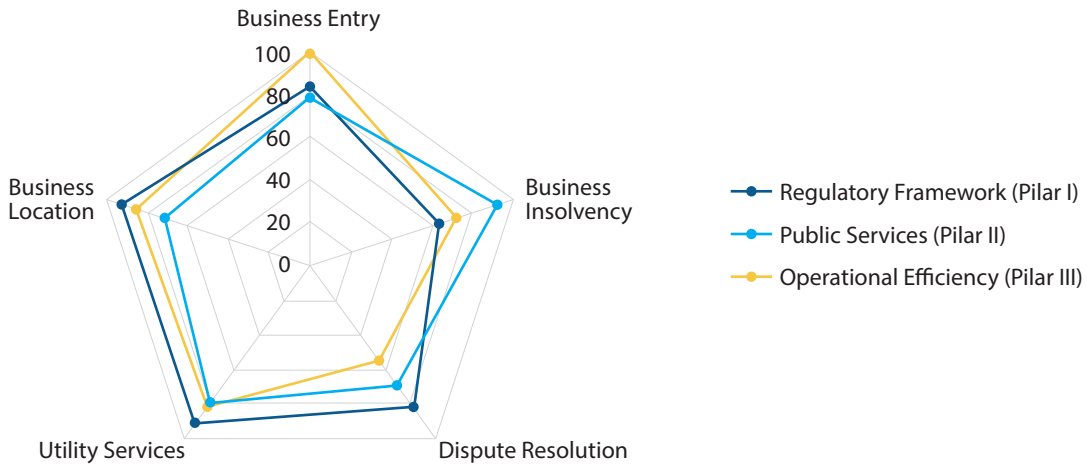
provides for monitoring of tariffs and service quality, implements safeguards for the safety of utility connections, and mandates environmental standards for electricity generation, transmission, and distribution. Remarkably for Business Insolvency, the Pillar I score, at 63.4 points, is significantly lower than the Pillar I score for any other topic (second lowest is Dispute Resolution at 82.3 points), mainly because the system does not provide for electronic voting, the protection of dissenting creditors in reorganization plans, or effective out-of-court restructuring mechanisms. Conversely, Business Insolvency is the topic with the highest average Pillar II score. Most of the cities in Croatia fully implement digital services (e-Courts), offer interoperability of services for business insolvency, make information publicly available, and have specialized insolvency judges.

In the area of company incorporation, all cities achieved an Operational Efficiency (Pillar III) score of 99.5 points (figure 6). In contrast, Dispute Resolution has the lowest average score on both Pillar II (69.7 points) and Pillar III (55.3 points).

Breaking down city scores by pillar shows that, except for the Business Entry topic, the most cross-city variation is driven by Pillar III (figure 7). This result is intuitive, especially in the context of the EU, where regulatory frameworks and the delivery of public services tend to be uniform at the national and subnational levels. Hence, on Pillar I, which measures the Regulatory Framework, there are no city-level variations within the country. Most laws and regulations are enacted and applied at the national, rather than the regional, level.

A similar pattern is observed on Pillar II, which measures the public services available for Business Entry, Business Location, and Utility Services, where provision of public services is largely harmonized across Croatian cities (figure 7). Yet, on this pillar, most cities have ample room for improvement, especially in the area of Utility Services. The biggest gap for Pillar II (15 points) is in Business Insolvency, with Osijek lagging (with 81.7 points), while Rijeka, Split, and Zagreb are leading (96.7 points). The most problematic bottlenecks on the insolvency topic include the lack of specialized insolvency judges in both Varaždin and Osijek, as well as the lack of adequate IT equipment in the Osijek court (hampering, among other things, the organization of virtual hearings). Lack of capacity on economic issues is reported to be a major issue in such smaller courts, especially when dealing with evaluation of assets that require technical expertise, while the concentration of the insolvency caseload in the capital city is the major problem for Zagreb. As the driver of most of the variation across the cities, Pillar III scores illustrate where some cities can make consider-

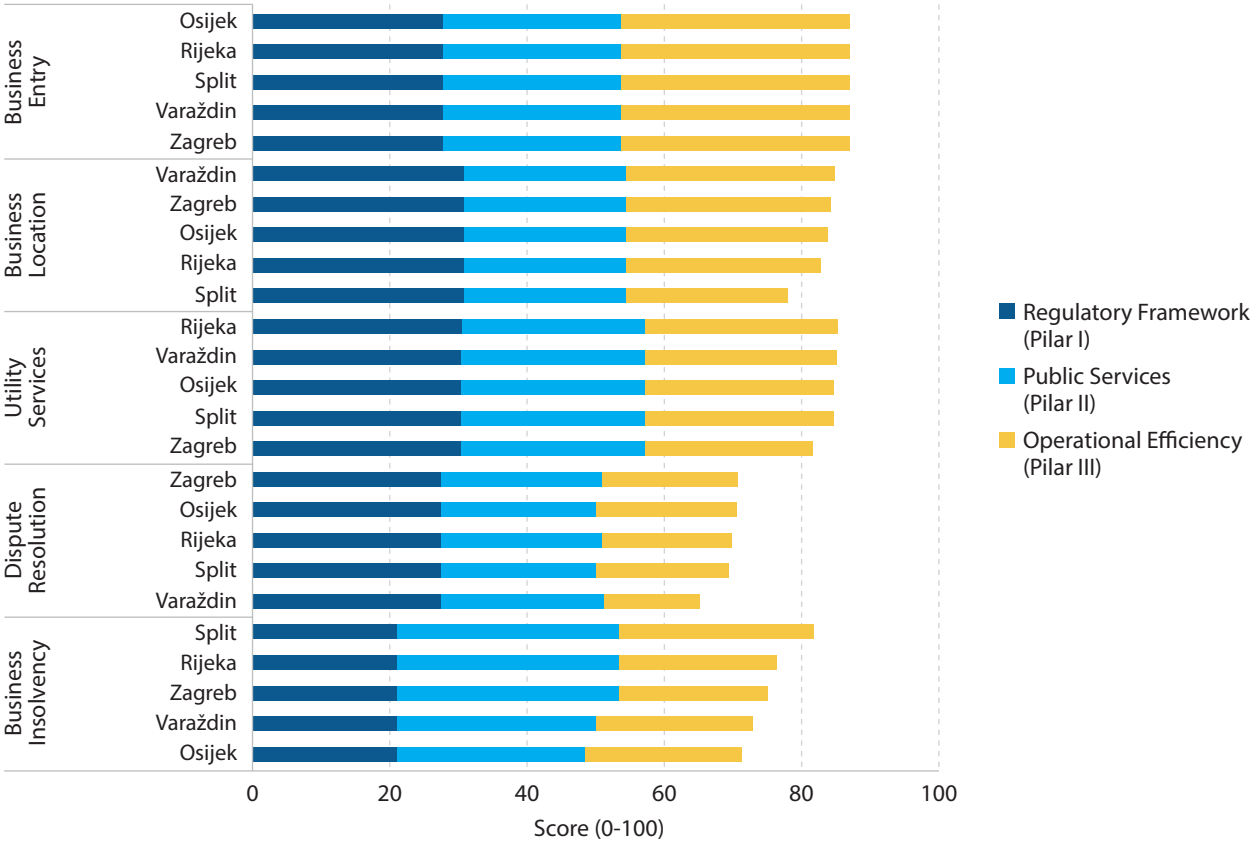
Figure 6. Average Pillar scores, by Topic



Source: Subnational Business Ready

able improvements. Data show that some of the most pressing areas for improvement are in Business Insolvency for Osijek, Business Location for Split, Dispute Resolution for Varaždin, and Utility Services for Zagreb. Most interestingly, the Pillar II (Public Services) score for Varaždin in Dispute Resolution is the highest among the five cities, while its Operational Efficiency pillar score in this topic is the worst. Varaždin is the only measured city that provides online access to court schedules. Paradoxically, firms perceive courts as an important obstacle to business operations more in Varaždin than in other cities. The resulting difference between Pillar II (Public Services) and Pillar III (Operational Efficiency) scores in Varaždin is 30 points. This result implies a substantial gap between the provision of public services versus the perception of courts' independence and the reliability of arbitration processes.

Figure 7. Topic Scores, by City and Pillar

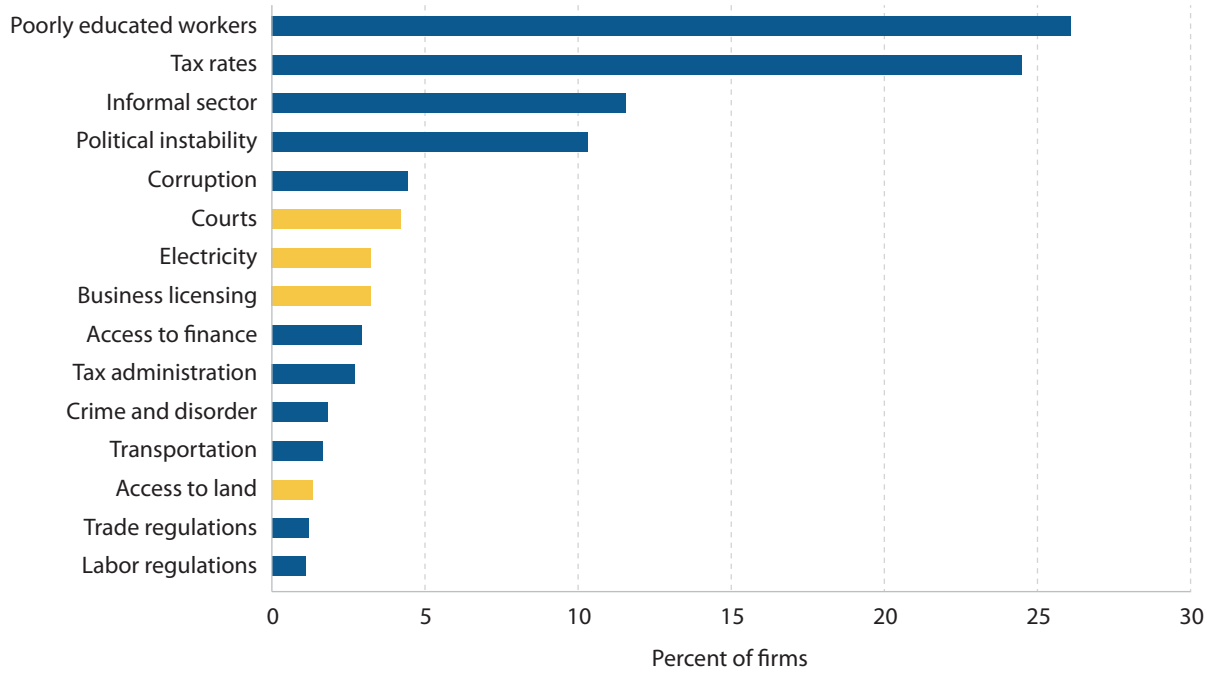


Source: Subnational Business Ready

1.2 Findings from the Enterprise Surveys Data

Results from the Enterprise Surveys[5] implemented in Croatia in 2023 show that the top three business-environment obstacles faced by Croatian firms are tax rates, lack of skilled workers, and practices of the informal sector (figure 8). Courts, electricity, and business licensing—all directly related to the areas studied by *Subnational Business Ready*—are ranked sixth through eighth. About 4 percent of the firms consider the courts as the biggest obstacle to their business operations, and 3 percent see electricity and business licensing each as such.

Figure 8. Biggest Business-Environment Obstacles Reported by Firms



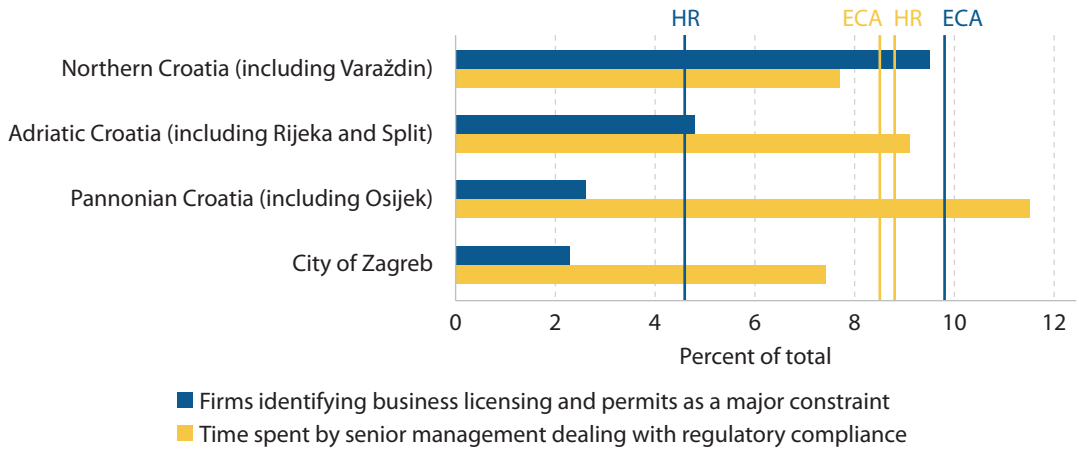
Source: World Bank Enterprise Surveys 2023
Note: Respondents were asked to choose the biggest obstacle from a list of 15 obstacles. Yellow bars show responses directly related to areas studied by *Subnational Business Ready*.

5 For more information, visit the Enterprise Surveys website at https://www.enterprisesurveys.org/

Senior managers of companies reported that they spend on average 8.8 percent of their time dealing with regulatory requirements; the amount is similar to the average of countries from the Europe and Central Asia region. Across geographic locations in the country, senior management spends the least amount of time on government regulatory compliance in the City of Zagreb (7.4 percent), while they spend most time on this in Pannonian Croatia (including Osijek, 11.5 percent). Regulatory compliance is more taxing on the time of senior management at small firms (9.4 percent) than large and medium firms (7.6 percent). Nevertheless, only about 4.6 percent of firms in Croatia identify business licenses as a major constraint to operations—less than half the average for the Europe and Central Asia region. Together with the fact that the regulatory burden on senior management is above the region-wide level, this indicates that the regulatory burden of Croatian firms is more related to processes other than licensing and permitting. Obtaining business licenses and permits is deemed most problematic in Northern Croatia (including Varaždin) and least problematic in Pannonian Croatia and in the City of Zagreb (figure 9).

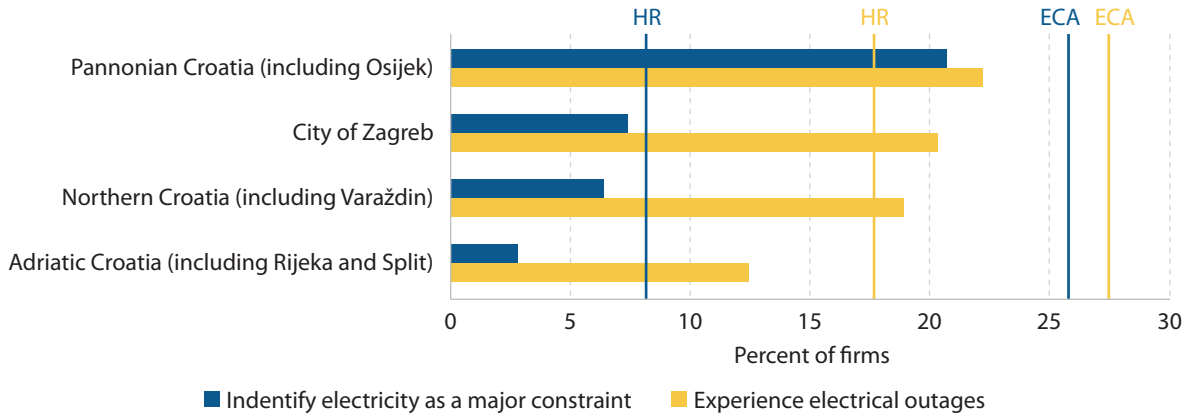
In the area of electricity, based on the firm-level data, 17.7 percent of firms countrywide experience electrical outages, which is significantly less than the Europe and Central Asia average of 27.5 percent. Across regions, significantly fewer firms in the Adriatic region claim to experience electrical outages than the firms in the Pannonian region (figure 10). Despite electrical outages being quite rare, 16 percent of Croatian firms own or share a generator. When used, generators produce nearly 1.4 percent of electricity on average. Overall, 8.2 percent of Croatian firms identify electricity as a major constraint to their business operations; this is less than a third of the Europe and Central Asia average. Not surprisingly, the percentage of firms identifying electricity as a major constraint is the highest in the Pannonian region and lowest in the Adriatic region.

Figure 9. Percentage of Firms That Identify Licensing and Permits as a Constraint and Percentage of Time Spent on Regulatory Compliance, by Region



Source: World Bank Enterprise Surveys 2023
Note: Vertical lines indicate the countrywide and region-wide averages in the measures. HR = Croatia. ECA = Europe and Central Asia.

Figure 10. Percentage of Firms That Experience Electricity Outages and That Identify Electricity as a Constraint, by Region



Source: World Bank Enterprise Surveys 2023
Note: Vertical lines indicate the countrywide and region-wide averages in the measures. HR = Croatia. ECA = Europe and Central Asia.

1.3 Business Entry[6]

The country performs on par with good international practices in the regulatory requirements on information and procedural standards for business entry. Recently introduced reforms include the operationalization of the Beneficial Ownership Register in January 2020 to strengthen transparency and tackle illicit financial activities. Croatia also follows good international practices regarding restrictions for business entry. Nonetheless, national regulations maintain a paid-in minimum capital requirement of EUR 2,500 to open a new limited liability company, applicable to both domestic and foreign investors. When registering a new company, entrepreneurs are also required to attach a statement showing that they have no outstanding tax-related debts or contributions for pension/health insurance, as well as debts for net wages to workers.

Entrepreneurs can register their company on paper and in person at the court; through the single access point HITRO.HR directly or via a notary; or through an established integrated electronic platform, START, which was launched in December 2019. The court exchanges information on new businesses and updates to their information with the Ministry of Interior and the Tax Authority. Additionally, companies are assigned a unique registration number (personal ID number, or OIB), which is used by other relevant agencies, and electronic signature and authentication options are also accessible. However, the digitization of company records is not yet complete, an electronic update of company information by entrepreneurs is not yet available, and the database of companies is not sufficiently reliable to assess the admissibility of proposed company names. In addition, online payment of incorporation fees is available only via the START platform and unavailable for those entrepreneurs using the traditional channel of registering directly with the court or via HITRO.HR.

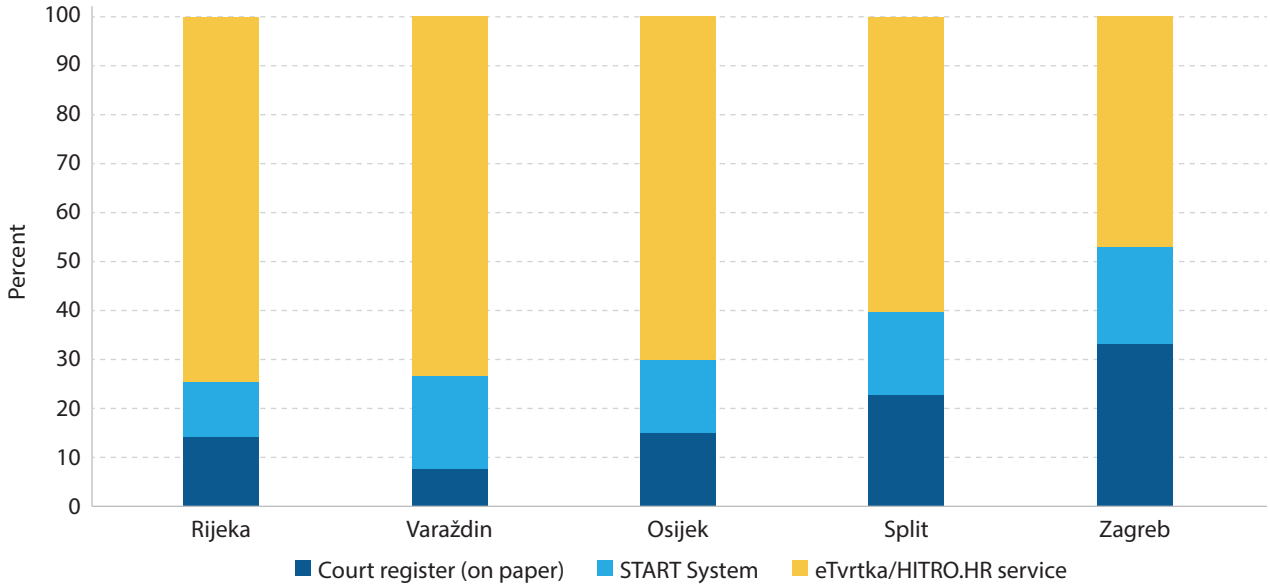
Regarding the availability and transparency of online information, official websites offer details on the documents necessary to establish a new business, associated fees, service standards, and public programs supporting small and medium-sized enterprises, including those led by women. In addition, the Ministry of Economy provides information online on requirements for environmental permits. Electronic searches exist for public access to company records. Statistics on newly registered companies are also publicly available, but they do not include data on the number of companies established by female entrepreneurs.

The introduction of the START platform enabled entrepreneurs to use a national ID card with biometric data to register a limited liability company independently and remotely and at a lower cost than traditional channels. However, challenges such as limited interoperability with other agencies and the continuity of other registration channels have contributed to a moderate uptake level. Additionally, simplified registration with START is available only to Croatian citizens, while making changes to company information is not possible through the platform and requires the use of third-party intermediaries (lawyers or notaries). Among the five cities assessed, the usage of START to register a new limited liability company varies from 11 percent in Rijeka to 20 percent in Zagreb (figure 11).

The majority of entrepreneurs in Croatia use the HITRO.HR single-access-point registration process that entails a visit ei-

6 See section 2, "Business Entry in Detail," for more information on the topic, the country-specific context, and a detailed assessment of the data.

Figure 11. Share of New Limited Liability Companies, by Channel and City



Source: Croatia, Ministry of Justice (2022)

ther to the HITRO.HR office or to the notary's office. Through this channel, entrepreneurs can complete the registration of a new business within six days in the five cities across Croatia. The steps to open a new business and complete all formalities include a visit to the notary's office and/or HITRO.HR office, registration in the Court Registry, registration with the Central Bureau of Statistics, registration in the Registry of Beneficial Owners, the opening of a bank account, registration with the Registry of Corporate Taxpayers and the Registry of VAT-Registered Persons, and registration with the Croatian Institute for Pension Insurance and the Croatian Institute for Health Insurance. Registration with the court is done electronically, and, according to regulation, the register is obliged to submit an electronic decision on the registration of a limited liability company within 24 hours of receiving a completed application electronically. In April 2019, the option to reserve a company name was eliminated. However, experts report that name approval across Croatia remains an issue of uncertainty during the company-registration process due to unclear guidelines and different judges' practices (discretionary rights) on how the relevant regulation is applied. Name approval is the main reason for the rejection of applications.

The use of intermediaries through HITRO.HR raises the cost of business entry. An entrepreneur is expected to pay, on average, EUR 816.21 (equivalent to 5.5 percent of income per capita)[7] for the services of a notary when opening a company with a start-up capital of EUR 75,000. This cost is one of the highest in the EU. The largest share of the cost is for the notary's fee, which includes the "notary's award" and the "state fee" for the notary's services.

Table 2 provides a detailed overview—by pillar, category, and subcategory—of the Croatian cities' performance on the Business Entry topic. The column with the rescaled points indicates the total maximum points a city can get on each of the measured areas. For example, under Pillar I (Quality of Regulations for Business Entry), category 1.1 (Information and Procedural Standards), subcategory 1.1.3 (Availability of Simplified Registration), cities received 3.3 points (out of possible 10 points) as the simplified registration with START is available only for Croatian citizens and the possibility to make changes to company information is available only through intermediaries (lawyers or notaries). Conversely, all cities receive the maximum number of points on some of the other subcategories, such as Company Information Filing Requirements (15 out of 15) and Risk-Based Assessment for Operating Business and Environmental Licenses[8] (10 out of 10).

7 Croatia's 2021 gross national income (GNI) per capita is EUR 14,986.
8 A risk-based approach for business and environmental licensing prioritizes resources and oversight based on the level of risk associated with specific business activities or sectors.

Table 2. Business Entry Scores

		No. of indicators	Re-scaled points	Osijek	Rijeka	Split	Varaždin	Zagreb
Pillar I: Quality of Regulations for Business Entry								
1.1	**Information and Procedural Standards**	**18**	**50**	**40.8**	**40.8**	**40.8**	**40.8**	**40.8**
1.1.1	Company Information Filing Requirements	7	15	15.0	15.0	15.0	15.0	15.0
1.1.2	Beneficial Ownership Filing Requirements	6	15	12.5	12.5	12.5	12.5	12.5
1.1.3	Availability of Simplified Registration	3	10	3.3	3.3	3.3	3.3	3.3
1.1.4	Risk-based Assessment for Operating Business and Environmental Licenses	2	10	10.0	10.0	10.0	10.0	10.0
1.2	**Restrictions on Registering a Business**	**19**	**50**	**42.5**	**42.5**	**42.5**	**42.5**	**42.5**
1.2.1	Domestic Firms	9	25	20.0	20.0	20.0	20.0	20.0
1.2.2	Foreign Firms	10	25	22.5	22.5	22.5	22.5	22.5
	Total	**37**	**100**	**83.3**	**83.3**	**83.3**	**83.3**	**83.3**
Pillar II: Digital Public Services and Transparency of Information for Business Entry								
2.1	**Digital Services**	**11**	**40**	**23.3**	**23.3**	**23.3**	**23.3**	**23.3**
2.1.1	Business Start-Up Process	6	20	10.0	10.0	10.0	10.0	10.0
2.1.2	Storage of Company and Beneficial Ownership Information	3	10	3.3	3.3	3.3	3.3	3.3
2.1.3	Identity Verification	2	10	10.0	10.0	10.0	10.0	10.0
2.2	**Interoperability of Services**	**4**	**20**	**20.0**	**20.0**	**20.0**	**20.0**	**20.0**
2.2.1	Exchange of Company Information	2	10	10.0	10.0	10.0	10.0	10.0
2.2.2	Unique Business Identification	2	10	10.0	10.0	10.0	10.0	10.0
2.3	**Transparency of Online Information**	**9**	**40**	**34.5**	**34.5**	**34.5**	**34.5**	**34.5**
2.3.1	Business Start-Up (includes gender and environment)	5	20	20.0	20.0	20.0	20.0	20.0
2.3.2	Availability of General Company Information	2	10	9.5	9.5	9.5	9.5	9.5
2.3.3	General and Sex-Disaggregated Statistics on Newly Registered Firms	2	10	5.0	5.0	5.0	5.0	5.0
	Total	**24**	**100**	**77.8**	**77.8**	**77.8**	**77.8**	**77.8**
Pillar III: Operational Efficiency of Business Entry								
3.1	**Domestic Firms**	**2**	**100**	**99.5**	**99.5**	**99.5**	**99.5**	**99.5**
3.1.1	Total Time to Register a New Domestic Firm	1	50	50.0	50.0	50.0	50.0	50.0
3.1.2	Total Cost to Register a New Domestic Firm	1	50	49.5	49.5	49.5	49.5	49.5
	Total	**2**	**100**	**99.5**	**99.5**	**99.5**	**99.5**	**99.5**

Source: Subnational Business Ready
Note: The reported individual scores were rounded off; therefore, the sum of individual scores may not add up to the totals.

1.4 Business Location

Building Permitting[9]

To improve the building-permit process, Croatia has undergone a digital transformation in recent years. These reforms have facilitated access to information on space use, reduced the number of steps and related administrative fees, and unified the process across the country. As a result, an online platform is now available that allows investors across the country to submit applications for building and occupancy permits electronically. Moreover, e-Conference, an electronic bulletin board system, was created in recent years, allowing investors to obtain electronic notifications on special requirements and clearances from all relevant bodies. However, there is still neither an online payment option nor an auto-generated checklist to assist applicants in ensuring complete and accurate submissions, and an electronic system to file disputes on building permits does not exist.

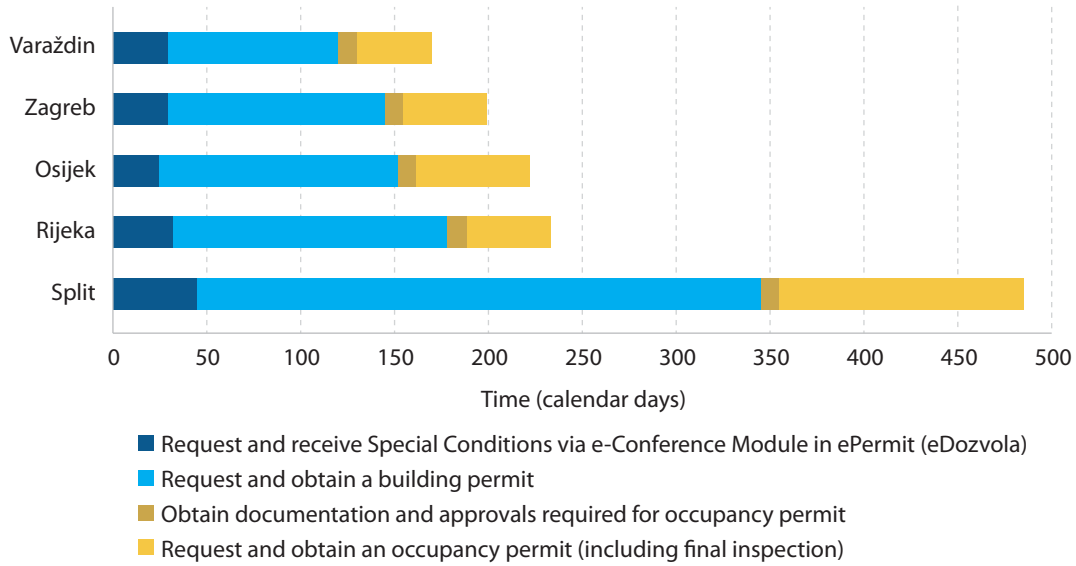
Good practices are also present in the transparency of information. Planning and building control regulations, as well as requirements to obtain a building permit and an occupancy permit, are publicly accessible. Similarly, information on up-to-date fee schedules, city master plans/zoning plans, and statistics on the number of building permits issued are published online. Nevertheless, developers have yet to receive access to a centralized, comprehensive list of preapprovals required for permit application, and this is aside from the regulative stipulations, which are sometimes too generic and not user-friendly.

Although the construction-permitting system in Croatia is regulated nationally, differences remain in its implementation at the local level. It is the fastest to deal with building permits in Varaždin, where it takes four months, due to the city's efficiency in providing the required municipal permits. The process is slowest in Split, where it takes almost a year. Entrepreneurs applying for building permits in Split have pointed to administrative inefficiencies at the municipality's Building Office, including backlogs in processing permit applications, heavy workloads, and a shortage of staff. The time it takes to obtain an occupancy permit varies across the assessed cities, from 50 days in Varaždin to 140 days in Split (figure 12).

The costs to obtain a building permit and an occupancy permit are uniform across the country and come to EUR 7,549. On average, private sector fees—which include obtaining a geomechanics study (soil study), initial geodetic study, final geodetic study, and energy-efficiency certificate—represent 80 percent of the total cost of the construction-permitting process.

9 See section 3.1, "Building Location in Detail: Building Permitting," for more information on the topic, the country-specific context, and a detailed assessment of the data.

Figure 12. Time to Obtain Building and Occupancy Permits, by City and Stage



Source: Subnational Business Ready

Environmental Permitting[10]

Regulatory standards related to environmental clearances for construction in Croatia are harmonized across the five assessed cities. National environmental regulations are regularly updated to incorporate recent environmental and technological advancements in the construction sector. Penalties or fines are imposed for noncompliance with the regulations, and environmental risks are clearly outlined within the legal framework. The use of qualified professionals/agencies for conducting environmental impact assessments (EIAs) is mandated by law, along with specific criteria to conduct an EIA.

However, the country's legal framework does not mandate an independent external review for EIA compliance. Also, it does not define all activities and approaches that facilitate the contribution of interested parties to the EIA decision-making process (such as surveys and polls to capture inputs and feedback from concerned stakeholders, training, resources, and technical assistance to project-affected parties). Finally, even though the regulatory framework allows for environmental permits to be disputed with the issuing authority, out-of-court resolution mechanisms for these disputes have yet to be established.

Similarly, Croatia has established neither an online environmental-permitting system nor a system that would allow disputes regarding environmental clearances in construction to be filed online. When it comes to the transparency of information, both the requirements to obtain environmental licensing for constructing a building with a moderate environmental risk and an up-to-date fee schedule for obtaining environmental clearances are available electronically.

The efficiency of centralized environmental clearance practices in the country for residential housing development projects is manifested by an overall uniformity across the five assessed cities—Osijek, Rijeka, Split, Varaždin, and Zagreb. It takes 243 days to complete this two-step process. Drafting an environmental protection report for the project takes 25 days, while obtaining a decision on whether to pursue an EIA, including public consultation, takes 218 days. The only cost associated with obtaining environmental clearances in Croatia is related to environmental experts' fees, which are EUR 5,000 (33 percent of income per capita)[11] across the five mentioned cities.

10 See section 3.2, "Building Location in Detail: Environmental Permitting," for more information on the topic, the country-specific context, and a detailed assessment of the data.
11 Croatia's 2021 GNI per capita is EUR 14,986.

Property Transfer [12]

Croatia embarked on a reform path to facilitate land administration and property registration. A program aiming at digitalizing and interconnecting the cadastral and legal rights records was launched in 2016 and is still ongoing. A reform of the justice system mandated that all communications with and within courts must be conducted exclusively through electronic means on a dedicated, secure platform owned by the Ministry of Justice, Public Administration, and Digital Transformation. This facilitated Property Transfers, as in Croatia the Land Registries[13] operate as departments within municipal courts. Furthermore, access to a dedicated, secured platform was granted to lawyers and notaries, and it extends to joint records, owing to the increasing integration between Land Registry and Cadaster records. The cost for transferring a property was lowered, as the Property Transfer tax rate was reduced in 2019 from 4 percent of the property value to 3 percent, while other minor fees were also reduced or eliminated.

The regulatory framework for Property Transfer applies uniformly across the country.[14] It mandates verifying the legality of property transaction documents, confirming identities of involved parties, and completing property registration at the Land Registry. Both electronic and paper documents hold equal legal standing in transactions. The law provides for ADR mechanisms between private parties regarding registered property rights. However, there are no distinct dedicated mechanisms to cover for losses incurred to good-faith private parties due to Land Registry errors. Croatia's land administration system adheres to internationally recognized standards, including provisions for free access to information on property rights and cadastral maps, and the presence of a cadastral agency. Domestic and foreign firms face no restrictions on leasing or owning property, except for agricultural land as well as land in areas strictly prohibited by law.

Similarly, all five Croatian cities share the same features with regards to the quality of public services for Property Transfer and the related transparency of information. Digital public services for Property Transfers are accessible, offering an electronic platform for due diligence and encumbrance checks. However, no online complaint mechanism is available at either the Land Registry or Cadaster for the services they provide. The majority of property titles and cadastral plans are digitized, although some private properties in Croatia have yet to be registered. In addition to the Geographic Information System, a unique identifier is used for properties by the Land Registry and Cadaster, which are linked and exchange information.

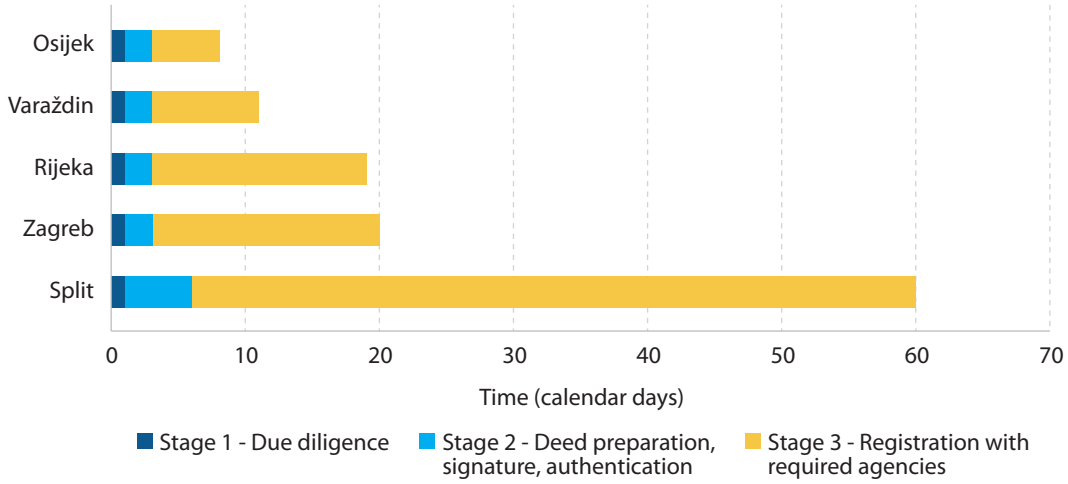
The list of requirements for Property Transfers and fee schedules are available online at the Land Registry and Cadaster websites, along with the statistics on the number and types of property-related transactions. However, the websites of these institutions have not published service standards. Additionally, there are no published statistics on land disputes and the time to solve them, nor is there is sex-disaggregated data on property ownership.

The primary factor distinguishing the five measured cities is the time it takes the local Land Registries to rule on a notary request to register a deed of sale (figure 13). Most cities respect the legal deadline of 15 days, but in Osijek this takes only 4 days, while in Split the same operation takes as long as 53 days. The difference in efficiency and speed correlates with progress on interconnecting Land Registry and Cadaster databases. While Osijek completed this process, Split lags behind all other cities. At the registration stage, besides the actual registration at the court, the parties also need to pay the Property Transfer tax, which is set at 3 percent of the property value.[15] The cost for Property Transfer is the same across the entire country. All taxes and fees are established at the national level and amount to EUR 64,374, or 4.3 percent of the property value. There are no city-specific taxes or fee-based procedures.

World Bank Enterprise Surveys data show that at the national level, 8 percent of Croatian firms reported access to land as an obstacle, significantly lower than in some peer countries, such as the Slovak Republic, Romania, and Portugal, but on par with Hungary. The highest percentage was recorded in Pannonian Croatia (including Osijek), where 12 percent of the firms consider access to land an obstacle, threefold more than the percentage of firms from Zagreb, at 4 percent (map 2).

12 See section 3.3, "Building Location in Detail: Property Transfer," for more information on the topic, the country-specific context, and a detailed assessment of the data.
13 Land Registry is an official public inventory that documents and maintains information on land ownership through recording titles (rights on land) or deeds (documents concerning changes in the legal situation of land).
14 Land Registry Law (Law 63/2019 as amended by Law 128/2022); Law on State Survey and Real Estate Cadaster (Law 112/2018 as amended by Law 39/2022); Law on Real Estate Transaction Tax (Law 115/2016 as amended by Law 106/2018); Law on Ownership and other Proprietary Rights (Law 91/1996 as amended by Laws and Decisions from 68/1998 to 94/2017).
15 For a property value of EUR 1,498,550, equal to 100 times the 2021 GNI per capita. Croatia's 2021 GNI per capita is EUR 14,986.

Figure 13. Number of Days to Transfer Property, by City and Stage



Source: Subnational Business Ready

Map 2. Share of Firms That Report Access to Land as an Obstacle, by Region

Source: World Bank Enterprise Surveys 2023

Table 3 provides a detailed overview—by pillar, category, and subcategory—of the Croatian cities' performance on the Business Location topic. The topic includes three subtopics: Property Transfer, building permits, and environmental permits, detailed below. The column with the rescaled points indicates the total maximum points a city can get on each of the measured areas. For example, under Pillar I (Quality of Regulations for Business Location), category 1.1 (Property Transfer and Land Administration), subcategory 1.1.2 (Land Dispute Mechanism), none of the cities receives the total possible maximum of 15 points. Conversely, on subcategory 1.1.1 (Property Transfer Standards) and 1.1.3 (Land Administration System), all cities receive the maximum points—15 out of 15 and 10 out of 10, respectively. Most cross-city variability is observed under Pillar III.

Table 3. Business Location Scores

		No. of indicators	Re-scaled points	Osijek	Rijeka	Split	Varaždin	Zagreb
Pillar I: Quality of Regulations for Business Location								
1.1	**Property Transfer and Land Administration**	**11**	**40**	**36.3**	**36.3**	**36.3**	**36.3**	**36.3**
1.1.1	Property Transfer Standards	4	15	15.0	15.0	15.0	15.0	15.0
1.1.2	Land Dispute Mechanism	4	15	11.3	11.3	11.3	11.3	11.3
1.1.3	Land Administration System	3	10	10.0	10.0	10.0	10.0	10.0
1.2	**Building, Zoning and Land Use**	**20**	**40**	**40.0**	**40.0**	**40.0**	**40.0**	**40.0**
1.2.1	Building Standards	11	15	15.0	15.0	15.0	15.0	15.0
1.2.2	Building Energy Standards	4	15	15.0	15.0	15.0	15.0	15.0
1.2.3	Zoning and Land Use Regulations	5	10	10.0	10.0	10.0	10.0	10.0
1.3	**Restrictions on Owning and Leasing Property**	**19**	**10**	**9.0**	**9.0**	**9.0**	**9.0**	**9.0**
1.3.1	Domestic firms—Ownership	4	2.5	2.5	2.5	2.5	2.5	2.5
1.3.2	Domestic firms—Leasehold	5	2.5	2.5	2.5	2.5	2.5	2.5
1.3.3	Foreign firms—Ownership	5	2.5	1.5	1.5	1.5	1.5	1.5
1.3.4	Foreign firms—Leasehold	5	2.5	2.5	2.5	2.5	2.5	2.5
1.4	**Environmental Permits**	**12**	**10**	**7.0**	**7.0**	**7.0**	**7.0**	**7.0**
1.4.1	Environmental Permits for Construction	10	5	4.5	4.5	4.5	4.5	4.5
1.4.2	Dispute Mechanisms for Construction-Related Environmental Permits	2	5	2.5	2.5	2.5	2.5	2.5
	Total	**62**	**100**	**92.3**	**92.3**	**92.3**	**92.3**	**92.3**
Pillar II: Quality of Public Services and Transparency of Information for Business Location								
2.1	**Availability and Reliability of Digital Services**	**21**	**40**	**22.7**	**22.7**	**22.7**	**22.7**	**22.7**
2.1.1	Property Transfer—Digital Public Services	6	8	5.1	5.1	5.1	5.1	5.1
2.1.2	Property Transfer—Digital Land Management and Identification System	5	8	6.4	6.4	6.4	6.4	6.4
2.1.3	Property Transfer—Coverage of the Land Registry and Mapping Agency	4	8	6.0	6.0	6.0	6.0	6.0
2.1.4	Building Permits—Digital Public Services	4	8	5.2	5.2	5.2	5.2	5.2
2.1.5	Environmental Permits—Digital Public Services	2	8	0.0	0.0	0.0	0.0	0.0
2.2	**Interoperability of Services**	**6**	**20**	**20.0**	**20.0**	**20.0**	**20.0**	**20.0**
2.2.1	Interoperability of Services for Property Transfer	4	10	10.0	10.0	10.0	10.0	10.0
2.2.2	Interoperability of Services for Building Permits	2	10	10.0	10.0	10.0	10.0	10.0
2.3	**Transparency of Information**	**19**	**40**	**28.3**	**28.3**	**28.3**	**28.3**	**28.3**
2.3.1	Immovable Property (includes gender)	9	20	8.9	8.9	8.9	8.9	8.9

Table 3. Business Location Scores

		No. of indicators	Re-scaled points	Osijek	Rijeka	Split	Varaždin	Zagreb
2.3.2	Building, Zoning and Land Use	8	15	14.4	14.4	14.4	14.4	14.4
2.3.3	Environmental Permits	2	5	5.0	5.0	5.0	5.0	5.0
	Total	**46**	**100**	**70.9**	**70.9**	**70.9**	**70.9**	**70.9**
Pillar III: Operational Efficiency of Establishing a Business Location								
3.1	**Property Transfer and Land Administration**	**3**	**40**	**36.0**	**36.0**	**32.7**	**36.1**	**36.3**
3.1.1	Major Constraints on Access to Land	1	13.3	12.9	13.1	13.1	13.1	13.3
3.1.2	Time to Obtain a Property Transfer	1	13.3	13.2	13.1	9.7	13.2	13.1
3.1.3	Cost to Obtain a Property Transfer	1	13.3	9.9	9.9	9.9	9.9	9.9
3.2	**Construction Permits**	**2**	**40**	**34.4**	**31.2**	**20.0**	**37.2**	**35.2**
3.2.1	Time to Obtain a Building Permit	1	20	14.6	11.4	0.2	17.4	15.4
3.2.2	Cost to Obtain a Building Permit	1	20	19.8	19.8	19.8	19.8	19.8
3.3	**Environmental Permits**	**2**	**20**	**17.8**	**17.8**	**17.8**	**17.8**	**17.8**
3.3.1	Time to Obtain an Environmental Permit	1	10	7.8	7.8	7.8	7.8	7.8
3.3.2	Cost to Obtain an Environmental Permit	1	10	10.0	10.0	10.0	10.0	10.0
	Total	**7**	**100**	**88.2**	**85.0**	**70.5**	**91.1**	**89.3**

Source: Subnational Business Ready
Note: As the reported individual scores were rounded off, the sum of individual scores may not add up to the totals.

1.5 Utility Services

Electricity[16]

Monitoring systems are put in place for electricity tariffs and service quality. Mechanisms exist to ensure service quality, including financial deterrents aimed at minimizing supply interruptions. However, coordination is lacking among utility providers for joint planning and construction, such as common excavation permits or "dig once" policies. Regulations cover safety standards for utility connections and the environmentally sustainable provision of electricity, aligning with internationally recognized good practices. Professional certification requirements are established for individuals involved in electricity installations, and both internal and external installations are subject to mandated inspection regimes. Legal frameworks dictate liability for electricity connections and enforce environmental standards through generation, transmission, and distribution. Businesses are obligated to adhere to environmental standards and encouraged to adopt energy-saving practices through both financial incentives and regulatory enforcement mechanisms.

In terms of governance quality and transparency in electricity services, key performance indicators are utilized to monitor the reliability and quality of electricity provision. However, monitoring of the sustainability of electricity services is lacking, and there are no sex-disaggregated data on customer satisfaction surveys and complaints. Enforcement of electricity regulations adheres to internationally recognized standards. Connection requirements and tariff information are accessible online, along with announcements for planned outages. A complaint system is in place, and transparency is ensured. Yet there is a gap in the online availability of key performance indicators for monitoring the environmental sustainability of electricity provision. There is interoperability of services at the utility level and presence of an electronic application and payment system. However, online applications cannot be tracked.

The duration of obtaining excavation permits and completing external works significantly influences the time variation among cities, ranging from 30 days in Osijek, Rijeka, and Varaždin to 45 days in Split and Zagreb. Osijek stands out as the quickest for obtaining an electricity connection, taking only 83 days. However, cities with higher population densities, such as Split (99 days) and Zagreb (96 days), require more intricate planning and coordination to ensure that new connections meet demand without overloading the existing grid, resulting in longer delivery times. The process of obtaining an excavation permit is quickest in Rijeka, taking just 11 days. Despite the absence of a joint excavation or "dig once" policy in Croatia, HEP, the national electrical power company, in Rijeka facilitates regular meetings, known as the "Coordination of Activities and Operations on Roads and Public Areas," with the local municipality. These meetings involve representatives from the electricity and water utility, the Croatian Roads Agency, and other stakeholders, aiming to streamline the permitting process.

In terms of the cost of electricity connection, Zagreb stands out, as its expense, EUR 8,361, is notably higher than oth-

16 See section 4.1, "Utility Services in Detail: Electricity," for more information on the topic, the country-specific context, and a detailed assessment of the data.

Map 3. Share of Firms That Own or Share a Generator, by Region

Source: World Bank Enterprise Surveys 2023

er cities surveyed. This disparity primarily arises from the calculation of the connection fee, which is EUR 225.63 per kilovolt-ampere in Zagreb, contrasting with EUR 178.18 per kilovolt-ampere in cities such as Osijek, Rijeka, Split, and Varaždin. The reliability of the electricity supply varies significantly among cities. In 2022, entrepreneurs in Croatia experienced an average of 2.55 interruptions, each lasting nearly four hours. Rijeka had the fewest interruptions at 1.56, lasting approximately 1.5 hours on average. Conversely, customers in Varaždin and Osijek encountered the highest frequency of outages, experiencing four interruptions on average, with durations of nearly five and seven hours, respectively.

World Bank Enterprise Surveys data show that generator ownership differs notably among Croatian firms across different regions. In Northern Croatia (Varaždin), 29 percent of firms own a generator, while in the City of Zagreb, only 11 percent own one (map 3). On average, 8.2 percent of firms in Croatia identify electricity as a major constraint.

Water[17]

Regulations ensure the safety of water connections and promote environmental sustainability in the provision and usage of water services. However, incentives to encourage businesses to adopt water-saving practices are lacking. Quality-assurance measures for water services and tariff monitoring adhere to internationally recognized standards.

The governance and transparency of water services exhibit slight variation at the subnational level across cities. Key performance indicators are present in all cities to monitor the quality and reliability of the water supply, but sex-disaggregated customer surveys are lacking. Independent complaint mechanisms and inspections for water connections are established in all cities. Furthermore, there is interoperability among utilities responsible for electricity, water, and internet networks, and electronic payment

17 See section 4.2, "Utility Services in Detail: Water," for more information on the topic, the country-specific context, and a detailed assessment of the data.

options for connection fees are available. However, electronic applications for new connections are not available. Transparency measures in all cities include online availability of tariffs and tariff settings, connection requirements, public announcements of planned outages, and complaint mechanisms with transparent processes. However, stipulated connection time standards are publicly available online only in Rijeka. Additionally, key performance indicators to monitor the environmental sustainability of the water supply are not available online in any city.

The time required to obtain a water connection in Croatia ranges from one to three months, contingent on the location. Osijek stands out as the quickest city for entrepreneurs to secure a water connection. Specifically, acquiring an excavation permit from the municipality in Osijek takes only one week. Rijeka follows closely behind, with the permit process taking three additional days, compared to Osijek. In other cities, obtaining an excavation permit ranges from 15 days (Varaždin and Split) to one month (Zagreb). Zagreb, being the largest city with a high volume of applications, typically entails a lengthier connection process, often extending up to three months for businesses. In the remaining four cities, water-connection turnaround times range between 31 and 50 days.

The total connection fees for water services in Croatia vary from EUR 1,595 to EUR 3,500, depending on the location. These costs encompass all expenses incurred by clients during the connection process, including application fees and the cost of obtaining excavation permits, with the majority attributed to construction and plumbing works. Among the cities, Osijek offers the most economical option for connections, priced at EUR 1,595. Following Osijek, Zagreb stands at EUR 2,598, and Rijeka at EUR 2,833. Varaždin ranks as the second highest in cost, at EUR 3,000, while Split tops the list as the most expensive city, at EUR 3,500.

World Bank Enterprise Surveys data show that most firms across Croatian regions encountered minor or no instances of insufficient water supply. However, there are regional disparities. In the Adriatic region, no firms reported experiencing water insufficiencies, while 5 percent of firms in the Pannonian region and 6 percent in the Northern region encountered such issues. Additionally, 2 percent of firms in Zagreb experienced water-insufficiency problems (map 4).

Map 4. Share of Firms That Report Having Suffered Insufficiency in Their Water Supply, by Region

Source: World Bank Enterprise Surveys 2023

Internet[18]

Internet tariff and quality of internet services are monitored in line with internationally recognized good practices. The Regulatory Authority for Network Industries oversees connectivity tariffs, investigates potential anticompetitive practices, and enforces performance standards to uphold internet reliability. Additionally, Croatia's regulatory framework facilitates joint planning and the construction of internet infrastructure and guarantees the safety of utility connections. It establishes liability and legal recourse for breaches of personal data protection, with clear protocols for reporting such incidents. The Office of the National Security Council conducts risk assessments and cybersecurity audits and enforces cybersecurity laws, including incident response protocols for major cyberattacks. Environmental regulations include national targets for emissions and the energy efficiency of communication networks and data infrastructure; however, regulation establishing environmental reporting or mandatory disclosure standards for digital connectivity and data infrastructures is lacking.

An infrastructure database is in place for the identification of internet service providers' networks, alongside a shared database for the network lines of multiple utilities, including electricity, water, and internet. An electronic payment system is also present. While electronic applications for new commercial internet connections are accepted, online tracking of these applications is unavailable. Information regarding connection requirements and planned outages is accessible online, along with key performance indicators for monitoring the reliability and quality of the internet supply. There is a complaint mechanism for reporting issues with internet services, and online resources guide customers on filing complaints. However, transparency regarding tariffs and tariff-setting processes is lacking. Although monthly internet fees are available online and tariff changes are communicated to the public, the formulas used for determining tariff levels are not published online or on customer bills. The reliability and quality of the internet supply are monitored, and cybersecurity protocols are implemented alongside an independent complaint mechanism. However, there is no monitoring of access to utility services by women entrepreneurs.

The time required to obtain an internet connection across Croatia varies, with an average of seven days in four major cities (Osijek, Rijeka, Split, and Zagreb) and six days in Varaždin. This duration is slightly longer than in Bulgaria, Portugal, and Romania, where obtaining a connection typically take two or three days less. Delays in internet service provision may stem from factors such as insufficient infrastructure for laying optical cables to company premises and restrictions imposed by certain local government bodies on installing aerial optical cables.

According to data from World Bank Enterprise Surveys, internet disruptions affect a range of firms, with percentages varying from 11 to 21 depending on the location (map 5). Adriatic Croatia experiences the lowest disruption rate at 11 percent, while Pannonian Croatia reports the highest at 21 percent. Most Croatian regions align with disruption percentages observed in other economies, except for Hungary, where 55 percent of firms reported internet service disruptions.

Table 4 provides a detailed overview—by pillar, category, and subcategory—of the Croatian cities' performance on the Utility Services topic. The topic includes three subtopics: electricity, water, and internet, which are detailed below. The column with rescaled points indicates the total maximum points a city can get on each of the measured areas. For example, all five cities receive the total possible maximum of 8.33 points under Pillar I (Quality of Regulations on Utility Services) on subcategory 1.1.1 (Regulatory Monitoring of Tariffs and Service Quality), subcategories 1.1.3 (Safety of Utility Connections) and 1.1.4 (Environmental Sustainability). Conversely, none of the five cities receives the maximum number of points (8.3) on the remaining subcategory, 1.1.2 (Utility Infrastructure Sharing and Quality-Assurance Mechanisms). Most cross-city variability is observed under Pillar III.

18 See section 4.3, "Utility Services in Detail: Internet," for more information on the topic, the country-specific context, and a detailed assessment of the data.

Map 5. Share of Firms Experiencing Internet Disruptions, by Region

Source: World Bank Enterprise Surveys 2023

Table 4. Utility Services Scores

		No. of indicators	Re-scaled points	Osijek	Rijeka	Split	Varaždin	Zagreb
Pillar I: Quality of Regulations on Utility Services								
1.1	**Electricity**	**10**	**33.3**	**31.3**	**31.3**	**31.3**	**31.3**	**31.3**
1.1.1	Regulatory Monitoring of Tariffs and Service Quality	2	8.3	8.3	8.3	8.3	8.3	8.3
1.1.2	Utility Infrastructure Sharing and Quality Assurance Mechanisms	2	8.3	6.3	6.3	6.3	6.3	6.3
1.1.3	Safety of Utility Connections	3	8.3	8.3	8.3	8.3	8.3	8.3
1.1.4	Environmental Sustainability	3	8.3	8.3	8.3	8.3	8.3	8.3
1.2	**Water**	**12**	**33.3**	**28.5**	**28.5**	**28.5**	**28.5**	**28.5**
1.2.1	Regulatory Monitoring of Tariffs and Service Quality	2	8.3	8.3	8.3	8.3	8.3	8.3
1.2.2	Utility Infrastructure Sharing and Quality Assurance Mechanisms	2	8.3	6.3	6.3	6.3	6.3	6.3
1.2.3	Safety of Utility Connections	3	8.3	8.3	8.3	8.3	8.3	8.3
1.2.4	Environmental Sustainability	5	8.3	5.6	5.6	5.6	5.6	5.6
1.3	**Internet**	**11**	**33.3**	**31.7**	**31.7**	**31.7**	**31.7**	**31.7**
1.3.1	Regulatory Monitoring of Tariffs and Service Quality	2	8.3	8.3	8.3	8.3	8.3	8.3

Table 4. Utility Services Scores

		No. of indicators	Re-scaled points	Osijek	Rijeka	Split	Varaždin	Zagreb
1.3.2	Utility Infrastructure Sharing and Quality Assurance Mechanisms	4	13.3	13.3	13.3	13.3	13.3	13.3
1.3.3	Safety of Utility Connections	3	8.3	8.3	8.3	8.3	8.3	8.3
1.3.4	Environmental Sustainability	2	3.3	1.7	1.7	1.7	1.7	1.7
	Total	**33**	**100**	**91.4**	**91.4**	**91.4**	**91.4**	**91.4**
Pillar II: Quality of the Governance and Transparency of Utility Services								
2.1	**Electricity**	**15**	**33.3**	**26.5**	**26.5**	**26.5**	**26.5**	**26.5**
2.1.1	Digital Services and Interoperability	4	8.3	7.3	7.3	7.3	7.3	7.3
2.1.2	Availability of Information and Transparency	6	8.3	7.6	7.6	7.6	7.6	7.6
2.1.3	Monitoring of Service Supply (includes gender and environment)	3	8.3	3.3	3.3	3.3	3.3	3.3
2.1.4	Enforcement of Safety Regulations and Consumer Protection Mechanisms	2	8.3	8.3	8.3	8.3	8.3	8.3
2.2	**Water**	**15**	**33.3**	**26.8**	**27.2**	**26.8**	**26.8**	**26.8**
2.2.1	Digital Services and Interoperability	4	8.3	6.3	6.3	6.3	6.3	6.3
2.2.2	Availability of Information and Transparency	6	8.3	7.2	7.6	7.2	7.2	7.2
2.2.3	Monitoring of Service Supply (includes gender and environment)	3	8.3	5.0	5.0	5.0	5.0	5.0
2.2.4	Enforcement of Safety Regulations and Consumer Protection Mechanisms	2	8.3	8.3	8.3	8.3	8.3	8.3
2.3	**Internet**	**13**	**33.3**	**26.5**	**26.5**	**26.5**	**26.5**	**26.5**
2.3.1	Digital Services and Interoperability	4	8.3	7.3	7.3	7.3	7.3	7.3
2.3.2	Availability of Information and Transparency	5	8.3	6.7	6.7	6.7	6.7	6.7
2.3.3	Monitoring of Service Supply (includes gender and environment)	2	8.3	4.2	4.2	4.2	4.2	4.2
2.3.4	Enforcement of Safety Regulations and Consumer Protection Mechanisms	2	8.3	8.3	8.3	8.3	8.3	8.3
	Total	**43**	**100**	**79.8**	**80.2**	**79.8**	**79.8**	**79.8**
Pillar III: Operational Efficiency of Utility Service Provision								
3.1	**Electricity**	**5**	**33.3**	**32.0**	**32.8**	**32.5**	**31.1**	**32.6**
3.1.1	Time to obtain a connection	1	16.7	16.3	16.3	16.2	16.3	16.2
3.1.2	Reliability of supply	4	16.7	15.6	16.5	16.4	14.8	16.5
3.2	**Water**	**2**	**33.3**	**32.0**	**31.8**	**30.3**	**30.3**	**21.2**
3.2.1	Time to obtain a connection	1	16.7	15.7	15.2	13.7	14.2	4.7
3.2.2	Reliability of supply	1	16.7	16.3	16.7	16.7	16.2	16.5
3.3	**Internet**	**2**	**33.3**	**18.8**	**19.8**	**19.8**	**22.7**	**19.8**
3.3.1	Time to obtain a connection	1	16.7	3.3	3.3	3.3	6.5	3.3
3.3.2	Reliability of supply	1	16.7	15.5	16.5	16.5	16.2	16.5
	Total	**9**	**100**	**82.8**	**84.5**	**82.7**	**84.1**	**73.6**

Source: Subnational Business Ready
Note: The reported individual scores were rounded off; therefore, the sum of individual scores may not add up to the totals.

1.6 Dispute Resolution[19]

The duration and costs of litigation proceedings differ across Croatian cities. For instance, larger cities with heavier caseloads, such as Zagreb, experience longer litigation times at first instance, 24 months, whereas smaller cities with lighter caseloads, such as Osijek, require 15 months. Similar trends are seen in the timelines required for service of the initial complaint as well as times between hearings. Furthermore, although court fees are harmonized across the country at both first instance and appellate level, attorney costs vary. This variation arises despite nationally set tariffs for lawyers' fees, as the charging method used between cities differs depending on agreements between the attorneys and their clients.

The regulatory framework for dispute resolution[20] is uniform across the country, largely adhering to internationally recognized standards. Croatia regulates time standards for filing a statement of defense and issuing a judgment, as well as public disclosure of judges' assets. Nonetheless, there is no time standard for serving a complaint on a defendant, and a code of ethics for enforcement agents has yet to be adopted. Laws also provide for alternative dispute resolution (ADR) mechanisms, as there are legal safeguards in both arbitration and mediation procedures, with an exception for third-party funding in investor-state arbitration.

Public services are generally consistent across the country, as Croatia has applied a homogenized organizational structure, with all cities featuring specialized commercial courts. Furthermore, there is only one appellate court for commercial cases in Croatia, the High Commercial Court of the Republic of Croatia in Zagreb. Additionally, the country has introduced a small-claims procedure in all courts, allowing cases below the threshold of EUR 6,630 to be heard through a simplified process. Nevertheless, transparency remains an issue due to the inconsistent publication of court decisions. While all Supreme Court decisions are available online through an anonymized website, only the most important decisions are published for first instance and appellate levels.

Greater variations exist, however, in the digitalization of public services. All cities are equipped with adequate electronic services, such as e-filing, exchange of documents, e-communications, e-payment of fees, and e-auction, yet virtual hearings are not uniformly offered. For example, Varaždin and Zagreb allow them only in urgent matters on request by the parties, while Rijeka conducts virtual hearings in all matters when requested by parties. Cities such as Split and Osijek do not conduct virtual hearings at all due to a lack of or limited IT infrastructure. Furthermore, out of all five cities in this study, only Varaždin publishes an online schedule of court hearings, despite the availability of a national online platform for this. Similarly, although the regulatory framework for ADR aligns with international best practices, public services for ADR are insufficient. Virtual hearings in arbitration are possible and a list of registered arbitrators is available online, but there is no digitized platform for arbitration, no electronic signing of arbitral awards, and no publicly accessible statistics and award

19 See section 5, "Dispute Resolution in Detail," for more information on the topic, the country-specific context, and a detailed assessment of the data.
20 The main laws regulating dispute resolution in Croatia are the Civil Procedure Act, Arbitration Act, Enforcement Act, and Act on Enforcement on Monetary Assets.

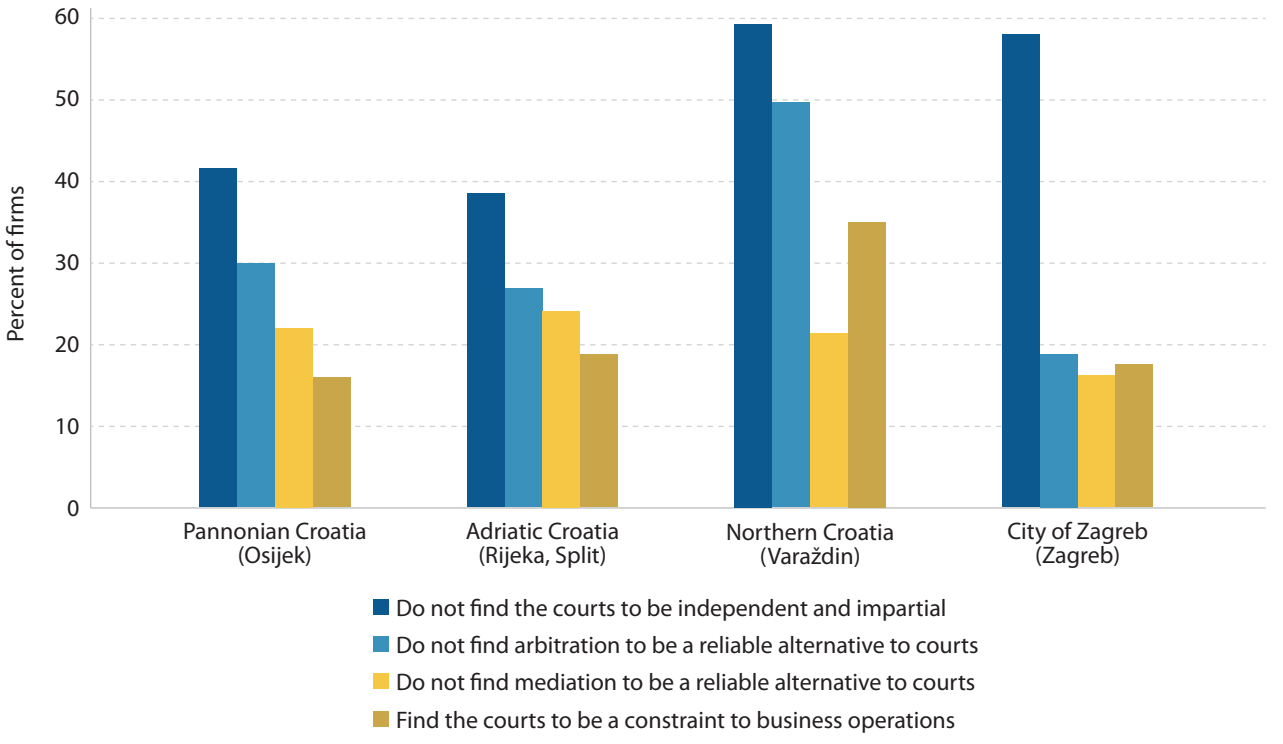
summaries. Regarding mediation, there are no financial incentives to mediate, and no statistics are published.

According to World Bank Enterprise Surveys data, firms' perception of courts and ADR mechanisms tends to be significantly more negative in Northern Croatia (including Varaždin) than in other regions of Croatia (figure 14). Firms in Northern Croatia have the most negative view of court independence and impartiality, the arbitration process, and courts being constraints to business operations. Along with the City of Zagreb, more than 55 percent of the firms in Northern Croatia do not find the courts to be independent or impartial. Overall, firms in the City of Zagreb have the most favorable view of the ADR mechanisms of arbitration and mediation, compared to other regions.

The duration of first instance commercial procedures in Croatia varies by city because of differing caseloads and the backlog of cases. As such, Zagreb requires 24 months, yet Varaždin and Osijek take 18 and 15 months, respectively. Major delays are seen in the individual procedural steps for litigation, whereby the service of the initial complaint ranges from 30 days in Osijek and Varaždin to 83 days in Zagreb, and the time between court hearings takes four months in Zagreb yet only two months in Osijek. Statistics have shown that by the end of 2022, Zagreb had 129 outstanding cases per judge, while Varaždin and Osijek had 58 and 38, respectively. Conversely, the appellate procedure is uniform at 20 months across all cities, as all appeals are handled by the High Commercial Court of the Republic of Croatia. The enforcement of court decisions is even more efficient, as it takes approximately 60 to 65 days across all cities measured in this study, with minimal discrepancies.

The greatest disparity among cities in Croatia is in the total costs for commercial litigation, despite standardized court fees across the country, which are set at 0.44 percent of the claim value for both first instance and appellate levels.[21] The largest difference is in attorney charges, due to variations in the way legal actions are calculated and the number of hearings lawyers participate in. In Split and Osijek, for example, with an average of four hearings attended,

Figure 14. Perception of Courts and Other Dispute-Resolution Processes, by Category and Region



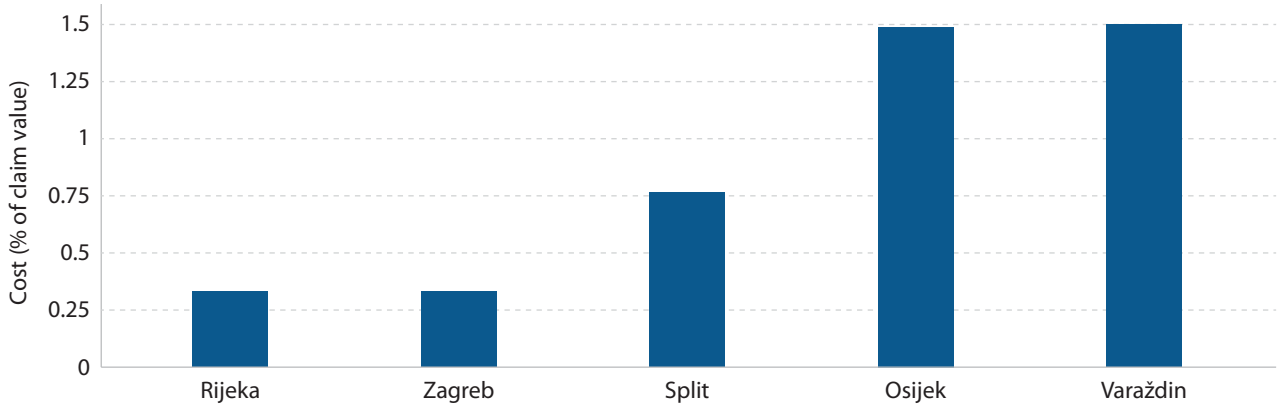
Source: World Bank Enterprise Surveys 2023

21 For a claim value of EUR 299,710, equal to 20 times the 2021 GNI per capita. Croatia's 2021 GNI per capita is EUR 14,986.

attorney fees are 10 percent of the claim value, while in Rijeka, with five hearings, fees are 13 percent. Similarly, costs for enforcement mirror the trend visible in the costs for litigation. These costs comprise attorney fees, which range from 0.3 percent in Rijeka and Zagreb to 1.5 percent in Osijek and Varaždin, due to differences in the method of charging for legal actions (figure 15). The creditor also pays enforcement institution fees at 0.22 percent of the claim value. These fees, however, are paid out of the debtor's seized bank account funds and not calculated toward the enforcement costs in this study.

Table 5 provides a detailed overview—by pillar, category, and subcategory—of the Croatian cities' performance on the Dispute Resolution topic. The column with the rescaled points indicates the total maximum points a city can get on each of the measured areas. For example, none of the measured cities receive the total possible maximum score of 40 points under Pillar I (Quality of Regulations for Dispute Resolution), category 1.1 (Court Litigation), subcategory 1.1.1 (Procedural Certainty), which includes environmental disputes. Some cities receive a maximum score in two subcategories of the Dispute Resolution topic. Specifically, under Pillar I, subcategory 1.2.2 (Legal Safeguards in Mediation) and Pillar II, subcategory 2.1.1 (Organizational Structure of Courts), all five cities receive a perfect score of 16.7 and 22.2 points, respectively.

Figure 15. Cost to Enforce a Domestic Judgment, by City



Source: Subnational Business Ready

Table 5. Dispute Resolution Scores

		No. of indicators	Re-scaled points	Osijek	Rijeka	Split	Varaždin	Zagreb
Pillar I: Quality of Regulations for Dispute Resolution								
1.1	**Court Litigation**	**14**	**66.7**	**50.4**	**50.4**	**50.4**	**50.4**	**50.4**
1.1.1	Procedural Certainty (includes environment)	9	40	29.0	29.0	29.0	29.0	29.0
1.1.2	Judicial Integrity (includes gender)	5	26.7	21.3	21.3	21.3	21.3	21.3
1.2	**Alternative Dispute Resolution (ADR)**	**10**	**33.3**	**32.0**	**32.0**	**32.0**	**32.0**	**32.0**
1.2.1	Legal Safeguards in Arbitration	6	16.7	15.3	15.3	15.3	15.3	15.3
1.2.2	Legal Safeguards in Mediation	4	16.7	16.7	16.7	16.7	16.7	16.7
	Total	**24**	**100**	**82.3**	**82.3**	**82.3**	**82.3**	**82.3**
Pillar II: Public Services for Dispute Resolution								
2.1	**Court Litigation**	**19**	**66.7**	**48.1**	**50.9**	**48.1**	**51.8**	**50.9**
2.1.1	Organizational Structure of Courts	4	22.2	22.2	22.2	22.2	22.2	22.2
2.1.2	Digitalization of Court Processes	8	22.2	18.5	21.3	18.5	22.2	21.3
2.1.3	Transparency of Courts (includes gender)	7	22.2	7.4	7.4	7.4	7.4	7.4
2.2	**Alternative Dispute Resolution (ADR)**	**9**	**33.3**	**19.7**	**19.7**	**19.7**	**19.7**	**19.7**
2.2.1	Public Services for Arbitration (includes gender)	4	16.7	9.7	9.7	9.7	9.7	9.7
2.2.2	Public Services for Mediation (includes gender)	5	16.7	10.0	10.0	10.0	10.0	10.0
	Total	**28**	**100**	**67.9**	**70.6**	**67.9**	**71.6**	**70.6**
Pillar III: Ease of Resolving a Commercial Dispute								
3.1	**Court Litigation**	**8**	**66.7**	**44.9**	**41.3**	**42.2**	**29.6**	**38.0**
3.1.1	Reliability of Courts	2	26.7	13.9	13.9	13.9	1.2	10.8
3.1.2	Operational Efficiency of Court Processes	6	40	31.0	27.5	28.4	28.4	27.3
3.2	**Alternative Dispute Resolution (ADR)**	**6**	**33.3**	**16.6**	**15.0**	**15.9**	**11.9**	**21.0**
3.2.1	Reliability of ADR	2	13.3	1.7	1.5	1.5	1.8	8.6
3.2.2	Operational Efficiency of Arbitration Processes	4	20	14.9	13.5	14.4	10.1	12.4
	Total	**14**	**100**	**61.5**	**56.3**	**58.2**	**41.5**	**59.0**

Source: Subnational Business Ready
Note: The reported individual scores were rounded off; therefore, the sum of individual scores may not add up to the totals.

1.7 Business Insolvency[22]

There are two separate insolvency regimes in Croatia under the Bankruptcy Act for businesses that are illiquid and/or insolvent: bankruptcy proceedings (liquidation), in the cases of debtor's inability to deal with overindebtedness, to finally liquidate the company; and the bankruptcy plan under the business reorganization proceedings, carried out through the liquidation of the debtor's assets and subsequent satisfaction of creditors or, alternatively, through the implementation of a bankruptcy plan. Ultimately, proceedings can result either in liquidation[23] or reorganization[24] of the debtor pursuant to a plan agreed with majority creditors (EBRD 2023).

The duration of and costs for insolvency proceedings vary significantly across cities. This is primarily due to differences in court organization, which affect the efficiency of the courts. For instance, fully digitalized courts, such as in Split, experience shorter timelines, taking 19 months for reorganization and 24 months for liquidation. Similarly, courts with highly specialized judges, such as in Zagreb, also require 19 months for reorganization proceedings despite higher caseloads. Osijek, on the other hand, which lacks specialized insolvency judges and the technical equipment for virtual hearings, as well as lagging in use of electronic tools, shows more difficulties in managing the duration of insolvency proceedings. Nevertheless, insolvency proceedings in Croatia tend to be more efficient, thanks to the adoption of shortened proceedings for the liquidation of insolvent companies with fewer assets, thus expediting the resolution of such cases.[25] Furthermore, the highly digitalized court system—along with the support of the Financial Agency (FINA), which is responsible for high-level supervision of the administration of insolvency proceedings, among other important regulatory competences—drives efficiency in the process.

Public services for insolvency proceedings are available across Croatian cities in varying degrees, with most courts equipped with digitalized platforms. Services such as e-filing, e-communication, e-payments, exchange of documents, virtual hearings, and viewing and accessing court orders and decisions are available across all courts, except for Osijek, which lacks the technical equipment for virtual hearings. The lack of specialized insolvency judges across all courts, however, can represent an impediment where caseload is higher. However, the presence of specialized insolvency judges in Rijeka, Split, and Zagreb can facilitate smoother proceedings due to the higher judges' familiarity with insolvency proceedings. Osijek and Varaždin, on the other hand, see longer timelines, as cases are managed by generalized civil divi-

22 See section 6, "Business Insolvency in Detail," for more information on the topic, the country-specific context, and a detailed assessment of the data.
23 Liquidation is the process of assembling and selling the assets of an insolvent debtor to dissolve the company and distribute the proceeds to its creditors. Liquidation may include the piecemeal sale of the debtor's assets or the sale of all or most of the debtor's assets as a going concern. The term *liquidation* refers only to formal in-court insolvency proceedings and does not include the voluntary winding up of a company.
24 Reorganization refers to the collective proceedings through which the financial well-being and viability of a debtor's business may be restored based on a reorganization plan, so that the business can continue to operate as a going concern, including debt forgiveness, debt rescheduling, debt equity conversions, and sale of the business (or parts of it). The term *reorganization* refers exclusively to formal in-court proceedings available to all commercial debtors and does not include schemes of arrangement and out-of-court agreements with creditors.
25 See EBRD (2016) and Leidecker and Bulman (2023).

sions. In such cases, staffing constraints—especially among administrative personnel and judicial clerks—compel judges to handle insolvency cases at the same time as commercial and contractual litigation, affecting the time required for the resolution of insolvency proceedings.

The strongest and most noteworthy feature of public services in Croatia is the interoperability of services for insolvency proceedings, resulting from the existence of FINA and its electronic system. Notably, the agency is responsible for submitting liquidation proposals for companies unable to pay their debts in time, compiling lists of reported and contested claims, conducting e-auctions, and issuing statements certifying the existence of circumstances for the potential inability to pay debts or actual inability to pay debts. Furthermore, it simultaneously drives communication between the courts and external systems by providing the necessary technical support, by running the integrated e-file system, which connects various registries across Croatia and enables the exchange of documents, and by being fully connected with the digitized court system. Additionally, FINA is the state authority that is intended to provide for the availability of early-warning mechanisms and preventive restructuring proceedings, in light of its administrative powers at the prebankruptcy stage,[26] as soon as the EU Directive 2019/1023 finds full application in the Croatian framework.

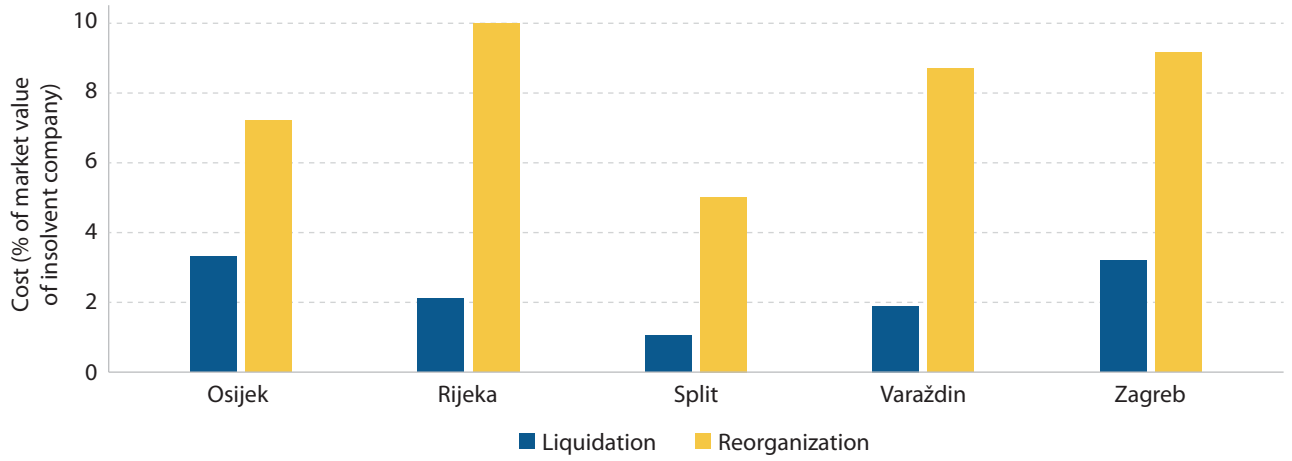
The duration of liquidation and reorganization proceedings varies considerably across the cities. The court in Split, for example, takes 24 months for liquidation, given, among other factors, the higher degree of specialization of judges in the law and economics field. Zagreb, on the other hand, requires 40 months for liquidation, despite its specialized judges, because of its high caseload, complex cases, and staffing problems—especially among administrative staff and judicial clerks. Conversely, Zagreb is relatively efficient in handling reorganization proceedings at 19 months, something attributed to its specialized judges with expertise in both law and economics. In the same vein, Osijek completes liquidation proceedings in 30 months yet takes the longest time to complete a reorganization, 24 months, hampered by the lack of specialized judges and problems with the implementation of digital tools. Split and Rijeka take 19 and 18 months for reorganization, respectively. They benefit from the smaller size of the insolvent companies they normally deal with, as well as the availability of specialized judges.

The costs of insolvency proceedings also vary significantly between cities, despite court fees for liquidation being standardized at EUR 345.08 per case. The greatest disparities are seen in insolvency administrators' charges, as lawyers' fees tend to be low, since insolvency administrators undertake most of the management work of the insolvent entity and creditors rarely hire attorneys, due to their inability to recover their fees on completion of the bankruptcy proceedings. Liquidation proceedings are most costly in Osijek, 3.3 percent of the market value of the insolvent company, while reorganization costs are highest in Rijeka, 10 percent (figure 16).[27] On the contrary, both liquidation and reorganization cost the least in Split, with 1.05 percent and 5 percent of the market value, respectively. This is due to the more efficient nature of the procedures before this court. In Zagreb, where cases are more complex and companies better capitalized, higher insolvency administrator fees (justified by the complexity of the cases) and potential lawyer involvement drive costs up to 3.2 percent for liquidation and 9.15 percent for reorganization. It's worthwhile to note that insolvency administrator costs are homogenized across Croatia by regulation, with a maximum amount set. Nevertheless, when there are no assets to be liquidated, the recovery of fees and awards is difficult for insolvency administrators and attorneys alike.

Table 6 provides a detailed overview—by pillar, category, and subcategory—of the Croatian cities' performance on the Business Insolvency topic. The column with the rescaled points indicates the total maximum points a city can get on each of the measured areas. For example, in Pillar II (Quality of Institutional and Operational Infrastructure for Judicial Insolvency Proceedings), all five cities receive the total maximum scores in several measured areas: category 2.1 (Digital Services [e-Courts] in Insolvency Proceedings), subcategory 2.1.2 (Electronic Case Management Systems in Liquidation and Reorganization); category 2.2 (Interoperability in Insolvency Proceedings), subcategories 2.2.1 (Digital Services Connectivity with External Systems in Liquidation and Reorganization) and 2.2.2 (Interconnection between e-Case Management System and e-Filing Systems in Liquidation and Reorganization); category 2.3 (Public Information on Insolvency Proceedings and Registry of Insolvency Practitioners), subcategory 2.3.2 (Availability of a Public Registry of Insolvency Practitioners); and category 2.4 (Public Officials and Insolvency Administrators), subcategory 2.4.2 (Insolvency Administrator's Expertise in Practice).

26 See Vukelić et al. (2014).
27 For an insolvent company's market value of EUR 2,247,825, equal to 150 times the 2021 GNI per capita. Croatia's 2021 GNI per capita is EUR 14,986.

Figure 16. Cost of Business Insolvency Proceedings, by Type and City



Source: Subnational Business Ready

Table 6. Business Insolvency Scores

		No. of indicators	Re-scaled points	Osijek	Rijeka	Split	Varaždin	Zagreb
Pillar I: Quality of Regulations for Judicial Insolvency Proceedings								
1.1	**Legal and Procedural Standards in Insolvency Proceedings**	**10**	**30**	**19.5**	**19.5**	**19.5**	**19.5**	**19.5**
1.1.1	Pre-Commencement and Commencement Standards in Liquidation and Reorganization	5	15	10.5	10.5	10.5	10.5	10.5
1.1.2	Post-Commencement Standards in Liquidation and Reorganization	5	15	9.0	9.0	9.0	9.0	9.0
1.2	**Debtor's Assets and Creditor's Participation in Insolvency Proceedings**	**14**	**50**	**33.9**	**33.9**	**33.9**	**33.9**	**33.9**
1.2.1	Treatment and Protection of Debtor's Assets during Liquidation and Reorganization (includes environment)	6	20	10.0	10.0	10.0	10.0	10.0
1.2.2	Creditor's Rights in Liquidation and Reorganization (includes environment)	5	20	15.6	15.6	15.6	15.6	15.6
1.2.3	Selection and Dismissal of the Insolvency Administrator	3	10	8.3	8.3	8.3	8.3	8.3
1.3	**Specialized Insolvency Proceedings and International Insolvency**	**5**	**20**	**10.0**	**10.0**	**10.0**	**10.0**	**10.0**
1.3.1	Specialized Insolvency Proceedings for Micro and Small Enterprises (MSEs)	3	10	0.0	0.0	0.0	0.0	0.0
1.3.2	Cross-Border Insolvency	2	10	10.0	10.0	10.0	10.0	10.0
	Total	**29**	**100**	**63.4**	**63.4**	**63.4**	**63.4**	**63.4**
Pillar II: Quality of Institutional and Operational Infrastructure for Judicial Insolvency Proceedings								
2.1	**Digital Services (e-Courts) in Insolvency Proceedings**	**7**	**40**	**35.0**	**40.0**	**40.0**	**40.0**	**40.0**
2.1.1	Electronic Services in Liquidation and Reorganization	4	20	15.0	20.0	20.0	20.0	20.0
2.1.2	Electronic Case Management Systems in Liquidation and Reorganization	3	20	20.0	20.0	20.0	20.0	20.0
2.2	**Interoperability in Insolvency Proceedings**	**2**	**20**	**20.0**	**20.0**	**20.0**	**20.0**	**20.0**
2.2.1	Digital Services Connectivity with External Systems in Liquidation and Reorganization	1	10	10.0	10.0	10.0	10.0	10.0

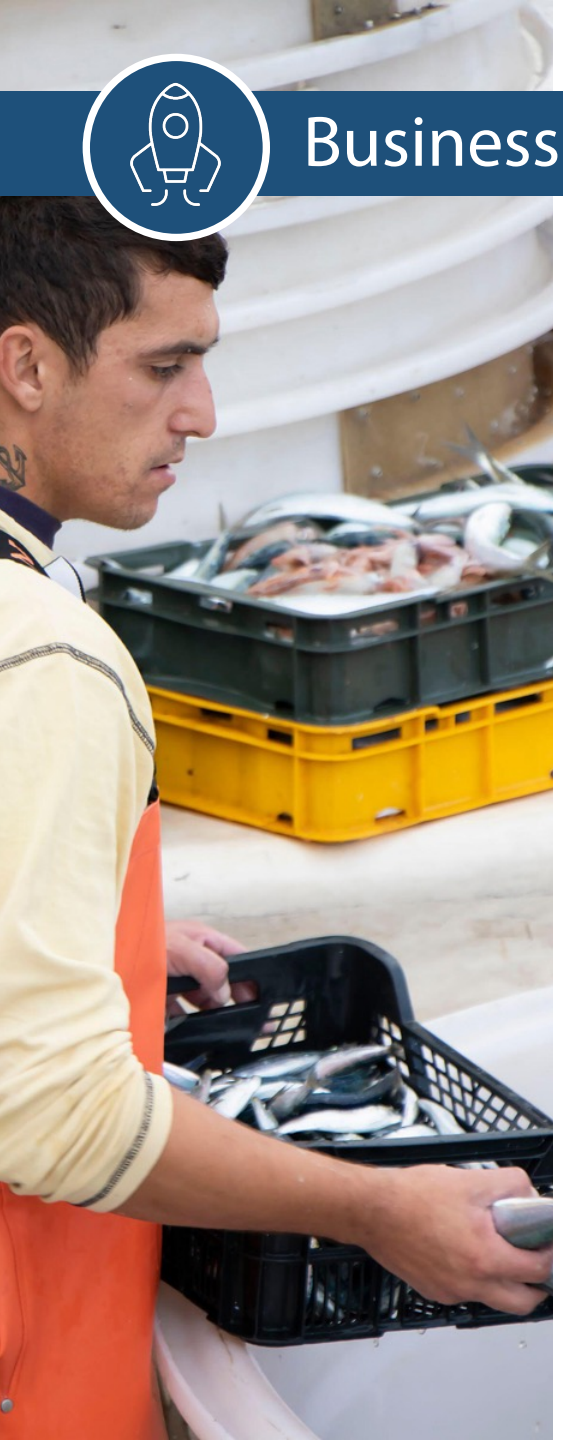
Table 6. Business Insolvency Scores

		No. of indicators	Re-scaled points	Osijek	Rijeka	Split	Varaždin	Zagreb
2.2.2	Interconnection between e-Case Management System and e-Filing Systems in Liquidation and Reorganization	1	10	10.0	10.0	10.0	10.0	10.0
2.3	**Public Information on Insolvency Proceedings and Registry of Insolvency Practitioners**	**5**	**20**	**16.7**	**16.7**	**16.7**	**16.7**	**16.7**
2.3.1	Public Information on the Number and Length of Liquidation and Reorganization, and Insolvency Judgments	3	10	6.7	6.7	6.7	6.7	6.7
2.3.2	Availability of a Public Registry of Insolvency Practitioners	2	10	10.0	10.0	10.0	10.0	10.0
2.4	**Public Officials and Insolvency Administrators**	**3**	**20**	**10.0**	**20.0**	**20.0**	**10.0**	**20.0**
2.4.1	Specialization of Courts with Jurisdiction on Reorganization and Liquidation Proceedings	2	10	0.0	10.0	10.0	0.0	10.0
2.4.2	Insolvency Administrator's Expertise in Practice	1	10	10.0	10.0	10.0	10.0	10.0
	Total	**17**	**100**	**81.7**	**96.7**	**96.7**	**86.7**	**96.7**
Pillar III: Operational Efficiency of Resolving Judicial Insolvency Proceedings								
3.1	**Liquidation Proceedings**	**2**	**50**	**36.3**	**26.8**	**44.5**	**35.3**	**24.5**
3.1.1	Time to Resolve a Liquidation Proceeding	1	25	12.5	5.0	20.0	12.5	2.0
3.1.2	Cost to Resolve a Liquidation Proceeding	1	25	23.8	21.8	24.5	22.8	22.5
3.2	**Reorganization Proceedings**	**2**	**50**	**32.3**	**42.3**	**40.8**	**33.3**	**40.5**
3.2.1	Time to Resolve a Reorganization Proceeding	1	25	7.5	17.5	15.8	8.3	15.8
3.2.2	Cost to Resolve a Reorganization Proceeding	1	25	24.8	24.8	25.0	25.0	24.8
	Total	**4**	**100**	**68.5**	**69.0**	**85.3**	**68.5**	**65.0**

Source: Subnational Business Ready
Note: The reported individual scores were rounded off; therefore, the sum of individual scores may not add up to the totals.

Subnational Business Ready
in the European Union 2024:
CROATIA

2. Business Entry in Detail



Business Entry in Croatia

Pillar I:
Regulatory Framework

Score (all cities): **83,3**/100

Pillar II:
Public Services

Score (all cities): **77,8**/100

Pillar III:
Operational Efficiency

Time (days): **6**

Cost (% of income per capita*): **5.5%**

Score (all cities): **99,5**/100

*Croatia's 2021 GNI per capita is EUR 14,986

Main findings

- The requirements for business entry are the same across the five cities assessed in Croatia.
- Entrepreneurs in Croatia benefit from business regulations that follow international good practices regarding registration requirements on company and beneficial ownership information, and regulatory restrictions for business entry (Pillar I).
- While electronic public services for business registration are available and some key public agencies exchange information on new companies, there are limitations in terms of the full digitization of the database on company information, the ease of confirming the availability of company names online, and the possibility of conducting updates on company information (Pillar II).
- There are several parallel channels for entrepreneurs to complete the business registration process. Entrepreneurs can register their company on paper and in-person at the court; directly through the single access point HITRO.HR or via a notary; or through the integrated electronic platform START (Pillar III).
- The majority of entrepreneurs prefer to use the HITRO.HR single access point registration process that entails either a visit to the HITRO.HR office or a visit to the notary's office.

Business Entry in Croatia

Why is business entry important?

- A business environment that facilitates the formalization of businesses is key to the creation of jobs and stronger economic growth.[28] Regulatory entry restrictions can create obstacles to developing a business and hinder the potential of new firms.
- Regulations that encourage transparency of information on businesses and beneficial owners help safeguard the integrity and reputation of the business sector by making it unattractive for firms with illicit purposes.[29]
- Simple registration processes, together with the use of online tools and low incorporation costs, encourage entrepreneurs to enter the economy.[30]

28 Rand and Torm, 2012; Medvedev and Oviedo Silva, 2015; La Porta and Shleifer, 2014.
29 UNCITRAL , 2019; OECD and IDB, 2021; World Bank, 2020.
30 Klapper, Lewin, and Quesada Delgado, 2011.

What does the Business Entry topic measure?

Pillar I: Regulatory Framework

Quality of regulations for business entry

- Information and procedural standards regarding the filing of information on companies and beneficial owners
- Availability of simplified registration for new firms
- A risk-based approach for business licensing
- Regulatory restrictions for the entry of new firms

Pillar II: Public Services

Digital public services and transparency of information for business entry

- Availability of digital services for business registration, storage of company information, and identity verification
- Interoperability of services between the agencies involved in business registration
- Transparency of online information regarding business registration

Pillar III: Operational Efficiency

Operational efficiency of business entry

- Time to complete the registration of a new firm
- Cost to complete the registration of a new firm

For more information, please refer to the *Business Ready Methodology Handbook*: https://www.worldbank.org/en/businessready

Business Entry in Croatia

Recent reforms and changes in business entry

- **Elimination of the requirement to reserve a company name.** The requirement to reserve a company name was abolished in April 2019. To check the availability of a company name, entrepreneurs can consult the court register database online. However, a simple check online is insufficient to assess the possibility that a chosen name will be accepted due to database limitations.

- **Creation of the Beneficial Ownership Register.** The Law on the Prevention of Money Laundering and Terrorist Financing (2017) and the Ordinance on the Registry of Ultimate Beneficial Ownership (2019) led to the establishment of the Beneficial Ownership Register in Croatia with the goal of improving transparency and accountability in business operations and preventing illicit financial activities. The registry became operational in January 2020 and is maintained by the Financial Agency (FINA). It contains information on the names, year of birth, nationality, and country of residence of beneficial owners (BOs) and the nature and extent of the beneficial interest held.

- **Launch of the START platform for company registration.** START became operational in December 2019 to provide entrepreneurs an integrated electronic platform for starting a business (start.gov.hr). The platform introduced cost reductions and enabled entrepreneurs to use a national ID card with biometric data to independently and remotely register a limited liability company (LLC). However, challenges such as limited interoperability with other agencies and the continuity of other registration channels have contributed to a moderate uptake level. Among the five cities assessed, the usage of START to register a new LLC varies from 11% in Rijeka to 20% in Zagreb.

Relevant laws and regulations in Croatia

- **Law on Companies:** regulates the association of individuals and legal entities, including the formation and registration of new companies, and changes on their status.
- **Law on the Court Registry:** regulates the establishment, organization, and operation of the register of companies.
- **Government Decision on the Operation of START:** defines methods, conditions, and terms of regular operation of the START platform.
- **Law on the Prevention of Money Laundering and Terrorist Financing** and related **Ordinance on the Beneficial Ownership Register:** cover preventive measures and reporting obligations regarding money laundering, AML/CFT supervision, and operation of the Beneficial Ownership Registry.

Public institutions and services for business entry

- **Commercial courts** in Croatia manage the business register. The business register exchanges information with the Tax Administration on registered businesses.
- **HITRO.HR** – single access point registration process that entails either a visit to the HITRO.HR office (a government service available in all major Croatian cities established in the offices of FINA) or a visit to the notary's office, where a notary can complete the registration process for the entrepreneur.
- **START** – fully online platform managed by FINA that allows Croatian citizens to register a new business without third-party involvement. It digitally links and integrates most of the procedures into one process.

Business Entry in Croatia

Pillar I: **Quality of Regulations for Business Entry (1/2)**

Croatia score (all cities): **83.3** out of 100 points

Croatia performs on par with good international practices in the regulatory requirements on information and procedural standards for business entry. Limitations remain on the possibility of using simple standard registration forms and making changes to company information without the use of third-party intermediaries.

Information and procedural standards for business entry

Company information filing requirements

15/15

Regulation has requirements related to:

- ✓ Approval of company name
- ✓ Verification of identity of entrepreneurs
- ✓ Registration of shareholder information
- ✓ Obligation to file annual returns/financial statements
- ✓ Registration of changes in company name, shareholder details, and articles of association

Beneficial ownership filing requirements

12.5/15

Regulation has requirements related to:

- ✓ Registration of beneficial owners (BOs) and the type of information collected on them
- ✗ Information on address of BOs not required
- ✓ Specific time limit to register BOs at the time of company registration
- ✓ Verification of BOs' identity
- ✓ Nominee shareholders and directors not allowed
- ✓ Registration of changes in beneficial ownership information

Availability of simplified registration

3.3/10

- ✓ Simple registration forms without the use of intermediaries (lawyers or notaries) exist
- ✗ But these forms are not available for all entrepreneurs (simplified registration with START is only available for Croatian citizens)
- ✗ No possibility to make changes to company information without intermediaries (lawyers or notaries)

Risk-based assessment for operating business and environmental licenses

10/10

- ✓ Risk-based assessment for business licensing
- ✓ Risk-based assessment for environmental licensing of business activities

✓ Aspects regulated in line with internationally recognized good practices ✗ Aspects not regulated in line with internationally recognized good practices

Business Entry in Croatia

Pillar I: **Quality of Regulations for Business Entry (2/2)**

Croatia score (all cities): **83.3** out of 100 points

Croatia follows good international practices regarding restrictions for business entry. However, requirements on criminal history or affidavits for the registration of new companies are still in place. In addition, regulation sets a paid-in minimum capital requirement for new entrepreneurs.

Restrictions on registering a business

Restrictions for domestic firms

20/25

Regulation does not establish general restrictions to set up a business for domestic entrepreneurs related to:

- ✓ Minimum education or training of business founders
- ✓ Approval of business plan
- ✓ Obtaining a general operating license
- ✓ Restrictions for specific socio-demographic groups
- ✓ General ownership restrictions in economic sectors

Restrictions in place:

- ✗ Law specifies the minimum capital requirement required to open a new LLC (EUR 2,500)
- ✗ Entrepreneurs are required to attach a statement showing that they have no outstanding tax-related debts or contributions for pension/health insurance, as well as no debts for net wages to workers

Restrictions for foreign firms

22.5/25

Regulation does not establish general restrictions to set up a business for foreign entrepreneurs related to:

- ✓ Limitations on ownership of firms and participation in joint ventures
- ✓ Screening and approval of investment by a government entity
- ✓ Restrictions on the nationality of key personnel
- ✓ Restrictions on the employment of foreign and local personnel
- ✓ Obligation to have a local partner or local suppliers
- ✓ Limitations on dividend distribution or setting up a bank account
- ✓ General ownership restrictions in economic sectors

Restrictions related to:

- ✗ Law specifies the minimum capital requirement required to open a new LLC (EUR 2,500)

✓ Aspects regulated in line with internationally recognized good practices ✗ Aspects not regulated in line with internationally recognized good practices

Business Entry in Croatia

Pillar II: Digital Public Services and Transparency of Information for Business Entry (1/2)

Croatia score (all cities): **77.8** out of 100 points

Public infrastructure for business entry in Croatia provides electronic services to facilitate the registration process. The registry is also linked to other public agencies to facilitate the start of operations of new businesses. However, the digitalization of company records is not yet complete, the electronic update of company information is not yet available, and the database of companies is not sufficiently reliable to assess the admissibility of proposed names.

Availability of digital services

Business start-up process

10/20

Electronic services available for:

- ✓ Entire company registration process through START
- ✓ Registration and update of beneficial ownership information
- ✓ Issuance of company incorporation certificate
- ✗ The online name check is insufficiently reliable to assess company name availability and acceptance
- ✗ Electronic update of company information is not yet available
- ✗ Online payment of incorporation fees is not yet available

Storage of company and beneficial ownership information

3.3/10

Only the database on beneficial ownership is:

- ✓ Fully electronic
- ✓ Centralized with national coverage
- ✓ Covering all types of companies and establishments
- ✗ Database on company information is not yet fully electronic
- ✗ Company information records are not fully digitally stored

Identity verification

10/10

- ✓ Electronic signature and authentication is available
- ✓ Automated identity document verification process is available

Interoperability of services

Exchange of company information

10/10

- ✓ Court register exchanges company information and its changes/updates with the Ministry of Interior and the Tax Authority

Unique business identification

10/10

- ✓ At the time of registration, companies are assigned a unique registration number (Personal Identification Number - OIB) which is used by other relevant agencies

✓ Aspects in line with internationally recognized good practices ✗ Aspects not in line with internationally recognized good practices

Business Entry in Croatia

Pillar II: Digital Public Services and Transparency of Information for Business Entry (2/2)

Croatia score (all cities): **77.8** out of 100 points

Croatia provides online access to information on the process to set up a business as well as information on registered businesses. Statistics on newly registered companies are also available.

Transparency of online information

Business start-up (includes gender and environment)

Official website provides information on:

- ✓ List of documents required to establish a new business
- ✓ List of applicable fees
- ✓ Service standards

✓ Ministry of Economy provides information on requirements for environmental permits

✓ Information is available on public programs to support SMEs, including women-led SMEs

Availability of general company information

✓ Electronic search is available for all company records

✓ The company database provides information on the name of the company, company ID number, names of directors, shareholders, and beneficial owners, date of incorporation, annual accounts, legal address, and type of activity

✗ No information is available on the physical or secondary address of the company

General and sex-disaggregated statistics on newly registered firms

✓ General statistics on the number of newly created companies is publicly available

✗ No gender-related statistics of newly created companies is publicly available

✓ Aspects in line with internationally recognized good practices ✗ Aspects not in line with internationally recognized good practices

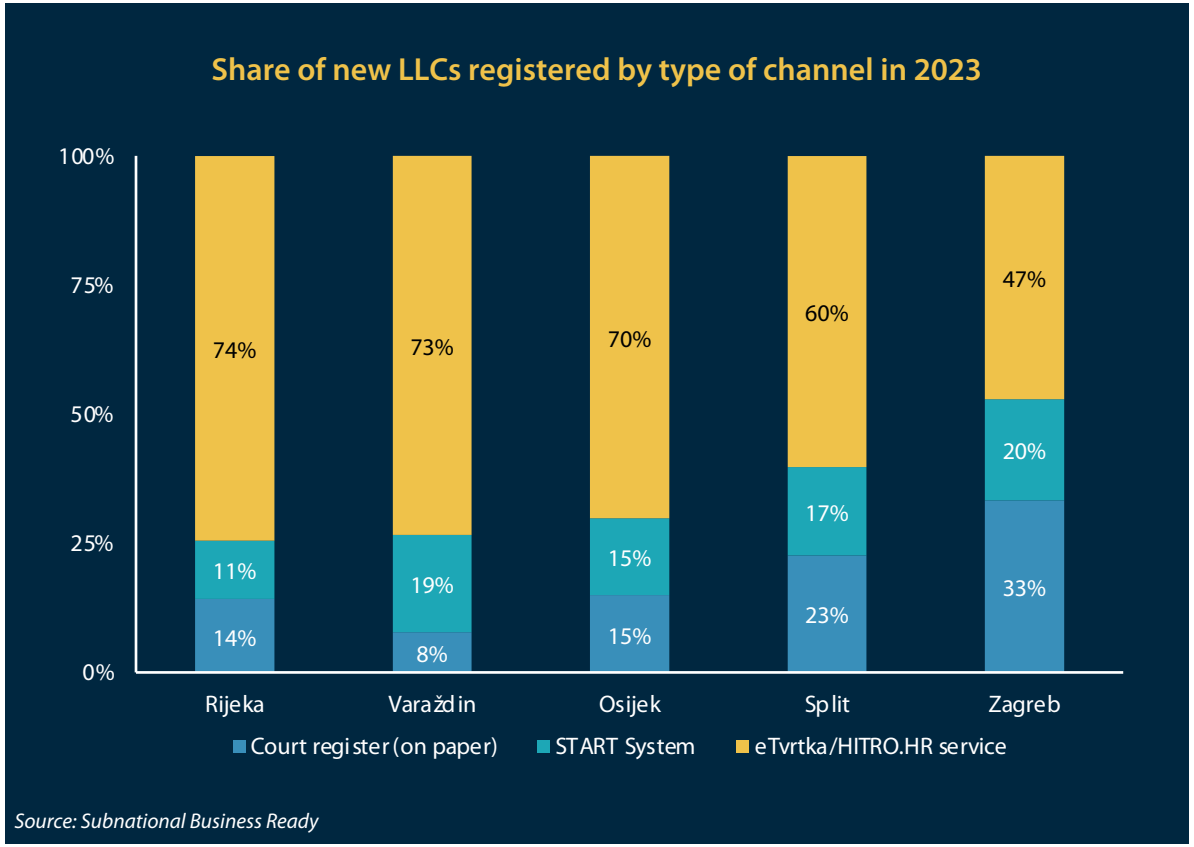
Business Entry in Croatia

Pillar III: **Operational Efficiency of Business Entry (1/4)**

Croatia score (all cities): **99.5** out of 100 points

Different channels exist in Croatia for entrepreneurs to register a new business. They can do it using the traditional channel of registering directly with the court (in paper form or through the court's website). Alternatively, they can use the services of HITRO.HR, a government service available since 2005, managed by the Financial Agency (FINA), through which the entrepreneurs, or a notary in their representation, can complete the registration formalities. Additionally, the START platform became available in 2019 to provide new businesses with an integrated online solution that condenses several registration processes into a single step. However, the continuity of a multiplicity of channels for company registration has produced a fragmented registration process. This has slowed the integration of services, preventing the full adoption of best practices for business registration.

HITRO.HR is the most used registration channel. In 2023, the majority of entrepreneurs creating new LLCs in all the assessed cities in Croatia used the HITRO.HR option. Specifically, 74% of new LLCs in Rijeka were registered through HITRO.HR, 73% in Varaždin, 70% in Osijek, and 60% in Split. In Zagreb, registering directly with the courts is still common (33%) but HITRO.HR has also become the most prevalent channel (47%).



Source: Subnational Business Ready

Business Entry in Croatia

Pillar III: **Operational Efficiency of Business Entry (2/4)**

The multiplicity of channels for company registration has produced a fragmented registration process

Each of the channels for business registration has its own set of limitations and differences in terms of the services that can be completed. Registering directly with the court requires the use of notaries to certify company documents. Businesses obtain the Personal Identification Number (OIB), but this channel does not include completing other formalities (e.g., tax registration, pension, and health insurance) with additional agencies. HITRO.HR also requires the use of notarized documents, but entrepreneurs can receive assistance from officials when submitting their application and can obtain the certificate from the Bureau of Statistics. However, additional post-registration processes must be completed with other agencies directly.

While START was intended to facilitate the registration process by providing a single point of contact for new businesses, its limitations have constrained its uptake. Such limitations include the lack of a full backend integration with other government services to facilitate and improve communication with applicants. Also, experts have noted that the START platform's standardized forms are harder to adapt to individual company needs. Additionally, low use of electronic ID among entrepreneurs and uncertainty regarding online payment security have also constrained uptake.

Differences among the company registration channels in Croatia

	Court	HITRO.HR	START
Method to submit application	Paper-based and online through the *e-Osnivanje* platform	Filed electronically by notary or HITRO.HR officer	Online by the entrepreneur
Types of companies that can be registered	All company types (except Crafts in the case of the online platform)	Crafts, LLCs, and simple LLCs	Crafts, LLCs, and simple LLCs
Certification of documents by public notary	Required	Required	Not required
Use of standard articles of association	No	No	Yes
Other processes that can be completed at the same time*	Personal identification number (OIB)	• Personal identification number (OIB) • Certificate from the Bureau of Statistics	• Personal identification number (OIB) • Tax Authority • Open a bank account • Certificate from the Bureau of Statistics • Institute for Pension Insurance • Institute for Health Insurance
Time to obtain a decision on registration with the Court Registry**	From 5 to 14 days depending on the local court	2 days	2 days
Costs	Court fee (EUR 53.09) + document preparation and notarization costs (EUR 776.39)***	Court fee (EUR 26.55) + FINA fee (EUR 13.27) + document preparation and notarization costs (EUR 776.39)***	Court fee (EUR 26.55)

* Beneficial ownership registration remains a separate post-registration step that must be completed with FINA regardless of the registration channel used.
** By regulation, a decision on application for court registration submitted using electronic means must be completed in 24 hours.
*** Notarization costs vary and depend on the number of founders, startup capital, and the specific documentation elements (e.g., decisions on company seat, procurator, etc.) prepared for the firm.

Business Entry in Croatia

Pillar III: **Operational Efficiency of Business Entry (3/4)**

Croatia (all cities):

Time:	Cost:
6 days	**5.5%** of income per capita

Standard company legal form:
Društvo s ograničenom odgovornošću (D.O.O.)

HITRO.HR is the most widely used method for registering a new LLC in the 5 Croatian cities. By following this route, entrepreneurs can open a new business and complete all formalities in as fast as 6 days with a cost of 5.5% of income per capita.

Good practices that facilitate the process of company registration and start of operations include:

- Time limits to process company registration requests. According to Article 58 of the Rules on the method of entry in the court register, the register is obliged to submit an electronic decision on the registration of an LLC within 24 hours of receiving a complete application electronically.

How does business entry work in Croatia using HITRO.HR

Pre-incorporation

Visit to the notary's office and/or HITRO.HR office
- Notarization of relevant documents
- Opening of a temporary account for the purpose of payment of start-up capital
- Filing of application
- Time: 1 day
- Cost: EUR 816.21

Incorporation

Company registration
- Registration in the Court Registry
- Process may include:
  - ✓ Registration with the Croatian Bureau of Statistics
- Time: 2 days
- Cost included in previous step

Post-incorporation

Beneficial ownership registration
- Online registration with FINA
- Time: 0.5 days
- No cost

Bank account opening
- Commercial bank
- Time: 1 day
- No cost

Tax/VAT registration
- Registration with the Registry of Corporate Taxpayers and the Registry of VAT-Registered Persons
- Time: 1 day
- No cost

Employee registration
- Online registration with:
  - ✓ Croatian Institute for Pension Insurance
  - ✓ Croatian Institute for Health Insurance
- Time: 0.5 days
- No cost

Source: Subnational Business Ready

Business Entry in Croatia

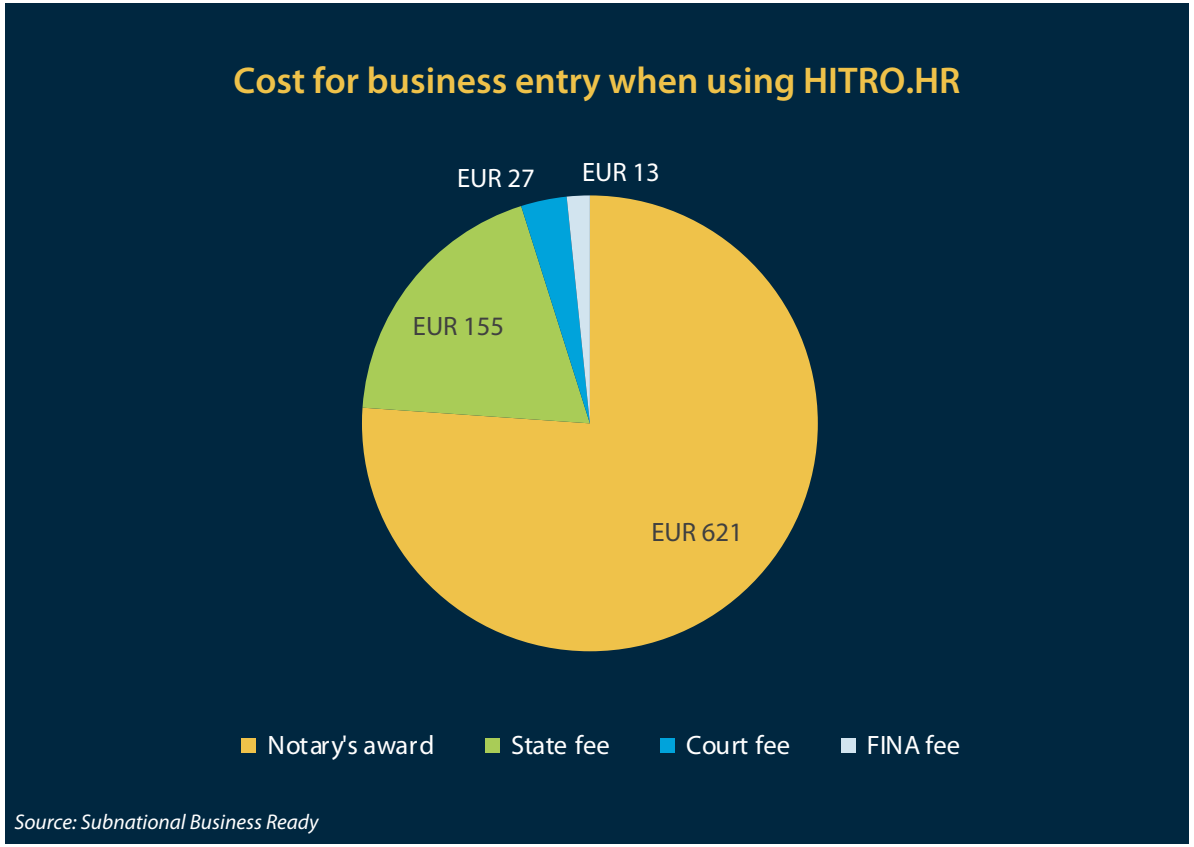
Pillar III: **Operational Efficiency of Business Entry (4/4)**

Cost for business entry in Croatia

The cost for business entry in Croatia is composed of official services fees, plus notary fees when HITRO.HR is used. An entrepreneur is expected to pay, on average, EUR 816.21 (equivalent to 5.5% of income per capita) for the services of a notary when opening a company with a startup capital of EUR 75,000. The notary's fee includes the "notary's award" and the "state fee" for the notary's services.

Notaries' fees can vary, but the regulation establishes some guidelines on their calculation based on a scale depending on the startup capital and the number of additional documents required to be notarized. These factors can depend on the complexity of the operations and management of the company. The notary fees cover services that include signature verification and drafting required documents such as:

1. Statement of incorporation of the LLC
2. Decision on the appointment of board members
3. Decision on the address of the company
4. Director's statement
5. List of the people authorized to represent the company
6. List of members
7. Decision on the subject of business



Source: Subnational Business Ready

Business Entry in Croatia

Areas of improvement for Business Entry (1/2)

Move toward a single window for business registration

Modernizing Croatia's business registration regime and aligning it with European practices and the EU directives will require integrating the disparate databases, closing parallel online and physical channels for registration services, and digitalizing and integrating all registration procedures for all legal entity types into one platform. Even though HITRO.HR is the channel used by most of the new LLC business founders, its future is nonexistent. HITRO.HR is a platform providing a hybrid solution with a semi-digital service (e-Company registration with Court Register including Public Notaries) but still requiring a physical visit to one of the HITRO.HR offices. Further, the platform has not been improved since 2007.

The Ministry of Economy is working to achieve the National Resilience and Recovery Plan (NRRP) which seeks to enable new services through START and plans to shut down HITRO.HR by transforming it into "START points" locations with new and upgraded functionalities. Since its launch in November 2019, the START platform enabled digital registration from the comfort of one's own home for the most common types of business entities: LLCs, simple LLCs, and Crafts, by virtually integrating the key stakeholder agencies for business registration. Currently, it provides digitalized procedures for business entry by connecting relevant authorities (the court registry, statistics, tax administration, among others). At the same time, the uptake in use of the START platform's service has been limited due to its narrow scope in terms of available services. Thus, the Ministry of Economy is working on providing new functionalities such as the submission of key changes about the company (e.g., change of board members, change of seat, etc.) as well as the registration of other types of companies via START.

Making START a full single digital window for business registration in Croatia will require the different key stakeholders in the Croatian government to work together to enable the integration of online service delivery between the different agencies involved in the business entry process. Despite its challenges, START is the only example of integration in this area and a step in the right direction having been recognized as such by the 2021 Digital Economy and Society Index (DESI) report. Denmark is as a good example of what a consolidated single digital window for entrepreneurs can do. Through the portal Virk.dk, available since 2004, entrepreneurs register in one step with the Danish Business Authority and the Tax Agency using their citizen electronic identification. They can also complete a wide variety of other tasks such as submitting annual reports, recording changes to company information, reporting VAT, requesting business licenses and permits, among many others. In addition, through the Digital Post service, businesses communicate and exchange information directly with public agencies to facilitate regulatory compliance.

Business registration policy continues to be fragmented, and the Ministry of Justice, Public Administration and Digital Transformation (MOJPADT) is pursuing its own upgrades of the Court Register. Recently, MOJPADT and the Ministry of Economy started working towards an integrated approach to service delivery that would potentially consolidate government-to-business (G2B) services across the business life cycle (entry, operations, and exit) into one single business portal for the Government of Croatia. According to the new plan, the two Ministries will work with the State Office for the Development of Digital Society (SODDS) to improve the interface of the e-Business page of the e-Citizens government portal. The solutions, known as START and START Plus, which are owned by the Ministry of Economy, the Commercial Court Registry system known as "*e-Osnivanje*," which is owned by MOJPADT, and the "e-Notar" system, which is owned by the Association of Public Notaries, would all be accessible through the e-Business website. This integration is planned to be implemented by the end of 2024.

Relevant stakeholders: Ministry of Economy; Ministry of Justice, Public Administration and Digital Transformation

Business Entry in Croatia

Areas of improvement for Business Entry (2/2)

Eliminate the start-up capital requirement for limited liability companies

New LLCs in Croatia are required to have a minimum share capital of EUR 2,500 which is equivalent to 16.7% of income per capita. While this requirement has historically had the objective of protecting creditors and promoting confidence in the financial markets, research shows that, in practice, it provides little protection for creditors and investors during insolvency.[31] More than 130 countries around the world, including European Union Members States like Belgium, Finland, Ireland, and the Netherlands, have already eliminated the minimum capital requirement. Others such as Bulgaria, Greece, and Portugal, have reduced it to less than 0.1% of income per capita.

Relevant stakeholder: Ministry of Justice, Public Administration and Digital Transformation

Increase certainty in company name verification

Experts report that name approval remains an issue of uncertainty during the company registration process and is the main reason for rejection of applications. The rules regarding the selection of the company name are not consistently applied and the criteria used can vary from court to court. The elimination of the option to reserve the name in 2019 did not result in a better process to assess the admissibility of the company name. While the court registry's database is available online for consultation, in practice and to reduce uncertainty, lawyers and notaries often consult informally with the courts before submitting an application, but there is no formal guarantee that the name will be approved. Reviewing the rules to identify a more transparent process to approve the name could help Croatian entrepreneurs. Alternatively, the authorities could explore the approach followed by Portugal, where a pre-approved list of names is available for entrepreneurs to choose from before registration.

Relevant stakeholder: Ministry of Justice, Public Administration and Digital Transformation

31 Elkind, 2007; Armour, 2006; Kübler, 2004; Simon, 2004; Mülbert and Birke, 2002.

3. Business Location in Detail

3.1 Building Permitting in Croatia

Pillar I: Regulatory Framework

Score (all cities): **100**/100

Pillar II: Public Services

Score (all cities): **84.3**/100

Pillar III: Operational Efficiency

Obtain building permits:
Time (days): **120** (Varaždin) to **345** (Split)
Cost (% of income per capita*): **30%** (all cities)

Obtain occupancy permits:
Time (days): **50** (Varaždin) to **140** (Split)
Cost (% of income per capita*): **20%** (all cities)

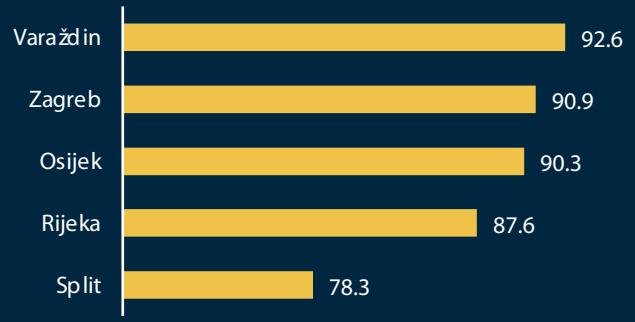
Score: **50** (Split) to **93** (Varaždin) /100

*Croatia's 2021 GNI per capita is EUR 14,986

Main findings

- Croatia scores the maximum number of points for quality of regulations for urban planning (Pillar I).
- In recent years, Croatia has undergone a digital transformation of the building permitting process, which has facilitated access to information on space use, reduced the number of steps, and unified the process across the country. Still, there is room for improvement on the efficiency of obtaining a building permit and an occupancy permit.
- Despite online availability of documents required to obtain building and occupancy permits across all benchmarked cities, developers do not have access to a centralized comprehensive list of preapprovals required for permit application aside from the regulatory stipulations that are sometimes too generic and not user friendly (Pillar II). Public online availability of such requirements would make the process more transparent and predictable.
- Among the five Croatian cities, completing the building permitting process is fastest in Varaždin (Pillar III). The time to deal with building permits ranges from four months in Varaždin to almost one year in Split, mainly owing to differences in efficiency at the municipal level when obtaining the building permit. The cost to obtain building and occupancy permits is uniform across the country.

Overall Building Permitting score per city*



Source: Subnational Business Ready *Scale from 0 to 100 (higher = better)

Building Permitting in Croatia

Why is building permitting important?

- A sound and robust environmental framework for construction projects plays a vital role in protecting the public from faulty building practices and incorporating sustainability in construction by identifying and addressing potential environmental impacts beforehand.[32]
- Adopting good regulatory practices for building standards enhances safety mechanisms and green building practices while reducing opportunities for corruption.
- Transparency of information for building permits minimizes information gaps between public service providers and users, fostering accountability through easy access to regulations, fees, and payment tracking.

32 World Bank, 2024.

What does the Building Permitting topic measure?

Pillar I: Regulatory Framework

Quality of regulations for building permitting

- Building regulations standards
- Building energy codes standards
- Land use and zoning regulations

Pillar II: Public Services

Quality of public services and transparency of information for building permitting

- Availability and reliability of online services
- Interoperability of services between the agencies involved in building permitting
- Transparency and accessibility of the building permitting agencies

Pillar III: Operational Efficiency

Operational efficiency of building permitting

- Time to obtain a building permit
- Cost to obtain a building permit
- Time to obtain an occupancy permit
- Cost to obtain an occupancy permit

For more information, please refer to the *Business Ready Methodology Handbook*: https://www.worldbank.org/en/businessready

Building Permitting in Croatia

Reforms and changes since 2018

- The Ministry of Physical Planning, Construction and State Assets launched the e-Permit system, allowing investors across the country to submit applications for building and occupancy permits electronically. The new system is part of Croatia's digitalization strategy, which was launched in 2015.
- e-Conference, an electronic bulletin board system, became operational in April 2019 as a special module in the e-Permit system. It allows investors to obtain electronic notifications on special requirements and clearances from all relevant bodies, including requirements for connections to public infrastructure for new or existing buildings. Access to the module is provided to natural and legal persons upon registration.
- As of January 1, 2023, developers are required to keep an e-Construction diary, a fully digitized service designed to track the construction process from the initial application to the technical inspection of the completed building, including the issuance of an occupancy permit. Access to the platform is provided to natural persons who are professionals.

Relevant laws and regulations in Croatia

- **Building Act (OG 153/13, 20/17, 39/19, 125/19):** regulates the design, construction, use, and maintenance of buildings, as well as the implementation of administrative and other procedures related to all abovementioned.
- **Spatial Planning Law (OG 153/13, 65/17, 114/18, 39/19, 98/19, 67/23):** regulates the spatial planning system including its objectives, principles, and stakeholders, as well as the monitoring of spatial conditions, planning areas, and planning requirements.
- **Energy Efficiency Law (OG 127/14, 116/18, 25/20, 32/21, 41/21):** regulates the area of efficient energy use to include the adoption and implementation of plans at the local, regional, and national levels to improve energy efficiency.

Public institutions and services for building permitting

- The **e-Conference module** has improved the e-Permit system, enabling swift coordination with public authorities in permit issuance procedures, confirming that the main project is designed in accordance with special regulations or specific connection conditions.
- The **e-Construction log** enhances management of the quality of the construction process and eases the accessibility to quality information by keeping all necessary documentation in one centralized online location.
- The **Spatial Planning Information System (ISPU)** is the national interoperable and multi-platform system continuously upgraded by the Ministry of Physical Planning, Construction and State Assets. It provides citizens with easy access to information on space use and currently operates with 13 system modules, including e-Construction diary, e-Permit, e-Conference, and Geoportal.

Building Permitting in Croatia

Pillar I: **Quality of Regulations for Building Permitting**

Croatia score (all cities): **100** out of 100 points

Croatian cities score maximum points on the quality of regulations for urban planning.

Regulatory standards related to building permitting

37.5/37.5 Building standards

- ✓ Existing building codes/unified standards applicable to all construction
- ✓ Clear provisions or guidelines regarding safety standards in the legal framework
- ✓ Regulation of construction materials that pose health risks
- ✓ List of regulated materials
- ✓ Certified/licensed engineer or architect (public agency or private and external) designated by law responsible for compliance of building plans with existing building regulations
- ✓ Risk-based or phased structural safety inspections required by law to be carried out during construction
- ✓ Requirement of final inspection by law
- ✓ Materials (e.g., asbestos) required to be inspected/tested by law
- ✓ Liability for structural flaws/problems defined by law
- ✓ Qualifications required to conduct technical supervision/inspections
- ✓ Ability to dispute building permit decisions with the permit-issuing authority

37.5/37.5 Building energy standards

Legally required:

- ✓ Minimum energy efficiency performance standards
- ✓ Proof of compliance with energy efficiency performance standards required for building permit
- ✓ Verification of energy efficiency performance standards
- ✓ Incentives to promote green building standards

25/25 Zoning and land use regulations

Legally required planning tools for land development:

- ✓ Requirements for trunk infrastructure service access (water, electricity, sanitation)
- ✓ Maps identifying areas allocated to residential, commercial, agricultural, recreational, public/institutional, and mixed use
- ✓ Hazard maps identifying areas in which building is not permitted due to natural hazards
- ✓ Hazard maps identifying minimum separation between residential and hazardous occupancies
- ✓ Maps identifying areas in which building is not permitted owing to preservation of natural resources

✓ Aspects regulated in line with internationally recognized good practices ✗ Aspects not regulated in line with internationally recognized good practices

Building Permitting in Croatia

Pillar II: **Quality of Public Services and Transparency of Information for Building Permitting**

Croatia score (all cities): **84.3** out of 100 points

In Croatia, there is no public online availability of a centralized and more comprehensive list of preapprovals required for permit application. Such requirements would make the process more transparent and predictable.

Availability and reliability of digital services

26/40

- ✓ Online platform for issuing building authorizations
- ✓ Online permitting systems with several functionalities
  - ✗ No online payment
  - ✓ Online communication
  - ✓ Online notification
  - ✓ Online submission
  - ✗ No auto-generated checklist
- ✓ Online permitting systems to submit building and occupancy permits
- ✗ No online filing of disputes on building permits

Interoperability of services

20/20

- ✓ Availability of spatial plans and zoning requirements in the form of a Geographic Information System (GIS) or other spatial data platforms to all stakeholders
- ✓ Integration of GIS or national spatial platforms

Transparency of information

38.3/40

- ✓ Public accessibility of planning and building control regulations
- ✓ Public online availability of requirements to obtain all types of building related permits
  - ✗ No list of preapprovals required from specialized agencies
  - ✓ List of documents to obtain a building permit
  - ✓ List of documents to obtain an occupancy permit
- ✓ Up-to-date fee schedules for obtaining all types of construction permits available online
- ✓ Public availability of official, updated online statistics tracking the number of issued building permits
- ✓ Availability of updated city master plan/zoning plan
- ✓ Clear, defined steps to modify zoning/land use plan
- ✓ Verification of adherence to zoning regulations

✓ Aspects in line with internationally recognized good practices ✗ Aspects not in line with internationally recognized good practices

Building Permitting in Croatia

Pillar III: **Operational Efficiency of Building Permitting (1/3)**

Croatia score: **50** Split **to** **93** Varaždin out of 100 points

- The construction permitting process is regulated at the national level and implemented by the corresponding municipal or county offices for construction and spatial planning.
- Novelties were recently introduced such as: electronic submission of applications, digital signature, and electronic communication among all interested parties through the electronic bulletin board.
- The digitalization of the construction permitting process has reduced the number of steps and unified the process.
- The building authority in charge of issuing the permit uses e-Conference to obtain the relevant special conditions from all pertinent bodies.

How does building permitting work in Croatia

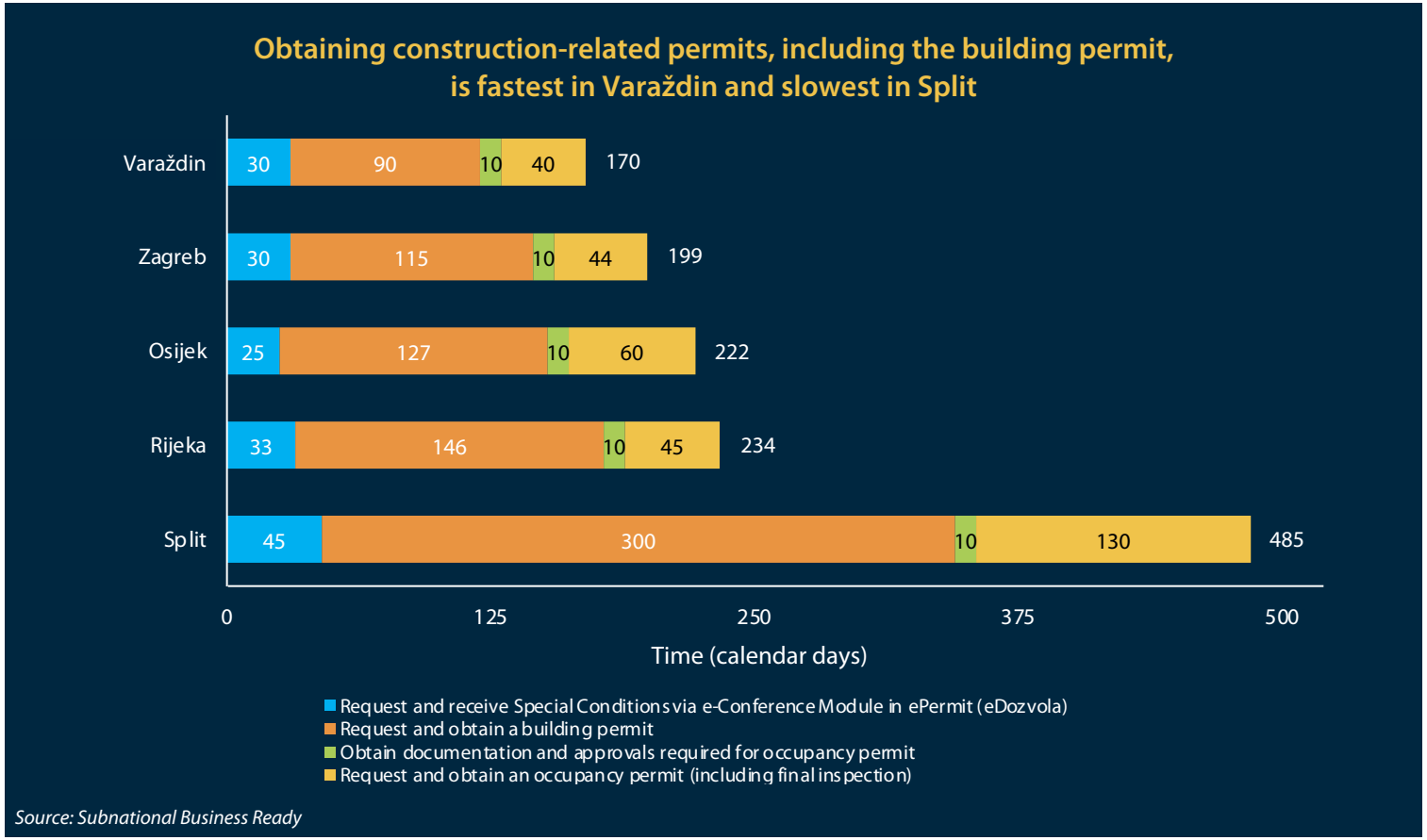
Source: Subnational Business Ready

Note: The steps shown are common to all cities benchmarked. To obtain a building permit in Croatia, the investor must have proof of legal interest. A pre-contract stating that the investor has or shall acquire the ownership right or land registry extract is sufficient.

Building Permitting in Croatia

Pillar III: **Operational Efficiency of Building Permitting (2/3)**

- Although the construction permitting system in Croatia is regulated nationally under the Building Act, differences in implementation at the local level prevail. It is fastest to deal with building permits in Varaždin, where it takes four months, thanks to its efficiency in providing the required municipal permits. The process is slowest in Split, taking almost a year.
- Entrepreneurs applying for building permits in Split have pointed to administrative inefficiencies at the municipality's Building Office, including backlogs in processing permit applications, heavy workloads, and a shortage of staff.
- The time it takes to obtain an occupancy permit varies across the benchmarked cities, from 50 days in Varaždin to 140 days in Split.



Source: Subnational Business Ready

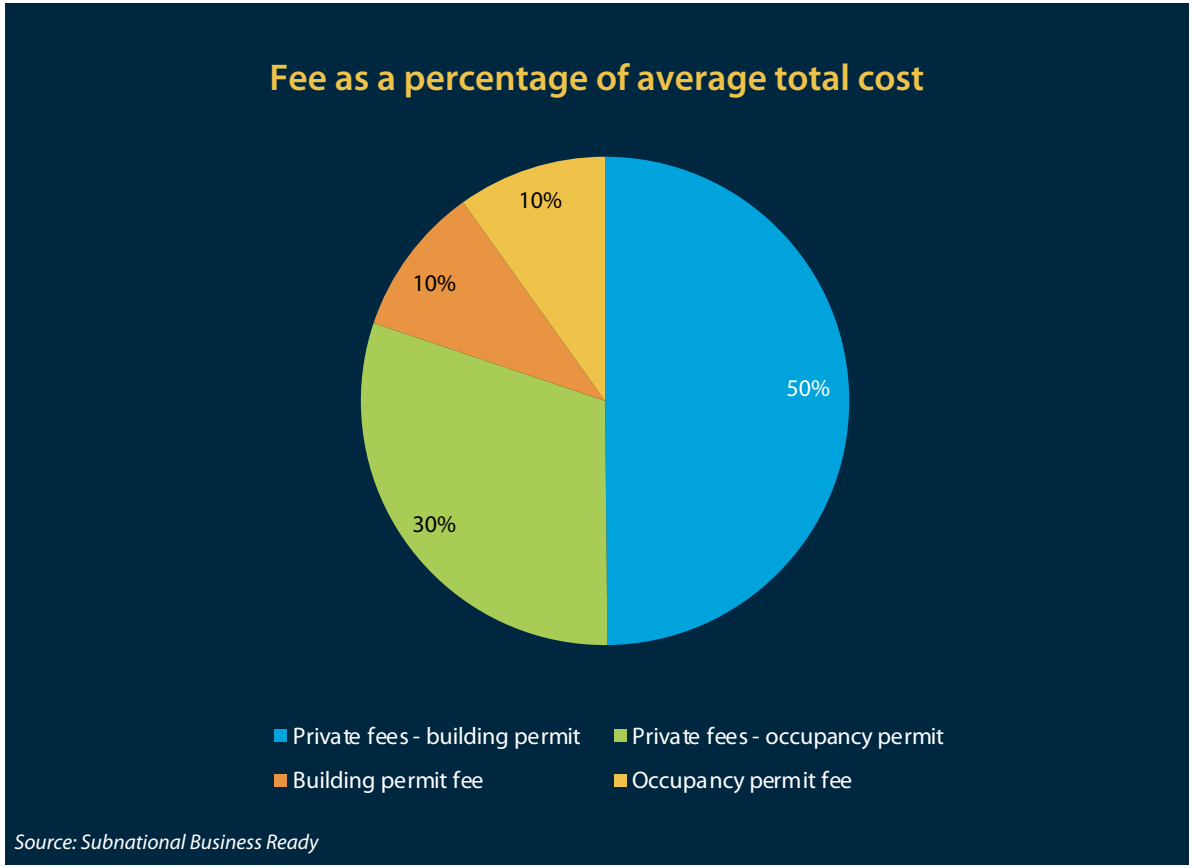
Note: Not all required procedures are included in this chart, as they are done simultaneously with other procedures and do not add to the total time. These are: hire a geodetic engineer to produce a geodetic study; obtain a geotechnical investigation; and obtain evidence of legal interest.

Building Permitting in Croatia

Pillar III: **Operational Efficiency of Building Permitting (3/3)**

The cost to obtain a building permit and an occupancy permit is uniform across the country (EUR 7,549)

- Digitalization of the construction permitting process has reduced administrative fees. Investors are no longer required to pay a fee for obtaining a series of clearances from different authorities (i.e., Inspectorate for Fire at the Ministry of Interior Affairs, Waste Collection Department, local water authority, National Croatian Electric Grid, waste collection department). The elimination of these fees has reduced the cost to entrepreneurs on average by approximately EUR 82 per city. The Building Permit Office uses e-Conference, with an electronic bulletin board system, to obtain the necessary special conditions and clearances of the main design for free, in accordance with the Building Act (OG 153/13, 20/17, 39/19, 125/19).
- The fees for issuing building and occupancy permits have not changed and are payable to the local government (each fee is the same, 0.25‰ of the estimated construction cost, but not less than EUR 132.72).
- Private sector fees represent 80% of the average total cost of the construction permitting process. The cost stems from the average cost of obtaining a geomechanics study (soil study) (EUR 2,750), initial geodetic study (EUR 1,000), final geodetic study (EUR 800) and energy efficiency certificate (EUR 1,563).



Source: Subnational Business Ready

Building Permitting in Croatia

Areas of improvement for Building Permitting (1/2)

Reduce the waiting times for processing municipal permits

In recent years, Croatia has adopted a significant number of changes to laws and further digitized the system for obtaining building and occupancy permits. The e-Conference module in the e-Permit system has reduced the number of steps required to obtain these permits. Builders no longer need to physically visit certain public authorities for approvals and verifications of the project documentation; instead, all public authorities communicate through one platform that coordinates their processes.

Despite efforts to make the process more efficient, developers still need to wait around five months from the initial request for a building permit until receipt, and around two months, on average, from the initial request for an occupancy permit until obtainment. According to public officials and entrepreneurs, most of the waiting time is due to backlogs in the municipalities.

The sharp increase in demand for construction in the last years has led to an increased workload for government officials, thereby diminishing the positive effects of increased digitalization, which can cut the time of the permit issuance process. A large volume of requests is handled on a first-come-first-served basis, resulting in long waits for the review, processing, and commencement of each stage of the procedure.

Croatia could consider introducing a fast-track procedure for an extra fee. New regulations could establish different levels of examination—and therefore different time frames—for different levels of complexity. This approach allows approvals for simple construction to be fast-tracked, freeing public authorities to focus on riskier projects. To be effective, risk-based approaches need to include a comprehensive classification of risks. The Austrian capital, Vienna, implemented a simplified, fast-track building permit processes for common low-risk construction.[33] This process allows a developer to begin construction one month after submitting the application if the building authority has not indicated that the standard permit processing procedures apply.[34]

Another solution to increase efficiency is to invest in improving workflow methodology and internal IT processes to determine the reallocation and hiring of staff to handle the applications. Improving the building permitting process is possible by hiring a larger number of new skilled professionals who would specialize in working on specific steps in the permit issuance process.

To speed up the permitting process, submission of the main project information should be done solely electronically and avoid duplicating the information requested by no longer requiring paper submissions.

Relevant stakeholder: Ministry of Physical Planning, Construction and State Assets

33 This fast-track application model, known as an Article 7-a model, was introduced as part of reforms in 1999 to allow for construction to begin more quickly for certain categories of low-risk projects. See https://www.ris.bka.gv.at/eli/lgbl/WI/1930/11/P70a /LWI40010112.

34 World Bank. 2022.

Building Permitting in Croatia

Areas of improvement for Building Permitting (2/2)

Enhance Croatia's spatial planning with ePlans-Editor and e-Regimes integration

In Croatia, developers must comply with numerous laws and regulations from the initial step of planning construction to project completion and occupancy permit obtainment. The significant number of laws regulating the field of construction and spatial planning lead to different interpretations by developers and stakeholders. As a result, investors do not always know if the authorities consider their projects to be in accordance with relevant laws and regulations, especially in the project developing phase, and often face legal uncertainty.

By implementing the new online modules, ePlans-Editor and e-Regimes, in the ISPU geoportal, uncertainties should be eliminated. The ePlans-Editor features for drawing official maps of spatial plans will enhance planning decisions, provide automated data import control according to pre-established rules, and report errors that need to be corrected. Workshops are done regularly by the Ministry of Physical Planning, Construction and State Assets and could also serve as platforms for exchanging best practices from offices nationwide. Future reforms include a new module for the e-Building Permit platform (*e-Gradjevinska Dozvola* - formerly known as just *eDozvola*), which is in development. The e-Regimes module will make it possible to create real time plans for all infrastructure under and above ground, enabling a 'dig once' policy for utilities. These developments aim to improve the efficiency and standardization of the permitting process moving towards complete digitalization.

Relevant stakeholder: Ministry of Physical Planning, Construction and State Assets

3.2 Environmental Permitting in Croatia

Pillar I: Regulatory Framework

Score (all cities):

70/100

Pillar II: Public Services

Score (all cities):

50/100

Pillar III: Operational Efficiency

Time (days): **243** (all cities)

Cost (% of income per capita*): **33%** (all cities)

Score (all cities):

89/100

*Croatia's 2021 GNI per capita is EUR 14,986

Main findings

- **Regulatory compliance and public services:** In Croatia, regulatory compliance benchmarks (Pillar I), as well as the provision of digital public services and the transparency of information (Pillar II), are upheld uniformly across the country in the context of environmental permitting.
- **Uniform environmental permitting efficiency:** Environmental permitting efficiency (Pillar III) across the measured cities—Zagreb, Varaždin, Osijek, Rijeka and Split—is uniform, with the process taking 243 days. This includes the engagement of an environmental expert and the preparation of necessary documentation (25 days), as well as obtaining a decision on whether to pursue an environmental impact assessment (EIA) (218 days).
- **Consistency in permitting costs:** The cost related to obtaining environmental clearances is consistent across the country.
- **Recommendations for increased efficiency:** Businesses in Croatia could gain efficiency and efficacy from bolstered regulatory standards in environmental permitting, the advancement of the permitting process through digital means, and the implementation of out-of-court resolution mechanisms for environmental disputes.

Environmental Permitting in Croatia

Why is environmental permitting important?

- Choosing the right location is pivotal in determining the success of businesses even in the digital age. In addition to access to customers, labor, and transportation, the physical space of a business also determines the tax, regulatory, and environmental obligations firms face.[35]
- Clear and accessible environmental regulations can address concerns without burdening firms with unnecessary compliance.
- A sound and robust environmental framework for construction projects plays a vital role in sustainable construction by identifying and addressing potential environmental impacts beforehand.
- Good regulatory practices and transparency of information for environmental permits enhance safety mechanisms and the green building industry, minimize information gaps, and foster accountability.

35 Carlson, 2000.

What does the Environmental Permitting topic measure?

Pillar I: Regulatory Framework

Quality of regulations for environmental permitting

- Environmental clearances for construction
- Dispute mechanisms for environmental clearances for construction

Pillar II: Public Services

Quality of public services and transparency of information for environmental permitting

- Availability of online services for environmental permitting
- Transparency of online information regarding environmental licenses

Pillar III: Operational Efficiency

Operational efficiency of environmental permitting

- Time to obtain environmental clearances for construction
- Cost to complete environmental clearances for construction

For more information, please refer to the *Business Ready Methodology Handbook:* https://www.worldbank.org/en/businessready

Environmental Permitting in Croatia

Pillar I: **Quality of Regulations for Environmental Permitting**

Croatia score (all cities): **70** out of 100 points

Regulatory standards related to environmental permitting

45/50 Environmental permits for construction

- ✓ Existence of national environmental regulations during construction
- ✓ Updates or revisions of national regulations to reflect recent environmental and technological innovations in construction
- ✓ Penalties or fines in place for non-compliance with the regulations
- ✓ Clearly defined environmental risks in the legal framework
- ✓ Legal requirement to use qualified professionals/agencies to conduct environmental impact assessments (EIA)
- ✓ Specific criteria to trigger an EIA stipulated in the legal framework
- ✓ Mandatory requirements for an EIA process included in the legal framework
- ✓ Public consultations with concerned stakeholders mandated by law
- × No requirement for an independent external review for EIA compliance other than the Competent Authority that requests the EIA provided in the legislation
- × No activities and approaches that facilitate the contribution of interested parties to the decision-making process

25/50 Dispute mechanisms for construction-related environmental permits

- ✓ Ability to dispute environmental clearances and permits with the permit-issuing authority
- × No out-of-court resolution mechanisms for environmental disputes

✓ Aspects regulated in line with internationally recognized good practices
× Aspects not regulated in line with internationally recognized good practices

RELEVANT LAWS AND REGULATIONS:

- Environmental Protection Act (NN 80/13, 153/13, 78/15, 12/18, 118/18)
- Regulation on Environmental Impact Assessment (NN 61/14, 3/17)

Environmental Permitting in Croatia

Pillar II: **Quality of Public Services and Transparency of Information for Environmental Permitting**

Croatia score (all cities): **50** out of 100 points

0/50 Availability and reliability of digital services

- ✗ No online environmental permitting systems with several functionalities:
  - ✗ No online payment
  - ✗ No online communication
  - ✗ No online notification
  - ✗ No online submission
  - ✗ No auto-generated checklist to assist applicants in ensuring complete and accurate submissions
- ✗ No online filing for complaints regarding environmental clearances in construction

50/50 Transparency of information

- ✓ Requirements to obtain environmental licensing for constructing a building with a moderate environmental risk are available online
- ✓ Up-to-date fee schedule for obtaining environmental clearances is available online

✓ Aspects in line with internationally recognized good practices ✗ Aspects not in line with internationally recognized good practices

Environmental Permitting in Croatia

Pillar III: **Operational Efficiency of Environmental Permitting**

Croatia score (all cities): **89** out of 100 points

Time: **243** days

Cost: **33%** of income per capita, or **EUR 5,000**

In Croatia, the environmental clearance process for a residential housing development project, as described in the BE-READY methodology, begins when the project owner compiles an Elaborate of Environmental Protection with assistance from an environmental consultant. This document is then submitted to the Ministry of Economy, which conducts a case-by-case analysis.* The Ministry reviews the Elaborate and places it on its website for 30 days for public consultation.

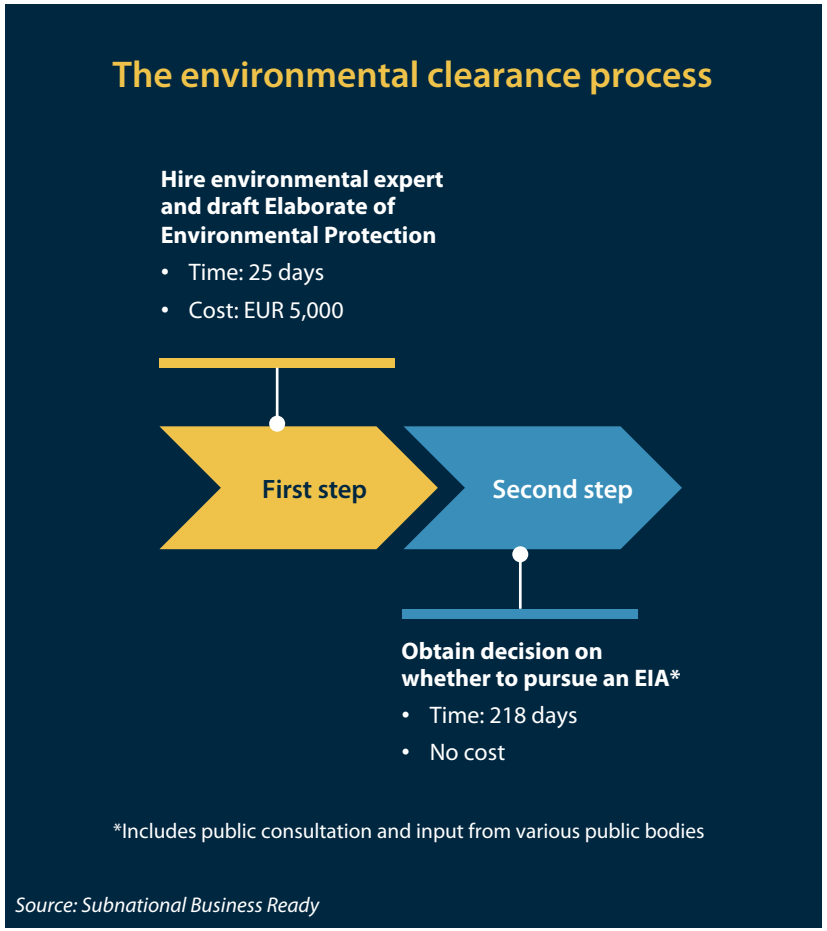
During this 30-day period, the Ministry also gathers opinions from other public entities. Following this public consultation, the Ministry makes a decision on whether to proceed with a full environmental impact assessment (EIA). Typically, for the kind of project used for the *Subnational Business Ready* report, a full EIA would not be mandated. The Ministry's decision is published online, along with the feedback received from other public agencies and the public.

The efficiency of environmental clearance practices in Croatia is characterized by an overall uniformity across the five cities examined—Zagreb, Varaždin, Osijek, Rijeka and Split—taking 243 days to complete the two-step process. Drafting an Elaborate of Environmental Protection for the project takes 25 days, while obtaining a decision on whether to pursue an EIA, including public consultation, takes 218 days.

The only cost associated with obtaining environmental clearances in Croatia is related to environmental experts' fees, which are the same across the five cities assessed. There are no public fees.

*The project falls under Annex 2, point 9.1. of Regulation on Environmental Impact Assessment. Thus, the Ministry of Economy must decide if the urban development projects requires a full EIA.

The environmental clearance process



Source: Subnational Business Ready

Environmental Permitting in Croatia

Areas of improvement for Environmental Permitting (1/2)

Develop and deploy an integrated online environmental permitting platform

To modernize and streamline the environmental permitting process in Croatia, it is recommended to develop and deploy a comprehensive online platform. This digital system should be designed to replace the current paper-based application method and introduce efficiencies in permit processing. Key functionalities of the proposed online platform should include:

- Secure online gateways for payments of related fees
- Interactive communication between applicants and the permitting authority
- Automated notifications of application status changes and requirements
- Online portal for application and upload of supporting documents
- An auto-generated checklist to assist applicants in ensuring complete and accurate submissions
- An online filing system to efficiently manage appeals of administrative decisions on environmental clearances in construction

Drawing on successful models, Croatia could benefit from adopting a fully integrated online EIA platform similar to Portugal's SILiAmb system, which includes a full suite of online functionalities that streamline the permitting process and enhance stakeholder engagement.

Implementing such a platform would not only elevate Croatia's score on Pillar II (digital public services and transparency of information) but would also significantly improve the environmental permitting process by enhancing accessibility, transparency, and stakeholder engagement. This transition aligns with international best practices and supports sustainable development goals by reducing administrative burdens and fostering a proactive environmental governance framework.

Relevant stakeholders: Ministry of Economy; Environmental Protection and Energy Efficiency Fund

Environmental Permitting in Croatia

Areas of improvement for Environmental Permitting (2/2)

Simplify the regulatory framework and strengthen capacity building for government officials

To simplify and streamline EIA processes, it is recommended to undertake a dual strategy to enhance the efficiency of environmental permitting procedures:

1. **Enhancing the clarity of legal norms:** Conduct a systematic review of the environmental legislative framework to identify and simplify complex regulations and requirements related to EIA. The aim is to ensure that laws are clear and comprehensible, facilitating quicker and more consistent decision-making processes and reducing the number of revisions. This may involve the revision and restructuring of legal provisions to make them more accessible and easier to interpret by all the stakeholders involved.

2. **Government officials' capacity building:** Implement a continuous training program for government officials responsible for environmental permitting. This should include the organization of targeted workshops and development sessions that focus on enhancing skills and the understanding of regulatory requirements for EIA procedures. The training should also aim to standardize case handling and share best practices in permit issuance.

Croatia's effectiveness in EIA could also be improved by incorporating into its legal framework: (i) an independent external review for EIA compliance; (ii) out-of-court resolution mechanisms for disputing environmental permitting decisions with the permit-issuing authority; (iii) activities and approaches that facilitate the contribution of interested parties to the decision-making process (such as surveys and polls to capture inputs and feedback from concerned stakeholders; training, resources, and technical assistance to project-affected parties).

Relevant stakeholder: Ministry of Environmental Protection and Green Transition

3.3 Property Transfer in Croatia

Pillar I: Regulatory Framework

Score (all cities):
90.5/100

Pillar II: Public Services

Score (all cities):
66.9/100

Pillar III: Operational Efficiency

Time (days):
8 (Osijek) to **60** (Split)

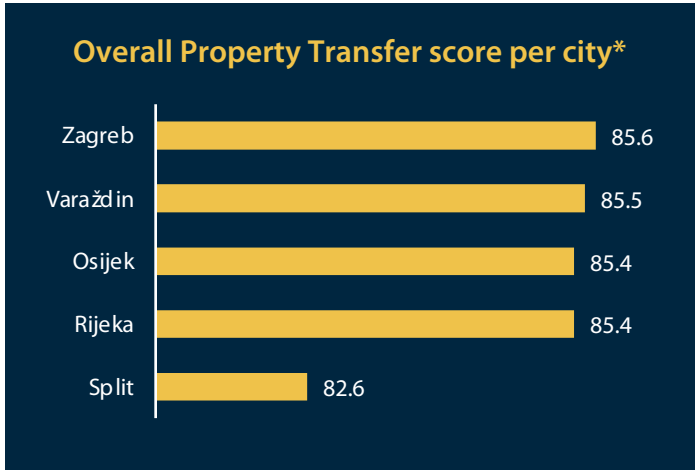
Cost (% of property value*):
4.3% (all cities)

Score:
81.7 (Split) to **90.7** (Zagreb) /100

*For a property value of EUR 1,498,550, equal to 100 times the 2021 GNI per capita. Croatia's 2021 GNI per capita is EUR 14,986

Main findings

- Croatia's regulatory framework applies uniformly across the country and includes many good practices (Pillar I). There are no differences among the five Croatian cities in that respect.
- Similarly, all five Croatian cities share the same features regarding the quality of public services for property transfer and the related transparency of information (Pillar II). In recent years, Croatia has adopted many features that improve the quality of such public services.
- There are significant differences in the efficiency of the cities' Land Registries (Pillar III). However, although the main requirements for registering a property transfer are the same throughout the country, the time it takes to complete the final step of registering the sale deed at the Land Registry is a major driver of differentiation —the time for that step alone ranges between one week in Osijek and two months in Split.
- The systemic reforms of the national land administration system that started in 2016 keep improving the property transfer process across the country, and they are still ongoing.



Source: Subnational Business Ready *Scale from 0 to 100 (higher = better)

Property Transfer in Croatia

Why is property transfer important?

- Secure property rights encourage investment, promoting a safe commitment to immovable property.[36]
- Looking at how well property rights are managed provides a good indication of how the economy is likely to grow.[37]
- Effective land administration reduces information asymmetry, enhances market efficiency, and ensures transparency of property ownership.
- Promoting good governance in the land administration system encourages publicly accessible laws on ownership and leasing, secure land tenure, and safeguards and service standards to avoid the risk of land disputes and corruption.
- Integration of land registry with the cadastral system facilitates reliable and up-to-date land use records and is of vital importance for land management.

36 De Soto, 2000. Johnson, McMillan, and Woodruff, 2002.
37 Field, 2007; Green and Moser, 2013.

What does the Property Transfer topic measure?

Pillar I: Regulatory Framework

Quality of regulations for property transfer and land administration

- Property transactions and land administration
  - Property transaction standards
  - Land disputes resolution mechanisms
  - Land administration systems
- Restrictions on owning and leasing property for domestic and foreign firms

Pillar II: Public Services

Quality of public services and transparency of information for property transfer

- Availability and reliability of online services for property transactions
- Interoperability of services for property transactions
- Transparency of information for immovable property

Pillar III: Operational Efficiency

Operational efficiency of property transfer

- Time to complete the registration of a transfer of rights on a property between two firms
- Cost to complete the registration of a transfer of rights over property between two firms
- Major constraints on access to land

For more information, please refer to the *Business Ready Methodology Handbook:* https://www.worldbank.org/en/businessready

Property Transfer in Croatia

Reforms in land administration since 2018

- Since 2022, all communications with and within courts, including Land Registries, must be conducted through electronic means.

  Access to a dedicated secured platform is granted to lawyers and notaries, and it extends to joint records, owing to the interconnection between the Land Registry and the Cadaster.

- More properties have been surveyed and more records are interconnected or integrated.

  Continuous progress has been made in linking and merging records of properties stored in Land Registries' and Cadaster's databases into the Joint Information System.

  The Joint Information System on Land Registers and the Cadaster (JIS) was set-up in 2016. Records of individual properties in the respective databases have been re-created and linked or merged. Before recreating an individual property file, an onsite cadastral survey of that property is conducted.

- The cost for transferring a property was lowered.

  The Property Transfer Tax rate was decreased in 2019 from 4% of the property value to 3%.

  The property registration fee was reduced in the same year by 50% to EUR 16.59.

  The Stamp Duty for property transfer deeds was eliminated in 2021.

Relevant laws and regulations in Croatia

- **Land Registry Law** (Law 63/2019 as amended by Law 128/2022): the main regulatory instrument governing the organization, arrangement, retention and storage of land registers in Croatia.
- **Law on State Survey and Real Estate Cadaster** (Law 112/2018 as amended by Law 39/2022): provides legal basis for the work of the State Geodetic Administration, as well as for the storage and use of cadaster data.
- **Law on Real Estate Transaction Tax** (Law 115/2016 as amended by Law 106/2018): provides legal basis for the mandatory property transfer tax.
- **Law on Ownership and other Proprietary Rights** (Law 91/1996 as amended by Laws and Decisions from 68/1998 to 94/2017): addresses the classification, use, and implementation of all rights and obligations regarding private and public property and related rights.

Public institutions and services for property transfer

- **Land Registry Departments of Municipal Courts:** tasked with the registration of property transfers and record-keeping of the data on the legal status of properties in Croatia.
- **State Geodetic Administration:** central agency for the maintenance of the real estate cadaster and geodetic survey in Croatia.
- **Joint Information System on Land Registers and the Cadaster:** a single database for the management and maintenance of cadastral and land register data.
- **Notaries:** the official certifiers of private deeds that, together with lawyers, serve as an official link (intermediary) between citizens and the public institutions involved in transferring property.

Property Transfer in Croatia

Pillar I: **Quality of Regulations for Property Transfer and Land Administration**

Croatia score (all cities): **90.5** out of 100 points

Property transfer standards

30/30

Requirements related to:

- ✓ Legal obligation to check the legality of property transaction documents
- ✓ Legal obligation to register property transfers at Land Registry
- ✓ Legal obligation enshrined in law to verify the identity of both parties
- ✓ Equal legal standing of electronic and paper documents

Land dispute mechanisms

22.5/30

Legal provisions enabling alternative dispute resolution mechanisms between private parties through:

- ✓ Arbitration for property transactions
- ✓ Mediation and conciliation for property transactions

Legal provisions for the security of rights:

- ✓ Having registered property rights subject to a guarantee
- ✗ Lack of an out-of-court compensation mechanism for losses incurred due to Land Registry errors

Land administration system

20/20

- ✓ Legal provisions granting free access to everyone to information on property rights
- ✓ Legal provisions granting free access to everyone to cadastral plans
- ✓ Existence of a dedicated agency responsible of cadastral mapping

Restrictions on owning and leasing property

18/20

- ✓ No restrictions to lease or own property for domestic firms
- ✓ No restrictions to lease property for foreign firms
- ✗ Restrictions for foreign firms to own agricultural land as well as land in areas prohibited by law

✓ Aspects regulated in line with internationally recognized good practices ✗ Aspects not regulated in line with internationally recognized good practices

Property Transfer in Croatia

Pillar II: **Quality of Public Services and Transparency of Information for Property Transfer**

Croatia score (all cities): **66.9** out of 100 points

Availability and reliability of digital services

Digital public services

8.4/13.3

- ✓ Electronic platform for *due diligence*
- ✓ Electronic platform for *transferring property*
- ✗ No online complaint mechanism at either the Land Registry or the Cadaster for the services they provide

Digital land management and identification system

10.7/13.3

- ✓ Comprehensive encumbrance checking platform
- ✓ Majority of titles and cadastral plans are digitalized
- ✓ Cadaster agency uses both direct and indirect methods of surveying land making maps more reliable
- ✗ No national database for checking the identities of parties engaged in property transactions

Coverage of the land registry and mapping agency

10/13.3

- ✓ All private properties in the five measured cities are registered and mapped
- ✓ All private properties in the country are mapped
- ✗ Not all private properties in Croatia are registered

Interoperability of services

Interoperability of services for property transfer

20/20

- ✓ Land Registry's and Cadaster's databases are linked and exchange information
- ✓ Land Registry's database linked to Tax Authority's
- ✓ A Geographic Information System (GIS) is in place
- ✓ A unique identifier for properties is used by both the Land Registry and the Cadaster

Transparency of information

Transparency of information on immovable property

17.8/40

- ✓ List of requirements for transferring property published online
- ✓ Fee schedules published online at the Land Registry and the Cadaster
- ✓ Statistics on number and type of property-related transactions are available online
- ✗ No published service standards at the Land Registry or the Cadaster
- ✗ No published statistics on land disputes and time to solve them
- ✗ No gender-disaggregated data on property ownership

✓ Aspects in line with internationally recognized good practices ✗ Aspects not in line with internationally recognized good practices

Property Transfer in Croatia

Pillar III: **Operational Efficiency of Property Transfer (1/6)**

Croatia score: **81.7** Split **to** **90.7** Zagreb out of 100 points

How the property transfer process works

Due diligence

Due diligence is fast and easy. All necessary information is available online at no cost on two electronic platforms accessible to anyone.

Parties, or their legal representatives, first go to the Court Registry's website to verify the company profile and status at: https://sudreg.pravosudje.hr/registar/f?p=150:1.

They also access the Ministry of Justice, Public Administration and Digital Transformation's online platform to check the cadastral map, the status of the property, and determine who has rights and encumbrances at https://oss.uredjenazemlja.hr/public-services/review-lr-bdc.

Parties can make these checks themselves, but for high-value transactions, entrepreneurs prefer to hire legal professionals.

Deed

The notary or lawyer prepares the deed of sale. Once the deed is drafted, the parties meet to sign the deed of sale and purchase and have the signature of the seller authenticated by a notary.

At this moment, the parties pay for notarization (EUR 5.32), the notary's fee for submitting the registration request (EUR 10.62) and the registration fee for the Land Registry (EUR 16.59).

Then, the notary submits the registration request to the Land Registry, informs the Tax Authority of the sale through the electronic system and informs the State Geodetic Administration of the registration requested through the system. For these operations, notaries use an online platform that is interoperable with the Land Registry's database.

Registration

Once the notary submits the request for registration, the Land Registry starts processing it internally. The request is redistributed to staff based on an automatic process that is programmed to assign cases based on workload. The task will go through two internal steps, first to an Assistant Registrar who conducts an in-depth verification, and then to a Registrar for a final check and sign-off. Once this decision is made and the notary is notified, the buyer has full rights and can re-sell the property or use it as collateral.

In parallel, the Tax Authority makes the tax assessment of the property value and applies a 3% rate as a Property Transfer Tax. The Transfer Tax has been reduced from 4% in 2019. Upon receipt, the buyer has 15 days to pay it. Buyers do not need to wait for the Tax Assessment to re-sell the property if they so choose.

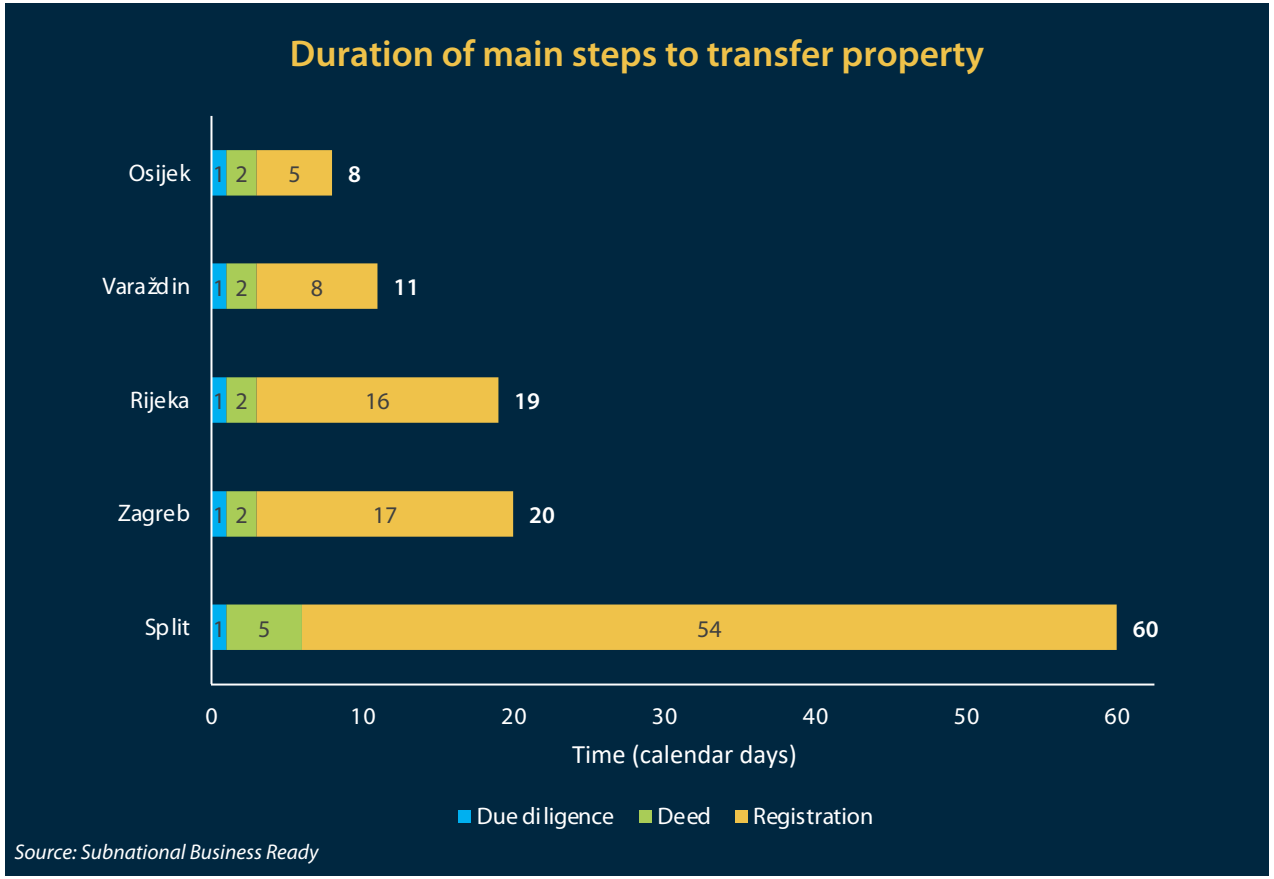
Source: Subnational Business Ready

Property Transfer in Croatia

Pillar III: **Operational Efficiency of Property Transfer (2/6)**

The efficiency gap between Land Registries in Croatia is wide and stark.

- Registering the transfer of property ownership rights takes between 8 days in Osijek and 60 days in Split.
- The time it takes in various Land Registries to process a registration request of a deed causes this gap. Most Land Registries respect the legal deadline of 15 days. In Osijek, it takes the Land Registry only 4 days to rule on a registration request compared to Split where it takes 53 days.
- The payment of the transfer tax accounts for one more day under this stage in all cities.
- The time to draft the deed and get it signed is two days—the same in four cities (Osijek, Rijeka, Varaždin and Zagreb)—but experts consulted in Split mentioned that this step takes twice as long.



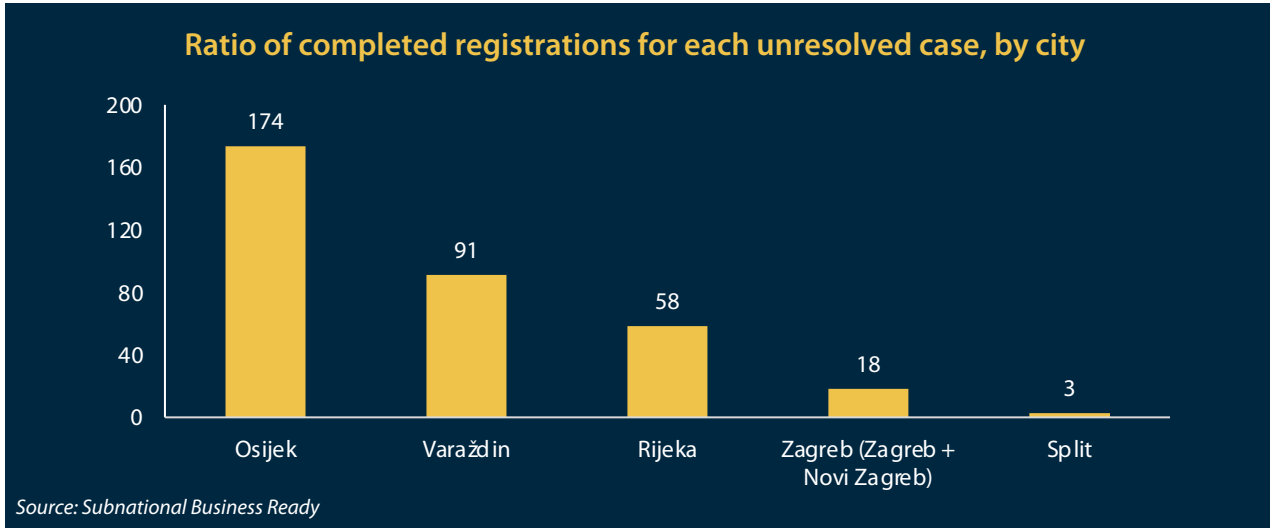
Source: Subnational Business Ready

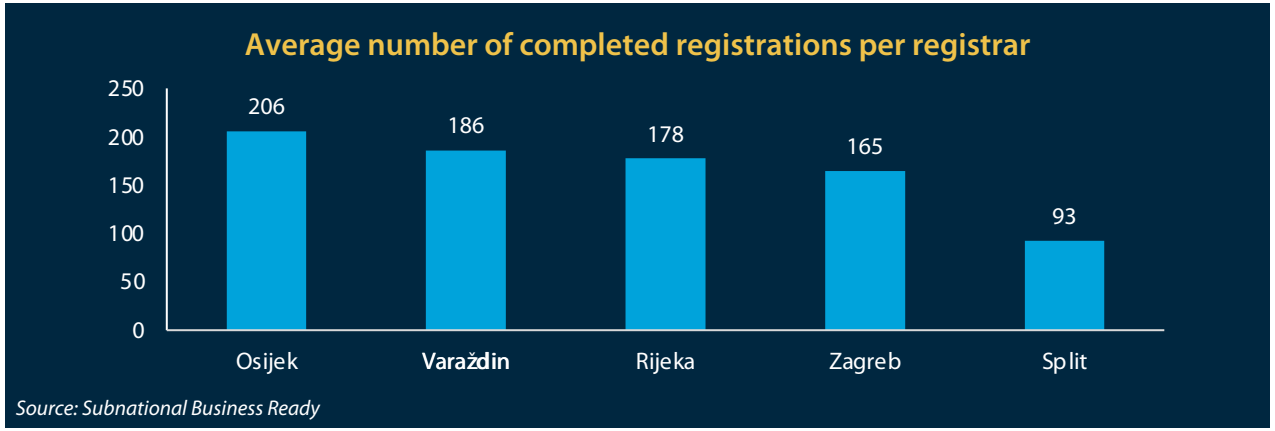
Property Transfer in Croatia

Pillar III: **Operational Efficiency of Property Transfer (3/6)**

The time to transfer a property varies widely across Croatia, with Osijek leading and Split lagging significantly behind.

- Data obtained from the Ministry of Justice, Public Administration and Digital Transformation showed various levels of backlog across the Land Registry departments in Croatia ("unresolved registrations cases" compared to the number of "resolved ownership registration cases").
- In 2023, the Land Registry in Split accumulated the highest number of backlogged cases among the cities surveyed (2,721), while the lowest amount of backlog was recorded in Osijek (32 cases), followed closely by Varaždin (47). When compared to the number of registrations that these courts conducted in the same year (7,682 in Split, 5,554 in Osijek and 4,275 in Varaždin), the contrast is starker. In Split, there was a backlogged case for every three registrations resolved (1:3); in Osijek, the ratio was of one backlogged case for every 173 registrations (1:173), followed by Varaždin where this ratio was 1:91. Similar findings were presented in the 2018 *Subnational Doing Business in the European Union – Croatia* study.
- A look at the registrars' workload provides additional insight on the efficiency gap. A Land Registry staff in Split conducted on average 93 registrations in 2023, the lowest per staff output of work among the five cities measured. In contrast, in Osijek and Varaždin, one registry staff dealt on average with 206 and 186 registrations, respectively.





Property Transfer in Croatia

Pillar III: **Operational Efficiency of Property Transfer (4/6)**

The progress in digitalization and interoperability between the Land Registry and the Cadaster correlates with the efficiency of the registration process.

Since 2016, Croatia embarked on a widespread reform of its land administration system leading to the digitalization and integration of databases of key stakeholders (Land Registries, Cadaster, Notaries).

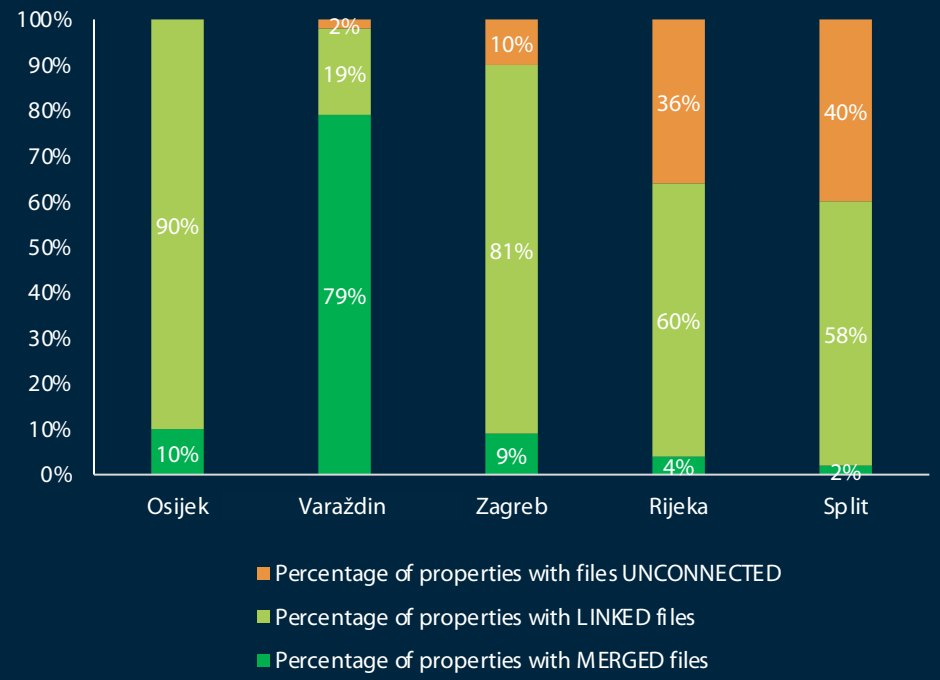
An important element of the reform was the development of the **Joint Information System on Land Registers and the Cadaster (JIS)**, a single database for the management and maintenance of cadastral and land register data co-managed by the State Geodetic Administration and the Ministry of Justice, Public Administration and Digital Transformation.*

The objective was to link and, at a later stage, merge the individual files of each property stored in the Land Registry's and in the Cadaster's databases in order to enable automatic data exchange. The JIS system was kicked-off in 2016 and the harmonization has been a work-in-progress ever since.

When a property's information on rights and ownership as well as its cadastral information are stored in a single file or in two files that communicate, the processing of registration is easier, involves fewer steps, and the risk of human error in updating the files is eliminated.

The reform was deployed throughout the entire country. Among the cities assessed in this study, Osijek is the only city that completed the interconnection of all records. Varaždin is a close second, followed by Zagreb, while Rijeka and Split lag significantly behind in the fourth and fifth positions, respectively.

Status of interoperability of digital records between Land Register and Cadaster



Source: Subnational Business Ready

*The JIS system received World Bank support as part of a long-term engagement for reforming the sector's development through a series of lending operations, such as: the Real Property Registration and Cadaster Project, the Integrated Land Administration System Project, and the Integrated Land and Justice Services for Citizens Project.

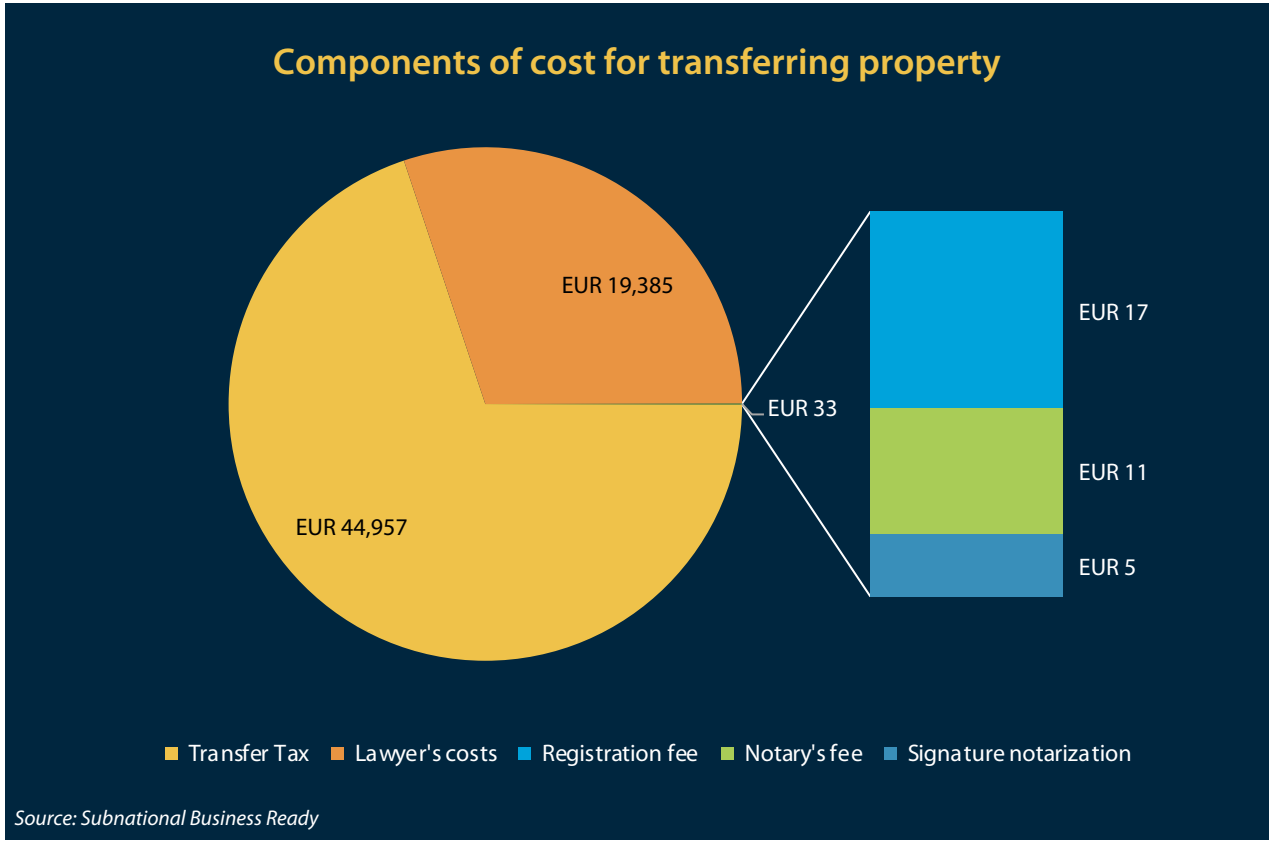
Property Transfer in Croatia

Pillar III: **Operational Efficiency of Property Transfer (5/5)**

Croatia (all cities):

Cost : **EUR 64,374**
(**4.3%** of property value)

- **The cost of transferring property is the same across the entire country.** All taxes and fees are established at the national level and there are no city-specific taxes or fee-based procedures.
- **The largest share of the cost of transferring property is represented by the property transfer tax.** It stands at 3% of the property value.
- **Legal professionals fees add to public taxes and fees.** An entrepreneur must pay EUR 19,385 for lawyer's costs and a total of EUR 33 in fees. Legal professional fees for transferring property are determined based on a regulated schedule that sets minimum thresholds, but lawyers also have some flexibility in negotiating their fees upwards.
- **Public taxes and fees decreased.** The transfer tax has been gradually reduced in recent years: from 4% in 2019 to the current rate after having been decreased from 5% in 2017. Furthermore, the registration fee was also reduced in 2019 and the Stamp Duty was abolished in 2021.



Source: Subnational Business Ready

Property Transfer in Croatia

Pillar III: **Operational Efficiency of Property Transfer (6/6)**

Percentage of firms that reported access to land as an obstacle, by region*

Source: World Bank Enterprise Surveys 2023

*NUTS (Nomenclature of territorial units for statistics), https://ec.europa.eu/eurostat/web/nuts/overview

- At the national level, 8% of Croatian firms reported access to land as an obstacle, a percentage significantly lower than in some peer countries such as the Slovak Republic, Romania and Portugal, but on par with Hungary.
- The highest percentage was recorded in Pannonian Croatia (Osijek) where 12% of firms consider access to land as an obstacle, three-fold more than the percentage of firms from Zagreb (4%).

Percentage of firms that reported access to land as an obstacle (country averages)

Source: World Bank Enterprise Surveys 2023

Property Transfer in Croatia

Areas of improvement for Property Transfer (1/2)

Complete the integration between the Land Registry's and the Cadaster's records

Single or interconnected databases expedite back-office operations and reduce the risk of human error while making it easier for customers of public services to retrieve information on a single platform. Croatia has been implementing a vast project to this effect since 2016, but progress has been faster in some cities. Cities in the country could look no farther than Osijek and Varaždin to see how achieving the interconnection has sped up public service delivery.

Relevant stakeholders: Ministry of Justice, Public Administration and Digital Transformation; State Geodetic Authority

Complete the registration of all private properties in the country

All private properties were registered in all cities measured; however, this is not the case at the national level. When coverage does not extend to 100% of the territory, companies and individuals cannot have legal assurance or certainty regarding the physical data related to the property. Hungary and the Slovak Republic are examples of European Union Member States who achieved full coverage.

Relevant stakeholder: Ministry of Justice, Public Administration and Digital Transformation

Conclude sharing workloads agreements

Offices experiencing backlogs may contemplate sharing some of the workload with a less burdened Land Registry office. Municipal courts can help one another. Since the Joint Information System has been functional, municipal courts can sign agreements to lend staff time so that those lagging behind can catch up. In the past, such sharing agreements had been in place, as was the case between the municipal courts of Varaždin and Koprivnica.

Relevant stakeholders: Municipal courts

Property Transfer in Croatia

Areas of improvement for Property Transfer (2/2)

Set up a distinct dedicated compensation mechanism at the Land Registry

For cases in which a party to a property transaction suffers damage or loss due to an error by the Land Registry, measures can be taken to improve the efficiency of the dispute settlement by making it possible to avoid having to go to court. Some countries, such as Ireland, Sweden and the United Kingdom, create funds to compensate parties that have suffered losses caused by mistakes in the Land Registry, especially when those mistakes cannot be corrected without affecting bona fide titleholders. The United Kingdom has a statutory compensation scheme under which indemnity claims are made directly to the Land Registry. Claims can be submitted for mistakes in the register or other reasons, such as loss or destruction of records. Similarly, in Ireland indemnity claims can be filed directly with the Property Registration Authority.

Relevant stakeholder: Ministry of Justice, Public Administration and Digital Transformation

Increase the transparency of the land administration system

Transparency of the land administration system can be increased by publishing and committing to service standards at both the Land Registry and the Cadaster as well as developing statistics on property ownership by gender, on disputes related to property, and on the time it took to solve them. When land disputes occur, it is important to ensure that they clear the courts quickly so that citizens' resources are not perpetually tied up in the legal system. To monitor the land dispute resolution system, some countries carefully track land disputes and, at a minimum, publish the number of such disputes that have been presented to the courts. In this regard, Croatia could look to Finland or Latvia as examples.

Relevant stakeholders: Ministry of Justice, Public Administration and Digital Transformation; State Geodetic Authority

4. Utility Services in Detail

4.1 Electricity Utility Service in Croatia

Pillar I: Regulatory Framework	Score (all cities): **93.8**/100
Pillar II: Public Services	Score (all cities): **79.6**/100

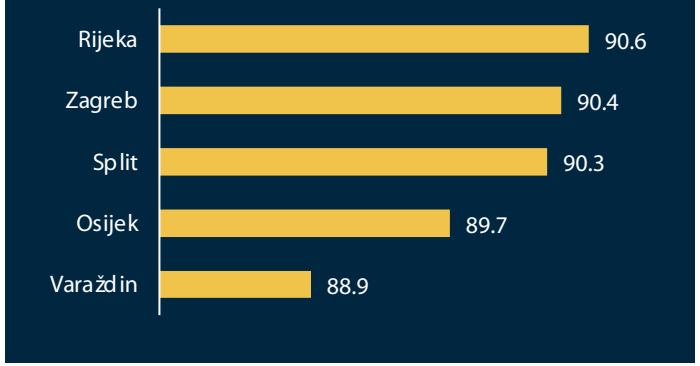
Pillar III: Operational Efficiency	Score: **93.4** Varaždin to **98.4** Rijeka /100
Time (days):	**83** (Osijek) to **99** (Split)
Cost (% of income per capita*):	**215.2%** (4 cities) to **271%** (Zagreb)
SAIFI Index:	**1.35** (Zagreb) to **4.1** (Varaždin)
SAIDI Index:	**1.7 hrs** (Rijeka) to **6.9 hrs** (Osijek)
% of annual sales losses due to electrical outages:	None
% of firms owning or sharing generators:	**11%** (Zagreb) to **29%** (Varaždin)

*Croatia's 2021 GNI per capita is EUR 14,986

Main findings

- Entrepreneurs in Croatia benefit from a standardized process for obtaining an electricity connection, but the time and cost it takes vary depending on the location (Pillar III). The national electric grid company, HEP, is the only Distribution System Operator (DSO) in the country. The Croatian Energy Regulatory Agency (HERA), an independent regulatory body, oversees the electricity sector.
- Obtaining a new connection is fastest in Osijek (83 days) and slowest in Split (99 days). The time variation primarily stems from the waiting period for receiving the excavation permit from the municipality and from the completion of external works.
- Zagreb records the highest cost for getting electricity, amounting to EUR 40,613, while in the other four cities, the cost stands at EUR 32,252.
- Electricity outages are more frequent in Varaždin and Osijek.
- Croatia could improve its regulatory framework with the implementation of joint planning and construction initiatives among various utility providers, including provisions on common excavation permits or a 'dig once' policy, as well as with the monitoring and publishing of key performance indicators (KPIs) related to service quality, reliability, and sustainability (Pillar I and II, respectively).
- In 2021, HEP implemented an online platform to streamline the connection request process. However, tracking the application process is not available within the platform. Despite the availability of the platform, entrepreneurs often prefer to file a paper-based or email application.

Overall Electricity Utility Service score per city*



Source: Subnational Business Ready *Scale from 0 to 100 (higher = better)

Electricity Utility Service in Croatia

Why is the electricity utility service important?

- Reliable electricity sustains business operations and serves as a critical factor of production utilized by firms.[38]
- Unreliable electricity supply negatively impacts businesses and constrains their operations, growth, and profitability.
- Guidelines for sustainable transmission and distribution, such as initiatives for deploying smart meters and implementing smart grid technologies, can enhance the effective functioning of network systems, reducing expenses and the ecological footprint.[39]
- Performance standards, accountability mechanisms, and inspections and professional standards can ensure that utility companies provide sufficient and stable electricity.

38 World Bank, 2016.
39 OECD, 2015.

What does the Electricity Utility Service topic measure?

Pillar I: Regulatory Framework

Quality of regulations for electricity

- Regulations for the efficient delivery of electricity connections and quality of supply
- Regulations on the safety of electricity connections (e.g., qualifications of personnel performing electrical installations and inspections)
- Environmental sustainability of electricity generation, transmission, and distribution

Pillar II: Public Services

Quality of governance and transparency of electricity service provision

- Monitoring reliability and quality of electrical service supply through key performance indicators
- Transparency of outages, tariffs, connection requirements and complaint mechanisms, and customer surveys
- Interoperability with other utilities
- Implementation of inspections for electricity connections in practice
- Electronic applications and payments

Pillar III: Operational Efficiency

Operational efficiency of electricity service provision

- Time required to obtain a new electricity connection
- Cost of electricity connection and supply
- Reliability of electricity supply
- Losses due to electrical outages (% of annual sales)
- Firms owning or sharing generators

For more information, please refer to the *Business Ready Methodology Handbook:* https://www.worldbank.org/en/businessready

Electricity Utility Service in Croatia

Recent reforms and changes in the provision of electricity services

- The state geodetic administration's infrastructure cadaster system (https://ski.dgu.hr/gis/startup) was introduced in October 2020. It enables the **identification of the utility underground infrastructure** (with detailed data on utility companies' lines and pipes) and facilitates notifications for planned utility works.
- Croatia made progress towards digitalization in 2021 with the introduction of a new application platform called "**my Network by HEP ODS**." This platform facilitates the application process for a new electricity connection.
- The new **Rules on Connection to the Distribution Grid** (HEP-ODS, 7/2023) entered into force in September 2023. They streamlined the process for electricity connections including: i) procedures for both connecting and modifying connections requests; ii) the preparation of connection feasibility reports; iii) granting consent for connection, iv) procurement methods and conditions for goods, services, and construction works; v) establishment of technical standards within the grid; and vi) criteria for selecting authorized contractors.
- **Upcoming reforms:** The Ministry of Physical Planning, Construction and State Assets is currently enhancing the existing informational spatial plans system (https://ispu.mgipu.hr/#/) as part of a comprehensive reform initiative (e-Regimes). This reform seeks to integrate all utility providers' infrastructure, including pipelines, transmitters, and both above and underground electrical grids, into a unified platform.

Relevant laws and regulations in Croatia

- **Electricity Market Act** (Official Gazette, No. 111/21, 83/23): regulates the performance of the generation, transmission, distribution and supply of electricity, as well as the organization of the electricity market.
- **Act on the Regulation of Energy Activities** (Official Gazette, No. 120/12, 68/18): regulates the establishment and implementation of energy activities, the roles of the energy regulatory body, and other matters concerning energy activities.
- **Energy Efficiency Act** (Official Gazette, No. 127/14, 116/18, 25/20, 41/21): regulates the area of efficient energy use and the adoption of plans for implementing and improving energy efficiency at the local, regional, and national level.

Public institutions and services for getting electricity

- The **Croatian Energy Regulatory Agency (HERA)** is an autonomous, independent, and non-profit public institution which regulates energy activities in Croatia.
- **HEP ODS (distribution system operator)** is responsible for electricity distribution, maintenance, development, and construction of the distribution system.
- **Local municipalities** issue excavation permits for public areas and unclassified roads.
- Other **utility providers** play a role in coordinating and approving the process of infrastructure deployment for new electrical connections.
- **Platform My Network by HEP ODS** (https://mojamreza.hep.hr/) facilitates the submission of connection requests to the utility, HEP; review of the meter readings and consumption (in kWh); information on the expected date of any meter readings; and information on temporary interruptions, e.g., electricity supply, etc.

Electricity Utility Service in Croatia

Pillar I: **Quality of Regulations for Electricity**

Croatia score (all cities): **93.8** out of 100 points

Regulatory monitoring of tariffs and service quality

25/25

- ✓ Regulatory monitoring and approving of electricity tariffs
- ✓ Regulatory monitoring of quality of electricity service based on performance standards

Utility infrastructure sharing and quality assurance mechanisms

18.8/25

Requirements related to:

- ✗ Joint planning and construction among various utility providers including provisions on common excavation permits, joint excavation, or 'dig once' policies
- ✓ Mechanisms on service quality assurance such as financial deterrence mechanisms aimed at limiting supply interruptions

Safety of utility connections

25/25

Requirements related to:

- ✓ Professional certifications qualification requirements for professionals conducting electricity installations
- ✓ Inspection regimes mandated by law for internal and external electricity installations
- ✓ Liability regimes mandated by law for electricity connections

Environmental sustainability

25/25

- ✓ Legally mandated environmental standards for electricity generation, transmission, and distribution

Environmental sustainability of electricity use:

- ✓ Legal requirements on environmental standards for businesses to switch to energy efficiency practices, and deterrence or enforcement mechanism to ensure businesses' compliance with energy-saving targets

Incentives for businesses to adopt energy saving practices:

- ✓ Financial and non-financial incentives for businesses to adopt energy-saving practices

✓ Aspects regulated in line with internationally recognized good practices ✗ Aspects not regulated in line with internationally recognized good practices

Electricity Utility Service in Croatia

Pillar II: **Quality of Governance and Transparency of Electricity Service Provision**

Croatia score (all cities): **79.6** out of 100 points

Monitoring of services supply (includes gender and environment)

10/25

Requirements related to:

- ✓ Existence of KPIs to monitor the quality and reliability of electricity supply
- ✗ Monitoring of sustainability of electricity service supply
- ✗ Gender-disaggregated data on customer satisfaction surveys and customer complaints

Enforcement of safety regulations and consumer protection mechanisms

25/25

- ✓ Existence of an independent complaint mechanism
- ✓ Implementation of a full inspection regime in practice for electricity connections

Availability of information and transparency

22.7/25

Requirements related to:

Availability online of connection requirements:

- ✓ Required documents
- ✓ Required procedures
- ✓ Connection cost
- ✓ Stipulated time standards

- ✓ Transparency of tariffs and tariffs settings
- ✓ Publication and announcement of planned outages
- ✓ Complaint mechanisms and transparency of complaint processes
- ✓ Indicators on electricity outages made available online
- ✗ Availability online of KPIs to monitor the environmental sustainability of electricity supply

Digital services and interoperability

21.9/25

Electronic features for electricity connection:

- ✓ Electronic application
- ✓ Electronic payments
- ✗ Tracking application

Interoperability at the utility level:

- ✓ Database for electricity distribution networks
- ✓ Shared database for the network lines of multiple utilities, including electricity, water, and internet
- ✓ Platform with the information on the planned works on utility networks
- ✓ Online system or coordination mechanism for excavation permit approvals

✓ Aspects in line with internationally recognized good practices ✗ Aspects not in line with internationally recognized good practices

Electricity Utility Service in Croatia

Pillar III: **Operational Efficiency of Electricity Service Provision (1/5)**

Croatia score: **93.4** Varaždin **to** **98.4** Rijeka out of 100 points

- The process of obtaining electricity connections is regulated at the national level (HEP-ODS, 7/2023). The regulation stipulates time standards for application, processing, and connection works, as well as the associated fees.
- A 180 kVA connection is typically hooked to a low-voltage network in the measured cities.
- The process begins when the client submits a connection request to the distributor (HEP), who then provides an estimate of the connection fee along with a contract.
- Upon the client's payment of at least 50% of the connection fee, the utility obtains all necessary permits on behalf of the client, then the external works begin, all of which are conducted by HEP or its subcontractors.
- Subsequently, the customer submits an internal wiring certificate to secure final connection approval. Lastly, the client receives a visit by the utility to activate the meter, and the electricity can start flowing.

Good practice in electricity provisioning:
Required documents, steps for a new connection, connection cost, and stipulated time standards are available on the utility's website.

How does the process for obtaining a 180 kVA connection work in Croatia

Submit application and receive preliminary connection approval and contract
- HEP website (my Network)
- Average time: 30 days
- No cost

Connection request

Excavation permit
- Local municipality and any relevant agencies (e.g., Croatian Roads, etc.). HEP requests the permit on behalf of the client.
- Average time: 17 days
- No cost

Connection works

External connection works
- HEP
- Average time: 19 days
- Average cost: EUR 36,433

Post-connection works

Submit internal wiring certificate to utility and request final connection
- HEP
- Average time: 14 days
- No cost

Receive visit by utility to activate the meter
- HEP
- Average time: 10 days
- No cost

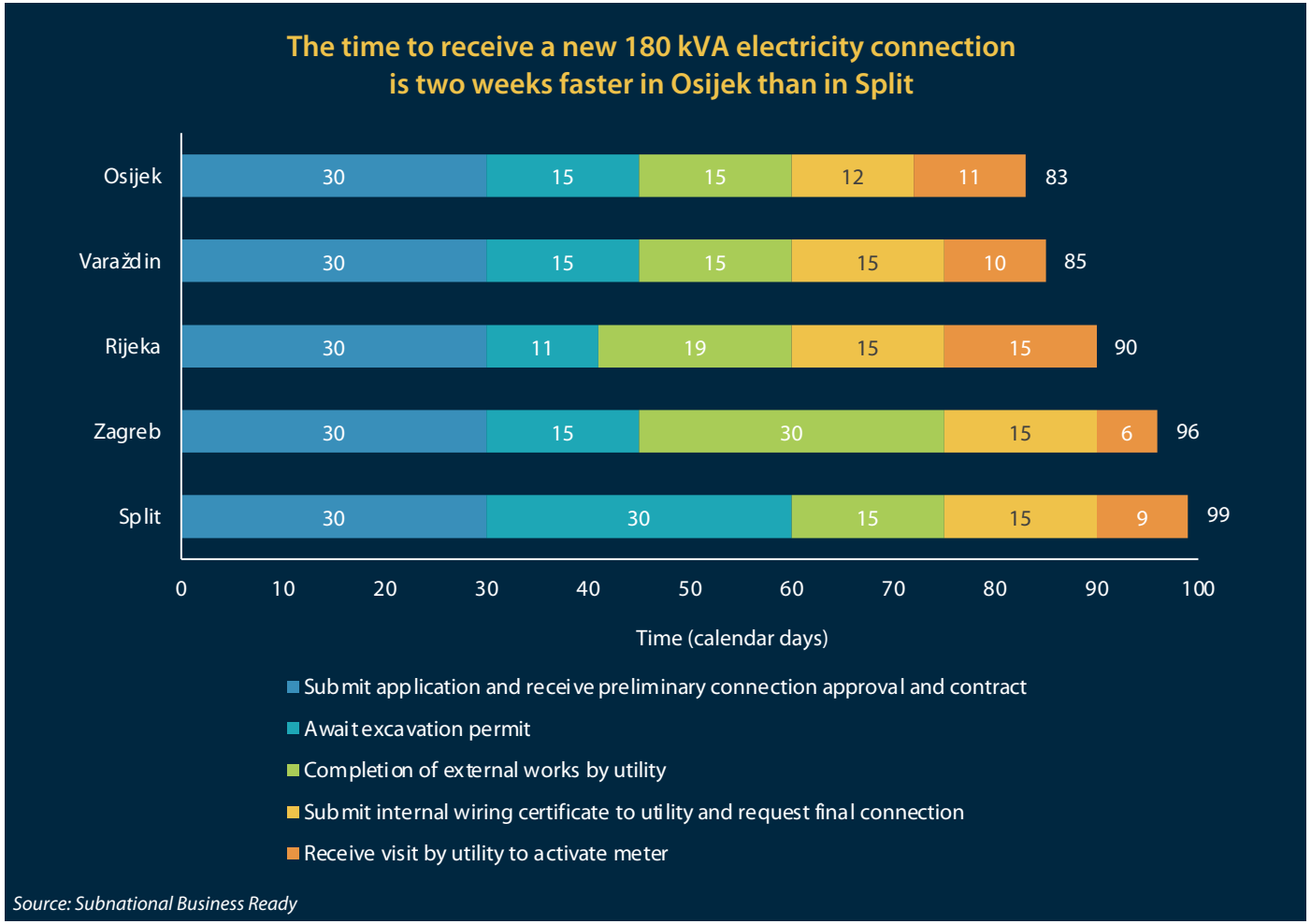
Source: Subnational Business Ready

Electricity Utility Service in Croatia

Pillar III: **Operational Efficiency of Electricity Service Provision (2/5)**

- Obtaining the excavation permit and completing external works drive most of the time variation across cities. This ranges from 30 days in Osijek, Rijeka, and Varaždin to 45 days in Split and Zagreb.
- Getting an electricity connection is fastest in Osijek (83 days).
- Cities with higher population densities, cities such as Split (99 days to obtain connection) and Zagreb (96 days to obtain connection) require more extensive planning and coordination to ensure that new connections meet the demand without overloading the existing grid. This results in longer delivery time for new connections.

Good practice in electricity provisioning:
Obtaining an excavation permit is fastest in Rijeka (11 days). Despite the lack of a joint excavation or 'dig once' policy in Croatia, HEP in Rijeka organizes regular meetings, known as the "Coordination of Activities and Operations on Roads and Public Areas," with the local municipality. These meetings involve representatives from the electricity and water utility, the Croatian Roads Agency, and other relevant parties to expedite the permitting process.



Source: Subnational Business Ready

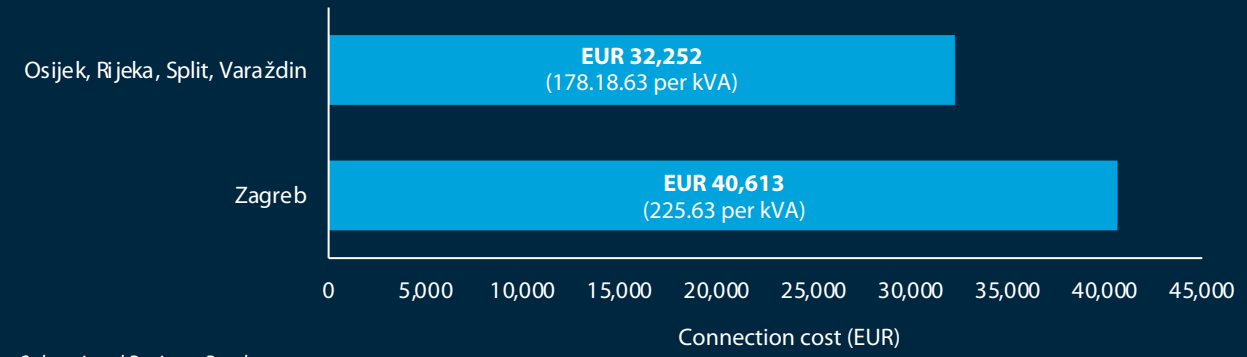
Electricity Utility Service in Croatia

Pillar III: **Operational Efficiency of Electricity Service Provision (3/5)**

- The national regulator, HERA, sets the maximum electricity connection fee the utility can charge. The connection fee is calculated by the requested kVA; there are no other charges.
- The divergence in cost is due to the calculation of the connection fee, which is higher in the capital: EUR 225.63 per kVA in Zagreb compared to EUR 178.18 per kVA in Osijek, Rijeka, Split, and Varaždin.

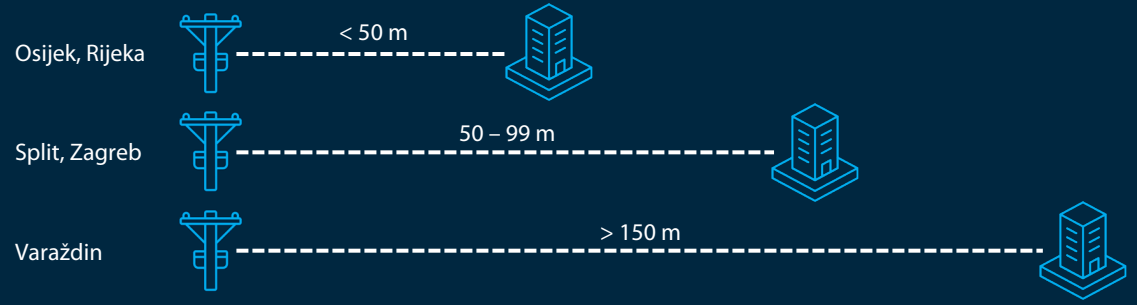
Good practice in electricity provisioning:
Electronic payment options are available for connection fees, and HEP, the utility, allows for installment payments (50% upon application) instead of requiring the full payment upfront.

An electricity connection is EUR 8,361 more expensive in Zagreb compared to the other measured cities



Source: Subnational Business Ready

The distance from the main distribution network varies in each location depending on the local infrastructure



Source: Subnational Business Ready

Electricity Utility Service in Croatia

Pillar III: **Operational Efficiency of Electricity Service Provision (4/5)**

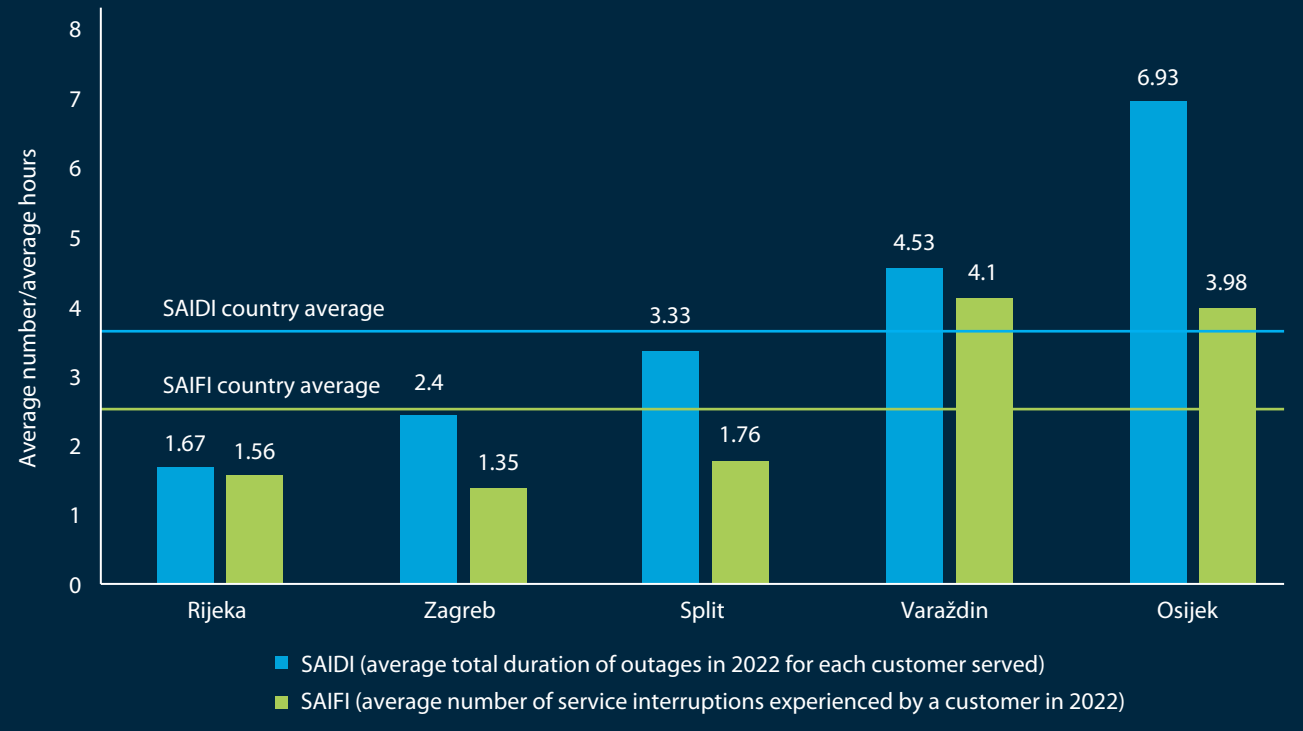
- In 2022, entrepreneurs in Croatia experienced 2.55 interruptions on average, each lasting nearly 4 hours.
- There are notable differences among cities. Rijeka recorded the least frequent interruptions (1.56) among the studied Croatian cities, lasting on average nearly 1.5 hours.
- Customers in Varaždin and Osijek experienced the highest frequencies of outages (4 interruptions), lasting nearly 5 hours and 7 hours on average, respectively.

Good practices in electricity provisioning:

- HERA collects data on outages yearly from the utility and publishes it in a report.
- Information on scheduled outages is published on the utility's website.

Reliability of electricity supply (SAIDI and SAIFI) in 2022

Interruptions and outages are more frequent in Varaždin and Osijek



Source: Subnational Business Ready

Electricity Utility Service in Croatia

Pillar III: **Operational Efficiency of Electricity Service Provision (5/5)**

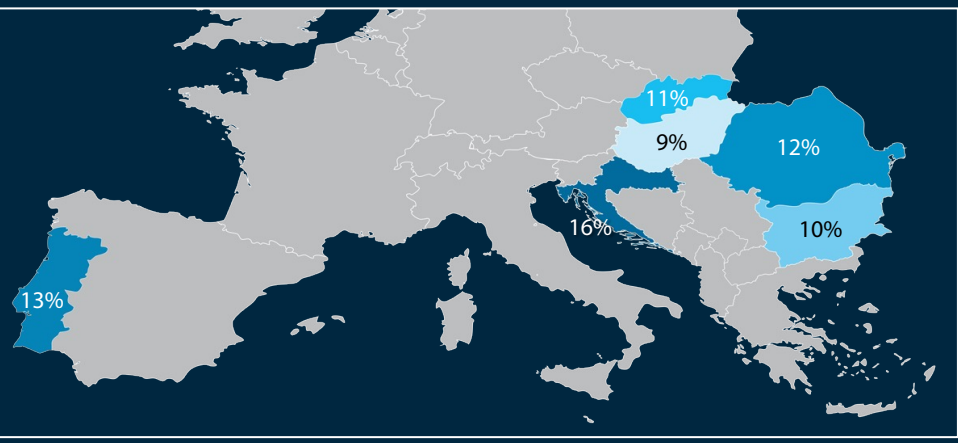
Percentage of firms that own or share a generator, by region*

Source: World Bank Enterprise Surveys 2023

* NUTS (Nomenclature of territorial units for statistics), https://ec.europa.eu/eurostat/web/nuts/overview

- On average, 29% of firms in Northern Croatia (Varaždin) own a generator, while in the Adriatic region (Rijeka and Split), only 12% do so.
- The national average of firms owning a generator is higher in Croatia than in its EU peers.
- Croatian firms did not report having suffered losses in their annual sales due to electrical outages.
- On average, 8.2% of Croatian firms identify electricity supply as a major constraint to their business activity.

Percentage of firms that own or share a generator (country averages)



Source: World Bank Enterprise Surveys 2023

Electricity Utility Service in Croatia

Areas of improvement for Electricity Service Provision (1/2)

Improve the reliability of the electricity supply

The regulator, HERA, imposes financial deterrents or incentive mechanisms on the distribution utility if it fails to provide reliable energy to its customers. But this does not always provide adequate incentives to maintain a high reliability of supply throughout the year and across its entire zone of operations. Minimizing the number and duration of power outages is critical for the economy and society. Understanding why outages duration and frequency are higher in Croatia is valuable knowledge that the utility and authorities could use to improve the electricity supply's reliability. Evidence suggests that investment levels in electricity generation, tariff levels and bill collection rates, the operational efficiency of the utilities, and the overarching regulatory framework are all key factors in determining the reliability of supply.[40]

Relevant stakeholders: National electrical power company (HEP); Croatian Energy Regulatory Agency (HERA); Ministry of Economy

Replace the internal certificate with self-certification of compliance

In Croatia, entrepreneurs need to obtain an internal wiring certificate to connect to a low voltage line. Ensuring the safety and quality of electrical wiring is crucial. But there are ways to do so without imposing additional requirements for getting a new connection. In several other European Union Member States, including Denmark and Germany, the regulations allow the contractor responsible for the internal installation to submit a self-certificate ensuring the quality and the safety of the installation without the need for a third-party inspection.

Relevant stakeholders: National electrical power company (HEP); Croatian Energy Regulatory Agency (HERA); Ministry of Economy

40 World Bank, 2021.

Electricity Utility Service in Croatia

Areas of improvement for Electricity Service Provision (2/2)

Strengthen the online application platform

Croatian cities benefit from an online application portal, but due to lack of familiarity with the platform, email and paper-based options are frequently chosen. In the short term, HEP could further increase efficiency by designating a single point of contact or liaison to assist customers throughout the connection process. This reduces confusion and ensures efficient communication. In addition, the utility could introduce a regular review and evaluation of the process in order to identify areas for optimization and efficiency gains. The utility could also solicit feedback from customers, stakeholders, and the staff involved to help identify pain points and implement targeted improvements. Finally, Croatia could further enhance its electronic platform by introducing an option for tracking applications. This would enable entrepreneurs to receive status updates, while utilities could improve efficiency by identifying bottlenecks in the application process.

In the long term, Croatia could take a step further and follow the Netherlands, which introduced a centralized platform called *Mijnaansluiting* (https://www.mijnaansluiting.nl/home) to allow developers and citizens to request most utility connections such as gas, electricity, water, sewerage, heating, etc., through a single portal across the country. Once an application is submitted, the platform forwards it to the relevant utility company. Having a centralized platform helps to streamline the permitting process, harmonize local and national laws, and promote economies of scale. Croatia could further integrate various procedures such as an excavation permit request (currently paper-based) into a single window, such as the e-Construction Permit (https://dozvola.mgipu.hr/naslovna), to make the process more user-friendly. This would allow developers to request and track their projects in one place.

Relevant stakeholders: National electrical power company (HEP); Croatian Energy Regulatory Agency (HERA); Ministry of Economy

4.2 Water Utility Service in Croatia

Pillar I: **Regulatory Framework**	Score (all cities): **85.4**/100
Pillar II: **Public Services**	Score: **80.3** (4 cities) to **81.5** (Rijeka)/100
Pillar III: **Operational Efficiency**	Score: **63.5** (Zagreb) to **96** (Osijek)/100

Time (days):	**31** (Osijek) to **95** (Zagreb)
Cost (% of income per capita*):	**10.6%** (Osijek) to **23.4%** (Split)
% of firms experiencing water insufficiencies:	**0%** (Rijeka, Split) to **6%** (Varaždin)

*Croatia's 2021 GNI per capita is EUR 14,986

Main findings

- In Croatia, obtaining a water connection takes 52 days on average and costs EUR 2,983. But, depending on where they are located, entrepreneurs have to cope with different response times and connection costs.
- Among the five cities benchmarked, Osijek stands out for offering the fastest as well as the least expensive water connection processes. Firms in Osijek wait one month and pay under EUR 1,600 for a water connection. The same process takes three times longer in Zagreb, while in Split it costs more than twice as much (Pillar III).
- Firms all around the country benefit from a reliable water supply system. At the local level, the percentage of firms experiencing any water insufficiencies is low, ranging from 6% in Northern Croatia (Varaždin) to none in the Adriatic region (Rijeka, Split).
- Requirements and criteria for wastewater treatment, water conservation, and water quality are regulated by law. Liability regimes, inspections, and professional qualification standards for the industry are controlled as well ("Water Act, Official Gazette, No. 66/19, 84/21, 47/23" and "Law on Water Services, Official Gazette, No. 66/2019").
- Croatia could introduce financial and non-financial incentives for businesses to adopt efficient water management practices, such as requirements to install water-efficient appliances, or to adhere to water-saving targets (Pillar I).
- Across Croatia, tariffs and tariff-setting for water are transparent. KPIs to monitor quality, reliability, and sustainability are available, and connection fees can be paid online. However, water utilities do not allow clients to apply online for a new connection (Pillar III).

Overall Water Utility Service score per city*

Source: Subnational Business Ready *Scale from 0 to 100 (higher = better)

Water Utility Service in Croatia

Why is the water utility service important?

- Inadequate water supply—due to aging infrastructure, poor water quality, and changes in water pressure—can lead to decreased firm productivity, deterioration of machinery, and reduced profits.[41]
- Good regulatory frameworks are key for the provision of an affordable and high-quality water supply.[42]
- Performance standards coupled with a system of incentives ensure efficient deployment of utility connections and an adequate water supply.[43]

41 World Bank, 2017.
42 OECD, 2021.
43 Foster and Rana, 2020.

What does the Water Utility Service topic measure?

Pillar I: Regulatory Framework

Quality of regulations for water

- Regulations for the efficient deployment of a water connection (e.g., infrastructure sharing) and quality of supply
- Environmental sustainability of water service provision and use, including sustainable wastewater practices

Pillar II: Public Services

Quality of governance and transparency of water service provision

- Monitoring reliability and sustainability of service supply and safety of water connections
- Transparency on service outages, tariffs, connection requirements, and complaint mechanisms
- Interoperability with other utilities (e.g., electricity) and existence of electronic applications and payments

Pillar III: Operational Efficiency

Operational efficiency of water service provision

- Time associated with obtaining a water connection
- Cost of water connection and service
- Reliability of water supply

For more information, please refer to the *Business Ready Methodology Handbook:* https://www.worldbank.org/en/businessready

Water Utility Service in Croatia

Pillar I: **Quality of Regulations for Water**

Croatia score (all cities): **85.4** out of 100 points

Regulatory monitoring of tariffs and service quality

25/25

- ✓ Monitoring of tariffs
- ✓ Monitoring of the quality of water service

Utility infrastructure sharing and quality assurance mechanisms

18.8/25

- ✓ Financial deterrence mechanisms aimed at limiting water supply interruptions
- ✗ Requirements for joint planning and construction (e.g., 'dig once' policies)

Safety of utility connections

25/25

- ✓ Qualification requirements for professionals operating water installations
- ✓ Existence of regulated inspection regimes in relation to water installations
- ✓ Existence of regulated liability regimes in relation to water connections

Environmental sustainability

16.7/25

- ✓ Environmental sustainability of water provision and of water use
- ✓ Existence of requirements for sustainable wastewater practices
- ✓ Existence of a regulation on establishing rules for wastewater reuse
- ✗ Incentives to adopt water-saving practices

✓ Aspects regulated in line with internationally recognized good practices ✗ Aspects not regulated in line with internationally recognized good practices

Water Utility Service in Croatia

Pillar II: **Quality of Governance and Transparency of Water Service Provision**

Croatia score: **80.3** (4 cities) **to** **81.5** (Rijeka) out of 100 points

Monitoring of service supply (includes gender and environment)

15/25

- ✓ Existence of KPIs to monitor the quality and reliability of water supply
- ✗ Gender-disaggregated customer surveys

Enforcement of safety regulations and consumer protection mechanisms

25/25

- ✓ Existence of an independent complaint mechanism
- ✓ Implementation of inspections for water connections

Availability of information and transparency

4 cities: **21.6/25** Rijeka: **22.7/25**

- ✓ Availability online of tariffs and tariffs settings
- ✓ Availability online of connection requirements
- ✓ Public announcement of planned outages
- ✓ Existence of complaint mechanisms and transparency of complaint processes
- ✗ Public online availability of stipulated connection time standards (✓ **available only in Rijeka**)
- ✗ Availability online of KPIs to monitor the environmental sustainability of water supply

Digital services and interoperability

18.8/25

- ✓ Interoperability across utilities responsible for electricity, water, and internet networks
- ✓ Availability of electronic payments for connection fees
- ✗ Availability of electronic applications for new connections

✓ Aspects in line with internationally recognized good practices ✗ Aspects not in line with internationally recognized good practices

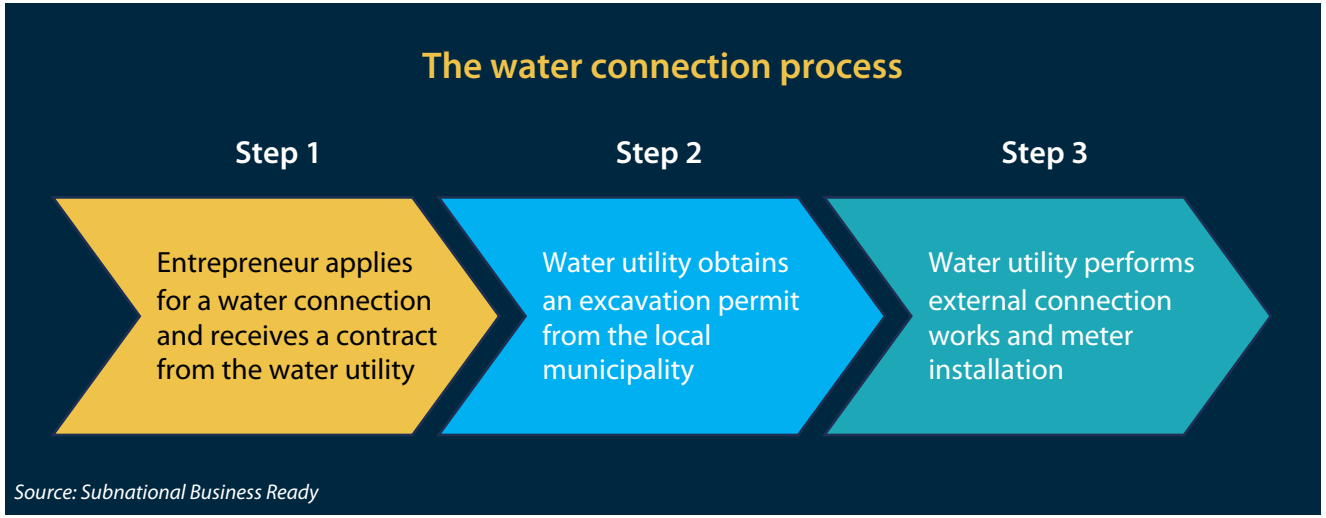
Water Utility Service in Croatia

Pillar III: **Operational Efficiency of Water Service Provision (1/4)**

Croatia score: **63.5** Zagreb **to** **96** Osijek out of 100 points

How does the water connection process work in Croatia?

To obtain a water connection, entrepreneurs first submit an application to the local water utility. A different utility operates in each location (see map). After performing an on-site inspection, the utility provides the applicant with a connection contract. Before connection works start, a supply contract is also signed. Once the two contracts are accepted and signed, the utility obtains, on behalf of the applicant, an excavation permit from the local municipality. The utility, or one of its contractors, can then perform the excavation and connection works. Upon completion and meter installation, water can start flowing.



Source: Subnational Business Ready

Source: Subnational Business Ready

Water Utility Service in Croatia

Pillar III: **Operational Efficiency of Water Service Provision (2/4)**

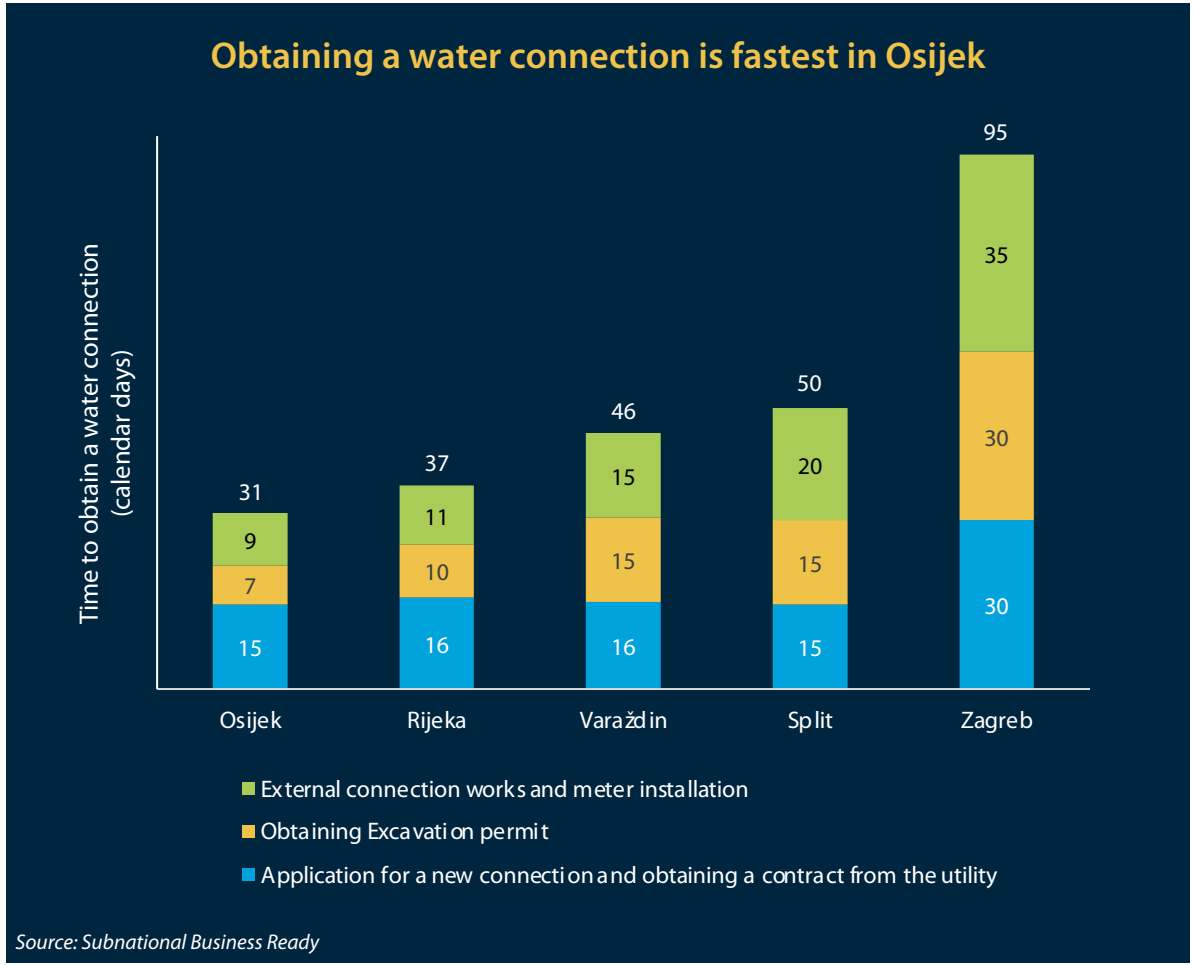
The process of getting a water connection varies substantially within Croatia. The two main stakeholders involved in the process are local authorities:

1) the **local water utility**, that is in charge of verifying the feasibility of a new connection, approving the related request, excavating, and physically connecting the building to the existing network; and
2) the **local municipality**, that approves the excavation permits needed to build the connection.

Obtaining a water connection takes from one to three months, depending on the location

Osijek is the Croatian city where entrepreneurs can obtain a water connection the fastest. Obtaining an excavation in this city only takes one week, thanks to the effective coordination between the water utility and the municipality. The same process takes only 3 additional days in Rijeka, thanks to regular coordination meetings held by the municipality and representatives from different utilities. In the rest of the cities, getting an excavation permit takes between 15 days (in Varaždin and Split) and one month (in Zagreb).

Zagreb has a comparatively lengthy connection process, as businesses typically take up to three months to complete it. In the remaining four cities, water connection turnaround times vary between 31 and 50 days. To put things in perspective, by the time a new application is processed in Zagreb (30 days), water is ready to flow in Osijek. The size of Zagreb, the largest city in the country, and the number of applications concentrated in the capital, make the process slower.



Source: Subnational Business Ready

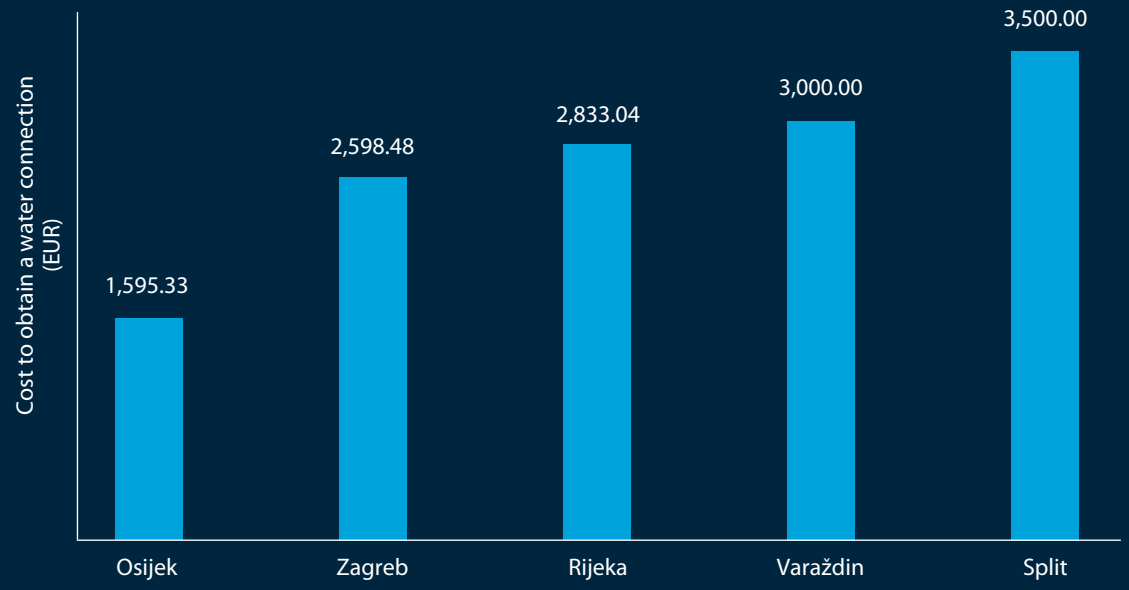
Water Utility Service in Croatia

Pillar III: **Operational Efficiency of Water Service Provision (3/4)**

Cost : total connection fees vary between **EUR 1,595** to **EUR 3,500**, depending on location

Different water utilities charge different fees for the same type of connection. Such differences can be substantial. In Osijek, for example, the utility charges approximately EUR 1,600, while In Split the utility charges EUR 3,500. These costs include all the fees a client incurs during the connection process, including application fees and the cost to obtain excavation permits, but the greatest share by far is represented by the construction and plumbing works.

Connecting to water in Split costs more than double the price in Osijek



Source: Subnational Business Ready

Water Utility Service in Croatia

Pillar III: **Operational Efficiency of Water Service Provision (4/4)**

Reliability of water supply: 6% or less of firms experience water insufficiencies, depending on the location

Most firms across Croatian regions experience either none or minor instances where water supply is insufficient. However, some regional differences exist. While no firm in the Adriatic Region reported having suffered a lack of water supply, some firms in the other three regions did experience some level of water insufficiency (see map).

Percentage of firms experiencing water insufficiencies, by region*

Source: World Bank Enterprise Surveys 2023

* NUTS (Nomenclature of territorial units for statistics), https://ec.europa.eu/eurostat/web/nuts/overview

Water Utility Service in Croatia

Areas of improvement for Water Service Provision (1/2)

Streamline the excavation permit process

Croatian cities could streamline the process for acquiring the excavation permit by connecting the local water utilities' systems with the national platform for e-Construction Permit (https://dozvola.mgipu.hr/naslovna), which would expedite the process and increase its transparency. This would be particularly beneficial to cities like Zagreb, where currently obtaining an excavation permit from the municipality takes a full month. Technological solutions are among the most effective ways for reducing delays, but only when accompanied by an awareness campaign for users and a dedicated troubleshooting mechanism to address issues or technical glitches in real-time. These solutions can also help in collecting data to diagnose the cause of delays. Introducing a tracking system of applications is equally important.

Relevant stakeholders: Ministry of Physical Planning, Construction and State Assets; municipalities; water utilities

Review the excavation permit process

Obtaining an excavation permit for a water connection takes 10 days in Rijeka, the second fastest city after Osijek. In Rijeka, regular meetings called "Coordination of Activities and Operations on Roads and Public Areas" take place between representatives from the local municipality, electricity and water utilities, the Croatian Roads Agency, and other relevant parties. In the absence of a nationally regulated 'dig once' policy, other cities could consider following the example of Rijeka to decrease the waiting time on issuing excavation permits.

Relevant stakeholders: municipalities; water utilities; Croatian Roads Agency

Water Utility Service in Croatia

Areas of improvement for Water Service Provision (2/2)

Improve digitalization

Across Croatia, customers can already pay connection fees online. Other functionalities could be digitalized as well. For example, utilities could introduce the option of applying for water connections online. This would then help to track the progress on the status of applications. Online tools such as this would particularly benefit Zagreb, where most of the country's demand for new constructions and connections concentrates, and where processing an application takes one full month, vis-à-vis the two weeks required in the other four cities.

Relevant stakeholders: water utilities

Incentivize water-saving practices

For most aspects, entrepreneurs in Croatia enjoy a regulatory framework on par with internationally recognized good practices. An independent regulator (the Council for Water Services, or *Vijeće za vodne usluge*) oversees water tariffs, sets performance standards for utilities, and establishes financial deterrence mechanisms to ensure the reliability of water services. Requirements and standards for water quality, to promote water savings and to treat wastewater, are set by law. Qualification requirements for professionals operating in the sector, inspections, and liability regimes are also regulated. However, to bring the regulatory framework to an even higher standard, Croatia could introduce financial and non-financial incentives to adopt water demand-side management practices.

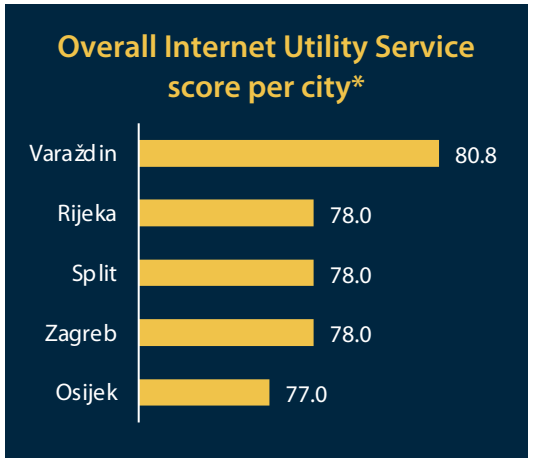
Relevant stakeholders: Ministry of Economy; the national regulator (*Vijeće za vodne usluge*, or Council for Water Services)

4.3 Internet Utility Service in Croatia

Pillar I: **Regulatory Framework**	Score (all cities): **95**/100	Pillar III: **Operational Efficiency**	Score: **56.5** (Osijek) to **68**/100 (Varaždin)
Pillar II: **Public Services**	Score (all cities): **79.4**/100	**Time** (days):	**6** (Varaždin) to **7** (4 cities)
		% of firms experiencing internet disruptions:	**11%** (Rijeka, Split) to **21%** (Osijek)

Main findings

- The quality of internet regulations (Pillar I) and the quality of governance and transparency (Pillar II) are uniform across Croatia. The score differentiator is the efficiency of internet provision in practice (Pillar III), where one city reported different waiting times for internet connections and variations in internet disruptions.
- In line with good international practices, Croatia's Regulatory Authority for Network Industries (HAKOM) oversees wholesale connectivity tariffs and can initiate investigations for anticompetitive practices.
- Croatia's regulatory framework establishes provisions on joint planning and construction ('dig once' policies) and for internet infrastructure sharing. Provisions on safety and environmental regulations are also present; however, regulations establishing environmental reporting or disclosure, mandatory standards for digital connectivity and data infrastructure are missing.
- In Croatia, it is possible to check online if the internet service provider (ISP) has coverage at customers' addresses. It is also possible to submit and track online the application for an internet connection. Internet monthly fees are available online and changes in internet tariffs are communicated to the public. However, there is a lack of communication (either published online or in the customer bill) on how end-user internet tariff levels are calculated.
- ISPs in Croatia publish online planned outages; key performance indicators of service provision are also publicly available.
- The time it takes to obtain an internet connection, around 7 days, is similar across the covered cities. Varaždin is just one day faster than the rest of the Croatian cities measured.
- Internet disruptions vary by region. In the Adriatic Croatia region (including Rijeka and Split), 11% of firms reported disruptions, while 21% of firms in the Pannonian Croatia region (including Osijek) experienced disruptions. In the Northern Croatia region (including Varaždin), 17% of firms reported internet disruptions, while only 12% of firms in the City of Zagreb reported disruptions.



Source: Subnational Business Ready
*Scale from 0 to 100 (higher = better)

Internet Utility Service in Croatia

Why is the internet utility service important?

- The internet supports business operations and is used as a factor of production by firms.[44]
- Unreliable networks and high costs of establishing a broadband connection may prevent firms from adopting and upgrading digital technology in their business operations.
- Good regulatory frameworks are key for the provision of affordable and high-quality internet services. Likewise, facilitating timely access to such services at a reasonable cost and in an environmentally sustainable manner is instrumental for economic growth.[45]
- Performance standards coupled with a system of incentives compel internet service providers (ISPs) to ensure adequate supply of high-speed broadband internet service.[46]

44 World Bank, 2016 .
45 World Bank, 2017.
46 Foster and Rana, 2020.

What does the Internet Utility Service topic measure?

Pillar I: Regulatory Framework

Quality of regulations for internet

- Regulations for the efficient deployment of an internet connection (e.g., infrastructure sharing) and quality of supply
- Regulations on the safety of internet service (e.g., cybersecurity)
- Environmental sustainability of internet service provision and use

Pillar II: Public Services

Quality of governance and transparency of internet service provision

- Monitoring reliability and sustainability of service supply and safety of internet connection in practice
- Transparency on service outages, tariffs, connection requirements, complaint mechanisms, and customer service
- Interoperability with other utilities (e.g., electricity)
- Existence of electronic applications and payments

Pillar III: Operational Efficiency

Operational efficiency of internet service provision

- Time associated with obtaining an internet connection
- Cost of internet connection and service*
- Reliability of internet supply (e.g., disruption of internet service)

*Installation cost is not applicable to internet connection in the EU since it is included as part of loyalty plans that are the common practice in the region. It was not possible to collect reliable data on monthly service fees.

For more information, please refer to the *Business Ready Methodology Handbook:* https://www.worldbank.org/en/businessready

Internet Utility Service in Croatia

Pillar I: **Quality of Regulations for Internet (1/2)**

Croatia score (all cities): **95** out of 100 points

Regulatory monitoring of tariffs & service quality and Utilities infrastructure sharing & quality assurance mechanisms

25/25

Regulatory monitoring of tariffs and service quality

- ✓ Monitoring of internet tariffs: the regulatory agency, HAKOM, oversees wholesale connectivity tariffs, and has relevant competencies to initiate investigations and set fines for anticompetitive practices, as well as to establish (and monitor adherence to) performance standards to ensure service quality and the reliability of internet
- ✓ Monitoring of the quality of internet service: the regulator also establishes (and monitors adherence to) performance standards to ensure the quality and reliability of internet service

40/40

Utilities infrastructure sharing and quality assurance mechanisms

- ✓ Provisions in the regulatory framework requiring joint planning and construction (i.e., joint excavation, or 'dig once' policies)
- ✓ Legal provisions requiring operators owning passive or active infrastructure to share access for the last mile
- ✓ Legal provisions guaranteeing equal access to government-owned infrastructure
- ✓ Legal provisions establishing rights of way for digital infrastructure service providers
- ✓ Regulatory framework allowing partnerships for infrastructure sharing
- ✓ Legal provisions establishing time limits for agencies involved in delivering new digital infrastructure, and guaranteeing local loop unbundling and line access
- ✓ Regulatory framework stipulates financial deterrence (e.g., penalties paid by the ISPs or compensations paid to customers) and incentive mechanisms aimed at limiting internet service outages or slowdowns

✓ Aspects regulated in line with internationally recognized good practices ✗ Aspects not regulated in line with internationally recognized good practices

Internet Utility Service in Croatia

Pillar I: **Quality of Regulations for Internet (2/2)**

Croatia score (all cities): **95** out of 100 points

Safety of utility connections and **Environmental sustainability**

25/25

Safety of utility connections

- ✓ The regulatory framework establishes liability and a legal right to pursue compensation for personal data protection breaches, as well as clear provisions for reporting data breach incidents
- ✓ The Office of the National Security Council, responsible for cybersecurity coordination at the national level, carries out risk-assessment strategies, cybersecurity audits, drills, exercises or training, and enforces cybersecurity laws and regulations
- ✓ Regulatory framework establishes minimum cybersecurity protections or mandated minimum cybersecurity standards and cybersecurity safeguards, and defines a modus operandi for incident response in a case of a major cyber-attack or a compromise of service availability

5/10

Environmental sustainability

- ✓ National targets for emissions or energy efficiency of electronic communication networks and data infrastructure, such as power usage effectiveness, renewable energy usage, or coefficient of performance (COP)
- ✗ Lack of regulation establishing environmental reporting or disclosure and mandatory standards for digital connectivity and data infrastructures

✓ Aspects regulated in line with internationally recognized good practices ✗ Aspects not regulated in line with internationally recognized good practices

Internet Utility Service in Croatia

Pillar II: **Governance and Transparency of Internet Service Provision (1/3)**

Croatia score (all cities): **79.4** out of 100 points

Digital services and **Interoperability**

Electronic applications for internet connections

3.13/6.25

- ✓ It is possible to apply electronically for new commercial internet connections
- ✗ It is not possible to track the application online

Infrastructure database and platform with planned works

6.25/6.25

- ✓ Infrastructure database in place for identification of internet service providers' networks and shared database for the network lines of multiple utilities, including electricity, water, and internet
- ✓ Online platform or website with information about the planned works on utility networks

Electronic payments

6.25/6.25

- ✓ It is possible to pay the fee for a new fixed broadband connection and to pay for the internet monthly tariffs electronically

Coordination mechanisms for excavation permits

6.25/6.25

- ✓ Online system to manage excavation permits

✓ Aspects in line with internationally recognized good practices ✗ Aspects not in line with internationally recognized good practices

Internet Utility Service in Croatia

Pillar II: **Governance and Transparency of Internet Service Provision (2/3)**

Croatia score (all cities): **79.4** out of 100 points

Availability of information and **Transparency**

Transparency of connection requirements

5/5

- ✓ Publication of connection requirements for high-speed broadband internet connection, such as required documents, procedures, connection cost, and stipulated connection time standards

Transparency of planned outages

5/5

- ✓ Publication and announcement of planned internet outages are publicly available and communicated to customers

Transparency of service quality indicators

5/5

- ✓ Key performance indicators (KPIs) to monitor reliability and quality of internet supply available online

Transparency of tariffs and tariffs settings

0/5

- ✗ Although internet monthly fees are available online and changes in tariffs are communicated to the public, no formulas on how tariff levels are determined are published online or in customer bills

Transparency of complaint processes

5/5

- ✓ Complaint mechanism available to report issues in the provision of internet service. This mechanism exists within the ISPs and is also independent from the ISPs to escalate the complaints
- ✓ Information available online to guide customers to file a complaint includes: entity in charge of managing the complaints, documents necessary to make a complaint, criteria of complaint mechanism, and steps necessary to make a complaint

✓ Aspects in line with internationally recognized good practices ✗ Aspects not in line with internationally recognized good practices

Internet Utility Service in Croatia

Pillar II: **Governance and Transparency of Internet Service Provision (3/3)**

Croatia score (all cities): **79.4** out of 100 points

Monitoring of service supply (includes gender and environment) and Enforcement of safety regulations & consumer protection mechanisms

Monitoring reliability and quality of internet supply

12.5/12.5

✓ KPIs in place to measure the reliability and quality of internet supply

- Download/upload speed
- Latency
- Throughput
- Jitter
- Recovery time

Monitoring of access to utility services for women entrepreneurs

0/12.5

✗ Gender-disaggregated customer surveys: ISPs in Croatia do not carry out gender-disaggregated customer surveys to measure quality of services provided by the utility from the perspective of women-owned businesses:

- Sex of a person answering consumer satisfaction survey
- Sex of a person lodging a complaint related to the quality, reliability, and utility's supply services

Cybersecurity protocols in practice

12.5/12.5

✓ Cybersecurity protocols implemented in practice, such as:

- Cybersecurity breaches reported by cybersecurity agency to private sector
- Computer incident response teams or computer emergency readiness team respond to reported cyberattacks or cybersecurity breaches
- Cybersecurity incident response drills, trainings or exercises are carried out in practice to test capabilities to prevent, detect, respond and/or recover from cyberattacks or cybersecurity breaches
- Cybersecurity audits carried out for critical infrastructure operators to detect vulnerabilities and recommend or enforce remedial actions to prevent cyberattacks or cybersecurity breaches

Independent complaint mechanism

12.5/12.5

✓ The compliance mechanism is independent from the ISPs to escalate complaints

✓ Aspects in line with internationally recognized good practices ✗ Aspects not in line with internationally recognized good practices

Internet Utility Service in Croatia

Pillar III: **Operational Efficiency of Internet Service Provision (1/3)**

Croatia score: **56.5** Osijek **to** **68** Varaždin out of 100 points

How does the process of connecting to internet work in Croatia

Step 1

Upon receiving a connection request, which can be done online, the ISP assesses the user's location to determine if it falls within its coverage area. Upon confirmation, an offer is extended and sent to the user, followed by the signing of a contract.

As reported by the ISP with the largest market share in Croatia, the activation fee depends on the length of the mandatory duration of the contract. In the case of signing a mandatory contract with a duration of 24 months, the amount of the activation fee is EUR 0.10 (without VAT). In cases where a loyalty contract is not signed, the activation fee is EUR 159 (without VAT).

Step 2

For installations requiring fiber optic, a technician is scheduled to arrive on the agreed date. Technicians proceed to install the necessary cables to the modem point and conduct functional tests to ensure service viability. Upon successful verification, a confirmation record is signed. Billing for the service commences thereafter, spanning a 30-day period.

In instances involving smaller business entities or residential properties, where the location is within the network's reach, the technician performs the connection work directly on-site, incorporating aerial network adjustments as necessary alongside the installation process.

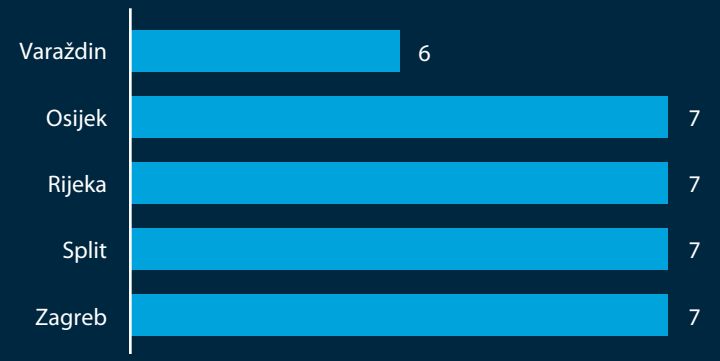
Source: Subnational Business Ready

Internet Utility Service in Croatia

Pillar III: **Operational Efficiency of Internet Service Provision (2/3)**

Time: **6** to **7** days

Average time (days)* to get an internet connection across Croatia



Source: Subnational Business Ready

- The private sector has identified some challenges that could delay the provision of new internet connections, such as:
  - Lack or insufficient infrastructure for laying an optical cable to the company's premises.
  - Restriction on installing aerial optical cables enforced by certain local government entities.

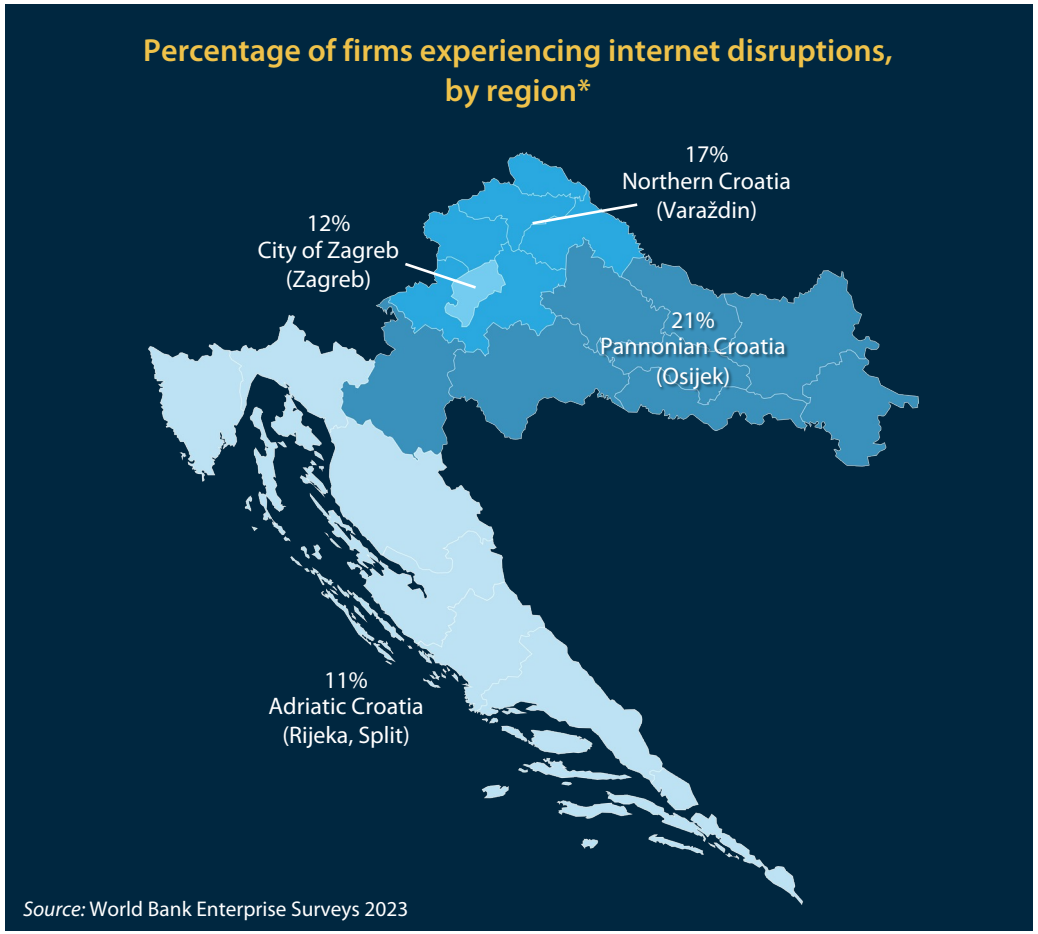
- The time it takes to obtain an internet connection is similar across the covered cities.
- No permits are required from ISPs to begin cable laying, since providers have already established a contract with HEP, the electricity utility, for connecting internet cables to HEP's poles.
- Except for Hungary and the Slovak Republic, Croatian businesses take two to three days longer than other measured economies to obtain an internet connection.

Average time (days) to get an internet connection (country averages)

Source: Subnational Business Ready

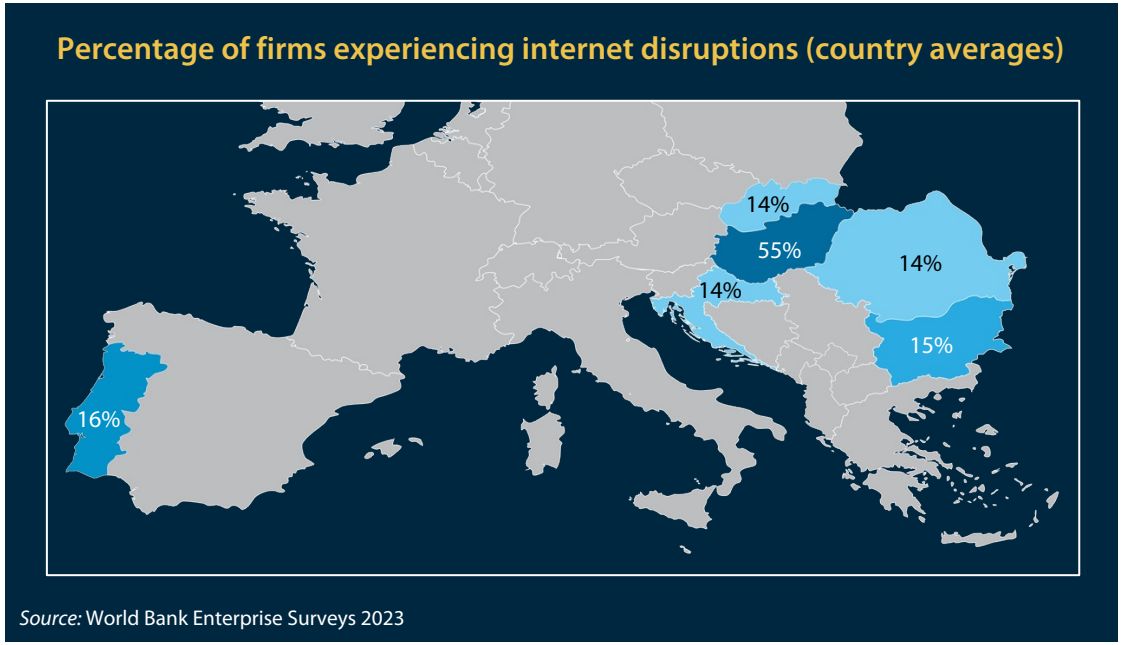
Internet Utility Service in Croatia

Pillar III: **Operational Efficiency of Internet Service Provision (3/3)**



* NUTS (Nomenclature of territorial units for statistics), https://ec.europa.eu/eurostat/web/nuts/overview

- Overall, 14% of Croatian firms reported experiencing internet disruptions, while in the Adriatic Croatia region this figure was 11%.
- In the Pannonian Croatia region, 21% of firms reported experiencing internet disruptions.
- Most of the covered Croatian regions are in line with percentages from other observed economies, except for Hungary, where 55% of firms experienced disruptions in internet service.



5. Dispute Resolution in Detail

Dispute Resolution in Croatia

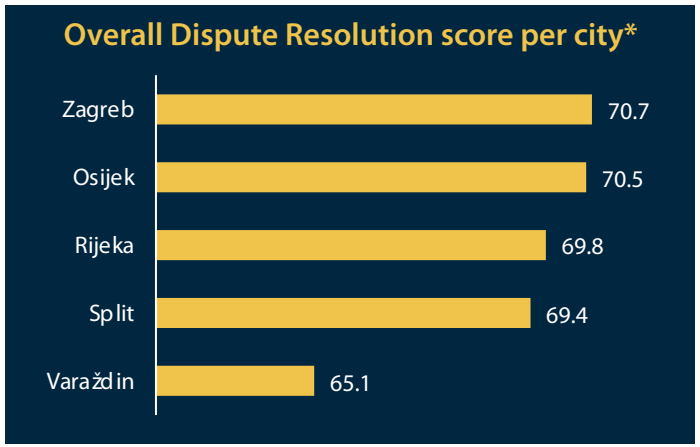
Pillar I: **Regulatory Framework**	Score (all cities): **82.3**/100
Pillar II: **Public Services**	Score: **67.9** (Osijek, Split) to **71.6**/100 (Varaždin)
Pillar III: **Ease of Resolving a Commercial Dispute**	Score: **41.6** (Varaždin) to **61.5**/100 (Osijek)

Time (days):	Court litigation: **1,050** (Osijek) to **1,325** (Zagreb)
	Enforce a judgment: **60** (Osijek, Rijeka, Split, Varaždin) to **65** (Zagreb)
Cost (% of claim value*):	Court litigation: **12.5%** (Split) to **16.2%** (Rijeka)
	Enforce a judgment: **0.3%** (Rijeka, Zagreb) to **1.5%** (Osijek, Varaždin)

*For a claim value of EUR 299,710, equal to 20 times the 2021 GNI per capita. Croatia's 2021 GNI per capita is EUR 14,986

Main findings

- The regulatory framework for dispute resolution applies uniformly across Croatia (Pillar I). Despite adopting numerous international good practices for judicial integrity, the country could further improve its regulatory framework by introducing a code of ethics for enforcement agents. Cities in Croatia are on par with international good regulatory practices for mediation in commercial litigation. Overall, Zagreb is the best performer mainly because alternative dispute resolution mechanisms in the city are deemed more reliable. On the other side, Varaždin scores the lowest, due to firms' perception that courts are an obstacle to business operations more than in the other cities measured for this study.
- There are subnational differences in the implementation and availability of public services for dispute resolution (Pillar II). In Split and Osijek, local commercial courts do not hold virtual hearings. The court in Varaždin, the only court in Croatia with a published online schedule of hearings, implements all international good practices for court digitalization.
- The time to adjudicate a commercial case varies across Croatia (Pillar III). It is the longest in Zagreb, where judges in the commercial court have the highest caseload. In Osijek, the fastest city in Croatia, the caseload of unresolved cases per judge is more than three times lower than in Zagreb. Time for the appellate procedure is uniform in Croatia as there is only one appellate commercial court—the High Commercial Court of the Republic of Croatia in Zagreb—that decides on appeals from all commercial courts across the country.
- Court fees are nationally regulated and equal across the country (Pillar III). Attorneys charge according to an official tariff; their fees differ depending on the number of legal actions that each lawyer takes during the litigation process.



Source: Subnational Business Ready *Scale from 0 to 100 (higher = better)

Dispute Resolution in Croatia

Why is dispute resolution important?

- Strong judiciaries and effective dispute resolution processes are needed for the development of the private sector.
- When courts complete dispute resolution processes in a timely and cost-effective manner, businesses borrow and invest more.[47]
- Reliability of the judiciary is equally important: strong court systems attract more investors and expansion of business.[48]

47 Moro, Maresch, and Ferrando. 2018; Koutroumpis and Ravasan, 2020.
48 World Bank, 2004; Staats and Biglaiser, 2011; World Bank, 2019.

What does the Dispute Resolution topic measure?

Pillar I: Regulatory Framework

Quality of regulations for dispute resolution

- Time standards for major procedural steps in commercial litigation
- Availability of pre-trial conference, default judgment and standards in environmental disputes
- Recusal of judges and code of ethics for judges and enforcement agents
- Access to arbitration, independence and impartiality of arbitrators and mediators

Pillar II: Public Services

Public services for dispute resolution

- Organizational structure of courts and review mechanisms to support judicial integrity
- Digitalization of case management and communication with courts
- Publication of judgments and information on the composition and performance of courts
- Public services for arbitration and mediation

Pillar III: Ease of Resolving a Commercial Dispute

Operational efficiency and reliability of court and arbitration processes

- Time and cost for court litigation (first instance, mediation, and appeal procedures)
- Time and cost to enforce a final domestic judgment
- Time and cost for an arbitration procedure
- Time and cost for recognition and enforcement of foreign judgments and foreign arbitral awards

For more information, please refer to the *Business Ready Methodology Handbook:* https://www.worldbank.org/en/businessready

Dispute Resolution in Croatia

National reforms since 2018

- **Amendments to the Civil Procedure Act** (Official Gazette no. 70/19): introduced the reorganization of court jurisdiction, digitization of the judiciary through the e-justice system, new rules on, *inter alia*, termination of proceedings, and new rules on procedures before the appellate courts.
- **Amendments to the Enforcement Act** (Official Gazette no. 131/20): improved the electronic system for submitting an enforcement request to conduct enforcement based on a credible document (invoice, bill).
- **Amendments to the Civil Procedure Act** (Official Gazette no. 80/22): introduced the possibility of remote hearings and audio recording of hearings, new time periods for procedural steps (issuing the judgment, scheduling a preliminary hearing), and introduced new provisions related to the small claim procedure.
- **Ordinance on Remote Hearings** (Official Gazette no. 154/22): introduced rules to conducting remote hearings and presenting evidence by using appropriate audiovisual devices and IT platforms for remote communication.
- **Alternative Dispute Resolution Act** (Official Gazette no. 67/23): replaced the Reconciliation Act (Official Gazette no. 18/11). The Alternative Dispute Resolution Act expanded the definition of reconciliation by including structured negotiations, introduced the obligatory attempt of an alternative dispute resolution before initiating a court procedure for claiming damages, and set out the rules for the establishment of the Center for Alternative Dispute Resolution.
- **Amendments to the Civil Procedure Act** (Official Gazette no. 155/23): changed provisions related to alternative dispute resolution by implementing solutions of the new Alternative Dispute Resolution Act.
- **Ordinance on Electronic Communication** (Official Gazette no. 139/2021, 27/2023): stipulates the requirements for filing documents before the court in an electronic form, delivery of court documents in an electronic form, and the organization and operation of IT systems for electronic communication.

Relevant laws and regulations in Croatia

- **Civil Procedure Act:** the main law regulating the rules of civil procedure in Croatia.
- **Arbitration Act:** regulates arbitration procedures with domestic and international elements before arbitration tribunals in Croatia.
- **Enforcement Act:** regulates the procedure by which courts and public notaries carry out the enforcement of a final domestic judgment, as well as the rights and obligations of enforcement agents during the enforcement procedure.
- **Act on Enforcement on Monetary Assets:** regulates enforcement procedures on the monetary assets of the debtor.
- **Alternative Dispute Resolution Act:** regulates peaceful settlement of disputes as an alternative mechanism for resolution of civil disputes.
- **Ordinance on Electronic Communication:** regulates the requirement for filing submission in electronic form before the courts, delivery of documents in electronic form, and the organization and operation of the IT for electronic communication.

Public institutions and services for dispute resolution

- **Commercial courts:** specialized courts authorized to adjudicate disputes among two or more businesses.
- **Arbitration institution:** Permanent Arbitration Court at the Croatian Chamber of Commerce in Zagreb.
- **Enforcement agents:** court employees who conduct procedures for enforcement on movable property. Enforcement on immovable property and funds on bank accounts of the debtor in Croatia is conducted by the officials of the Financial Agency (FINA).
- **Mediation (alternative dispute resolution):** court-based mediators and private mediators at institutions for the peaceful settlement of disputes.
- **Electronic platforms used for dispute resolution:** e-communication system; e-case system; e-enforcement system; e-auction system. Electronic platforms allow electronic communication between different parties during commercial litigation (courts, FINA, lawyers, notaries).

Dispute Resolution in Croatia

Pillar I: **Quality of Regulations for Dispute Resolution (1/2)**

Croatia score (all cities): **82.3** out of 100 points

Court litigation

Procedural certainty

29/40

- ✓ Time standard for filing a statement of defense
- ✓ Time standard for a judge to issue a judgment
- ✓ Time standard for issuing an expert opinion
- ✓ Availability of default judgment
- ✗ No time standard to decide on a request for an interim measure
- ✗ No power of enforcement agents to seize the debtor's electronic assets

Judicial integrity

21.3/26.7

- ✓ Judges require to recuse themselves in case of conflict of interest
- ✓ Parties allow to challenge judges' impartiality or independence
- ✓ Judges disclose assets publicly
- ✓ Code of ethics for judges
- ✓ No restriction for women to become a judge
- ✓ Women have same rights as men in commercial litigation
- ✗ No code of ethics for enforcement agents

✓ Aspects regulated in line with internationally recognized good practices ✗ Aspects not regulated in line with internationally recognized good practices

Dispute Resolution in Croatia

Pillar I: **Quality of Regulations for Dispute Resolution (2/2)**

Croatia score (all cities): **82.3** out of 100 points

Alternative dispute resolution

Legal safeguards in arbitration

- ✓ Arbitrability of immovable property and intellectual property disputes
- ✓ Arbitration of commercial disputes with state-owned enterprises and public bodies without fulfilling additional conditions
- ✓ Selection of legal counsel regardless of professional qualification, nationality, or admission to courts or professional organization
- ✓ Selection of arbitrators regardless of professional qualification, gender and nationality
- ✓ Parties have right to question arbitrators' independence and impartiality
- ✗ No third-party funding in investor-state arbitration

Legal safeguards in mediation

- ✓ Commercial mediation is not mandatory
- ✓ Mediators have the duty to disclose conflict of interest
- ✓ Mediators cannot serve as an arbitrator in same or similar contract or legal relationship
- ✓ Evidence disclosed in mediation cannot be used in other legal proceedings
- ✓ Special enforcement regime for mediation settlement agreements
- ✓ Specific rules on recognition and enforcement of international mediation settlement agreements that do not have a court approval

✓ Aspects regulated in line with internationally recognized good practices ✗ Aspects not regulated in line with internationally recognized good practices

Dispute Resolution in Croatia

Pillar II: **Public Services for Dispute Resolution (1/3)**

Croatia score: **67.9** Osijek, Split **to** **71.6** Varaždin out of 100 points

Organizational structure of courts

22.2/22.2

- ✓ Specialized commercial court
- ✓ Automated assignment of cases
- ✓ Review mechanisms for complaints against misconduct of judges and enforcement agents
- ✓ Review mechanism for complaints against decision on appointment and promotion of judges
- ✓ Existence of a small claim court or fast-track procedure

Transparency of courts (includes gender)

7.4/22.2

- ✓ Public access to all binding laws and regulation
- ✓ Publication of judgments at the supreme court level
- ✓ Publication of information of appointment and promotion of judges
- ✗ No statistics on disposition and clearance rates by the type of case
- ✗ No statistics on the number of judges per each court by gender
- ✗ No publication of all judgments at first instance and appellate levels
- ✗ No statistics on the efficiency of enforcement proceedings disaggregated by the type of case

Cities in Croatia implement all international good practices recognized by the B-READY methodology for the organizational structure of courts

- The five cities have a specialized commercial court. Judges in these courts exclusively adjudicate commercial cases. At the appellate level, the Croatian judicial system has only one court—the High Commercial Court of the Republic of Croatia in Zagreb—that hears appeals filed against the first instance judgment of all commercial courts in the country.
- For commercial cases with a claim value below EUR 6,630 (small claims), commercial courts in Croatia apply simplified procedural rules. These cases shall be completed within one year from the day of filing the initial claim. Procedure in small claims cases is document-based, and hearings are rarely scheduled.
- Courts in Croatia use the electronic platform "*eSpis*" to assign cases to judges. The platform uses pre-determined algorithms when assigning cases, to ensure an equal caseload among judges.

Publication of court judgments in Croatia

- In Croatia, the Supreme Court publishes all its decisions. The portal ***Sudska Praksa*** (sudskapraksa.csp.vsrh.hr) hosts all judgments and legal opinions of the Supreme Court of Croatia since 1990. The main goal of publication of all anonymized decisions is the harmonization of court practice among courts in Croatia.
- Unlike the Supreme Court's decisions, the portal ***Sudska Praksa*** publishes only the most important decisions of courts at first instance and appellate levels.

✓ Aspects regulated in line with internationally recognized good practices ✗ Aspects not regulated in line with internationally recognized good practices

Dispute Resolution in Croatia

Pillar II: **Public Services for Dispute Resolution (2/3)**

Croatia score: **67.9** Osijek, Split **to** **71.6** Varaždin out of 100 points

Digitalization of court processes

All cities:
- ✓ Electronic filing and service of initial complaint
- ✓ Exchange of documents through an electronic platform
- ✓ Court decisions issued in electronic format
- ✓ Electronic communication with courts and enforcement agents
- ✓ Digital evidence, in practice, admissible by the court
- ✓ E-payment of court fees, and e-tracking of cases
- ✓ Online auction available

Varaždin:
- ✓ Virtual hearings are conducted in urgent matters when requested by parties
- ✓ Online access to court schedule

Rijeka:
- ✓ Virtual hearings are conducted in all matters when requested by parties

Zagreb:
- ✓ Virtual hearings are conducted in urgent matters when requested by parties

Virtual hearings

- The legal framework in Croatia allows the organization of virtual court hearings. However, in practice there are differences among the locations measured in the country.
- The court in Rijeka conducts virtual hearings in all matters when requested by parties. The Rijeka Commercial Court has all the necessary technical equipment to hold virtual hearings. Courts in Zagreb and Varaždin conduct online hearings in urgent matters upon discretionary decision by the judge. Judges in these two cities are reluctant to have online hearings, given the alleged underdeveloped IT infrastructure and weak wi-fi connection in both courts.
- Courts in Split and Osijek do not conduct virtual hearings. While in Split the IT infrastructure is limited, the Osijek Commercial Court does not have any technical facilities to hold virtual hearings.

Online access to court schedule

- Croatia developed an online platform ***Rocisnik/Javne sjednice*** to publish the schedule of all court hearings (sudovi.hr/hr/rocisnik). However, among the five Croatian cities, only the hearings scheduled at the Varaždin commercial court are available online.

Varaždin implements more international good practices for court digitalization

- The Varaždin Commercial Court has implemented all international good practices measured in this study for the digitalization of courts.
- Despite challenges in the development of IT infrastructure and a wi-fi network, the court in Varaždin holds virtual hearings in urgent matters upon decision of a presiding judge when the circumstances of the case prevents the parties from being physically present. In addition, it is the only city that publishes the schedule of hearings online.

✓ Aspects regulated in line with internationally recognized good practices ✗ Aspects not regulated in line with internationally recognized good practices

Dispute Resolution in Croatia

Pillar II: Public Services for Dispute Resolution (3/3)

Croatia score: **67.9** Osijek, Split **to** **71.6** Varaždin out of 100 points

Public services for arbitration (includes gender)

9.7/16.7

- ✓ Availability of commercial arbitration
- ✓ Published roster of all arbitrators
- ✓ Virtual conferences in arbitration
- ✗ No online platform for arbitration
- ✗ No electronic signing of arbitral awards
- ✗ No published statistics on arbitration cases by category
- ✗ No published summaries of arbitral awards
- ✗ No published statistics on the number of arbitrators disaggregated by gender

Arbitration in Croatia

- Private sector experts portrayed the Permanent Arbitration Court at the Croatian Chamber of Commerce as the most used arbitration institution in Croatia. The Arbitration Court is in Zagreb and hears both domestic and international arbitration cases.
- The Arbitration Court publishes on its website the list of arbitrators for domestic and international cases and allows online hearings in arbitration.

Public services for mediation (includes gender)

10/16.7

- ✓ Availability of commercial mediation provided by courts and private mediators
- ✓ Publicly available roster of mediators
- ✓ Electronic singing of a mediation agreement
- ✓ Electronic submission of a request to mediate
- ✗ No financial incentives to use mediation
- ✗ No published statistics on mediation cases

Rijeka, Varaždin, Zagreb:

- ✓ Virtual meetings conducted in both court-annexed and private mediation

Osijek, Split:

- ✓ Virtual meetings conducted in private mediation only

Virtual meetings in court-annexed mediation

- Commercial courts with developed IT infrastructure allow virtual hearings in court-annexed mediation. Among the measured locations in Croatia, commercial courts in Rijeka, Varaždin, and Zagreb hold virtual meetings during the mediation process.

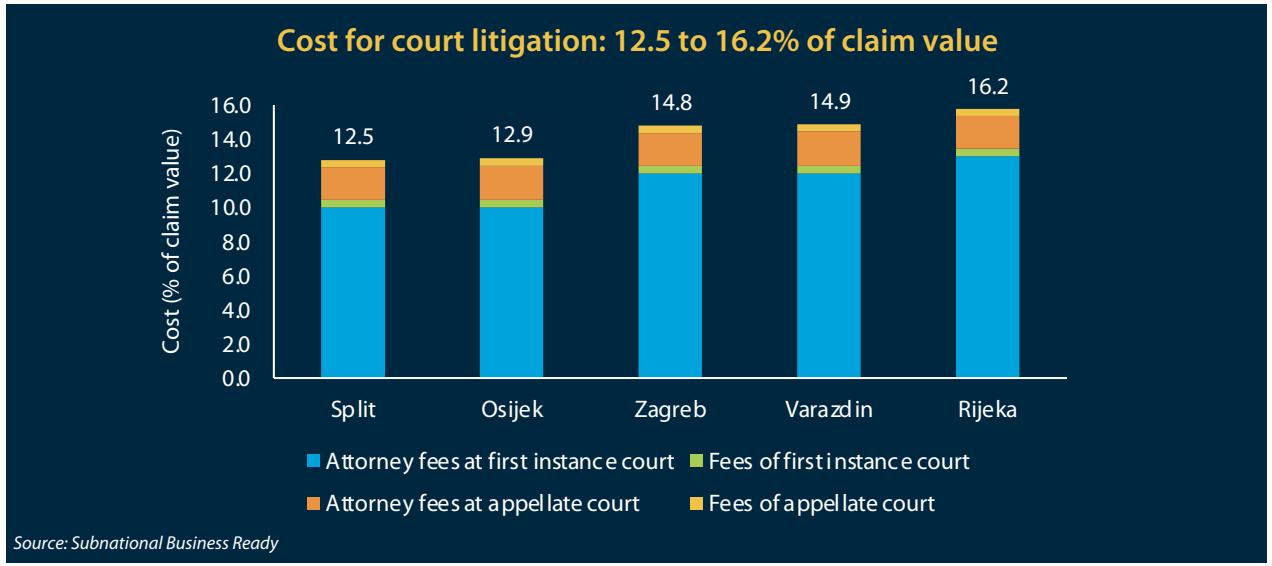
✓ Aspects regulated in line with internationally recognized good practices ✗ Aspects not regulated in line with internationally recognized good practices

Dispute Resolution in Croatia

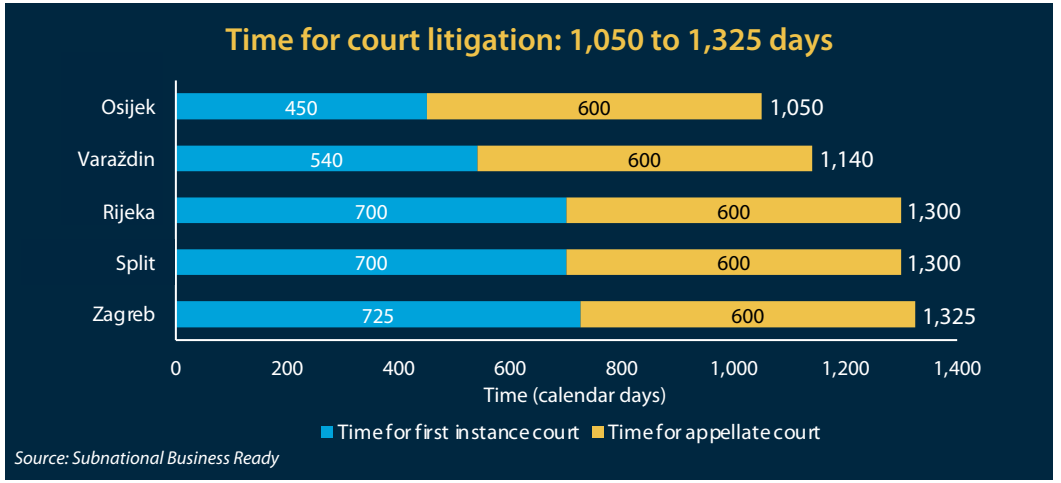
Pillar III: **Operational Efficiency and Reliability of Court and Arbitration Processes (1/3)**

Croatia score: **56.5** Osijek **to** **68** Varaždin out of 100 points

- Across Croatia, all courts charge the same fees, which are regulated by national law. Both first instance and appellate courts charge EUR 1,327.22 which represents 0.44% of the claim value.
- Regarding attorney fees, lawyers in cities with smaller economic activity, such as Split and Osijek, tend to charge less (10% of the claim value for a first instance procedure). Attorney fees for the first instance procedure are the highest in Rijeka where lawyers charge 13% of the claim value. The main reason fees are slightly higher in Rijeka is due to the number of hearings in which lawyers participate. According to lawyers interviewed for this study, in most cases in Rijeka, it takes five hearings to complete the first instance procedure. In Split, lawyers reported that the first instance procedure could be completed in only four hearings.



Source: Subnational Business Ready



Source: Subnational Business Ready

- The first instance procedure takes the longest in Zagreb with 725 days, followed by Rijeka and Split, each with 700 days. The fastest city is Osijek with 450 days, followed by Varaždin with 540 days. The appellate procedure is the same across the country as there is only one court in Croatia that decides on appeals against first instance judgments of commercial courts—the High Commercial Court located in Zagreb.
- The main difference between cities is the time that first instance courts need for certain procedural steps. In Zagreb, it takes 83 days from filing to serving the initial complaint on the defendant, while this step requires only 30 days in Osijek and Varaždin. The same goes for the time between court hearings. The court in Zagreb schedules hearings every four months (120 days) while the court in Osijek does it twice as fast (60 days).
- A main difference across the five cities in Croatia is the caseload of judges. Statistics[49] show that, in Zagreb, there were 129 unresolved cases per judge at the end of 2022, while in Varaždin and Osijek, there were 58 and 38 unresolved cases per judge, respectively.

49 Croatia, Ministry of Justice, 2023.

Dispute Resolution in Croatia

Pillar III: **Operational Efficiency and Reliability of Court and Arbitration Processes (2/3)**

In Croatia, enforcement of a final domestic judgment by seizure of bank account funds of the debtor is conducted with the support of the Financial Agency (FINA).

How does the enforcement of a final domestic judgment work?

The creditor, or a lawyer, submits the enforcement request to FINA together with an enforceable court decision and the evidence of payment of the advanced fee.

On the same day or the first day after receiving the enforcement request, FINA sends the order to all banks where the debtor has open accounts to seize funds in the amount specified in the enforcement request.

FINA waits 60 days for the transfer of the funds. After the 60-day period expires, FINA issues an order to commercial banks to transfer funds from the debtor's account to the creditor.

Source: Subnational Business Ready

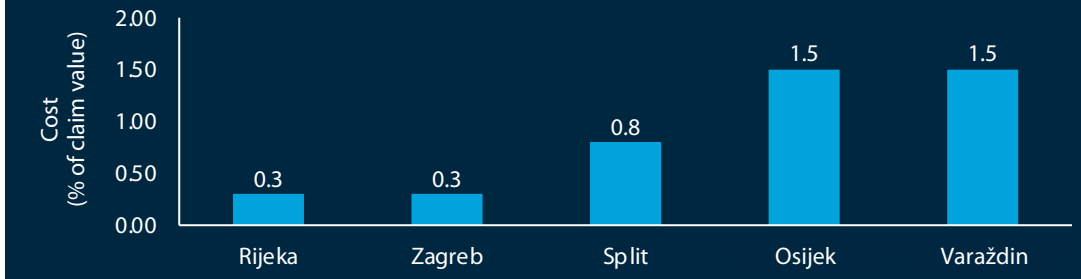
Time to enforce a judgment: around **60** days

- Enforcement of a final domestic judgment takes 60 days in Osijek, Rijeka, Split, and Varaždin, while it takes only 5 days longer in Zagreb. FINA has a legal deadline of 60 days to wait before the funds are transferred to the creditor but sometimes in practice, this transfer takes a few additional days.

Cost to enforce a judgment: **0.3** to **1.5%** of the claim value

- Enforcement costs consist of attorney fees. However, creditors also pay the fees of the enforcement institution that are regulated nationally and paid in amount of EUR 663.61 (0.22% of the claim value). These fees are paid out of the debtor's seized bank account funds and not calculated towards the enforcement costs.
- Attorney fees range from 0.3% in Rijeka and Zagreb to 1.5% of the claim value in Osijek and Varaždin, respectively. In Croatia, attorneys charge according to the Tariff on Rewards and Reimbursement of Expenses. Attorneys in Osijek and Varaždin interviewed for this study, upon agreement with the clients, charge for the submission of the enforcement request similar to one legal action in the litigation procedure, which, according to the Tariff, implies higher fees. On the contrary, attorneys in Zagreb and Rijeka charge the submission of the enforcement request according to the lower fees stipulated for enforcement procedure.

Attorney fees for enforcement procedure



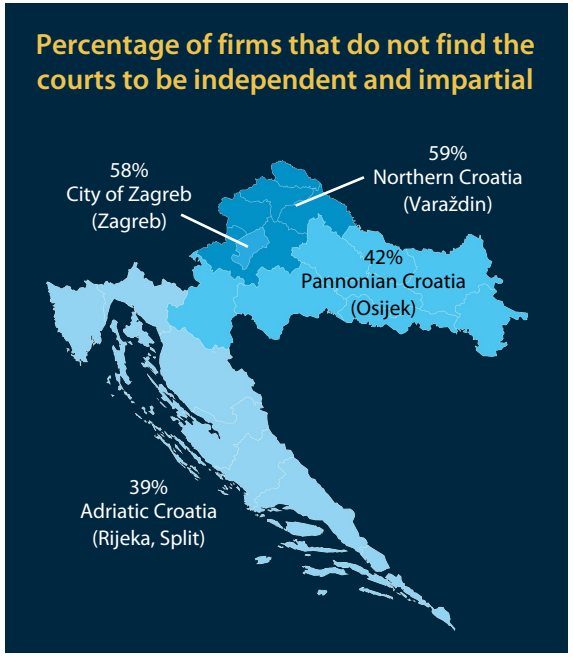
Source: Subnational Business Ready

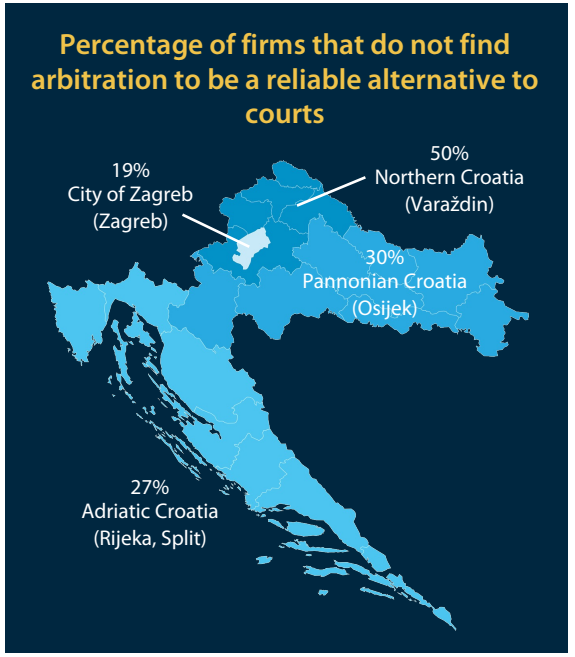
Dispute Resolution in Croatia

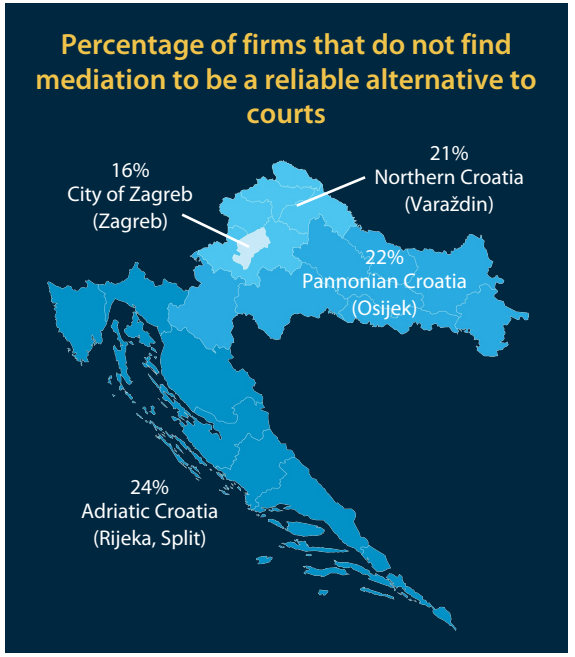
Pillar III: **Operational Efficiency and Reliability of Court and Arbitration Processes (3/3)**

Reliability of courts and alternative dispute resolution (ADR)

- Among the regions* surveyed in Croatia, Northern Croatia (including Varaždin) has the greatest share of firms that find courts and ADR mechanisms unreliable and a major obstacle to business operations.
- Countrywide, 48% of Croatian firms do not find the courts to be independent and impartial.
- Countrywide, only 4.2% of Croatian firms find courts to be their biggest obstacle to business operations, although 21% of them find they are a constraint.







Source: World Bank Enterprise Surveys, https://www.enterprisesurveys.org/
*NUTS (Nomenclature of territorial units for statistics), https://ec.europa.eu/eurostat/web/nuts/overview

Dispute Resolution in Croatia

Areas of improvement for Dispute Resolution (1/2)

Expand the publication of court judgments

Publishing court judgments in a searchable database free of charge strengthens judicial transparency. Visibility of information on the outcome of commercial cases improves public trust and the confidence of investors on how the regulations are applied in practice.

In Croatia, the international good practice of publishing judgments electronically is limited. While the Supreme Court decisions are available online, only the most important judgments of first instance and appellate courts are available for online consultations by the general public.

Croatia could expand the platform ***Sudska Praksa*** and publish all judgments of first instance and appellate courts, thus replicating the model of other European Union Member States. In 2021, For example, Romania introduced the ReJust portal designed to authorize citizens to access decisions issued by Romanian courts. Decisions published in the portal are anonymized, available free of charge upon simple registration, and allow consultation of all first instance judgments adopted by Romanian courts.

Relevant stakeholder: Ministry of Justice, Public Administration and Digital Transformation

Promote alternative dispute resolution mechanisms

Arbitration and mediation are alternative dispute resolution mechanisms that are well-regulated in Croatia. However, entrepreneurs and legal practitioners do not use them often and rather decide to initiate court litigation to resolve disputes.

Alternative dispute resolution can facilitate court efficiency by reducing the number of disputes that end up in court. Croatia could promote alternative dispute resolution mechanisms and encourage private sector stakeholders to use them more often.

This could be done by implementing good practices in public services, such as, the creation of an online platform for arbitration, allowing electronic signing of arbitral awards, and publication of summaries of arbitral awards. For the latter, Croatia could replicate the solution from Hungary. Namely, the website of Hungarian Chamber of Commerce and Industry hosts a repository of decisions and publishes summaries of arbitral awards.

Relevant stakeholder: Ministry of Justice, Public Administration and Digital Transformation

Dispute Resolution in Croatia

Areas of improvement for Dispute Resolution (2/2)

Improve the digitalization of courts

The digitalization of courts and processes saves time and cost for entrepreneurs and the judiciary. Croatia has already implemented a host of international good practices in this domain. However, some locations in the country lack digital capacity and infrastructure to catch up with leading cities.

Among the locations measured in Croatia, Varaždin implemented all good digital practices. It is also the only city that publishes the schedule of court hearings online on a designated digital platform.

Croatia could fully implement the online platform *Rocisnik/Javne sjednice*, to make other courts across the country publish the schedule of hearings online. An additional measure could be to strengthen IT infrastructure and broadband access to allow courts in cities like Osijek and Split to conduct virtual hearings. Croatia could follow the example of neighboring Hungary which developed the VIA VIDEO project in 2018 and helped courts across the country to set up digital infrastructure for virtual hearings.

Relevant stakeholders: Ministry of Justice, Public Administration and Digital Transformation

6. Business Insolvency in Detail

Business Insolvency in Croatia

Pillar I: **Regulatory Framework**	Score (all cities): **63.4**/100
Pillar II: **Public Services**	Score: **81.7** (Osijek) to **96.7**/100 (3 cities)
Pillar III: **Operational Efficiency**	Score: **65** (Zagreb) to **85.3**/100 (Split)

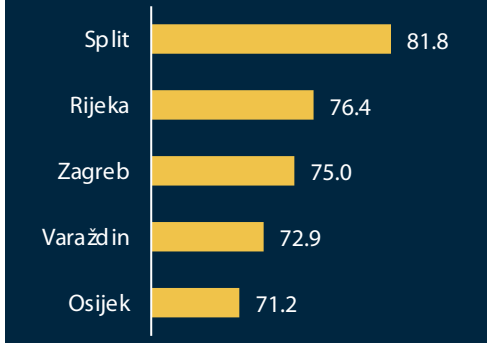
Time (months):	Liquidation: **24** (Split) to **40** (Zagreb)
	Reorganization: **18** (Rijeka) to **24** (Osijek)
Cost (% of market value of the insolvent company*):	Liquidation: **1.05%** (Split) to **3.3%** (Osijek)
	Reorganization: **5%** (Split) to **10%** (Rijeka)

*For an insolvent's company market value of EUR 2,247,825, equal to 150 times the 2021 GNI per capita. Croatia's 2021 GNI per capita is EUR 14,986

Main findings

- There are two types of business insolvency proceedings in the Croatian legal framework (Pillar I):
  - Bankruptcy proceedings (liquidation): in cases of a debtor's inability to deal with over-indebtedness, to finally liquidate the company; and
  - Bankruptcy plan under the business reorganization proceedings: carried out through the liquidation of the debtor's assets and subsequent satisfaction of creditors or, alternatively, through the implementation of a bankruptcy plan
- While the bankruptcy proceedings are carried out for the purpose of collective settlement of creditors by selling the debtor's assets and distributing the collected funds to creditors, the purpose of bankruptcy reorganization proceedings is to regulate the debtor's legal position and the relationship with creditors to maintain its business activity.
- The Financial Agency (FINA) submits a proposal for the opening of the bankruptcy proceeding if the legal entity has unexecuted payments as evidenced in the Orders of Payment Record for more than 120 days. FINA also supports the court by preparing the list of the reported and contested claims, performs electronic auctions, issues certificates on inability to pay debts, etc. FINA and courts have reached high levels of automation and interoperability (Pillar II).
- Court automation, training, and specialization represent key drivers in increasing efficiency (Pillar III). Courts where respondents noted limited broadband or lack of IT equipment are generally the ones reporting higher times for the finalization of cases. Cities like Split excel on both liquidation and reorganization times, while Zagreb does better with reorganization than with liquidation, thanks to the more specialized expertise of local judges on law and economics issues.
- Most liquidation cases in Croatia are resolved by shortened liquidation procedures as most of the insolvent companies do not have any assets. This leads to a relatively quick solution of cases.
- Reorganization procedures are not a suitable option in most cases, given the general undercapitalization of companies. Reorganization deadlines (120 days to complete the entire procedure as prescribed by law) are generally not respected given the plurality of actions to be taken, as well as difficulties in law interpretation.

Overall Business Insolvency score per city*



Source: Subnational Business Ready
*Scale from 0 to 100 (higher = better)

Business Insolvency in Croatia

Why is business insolvency important?

- An efficient insolvency system promotes new firm creation and encourages greater entrepreneurial activity.[50]
- It permits an effective exit of non-viable companies, so that entrepreneurs can reinvent themselves, by stimulating the reallocation of productivity-enhancing capital and promoting business creation and access to finance.
- It ensures the survival of economically viable business by reorganizing their financial structure, with the aim of encouraging more dynamic entrepreneurial activity and job creation.
- The stability of the financial system also depends on an efficient insolvency framework. Only when nonviable firms can be rapidly liquidated and viable firms reorganized, investors will be willing to commit.[51]

50 Cirmizi, Klapper, and Uttamchandani, 2012.
51 Menezes, 2014.

What does the Business Insolvency topic measure?

Pillar I: Regulatory Framework

Quality of regulations for judicial insolvency proceedings

- Legal and procedural standards
- Assets and stakeholders
- Specialized proceedings

Pillar II: Public Services

Quality of institutional and operational infrastructure for judicial insolvency proceedings

- Digitalization and online services
- Public officials and insolvency administrators

Pillar III: Operational Efficiency

Operational efficiency of resolving judicial insolvency proceedings

- Time and cost to resolve a liquidation proceeding
- Time and cost to resolve a reorganization proceeding

For more information, please refer to the *Business Ready Methodology Handbook:* https://www.worldbank.org/en/businessready

Business Insolvency in Croatia

Policies addressing Croatia's issue with distressed business

A high share of weak (and loss-making) companies remains a structural issue of the Croatian economy. Weak performance combined with dependency on debt financing creates a doom-loop for distressed business; since they are more indebted, their potential to restructure is weak.

Croatia adopted the 2019 EU Directive on Restructuring in March 2022 through amendments to its Bankruptcy Law, taking a step forward towards improving the preventive restructuring and insolvency framework for businesses. Prior to the reform, the successful rehabilitation of businesses during pre-insolvency stages was rare. However, Croatia is in the early phases of implementation of these reforms, and efforts are needed to operationalize the reforms as well as to incentivize the provision of business support and financing solutions.

Public financial support at the prevention stage can have the highest impact on building up firms' resilience to future shocks, can preserve employment and create value for money. Guarantee programs to mitigate the risk aversion of banks and facilitate new financing could be useful for SMEs, together with co-financing or risk-sharing facilities.

Source: World Bank, 2024. *Country Report: Croatia, A Study of Financial and Business Support Instruments Available to Businesses During Financial Distress, Insolvency, and Re-start Stages*. World Bank Group, Washington, DC. May 2024.

Relevant laws and regulations in Croatia

- Bankruptcy Act providing the basis on the regulation of pre-bankruptcy and bankruptcy proceedings in the Croatian legal framework (OG 71/2015, 104/2017, 36/2022 and 27/2024)
- Ordinance on the content and form of the forms on which submissions are filed in pre-bankruptcy and bankruptcy proceedings (OG 67/2019, 54/2022 and 39/2024)
- Ordinance on the method of collecting data on procedures related to restructuring, insolvency, and debt relief (OG 40/2022)
- Ordinance on determining the methods of creation and consolidation of the national list of bankruptcy administrators (OG 51/2022)
- Ordinance regulating the entry professional exam, training and further education of bankruptcy administrators (OG 51/2022)
- Regulation on the criteria and method of calculation and payment of awards to the bankruptcy administrators (OG 105/2015)
- Ordinance on the prerequisites and method of choosing a bankruptcy administrator using the method of random selection (OG 116/2023)
- Ordinance on the content and form of the templates on which submissions are submitted in pre-bankruptcy and bankruptcy proceedings (OG 67/2019, 54/2022 and 39/2024)
- Ordinance on the type and amount of compensation for the costs of the Financial Agency in pre-bankruptcy proceedings, the amount of compensation for the costs of the Financial Agency for submitting a proposal for the opening of bankruptcy proceedings and requests for the implementation of shortened bankruptcy proceedings (OG 106/2015 and 54/2022)
- Code of Ethics of Bankruptcy Administrators, providing ethical and deontological rules to be followed in the exercise of the Bankruptcy Administration' function (OG 121/2022)

Business Insolvency in Croatia

Pillar I: **Quality of Regulations for Judicial Insolvency Proceedings**

Croatia score (all cities): **63.4** out of 100 points

Information and procedural standards in insolvency proceedings

Legal and procedural standards

- ✓ Obligations of the company's management during pre-Insolvency are based on duty of care and duty of loyalty, under the risk of becoming personally liable for damage and losses
- ✓ Commencement of formal proceedings by creditors is possible, except for reorganization proceedings
- ✓ Conversion from reorganization to liquidation is allowed by law
- ✓ Requirements to become an insolvency administrator (IA) are outlined by law
- ✓ Mechanisms for selection and dismissal of IAs are legally established
- ✗ Electronic voting of reorganization plans
- ✗ Effective out-of-court restructuring mechanisms

Debtor's assets and creditor's participation

- ✓ Automatic stay of proceedings, which refrains enforcement of credit payment, is applicable
- ✓ Continuation of existing essential contracts is possible in the best interest of business viability
- ✓ Rejection of burdensome contracts is possible in the best interest of business viability
- ✓ Post-commencement credit is available for the reorganization plan, which must specify its terms and purpose
- ✗ Possibility of rejection of burdensome contracts

Specialized insolvency proceedings and international insolvency

- ✓ Existence of framework and recognition of foreign insolvency proceedings
- ✓ Legal framework for cooperation with foreign courts
- ✗ Specialized insolvency proceedings for micro, small, and medium enterprises (MSMEs)

✓ Aspects regulated in line with internationally recognized good practices ✗ Aspects not regulated in line with internationally recognized good practices

Business Insolvency in Croatia

Pillar II: **Quality of Institutional and Operational Infrastructure for Insolvency Proceedings (1/3)**

Croatia score: **81.7** Osijek **to** **96.7** 3 cities out of 100 points

4 cities: **40/40**

Osijek: **35/40**

Digital services (e-Courts) in insolvency proceedings

Electronic services for:

- ✓ Filing
- ✓ Payment of court fees
- ✓ Sending and receiving notifications
- ✓ Managing and filing procedural case documents
- ✓ Viewing and accessing court orders and decisions
- ✓ Monitoring the status of insolvency proceedings
- ✓ Virtual hearings (✗ **except for Osijek)**

- Osijek's Commercial Court is the only one that does not have the technical capacity to organize virtual hearings.
- Specialized departments for insolvency procedures within the commercial courts exist in Zagreb, Rijeka, and Split, meaning that all insolvency cases are resolved by insolvency judges, but those judges also act in other types of cases (due to the small number of insolvency cases). In Osijek and Varaždin, all judges act in all types of civil cases (litigation, contract law, corporate, insolvency, etc.)

More insights on e-Courts

- The e-Communication system allows electronic filing for both creditors and debtors in insolvency procedures
- The payment of court fees can be also done electronically, and it is commonly used in daily practice
- Electronic case management is fully operational and functional and contributes to a more efficient management of cases
- Good interoperability between different systems – e.g., FINA, court register, tax authority, etc. *See the box on Interoperability on the next slide for more details.*

✓ Aspects regulated in line with internationally recognized good practices ✗ Aspects not regulated in line with internationally recognized good practices

Business Insolvency in Croatia

Pillar II: **Quality of Institutional and Operational Infrastructure for Insolvency Proceedings (2/3)**

Croatia score: **81.7** Osijek **to** **96.7** 3 cities out of 100 points

Interoperability of services in insolvency proceedings, public information on insolvency proceedings and registry of insolvency practitioners

- ✓ Interoperability with external systems
- ✓ Interconnection between case management and e-filing systems
- ✓ Publication of judgments in insolvency procedures publicly available at all levels
- ✓ Publication of data on number and type of insolvency procedures publicly available
- ✓ Publication of register of insolvency practitioners
- ✗ Publication of data on the average length of insolvency procedures is not available

✓ Aspects regulated in line with internationally recognized good practices
✗ Aspects not regulated in line with internationally recognized good practices

The Financial Agency (FINA) and interoperability improvements

- As a Financial Agency, FINA provides technical support to courts in insolvency proceedings, providing expert opinions and technical evaluation upon the court's request.
- Prior to the court decision on opening the liquidation proceedings, FINA checks on the request of the court as to whether insolvency reasons still exist.
- FINA issues certificates on the indebtedness of the company.
- The FINA database is electronically connected with the court system, including the Court Register (register of companies) and the "OIB" system (Croatian register for identification and addresses of natural and legal persons).
- FINA collects assets electronically and makes the list on reported and contested claims.
- FINA performs electronic auctions which are very functional – most assets are sold on the first auction.

How does the integrated e-file system work in practice between the courts and FINA? Proposals/requests for starting a liquidation proceeding commenced by FINA are sent electronically to the e-file system, and information about the assigned court case number is automatically sent back to FINA's system. The court is also connected with FINA through an e-office (*e-pisarnica*), a channel where the FINA system and the e-file system exchange documents (about the commencement of bankruptcy proceedings, other court decisions to FINA, and FINA's submissions). Moreover, judges can electronically consult FINA's enforcement data platform to check in real time the status of frozen accounts or the balance on the debtor's account.

Other functions: In its role as the State's Financial Agency, FINA is also the institution in charge of implementing early warning mechanisms and preventive restructuring measures to help viable firms avoid liquidation.

Way forward: Research showed a low level of awareness about FINA's interoperability with external systems. Further effort to promote these instruments could increase proficiency among both court and private practitioners.

Business Insolvency in Croatia

Pillar II: **Quality of Institutional and Operational Infrastructure for Insolvency Proceedings (3/3)**

Croatia score: **81.7** Osijek **to** **96.7** 3 cities out of 100 points

3 cities: **10/10**

Osijek, Varaždin: **0/10**

Specialization of courts with jurisdiction on reorganization and liquidation proceedings

- Specialized departments for insolvency procedures within the commercial courts exist in Zagreb, Rijeka, and Split, meaning that all insolvency cases are resolved by pre-determined judges devoted to such cases. However, in Split and Rijeka, when the case backlog is small, insolvency judges are also assigned to litigation (civil and contract law) cases. In Osijek and Varaždin, all judges act in all types of cases (litigation, insolvency, etc.)
- Court specialization is considered a driver of efficiency (when it is justified by the number of cases). However, it should be accompanied by streamlined training programs for judges, to prevent excessive fragmentation of human resources – especially when limited.

10/10

Insolvency administrator's expertise in practice

- The insolvency administrator's profession is regulated. Legislation at the ordonnance and administrative decision's level provides specific rules about professional exams and training for IAs, as well as enrollment procedures to be part of the IAs' list. However, the absence of continuous training programs on insolvency matters is a widespread concern among private and public practitioners.

Business Insolvency in Croatia

Pillar III: **Operational Efficiency of Resolving Judicial Insolvency Proceedings (1/2)**

Croatia score: **65** Zagreb **to** **85.3** Split out of 100 points

Time for liquidation and reorganization procedures in Croatia

Reduced caseload and judge's specialization can be determining factors in court efficiency.

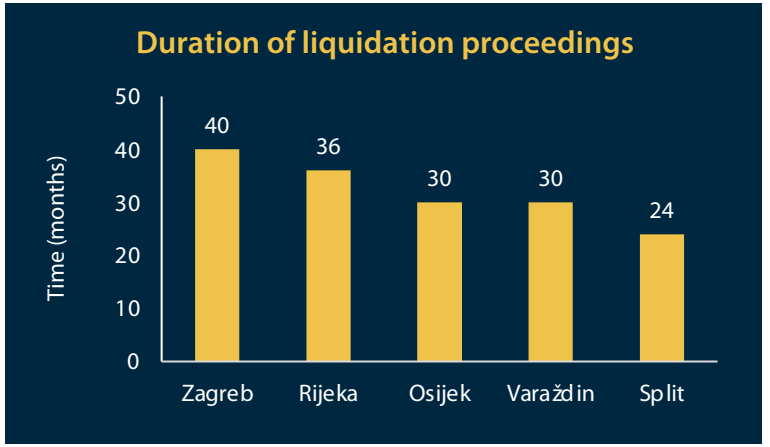
- **The Split Commercial Court has the best results in time and costs for liquidation proceedings.** Both private and public sector respondents reported that no backlog is affecting court efficiency, reportedly because of local judges' good expertise in corporate law and economics.
- **In Osijek, there are no specialized insolvency judges, thus making the management of liquidation proceedings challenging without specific expertise.** Additionally, there is no technical set-up for organizing virtual hearings. Also, more generally, contributors to this report mentioned scarce internet broadband, impacting the use of IT and e-Court tools.
- **Specialization is perceived as a key driver for efficiency in reorganization proceedings.** Although such proceedings tend to be very limited in number throughout the country (including Zagreb), the lack of specialized judges seems to be affecting reorganization proceeding times in both Osijek and Varaždin.

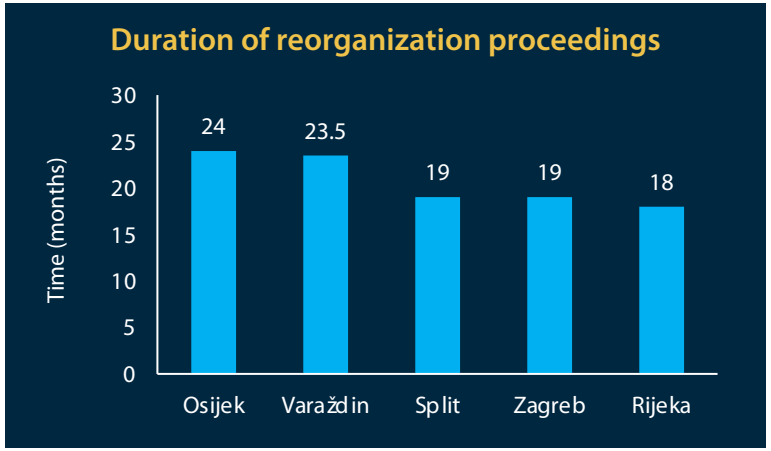
Higher caseload and lagging infrastructural improvements may hamper the time efficiency of liquidation proceedings.

- **Zagreb's is the slowest commercial court for liquidation procedures.** Respondents in Zagreb report that the court has a large volume of cases, an increasing case backlog, and staffing problems, especially regarding judicial clerks.
- **In courts other than Zagreb's, most cases are finalized through a shortened procedure** (a fast-track procedure for companies without assets to be liquidated where the case is finished in just one hearing).

Reorganization cases are very limited in number throughout the country, including in Zagreb. Specific expertise is key in driving efficiency.

- **Smaller, specialized courts, such as those in Split or Rijeka, are generally more able to stick to the time limits prescribed by law for some of the milestones in the reorganization process.** However, Zagreb is also efficient in conducting reorganization proceedings, thanks to a larger number of judges with expertise on corporate law and economics. Both private and public contributors suggested that the use of the reorganization instrument could be increased.





Source: Subnational Business Ready

Business Insolvency in Croatia

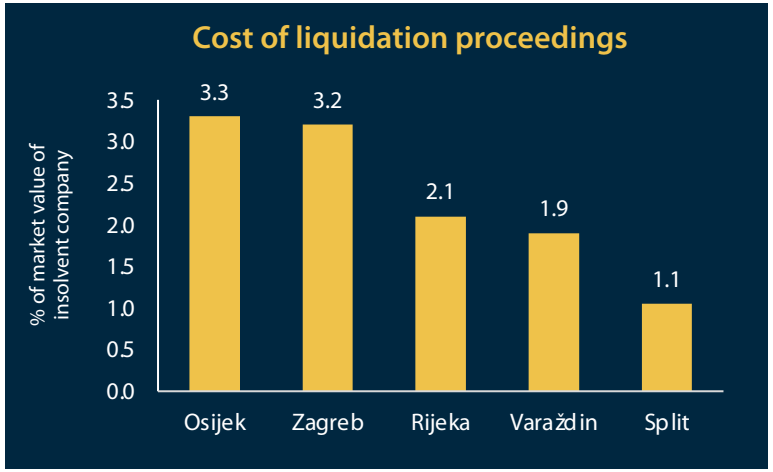
Pillar III: **Operational Efficiency of Resolving Judicial Insolvency Proceedings (2/2)**

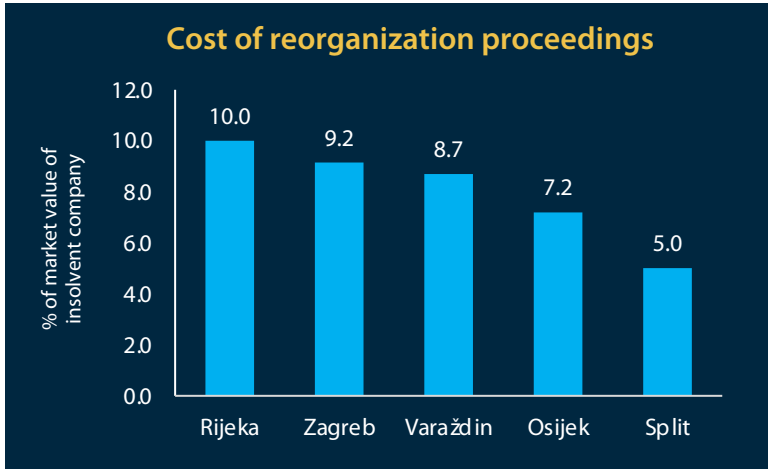
Cost for liquidation and reorganization procedures in Croatia

- In principle, **insolvency administrators (IAs) and lawyers' fees represent the main cost component for insolvency in Croatia.** Respondents in the Split court, where proceedings are more efficient, report reduced hourly/monthly fees.
- In practice, however, **debtors are usually represented by IAs, and lawyers infrequently represent the creditors, as their fees are rarely prioritized nor recovered in the insolvency proceedings.**
- **Zagreb is one of the most expensive cities for insolvency cases, given their higher complexity, but also because of the higher capitalization of companies**—leading also to higher probabilities of using a lawyer and IAs.
- **Costs in cities such as Rijeka and Varaždin, where a vibrant private sector is present, tend to be slightly higher,** as the possibility for credit recovery is also generally higher, given the larger amounts of available assets from insolvent companies.
- The costs of using IAs are regulated in the *Regulation on the criteria and method of calculation and payment of awards to bankruptcy trustees* (O.G. 105/2015). The Regulation prescribes a maximum amount that can be awarded to an IA, as well as the amount of any additional or special award. **However, when no assets are available, IAs and lawyers have difficulties in recovering their fees/awards.**

N.B.: An additional award can be assigned if the insolvency asset is monetized within one year from the reporting hearing—something that is very difficult to achieve. A special award can be given if the IA worked on more than 500 creditor claims, which is also very rare in practice.

COURT FEES: EUR 13.27 - proposal for opening the bankruptcy procedure; EUR 66.36 - fee for reporting claims; EUR 265.45 - fee for settling the debts of the bankruptcy estate (payable by the insolvency administrator from the bankruptcy estate after passing the decision). The total amount of the court fees is then EUR 345.08.





Source: Subnational Business Ready

Business Insolvency in Croatia

Areas of improvement for Business Insolvency proceedings (1/2)

Adopt tailored training programs for judges who are dealing with insolvency proceedings

Tailored educational programs for judges, in the fields of corporate law and economics, can contribute to efficiency. Noteworthily, taking advantage of special expertise on corporate and insolvency subject matters can lead to process streamlining and a faster resolution of cases. Tailored training programs for judges can also facilitate the dissemination of decisions, enhancing legal certainty and the predictability of judgements. Training programs also contribute to a more efficient ethical conduct by judges and adherence to insolvency rules. An example to replicate could be the involvement of the Economic College of Budapest in Hungary, which is actively involved in pilot projects, particularly in testing new programs and initiatives related to insolvency. The College promotes collaboration and spreads knowledge in the field with other institutions, like the Hungarian School of Judiciary. One of the key functions of the Economic College is to train insolvency-related judges. It aims to provide specialized training to judges who handle insolvency cases, allowing them to have a deep understanding of the subject matter.

Relevant stakeholder: Ministry of Justice, Public Administration and Digital Transformation

Implement continuous training programs for insolvency administrators

Specific trainings directed at gaining specialized knowledge of insolvency law, financial analysis and corporate governance enable insolvency administrators (IAs) to assess the financial well-being and viability of debtors' businesses, towards the adoption of better-informed decisions. Continuous training ensures that IAs are constantly updated about reforms, best practices, and emerging trends, as an essential element to improve effective case management and the overall quality of the proceedings, as well as maintaining public confidence in the judicial system.

Relevant stakeholder: Ministry of Justice, Public Administration and Digital Transformation

Business Insolvency in Croatia

Areas of improvement for Business Insolvency proceedings (2/2)

Enforce audits and evaluations of insolvency administrators' performance

Enforcing audits and evaluations of IAs' performance helps to maintain their accountability, efficiency and transparency, as well as to uphold high standards of professionalism. Regular assessments of the IAs' performance is a driver for accountability in case of misconduct or negligence. Audits often identify areas for improvement, leading to a more efficient use of resources and enabling IAs to learn from the best practices in this area of business and enhance their effectiveness in managing insolvency cases. The evaluation of the IAs' work promotes transparency by revealing strengths and weaknesses and builds trust among stakeholders, including creditors, debtors, and the public.

Relevant stakeholder: Ministry of Justice, Public Administration and Digital Transformation

Implement special rules for micro-, small and medium-sized enterprises (MSMEs)

Special insolvency rules for MSMEs can simplify the process to support financially distressed businesses so that they can recover faster and more effectively. Such rules include easier evidentiary requirements to start insolvency proceedings for MSMEs with a small number of employees, a shorter duration of insolvency proceedings allowing for a quicker resolution, as well as reduced legal and administrative costs due to streamlined procedures. Overall, favorable insolvency rules for MSMEs can encourage entrepreneurship by providing a safety net and second chances for struggling businesses.

Relevant stakeholder: Ministry of Justice, Public Administration and Digital Transformation

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