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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The report was edited by Matt Zoller, Deviah Machimanda Appaiah, Charles Hagner, and Susan Boulanger; the layout was produced by Luis Liceaga.

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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.

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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.

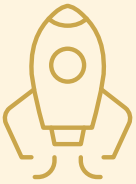
By highlighting both achievements and areas for improvement, these assessments aim to support national and regional policy makers in driving meaningful reforms. In this way, the project exemplifies the shared commitment of the World Bank and DG REGIO to enhancing economic cohesion and resilience within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

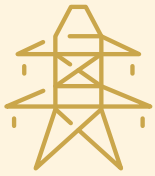
Another solution to increase efficiency would be to invest in improving workflow methodology and internal IT processes to determine the reallocation and hiring of staff to handle the applications. Improving the building-permitting process is possible by hiring a greater number of new skilled professionals, 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).

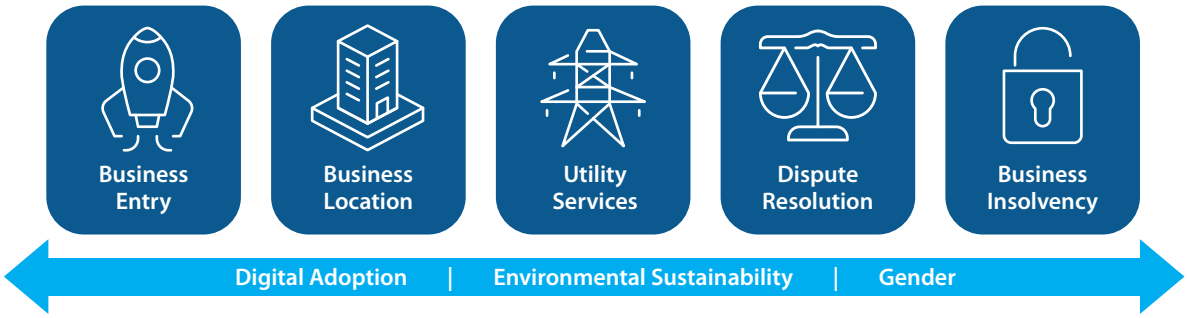
Map 1. Cities in Croatia Covered by Subnational B-READY

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.

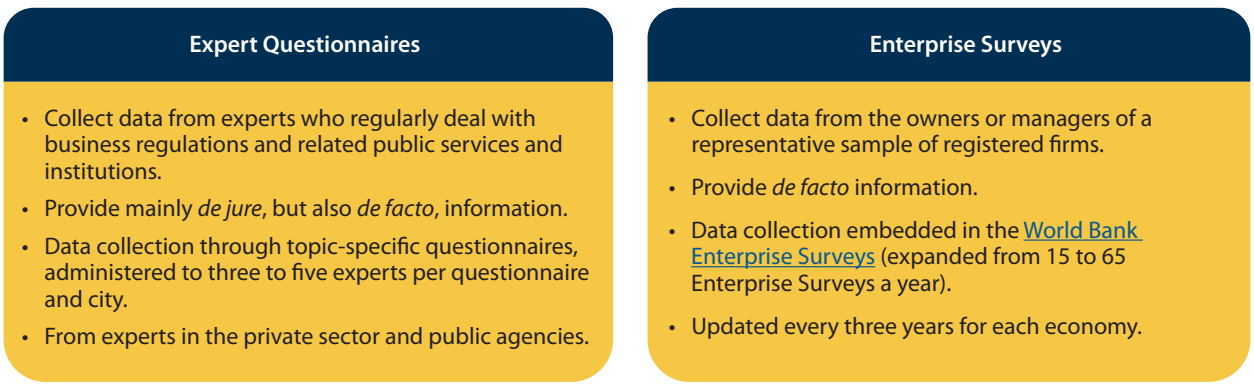
The Subnational B-READY combines primary data from expert questionnaires with data collected through Enterprise Surveys following the Global B-READY methodology (figure 3). In the EU context, data from the Enterprise Surveys aggregated at the NUTS2 region level were used for each city. Detailed data 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.

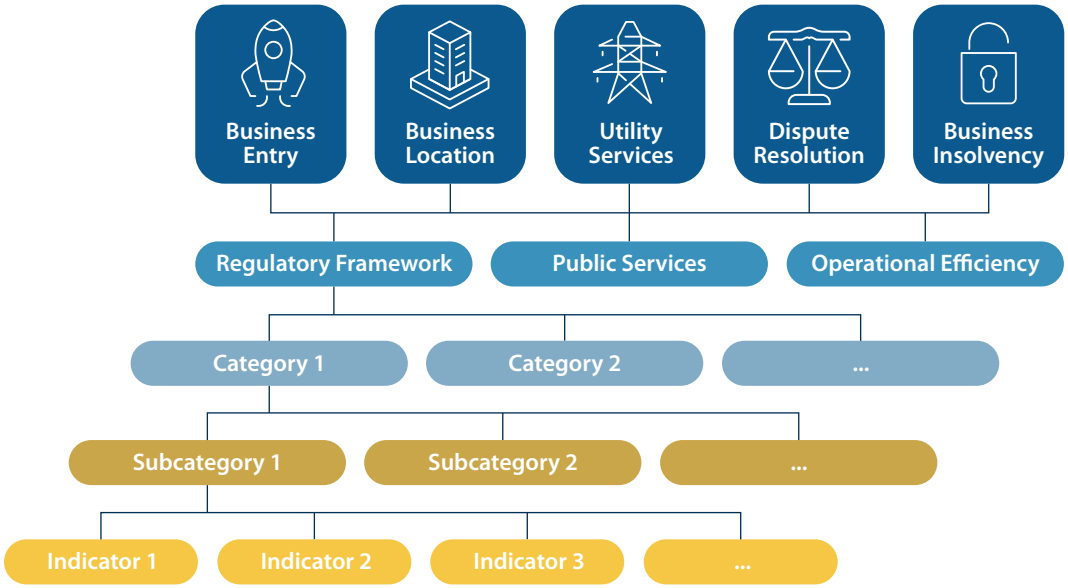
Figure 3. Subnational B-READY Data Sources



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

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.

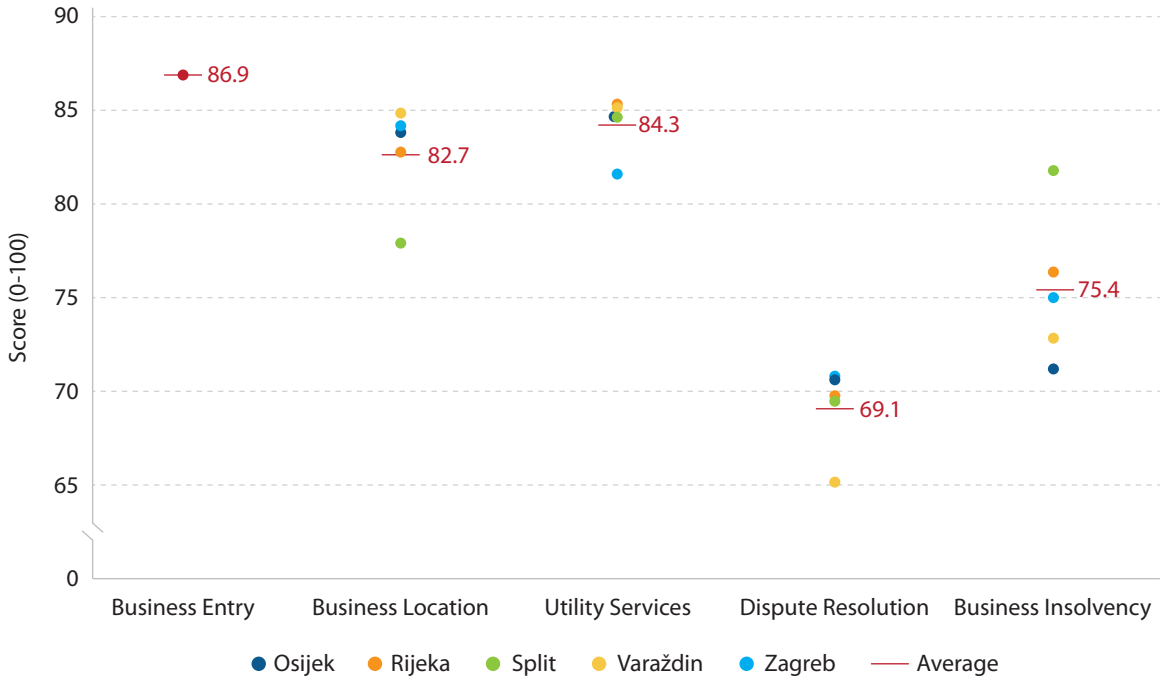
Cross-city scores are mostly homogeneous in the Utility Services topic, except for the case of Zagreb. The capital city's score is significantly lower than that of the other cities. This is mainly because the water-connection process takes longer in Zagreb than in the other cities measured. In Osijek,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

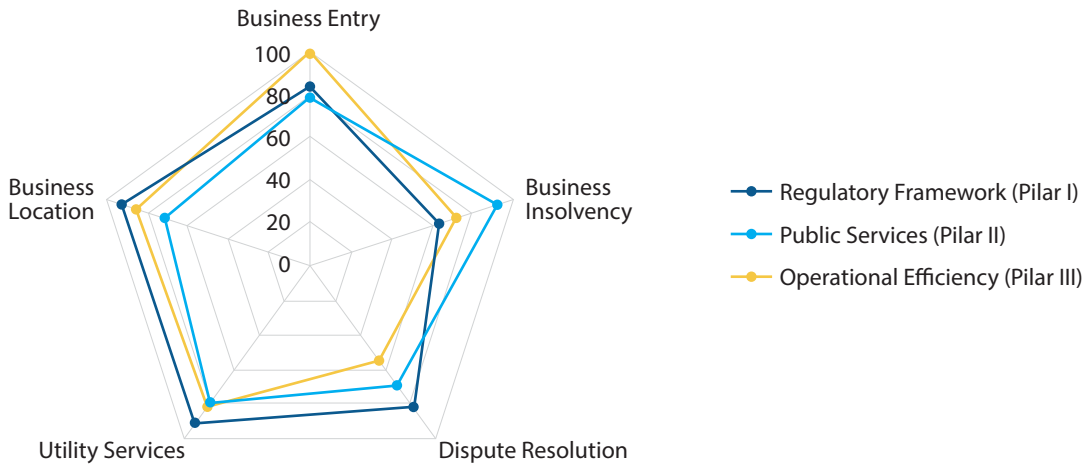
provides for monitoring of tariffs and service quality, implements safeguards for the safety of utility connections, and mandates environmental standards for electricity generation, transmission, and distribution. Remarkably for Business Insolvency, the Pillar I score, at 63.4 points, is significantly 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-

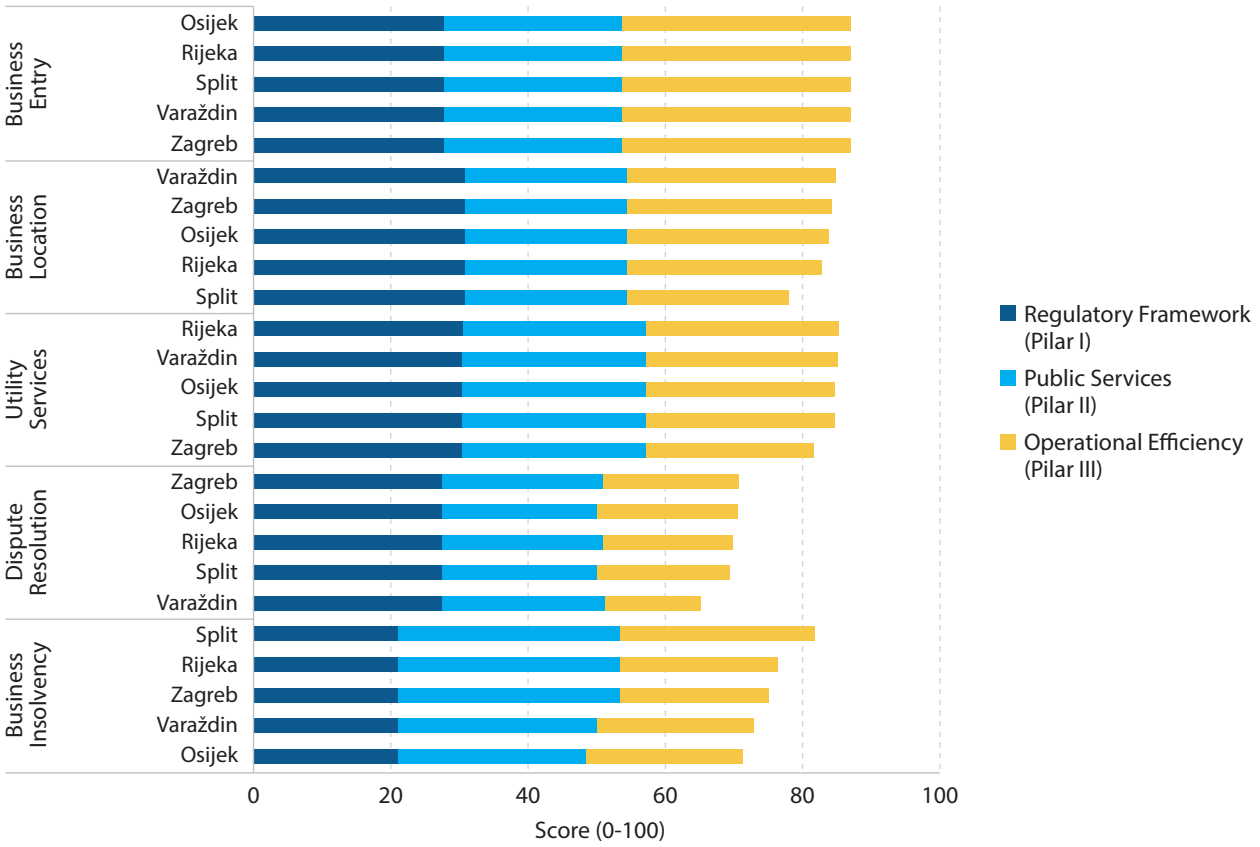
Figure 6. Average Pillar scores, by Topic



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

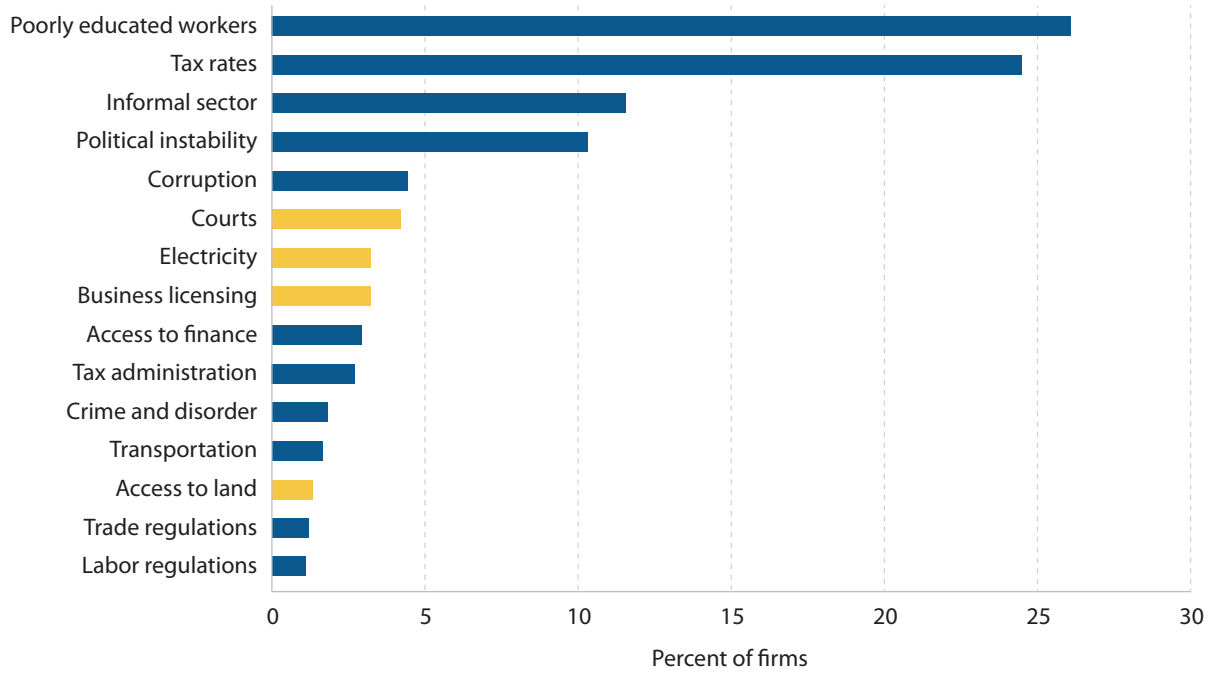


Source: Subnational Business Ready

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



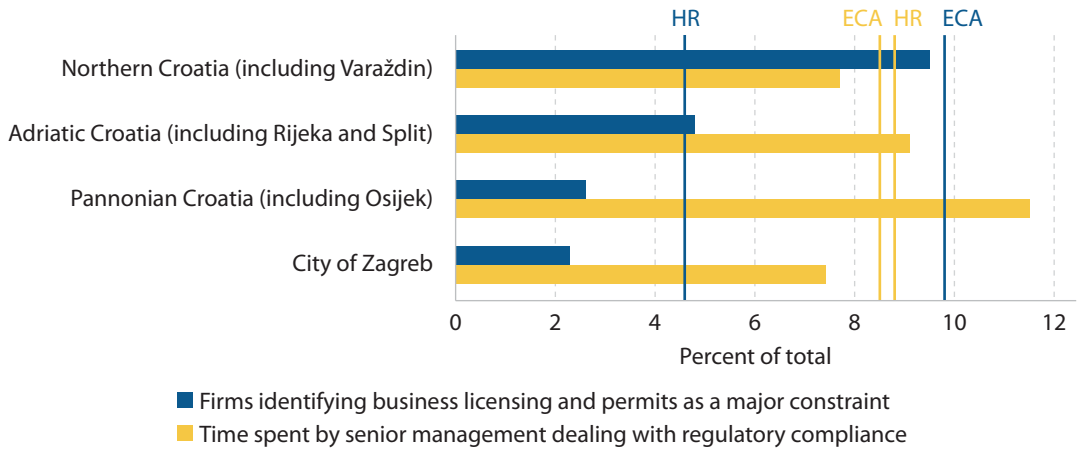
Source: World Bank Enterprise Surveys 2023
Note: Respondents were asked to choose the biggest obstacle from a list of 15 obstacles. Yellow bars show responses directly related to areas studied by *Subnational Business Ready*.

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).

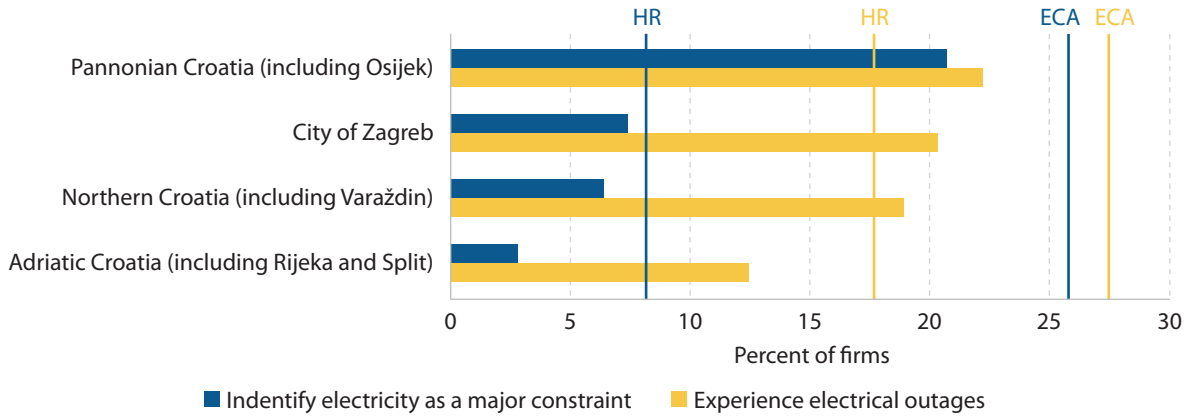
In the area of electricity, based on the firm-level data, 17.7 percent of firms countrywide experience electrical outages, which is significantly less than the Europe and Central Asia average of 27.5 percent. Across regions, significantly fewer firms in the Adriatic region claim to experience electrical 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.

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.

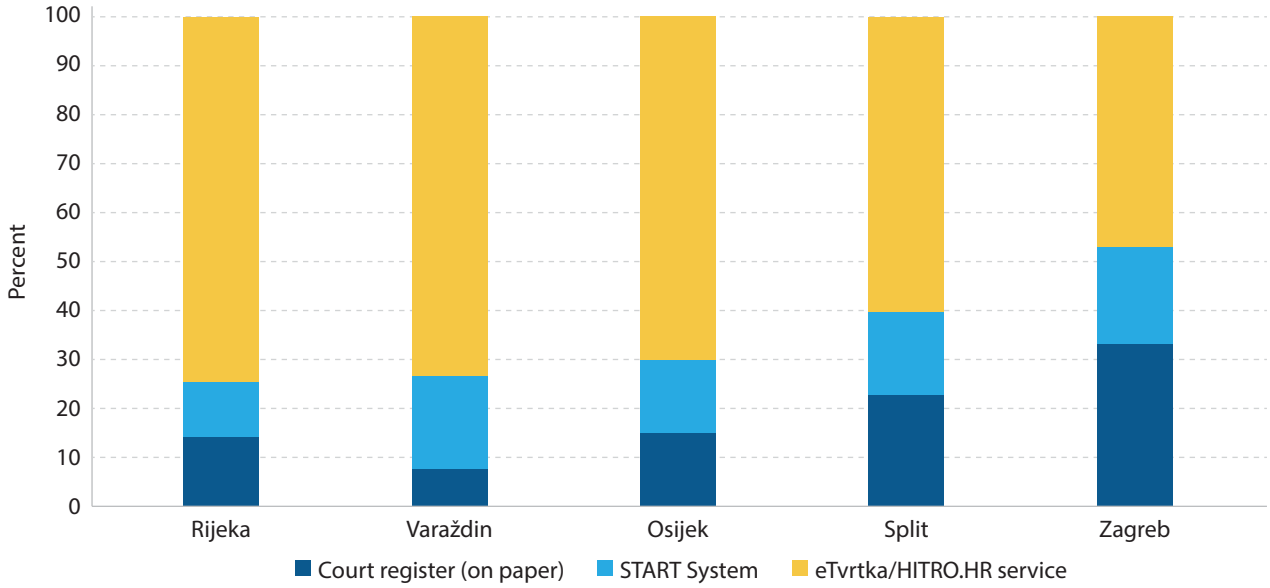
Regarding the availability and transparency of online information, official websites offer details on the documents necessary to establish a new business, associated fees, service standards, and public programs supporting small and medium-sized enterprises, including those led by women. In addition, 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," of the full report, 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.

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.

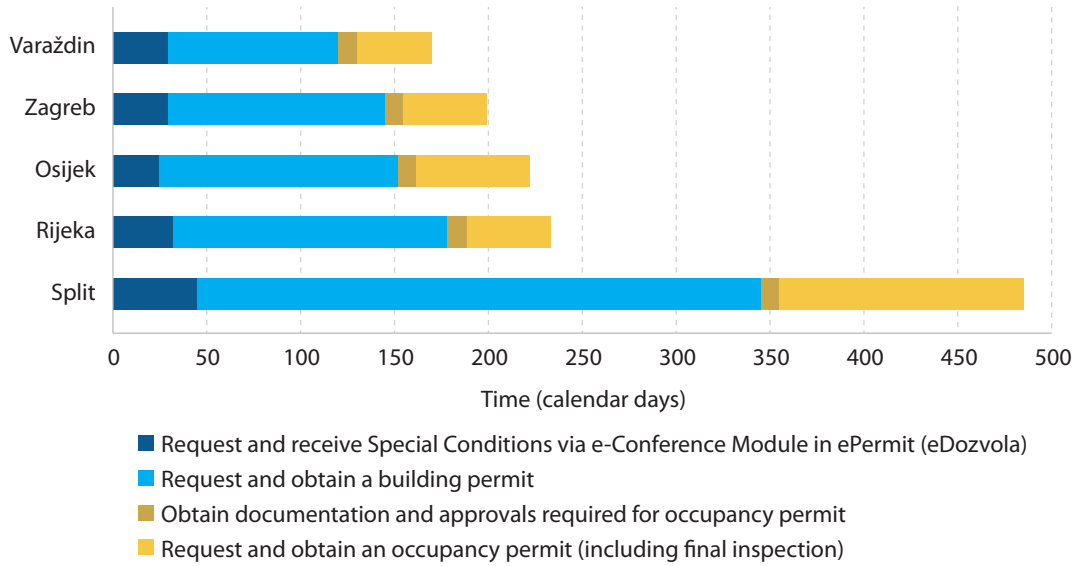
Good practices are also present in the transparency of information. Planning and building control regulations, as well as requirements to obtain a building permit and an occupancy permit, are publicly accessible. Similarly, information on up-to-date fee schedules, city master plans/zoning plans, and 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," of the full report, 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," of the full report, 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.

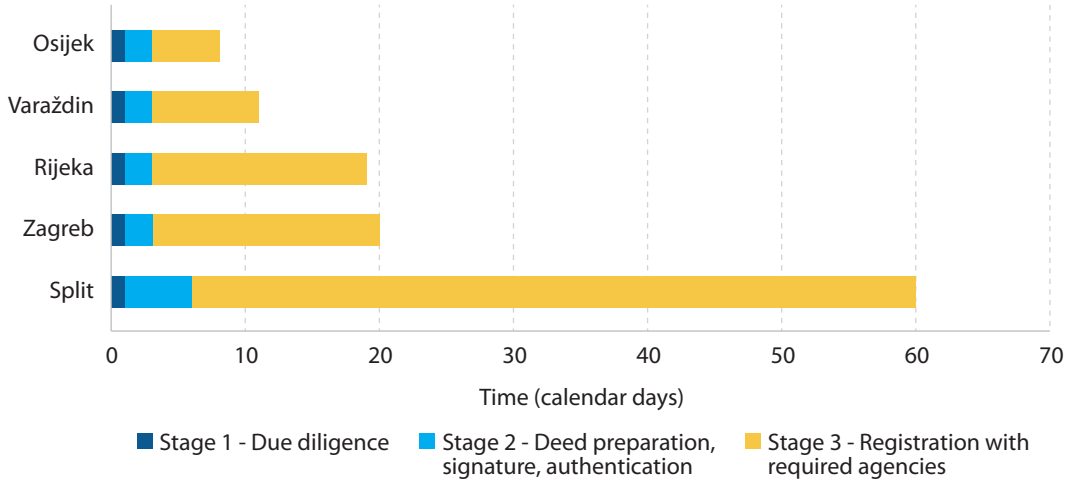
The list of requirements for Property Transfers and fee schedules are available online at the Land Registry and Cadaster websites, along with the statistics on the number and types of property-related transactions. However, the websites of these institutions have not published service standards. Additionally, 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," of the full report, 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.

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," of the full report, 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," of the full report, 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," of the full report, 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.

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 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," of the full report, 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.

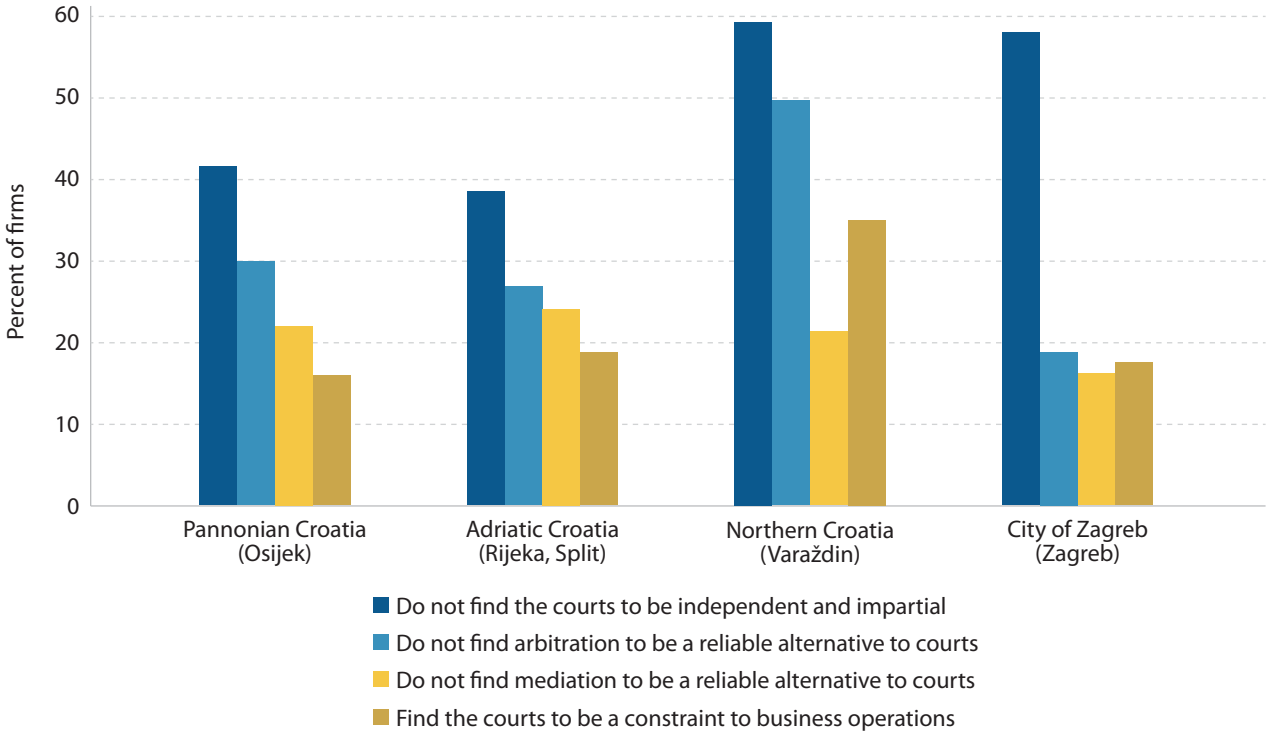
summaries. Regarding mediation, there are no financial incentives to mediate, and no statistics are published.

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



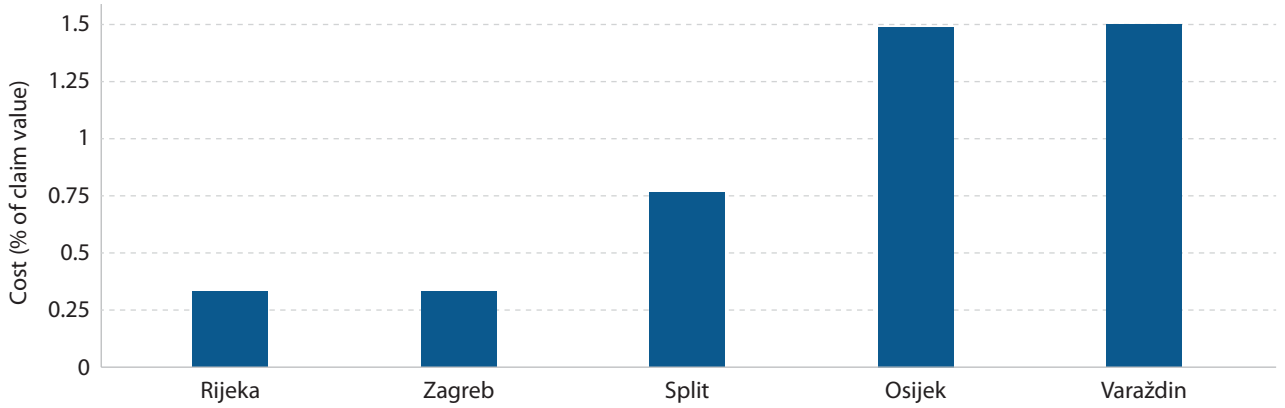
Source: World Bank Enterprise Surveys 2023

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.

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," of the full report, 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.

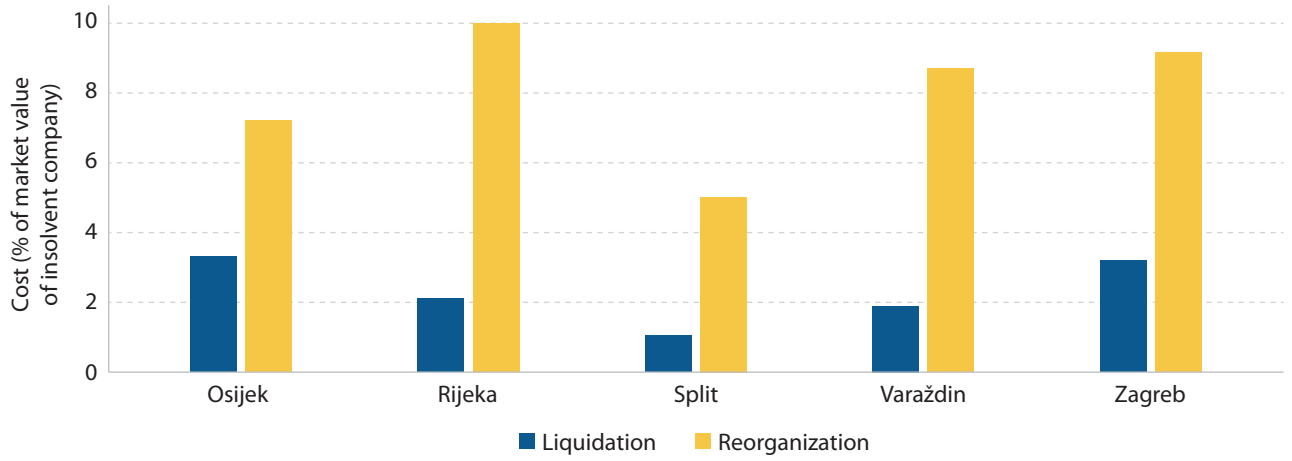
The duration of liquidation and reorganization proceedings varies considerably across the cities. The court in Split, for example, takes 24 months for liquidation, given, among other factors, the higher degree of specialization of judges in the law and economics field. Zagreb, on the other hand, requires 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.

With funding by the European Commission