

1. Summary

This report summarizes the key activities, findings, recommendations and results implemented under the Croatia Business Environment Program (P163649), supported by the European Commission Structural Reform Support Service (SRSS).

The main counterparts for this program were the Ministry of Economy, Entrepreneurship and Crafts (MoEEC) and the Agency for Investments and Competitiveness (AIK). Under this program the World Bank group provided technical assistance to the Government of Croatia in improving the business environment by establishing the foundations for a modern, electronic, centralized and up-to-date registry unifying data on all business entities operating in Croatia.

The following components were implemented under the program:

A Methodology Development

A.1 Diagnostics

A.2 Data Collection

B. Analysis and Recommendations

B.1. Analysis

B.2. Recommendations

The diagnostics identified that business registration in Croatia is a scattered process involving many agencies and disparate technology platforms. Business owners need to visit government agencies multiple times (often in person), submit the same information multiple times (mostly in paper form) and follow numerous steps to formalize their business. The agencies involved in the process are bound by complex legal framework and lack a national interoperability technology platform to enable sharing of information. The process for formalizing a business is time consuming, expensive and lacks the appropriate security features of modern systems.

At the same time the **business entry regime in Croatia has a great potential to evolve and become more streamlined, rule-based and transparent in accordance with the relevant EU directives and good international practices.** The World Bank team identified the strengths of all involved agencies, key eGovernment enablers such as a common business identifier (OIB), as well as existing and planned initiatives which can lead to the implementation of the required reforms in a relatively short time frame -- assuming better inter-agency coordination and improved governance of business entry processes.

The World Bank team identified a set of principles for reforms which are outlined below, followed by the key issues and gaps, feasible options for reform and a three-phased implementation roadmap.

All the details used to design the reform options and implementation roadmap are presented in the Diagnostic Report and ICT Assessment reports. The approach recommended by the World Bank team is evolutionary, aligned with existing and planned projects contained in the strategies and action plans already adopted by the Government of Croatia. The modernization of the business registration project will leverage these ongoing and planned initiatives and, with proper coordination and governance, would lead to achievement of the reform principles in a reasonable timeframe with minimum additional investments.

The recommendations given under this program received broad support by key stakeholders, both from government as well as from the business community. There is consensus that all preconditions have been met to achieve significant progress in this area. The World Bank team conducted several awareness raising events during the implementation of this program – from focus groups with businesses to a hackathon with relevant government agencies, and a high level final event to present the results of the program. Due to these activities, there is an increased awareness and consensus of all stakeholders to move towards modernization of the business registration by applying an integrated approach, thus eliminating separate and parallel processes.

The Government of Croatia enacted a Decree on integration of business entry procedures on August 4, 2018 (official gazette 71/2018). This Decree set the path for implementation of an integrated business entry process. This Decree is an important milestone and the first major step in a more comprehensive integration of all business registry functions in the country.

In order to implement the above Decree, upon completion of this program, the MoEEC will continue to work with the Financial Agency (FINA) and other stakeholders on designing an integrated business registration process (START) that is due to be launched early next year (2019). In parallel, The Ministry of Justice is preparing amendments to key laws that govern business registration, namely the Companies' Act, the Law on Court Registers and the Law on Notaries. These amendments represent an opportunity to regulate this area in a more comprehensive way.

The reform impact is likely to be significant. According to the e-Government Strategy and Action Plan 2020, using the Standard Cost Model (SCM) methodology, it was calculated that implementing electronic procedures for starting a business through a single point of contact would **reduce administrative costs by at least 70 percent**.

In addition, even by just implementing the first phase of the reforms, as proposed in the recommendations of the WBG team, the integration of business entry and automation of the process has the potential to reduce business **registration procedures from 8 to 2** as counted by the Doing Business.