

# Croatia's business environment ranking deteriorates

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# PRESS RELEASES

## Croatia's business environment ranking deteriorates

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According to the World Bank's *Doing Business 2018 Report*, Croatia ranks 51st among 190 economies worldwide on the ease and efficiency of doing business (71.7 points). In the last year's report also covering 190 countries, it ranked 43rd with a score of 72.99 points.

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### What this is all about and what is measured

For fifteen years now, the World Bank has conducted a comprehensive survey of business environment in almost all world economies, measuring the simplicity and ease of doing business in an objective and comparable way. The rankings are determined for the following ten areas of regulation: starting a business, dealing with construction permits, getting electricity, registering property, getting credit, protecting minority investors, paying taxes, trading across borders, enforcing contracts and resolving insolvency. Where business environment is complex or investor-unfriendly or where business rules are subject to constant and largely unpredictable changes, potential investors and entrepreneurs are deterred from investing and doing business and are consequently prone to withdraw their capital and invest it elsewhere.

### Remarkable improvements in business environment worldwide

The *Doing Business 2018* data clearly show substantial progress in removing, or at least reducing obstacles to more efficient and successful private sector business activity. Nevertheless, small and medium-sized enterprises are still often burdened with too many unclear regulations reducing their business performance, which ultimately impairs the overall economy's competitiveness and narrows room for creating new jobs. In the period from June 2016 to June 2017, *Doing Business* recorded 264 regulatory reforms aimed at facilitating doing business, with at least one reform carried out in 119 countries. Over the past ten years, the bulk of reforms were conducted in Europe and Central Asia, while in the period covered by the latest survey, the largest number of reforms (as many as 83 in a year) were implemented in Sub-Saharan Africa.

### What are the best countries for doing business?

According to the latest survey findings, the best countries to do business in are: New Zealand, Singapore, Denmark, the Republic of Korea, Hong Kong, USA, Great Britain, Norway, Georgia and Sweden, while the worst-ranked economies when it comes to business climate include South Sudan, Venezuela, Eritrea and Somalia. Among countries in the region, Macedonia holds the excellent 11th place. Slovenia ranks 37th, Kosovo 40th, Montenegro 42nd, Serbia 43rd, Albania 66th and Bosnia and Herzegovina 86th. The most remarkable improvements, with a total of 53 regulatory reforms

implemented in one year, were seen in Brunei, Thailand, Malawi, Kosovo, India, Uzbekistan, Zambia, Nigeria, Djibouti and Salvador.

### **Where does Croatia stand?**

In the current report, Croatia's overall ranking is 51 (out of 190 surveyed economies), down from its last year's ranking of 43 (out of 190). As in other economies, its specific rankings vary, depending on a topic involved, e.g. it ranks 126th on dealing with construction permits, 95th on paying taxes, 87th on starting a business, 79th on getting electricity, 77th on getting credit, 60th on resolving insolvency, 59th on registering property, 29th on protecting minority investors and 23rd on enforcing contracts. Nevertheless, Croatia is a leader in trading across borders. The country made progress in registering property, but regressed in terms of dealing with construction permits, given the still large number of necessary documents, as well as lengthy and expensive procedures.

### **How did the Government react to the World Bank ranking?**

In its [Press Release](#) of October 31, 2017, the Government points out that the WB's report relates to the period between early June 2016 and June 2017, except for tax payment indicators which are only relevant for the calendar year 2016. Consequently, the report fails to include the effects of the comprehensive tax reform implemented as of January 1, 2017. It is therefore not surprising that the sharpest drop was seen in this component indicator. The Government further notes that progress was made on 4 out of 10 topics dealt with in this report, and that the country retained the highest ranking on trading across borders among 190 economies. The Government expects that the positive impacts of the tax reform and of the [Action Plan for Administrative Relief of the Economy](#), to be included only in the next WB's report, will surely result in a much higher overall rating of the country.

### **Lessons for the future**

In the short run, one should be neither too worried nor enthusiastic about the negative and positive changes in the WB's survey indicators respectively. In the long run, however, any absence of improvement, or even deterioration in the business climate would become a cause of serious concern. Nevertheless, it should be hoped that Croatia will succeed in creating a stable, simple and predictable legal framework to provide effective support to investors, which will consequently improve the country's rankings in future *Doing Business* reports.