

COMPARATIVE ANALYSIS OF THE HUNGARIAN AND CROATIAN LEGAL, ADMINISTRATIVE AND INSTITUTIONAL SYSTEMS FROM THE PERSPECTIVE OF CROSS-BORDER BUSINESS COOPERATION

This document was prepared within the framework of the BRIDGING BORDERS project
(HUHR/2401/5.1/013).

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May 2026.



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1. Introduction

1.1. Purpose of the Analysis and Its Connection to the Bridging Borders Project

This comparative analysis was prepared within the framework of the Bridging Borders project, which aims to strengthen economic cooperation in the Hungarian–Croatian border region and to explore the legal, administrative and institutional environment influencing business operations.

As a first step of the project, a detailed analysis of the Hungarian business environment was completed. Building on that work, the present document provides a comparative assessment of the Hungarian and Croatian regulatory systems based on the criteria defined within the project.

The objectives of the analysis are:

- to compare the business environments of the two countries;
- to identify factors influencing cross-border business activities;
- to explore regulatory and administrative differences;
- to examine practical challenges faced by businesses;
- and to identify potential synergies and development opportunities.

The research focuses primarily on micro, small and medium-sized enterprises (SMEs), as well as innovative start-up companies, as these actors play a key role in the economic development of the border region.

1.2. Methodology

The comparative analysis is based on:

- the analysis prepared on the Hungarian side;
- background materials provided by the Croatian partner;
- legal and policy documents;
- academic and professional literature;
- and stakeholder interviews conducted within the project.

For each thematic area, the analysis follows the same structure:

1. Hungarian regulatory environment.
2. Croatian regulatory environment.

3. Comparative assessment.
4. Impact on businesses.

2. Economic Context of the Hungarian–Croatian Border Region

The economic structure of the Hungarian–Croatian border region is primarily shaped by micro, small and medium-sized enterprises.

Key sectors in the region include:

- services,
- tourism,
- agriculture,
- the food industry,
- manufacturing,
- and logistics services.

In both countries, the overwhelming majority of businesses belong to the SME sector. However, the intensity of international cooperation and the degree of economic integration remain limited.

Based on the interviews conducted, businesses show strong openness towards cross-border cooperation, although several administrative, informational and partner-search-related obstacles continue to hinder such cooperation.

Among the programmes supporting the development of cross-border economic relations, the B Light (Beneficiary Light Grant Scheme) programme deserves special mention. The programme provided direct support for joint development initiatives implemented by Hungarian and Croatian SMEs. These collaborations contributed to the establishment of new business partnerships, the implementation of innovation projects and the strengthening of the international competitiveness of participating enterprises.

The experiences of the B Light programme demonstrate that businesses in the border region have a genuine interest in joint development projects and cross-border business cooperation. Based on these positive experiences, the programme continues in the 2021–2027 programming period.

3. Business Establishment Procedures and Requirements

3.1. Hungary

In Hungary, the process of establishing a business is highly digitalised. The most common legal form is the limited liability company (Kft.), which offers relatively simple incorporation requirements.

Company registration is carried out electronically with the assistance of a lawyer, and thanks to simplified procedures, registration is usually completed within a short period.

3.2. Croatia

In Croatia, the most common business forms are the d.o.o. and j.d.o.o. companies. Electronic solutions are also available during the company formation process; however, businesses often place greater emphasis on personal administration and local expert support.

3.3. Comparative Assessment

In both countries, company formation is a relatively fast and predictable process. The main differences can be observed in the practical implementation of administrative procedures.

Hungary places greater emphasis on digitalisation and standardised procedures, while in Croatia local administrative practices play a more significant role.

3.4. Impact on Businesses

The process of establishing a business does not represent a major obstacle in either country. However, during subsequent operations, familiarity with the local regulatory environment and access to appropriate professional expertise become increasingly important.

4. Tax System and Tax Obligations

4.1. Hungary

One of the most frequently cited competitive advantages of the Hungarian business environment is the low corporate income tax rate. At 9%, Hungary's corporate tax rate is among the lowest in the European Union, creating favourable conditions for both domestic and foreign investors. However, when evaluating the overall tax burden faced by businesses, corporate tax alone is not sufficient. Business operations are influenced by several other taxes and contributions.

The most important taxes include:

- Corporate Income Tax (CIT);
- Value Added Tax (VAT);
- Local Business Tax (LBT);
- Social Contribution Tax;
- Innovation Contribution;
- Vehicle Tax;
- and certain sector-specific taxes.

For micro and small enterprises, the Small Business Tax (KIVA) plays a particularly important role, as it can provide simplified administration and, in certain cases, a more favourable tax burden.

One of the strengths of the Hungarian tax system is its advanced level of electronic administration. The systems operated by the National Tax and Customs Administration (NAV) enable online tax filing, electronic communication and automated data processing. Online invoice reporting and electronic tax administration systems have significantly increased the transparency of tax administration in recent years.

4.2. Croatia

Croatia's tax system also follows the regulatory framework of the European Union. Corporate taxation operates through a differentiated system that may provide more favourable conditions for smaller enterprises.

The main taxes affecting business operations include:

- Corporate Income Tax;
- Value Added Tax (PDV);
- Personal Income Taxes;

- Social Security Contributions;
- Local Taxes and Fees.

One characteristic of the Croatian system is that local and regional specificities play a more important role in certain areas, which may result in different administrative experiences for businesses.

In recent years, Croatia has made considerable progress in the development of electronic tax administration. Businesses can increasingly manage administrative procedures online; however, according to interviewees, administrative practices remain less uniform than in Hungary.

4.3. Comparison of VAT Systems

Value Added Tax is a key component of business operations in both countries.

Hungary applies one of the highest standard VAT rates in the European Union. At the same time, several reduced rates are available for specific products and services.

Croatia also operates a multi-rate VAT system, although the standard rate differs from that applied in Hungary.

In cross-border business relations, particular importance is attached to:

- the treatment of intra-Community supplies of goods;
- the taxation of services;
- the regulation of VAT-exempt transactions;
- and electronic invoicing and record-keeping requirements.

According to the interviews, these issues often represent the greatest source of uncertainty for businesses engaged in international activities.

4.4. Local Taxes and Business Costs

When evaluating the overall tax burden of businesses, local taxes must also be considered.

In Hungary, the Local Business Tax (HIPA) represents a significant cost factor for many enterprises. Croatian local governments also possess certain taxation powers; however, the structure of the system differs from Hungarian practice.

As a result, decisions regarding business location may be influenced not only by national tax policies but also by local tax burdens and administrative conditions.

4.5. Cross-Border Taxation Issues

International taxation rules are particularly important in Hungarian–Croatian economic relations.

Key issues for businesses include:

- avoidance of double taxation;
- the concept of permanent establishment;
- international employment of workers;
- taxation of services;
- transfer pricing regulations;
- and the application of EU tax rules.

Several interviewed businesses emphasized that they regularly rely on external accountants and tax advisors when dealing with cross-border transactions.

4.6. Comparative Assessment

The tax systems of both countries pursue broadly similar objectives: ensuring public revenues, supporting economic growth and complying with EU regulations.

Hungary's primary competitive advantages are its low corporate tax rate and highly digitalised administration. Croatia's advantages are more closely linked to regional specificities and favourable taxation solutions designed for certain categories of businesses.

From the perspective of businesses, however, the key conclusion is that taxation issues continue to require considerable expertise in cross-border activities and remain one of the most important areas of regulatory compliance.

5. Labour Regulation and Employment

5.1. Hungary

Hungarian labour regulation is primarily based on the Labour Code, which defines the most important rules governing employment relationships between employers and employees.

The system seeks to balance the protection of employee rights with the provision of a predictable employment environment for economic actors.

Employment relationships may only be established through a written employment contract. Employers are required to register employees with the authorities before employment begins and fulfil all related tax and social contribution obligations.

One of the defining features of the Hungarian system is its detailed regulation. Legislation precisely defines:

- working time and rest periods;
- overtime conditions;
- annual leave entitlements;
- wage payment requirements;
- and conditions for termination of employment.

Businesses benefit from the predictability and uniform application of these regulations.

5.2. Croatia

Croatia's labour system is also based on European Union labour law standards.

The regulation of employment relationships follows a similar logic to that applied in Hungary.

Key elements include:

- employment contracts;
- minimum wage provisions;
- working time regulations;
- annual leave entitlements;
- protection of employee rights.

An important feature for businesses is that sectoral agreements and collective bargaining arrangements play a stronger role in certain industries.

Due to the importance of tourism in the Croatian economy, seasonal employment and temporary workforce management receive particular attention, especially in coastal regions.

5.3. Comparison of Employment Forms

In both countries, standard employment relationships remain the most common form of employment.

However, the importance of atypical employment arrangements has increased significantly in recent years.

These include:

- part-time employment;
- fixed-term contracts;
- remote work;
- home office arrangements;
- project-based employment;
- and certain forms of self-employment.

Following the COVID-19 pandemic, acceptance of remote working increased substantially in both countries, particularly within the IT and service sectors.

5.4. Minimum Wage and Labour Costs

Labour costs and minimum wage regulations have a significant impact on business operations.

Both countries maintain statutory minimum wages that are regularly reviewed.

According to the interviews, businesses do not view minimum wage increases as the primary challenge in themselves; rather, the problem lies in the simultaneous increase in total employment costs.

This particularly affects:

- labour-intensive sectors;
- small enterprises;
- and companies operating in rural areas.

At the same time, wage growth plays an important role in retaining workers and reducing outward migration.

5.5. Cross-Border Employment

Cross-border employment is a particularly important issue for businesses operating in the Hungarian–Croatian border region.

Businesses must take into account:

- EU coordination rules;
- regulations concerning posted workers;
- social security obligations;
- and taxation requirements.

Although the European Union has significantly facilitated the free movement of labour, businesses still face complex compliance requirements in practice.

According to interviewees, many companies rely on external experts in this field.

5.6. Employee Retention and Human Resource Challenges

Employee retention is becoming an increasingly significant challenge for businesses in both countries.

The most frequently mentioned problems include:

- shortage of skilled professionals;
- increasing wage expectations;
- migration of young workers;
- and difficulties associated with generational change.

In border regions, businesses often compete for the same limited labour pool, further increasing employment costs.

Several interviewees highlighted that the following factors will become increasingly important in the future:

- employer branding;
- provision of training opportunities;
- flexible working arrangements;
- and long-term employee motivation.

5.7. Comparative Assessment

The labour regulations of the two countries operate within broadly similar frameworks.

The most important differences arise not from legislation itself but rather from economic structures and labour market characteristics.

The main challenges in both Hungary and Croatia include:

- shortages of skilled labour;
- increasing employment costs;
- employee retention;
- and demographic trends.

One of the key findings of the research is that labour shortages currently represent a greater challenge for businesses than labour regulation itself.

5.8. Impact on Businesses

The labour and employment environment directly influences business competitiveness.

As a result of labour market challenges:

- operating costs increase;
- expansion becomes more difficult;
- investment activity may slow down;
- and business growth opportunities may become limited.

For the Bridging Borders project, an important conclusion is that Hungarian and Croatian businesses face very similar challenges in this field, creating a strong basis for joint training programmes, workforce development initiatives and knowledge-sharing activities.

6. Availability of Skilled Labour

6.1. Hungary

The availability of skilled labour is one of the most important competitiveness factors for Hungarian businesses.

In recent years, companies have increasingly reported that their growth is constrained not by financing or market demand but by difficulties in finding suitable employees.

The problem is particularly significant in:

- manufacturing;
- mechanical engineering;
- construction;
- information technology;
- healthcare;
- and logistics.

One of the most important characteristics of the Hungarian labour market is the existence of substantial regional disparities.

While highly qualified labour is concentrated in certain metropolitan areas, businesses operating in peripheral regions—including the Hungarian–Croatian border area—often face severe labour shortages.

According to business feedback, the challenge is not only the number of workers available but also the lack of appropriate skills and competencies.

6.2. Croatia

Similar trends can be observed in Croatia.

Businesses experience labour shortages across numerous sectors, particularly in fields requiring high levels of expertise.

Major challenges include:

- emigration of young workers;
- limited availability of skilled labour;
- and population ageing.

Labour shortages particularly affect the tourism sector, which is one of the key pillars of the Croatian economy.

Due to seasonal employment patterns, businesses often need to recruit large numbers of workers within a short period, further increasing labour market pressures.

6.3. The Role of Education and Vocational Training Systems

Both countries place considerable emphasis on developing vocational education systems and adapting them to labour market needs.

In Hungary, the vocational education and training system has undergone significant transformation in recent years. The objectives have been to:

- strengthen practice-oriented training;
- improve cooperation between businesses and educational institutions;
- increase the labour market relevance of training programmes.

Similar objectives can be observed in Croatia, where efforts are also being made to develop education and training systems that better reflect the needs of businesses.

According to the interviews, however, a common perception in both countries is that a certain gap still exists between the education system and the actual needs of employers.

6.4. Higher Education and Innovation Capacities

The relationship between higher education institutions and businesses is becoming increasingly important from a competitiveness perspective.

In Hungary, technical, information technology and business-related higher education programmes play a significant role in supplying qualified labour to the business sector.

Businesses are particularly seeking:

- engineers;
- IT professionals;
- project managers;
- financial experts;
- employees with strong digital competencies.

Similar trends can be observed in Croatia, particularly in connection with the development of innovation- and technology-oriented sectors.

The growth of the startup ecosystem in both countries is increasing demand for highly qualified professionals capable of creating high added value.

6.5. Emigration and Demographic Challenges

One of the key findings of the research is that both Hungary and Croatia face very similar demographic challenges.

The most important issues include:

- population ageing;
- a declining working-age population;
- increasing mobility of young workers;
- and weakening population retention capacities in rural areas.

Businesses operating in the border region are particularly vulnerable to these trends, as the attraction of larger economic centres significantly reduces the locally available labour supply.

Several interviewed businesses emphasised that retaining existing employees will become an even greater challenge than recruiting new workers in the coming years.

6.6. Labour Import and International Employment

To address labour shortages, both countries increasingly rely on the employment of foreign workers.

Foreign labour is particularly common in:

- construction;
- manufacturing;
- logistics;
- agriculture;
- tourism.

At the same time, employing foreign workers creates additional administrative and organisational responsibilities for businesses.

6.7. Comparative Assessment

The labour market situations of the two countries display many similarities.

Common characteristics include:

- shortages of skilled workers;
- demographic challenges;
- outward migration;
- skills gaps;
- increasing wage pressure.

The differences are primarily linked to the relative importance of specific economic sectors and regional characteristics.

In both countries, the availability of labour has become one of the most important strategic issues affecting business development.

6.8. Impact on Businesses

The shortage of skilled labour directly affects:

- investment decisions;
- productivity;
- growth opportunities;
- innovation capacity;
- and international competitiveness.

For the Bridging Borders project, an important conclusion is that Hungarian and Croatian businesses face similar human resource challenges. This provides a strong basis for joint training programmes, professional networks, knowledge-sharing initiatives and workforce development cooperation.

7. Social Security and Contribution Systems

7.1. Hungary

The Hungarian social security system is based on financing healthcare and pension benefits through employment-related contributions.

The most important public charges for employers and employees include:

- social security contributions;
- social contribution tax;
- and other employment-related payments.

The system is highly digitalised, with the vast majority of registrations and declarations submitted electronically through the systems of the National Tax and Customs Administration (NAV).

7.2. Croatia

Croatia's social security system is based on similar principles.

The main components of the system include:

- health insurance;
- pension insurance;
- employee contributions;
- employer contributions.

Administrative obligations related to employment play an important role for businesses, particularly when employing foreign workers.

7.3. Comparative Assessment

The systems of both countries are aligned with European social welfare models.

The main similarities include:

- mandatory social insurance;
- employer and employee contributions;
- healthcare and pension benefits;
- the increasing role of electronic administration.
- Differences are primarily observable in:

- the structure of contribution burdens;
- reporting procedures;
- and practical aspects of institutional operation.

7.4. Impact on Businesses

Particularly important considerations for businesses include:

- predictability of employment costs;
- knowledge of international employment regulations;
- and ensuring the avoidance of double contribution payments.

For businesses operating in border regions, the management of foreign workers and employee postings often requires specialised expertise.

8. Licensing and Administrative Requirements

8.1. Importance of Licensing Systems

The licensing and regulatory environment significantly influences business operations.

Although the European Union has harmonised regulations in many fields, Member States continue to organise licensing procedures according to their own institutional and administrative systems.

The objectives of licensing systems include:

- protecting the public interest;
- ensuring consumer protection;
- environmental protection;
- enforcing public health requirements;
- guaranteeing safe economic activity.

8.2. Hungary

In recent years, Hungary's licensing system has undergone substantial simplification and digitalisation.

Businesses most frequently encounter licensing requirements in the following areas:

- construction projects;
- commercial activities;
- hospitality services;
- food industry activities;
- environmental protection activities;
- energy investments;
- transport services.

A significant proportion of procedures can be initiated electronically, helping to accelerate administrative processes.

8.3. Croatia

Croatia operates a broadly similar licensing system; however, according to the interviews, local administrative authorities often play a more prominent role.

Particularly important sectors include:

- tourism;
- hospitality;
- construction;
- agriculture;
- environmental investments.

Businesses report that familiarity with the local institutional environment often plays a significant role in the successful completion of procedures.

8.4. Construction and Investment Permits

According to the interviews, investment-related licensing procedures represent one of the most complex areas in both countries.

Businesses frequently require:

- building permits;
- environmental permits;
- utility connection approvals;
- approvals from specialised authorities;
- occupancy permits.

The duration of these procedures can significantly influence project scheduling and overall investment costs.

8.5. Tourism and Hospitality

Tourism plays a key role in the economy of the Hungarian–Croatian border region.

For businesses operating in this sector, the following issues are particularly important:

- obtaining operating licences;
- meeting hygiene requirements;
- complying with consumer protection regulations;
- applying sector-specific rules.

Businesses generally consider regulatory requirements manageable, although administrative procedures can occasionally require substantial resources.

8.6. Comparative Assessment

Both countries provide functioning and predictable licensing systems.

The main differences relate to:

- institutional structures;
- administrative culture;
- levels of digitalisation;
- practical implementation of procedures.

Hungary generally places greater emphasis on centrally standardised administration, whereas local practices play a stronger role in Croatia.

8.7. Impact on Businesses

Licensing systems do not necessarily constitute barriers for businesses; however, they may significantly affect:

- investment timing;
- project costs;
- speed of market entry;
- administrative burdens.

One important conclusion of the Bridging Borders project is that businesses would greatly benefit from a bilingual information system summarising the most important licensing and regulatory requirements in both countries.

9. Access to Information

9.1. Hungary

Businesses have access to numerous information channels, including:

- government portals;
- NAV systems;
- chambers of commerce;
- business development organisations;
- professional and funding-related platforms.

Overall, information availability is favourable; however, interpretation and practical application often require expert support.

9.2. Croatia

Croatia also provides information systems and institutions supporting businesses.

However, businesses may face challenges due to fragmented information sources and differences in institutional practices.

9.3. Comparative Assessment

The necessary information is available in both countries.

The most important challenges include:

- information overload;
- keeping pace with regulatory changes;
- ensuring practical applicability.

According to interviewees, businesses often struggle not with a lack of information but with processing and interpreting available information.

9.4. Impact on Businesses

Access to appropriate information significantly influences:

- business competitiveness;
- participation in funding programmes;

- development of international partnerships;
- and regulatory compliance.

10. Support Systems for SMEs and Startups

10.1. Hungary

Small and medium-sized enterprises (SMEs) are key actors in the Hungarian economy. They represent the overwhelming majority of businesses, play a significant role in employment, and make an important contribution to regional economic development.

One of the fundamental objectives of Hungarian business development policy is to increase SME competitiveness, promote digitalisation, stimulate innovation and support access to international markets.

The strategic framework for these objectives is provided by the SME Strategy, which places particular emphasis on:

- improving productivity;
- stimulating innovation;
- strengthening digitalisation;
- improving access to finance;
- developing entrepreneurial skills.

The support system is financed through both national and European Union resources.

10.2. Support Programmes in Hungary

During the current programming period, the most important programmes for businesses include:

GINOP Plus

The Economic Development and Innovation Operational Programme Plus primarily supports:

- technological development;
- capacity expansion;
- energy-efficiency investments;
- training activities;
- research and development projects.

DIMOP Plus

The Digital Renewal Operational Programme Plus aims to:

- support digital transformation;
- develop the digital competencies of businesses;
- strengthen digital infrastructure;
- promote the adoption of innovative technologies.

Innovation Support Programmes

Businesses can access a range of research, development and innovation grant schemes supporting:

- development of new products;
- technological innovation;
- university-business cooperation;
- participation in international innovation projects.

10.3. Financing Opportunities in Hungary

In addition to non-refundable grants, a variety of financial instruments are available.

The most important include:

- preferential loan programmes;
- microcredit schemes;
- guarantee programmes;
- equity financing programmes;
- export financing instruments.

The Hungarian Development Bank (MFB), EXIM Hungary and Garantiqa Credit Guarantee Plc. play important roles in supporting business financing.

These financial instruments are particularly important for enterprises in growth and expansion phases.

10.4. Startup Ecosystem in Hungary

In recent years, the Hungarian startup ecosystem has undergone significant development.

Key actors supporting this ecosystem include:

- National Innovation Agency;

- HIPA – Hungarian Investment Promotion Agency;
- university innovation centres;
- incubators;
- accelerator programmes;
- venture capital funds.

The most important areas for startups include:

- artificial intelligence;
- information technology development;
- health industry technologies;
- green technologies;
- energy solutions;
- industrial digitalisation.

At the same time, the startup ecosystem remains strongly concentrated in Budapest.

10.5. Croatia

Croatia also places considerable emphasis on supporting SMEs and improving the business environment.

The primary objectives of the support system are:

- improving competitiveness;
- stimulating innovation;
- strengthening export capacity;
- supporting digitalisation;
- promoting business development.

Croatian development policy also relies heavily on European Union funding resources.

10.6. HAMAG-BICRO and Innovation Support

One of the most important institutions supporting business development and innovation in Croatia is HAMAG-BICRO.

Its main responsibilities include:

- supporting SMEs;
- financing innovation projects;
- developing startups;
- promoting exports;
- providing business development services.

In recent years, Croatia's startup ecosystem has demonstrated gradual growth, particularly in technology-based and digital businesses.

10.7. Startup Ecosystem in Croatia

The key actors within Croatia's innovation ecosystem include:

- innovation centres;
- technology parks;
- startup incubators;
- university cooperation initiatives;
- various international programmes.

Startup development is primarily supported by:

- the information technology sector;
- digital services;
- creative industries;
- sustainability-oriented innovations;
- green technologies.

10.8. Comparative Assessment

Both countries place significant emphasis on business development and innovation support.

The main similarities include:

- support systems based on EU funding;
- strong SME focus;
- innovation incentives;

- digitalisation support;
- development of startup ecosystems.

The main differences are visible in:

- institutional structures;
- the design of support programmes;
- the scale of innovation ecosystems.

Hungary currently operates a larger and more complex support system, although continuous development is also evident in Croatia.

10.9. Business Experiences

During the interviews, most businesses expressed positive views regarding the availability of support opportunities.

However, the following challenges were frequently mentioned:

- complex application documentation;
- lengthy evaluation procedures;
- significant administrative burdens;
- dependence on external experts;
- uncertainty regarding the predictability of support schemes.

Several respondents noted that grant systems are often overly complex for smaller enterprises.

10.10. Impact on Businesses

Support systems play an important role in:

- technological development;
- digital transformation;
- innovation;
- market expansion;
- improving international competitiveness.

An important conclusion of the Bridging Borders project is that both countries possess development instruments capable of supporting Hungarian–Croatian business cooperation.

Consequently, joint innovation initiatives, startup partnerships and cross-border business development programmes may become increasingly important in the future.

11. The Role of Business Development Institutions

11.1. Importance of Business Development Institutions

Business competitiveness is determined not only by legislation and financing opportunities.

Institutions providing information, training, advisory services, partner-search assistance and development programmes play an equally important role in supporting economic actors.

The business development institutional system is particularly important for micro and small enterprises, which often lack their own legal, financial or strategic advisory capacities.

Within the context of the Bridging Borders project, business development institutions have special significance because they can play an important role in strengthening cross-border relations and encouraging cooperation among enterprises.

11.2. Hungary

In Hungary, the business development system operates at several levels.

The most important actors include:

- Hungarian Chamber of Commerce and Industry (MKIK);
- regional chambers of commerce and industry;
- HIPA – Hungarian Investment Promotion Agency;
- National Innovation Agency;
- business development foundations;
- industrial parks;
- business incubators;
- technology centres;
- university innovation centres.

Services provided by these institutions include:

- business advisory services;
- provision of funding information;
- organisation of training programmes;
- support for business networking;
- export development services;

- innovation support services;
- investment promotion.

11.3. The Role of Chambers in Hungary

Chambers of commerce play a particularly important role in maintaining links between businesses and public institutions.

Their responsibilities include:

- business information services;
- cooperation in vocational education and training;
- economic interest representation;
- organisation of business forums;
- support for international cooperation.

Chambers operating in border regions frequently participate in Hungarian–Croatian cooperation programmes and economic development initiatives.

11.4. Innovation Institutions and Startup Support

The following actors are playing an increasingly important role in the development of the innovation ecosystem:

- technology parks;
- innovation centres;
- startup incubators;
- accelerator programmes;
- university knowledge centres.

The objective is not only to create new businesses but also to strengthen the innovation capacity of existing enterprises.

In recent years, particular attention has been given to:

- digitalisation;
- artificial intelligence;
- the green economy;
- energy efficiency;
- health technologies;

- Industry 4.0 solutions.

11.5. Croatia

Croatia also operates a comprehensive business development institutional system.

The main actors include:

- Croatian Chamber of Economy;
- regional development agencies;
- business development centres;
- innovation agencies;
- HAMAG-BICRO;
- technology parks;
- startup incubators.

A distinctive feature of the Croatian system is the strong role played by regional development organisations in supporting local businesses.

11.6. Importance of Regional Development Actors

The Croatian system places greater emphasis on regional development approaches.

Regional agencies are responsible for:

- supporting businesses;
- project development;
- investment promotion;
- coordination of innovation programmes;
- preparation of international projects.

This is particularly important in the Hungarian–Croatian border region, where many economic development initiatives are implemented at regional level.

11.7. Comparative Assessment

Both countries have well-developed business development institutional systems capable of supporting:

- business establishment;
- business growth;
- innovation;
- digitalisation;
- international market expansion.

The main differences are primarily related to organisational structures.

Hungary operates a more centralised system, while regional development actors play a stronger role in Croatia.

11.8. Business Experiences

Most interviewed businesses evaluated the work of business development organisations positively.

They particularly appreciated:

- grant advisory services;
- training programmes;
- business forums;
- partner-search services.

At the same time, several respondents indicated a need for:

- simpler information systems;
- faster administrative procedures;
- stronger cross-border services.

11.9. Impact on Businesses

Business development institutions contribute significantly to:

- improving business competitiveness;
- stimulating innovation;
- facilitating access to finance;
- developing international business relations.

One of the important conclusions of the Bridging Borders project is that strengthening cooperation between Hungarian and Croatian business development organisations could generate significant added value for economic actors operating in the border region.

12. Public Procurement Regulations Affecting Businesses

12.1. Hungary

Hungary's public procurement system is based on the public procurement directives of the European Union. Procurement procedures are conducted electronically through the Electronic Public Procurement System (EKR).

For SMEs, public procurement represents an important business opportunity; however, the complexity of procedures often limits participation.

12.2. Croatia

Croatia's public procurement system also operates within the framework of European Union regulations.

Businesses face similar challenges, including:

- documentation requirements;
- eligibility criteria;
- legal remedy procedures.

12.3. Comparative Assessment

There are fundamental similarities between the two systems.

The main differences relate to:

- institutional operation;
- the level of digitalisation;
- practical implementation of procedures.

12.4. Impact on Businesses

The public procurement market represents significant business potential in both countries. Nevertheless, the complexity of procedures continues to create challenges, particularly for smaller enterprises.

13. Dispute Resolution System

13.1. Hungary

Businesses have access to several legal enforcement mechanisms, including:

- court proceedings;
- payment order procedures;
- mediation;
- arbitration.

The system provides an adequate level of legal certainty; however, the duration of proceedings often represents a challenge.

13.2. Croatia

Similar legal enforcement mechanisms are available in Croatia.

Businesses likewise seek to avoid lengthy court proceedings and increasingly rely on alternative dispute resolution mechanisms whenever possible.

13.3. Comparative Assessment

Both countries provide legal protection for businesses.

The main differences can be observed in:

- the duration of proceedings;
- institutional operation;
- practical experiences of users.

13.4. Impact on Businesses

For businesses, the following aspects are particularly important:

- enforceability of contracts;
- recoverability of claims;
- predictability of the legal environment.

14. Digitalisation of Public Administration Services

14.1. Hungary

Hungary has implemented significant digitalisation developments in recent years.

The most important systems include:

- Ügyfélkapu+ (Client Gateway Plus);
- Cégekpu (Company Gateway);
- DÁP (Digital Citizenship Programme);
- NAV Online;
- E-Paper services;
- electronic company registration procedures.

Online administration has become an essential part of everyday business operations.

14.2. Croatia

Croatia has also made considerable progress in developing digital public administration.

The role of electronic administration continues to grow; however, according to businesses, personal administration still plays a more important role in certain areas than in Hungary.

14.3. Comparative Assessment

Digitalisation is a strategic priority in both countries.

According to the analysis, Hungary currently operates somewhat more advanced and more unified digital administration systems, while Croatia is making rapid progress in this area.

14.4. Impact on Businesses

Digital public administration contributes significantly to:

- reducing administrative burdens;
- accelerating procedures;
- increasing transparency;
- improving business efficiency.

For businesses operating across borders, compatibility and interoperability between digital systems represent increasingly important factors.

15. Overall Comparative Assessment

15.1. General Comparison of the Business Environments of the Two Countries

The analysis demonstrates that Hungary and Croatia operate within largely similar regulatory frameworks due to their membership in the European Union.

Businesses in both countries benefit from:

- a stable legal framework;
- access to the EU internal market;
- support programmes financed by EU resources;
- increasingly digitalised administrative services.

At the same time, practical differences remain that may influence the daily operations of businesses and the implementation of cross-border cooperation.

15.2. Main Similarities

European Union Regulatory Framework

Both countries operate within the same European Union legal environment, resulting in substantial harmonisation in areas such as company law, labour law, taxation principles, competition policy and public procurement.

SME Dominance

In both Hungary and Croatia, SMEs constitute the overwhelming majority of enterprises and play a decisive role in employment and regional economic development.

Similar Labour Market Challenges

Both countries face:

- shortages of skilled labour;
- demographic decline;
- workforce migration;
- increasing wage pressures.

Digitalisation Efforts

Both governments have identified digitalisation as a strategic objective and continue to invest in the development of electronic administration systems and digital public services.

Development Policies Based on EU Funding

Business support systems in both countries rely heavily on European Union funding, particularly regarding innovation, digitalisation, energy efficiency and SME development.

15.3. Main Differences

Public Administration Structure

Hungary generally operates a more centralised administrative system, while Croatia places greater emphasis on regional and local administrative structures.

Level of Digital Administration

Hungary currently offers more unified and widely used electronic administration platforms, whereas Croatia still relies more heavily on mixed digital and personal procedures.

Business Development Institutional Framework

The Hungarian system is characterised by stronger central coordination, while Croatia places greater emphasis on regional development agencies and local business support organisations.

Business Culture and Relationship Networks

Interviewees frequently highlighted that personal relationships and local business networks continue to play a particularly important role in Croatia, whereas Hungary relies more heavily on standardised administrative procedures.

15.4. Common Problems Perceived by Businesses

The interviews revealed several common challenges experienced by businesses in both countries:

- difficulties in accessing and processing information;
- administrative burdens;
- shortages of skilled labour;
- complexity of funding systems;
- dependence on external experts;
- challenges in finding reliable cross-border partners;
- regulatory uncertainty in international activities.

The research indicates that many barriers to cross-border cooperation are not legal in nature but are instead related to information, communication and institutional coordination.

16. Potential Regulatory Synergies

16.1. Joint Entrepreneurial Information System

One of the most frequently identified development opportunities is the establishment of a bilingual joint information platform.

Such a platform could provide:

- regulatory information;
- practical business guidance;
- funding opportunities;
- institutional contacts;
- business support services.

This could substantially reduce information barriers affecting cross-border cooperation.

16.2. Joint Partner-Matching Mechanisms

Many businesses identified partner search as one of the greatest challenges.

Potential solutions include:

- business databases;
- matchmaking platforms;
- business forums;
- networking events;
- sector-specific cooperation programmes.

16.3. Development of Digital Interoperability

The compatibility of digital administrative systems may become increasingly important in the future.

Potential areas for development include:

- interoperability of electronic administration systems;
- harmonised digital services;
- exchange of business information;
- simplification of administrative procedures.

Improved interoperability could significantly reduce administrative burdens for businesses operating in both countries.

16.4. Joint Startup and Innovation Programmes

The startup ecosystems of Hungary and Croatia face many similar challenges.

Future cooperation opportunities include:

- joint incubation programmes;
- innovation competitions;
- startup exchange initiatives;
- mentoring programmes;
- cross-border investment networks.

These initiatives could contribute to stronger innovation capacities and greater international competitiveness.

16.5. Training and Knowledge-Sharing Cooperation

The research identified significant opportunities for cooperation in:

- vocational training;
- workforce development;
- business advisory services;
- digital skills development;
- innovation management.

Joint programmes could help address labour shortages and skills gaps affecting both countries.

16.6. Utilisation of the Experience of the B-Light Programme

The B-Light (Beneficiary Light Grant Scheme) programme provides a valuable example of successful cross-border business cooperation.

Its experiences demonstrate that:

- businesses are willing to cooperate across borders;
- direct financial support can generate tangible results;
- innovation projects benefit significantly from international partnerships;

- partner-search support is essential for programme success.

The continuation of B-Light during the 2021–2027 programming period provides an opportunity to build on previous achievements and further strengthen Hungarian–Croatian economic cooperation.

The experiences gained from B-Light may serve as a practical model for future business development initiatives under the Bridging Borders project.

17. Recommendations for the Bridging Borders Project

Based on the findings of the comparative analysis and the stakeholder interviews, several recommendations can be formulated to support the objectives of the Bridging Borders project and to strengthen Hungarian–Croatian business cooperation.

1. Establishment of a Joint Bilingual Information Platform

One of the most frequently identified barriers is the difficulty of accessing and interpreting information related to business operations in the neighbouring country.

It is therefore recommended to establish a continuously updated bilingual information platform that provides:

- practical information on business regulations in both countries;
- guidance on company establishment and operation;
- taxation and employment-related information;
- information on licensing procedures;
- available funding opportunities;
- contact details of relevant institutions and support organisations.

The platform should be designed to provide practical, user-friendly information tailored to the needs of SMEs and startups.

2. Development of a Cross-Border Expert Database

Businesses frequently rely on external experts when dealing with legal, taxation, accounting, labour law or business development issues.

It is recommended to create and continuously maintain a joint Hungarian–Croatian expert database covering areas such as:

- legal advisory services;
- taxation and accounting;
- labour law and social security;
- public procurement;
- innovation and intellectual property;
- export development;
- project development and EU funding.

The database should provide information on areas of expertise, language skills and contact details.

3. Strengthening Cooperation Among Business Support Institutions

Closer cooperation should be encouraged among chambers of commerce, business development foundations, regional development agencies, innovation centres and other relevant institutions.

Such cooperation could include:

- regular exchange of information;
- joint events and networking activities;
- coordinated advisory services;
- joint dissemination of business opportunities;
- exchange of good practices.

A stronger institutional network would improve the effectiveness of support services available to businesses in the border region.

4. Enhancement of Partner Search Services

Finding reliable business partners remains one of the major challenges for SMEs seeking cross-border cooperation.

The project should support:

- business matchmaking events;
- sector-specific networking activities;
- online partner-search tools;
- business databases;
- brokerage services.

Particular attention should be paid to innovative enterprises and startups.

5. Joint Training and Capacity-Building Programmes

Since businesses in both countries face similar challenges, there is significant potential for joint training initiatives covering:

- digitalisation;
- innovation management;
- export readiness;

- project management;
- labour force development;
- green transition and sustainability.

These programmes could contribute to strengthening business competitiveness and improving the quality of cross-border cooperation.

6. Promotion of Innovation and Startup Cooperation

The project should encourage stronger cooperation among startups, innovation centres, universities and technology-oriented enterprises.

Potential activities include:

- startup networking events;
- innovation workshops;
- mentoring programmes;
- cross-border incubation initiatives;
- demonstration projects.

7. Improvement of Communication Towards Businesses

Several interviewees highlighted that existing advisory and support opportunities are often not sufficiently visible to businesses.

It is therefore recommended to:

- strengthen communication activities;
- use targeted information campaigns;
- develop practical guidance materials;
- provide regular updates on available opportunities;
- utilise digital communication channels more effectively.

8. Building on the Experience of the B-Light Programme

The experience of the B-Light programme demonstrates that direct support for business cooperation can generate tangible and sustainable results.

The Bridging Borders project should build upon these experiences by:

- promoting successful examples;
- facilitating the transfer of good practices;

- encouraging joint innovation projects;
- supporting new cross-border business partnerships.

18. Conclusions

The purpose of this comparative analysis was to examine the Hungarian and Croatian legal, administrative and institutional environments from the perspective of cross-border business cooperation, with particular attention to SMEs and startups operating in the Hungarian–Croatian border region.

The findings indicate that both countries provide generally favourable conditions for business activities. Their regulatory systems are largely aligned due to European Union membership, and both countries have made significant efforts to improve competitiveness, digitalisation and business support services.

The analysis demonstrates that the most important barriers to cross-border cooperation are not primarily legal in nature. Instead, businesses face challenges related to:

- information accessibility;
- administrative complexity;
- labour shortages;
- partner search difficulties;
- differences in institutional practices;
- and limited knowledge of the neighbouring country's business environment.

At the same time, the research revealed a strong willingness among businesses to engage in cross-border cooperation. Stakeholder interviews clearly indicated that enterprises recognise the opportunities associated with joint development, innovation projects, market expansion and international networking.

The analysis further confirms that Hungary and Croatia face very similar economic and labour market challenges. These shared challenges create favourable conditions for the development of joint solutions, knowledge-sharing mechanisms and coordinated support services.

The Bridging Borders project therefore has the potential to create substantial added value by strengthening institutional cooperation, improving information flows and facilitating business networking across the border region.

In the longer term, the development of joint information systems, expert networks, innovation initiatives and business support mechanisms may contribute significantly to deeper economic integration and enhanced competitiveness within the Hungarian–Croatian border area.

19. Summary Comparative Table

Area Examined	Hungary	Croatia	Main Difference	Impact on Businesses
Business Establishment	Highly digitalised , fast company registration procedures	Simplified incorporation options, greater role of personal administration	Higher level of digitalisation in Hungary	Company formation does not represent a significant obstacle in either country
Tax System	9% corporate income tax, Local Business Tax (HIPA) system	Differentiated corporate taxation system	More favourable corporate tax rate in Hungary	May influence investment and business location decisions
Labour Regulation	Standardised regulatory framework	Similar EU-compliant system	Differences are mainly practical rather than legal	Limited direct impact
Labour Market	Significant shortage of skilled labour	Similar labour shortages	No substantial differences	Common competitiveness challenge
Social Security System	Highly digitalised administration	Similar system	Administrative differences	Particularly important in international employment situations
Licensing and Permits	More standardised procedures	Stronger role of local administrative practices	Differences in administrative culture	External expert support is frequently required
Access to Information	Extensive digital platforms	Similar institutional framework	Differences in the organisation and accessibility of information	Understanding the neighbouring country's system may be challenging



Area Examined	Hungary	Croatia	Main Difference	Impact on Businesses
		k		
SME and Startup Support	Strong support system based on EU funding	Similar development approach	Differences in programme structures	Financing opportunities are available on both sides of the border
Business Development Institutions	Chambers of commerce, HIPA, National Innovation Agency, business development organisations	Regional development agencies, chambers of commerce	Different institutional structures	Support for partner search and business development activities
Public Procurement	Electronic Public Procurement System (EKR)	Electronic public procurement system	More unified digital framework in Hungary	A complex area for SMEs in both countries
Dispute Resolution	Courts, payment order procedures, mediation	Similar system	Differences in procedural practices	Legal certainty is generally ensured
Digitalisation	More advanced and integrated systems	Rapidly developing digital systems	Hungary is currently more advanced	Contributes to reducing administrative costs



Main Similarities

- Common European Union regulatory framework.
- SME-dominated economic structure.
- Similar labour market challenges.
- Growing importance of digitalisation.
- Strong reliance on EU-funded development programmes.
- Increasing emphasis on innovation and competitiveness.
- Similar demographic challenges and workforce shortages.
- Expanding role of electronic administration.

Main Differences

- Hungary operates a more centralised administrative structure.
- Croatia places greater emphasis on regional development actors.
- Hungary has a more unified digital administration system.
- Croatia relies more heavily on local administrative practices.
- Differences exist in taxation structures and support programme design.
- Startup ecosystems differ in scale and maturity.
- Business culture and relationship-building practices show certain differences.

Common Challenges

- Shortage of skilled labour.
- Ageing populations and demographic decline.
- Administrative burdens.
- Complexity of funding systems.
- Dependence on external experts.
- Difficulty in finding reliable cross-border partners.
- Processing and interpreting large amounts of information.

- Regulatory compliance in international business activities.

Potential Synergies

- Joint bilingual information systems.
- Cross-border expert databases.
- Partner-search and matchmaking mechanisms.
- Digital interoperability of administrative systems.
- Joint startup and innovation programmes.
- Shared training and capacity-building initiatives.
- Stronger cooperation among chambers, development agencies and business support organisations.
- Continued utilisation of the successful experiences of the B-Light programme.

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- Act CXXVII of 2007 on Value Added Tax
- Act I of 2012 on the Labour Code
- Act CXXII of 2019 on Entitlements to Social Security Benefits and the Financing of These Services
- Act CXLIII of 2015 on Public Procurement
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Croatian Legislation

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- Labour Act
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