CROATIA

NOTE

*General Editor*

The author of the National Report Croatia, Prof. Alan Uzelac, confirms that the National Report as published in Handbook Supplement 109 of February 2020 continues to reflect arbitral practice in Croatia.

The status of legislation annexed is as follows:

– **Annex I**: Law on Arbitration (published in Supplement 39 of October 2003) remains in effect; and
Chapter I. Introduction

1. THE LAW ON ARBITRATION

At the time when the Republic of Croatia gained its independence in 1991, its law on arbitration was rooted in the federal law of the former Yugoslav federation. Most provisions on arbitration of the former federal laws were contained in the two acts: the Code of Civil Procedure and the Conflict of Laws Act. In Croatia both acts were adopted as national legislation and remained in force throughout the 1990s, more or less unchanged. However, the preparation of a comprehensive reform that lasted over five years started in the early 1990s, resulting in a major change both in provisions regulating arbitration and in the approach to out-of-court methods of dispute settlement.

Since 2001, Croatian arbitration law has been contained in a single Act – the Law on Arbitration (see Annex I). The new Act, devoted exclusively to arbitration, abandoned the previous legal dualism of two acts that regulated arbitration as only a marginal matter. It was adopted by the Sabor (Croatian Parliament) on 28 September 2001, and came into effect on 19 October 2001.1

Compared with the previous law, the Law on Arbitration reflects a significant attitude shift. Despite the fact that Yugoslav law was considerably more tolerant towards arbitration than the law of other socialist countries (e.g., allowing arbitration in domestic (i.e., non-international) disputes), it was still largely restrictive. It observed arbitration from the perspective of state paternalism, treating it only as a second-rate mechanism of dispute resolution. The ambiguous relationship of legislators to suspect “private justice”, reflected earlier in several areas of previous legislation, was removed or very

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significantly reduced in the 2001 Act. The new law attempted to create an “arbitration-friendly” environment that would stimulate, not only tolerate, arbitration.

By enacting a single body of norms on arbitration in a single act that transparently deals with all issues of arbitration, the Law on Arbitration also departed from the earlier tradition of the 1895 Austrian Zivilprocessordnung, which still strongly influences national civil procedure legislation. Instead of relying on any particular regional or national arbitration law, the Law on Arbitration largely follows the text and approach of the 1985 version of the United Nations Commission on International Trade Law Model Law on International Commercial Arbitration (“the UNCITRAL Model Law”). The UNCITRAL Secretariat has closely followed and commented on the reform process and recognizes the new law as one of the acts based on the Model Law. However, some provisions of the new law were influenced also by changes in national legislation of other countries, especially those that also attempted to implement the Model Law (in particular, Germany and, to a lesser extent, England). A few provisions from the old legislation have been retained as part of the domestic tradition and legal culture (e.g., definition of national and international disputes, and the exclusion of judges as party-appointed arbitrators). In certain areas, the Law on Arbitration anticipated new developments in UNCITRAL aimed at clarifying and improving some model norms (e.g., the form of the arbitration agreement). However, as the Law on Arbitration was enacted five years prior to the 2006 amendments to the UNCITRAL Model Law, while it is similar in intent and spirit to the latter, the text and formulation of the two acts are partly different. In any case, the practical differences between the national law and the amended UNCITRAL Model Law are not significant, so no urgent need to change the law on that account is being experienced in Croatia.

The application of the law since 2001 has already assisted in promoting arbitration. It has also pointed to some areas of potential further improvement, e.g., with respect to possibly further reducing court intervention in arbitration matters. Still, no plans for imminent change are pending.

Unlike the UNCITRAL Model Law on International Commercial Arbitration, the Croatian Law on Arbitration is applicable to both national (domestic) and international arbitration. It is also applicable to non-commercial disputes, i.e., to all disputes regarding rights of which the parties may freely
dispose (see Art. 3(1)). The legal definition of international and national disputes is different from the UNCITRAL concept, and follows the unique principle of the seat/residence of the parties, customary in continental Europe. The treatment of national and international disputes is almost completely identical (including the free choice of foreign law and foreign arbitrators), with the only notable difference being that in national disputes (i.e., disputes without an international character) arbitral agreements on a seat of arbitration outside Croatia are not permitted (based on a reading of Art. 3(1) and (2)). In such a way, in “pure” national disputes the option of universal control in the form of the setting aside action has been reserved for the national courts.

The scope of the Law on Arbitration does not, however, include other means of dispute settlement, such as Alternative Dispute Resolution (ADR). In recent times, there has been increased interest in particular in commercial conciliation, as well as in possible court-annexed conciliation programmes. In 2003 the Parliament adopted a first Law on Conciliation (with amendments in 2009), which was replaced by the new Law on Conciliation of 2011 (see Annex II), based partly on the UNCITRAL Model Law on International Commercial Conciliation (see infra Chapter VIII).

Parties are free to derogate from most of the provisions of the Law on Arbitration by agreement, except for the rules on court proceedings and court intervention, which are mainly mandatory. The freedom of the parties to agree on arbitration and arbitration procedure is only limited in a few respects. First, some limitations arise out of the postulate of procedural equality and the right to fair treatment of parties. As a result, the parties cannot derogate from the provisions of Art. 17 (equal treatment of parties), the rules on independence and impartiality of arbitrators (Art. 12(1)-(3)), or the party’s right to be notified about the hearings and to have the documents and pleadings of the other party communicated to it (Art. 23(3)-(4)). The rule prohibiting acting judges from serving as party-appointed arbitrators is also ius cogens (Art. 10(2)), as are the rules on form and validity of the arbitration agreement (Art. 6) and on the written form and the composition of the award (Art. 30(2)-(5)). The parties also cannot exclude rules on the challenge of the award and generally cannot change the grounds for setting aside (Art. 36). Finally, the rules on arbitrability also have a mandatory nature, as does the rule that prohibits arbitral agreements on foreign arbitration in domestic disputes (Art. 3).

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3. International disputes (i.e., disputes with international character) are defined as disputes in which at least one party is a natural person with permanent or habitual residence abroad, or a legal person established under foreign law (Art. 2(1) p. 7).

4. See infra Chapter II.3.


2. PRACTICE OF ARBITRATION

a. History

The tradition of arbitration in Croatia is long, although its practice was suppressed or reduced at certain stages in history. The use of arbitration was significant in the nineteenth century. In 1852 the Croatian Chamber of Commerce had an arbitration court that ruled primarily in smaller commercial and merchant disputes. In the first decades of the twentieth century this court had several hundred new arbitration cases annually, primarily relating to disputes between Chamber members.7

After World War II, the first years of the socialist regime brought a temporary discontinuation of arbitration practice. Following Soviet patterns, private dispute resolution mechanisms were abolished, and the name “arbitration” referred to a state tribunal for commercial disputes involving socialist enterprises.8 However, this period didn’t last as long as in other Eastern Block countries. Due to political differences between the Yugoslav Communist Party and Stalin’s Soviet Union, both in Yugoslavia and in Croatia as its constituent part, Soviet influence started to fade in the 1960s. Soviet-type “arbitration” courts were transformed into commercial courts and courts of general jurisdiction. A mild economic liberalization introduced by the doctrine of Yugoslav self-management made not only arbitration with a “foreign element” possible, but also arbitration among domestic economic players (relatively autonomous “socially owned” state enterprises). Starting in the 1950s, Yugoslavia pursued the policy of the non-aligned countries. The country therefore never became a member of the Moscow Convention. Even in the socialist period arbitration was generally perceived as a voluntary method of dispute settlement, based on the parties’ agreement. At certain times during this period there was a significant number of arbitration cases involving Croatian parties – not only at the national institution of international arbitration, but also under the auspices of foreign arbitral institutions, particularly the ICC Court of International Arbitration.9

On the other hand, the practice of arbitration in the country was, until the 1990s, confined within the narrow borders of institutions that were licensed to

9. See Verbist, H., “The Arbitration of the ICC in Former Yugoslavia and the New Republics that Emerged from It”, 1 Croatian Arbitration Yearbook (1994) p. 135, stating, inter alia, that in 1991 (at the beginning of the dissolution of the Yugoslav federation) there were twenty-three cases lodged before the ICC that involved parties from ex-Yugoslavia.
conduct it. For international arbitration, the only institution in Yugoslavia was the Foreign Trade Arbitration Court (FTAC) in Belgrade. For domestic arbitration, there were the courts of arbitration established at the chambers of commerce of the Yugoslav republics.

b. Arbitral institutions

Today, the practice of arbitration is gradually evolving. Although the war in the early 1990s was not favourable for arbitration, a substantial number of cases originated even in the war years. Since declaring independence from the former Yugoslav federation, the practice of both domestic and international arbitration continued at the Permanent Arbitration Court at the Croatian Chamber of Commerce (PAC-CCC), which prior to 1991 only handled domestic cases. From the start of the war, arbitration clauses providing for arbitration at Belgrade’s FTAC were considered null and void in Croatia. Thus, the PAC-CCC became the most important local arbitration institute in Croatia. This was assisted by the fact that, until the enactment of the Law on Arbitration in 2001, it also had a legal monopoly on domestic arbitration. Therefore, other arbitration institutes in Croatia did not exist, although the opportunity to establish arbitral institutions as entities of private law that was opened by the Law on Arbitration brought about increased interest in establishing new dispute resolution facilities. The first cases of ad hoc arbitration also started to occur.

However, to assess arbitration practice in Croatia, PAC-CCC statistics may still be most relevant. The table below shows the data for the arbitration cases of the PAC-CCC in the 1991-2018 period. In spite of a relatively modest number of cases (thirty to forty annually), the data demonstrate that – particularly after 2000 – the aggregate amount in dispute became fairly significant. The cases submitted to arbitration were quite diverse, from simple sales contracts to complex construction disputes and disputes relating to the process of privatization of state property. The range of foreign parties was also very diverse, including parties from about thirty countries, with prevailing participation by Croatia’s principal trade partners (Italy, Germany, Austria and the post-Yugoslav countries and territories).

10. Although ad hoc arbitration was allowed in international commercial cases (while prohibited in national ones), the practice was almost entirely confined to institutional arbitration.  
11. See, e.g., the statistical data of the PAC-CCC presented infra Table 1.  
13. Ad hoc arbitration became legally fully permissible – especially in domestic cases – only with the coming into force of the Law on Arbitration. See also footnote 10 supra.
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Total 740 296 1036

The contact details of the PAC-CCC are as follows:

Permanent Arbitration Court
Croatian Chamber of Commerce
(Stalno arbitražno sudište pri Hrvatskoj gospodarskoj komori)
Rooseveltov trg 2
HR-10000 Zagreb
Tel.: +385 1 4848-622, 4848-623
Fax.: +385 1 4848-625
E-mail: sudiste@hgk.hr
Website: <http://www.hgk.hr>
The latest revision of the arbitration rules of the PAC-CCC came into force on 5 December 2015 (latest amendments issued in May 2017). This version of the rules, also known as the Zagreb Rules, enacted a single set of rules for both domestic and international arbitration. The Zagreb Rules are available in Croatian and English editions.14

3. BIBLIOGRAPHY

This bibliography is a selection of relevant publications on arbitration and conciliation, generally including only those dating from the period after the new legislation came into effect (i.e., only articles published after 2001 have been referenced).15

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c. Journals dealing specifically with arbitration
The Croatian Arbitration Yearbook, published annually since 1994, is the major publication on arbitration in Croatia. It is published by the Permanent Arbitration Court at the Croatian Chamber of Commerce and contains articles on international arbitration in and outside Croatia, arbitral jurisprudence and other documents (such as the English texts of relevant rules and statutes and a bibliography). It is published predominantly in English (with summaries in Croatian and occasionally in other foreign languages).

d. Other journals
Other periodicals with some content relevant to arbitration include Pravo u gospodarstvu [The Law in Economy], published by the Croatian Association of Business Lawyers; Pravo i porezi [The Law and Taxes], published by RRiF, Odvjetnik [The Lawyer], published by the Croatian Bar Association; Zbornik Pravnog Fakulteta u Zagrebu [Collected Papers of the Zagreb Faculty of Law]. All of these journals contain papers predominantly in Croatian.
Chapter II. Arbitration Agreement

1. FORM AND CONTENTS OF THE AGREEMENT

a. Arbitration clause and submission agreement
Croatian law recognizes equally a submission agreement (an agreement to submit an already existing dispute to arbitration) and an arbitration clause (an agreement to refer future disputes to arbitration, contained in a contract or elsewhere). The Law on Arbitration (see Annex I) follows the text of the 1985 UNCITRAL Model Law, providing in Art. 6(1) in fine that “[a]n arbitration agreement may be concluded in the form of an arbitration clause in a contract or in the form of a separate arbitration agreement”. The same approach was followed in the earlier law.

b. Form of arbitration agreement
The definition and form of the arbitration agreement, as well as the law applicable to it, are regulated extensively in Art. 6 of the Law on Arbitration.

The content of the arbitration agreement is defined as “an agreement of the parties to submit to arbitration all or certain disputes which have arisen or which may arise in the future between them in respect of a defined legal relationship of a contractual or non-contractual nature”.

For an arbitration contract to be validly concluded, a written form is generally needed. However, as in the UNCITRAL Model Law, the definition of writing is broad and includes agreements contained in documents signed by the parties or agreements reached in an exchange of letters, telex, faxes, telegrams or other means of telecommunication which provide a record of the agreement, whether signed by the parties or not.16

In addition to this broad definition, there are a number of situations that are regarded as constituting valid written agreements (even though in some of the situations the written form requirement is only fictitiously fulfilled). Such situations, expressly provided by law, include tacit acceptance of a written offer or of a written confirmation of an oral offer (Art. 6(3)(1) and (2)). In both

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16. The last part of the sentence was inspired by the work of the UNCITRAL Working Group on Arbitration and Conciliation – see the draft text of Art. 7(2) of the Model Law for the 33rd session, document A/CN/WG.II/WP.110. The Law on Arbitration was enacted prior to conclusion of the UNCITRAL work on Art. 7 of the Model Law, so its drafters could only utilize the preparatory work. See Uzelac, A., “The Form of Arbitration Agreement and the Fiction of Written Orality: How Far Should We Go?”, 8 Croatian Arbitration Yearbook (2001) pp. 83-108. See also Sikirić, H., “Ugovor o arbitraži u praksi Stalnog izbranog sudišta pri HGK u Zagrebu: (izbor odluka)” [Arbitration Agreements in the Jurisprudence of the Permanent Arbitration Court at the CCE] (henceforth “’Ugovor o arbitraži’ [Arbitration Agreement’]), 44 Pravo u gospodarstvu (2005, no. 2) pp. 9-38 (in Croatian).
cases failure to respond shall constitute a valid acceptance, if so considered by trade usages.\textsuperscript{17}

Reference to general conditions that contain an arbitration clause is enough for a valid arbitration agreement, provided that the reference is such as to make that clause part of the contract (Art. 6(4)). The same is applicable to arbitration agreements concluded by the issuance of a bill of lading – they are valid if the bill of lading contains an express reference to an arbitration clause in a charter party (Art. 6(5)).

On the other hand, the formal requirements are much stricter for arbitration agreements in consumer contracts. For such contracts, the arbitration agreement must be contained in a separate document signed by both parties that comprises no agreements other than those referring to the arbitral proceedings. The latter condition does not apply if the agreement was drawn up by a notary public.

All formal insufficiencies of the arbitration agreement can be cured if the respondent fails to object to the jurisdiction of the arbitral tribunal in due time, i.e., at the latest in his statement of defence in which he raises issues relating to the substance of the dispute.

In addition to formal validity, the Law on Arbitration provides for the substantive validity of the arbitration agreement. Since the validity of an arbitration agreement \textit{ratione materiae} is a matter of applicable substantive law, in determining the choice of law rules, the Law follows the principle of party autonomy. Thus, the law applicable to the substantive validity of the agreement is the law designated by the parties, or, failing such designation, the law applicable to the substance of the dispute or the law of the Republic of Croatia (Art. 6(7)).\textsuperscript{18}

c. \textit{Model arbitration clause}

An arbitration clause that is often used in Croatia is the one recommended by the PAC-CCC. It reads:

“\textit{All disputes arising out of or relating to this contract, including such relating to its breach, termination or invalidity, and any legal consequence thereof, shall be finally settled by arbitration in accordance with the Rules of Arbitration of the Permanent Arbitration Court at the Croatian Chamber of Economy as in force (the Zagreb Rules).}”

\textsuperscript{17} See more in Miladin, P., “The Institution of Confirmation in Writing (or Writings in Confirmation) in International Commercial Law and the so called ‘Conclusion’ of Arbitration Agreement by Way of Silence in Commercial Relations under the Croatian Arbitration Act”, 15 Croatian Arbitration Yearbook (2008) pp. 29-57.

The parties are advised to include in their arbitration clauses supplementary provisions on the number of arbitrators (one or three), the law applicable to the merits of the dispute, the language or languages of arbitral proceedings, the place of arbitration and the appointing authority. Optional clauses on mediation followed by arbitration are also available.

2. PARTIES TO THE AGREEMENT

a. General
The capacity of a physical or legal person to resort to arbitration is governed by the law applicable to them. If Croatian law is applicable, such capacity is very broad – every Croatian entity endowed with legal personality may conclude an arbitration agreement and be a party to arbitration. There are virtually no limitations – current law no longer requires a specific quality of a party (e.g., professional engagement with commercial activity).

b. State entities
Although the doctrine has long recognized the capacity of the state and state agencies to resort to arbitration, only since the Law on Arbitration (see Annex I) was enacted has this issue been expressly settled. Art. 7(2) of the Law on Arbitration provides that the Republic of Croatia and units of local and regional government and self-government (i.e., municipalities, cities and counties) may submit their disputes to arbitration. Some of the largest disputes that gained public attention were the ones in which one party was a state agency for privatization (Croatian Privatization Fund). Such cases were domestic cases, but the state and the state-owned entities were also able and willing to arbitrate in international cases as well (also before foreign arbitral tribunals). There have also been several cases arising out of bilateral investment treaties in which, without objection, the state and the units of local government participated.

c. Multi-party arbitration
There are no specific rules for multi-party arbitration in Croatian law. The Zagreb Rules of 2015 only provide that multiple claimants and/or multiple

respondents have to agree on the appointment of their joint arbitrator. Failing such an agreement or a joint proposal, their arbitrator shall be appointed by the appointing authority: the President or Vice-President of the PAC-CCC (Art. 18 paras. 1 and 2 Zagreb Rules of 2011). In disputes with multiple respondents whose rights and obligations are not founded upon the same factual and legal grounds, the appointing authority will appoint all the members of the arbitral tribunal if the co-respondents fail to reach an agreement on their joint arbitrator (Art. 18, para. 3 Zagreb Rules 2011).

3. DOMAIN OF ARBITRATION

a. Arbitrability

The boundaries of arbitrability ratiōne materiāe have gradually expanded in the last several decades, with a final decisive extension by the Law on Arbitration (see Annex I) in 2001.22 Prior to 1990, only commercial disputes could be subject to arbitration (and only those between specific parties). After 1990, generally every dispute “concerning rights which the parties may freely dispose of” could be submitted to arbitration, but with a number of opaque limitations, contained in another additional condition. If exclusive jurisdiction of Croatian courts was provided for, the subject matter was not capable of arbitration.23 The rules on exclusive jurisdiction in fact ruled out the arbitration of disputes over property rights in real estate (land and buildings); many housing disputes and disputes regarding the lease of property (even disputes regarding the rental of business premises); disputes regarding aircraft, ships and inland water vessels; disputes arising from relations with the military, disputes arising out of or connected to bankruptcy proceedings or compulsory enforcement proceedings; as well as a number of shareholder disputes in trading companies.24

After 2001, the rules on arbitrability were restructured. The previous approach that distinguished arbitrability in domestic and international cases was replaced by a distinction between arbitration taking place inside Croatia (“domestic arbitration” under its definition in Art. 2(1)(2) of the Law on Arbitration) and arbitrations that are regarded as foreign in Croatia. For arbitration within the territory of Croatia, virtually no subject-matter limits, except for the requirement that the subject matter of the dispute must concern

23. See Arts. 469 and 469a of the Code of Civil Procedure (now abrogated).
rights of which the parties may freely dispose, are provided. Therefore, every dispute that would be capable of settlement, including those on patents and trademarks, could be arbitrated in Croatia. On the other hand, “exporting” a dispute to arbitration abroad (permissible only for international disputes) may take place “unless it is provided by law that such a dispute may be subject only to the jurisdiction of a court in the Republic of Croatia”. The latter exception, although formulated in a more flexible way than the previous one, can still be interpreted as referring to the above limitations of exclusive jurisdiction. For example, whereas it should now be accepted that a dispute in a case of bankruptcy of one of the parties could be submitted to arbitration in Croatia, it is unlikely that such a case would be capable of being submitted to arbitration with a seat in a foreign country. In contrast, the Bankruptcy Laws of 1996 and 2015 (BL) already allowed judges of the bankruptcy tribunal to refer disputed claims to arbitration, i.e., to order the parties upon the request of a creditor to settle their dispute by arbitration at some permanent arbitration court in the Republic of Croatia (Art. 268(1)-(6) BL). However, since that time, this has never been used in practice.

As far as antitrust disputes are concerned, there are no specific legal rules or court jurisprudence. Their arbitrability would have to be evaluated under the above conditions, in particular regarding the ability to freely dispose of such rights and obligations.

b. Filling gaps
Under Art. 27(4) of the Law on Arbitration, arbitrators have to “decide in accordance with the terms of the contract and shall take into account the applicable usages”. This obligation, it is submitted, includes the right to interpret the parties’ contract and, where needed, fill in gaps or resolve uncertainties by appropriate interpretation. However, since arbitrators may not decide *ex aequo et bono* unless expressly authorized, they should neither change nor amend the terms of the contract (e.g., the terms of a long-term construction contract) without an express authorization. The Law on Obligations (LO) permits a third party to be empowered to fill in gaps in a contract or interpret it. This should also apply to arbitrators. Authorization to

26. This limitation does not, however, exclude the possibility of resorting to arbitration in such cases by an arbitral tribunal composed of foreign nationals, with foreign substantive law being applicable, as long as the place of arbitration is in the territory of Croatia.
29. See Arts. 272 and 321 LO (Off. Gaz. 35/05, 41/08, 125/11, 78/15 and 29/18).
fill in the gaps could also be given implicitly and its scope largely depends on the circumstances of the case.

c. Adapting contracts
If Croatian substantive law is applicable, arbitrators are allowed to adapt a contract to fundamentally changed circumstances according to the doctrine of clausula rebus sic stantibus. If, after conclusion of a contract, the circumstances unexpectedly change to the extent that the contract no longer corresponds with the legitimate expectations of the parties and it would be inequitable to maintain it as it is, an arbitrator could terminate the contract upon the petition of the affected party. However, the other party may suggest appropriate changes to the contract, or consent to any changes proposed by the arbitral tribunal. As a rule, arbitrators do not need specific authorization to make use of these provisions.

4. SEPARABILITY OF THE ARBITRATION CLAUSE

The doctrine of separability of the arbitration clause from the rest of the main contract is well-settled in Croatian law. In the Law on Arbitration (see Annex I), separability is provided for in Art. 15(1) second sentence: “For that purpose [ruling on objections to the existence or validity of the arbitration agreement] an arbitration clause which forms part of a contract shall be treated as an agreement independent of the other terms of the contract.” It also expressly provides that a decision to render the contract null and void shall not entail ipso jure the validity of the arbitration clause. Thus, no essential differences with respect to the separability of the arbitration clause exist between allegations that the main contract is non-existent and objections that it is invalid.

In any case, such objections to the jurisdiction of the arbitral tribunal shall be raised no later than the submission of a statement of defence. A plea that the arbitral tribunal is exceeding the scope of its authority should be raised as soon as the matter alleged to be beyond the scope of its authority is raised in the arbitral proceedings (Art. 15(2)).

5. EFFECT OF THE AGREEMENT (SEE ALSO CHAPTER V.4 – JURISDICTION)

a. Duty of court
If an action is submitted to a court in Croatia and the respondent invokes the arbitration agreement in due time, the court is obliged to declare that it lacks jurisdiction. It must then annul all actions taken in the proceedings and refuse to rule on the statement of claim, unless it finds that the arbitration agreement

30. See Art. 369-372 L.O.
is null and void, inoperative or incapable of being performed (Art. 42(1)). The
court does not have any discretion in relation to the action, and has to dismiss it
on formal grounds if the above conditions are fulfilled. The court should act
in the same way regarding all valid arbitration agreements, also in respect to
those not covered by Art. II(3) of the 1958 New York Convention on the
Recognition and Enforcement of Foreign Arbitral Awards ("the New York
Convention").

b. Court examination of arbitration agreement
There is no clear jurisprudence regarding the standard of inquiry into the
validity of the arbitration agreement; generally, as this is regarded as a
procedural issue, the standard should be \textit{prima facie} review only.

An objection to jurisdiction has to be raised prior to engaging in argument
on the merits, i.e., at the preparatory hearing, or, if such hearing does not take
place, at the first main hearing before the end of the oral presentation of the
statement of defence. After this moment, the respondent is deemed to have
tacitly consented to the court’s jurisdiction (\textit{prorogatio tacita}) (Art. 42(2)).

c. Duty of arbitrators
For the sake of speed and avoiding undue delays, submission of an action in a
court of law does not preclude the possibility of an arbitration in the same case.
Pending a decision on jurisdictional objections in the court proceedings,
arbitrators may continue the arbitral proceedings and make their award
(Art. 42(3)).

If an objection to jurisdiction is raised in arbitral proceedings, the
arbitrators have two options at their disposal: they may either issue a separate
ruling on jurisdiction, or continue the proceedings and deal with the objection
to their jurisdiction in the final award. If the arbitrators have ruled that the
arbitral tribunal is competent to hear the case in a separate procedural order, it
is also possible to request a final decision on this issue by the competent
court within thirty days (Art. 15(3)). Such court proceedings would have to be urgent. Nevertheless, the request for such a specific court ruling on

\begin{itemize}
\item 31. Technically, in the dispositive part of the decision the court will only dismiss the claim due to the lack of jurisdiction (\textit{odbacivanje tuzbe}). Such a decision does not stay the proceedings but discontinues them. However, the claimant may raise the same claim again if the jurisdictional obstacles are later removed, e.g., if the parties were to waive their agreement to arbitrate or if the agreement were to cease to be valid or operable. No “referral to arbitration” is made in the court decisions (although the court should note the existence of the arbitral agreement in the explanation of its decision), as it is considered that initiation of the arbitration is within the sole disposition of the parties.
\item 32. A separate ruling on the jurisdiction of the tribunal would have to be issued in the form of the procedural order, as the notion of the “award” is defined in the Croatian Law on Arbitration as a decision on the merits.
\item 33. Indeed, if the tribunal rules on the jurisdiction in the final award, it is only possible to attack this ruling in the setting aside action.
\end{itemize}
The procedural orders in which the arbitrators decline their jurisdiction cannot be challenged in the court of law. However, one decision of the Constitutional Court has annulled one such procedural order made in the arbitration proceedings based on the alleged denial of access to justice.34

Chapter III. Arbitrators

1. QUALIFICATIONS

a. Requirements
Croatian law does not require arbitrators to have any particular qualifications. Generally, every adult of sane mind may become an arbitrator. No specific legal qualifications are requested for arbitrators as far as training, experience, admission to the bar or other qualification is concerned. The same approach is maintained by the arbitral institutions. However, in practice the vast majority of arbitrations are conducted by persons with a high level of legal expertise and knowledge.

Aside from legal knowledge, there is also the issue of nationality and/or residence of arbitrators. Until 2001, there were no specific rules on this issue. The Law on Arbitration (see Annex I) has now provided an express rule, adopted from the UNCITRAL Model Law, that “[n]o person shall be precluded by reason of his nationality from acting as an arbitrator” (Art. 10(1)). This is, however, not a mandatory rule, and the parties may agree otherwise in their agreement. Although the wording of this rule is the same as Art. 11(1) of the UNCITRAL Model Law, its scope of application is broader, since the Law on Arbitration applies both to international and national arbitration (i.e., even if the dispute does not have an international character according to its legal definition).

b. Restrictions
The only legal restriction on possible appointments relates to active judges of national courts. Continuing the tradition from the previous law, judges of Croatian courts may be appointed only as presiding arbitrators or sole arbitrators, i.e., they cannot act as party-appointed arbitrators (Art. 10(2)).

All the preceding rules on general qualifications for arbitrators apply in so far as those arbitrators are capable of performing their tasks and duties in a specific case. Specifically, arbitrators are required to possess qualities agreed upon by the parties, and specific abilities necessary to deal with the case with appropriate speed. The Law on Arbitration provides that arbitrators have a duty to conduct arbitration with due expeditiousness and undertake measures on time in order to avoid any delay of proceedings (Art. 11(2)). If an arbitrator fails in either duty, parties may discharge the arbitrator by their consent. This can also be a ground for challenge of an arbitrator.

c. Disclosure requirements

The most essential feature regarding the personal qualities of arbitrators is their impartiality and independence. Both qualities are regarded as fundamental features of the due process in arbitration and therefore even the parties themselves cannot agree in advance on the appointment of biased arbitrators.

Every person approached in connection to appointment as an arbitrator is under an obligation to disclose facts which may raise doubts about his or her impartiality and/or independence (Art. 12(1)). This obligation does not cease with the appointment, so if any new circumstances arise later, the arbitrator must disclose them to the parties as soon as possible.

The approach of the Law on Arbitration is also reflected in the arbitration rules. The Zagreb Rules of 2015 do not just rely on the provisions of the Law on Arbitration but provide for provisions regarding impartiality and independence of arbitrators, as well as the rules on the substitution, exemption and termination of the arbitrator’s mandate.

2. APPOINTMENT OF ARBITRATORS

The parties are free to determine the procedure for appointing arbitrators (Art. 10(3)). In practice this is most often done by reference to the rules of arbitral institutions. However, the Law on Arbitration (see Annex I) provides a system of appointing arbitrators if the parties have made no direct or indirect agreement in this respect.

a. Appointment according to the Law on Arbitration

Under the default rule of Art. 10 of the Law on Arbitration, if three arbitrators are to be appointed (which is generally the case unless parties have provided otherwise), each party appoints one arbitrator. These two then appoint the third arbitrator. If a party fails to appoint an arbitrator within thirty days from receipt of a request, or if two arbitrators fail to appoint the third one within thirty days

35. The obligation to treat the parties equally is also found in Art. 17 LA.
from the last appointment of party-appointed arbitrators, an interested party may request appointment from the appointing authority determined in Art. 43.36

If a sole arbitrator is to be appointed (in cases where the parties agreed to a sole arbitrator, but have failed to determine the procedure for his or her appointment) the appointment has to be made jointly by both parties. However, if the parties fail to reach agreement, each of them may request the appointing authority to make the appointment (Art. 10(4)(2)).

b. Appointment according to the Arbitration Rules of the PAC-CCC

If the parties have selected the Zagreb Rules of 2015, a very similar procedure to the one described above would generally have to be followed. The appointing authority under these arbitration rules is the President or the Vice-President of the PAC-CCC.

For appointment of three arbitrators, the Zagreb Rules of 2015 provide for a slightly more expeditious procedure than the Law on Arbitration, meaning that the deadline for the appointment of a party-nominated arbitrator is not thirty but fifteen days. The remaining provisions on appointment of the Chairman of the Tribunal are the same as provided for by the Law on Arbitration.

If a sole arbitrator is to be appointed, the parties have to communicate the name of the agreed arbitrator within the time limit set by the secretary of the PAC-CCC. This cannot be less than fifteen days from the submission of the statement of defence by the respondent (or from the date by which submission of the statement of defence was due). After this time limit has passed, the appointing authority will make the appointment (Art. 20 Zagreb Rules of 2015).

When making an appointment, the appointing authority shall use the list procedure only if the parties have expressly agreed on its application or when the appointing authority considers the list procedure appropriate for the specific case. The list procedure involves sending a list of at least three names to both parties. Every party has the right to strike one or more names from the list and rank the rest according to its preferences. The appointing authority should generally make the appointment according to the parties’ preferences. If a party fails to state its preferences or does not return the list within the designated fifteen days, the appointing authority shall make the appointment in its own discretion.

c. Mandatory rules

In the process of appointment, the appointing authority (court or other authority designated by the parties) shall have due regard to any qualifications required of the arbitrator by the parties’ agreement and to such considerations as are likely to secure the appointment of an independent and impartial arbitrator. In an international dispute, in the case of a sole or presiding

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36. See preceding comments on the appointing authority, supra Chapter III.2.
arbitrator, the appointing authority shall also take into account the advisability of appointing an arbitrator of a nationality other than those of the parties (Art. 10(6)). The decision on the appointment of an arbitrator is not subject to any appeal.

3. NUMBER OF ARBITRATORS (SEE ALSO CHAPTER V.2 – MAKING OF THE AWARD)

The parties may freely determine the number of arbitrators. If they have not made any designation regarding the number of arbitrators, the law provides for the appointment of three arbitrators (Art. 9). The Law on Arbitration (see Annex I) has abandoned the previous rule that required the appointment of an odd number of arbitrators. In practice, though, it is customary to appoint either one or three arbitrators. The alternative of one or three arbitrators is provided in the Zagreb Rules of 2015, with a default rule that disputes of up to €200,000 have to be decided by a sole arbitrator, while disputes above this amount will be heard by a panel of three arbitrators (see Art. 14 Zagreb Rules of 2015).

4. CHALLENGE TO ARBITRATORS

a. Grounds
A request to challenge an arbitrator can be made on three grounds related to qualities of arbitrators as described under Chapter III.1 supra. Such grounds are:

– justifiable doubts as to the impartiality or independence of the arbitrator;
– lack of qualifications agreed by the parties; and
– failure to conduct the arbitration with due expeditiousness.

b. Procedure
The challenge procedure may be agreed upon by the parties. The default rule is, however, that the challenge shall be decided by the arbitral tribunal itself, including the challenged arbitrator (Art. 12(6)). Naturally, a decision on challenge will not be necessary if the arbitrator withdraws from office. If the parties have not provided any other time-limit, the challenge procedure has to be initiated by a written request with the grounds for challenge within fifteen days after becoming aware of such grounds (Art. 12(5)).

If the arbitral tribunal rejects the challenge, a further (mandatory) rule provides that a party who requested the challenge may seek a final decision on this issue by the appointing authority (Art. 12(7)).

If such an appointing authority was not determined by the parties, the appointing authority will be the President of the High Commercial Court or the President of the County Court in Zagreb (for non-commercial matters) (Art.
43(1)). Although the rule on quasi-appellate decision-making on challenge was inspired by the UNCITRAL Model Law, Art. 13(3), there is a subtle difference, since under the UNCITRAL provision the “court or other authority specified in Art. 6” cannot be determined by the parties, while the “appointing authority” from Art. 43(3) enables the parties to specify “that some or all of the assisting activities are to be performed by an arbitral institution or some other appointing authority”. Although it may be disputable whether the final decision on challenge is an “assisting activity”, in practice, the President of the High Commercial Court has already decided that he has no jurisdiction if parties have, under the Arbitration Rules of the PAC-CCC, designated a different appointing authority. Assuming this case law will be followed, decisions on challenge made autonomously within an arbitration institution (i.e., by its appointing authority) will be final, with no subsequent court control. The only way to attack a finding that an arbitrator is not biased would be in the procedure for setting aside of the award.

Similarly as in the case of qualities of arbitrators, the Zagreb Rules of 2011 and 2015 have departed from the earlier practice of the 2002 Rules and provide rules on challenge which are in line with the (non-mandatory) rules of the Law on Arbitration (see Annex I). The only exception is that the deadline for filing a request for challenge is thirty days instead of fifteen which is provided by the Law.

Neither the arbitration rules nor the dispositive provisions of the Law on Arbitration provide any formal requirements for the challenge decisions. In practice, however, it is customary that the appointing authorities issue decisions in a written form, and that these decisions contain reasons.

5. TERMINATION OF THE ARBITRATOR’S MANDATE

The arbitrator’s mandate may terminated in several ways. First, the arbitrator’s mandate terminates by the issuance of the final award. The general rule that the arbitrator who has issued the final award is functus officio has, however, several exceptions. In the case of setting aside of the award, the arbitrator’s mandate can be revived, if the award was set aside for a reason which does not entail the nullity of the arbitral agreement. Accordingly, under Art. 37(2) of the Law on Arbitration (see Annex I), the court that has set aside an award may, upon the request of a party, remit the case to the arbitral tribunal for reconsideration if this is found to be possible and appropriate. Some other residual obligations of the arbitrators remain after the final award, for example the obligation to issue an additional award or an award on costs, or to interpret or correct the award.

37. See more in Triva/Uzelac, pp. 312-318.
The arbitrator’s mandate may also be terminated by an order of the tribunal. Such an order shall be issued in several instances, provided in Art. 32(1) of the Law on Arbitration. The tribunal may terminate the proceedings (and thereby also its mandate) if the claimant has withdrawn his claim. However, if the respondent objects to such withdrawal and the arbitral tribunal recognizes a legitimate interest on his part in obtaining a final award in the dispute it can also continue the arbitration. The tribunal would also terminate the proceedings by its order if the parties agree on the termination of the proceedings. Finally, the tribunal can also terminate proceedings on its own motion, if it finds that the continuation of the proceedings has for any other reason become unnecessary or impossible.

The arbitrator’s mandate also terminates if he dies, withdraws from his office, if the parties agree on his removal after he has become unable to perform his functions or has failed to act for other reasons, or if he has been successfully challenged (see Arts. 12 and 13 Law on Arbitration). In all such cases, a substitute arbitrator has to be appointed according to the same procedure that was applicable to the appointment of the arbitrator being replaced (Art. 14 Law on Arbitration). All these rules are, with very small differences, essentially the same as the rules contained in Arts. 12-15 of the UNCITRAL Model Law.

All decisions and acts regarding the termination of the arbitrator’s mandate are, in principle, not subject to court review (except within the setting aside proceedings, and only to the extent permitted by the grounds for setting aside). This does not, however, prevent the arbitrator whose mandate was terminated from seeking costs or damages which may be caused by the termination of his mandate.

6. LIABILITY OF ARBITRATORS

There are no explicit rules on the liability of arbitrators in Croatian law. There has been no case law on this matter either. The doctrine regards the relationship between the parties (and/or arbitral institutions) and the arbitrators as a contractual relationship (i.e., a kind of an employment contract). Each arbitrator is requested to accept his appointment in writing (and, thus, his rights and duties as an arbitrator vis-à-vis the parties). Acceptance may also be made by simply signing the arbitration agreement (Art. 11(1) of the Law on Arbitration (see Annex I)). Therefore, in the view of the author, arbitrators may be sued for failure to comply with their duties and eventually also be ordered to pay damages caused by their failure, inability, lack of qualifications and/or manifest bias. However, with respect to decision-making, arbitrators perform a jurisdictional activity that may result in an act that is of equal legal force to a final court judgment and therefore they should also enjoy the same immunity as the judges of state courts.
Chapter IV. Arbitral Procedure

1. PLACE OF ARBITRATION (SEE ALSO CHAPTER V.3 – FORM OF THE AWARD)

a. Determination
Under Art. 19 of the Law on Arbitration (see Annex I), the principle of party autonomy is applicable to the selection of the place of arbitration as well. Parties may freely determine the place of arbitration by their agreement. This place may be either inside or outside Croatia. However, if the parties determine a place of arbitration abroad, the Law on Arbitration will not be applicable as a source of rules on arbitral proceedings, since its scope is limited to arbitrations that take place in the territory of the Republic of Croatia. The Law on Arbitration has introduced the pure principle of territoriality to determine whether an arbitration will be considered to be foreign or domestic (Art. 1(1) in connection with Art. 2(1)(2)). Therefore the place of arbitration is the sole criterion designating the nature of an arbitral award. If the parties have selected a place of arbitration in Croatia, their award is domestic, if not, it is considered to be a foreign award.

b. Legal consequences
Because of the weight and consequences of the selection of the place of arbitration, it is highly unlikely that parties will fail to determine it, either directly or by reference to some arbitration rules. However, for such unlikely cases the law provides that “the place of arbitration will be determined by the arbitral tribunal having regard to the circumstances of the case, including the convenience for the parties” (Art. 19(2)). If arbitrators have failed expressly to provide such a determination during arbitral proceedings, it is presumed that the place of arbitration is the one designated in the award as the place where the award was made. This rule is interlinked with the provision of Art. 30(2) (“The award shall be made in the place of arbitration”). In any case, it is necessary expressly to designate the place of arbitration in the award according to this rule. Failure to do so may result in not being able to determine whether the award is made inside or outside the country and therefore lead to problems in its enforcement.

The determination of the place of arbitration is a legal, not a factual, matter. Parties and arbitrators may hold their meetings at any other appropriate place, either inside Croatia or abroad, for consultations, hearing witnesses, experts or the parties, or for the inspection of goods or documents (Art. 19(4)).

38. The Law on Arbitration uses the term “domestic arbitration” to denote both international and national arbitration (“domestic” according to the nature of the parties) that is attributed to the domestic legal order.
2. ARBITRAL PROCEEDINGS IN GENERAL

a. Determining procedure

The rules of the arbitral proceedings may be freely chosen by the parties to the proceedings. The parties may use this power either directly or by reference to a set of rules (e.g., the arbitration rules of the PAC-CCC or rules for an ad hoc arbitration such as the UNCITRAL Arbitration Rules).\(^40\) The freedom to determine the rules of procedure is only limited by the mandatory rules of the Law on Arbitration (see Appendix I), but there are very few such rules. The most important limitation is contained in the general provision of Art. 17 dealing with equal treatment of parties. Other limitations could be derived from the list of reasons for setting aside (e.g., the obligation to respect public policy). The rules agreed by the parties must not lead to inclusion of parties or issues that are not covered by the arbitration agreement.

If the parties fail to determine arbitration rules or if some procedural details were not addressed by such rules, the rules of arbitration proceedings may be set by the arbitrators, on the basis that the arbitral tribunal may “conduct the arbitration in such manner as it considers appropriate”. This power given to arbitrators may be utilized in various ways – by direct and detailed determination of applicable rules, by referring to a set of rules contained in institutional or ad hoc rules or in some national legislation or any other appropriate manner. The limitations of the right of arbitrators to determine the ways arbitration proceedings are conducted are generally the same as those regarding the parties (see above), with some exceptions that arise from separate rules on commencement and language of the proceedings and oral hearings (see infra).

After formation, the arbitral tribunal may wish to define its tasks. Art. 33 of the Zagreb Rules 2015 provides that the arbitral tribunal may compose a document defining its tasks (“terms of reference”). The draft of this document shall be sent to the parties, who are authorised to make observations within a reasonable time limit. In order to reach consensus on the content of the document, the arbitral tribunal may convene a special hearing or meeting. The terms of reference must be issued if the parties so agreed in the arbitration agreement or later, and may also be issued by the arbitral tribunal absent agreement of the parties. If the members of the tribunal fail to agree within two months of its constitution whether terms of reference shall be issued, it is deemed that terms of reference will not be issued.

Terms of reference, if any, must be drawn up and signed by the parties and the arbitrators within two months of the constitution of the arbitral tribunal, which time limit may be extended by the President of the PAC-CCC or the person authorized by him upon reasoned request of the arbitral tribunal. If one of the parties refuses to participate in composing or signing of the terms of

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\(^{40}\) See Art. 18(1) of the Law on Arbitration.
reference, this document shall be sent to the PAC-CCC for approval, and its approval shall be decided by the President of PAC-CCC or the specially authorised member of its Presidium.

b. Written pleadings
With respect to the commencement of the proceedings, the Law on Arbitration provides default rules that apply if the parties have not agreed otherwise. These rules are a specific compromise that distinguishes between *ad hoc* and institutional arbitration. For the latter, arbitral proceedings are initiated by submission of the statement of claim to an arbitral institution (according to previous practice that emulates court proceedings). On the other hand, *ad hoc* arbitration commences on the date on which a written statement of claim (that includes notification of the appointment of arbitrator and invitation to appoint the other arbitrator or a proposal regarding appointment of a sole arbitrator) is received by the respondent (Art. 20). Thus, an exchange of written pleadings will in the vast majority of cases take place in the very beginning of the proceedings. Such pleadings should contain factual allegations, points at issue and relief or remedy sought. Departure from this rule would be possible only if the parties have provided some other way of initiating arbitral proceedings. Written pleadings may be amended or supplemented during the course of the arbitral proceedings, unless the parties have agreed otherwise or the arbitral tribunal considers it inappropriate because of possible undue delay (Art. 22).

The novelty of the Zagreb Rules since 2011 is certainly the provision on electronic communications, which enables the parties to agree on the exchange of their submissions and enclosures but also the tribunal’s documents and letters by electronic mail.

c. Language of proceedings
The Law on Arbitration also provides rules on the selection of languages of the arbitral proceedings. The parties may determine the language or languages of the proceedings. If the parties have failed to do so, this issue may be resolved by the arbitrators. In both cases, until the language is determined, submissions may be exchanged either in the language of the main contract, in the language of the arbitration agreement or in the Croatian language. The Croatian language will also be the default language if both parties and arbitrators fail to reach agreement on the language of the proceedings (Art. 21).

d. Oral hearing
The arbitral tribunal must fix an oral hearing at an appropriate stage of the proceedings, if a party so requests, unless the parties have agreed that the

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41. The same method of commencing arbitration is also provided by Art. 28 of the Zagreb Rules 2015.
42. Art. 13 of the Zagreb Rules of 2011 and 2015.
proceedings may be conducted on the basis of written evidence only (see Art. 23(1) and (2)). In most cases, the arbitration proceedings will involve holding one or more oral hearings. The parties may, however, agree otherwise, and the arbitrators may also decide whether oral hearings for the presentation of evidence or for oral arguments shall be held, or whether the proceedings shall be conducted solely on the basis of documents. However, unless the parties have agreed that no hearings shall be held, arbitrators have a duty to hold a hearing if any of the parties so request (Art. 23(2)). An exception is the right of the arbitrators to issue an award without holding an oral hearing, if they find on the basis of exchange of statements of claim and defence that facts of the case have not been disputed. In such a case the arbitral tribunal needs to inform the parties about its intention to deliver the award and give them an opportunity to respond (Art. 56 Zagreb Rules).

In practice, arbitrators mostly hold oral hearings, and there is often an inclination to hold too many hearings (as is the practice of state courts) rather than to decide the case without hearing the parties in person. The Zagreb Rules of 2015 provide that, unless the parties agree otherwise, the arbitral tribunal is obligated to hold the first hearing within sixty days from its constitution. The oral hearings are confidential unless the parties have agreed that hearings will be held in public.43

3. EVIDENCE

a. General
Croatian law expressly includes the arbitral tribunal’s authority to decide on the admissibility, relevance and weight of any evidence in the power to determine the rules of procedure (Art. 18(2)). The Croatian legal tradition has embraced the doctrine of free evaluation of evidence. Therefore Croatian arbitrators would not generally be bound by the rules of evidence applicable in Croatian courts (there are in any event very few such rules in the Croatian courts so far).

b. Witnesses
The arbitrators may determine the way in which witnesses are heard in the proceedings. The Law on Arbitration (see Annex I) provides that witnesses should generally be heard at the oral hearing. However, with the consent of the witnesses, they may also be examined outside oral hearings. There are no rules on the method of hearing witnesses (e.g., whether they will be examined directly by arbitrators or whether they will be cross-examined); it is within the discretion of arbitrators to decide this after consulting the parties and taking into account other relevant circumstances (such as the procedural background

43. See Art. 46(2) of the Zagreb Rules 2015.
of the arbitrators, the legitimate expectations of the parties and the applicable law).

The arbitral tribunal can also request witnesses “to answer questions in writing within a certain period of time” (Art. 25(2)). Thereby, the use of deposition – written witness statements – would also be permissible. Otherwise, witness statements are not as a rule used in proceedings before Croatian courts.

However, an express provision stipulates that witnesses “shall be examined without taking an oath” (Art. 25(3)). Since this refers to arbitration proceedings, witnesses could theoretically still be sworn if arbitrators request assistance from a court. However, in Croatian legal practice, swearing in of witnesses has almost completely been abandoned, even in court proceedings where it is legally permitted.

The arbitral tribunal does not have any compulsory means for compelling witnesses to appear and give their statements in the proceedings. However, Art. 45(1) of the Law on Arbitration provides:

“The arbitral tribunal, or a party with the approval of the arbitral tribunal, may request legal assistance from a competent court in taking evidence which the arbitral tribunal itself could not take.”

Acting upon such request, the court will use the same rules as if it were requested to take evidence by another court. As a rule, the competent court would call the witness and take his statements on the protocol. If a witness refuses to appear, all legal means available in court proceedings could be utilized to compel him or her to appear and provide information (police assistance, monetary penalties and imprisonment). Arbitrators have the right to be present at the court hearing held upon their request and may put questions to witnesses who are being examined.

c. Documentary evidence

There are only a few legal provisions in Croatia that deal with the production of written evidence. The law provides that parties may already submit documents at the stage of exchanging written pleadings. Each document that is relevant to the case has to be communicated to the other party. The parties have to be given sufficient advance notice about any hearing that is held inter alia for the inspection of documents. The PCA-CCC Arbitration Rules also provide that arbitrators may set time limits within which parties have to deliver to the tribunal and to the other party a summary of the documents and other evidence that they intend to present in support of the facts in issue as set out in

44. According to Art. 43(5), it would be a court which has subject-matter jurisdiction for the action, territorially competent according to the place where the particular activity has to be undertaken.
45. See Art. 23(3) and (4).
the statement of claim or statement of defence. During the proceedings, arbitrators may also set deadlines for the production of documents and other evidence (Art. 42(2) and (3) Zagreb Rules of 2015).

Other than that, there are no rules on discovery or disclosure of documents, and the arbitrators cannot use any compulsory means in order to enforce an order to produce a document. Yet, the fact that a document has not been produced or disclosed can be used in order to draw negative inferences for the case of the party that has refused to comply with the arbitrators’ order.

4. TRIBUNAL-APPOINTED EXPERTS (SEE CHAPTER IV.3 FOR PARTY-APPOINTED EXPERT WITNESSES)

In Croatian legal practice it is customary to use neutral experts appointed by the body entrusted to adjudicate the case. Therefore, the Law on Arbitration (see Annex I) provides that the arbitral tribunal may appoint one or more experts to report on specific issues determined by the arbitrators (Art. 26(1)). The tribunal is not legally required to consult the parties beforehand, although, as a matter of good practice, it is prudent to do so. The parties are entitled to present their own expert witnesses as well (Art. 26(2)). Parties may agree otherwise concerning both Art. 26(1) and (2). In any case, the principle of equal treatment requires that the parties have the opportunity to read and comment on an expert’s opinion. The Law on Arbitration expressly provides that they may request an oral hearing where they will be able to discuss all relevant issues with the expert, the other party and the arbitrators (Art. 26(2)).

Experts are supposed to be independent and impartial, so the rules on the challenge of arbitrators apply as appropriate to the challenge of experts (Art. 26(3)). This is at least true for experts appointed by the tribunal, whereas party-appointed experts may be heard as witnesses in the proceedings, even though they may not be fully independent of the party that appointed them (and may be paid for their opinion).

5. INTERIM MEASURES OF PROTECTION (SEE ALSO CHAPTER I.1 – LAW ON ARBITRATION)

a. General

One of the new features of the Law on Arbitration 2001 (see Annex I) is a positive attitude towards the ability of arbitrators to decide on interim measures

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46. This conclusion is derived from Art. 26(2) of the Law on Arbitration which provides that an expert witness appointed by the tribunal shall, at the request of either party, participate at the hearing where the parties shall have opportunity, inter alia, to “present [party appointed] expert witnesses in order to testify on the points at issue”. 
b. Types of interim measures

The Law on Arbitration 2001 does not specify in detail the types of interim measures of protection. Generally, the national procedural law recognizes various types of interim measures, but the way in which courts have ordered interim measures to be divided and systematized is not necessarily appropriate for arbitration proceedings. The 2015 Zagreb Rules provide for a non-exhaustive list of measures which the tribunal may order.

The issuing of an interim measure may be conditioned by an appropriate security provided either by the party who requested the measure, or by the party wishing to avoid such a measure.

c. Comparison with 2006 Model Law

Since Croatian arbitration law was reformed six years prior to the 2006 amendments to the UNCITRAL Model Law, it has not incorporated the extensive approach of the Model Law’s new Chapter IV.A. However, commentators on the Law on Arbitration argue that the new provisions of the UNCITRAL Model Law may be used to fill in the gaps caused by the sketchily drafted provisions of Art. 16 of the Law on Arbitration.

d. Form

It is generally expected that the party ordered to undertake a measure of protection will do so voluntarily (e.g., preserve perishable goods in a certain manner, or sell them and deposit the proceeds in a specific account). However, if a party fails to do so, the opposing party may request enforcement of the measure issued by the arbitral tribunal by a competent court. The law does not make any formal requirements regarding interim measures, but the Zagreb Rules of 2011 introduced a new rule which states that the tribunal shall issue the decision on interim measures in a form of an award. The competence and proceedings of the court requested to enforce the measure will be determined according to the general rules of the Enforcement Code, i.e., the court

47. On the background of this change in attitude, see more in Triva, S., “Privremene mjere osiguranja u arbitraži” [Interim Measures of Protection in Arbitration], Zbornik Pravnog fakulteta u Rijeci (Suppl. 1998) pp. 713-744.
49. Art. 48(2) Zagreb Rules of 2015.
50. See Triva/Uzelac, p. 126.
approached in connection with the preliminary measure shall act under the same rules as if it had to enforce its own measure of protection.

e. Court or tribunal
In any case, the right of the arbitrators to order interim measures does not preclude the parties from requesting a provisional measure to be ordered by the court. As provided by Art. 44, “It is not incompatible with an arbitration agreement for a party to request from a court, before or during arbitral proceedings, an interim measure for protection of a claim and for a court to grant such a measure.” The provisions of the Law on Enforcement on the jurisdiction for ordering and enforcement of provisional measures remain unaffected (Art. 43(6)). The Law on Arbitration has not changed the previous way of requesting a provisional remedy from a national court. Therefore, during proceedings, the parties may now choose whether they will request a preliminary measure from the arbitrators (who are best informed about the case), or whether they will request the same measure before the competent court of law (which may still be the only solution prior to the appointment of the members of the arbitral tribunal).

The wording of the Law on Arbitration does not distinguish between particular kinds of preliminary measures that may be requested either from arbitrators or from the courts and there is very little jurisprudence so far in this respect. However, it seems that the words “such interim measures of protection as the arbitral tribunal may consider necessary in respect of the subject matter of the dispute” could embrace measures aimed at conserving the value of particular property, requests for bank guarantees and attachment orders.

There are also no rules for the proceedings in which requests for preliminary measures will be decided. State courts are often requested to make ex parte decisions on interim measures. It is submitted that this would also usually be the expectation of the Croatian parties in arbitral proceedings, since the surprise effect is considered one of the substantive conditions for the efficiency of the ordered measure, especially against such respondents that are known to use all available means to block the proceedings or evade enforcement.

However, the Zagreb Rules of 2015 provide that interim measures shall normally be ordered after hearing the other party, except if the applicant demonstrates that ex parte issuance is necessary to ensure that the measure is effective. In such cases, the applicant should disclose all the relevant circumstances and submit a statement that he will cover any damage caused by a lack of proper disclosure (Art. 49(3) Zagreb Rules of 2015).
6. REPRESENTATION AND LEGAL ASSISTANCE

There are no mandatory rules with respect to the right of parties to appear in arbitration proceedings without a representative, or regarding the choice of a representative, neither in the Croatian Law on Arbitration (see Annex I), nor in the arbitration rules of Croatian arbitral institutions. Naturally, if a party is otherwise unable to participate in business and other transactions without a legal representative (e.g., minors), it has to be duly represented in the proceedings. Lack of proper representation may be a ground for setting aside the award (see Art. 36(2)(1)(b) in fine). The representatives in the proceedings should also be able to conclude transactions, or have to be represented by a proxy.

In contrast, the Zagreb Rules of 2015 provide that the parties may be represented or assisted by persons of their choice. The names and addresses of such persons must be communicated in writing to the other party; such communication must specify whether the appointment is being made for purposes of representation or assistance.52

Another explicit legal rule is contained in the Law on Attorneys, 53 providing that foreign attorneys may represent parties in the international arbitration cases,54 with the exception of duly registered attorneys from the EU which have limited authority to provide certain legal services in Croatia.55 There is, however, no restriction on use of other types of representatives, and parties to arbitration proceedings are often represented by their in-house counsel or other experts. Often, especially if a party decides not to engage a lawyer, the representatives of legal entities are not lawyers.

Although there are generally no restrictions regarding those who can represent parties in the proceedings, a valid power of attorney is regularly needed to prove the authorization and capacity of the representative. Arbitration rules do not contain any rules on the form and substance of the power of attorney, and according to usual practice, a simple (uncertified) written form is sufficient.

7. DEFAULT

Under Art. 24 of the Law on Arbitration (see Annex I), the failure of a duly notified party to appear before the arbitral tribunal or undertake certain action

52. Art. 9 Zagreb Rules 2015 (this rule, also contained in the earlier versions of the Zagreb Rules, was adopted from Art. 4 of the UNCITRAL Arbitration Rules).
55. This regulation is a consequence of the Croatia’s accession to the EU in July 2013.
does not prevent arbitrators from continuing the proceedings. In such situations, which increasingly often occur in practice, it is within the discretion of the arbitrators to assess whether there was a sufficient cause for the default.

A novelty under the 2015 Zagreb Rules is the authority of the arbitral tribunal to issue an award in the form of a payment order in domestic cases. Under Art. 57, if requirements of national law for issuing payment orders are fulfilled, the President of the Court shall issue, in cases without international character, a payment order as the sole arbitrator upon a motion by the claimant. If the respondent objects to the arbitral payment order within a short time limit (eight or, for special cases, three days), the arbitral tribunal will be appointed and the arbitration will continue as in other cases under the same rules.

In the case of the claimant, if he fails to communicate his statement of claim in due time, the arbitral tribunal may terminate the proceedings. As to the respondent, his failure to communicate the statement of defence will not prevent arbitrators from making the award. In no case will default automatically be treated as an admission; there is no provision on “default awards” in the Law on Arbitration. Further, a party’s failure to appear at a hearing or failure to produce documentary evidence shall not prevent arbitrators from continuing the proceedings. They may in such cases make an award on the basis of available evidence. Rules on default are also of an optional nature – the parties could agree otherwise. In practice, parties usually rely upon the standard solutions of the law, and the arbitration rules generally treat the default in the same way, also providing other means to prevent delays in the proceedings.

8. CONFIDENTIALITY OF THE AWARD AND PROCEEDINGS

a. Confidentiality of the arbitral award and proceedings

Although confidentiality has been praised since long ago in the doctrine as one of the virtues of the arbitral proceedings, only with the entry into force of the new Law on Arbitration (see Annex I) was it expressly provided that the proceedings are, if not otherwise agreed by the parties, not public (Art. 23(5)). This is, however, still the only provision on confidentiality in the Law on Arbitration. Commentators argue that such a provision is on one hand too

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56. This is applicable only to cases which are not initiated by the submission of a statement of claim (i.e., in principle to ad hoc arbitration only, because in institutional arbitration the claimant should initiate the proceedings by submitting the statement of claim, see Chapter IV.2 above).

57. Concerning default of the parties, the Zagreb Rules 2015 do not contain any rules that would deviate from the Law on Arbitration. In addition, they authorize arbitrators to use their discretion and decide, taking into account all the circumstances, whether they will take into account the procedural actions of the parties undertaken after expiry of the time limits (Art. 39).

sketchy and general, and on the other too narrow and misplaced, as it creates a false impression that it only relates to the oral hearings.\textsuperscript{59} Arbitral rules such as the Zagreb Rules of 2015 are hardly more precise, and the national privacy legislation does not treat this issue as a matter of public law. Therefore, it is recommended that, if confidentiality is important, the parties, arbitrators and, as the case may be, third persons should enter into a special confidentiality agreement.

\textit{b. Confidentiality of arbitration-related court proceedings}

If court proceedings for recognition and enforcement or an action for setting aside an arbitral award are filed with a court of law, the court proceedings are generally public. The documents filed in legal proceedings are also part of the record of the proceedings. As regards the right to access the record of the court proceedings, such access is not granted automatically to third persons, but is granted only to those who have a “legitimate interest” in inspecting the court files (Art. 150 of the Code of Civil Procedure). The decision on the right of access to court files (or particular parts of them) is made by the trial judge or, after termination of the court proceedings, by the president of the court. However, under Art. 307 CCP, the court may close the oral hearings in whole or in part to the public, if this is required, \textit{inter alia}, to preserve “business secrets”, i.e., the documents and data that have been declared confidential by a particular business.\textsuperscript{60} However, such limitation or exclusion of the public nature of the proceedings may be ordered only “to the extent strictly necessary in the opinion of the court in special circumstances where publicity would prejudice the interests of justice”.\textsuperscript{61}

Witnesses may refuse to testify if their testimony would violate their professional obligation to preserve confidentiality. The court has to assess whether the reasons for such refusal are justified (Arts. 237 and 240 CCP). The unauthorized disclosure of business secrets is a criminal offence, punishable by a prison sentence of up to five years’ imprisonment (Art. 262 of the Criminal Code).

Court judgments have to be pronounced publicly in all cases, but the court may exclude the public when all or some of the reasons for judgment are being read if the public was excluded from the trial. Judgments of the higher courts are also published in the selections of judgments, and some courts (e.g., the Supreme Court) have all of their judgments available on the internet, subject to

\textsuperscript{59} See Triva/Uzelac, pp. 187-188.

\textsuperscript{60} The rules on business secrets and the procedure of declaring specific data as confidential are provided in the Law on Protection of Data Secrecy (Zakon o zaštiti tajnosti podataka), Off. Gaz. 108/1996, and Law on Data Secrecy (Zakon o tajnosti podataka), Off. Gaz. 79/2007 and 86/2012.

\textsuperscript{61} This condition, inserted by 2003 amendments, copies the language of the Art. 6 of the European Human Rights Convention.
the anonymization that regularly blanks out the names of the parties and other identifying details of the participants in the case.

All these provisions may help to prevent uncontrolled access to confidential data and documents from the arbitration proceedings, but, since the limitations largely depend on the discretion of the court that has to balance the right to a public trial against business interests, there is no absolute protection against the “leaking” of confidential information.

Chapter V. Arbitral Award

1. TYPES OF AWARD

The Law on Arbitration (see Annex I) provides that, unless parties have agreed otherwise, the arbitral tribunal may issue not only final awards, but also partial and interim awards (Art. 30(1)). Thus, arbitrators may either deal with all of the issues at the same time, or separate the issues and rule first on those claims that are ripe for decision-making, leaving the rest for the final award.

However, it should be emphasized that the term “award” (in Croatian: pravorijek) is legally defined as a “decision … on the merits of the dispute” (Art. 2(1)(8)). Decisions on procedural issues can regularly be made in the form of procedural orders (zaključak). The decisions on applicable law or jurisdiction of the arbitrators are viewed to be merely of a temporary, procedural nature, and generally do not need any enforcement (nor would it be possible to submit them to a setting aside procedure).62

The term “interim awards” (međupravorijek) mentioned in Art. 30 does not relate to interim measures, but to substantive decisions regarding the basis of a monetary claim (e.g., a decision on responsibility for damages, whereas the amount of damages would be left for the final award). Unlike partial awards, which finally decide one or more of several claims in the dispute (but not all of them), or a part of one (divisible) claim, such interim awards are not independent awards. That is, unlike partial awards, they are not capable of direct enforcement, but can be enforced only when a final decision on a claim (both on the basis of a claim and on its amount) is made. In this sense, a partial award can also be regarded as a “final award” under the legal definition of Art. 2(1)(9) of the Law on Arbitration.63 Partial awards can be subject to an

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62. Yet, since this may also be regarded as an issue of terminology and translation, if the parties were to need for some particular purpose a procedural decision that is in English entitled “award”, it seems that they could make such an agreement.

63. Croatian legal practice and doctrine distinguish between two senses of “finality” regarding decisions on the merits of a dispute, i.e., the award that finally settles one or more claims in the same dispute (final awards as konačni pravorijek), or where the process as such (with all outstanding issues) is finally settled by award (final award as potpuni pravorijek, “full
independent setting aside procedure, whereas interim awards can only be challenged within the application to set aside the final award (Art. 36(1) second sentence).

2. MAKING OF THE AWARD

a. Decision-making
Art. 28 of the Law of Arbitration provides how decisions (both of a procedural and a substantive nature) are made if the arbitral tribunal consists of more than one arbitrator. Unless otherwise agreed by the parties, decisions have to be made by the majority of the tribunal members. If such a majority cannot be reached, arbitrators will deliberate again about the reasons for and against different options, with a view to reaching a decision. If a majority still cannot be reached, the award will be made by the presiding arbitrator. If the members of the tribunal are not in session, the presiding arbitrator may also decide alone on certain procedural issues regarding the conduct of the proceedings, unless this is contrary to the parties’ agreement or an agreement among the members of the panel.

b. Time limits
The arbitral tribunal shall make an award when the issues are ready for decision-making. There is no time limit for making an award either in the Law on Arbitration (see Annex I). Under the Zagreb Rules 2015, the arbitral tribunal is obligated to complete the arbitration proceedings within one year. This time limit can be extended by the President of the PAC-CCC if he or she finds justifiable reasons for the delay (see Art. 36 Zagreb Rules). Another time limit for the arbitral tribunal is the obligation to hold the first oral hearing within sixty days from its constitution (though the sanctions for the failure to comply are not clearly defined). Short time limits also exist under arbitration rules regarding internet domains.64 The duty to make an award within appropriate time limits arises also from the already mentioned general duty of the arbitrators to conduct an arbitration in a timely manner and avoid every undue delay established in Art. 11(2) of the Law on Arbitration.

award”). The Law on Arbitration only uses the term “final award” in the first sense, inter alia, also in Art. 32 (final award terminates the proceedings on the issues decided by it).

64. An exception can be found in the arbitration rules of the CARNET (Croatian Academic Research Network) regarding domain name disputes within the Croatian national Internet domain (.hr), see <www.dns.hr>. Under Art. 52, the arbitral award has to be made within sixty days from the transfer of the file to the arbitrator.
c. Dissenting opinions

Both the Law on Arbitration and the arbitration rules are silent with regard to the treatment of dissenting opinions. In practice, dissents are regarded as an internal matter for arbitrators’ decision-making, as the tribunal is expected to speak with one voice to the parties. The arbitrators or arbitral institutions usually do not inform the parties whether the award was done unanimously or by majority vote and do not send any dissenting opinions to parties.

3. FORM OF THE AWARD

Pursuant to Art. 30(3) of the Law on Arbitration (see Annex I), the award shall be made in writing.\(^\text{65}\) It has to be made at the place of arbitration and it has to be dated. Although both the lack of place and date in the award and their incorrectness do constitute violations of the mandatory rules of the arbitration law, they do not in themselves constitute a sufficient ground for the setting aside of the award.\(^\text{66}\) While the lack of date and the place of arbitration may also, with a somewhat broader reading of the Art. 34(1), be cured by a request to correct the award, this can hardly be the case with awards that are not made in writing in any meaning of this word (i.e., not even in the form of the electronic record). In the absence of a written record, one should assume that the award has not been made at all.

The award must also state the reasons upon which it is based, unless the parties have agreed that no reasons are to be given or the award is an award on agreed terms. There is no specific requirement for adequacy of reasons – this should be evaluated by the courts on a case by case basis. The original and all of the copies of the award must be signed by all members of the arbitral tribunal. However, if one or more arbitrators fail to sign the award, it is still valid, provided that the majority of the members of the tribunal have signed it and that it is stated in the award that one or more arbitrators failed to sign it.

4. JURISDICTION (SEE ALSO CHAPTER II.5 – EFFECT OF THE AGREEMENT)

a. Power of arbitrators

It has already been mentioned that the arbitral tribunal has the power to rule on its own jurisdiction (see supra Chapter II.4 and 5). If a respondent raises an objection as to the jurisdiction of the arbitrators on the ground that a valid agreement to arbitrate was not concluded, arbitrators may either rule on this

\(^{65}\) Unlike the rules on the form of the arbitration agreement, this provision generally requires a “strict” written form. This, however, does not exclude some forms of awards issued and signed electronically, if such a form may be taken as the functional equivalent of the “classical” written form. See Triva/Uzelac, p. 252.

\(^{66}\) See Triva/Uzelac, p. 255.
issue in a preliminary ruling, or they may leave this issue to be decided later in an award on the merits.

b. Appeal
As noted above, the preliminary ruling that arbitrators have jurisdiction may be challenged before the court (Art. 15(3) LA). Such a request should be made within thirty days from the preliminary ruling that arbitrators have jurisdiction; however, as already mentioned, while the court is deciding this issue, arbitrators may continue with the arbitration and even make a final award.67

On the other hand, claims before a court of law on the lack of jurisdiction of the arbitrators are not admissible prior to the arbitrators’ ruling on their jurisdiction. Equally, if arbitrators have left a decision on jurisdiction for the final award, the lack of a valid arbitration agreement may only be raised in the procedure for setting aside such an award – no prior judicial proceedings on the arbitrators’ jurisdiction are possible.68

c. Timing of objection
The plea that arbitrators do not have jurisdiction shall be raised at the very latest within the statement of defence in which the respondent engages in the merits of the dispute. If the respondent fails to object to the jurisdiction of the arbitral tribunal prior to engaging in arguments on the substance, it is deemed to be an acceptance to arbitrate (another instance of prorogatio tacita). Such failure to object constitutes a valid agreement to arbitrate under Art. 6(8) of the Law on Arbitration (see Annex I).

Thus, if objections to jurisdiction are not raised in due time, they would have to be rejected in all proceedings, both before the arbitrators and before the courts of law. However, there are two exceptions: namely, if the objection is raised because the subject matter of the dispute is not capable of settlement by arbitration, or because of violations of public policy, no action or default by parties may lead to a valid agreement or waiver to object, since these two issues may be controlled by courts ex officio both in the setting aside proceedings, and even on the occasion of the enforcement of arbitral awards.

67. The Law on Arbitration does not provide for what should happen if the arbitrators make a final award while the jurisdictional dispute is still pending before a court (which may occur, since the courts may be burdened with cases and therefore have problems with swiftness of their adjudication). It seems that in such a case, a separate court procedure on the jurisdiction would make no sense, and that lack of a valid arbitration agreement could be raised only by a claim to set aside the award.

68. This reasoning is based on Art. 41(1): if a claim before the court of law is not provided by the Law on Arbitration, it is not admissible (“No court shall intervene in matters governed by this law, except where it is so provided in this Law”).
5. APPLICABLE LAW

Under the scope of application of the Law on Arbitration (see Annex I), the same rules are applicable to national and international arbitrations in Croatia. Thus, there are generally no differences whether a dispute is regarded to be one “with international character” or not. It should, however, be emphasized that, in contrast to the UNCITRAL Model Law, the distinction between national and international disputes is the more conventional one, i.e., a dispute is legally regarded as international only if “at least one party is a natural person with domicile or habitual residence abroad, or a legal person established under foreign law” (Art. 2(1)(7)).

The arbitral tribunal shall always decide according to rules of law, unless the parties expressly empowered the arbitrators to decide as amiable compositeurs (ex aequo et bono) (Art. 27). The applicable rules of law are those agreed by the parties. The phrase “rules of law” enables the parties to choose either a substantive law of a particular country, some combination of national substantive laws, or even some other system of rules, e.g., lex mercatoria. For the avoidance of doubt, the Law on Arbitration provides that any reference to the law or legal system of a particular state should be interpreted as a direct reference to the substantive law of that country and not as a reference to its conflict of law rules (Art. 27(1)). Regardless of the rules of law that are being applied, the arbitrators have to observe the terms of the contract and have to take into account the applicable usages of trade (or other usages relevant for the subject matter). In practice, contractual terms and commercial practices are more important than the applicable rules of law. Also, while deciding ex aequo et bono arbitrators often seek to find a solution that is not radically different from the application of rules and principles of the legal systems connected to the dispute.

If the parties have not made any selection of the rules applicable to the subject matter of the dispute, the arbitrators may determine such rules, applying the law that they consider to be most closely connected with the dispute (Art. 27(2)). Naturally, in purely national disputes it will be assumed that substantive Croatian law will be applicable.

70. The Law on Arbitration has abandoned the previous practice of determination of the applicable law by application of the law determined by the conflict of laws rules that the arbitrators consider applicable (see, e.g., Art. 38 of the Zagreb Rules of 1992).
6. SETTLEMENT

It is often stated that one of the main advantages of arbitration consists of an atmosphere that is, compared to judicial proceedings, more amicable and less litigious. In Croatian practice it is not uncommon that the parties attempt to reach an amicable solution during arbitration, sometimes with the assistance of the arbitrators. If a settlement is reached, the law provides two options: either the arbitrators will terminate the proceedings by procedural order, whereas the form and enforceability of settlement will be entirely left to the parties, or the parties may request that the arbitrators record the settlement in the form of an award on agreed terms. In the latter case, the award will have the same force and effect as any other award on the merits (Art. 29(1) and (3)).

The arbitrators do not have any power to check the content of the settlement with respect to its appropriateness. However, they must refuse to make an award on the basis of a settlement that would violate public policy (Art. 29(2)).

An award on agreed terms is subject to the same formal requirements as other types of award, except that – as already noted – stating reasons is not required (Art. 30(3)).

There are no explicit provisions on setting aside awards on agreed terms, but in principle they would be subject to setting aside like any other award. However, since an award on agreed terms is a direct product of the parties’ agreement, some of the grounds for setting aside would not be applicable, such as the lack of reasons for a decision (see Chapter V.3 supra). Also, from the nature of the award on agreed terms it may be implied that some other grounds would also be excluded (e.g., lack or invalidity of the arbitration agreement, inability to present one’s case, or falling outside the scope of the submission to arbitrate). Other grounds, such as violations of public policy, non-arbitrability of the subject matter or incapacity or improper representation of the parties could be raised in setting aside proceedings, and – according to the practice of challenging settlements in court proceedings – potentially also error, fraud or duress that has led a party to conclude the settlement.

7A. CORRECTION AND INTERPRETATION OF THE AWARD

Under Art. 34 of the Law on Arbitration (see Annex I), each party may request correction of any errors in writing, miscalculations or other clerical or similar errors. If the parties have so agreed, it is also possible to request an interpretation of a specific point or part of the award. In both cases, the request has to be made within thirty days of receipt of an award,\(^{71}\) and notice has to be given to the other party. If the arbitrators consider the request to be justified, they shall make corrections or give an interpretation within a further thirty days.

\(^{71}\) This time limit is subject to parties’ agreement – see introductory clause of Art. 34(1).
from receipt of the request. The correction or interpretation provided to the parties shall form part of the award.

Within thirty days from making an award, clerical errors may also be corrected by the arbitral tribunal on its own motion, without the initiative of the parties. With regard to formal requirements and the communication of the corrections or interpretations, all of the rules regarding the award discussed supra in Chapter V.3 will be applicable.

7B. ADDITIONAL AWARD

Within thirty days from the receipt of the award, each party may request, with notice to the other party, the rendering of an additional award if the arbitrators have omitted to decide one or more substantive issues submitted to arbitration, but omitted from the award (Art. 33). The rules on awards will be applicable in the same way as awards for correction or interpretation. However, arbitrators may not issue an additional award on their own initiative. After expiry of the time limits for both parties, omitted claims can only be decided by arbitrators through new arbitration proceedings. The preceding legal provisions on additional awards may be modified by the parties’ agreement.

There are no specific rules on the costs of rendering additional awards. As a rule, the need to render an additional award is caused by an omission of the arbitrators, and therefore it would be inappropriate for the arbitrators to ask for coverage of their costs and expenses on that account. As to the costs caused by the additional award to the parties and third persons, the general approach of Croatian procedural law is that such costs form a part of the total costs that will be borne by the losing party.72

8. FEES AND COSTS

a. Generally

The Law on Arbitration (see Annex I) expressly provides in Art. 35 that the arbitrators have the right to decide on the costs of the proceedings upon a party’s request. This authorization includes the power to apportion the costs among the parties and to order, if necessary, that one party reimburse the full amount or a portion of costs to the other. As a criterion for the decision on costs, the law provides that the arbitrators decide according to their discretion, taking into account all circumstances of the case, in particular the outcome of the dispute. The costs regularly include attorneys’ and arbitrators’ fees. The decision on costs may either form a part of the award, or may be contained in a

72. This approach does not, however, bind arbitral tribunals, which have, under Art. 35(2), broad discretion in the matter of costs.
procedural order terminating the proceedings. If the arbitral tribunal has omitted to decide on costs, or if such a decision would be possible only after termination of the proceedings, the arbitrators may issue a separate award on costs of the proceedings. Arbitral institutions such as the PAC-CCC have their decisions on costs constructed along the same lines. Thus, the Zagreb Rules of 2015 in Art. 58(2) provide that the arbitral tribunal will decide on the costs “taking into account the success in the arbitration proceedings and other relevant circumstances”.

b. Deposit
Since depositing an amount for costs is a matter of voluntary agreement by the parties and arbitrators and/or arbitral institutions, there are no legal rules in this respect. However, in practice such deposits are regularly required and the appropriate rules are regularly contained in the regulations on costs of arbitral institutions. In the practice of the PAC-CCC, if deposits on costs are not paid in due time, the case may be deleted from the list of cases. Such a case may be resubmitted as a new case, involving, inter alia, payment of a new filing fee and possibly some other expenses connected with the recommencement of the arbitration.

c. Fees of arbitrators
Under the Law on Arbitration, arbitrators have a right to request a fee for their services and reimbursement of costs incurred by their participation in arbitration, unless they have issued a written waiver of these rights (Art. 11(4)). In the practice of administered arbitration, the fees of arbitrators are usually predetermined by the appropriate institutional regulations. An example of the schedule of fees for arbitrators are the tariffs contained in Art. 8 of the Rules on Costs of Arbitration and Conciliation of the PAC-CCC. The fees mostly depend on the amount in dispute; however, other elements, such as the complexity of the case, may also play a role.

As to the fees in ad hoc arbitration, the amounts, or the criteria for determination, of the fees would regularly be agreed directly between the parties and the arbitrators in advance. At the end of an arbitration, the arbitrators may determine the exact amount of their own expenses and fees. However, such a determination does not bind the parties unless they accept it. If parties object to the arbitrators’ decision in this respect, the amount of fees and expenses shall be determined by the authority specified in Art. 43(3) (usually by the president of the competent state court). The competent authority will make such a decision upon a request either by the arbitrators or

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the parties. The decision on costs issued by such an authority is an enforceable title against the parties in the proceedings (Art. 11(5)).

d. Costs of legal assistance to parties
As already noted, the law provides that the costs of arbitration regularly include the costs of legal assistance. Such costs would therefore also have to be borne by the losing party. Requests for reimbursement of such costs are almost always made in the arbitration proceedings. If Croatian lawyers participate in the proceedings, they often refer to the tariffs of the Croatian Bar Association (CBA). The arbitrators will generally decide on the costs of legal assistance taking into account the motions and other activities of party representation considered to be useful and meaningful, and apportioning such costs proportional to the parties’ success in the proceedings. Arbitrators could also take into account other circumstances of the case and in general enjoy broad discretion with respect to allocation of costs that were “necessary costs of arbitration”.

9. NOTIFICATION OF THE AWARD AND REGISTRATION

The Law on Arbitration (see Annex I) provides that awards made under the auspices of arbitral institutions have to be delivered to the parties by such institutions. At the same time, such institutions should keep a record of delivery of the award. In ad hoc arbitrations, the arbitral award shall be delivered to the parties by the arbitral tribunal (Art. 30(6)). In any case, regular means of delivery (e.g., registered mail) and the rules on the receipt of written communications will be applicable (Art. 30(7) in connection with Art. 4). Upon request of both parties, delivery of the award may be made by the court or notary public. The Law on Arbitration has abandoned the previous obligation to deposit an award with the court in ad hoc arbitrations. Therefore, an award is effective without any mandatory registration, authentication or deposit, although the parties or arbitrators may, in order to avoid any doubt, arrange to keep a copy of the award in a safe place (e.g., with a notary public), or arrange the authentication of their signatures. The Law on Arbitration expressly provides that the parties may also agree to deposit the

75. The Tariff of the CBA is generally also based on the amounts in dispute; it should be noted that the Tariff specifically provides for a possible increase of 100 percent for memoranda in international arbitration (Tariff no. 7, p. 5), i.e., “for every hearing in international arbitration where arguments on the merits were presented or taking of evidence took place” (Tariff no. 9 p. 3).
76. See Art. 35(1) of the Law on Arbitration; see also Art. 58(1) of the Zagreb Rules of 2015 which expressly states that representation costs are included in the costs of the arbitration proceedings.
77. See former Art. 482 of the Code of Civil Procedure.
award with a court. In such cases, the court will treat such a request as a request for assistance, i.e., the court will regularly have a duty to grant such a request. No significant court fees would be associated with deposition of the award.

10. ENFORCEMENT OF DOMESTIC AND INTERNATIONAL AWARDS RENDERED IN CROATIA (SEE ALSO CHAPTER VI – ENFORCEMENT OF FOREIGN ARBITRAL AWARDS)

a. Leave for enforcement
The rules on enforcement differ with respect to domestic awards (i.e., awards made in Croatia) and foreign awards. For awards in arbitrations with a place within the national territory, the law provides that the award will be directly enforceable, i.e., no special leave for enforcement (exequatur) will be needed. Leave for enforcement (needed for foreign awards only) can be sought by a separate action for recognition of the award. Alternatively, the court can grant leave for enforcement in the process of enforcement, where the recognition of the foreign award will be handled as a preliminary issue in the proceedings.

b. Enforcement
The application for enforcement will have to be submitted, as in the case of final and binding court judgments, to the competent court. Upon application for enforcement, the court shall order the enforcement, which shall be refused in only two situations. These situations are: if the court finds that the subject matter of the dispute was incapable of being submitted to arbitration, or if the enforcement would violate public policy (Art. 39(1)). These two sole grounds for refusing enforcement of a domestic award cannot be raised if a court has already refused to set aside the award on such grounds, or if a court has already found in separate proceedings that these two grounds do not exist (Art. 39(2)).

78. The courts competent for such deposition would be the Commercial Court in Zagreb (in commercial arbitrations) and the County Court in Zagreb (in other arbitral cases) – see Art. 43(1) of the Law on Arbitration.
79. See Art. 46 of the Law on Arbitration. In addition to the rules on court assistance to arbitral tribunals in the Law on Arbitration (e.g., in taking evidence), Art. 12(4) of the Law on Courts (Off. Gaz. 28/13, 33/15, 82/15, 82/16 and 67/18) provides that the courts shall provide assistance to arbitral tribunals “if their request is legally grounded, if the requested action is admissible, and if the court is competent to undertake it”. Assistance to foreign arbitral tribunals is provided under rules applicable to assistance to foreign courts of law.
80. See Art. 31 of the Law on Arbitration which provides that (domestic) arbitral awards have in principle the same effect and force as final and binding court judgments. See also Art. 39 (Enforcement of a domestic award) and Art. 40 (Recognition and enforcement of a foreign award).
81. See also Art. 39(4) that authorizes parties to launch a court action in which the sole remedy sought would be the finding that grounds for refusal of enforcement do not exist.
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The competent court for ordering enforcement in commercial arbitration cases is the Commercial Court (Trgovački sud) in Zagreb, whereas in non-commercial cases the County Court (Županijski sud) in Zagreb has jurisdiction. Jurisdiction for undertaking particular enforcement actions is determined according to the regular rules of the Law on Enforcement.

In enforcement proceedings the other party has to be heard “unless it would jeopardize a successful implementation of the requested enforcement”, i.e., ex parte decisions are possible if it is regarded that the opposite party, if notified, may conceal the property or otherwise obstruct the enforcement proceedings.

The decisions on enforcement can be appealed, but the appeal in principle does not suspend the continuation of the enforcement. Upon application of the party, the court may suspend the enforcement of the award if an application for setting aside was launched with the competent court. Suspension of enforcement will be ordered only if the applicant supplies proof that enforcement would cause irreparable or hardly reparable damage, or that it is necessary to prevent violence. Suspension will be ordered only after the opposite party has had an opportunity to be heard, and may be conditioned on provision of adequate security. 82

11. PUBLICATION OF THE AWARD

As already noted, arbitral proceedings in Croatia are not held in public, unless the parties have agreed otherwise. The same principle applies to awards – they are not normally published unless parties have provided their consent. If the parties agree, an award could be published either in full or with certain omissions. However, in practice certain parts of the awards that contain important legal reasoning, without mentioning the specifics of the case (names of the parties, etc.) are sometimes published in legal periodicals such as Pravo u gospodarstvu, Ingsudska praksa, and in the Croatian Arbitration Yearbook.

This is not usually regarded as a violation of the confidential nature of the arbitration proceedings. 83 In any case, any violation of arbitral confidentiality is regarded as a breach of a private obligation assumed by the participants in the proceedings, and therefore it can only be privately pursued by way of civil action. 84 The potential public interest may be taken into account when considering whether to give precedence to the private duty of confidentiality or to the legitimate interests of the public. According to the law that governs the

82. See Art. 65 of the Enforcement Act (Ovrsni zakon).
84. Except if the violation leads to disclosure of the data that have duly been declared “business secrets” in which case this is also a criminal offence. See supra Chapter IV.8.b.
Chapter VI. Enforcement of Foreign Arbitral Awards

I. ENFORCEMENT UNDER CONVENTIONS AND TREATIES

a. Multilateral Conventions

By succession effective from 8 October 1991, Croatia became party to the following Conventions:

– The 1923 Geneva Protocol on Arbitration Clauses;
– The 1927 Geneva Convention on the Execution of Foreign Arbitral Awards;
– The 1958 New York Convention on the Recognition and Enforcement of Foreign Arbitral Awards (“the New York Convention”); and

Most important among these international instruments is the 1958 New York Convention. As regards its application, Croatia has maintained the reservations originally made by Yugoslavia when ratifying it in 1981. Accordingly, the 1958 New York Convention will apply:

(1) only to recognition and enforcement of awards made in the territory of another Contracting State (reciprocity);
(2) only to differences arising out of legal relationships, contractual or non-contractual which are considered as commercial under Croatian law;
(3) only to those arbitral awards that were adopted after the Convention came into effect (no retrospective effect).

Croatia has also concluded over fifty bilateral treaties that facilitate arbitration and promote international investments (see Chapter IX infra).

b. Procedure

The enforcement procedure in commercial cases is conducted before the Commercial Court in Zagreb (Art. 43(1) of the Arbitration Law and Art. 21(6) of the Law on Courts86). When enforcement is sought under the provisions of

85. Media Act (Off. Gaz. 59/04, 84/11 and 81/13), Art. 8. It is disputable, however, whether the same exception of “legitimate public interest” would justify publication of the data duly declared as confidential (“business secrets”).
an international convention, the provisions of such convention shall prevail over the corresponding provisions of the relevant domestic legislation.

In the enforcement of foreign arbitral awards, the court will limit its intervention to the requirements provided in the respective international instrument (e.g., in the case of the New York Convention, whether documents referred to in Art. IV are supplied, and whether some of the obstacles from Art. V exist).

c. Appeal

Court decisions on recognition and enforcement are subject to appeal. The appeal regarding enforcement decisions is regulated in the same way as with respect to decisions about domestic awards (for awards made in Croatia, see Chapter V.10 supra). In proceedings where recognition is raised as a main issue, the parties may appeal directly to the Supreme Court (Art. 49(5)). The appeal may be filed within fifteen days from the communication of the decision on recognition.

2. ENFORCEMENT WHERE NO CONVENTION OR TREATY APPLIES

If no Convention or treaty applies, the rules applicable for recognition and enforcement are provided in the Law on Arbitration (see Annex I). The award shall be considered to have the nationality of the state of the place of arbitration (Art. 19).

The procedure is initiated by filing an application for recognition and enforcement of a foreign arbitral award (prijedlog za priznanje i ovrhu). The application has to be accompanied by the award and the arbitration agreement (original or notarized copy in both cases). If the award was not made in Croatian, the party must submit a certified translation.

The Court shall recognize and enforce the award unless the opposing party successfully proves the existence of the reasons provided for in Art. 40(1) of the Law on Arbitration (i.e., the reasons for annulment of the award set out in Art. 36(2) para. 1 of the Law on Arbitration, or if the award has not yet become binding, or has been set aside or suspended by a competent authority of the country in which, or under the law of which, that award was made). The court shall refuse recognition and enforcement ex officio if the subject matter of dispute was not arbitrable or if the recognition and enforcement would be contrary to public policy. The Croatian Law on Arbitration incorporated all the solutions of Art. V of the New York Convention, with an additional ground – that the award does not state reasons or lacks signatures as required by the Law on Arbitration.

87. See supra Chapter V.10.b.
The competent court is, again, the Commercial Court in Zagreb (Art. 43(1)). Like the New York Convention, the Law on Arbitration also provides for adjournment of the decision on the enforcement of the award, if an application for setting aside or suspension of the award has been made to a competent authority. The authority may also, on the application of the party claiming enforcement of the award, order the other party to give suitable security.

The court always has to allow the defendant to reply to an application for recognition, but the same right may be restricted for an application for enforcement if it could imperil the enforcement. Decisions on recognition and enforcement must be reasoned. The parties may lodge an appeal to the Croatian Supreme Court within fifteen days of the delivery of the decision on recognition. No such appeal is provided for the decision on enforcement.

3. RULES OF PUBLIC POLICY

Violation of public policy is always a reason for refusal to recognize and enforce a foreign award. According to Croatian law, control over the merits of the dispute can be exercised only via public policy grounds (see infra Chapter VII.2.a).

There is very scarce jurisprudence on the public policy issue. However, in theory, in international cases stricter rules should apply, although one may expect that the courts may have an inclination to apply Croatian public policy standards. The case law as to interpretation of public policy is mainly connected to setting aside proceedings (see more infra, with reference to court decisions).88

Chapter VII. Means of Recourse

1. APPEAL ON THE MERITS FROM AN ARBITRAL AWARD

a. Appeal to a second arbitral instance
In Croatian practice, it is often emphasized that one of the principal reasons for the comparative speed of arbitration proceedings as compared to court adjudication is because there is regularly no appeal against the award. In preparatory work on draft versions of the Law on Arbitration, some drafts even

planned to exclude the possibility of appeals. In the final text of the Law (see Annex I), though, the possibility of an appeal to a second arbitral instance was maintained, but only if “the parties have expressly agreed that the award may be contested by an arbitral tribunal of a higher instance” (Art. 31). Since such an arrangement is extremely rare in practice, in practically all arbitration cases so far, the award rendered “in the first instance” would be final and binding.

b. Appeal to a court
In Croatian arbitration law, no court appeal is admissible against an arbitral award (understood as a full appeal on the merits of the award by a court that would be a second instance in respect to the arbitration proceedings). The Law on Arbitration expressly provides that, except for an application for setting aside, no other legal remedies in court proceedings may be sought against an award (Art. 36(1)). This is a strict rule, and thus the parties’ agreement to submit their award to appellate proceedings before a Croatian court of law would be null and void.

2. SETTING ASIDE OF THE ARBITRAL AWARD (ACTION FOR ANNULMENT, VACATION OF THE AWARD)

a. Grounds for setting aside
An application for setting aside is the only available remedy against an arbitral award in court proceedings. However, it does not serve to reopen the case and control the arbitrators’ decision on the merits of the dispute. Therefore, in principle neither factual errors, nor errors in the application of the substantive law can be used as grounds for setting aside.

As an exception, until the Law on Arbitration (see Annex I), setting aside was possible if new facts or evidence were found on the basis of which an award more favourable to a party could have been made if these facts had been known or if the evidence had been produced in the hearings. Under the present Law on Arbitration, new facts and evidence can only be raised as a ground for setting aside if the parties have expressly agreed so in their arbitration agreement (Art. 36(5)).

Otherwise, the grounds for setting aside in Art. 36 largely follow the text of Art. 34 of the UNCITRAL Model Law. Equally as in the Model Law and in Art. V of the New York Convention, the grounds are divided into two groups – into grounds that may be reviewed only upon the request of a party in the proceedings, and into grounds of which the court may take notice ex officio. For the first group of grounds, the burden of proof is on the claimant, i.e., on

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89. In addition, Art. 41 provides that no court should intervene in matters governed by the Law on Arbitration except where there is an express provision – and there is no legal provision that would allow appeal against an award.
the party applying for setting aside. For the sake of brevity, they are summarized as follows:

(1) The grounds that can be raised only by the applicant are:

– the lack or invalidity of an arbitration agreement;
– incapacity of a party to the arbitration agreement or improper representation in the proceedings;
– lack of proper notice of the commencement of arbitration or other inability to present the case in the arbitration;
– the dispute dealt with in the award was not contemplated by or does not fall within the terms of the submission to arbitration, or the award contains decisions on matters beyond the scope of the submission to arbitration;
– the composition of the arbitral tribunal or the arbitral procedure was not in accordance with the Law on Arbitration or a permissible agreement of the parties and that fact could have influenced the content of the award;
– the lack of reasons in the award or the fact that the award was not duly signed.

(2) The grounds that can be taken into account \textit{ex officio} are:

– the subject matter of the dispute is not capable of settlement by arbitration;
– public policy.

Violation of rules of public policy can always constitute a ground for setting aside and thus it forms a certain exception to the rule “no control on the merits”. Public policy issues are, as already noted, also taken into account in the process of enforcement of the award.\textsuperscript{90} However, it is generally argued that the rules of public policy have to be narrowly construed, especially in international cases. Practice in this respect is gradually being built up.\textsuperscript{91} Generally, there are very few cases of successful setting aside of arbitral awards.\textsuperscript{92}

\textsuperscript{90} Further, if a preliminary issue in court proceedings is decided by a final domestic arbitral award, the court shall treat this issue as \textit{res judicata} unless it finds that the award violates public policy (or deals with issues that cannot be submitted to arbitration). See Art. 39(3) of the Law on Arbitration.


The provisions on setting aside are among the very few mandatory provisions of the Law on Arbitration. Art. 36(6) expressly states that the parties cannot derogate in advance their right to contest the award by an application for setting aside. Therefore, the parties cannot exclude one or more grounds for setting aside by their agreement, at least not before the action for setting aside has been launched. The only optional rule that deals with the grounds for enforcement is the one permitting the parties to agree in a domestic dispute on an additional ground. Art. 36(5) provides that they may agree that an application against the arbitral award may also be made on the grounds that the party applying for setting aside found new facts or has the opportunity to present new evidence on the basis of which an award more favourable to him could have been made if these facts would have been known or evidence produced in the hearings that preceded the making of the challenged award. This option, taken from the old law, now applies only in an opt-in form, if the parties have expressly agreed on its application.

b. Procedure

Pursuant to Art. 36(3) of the Law on Arbitration, an application for setting aside must be made to the court within three months from receipt of the award by the applicant. If setting aside is requested with respect to an additional award or correction or interpretation of the award (see supra at Chapters V.7A and V.7B), this date is calculated from the receipt of the decision. After expiry of the above terms, no application for setting aside is admissible, regardless of the grounds. However, public policy objections may be raised in enforcement proceedings in Croatia at any time; thus, after expiry of the three-month period, a domestic award could become irrefutable, yet unenforceable – at least in Croatia.

Deciding on an application for setting aside, the court may, if it finds it appropriate or if so requested by a party, suspend the setting aside proceedings for a period of time determined by it in order to give the arbitral tribunal an opportunity to resume the arbitral proceedings or to take such other action as in the arbitral tribunal’s opinion will eliminate the grounds for setting aside. If the award was set aside, in appropriate cases the arbitral agreement will still be a valid basis for arbitration. Thus, if requested by a party, the court may in appropriate cases remit the file back to the arbitral tribunal for repeated proceedings, in order to give the tribunal an opportunity to eliminate the grounds for setting aside (Art. 37(2)).

c. Waivers

Croatian arbitration law does not provide for the possibility of waiving an action for setting aside. On the contrary, in Art. 36(6) it is provided that the parties cannot derogate in advance their right to contest the award by a setting

93. See Art. 37(1) of the Law on Arbitration for details.
aside application. However, the wording of this provision (“in advance”) would open the possibility of waiving the right to apply for setting aside once the arbitral award has been made and communicated to the parties. This could, it is submitted, relate only to some grounds that have to be raised and proved by the applicant (e.g., lack of arbitration agreement), and would not in any case involve objective arbitrability or public policy.

d. Effect of an award that has been set aside
The arbitral award that has been set aside has no effect. The decision on setting aside has the effect ex tunc, i.e., it is considered that the award has never been made. The same effect is also attributed to decisions on the setting aside of foreign arbitral awards by a competent foreign court. Under Art. 40(1) of the Law on Arbitration, upon a request by a party, the recognition and enforcement of the foreign award shall be refused if the award has been set aside or suspended in the country in which, or under the law of which, that award was made, without further inquiries into the correctness of the decisions of the foreign courts. The foreign court decision on setting aside does not need to be recognized in separate proceedings, as the defence of setting aside of the foreign award may be raised as an incidental issue in the proceedings in which recognition and enforcement are being sought.

3. OTHER MEANS OF RECOURSE

There are no other means of recourse against arbitral awards in Croatia. On the possibility of remitting the case to arbitrators in the setting aside proceedings (not as an independent means of recourse) see supra Chapters III.5 and VII.2.b. Some doubts as to whether it is possible to challenge arbitral awards directly by constitutional complaints for violation of fundamental constitutional rights were resolved by a decision of the Constitutional Court that, in a proper voluntary arbitration, such an action would be admissible only against court decisions on setting aside, not against the arbitral awards as such.

Chapter VIII. Conciliation/Mediation

1. GENERAL

In the past decade, Croatia has experienced a very noticeable rise in interest in conciliation and other alternative means of dispute resolution. This increasing interest has finally led to the adoption of entirely new legislation on

conciliation, the Law on Conciliation of 2003, which has already undergone changes, enacted in 2009, all resulting in a new Law on Conciliation (see Annex II). The new legislation adopted many rules from the UNCITRAL Model Law on International Commercial Conciliation, extending, however, the scope of the law to all kinds of disputes, both national and international, and both commercial and non-commercial. The other sources of influence in drafting the new rules were the European Directive on Certain Aspects of Mediation in Civil and Commercial Matters as well as various other documents of the European Union and the Council of Europe.

The pro-conciliation development started at the end of 1990s and in the early 2000s when several domestic and international initiatives in this area were started. Several organizations set up conciliation facilities in those years, among others the Croatian Employers’ Association.

The Croatian Employers’ Association can be contacted at:

Croatian Employers’ Association
(Hrvatska udruga poslodavaca (HUP))
Radnička cesta 52
HR-10 000 Zagreb
Tel.: +385 1 4897 557
Fax: +385 1 4897 580
E-mail: hup@hup.hr
Website: <http://www.hup.hr>

Another provider of conciliation services became the Croatian Chamber of Commerce, which previously had a history of conciliation rules as part of its arbitration services. The number of conciliation proceedings under the previous rules was, however, insignificant. In contrast, an amicable settlement was always regarded as a desirable outcome of any arbitration and the parties were often encouraged and occasionally assisted by arbitrators to

95. Official Gazette 18/2011 of 9 February 2011. The Law entered into force on 17 February 2011, except Arts. 21 to 24 which entered into force on 1 July 2013 with Croatia’s accession to the EU.
96. The law, which defines the notion of “conciliation” broadly, just as the UNCITRAL Model Law, is applicable to all disputes regarding rights that the parties may dispose of freely.
98. Since 2002, the Croatian Chamber of Commerce has separated the arbitration and conciliation services of the PAC-CCC and established a separate Conciliation Centre. A separate set of Conciliation Rules was issued in July 2002 and later on replaced by 2011 Rules (Off. Gaz. 142/2011, in force since 17 December 2011). The administrative services and addresses remained the same. For the contact data of the Croatian Chamber of Commerce see supra Chapter I.2.
99. In the 1992-2002 period (the period of validity of the Zagreb Rules 1992) there were altogether four conciliation proceedings before the PAC-CCC (three in the 2000-2002 period). This number drastically increased in the period from 2004-2013. Available data from the Croatian Mediation Centre record a total of 292 applications for mediation (of which seventy-one were accepted and forty-two settlements concluded).
reach it. However, at least in national arbitrations, the rate of assisted settlements was not very high (as demonstrated by the fact that there were few awards on agreed terms).

Some programmes of conciliator training, supported by foreign donors such as the US Agency for International Development (USAID), took place in 2002 and 2003. There is also increased interest for programmes of court-annexed conciliation.

After the enactment of the Law on Conciliation, the government became more active in promotion of conciliation. Some public-awareness campaigns took place, sponsored by the competent state bodies. The main thrust of the efforts to introduce conciliation was, however, directed towards the introduction of court-annexed conciliation (mediation) schemes, which were introduced in a number of commercial courts and in courts of general jurisdiction. One of the features of these schemes was also the predominant use of serving judges as in-court conciliators, which met criticisms of the private providers of mediation and conciliation services. In any case, the number of court-annexed conciliations is currently by far greater than the (relatively modest) number of conciliation proceedings conducted in the private sector.

2. LEGAL PROVISIONS

Prior to enactment of the Law on Conciliation in 2003, there were no particular legal provisions and only a few rules on attempts to settle before resorting to court or arbitral proceedings. Except for general norms of contract law, the most important were the rules on the legal effects of settlements reached in court proceedings and in arbitration proceedings. For court proceedings, the Code of Civil Procedure provides that a settlement recorded before a judge in civil judicial proceedings (“in-court settlements” as opposed to “out-of-court settlements”) has equal power as a final and binding court judgment. As for settlements reached in arbitration proceedings, the only relevant rules – those dealing with awards on agreed terms – have already been presented supra at Chapter V.6.

The new Law on Conciliation of 2011100 (see Annex II) contains a more pro-active approach to amicable dispute settlement. Under this new law, a court or tribunal conducting the proceedings regarding a particular dispute on dispositive rights shall recommend the parties to initiate conciliation every time when it considers that there is a possibility to settle the dispute by conciliation (Art. 19). Similar provisions were also inserted into the Code of Civil Procedure. Under new Art. 186d to 186g of the Code, the court may recommend the parties at every stage of the proceedings to attempt conciliation by a judge-conciliator of the trial court or by a private conciliation centre.

Pursuant to the new Law on Conciliation, agreements to conciliate have binding force. The court or arbitral tribunal shall recognize such conciliation agreements if the parties have expressly specified that, pending conciliation attempts, they shall not initiate or continue judicial, arbitration or other proceedings during a specified period of time or until a specified event has occurred (Art. 18).

The Law on Conciliation also further specifies the rules on the commencement of the conciliation proceedings (Art. 6) and their termination (Art. 12); on the appointment of conciliators and the obligation of conciliators to be impartial and treat parties with equality (Arts. 8 and 9); on communications between the conciliator and one party in the conciliation proceedings (Art. 10); on the right of the conciliator to hold separate meetings with the parties (Art. 10); on enforceability of settlements reached in the conciliation proceedings (Art. 13); on confidentiality of conciliation proceedings (Art. 14); on the admissibility of evidence related to the conciliation in other proceedings (Art. 15); on the incompatibility of the functions of judge, arbitrator or lawyer with the function of conciliator (Art. 16); on the suspension of the statute of limitations (Art. 17); and on cross-border disputes (Arts. 21 to 24).

Chapter IX. Investment Treaty Arbitration

1. CONVENTIONS AND TREATIES

In July 2013, the moment when Croatia joined the EU, it had signed fifty-eight Bilateral Investment Treaties (BITs), fifty-two of which were then in force.101 Out of these agreements, twenty-three agreements were concluded with other Member States of the European Union. In light of the Achmea decision of the European Court of Justice, arbitrations initiated under the intra-EU BITs are problematic, and Croatia has already started to raise invalidity arguments in the context of some concluded and pending investment arbitrations.

The full status of the Treaties is available on the website of the Croatian Ministry of Foreign Affairs.102 A list of concluded BITs and the PDF version of the text of some of them can also be found on the website of the Ministry of Economy.103 The official publication of the BITs can be found on the website of

102. See <www.mvep.hr>.
103. See <www.mingorp.hr>.
the Narodne novine – Međunarodni ugovori (Official Gazette – International Agreements).104

Many of the treaties were adopted by accession to the treaties concluded by the former SFR Yugoslavia. Therefore, there is no particular model BIT currently used in Croatia. On the contrary, the wording of the concluded BITs, and in particular their dispute resolution clauses, varies greatly and is in several cases considerably unclear, which has caused some criticism in legal doctrine.105

The BITs signed (S), ratified (R), amended (A) and enforced (E) by Croatia at the time of writing are as follows:

- Albania (10 May 1993 (S), 10 February 1994 (R), 16 April 1994 (E), 10 February 2009 (A));
- Argentina (2 December 1994 (S), 27 March 1996 (R), 1 June 1996 (E));
- Austria (19 February 1997 (S), 30 October 1997 (R), 1 November 1999 (E));
- Azerbaijan (2 October 2007 (S), 30 May 2008 (E));
- Belarus (26 June 2001 (S), 14 July 2005 (E));
- Belgian and Luxembourg Economic Union (31 June 2001 (S), 28 December 2003 (E));
- Bosnia and Herzegovina (26 February 1996 (S), 12 May 1997 (R), 4 August 1997 (E), 23 July 2002 (A), 12 March 2013 (A));
- Bulgaria (25 June 1996 (S), 5 December 1996 (R), 20 February 1998 (E));
- Cambodia (18 July 2001 (S), 15 June 2002 (E));
- Canada (3 February 1997 (S), 11 July 1997 (R), 30 January 2001 (E));
- Chile (28 November 1994 (S), 5 April 1996 (R), 15 June 1996 (E));
- China (7 June 1993 (S), 10 February 1994 (R), 1 July 1994 (E));
- Cuba (16 February 2001 (S));
- Czech Republic (5 March 1996 (S), 21 April 1997 (R), 15 May 1997 (E); 8 September 2008 (A));
- Denmark (5 July 2000 (S), 16 November 2000 (R), 15 May 1997 (E));
- Egypt (27 October 1997 (S), 2 May 1999 (E));
- Finland (1 June 1999 (S), 1 July 2001 (R), 1 November 2001 (E));
- France (3 June 1996 (S), 15 January 1997 (R), 5 March 1998 (E));
- Germany (21 March 1998, 3 September 1998 (R), 28 September 2000 (E));
- Greece (18 October 1996 (S), 10 April 1997 (R), 21 October 1998 (E));
- Hungary (15 June 1996 (S), 15 January 1997 (R), 1 March 2002 (E));
- India (4 May 2001 (S), 22 November 2001 (R), 19 January 2002 (E));
- Indonesia (10 September 2002 (S));
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- Iran (17 May 2000 (S), 23 November 2000 (R); 20 July 2005 (E));
- Israel (1 August 2000 (S)), 16 November 2000 (R), 18 July 2003 (E); 30 March 2011 (A));
- Italy (5 November 1996 (S), 6 March 1997 (R), 12 June 1998 (E));
- Jordan (10 October 1999 (S), 17 February 2000 (R), 27 April 2000 (E));
- Korea (19 July 2005 (S), 31 May 2006 (E));
- Kuwait (8 March 1997 (S), 26 June 1997 (R), 2 July 1998 (E));
- Latvia (4 April 2002 (S)), 25 May 2006 (E));
- Libya (20 December 2002 (S), 10 March 2006 (R), 21 June 2006 (E));
- Lithuania (14 April 2008 (S), 30 January 2009 (E));
- Macedonia (6 July 1994 (S), 31 August 1995 (R), 6 October 1995 (E));
- Malaysia (16 December 1994 (S), 18 June 1996 (R), 20 July 1996 (E));
- Malta (11 February 2002 (S), 7 March 2002 (Publ.), 10 July 2002 (E));
- Moldova (5 December 2001 (S), 20 March 2007(E));
- Mongolia (8 August 2006 (S));
- Morocco (29 September 2004 (S));
- Montenegro (6 July 1994 (S), 6 October 1995 (E));
- Netherlands (28 April 1998 (S), 9 July 1998 (Publ.), 1 June 1999 (E));
- Oman (4 May 2004 (S));
- Poland (21 February 1998 (S), 4 October 1999 (E));
- Portugal (10 May 1995 (S), 24 July 1997 (R), 24 October 1997 (E));
- Qatar (12 November 2002 (S));
- Romania (8 June 1994 (S), 11 May 1995 (R), 30 April 1998 (R), 30 April 1998 (E), 30 April 2010 (A));
- Russia (20 May 1996 (S), 13 December 1996 (R));
- San Marino (7 May 2004 (S), 27 July 2005 (E), 1 August 2012 (A));
- Serbia (18 August 1998(S), 21 January 2002(R), 31 January 2002 (E));
- Slovakia (12 February 1996 (S), 6 February 1997(E));
- Slovenia (12 December 1997 (S), 8 July 2004 (E), 1 July 2008 (A));
- Spain (21 July 1997 (S), 24 July 1998 (R), 17 September 1998 (E));
- Sweden (10 January 2001 (S), 28 June 2001 (R), 1 August 2001 (E));
- Switzerland (30 October 1996 (S), 21 April 1997 (R), 17 June 1996 (E));
- Thailand (18 February 2000 (S), 11 May 2000 (R), 10 August 2005 (E));
- Turkey (12 February 1996 (S), 18 September 1997 (R), 21 April 1998 (E), 18 February 2009 (A));
- Ukraine (15 December 1997 (S), 5 June 2001 (E), 21 November 2016 (A));
- United Kingdom (11 March 1997 (S), 7 August 1997 (Publ.), 16 April 1998 (E));
- USA-OPIC (15 January 1993 (S), 3 February 1994 (R), 15 January 1993 (E));
- USA (13 July 1993 (S), 21 April 1994 (R), 20 June 2001(E));
- Zimbabwe (18 February 2000 (S), 11 May 2000 (R)).
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The BITs with Indonesia (since 25 April 2017) and Italy (since 12 June 2013) are no longer in force, but the transitional regime provides that some of their provisions will remain to be applicable for a certain period in respect of current investments.

Further references to arbitration can be found in a number of trade agreements,\(^\text{106}\) and the protection of foreign investments is also the subject of certain multilateral agreements to which Croatia is a party, such as the Energy Charter Treaty of 1994.

2. INVESTMENT ARBITRATION

Since 2000, Croatia has been party to several investment arbitration cases. According to UNCTAD data, at the time of writing, there had been twelve cases in which Croatia was the respondent State, and three cases in which Croatia was the home State of the claimant. Seven cases were still pending at the time of writing; one was initiated in 2013 and six of them were initiated in 2016 and 2017. Of the remaining five cases, three were decided in favor of the State, one in favor of the investor, and one in favor of neither party (liability was found but no damages awarded).

As to the enforcement of investment awards, in the only case that was decided in favor of the investor (Gavrilović v. Croatia, decided in July 2018),\(^\text{107}\) the State had raised objections based on the Achmea decision. The objection was dismissed by the ICSID tribunal, and the State subsequently enforced the award voluntarily. However, in the future, the enforcement of arbitral awards based on intra-EU BITs will ultimately depend on the final outcome of the current EU position regarding the validity of arbitral awards made under intra-EU bilateral investment treaties.\(^\text{108}\)

3. NATIONAL INVESTMENT LEGISLATION

Apart from the laws and treaties mentioned earlier, there is no further legislation that deals specifically with dispute settlement between investors and the State. However, some acts may have an indirect bearing on investment

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106. E.g., Croatia’s agreements with the following countries: Austria (15 July 1992 (S), 18 December 1992 (R), 1 March 1993 (E)); Japan (28 February 1959 (S), 28 April 1959 (R), 13 December 1996 (E)); and Switzerland (12 March 1999 (S), 12 March 1999 (R), 17 February 2000 (E)).


arbitration, such as the Act on Extraordinary Administration Proceeding in Companies of Systemic Importance for the Republic of Croatia (‘Lex Agrokor’) of 2017.\footnote{109. Official Gazette 32/2017.} Under this Act, issued due to the insolvency of the largest privately owned company in Croatia, a very broad moratorium was provided for the institution of all proceedings against either the mother company (Agrokor d.d.) or its subsidiaries. Such a moratorium limited the ability of foreign investors to institute arbitration against some eighty companies involved in extraordinary administration proceedings for an extended period of time.
ANNEX I

LAW ON ARBITRATION*

Part One – General Provisions

Scope of application

Article 1
This Law governs:
1. domestic arbitration,
2. recognition and enforcement of arbitral awards, and
3. court jurisdiction and procedure regarding arbitration from point 1 of this Article and in other cases provided by this Law.

Definitions and rules of interpretation

Article 2
1. For the purposes of this Law:
   1. “arbitration” means any arbitration before an arbitral tribunal, whether or not organized or administered by an arbitration institution,
   2. “domestic arbitration” means arbitration that takes place in the territory of the Republic of Croatia,
   3. “arbitral tribunal” is a private (non-state) tribunal that draws its mandate to arbitrate from the agreement of the parties,
   4. “arbitral institution” means a legal entity or a part of a legal entity that organizes and administers the activities of arbitral tribunals,
   5. “arbitrator” means a sole arbitrator or a presiding arbitrator, or a member of a panel of arbitrators,
   6. “dispute without an international element” means a dispute in which the parties are natural persons with domicile or habitual residence in Croatia, or legal persons established under the law of the Republic of Croatia, unless the dispute meets the requirements of point 7 of this paragraph,
   7. “dispute with an international element” means a dispute in which at least one party is a natural person with domicile or habitual residence abroad, or a legal person established under foreign law,
   8. “award” means a decision of the arbitral tribunal on the merits of the dispute,
   9. “final award” means an award on the basis and the amount of an individual claim,
   10. “court” means a body of the state judicial power,
   11. “mediator (conciliator)” means a person that conducts a separate conciliation procedure on the basis of a written agreement between the parties.

* Translated by Prof. Dr. Alan Uzelac. The Law was published in Off. Gaz. 88/2001 of 11 October 2001 and came into force on 19 October 2001.
2. Where a provision of this Law refers to an agreement or possibility of agreement between the parties on a certain issue or in any other way refers to an agreement of the parties, such agreement includes any arbitration rules contained or referred to in that agreement.

3. The provisions of this Law which refer to the statement of claim also apply to the counter-claim and the provisions which refer to the statement of defense also apply to the reply to the counter-claim, save for the provisions of this Law on default of a party (Article 24, paragraph 1) and withdrawal of the statement of claim (Article 32, paragraph 1, point 1).

Part Two – Arbitration in the Republic of Croatia

CHAPTER ONE. GENERAL PROVISIONS

Arbitrability

Article 3
1. Parties may agree on domestic arbitration for the settlement of disputes regarding rights of which they may freely dispose.

2. In disputes with an international element, parties may also agree on the place of arbitration outside the territory of the Republic of Croatia, unless it is provided by law that such a dispute may be subject only to the jurisdiction of a court in the Republic of Croatia.

3. Parties may agree to submit the disputes referred to in paragraph 1 of this article to arbitration, regardless of whether or not the arbitration is administered by an arbitral institution.

Service of written communications

Article 4
1. Unless otherwise agreed by the parties, any written communication shall be deemed to have been delivered on the day when it is delivered to the mailing address of the addressee or to the person designated to receive written communications.

2. Mailing address is the address at which the addressee regularly receives his mail. If the addressee has not expressly provided any other address or if the circumstances of the case do not indicate otherwise, the mailing address shall be the address of the seat or the branch office of the addressee, his habitual residence or the address referred to in the main contract or in the arbitration agreement.

3. If none of the addresses referred to in paragraph 2 of this Article is known, a written communication shall be deemed to have been served on the day when its delivery has been attempted to the last known address, provided it has been properly forwarded by registered mail with return receipt or in any other way that can provide evidence of attempted delivery.

4. A written communication shall be deemed to have been served if the addressee to whom delivery was attempted in the above described manner refuses to receive it.

5. Provisions of paragraph 1 of this article shall not apply to delivery of communications in court proceedings.
Waiver of the right to object

Article 5
A party who knew or should have known that any provisions of this Law from which the parties may derogate or any requirement under the arbitration agreement has not been complied with and yet proceeded with the arbitration without stating his objection to such non-compliance without undue delay or, if a time limit is provided therefore, within such period of time, shall be deemed to have waived his right to object.

CHAPTER TWO. ARBITRATION AGREEMENT

Arbitration agreement – definition, form and applicable law

Article 6
1. An arbitration agreement is an agreement of the parties to submit to arbitration all or certain disputes which have arisen or which may arise in the future between them in respect of a defined legal relationship of a contractual or non-contractual nature. An arbitration agreement may be concluded in the form of an arbitration clause in a contract or in the form of a separate arbitration agreement.
2. The arbitration agreement shall be in writing. An agreement is in writing if it is contained in documents signed by the parties or in an exchange of letters, telex, faxes, telegrams or other means of telecommunication which provide a record of the agreement, whether signed by the parties or not.
3. An arbitration agreement shall be deemed to be concluded in writing if:
   1. it is contained in one party’s written offer, or if a third party transmitted to both parties such an offer, provided that against such offer no objection was timely raised, and such failure to object, according to usages in transactions, may be considered to constitute acceptance of the offer,
   2. after an orally concluded arbitration agreement, a party communicates to the other a written communication, referring to the arbitration agreement concluded earlier orally, and the other party fails to object timely, and such failure, according to usages in transactions, may be considered to constitute acceptance of the offer.
4. The reference in a contract to a document containing an arbitration clause (general terms of a contract, text of other agreement or similar) constitutes an arbitration agreement provided that the reference is such as to make that clause part of the contract.
5. An arbitration agreement may also be concluded by the issuance of a bill of lading, if the bill of lading contains an express reference to an arbitration clause in a charter party.
6. Notwithstanding the provisions of Articles 1-5 of this Law, if a dispute has arisen or could arise out of a consumer contract, the arbitration agreement must be contained in a separate document signed by both parties. In such a document no agreements may be contained other than those referring to the arbitral proceedings, except if the document was drawn up by a notary public.
7. The law applicable to the validity of an arbitration agreement ratione materiae is the law designated by the parties. If the parties failed to designate such applicable law, the applicable law will be the law applicable to the substance of the dispute or the law of the Republic of Croatia.
8. An arbitration agreement shall also be deemed to be valid if the claimant files the statement of claim to arbitration and the respondent fails to object to the jurisdiction of the arbitral tribunal at the latest in his statement of defense in which he raised issues related to the substance of the dispute.

**Capacity of the parties**

*Article 7*

1. Capacity of natural and legal persons and other entities to conclude an arbitration agreement and be parties to an arbitration dispute is governed by the law that is applicable to them.

2. Citizens of the Republic of Croatia and legal persons of Croatian Law, including the Republic of Croatia and units of local and regional self-government, may conclude arbitration agreements and be parties to arbitration.

**Power of attorney for the conclusion of an arbitration agreement**

*Article 8*

If the validity of a power of attorney is governed by Croatian law, the authority to conclude the main contract implies an authority to conclude an arbitration agreement.

**CHAPTER THREE. ARBITRAL TRIBUNAL**

**Number of arbitrators**

*Article 9*

If the parties have not determined the number of arbitrators by their agreement, three arbitrators shall be appointed.

**Appointment of arbitrators**

*Article 10*

1. No person shall be precluded by reason of his nationality from acting as an arbitrator, unless otherwise agreed by the parties.

2. Judges of Croatian courts may only be appointed as presiding arbitrators or as sole arbitrators.

3. Parties are free to agree on the procedure of appointing the arbitrator or arbitrators, provided they observe the provisions of paragraphs 4 and 5 of this article.

4. Failing such agreement,

   1. in an arbitration conducted by three arbitrators, each party shall appoint one arbitrator, and the two arbitrators thus appointed shall appoint the third arbitrator as presiding arbitrator. If a party fails to appoint the arbitrator and inform the other party of this appointment within thirty days of receipt of the notification of the appointment and request to appoint the arbitrator, or if two arbitrators fail to agree on the third arbitrator within thirty days of the appointment of the last appointed of them, the appointment of the arbitrator shall be made, upon request of a party, by the appointing authority specified in Article 43, paragraph 3 of this Law;
2. in an arbitration conducted by a sole arbitrator, if the parties fail to agree on the arbitrator, such arbitrator shall be appointed, upon request of a party, by the appointing authority specified in Article 43, paragraph 3 of this Law.

5. Where, under an appointment procedure agreed by the parties,
   1. a party fails to act as required under such procedure, or
   2. the parties or arbitrators are unable to reach an agreement required of them under such procedure, or
   3. a third party, including an institution, fails to perform any function entrusted to it under such procedure,

any party may request the appointing authority specified in Article 43, paragraph 3 of this Law to take the necessary measure, unless the agreement on the appointment procedure provides other means for securing the appointment.

6. The appointing authority specified in Article 43, paragraph 3 of this Law, in appointing an arbitrator, shall have due regard to any qualifications required of the arbitrator by the agreement of the parties and to such considerations as are likely to secure the appointment of an independent and impartial arbitrator, and, in a dispute with an international element, in the case of a sole or presiding arbitrator, shall take into account as well the advisability of appointing an arbitrator of a nationality other than those of the parties.

7. A decision on a matter that is, pursuant to paragraphs 3 or 4 of this Article entrusted to the appointing authority specified in Article 43, paragraph 3 of this Law, shall not be subject to appeal.

Rights and duties of arbitrators

Article 11

1. An arbitrator must accept his appointment in writing. Such acceptance may be made by signing the arbitration agreement.

2. An arbitrator must conduct arbitration with due expeditiousness, act in a timely manner and see to it that no delay of proceedings occurs.

3. Unless agreed otherwise, the parties may discharge by their consent an arbitrator who fails to perform his duties, or does not perform them in timely manner.

4. An arbitrator has the right to reimbursement of his expenses and a fee for the work completed, unless he has waived these rights in writing. The parties shall be jointly and severally liable for the payment of such expenses and fees.

5. If an arbitrator has determined the amount of his own expenses and fees, his decision does not bind the parties unless they accept it. If the parties do not accept this decision, the expenses and fees will be determined, upon request of an arbitrator or of a party, by the authority specified in Article 43, paragraph 3 of this Law. The decision made by such authority is a title for enforcement against parties to the arbitral dispute.
Challenge of arbitrators

Article 12
1. When a person is approached in connection with his possible appointment as an arbitrator, he shall disclose any circumstances likely to give rise to justifiable doubts as to his independence or impartiality. An arbitrator, from the time of his appointment and throughout the arbitral proceedings, shall without delay disclose any such circumstances to the parties unless they have been previously informed of them by him.

2. An arbitrator may be challenged only if circumstances exist that give rise to justifiable doubts as to his independence or impartiality, or if the arbitrator does not possess qualifications agreed to by the parties or if he fails to fulfill his duties specified in Article 11, paragraph 2 of this Law.

3. A party may challenge an arbitrator appointed by him, or in whose appointment he has participated, only for reasons that occurred after the appointment or reasons of which he becomes aware after the appointment has been made.

4. The parties are free to agree on a procedure for challenging an arbitrator, subject to the provisions of paragraph 7 of this article.

5. Failing such agreement, a party who intends to challenge an arbitrator shall, within fifteen days after becoming aware of the appointment of the arbitrator or after becoming aware of any circumstances referred to in paragraph 2 of this article, send a written statement of the reasons for the challenge to the arbitral tribunal.

6. Unless the challenged arbitrator withdraws from his office or the other party agrees to the challenge, the arbitral court, including the arbitrator subject to the challenge, shall promptly decide on the challenge.

7. If a challenge under the procedure specified in paragraphs 4 and 6 of this article is not successful, the challenging party may, within thirty days after having received notice of the decision rejecting the challenge, or if the arbitral tribunal does not decide on the challenge within thirty days after the challenge was made, request within a further thirty days from the moment of the expiration of the first thirty days the appointing authority specified in Article 43, paragraph 3 of this Law to make a decision on the challenge. While such a request is pending, the arbitral tribunal, including the challenged arbitrator, may continue the arbitral proceedings and make an award.

Failure to perform arbitrator’s duties

Article 13
1. If an arbitrator becomes de jure or de facto unable to perform his functions, his mandate shall be terminated if he withdraws from his office or the parties agree on the termination. If a controversy remains concerning any of these grounds, any party may request the authority specified in Article 43, paragraph 3 of this Law to decide on the termination of the mandate.

2. If under this article or Article 12, paragraph 6, an arbitrator withdraws from his office or parties agree to terminate his mandate, this does not imply existence of any ground referred to in this article or Article 12, paragraph 2 of this Law.
Appointment of substitute arbitrator

Article 14
Where the mandate of an arbitrator terminates under Articles 12 or 13 of this Law, or because of his withdrawal from office for any other reason or because of the revocation of his mandate by agreement of the parties, or in any other case of termination of his mandate, a substitute arbitrator shall be appointed according to the rules that were applicable to the appointment of the arbitrator being replaced.

Jurisdiction of arbitral tribunal

Article 15
1. The arbitral tribunal may rule on its own jurisdiction, including any objections with respect to the existence or the validity of the arbitration agreement. For that purpose, an arbitration clause which forms part of a contract shall be treated as an agreement independent of the other terms of the contract. A decision by the arbitral tribunal that the contract is null and void shall not entail ipso jure the validity of the arbitration clause.

2. A plea that the arbitral tribunal does not have jurisdiction shall be raised not later than the submission of the statement of defense in which the respondent raised issues related to the substance of the dispute. A party is not precluded from raising such a plea by the fact that he has appointed or participated in the appointment of an arbitrator. A plea that the arbitral tribunal is exceeding the scope of its authority shall be made as soon as the matter alleged to be beyond the scope of its authority is raised during the arbitral proceedings. The arbitral tribunal may, in either case, admit a later plea if it considers the delay justified.

3. The arbitral tribunal may rule on a plea referred to in paragraph 2 of this article either as a preliminary question or in an award on the merits. If the arbitral tribunal rules as a preliminary question that it has jurisdiction, any party may request, within thirty days after having received notice of that ruling, the court specified in Article 43, paragraph 1 of this Law to decide the matter. While such a request is pending, the arbitral tribunal may continue the arbitral proceedings and make an award.

4. The court proceedings arising under paragraph 3 of this article shall be urgent.

Interim measures in arbitral proceedings

Article 16
1. Unless otherwise agreed by the parties, the arbitral tribunal may, at the request of a party, order any party to take such interim measures of protection as the arbitral tribunal may consider necessary in respect of the subject-matter of the dispute. The arbitral tribunal may require any party to provide appropriate security in connection with such measures.

2. If a party to which interim measures relate does not agree to undertake them voluntarily, the party that made the motion for such measures may request their enforcement before the competent court.
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CHAPTER FOUR. ARBITRAL PROCEEDINGS

Equal treatment of parties

Article 17
1. The parties to proceedings before an arbitral tribunal shall be treated equally.
2. The parties shall have the right to respond to statements and claims of their adversary.
3. For the purpose of compliance with the provisions of paragraphs 1 and 2 of this article, arbitrators shall, to the extent necessary and possible, attempt to disclose to the parties their opinions and give appropriate explanations in order to evaluate all relevant factual and legal issues.

Rules of procedure

Article 18
1. Subject to the provisions of this Law, parties are free to agree, directly or by reference to any established set of rules, a statute or in other appropriate manner, the procedure to be followed by the arbitral tribunal in the conduct of the proceedings.
2. Failing such agreement, the arbitral tribunal may, subject to the provisions of this Law, conduct the arbitration in such manner as it considers appropriate. The powers conferred upon the arbitral tribunal include the power to determine the rules of procedure either directly or by reference to a set of rules, a statute or in other appropriate manner, and the power to determine the admissibility, relevance and weight of any evidence.

Place of arbitration

Article 19
1. The parties are free to agree on the place of arbitration.
2. Failing such agreement, the place of arbitration will be determined by the arbitral tribunal having regard to the circumstances of the case, including the convenience for the parties.
3. If the place of arbitration is not determined pursuant to paragraphs 1 and 2 of this article, the place of arbitration shall be deemed to be the place designated in the award as the place where the award was made.
4. Notwithstanding the provisions of paragraphs 1 and 2 of this article, the arbitral tribunal may, unless otherwise agreed by the parties, meet at any place it considers appropriate for consultation among its members, for hearing witnesses, experts or the parties, or for inspection of goods or documents.

Commencement of arbitral proceedings

Article 20
Unless otherwise agreed by the parties, the arbitral proceedings commence:
1. if the arbitral proceedings are organized and administered by an arbitral institution – on the date when such institution receives the claim;
2. in any other event (ad hoc arbitration) – on the date on which a notification of the appointment of arbitrator or proposal for appointing a sole arbitrator, accompanied by
an invitation to appoint the other arbitrator or declare whether he accepts the proposed sole arbitrator, and the statement of claim that submits dispute to arbitration is received by the respondent

Language

Article 21
1. The parties are free to agree on the language or languages to be used in the arbitral proceedings. Failing such agreement, the arbitral tribunal shall determine the language or languages to be used in the proceedings. This agreement or determination by the arbitral tribunal, unless otherwise specified therein, shall apply to any written statement by a party, any hearing and any award, decision or other communication by the arbitral tribunal.

2. The arbitral tribunal may order that any documentary evidence shall be accompanied by translation into the language or languages agreed upon by the parties or determined by the arbitral tribunal.

3. Until the language of the proceedings had been determined, a claim, a defense and other deeds can be submitted in the language of the main contract, of the arbitration agreement or in the Croatian language.

4. If neither parties nor arbitrators can reach an agreement on the language of arbitration, the language of arbitration shall be the Croatian language.

Statements of claim and defense

Article 22
1. Unless otherwise agreed by the parties, the claimant shall in his statement of claim state the facts supporting his claim, the points at issue and relief or remedy sought, and the respondent shall in his statement of defense state his defense in respect of the claimant’s statements, proposals and claims. The parties may submit with their statements all documents they consider to be relevant or may add a reference to the documents or other evidence they will submit.

2. Unless otherwise agreed by the parties, either party may amend or supplement his claim or defense during the course of the arbitral proceedings, unless the arbitral tribunal considers it inappropriate to allow such amendment having regard to the delay in making it.

Hearings and written proceedings

Article 23
1. Subject to any contrary agreement by the parties, the arbitral tribunal shall decide whether to schedule and hold oral hearings for the presentation of evidence or for oral argument, or whether the proceedings shall be conducted on the basis of documents.

2. Unless the parties have agreed that no hearings shall be held, the arbitral tribunal shall hold such hearings at an appropriate stage of the proceedings, if so requested by a party.

3. The parties shall be given sufficient advance notice of any hearing and of any meeting of the arbitral tribunal for the purpose of inspection of goods, other property or documents.
4. All statements, documents or other information supplied to the arbitral tribunal by one party shall be communicated to the other party. Any expert report or evidentiary document on which the arbitral tribunal may rely in making its decision shall be communicated to each of the parties.

5. Unless otherwise agreed by the parties, the arbitral proceedings are not public.

**Default of a party**

**Article 24**

Unless otherwise agreed by the parties, if, without showing sufficient cause,

1. the claimant fails to communicate his statement of claim in accordance with Article 22, paragraph 1 of this Law, the arbitral tribunal shall terminate the proceedings;
2. the respondent fails to communicate his statement of defense in accordance with Article 22, paragraph 1 of this Law, the arbitral tribunal shall continue the proceedings without treating such failure in itself as an admission of the claimant’s allegations;
3. any party fails to appear at a hearing or to produce documentary evidence within the time limit provided for their production, the arbitral tribunal may continue the proceedings and make the award on the evidence before it.

**Witnesses**

**Article 25**

1. As a rule, witnesses shall be examined in oral hearings.
2. Subject to their consent, witnesses may be examined outside oral hearings; the arbitral tribunal can also request from witnesses to answer questions in writing within a certain period of time.
3. Witnesses shall be examined without taking an oath.

**Experts**

**Article 26**

1. Unless otherwise agreed by the parties, the arbitral tribunal:
   1. may appoint one or more experts to report to it on specific issues to be determined by the arbitral tribunal;
   2. may require a party to give the expert any relevant information or to produce or to provide access to any relevant documents, goods or other property for his inspection.
2. Unless otherwise agreed by the parties, if a party so requests or if the arbitral tribunal considers it necessary, the expert shall, after delivery of his written or oral report, participate in a hearing where the parties shall have the opportunity to put questions to him and to present other expert witnesses in order to testify on the points at issue.
3. The provisions of Article 12, paragraphs 1 to 6 of this Law, shall appropriately apply to the challenge of experts.

CHAPTER FIVE. AWARD AND TERMINATION OF PROCEEDINGS
Applicable law

Article 27
1. The arbitral tribunal shall decide the dispute in accordance with such rules of law as are chosen by the parties as applicable to the substance of the dispute. Any designation of the law or legal system of a given state shall be construed, unless otherwise expressed, as directly referring to the substantive law of that State and not to its conflict of laws rules.
2. Failing any designation by the parties under paragraph 1 of this article, the arbitral tribunal shall apply the law which it considers to be most closely connected with the dispute.
3. The arbitral tribunal shall decide *ex aequo et bono* or *en qualité d’amiable compositeur* only if the parties have expressly authorized it to do so.
4. In all cases, the arbitral tribunal shall decide in accordance with the terms of the contract and shall take into account the applicable usages.

Decision making by panel of arbitrators

Article 28
1. Unless otherwise agreed by the parties, the arbitral tribunal shall make any decision by a majority of all its members.
2. If a majority has not been achieved, arbitrators shall repeat deliberations on reasons for each opinion. If after repeated voting a majority still cannot be achieved, the award shall be made by the presiding arbitrator.
3. Outside joint sessions of the arbitral tribunal, questions of procedure may be decided by the presiding arbitrator, unless it is contrary to the parties’ agreement or to the arbitral tribunal’s decision.
4. The panel of arbitrators may entrust to one of its members to undertake certain fact-finding activities.

Settlement

Article 29
1. If the parties settle the dispute during arbitral proceedings, the arbitral tribunal shall terminate the proceedings upon their request, unless the parties request to record the settlement in the form of an arbitral award on the agreed terms.
2. The arbitral tribunal shall upon the request of the parties record the settlement in the form of an arbitral award, unless it finds that its content violates the public order of the Republic of Croatia.
3. An award on agreed terms shall be made in accordance with the provisions of Article 30 of this Law and shall have legal force and effects of the award (Article 31 of this Law).

Award

Article 30
1. Unless otherwise agreed by the parties, the arbitral tribunal may make partial and interim awards. A partial award is deemed to be an independent award.
2. The award shall be made in the place of arbitration (Article 19).
3. The award shall be made in writing. It shall state the reasons upon which it is based, unless the parties have agreed that no reasons are to be given or if the award is an award on agreed terms under Article 29 of this Law.

4. The date when the award was made and place where it was made shall be stated in the award pursuant to Article 19, paragraphs 1 and 2 of this Law and paragraph 2 of this article.

5. The original of the award and all copies thereof shall be signed by the sole arbitrator or all members of the panel of arbitrators. The award shall be valid even if some arbitrators failed to sign it, provided that it was signed by the majority of all members of the panel of arbitrators, and that the omission of a signature or signatures is stated in the award.

6. The awards made in an institutional arbitration shall be served upon the parties by the arbitral institution. In all other cases, the service of the award to the parties shall be made by the arbitral tribunal.

7. Unless otherwise agreed by the parties, the service of the award shall be made pursuant to provisions of Article 4 of this Law. If both parties so request, service of the award may be carried out by the court designated in Article 43, paragraph 5 or by a notary public.

Legal effect of the award

Article 31
The award of the arbitral tribunal shall have, in respect of the parties, the force of a final judgment (res judicata), unless the parties have expressly agreed that the award may be contested by an arbitral tribunal of a higher instance.

Termination of the proceedings

Article 32
1. The arbitral proceedings shall be terminated with respect to the issues decided in the final award or by an order of the arbitral tribunal, if:
   1. the claimant withdraws his claim, unless the respondent objects thereto and the arbitral tribunal recognizes a legitimate interest on his part in obtaining a final award in the dispute;
   2. the parties agree on the termination of the proceedings;
   3. the arbitral tribunal finds that the continuation of the proceedings has for any other reason become unnecessary or impossible.

2. The mandate of the arbitral tribunal shall cease with the termination of the arbitral proceedings, except in cases provided by the provisions of Articles 33, 34, 35(3), 36(4) and 37 of this Law. In such cases, the tribunal’s mandate will be terminated when the respective decision is rendered.

Additional award

Article 33
1. Unless otherwise agreed by the parties, each party may, within thirty days of the receipt of the award, and with notice to the other party, request the arbitral tribunal to make an additional award as to claims presented in the arbitral proceedings but omitted from the award.
2. If the arbitral tribunal considers the request to be justified, it shall make the additional award.

3. The provisions of Article 30 of this Law shall apply to such an additional award.

**Correction and interpretation of award**

**Article 34**

1. Within thirty days of receipt of the award, unless another period of time has been agreed by the parties:
   1. a party, upon notice to the other party, may request the arbitral tribunal to correct any errors in the computation of the award, any clerical or typographical errors or any error of similar nature;
   2. if so agreed by the parties, a party, with notice to the other party, may request the arbitral tribunal to give an interpretation of a specific point or part of the award.

2. If the arbitral tribunal considers the request to be justified, it shall make the correction or give the interpretation, which shall form part of the award.

3. The arbitral tribunal may correct any error of the type referred to in paragraph 1, point 1 of this article on its own initiative within thirty days of the date of the award.

4. The provisions of Article 30 of this Law shall also apply to a correction or interpretation of an award.

**Decision on costs**

**Article 35**

1. Upon a request by a party, the arbitral tribunal shall determine in the award or an order for the termination of the arbitral proceedings which party and in which proportion has to reimburse the other party the necessary costs of arbitration, including costs of party representation and the fees of arbitrators, and/or has to bear its own costs.

2. The arbitral tribunal shall decide on the costs of the proceedings according to its free evaluation, taking into account all circumstances of the case, especially the outcome of the dispute.

3. If the arbitral tribunal fails to decide on costs of proceedings, or if such decision is possible only after termination of the arbitral proceedings, the arbitral tribunal will make a separate award on the costs of proceedings.
CHAPTER SIX. LEGAL REMEDY AGAINST THE AWARD

Application for setting aside

Article 36

1. An arbitral award may be contested by an application for setting aside in accordance with the provisions of this article. Recourse against an interim award may be made only in an application to set aside the award in which the claim in respect of which the interim award was made was finally settled. No other legal remedies in court jurisdiction are permitted.

2. An arbitral award may be set aside by the court specified in Article 43, paragraph 1 of this Law only if:
   1. the party making the application furnishes proof that:
      a. there was no agreement to arbitrate pursuant to Article 6 of this Law, or such agreement was not valid;
      b. a party to the arbitration agreement was incapable of concluding the arbitration agreement or could not have been a party to an arbitration dispute (Article 7) or that a party was not duly represented;
      c. the party making the application for setting aside was not given proper notice of the commencement of the arbitral proceedings or was otherwise unable to present his case before the arbitral tribunal;
      d. the award deals with a dispute not contemplated by or not falling within the scope of the submission to arbitration, or contains decisions on matters beyond the scope of the submission to arbitration, provided that, if the decision on matters submitted to arbitration can be separated from those not so submitted, only that part of the award which contains decisions on matters not submitted to arbitration may be set aside; or
      e. the composition of the arbitral tribunal or the arbitral procedure was not in accordance with this Law or a permissible agreement of the parties and that fact could have influenced the content of the award; or
      f. the award has no reasons or has not been signed in accordance with the provisions of Article 30, paragraphs 3 and 5 of this Law; or
   2. the court finds, even if a party has not raised these grounds, that:
      a. the subject matter of the dispute is not capable of settlement by arbitration under the laws of the Republic of Croatia; or
      b. the award is in conflict with the public policy of the Republic of Croatia.

3. An application for setting aside may not be made after three months have elapsed from the date on which the party making that application received the award or, if the application is made in a case under Arts. 33 or 34 of this Law, from the date on which the party making that application received the decision of the arbitral tribunal on either of the requests referred to in those articles.

4. The court, when asked to set aside an award, may, where appropriate and so requested by a party, suspend the setting aside proceedings for a period of time determined by it in order to give the arbitral tribunal an opportunity to resume the arbitral proceedings or to take such other actions as in the arbitral tribunal’s opinion could eliminate the grounds for setting aside.

5. If the parties in a dispute expressly so agree in the arbitration agreement, an application against the arbitral award may also be made on the ground that the party
applying for setting aside found new facts or has the opportunity to present new evidence on the basis of which an award more favorable to him could have been made if these facts would have been known or evidence produced in the hearings that preceded the making of the challenged award. This ground may be raised only if the applying party could not have used it in the arbitration proceedings without his fault.

6. The parties cannot derogate in advance their right to contest the award by an application for setting aside.

Arbitral proceedings after setting aside the award

Article 37

1. If an award made on the basis of a valid arbitration agreement not specifying the names of the arbitrators has been set aside on the grounds other than those related to existence or validity of the arbitration agreement, such arbitration agreement shall be a valid legal basis for new arbitration in the same dispute. In case of doubt, upon request by a party, the court may issue a separate ruling to this effect.

2. Upon a request by a party, when the court asked to set aside an award finds it possible and appropriate, it shall, after setting aside, remit the case to the arbitral tribunal for reconsideration.

3. In all other cases, a new arbitration in the same dispute shall be possible if the parties conclude a new arbitration agreement after the setting aside of the award.

Part Three – Recognition and Enforcement of Awards

Nationality of the award

Article 38

The award of an arbitral tribunal shall have the nationality of the country in which the place of arbitration is situated (Article 19 of this Law).

Enforcement of a domestic award

Article 39

1. The court shall enforce a domestic award, unless it establishes the existence of any of the grounds for setting aside arising under Article 36 paragraph 2, point 2 of this Law.

2. The court shall not take into account those grounds for setting aside arising under Article 36 paragraph 2, point 2 of this Law for which an application for setting aside was already finally rejected.

3. If an issue arises in court proceedings relating to the existence of a right or legal relation and such an issue was already finally decided in a dispositive part of a domestic award, upon a request by a party and within the boundaries of the final decision, the court shall be bound by the decision on this issue contained in the dispositive part, unless it establishes the existence of a ground for setting aside arising under Article 36 paragraph 2 point 2 of this Law with respect to this part of the arbitral award.
4. If a party to an arbitral dispute has a legal interest in a determination that no reasons for setting aside referred to in Article 36 paragraph 2 point 2 of this Law exist, it may request a decision on this issue from the court referred to in Article 43 of this Law.

Recognition and enforcement of a foreign award

Article 40
1. A foreign award shall be recognized as binding and shall be enforced in the Republic of Croatia unless the court establishes, upon a request by the opposing party, the existence of a ground referred to in Article 36, paragraph 2, point 1 of this Law, or if it finds that the award has not yet become binding on the parties or has been set aside or suspended by a court of the country in which, or under the law of which, that award was made.

2. Recognition and enforcement of a foreign award shall be refused if the court finds that:
   a. the subject-matter of the dispute is not capable of settlement by arbitration under the law of the Republic of Croatia.
   b. the recognition or enforcement of the award would be contrary to the public policy of the Republic of Croatia.

Part Four – Court Procedure

CHAPTER ONE. GENERAL PROVISIONS

Court intervention

Article 41
1. No court shall intervene in matters governed by this law, except where it is so provided in this Law.

2. Court proceedings shall be governed by the rules of non-contentious procedure, except upon applications for setting aside the award.

Arbitration agreement and a claim on the merits submitted to a court of law in the same matter

Article 42
1. If the parties have agreed to submit a dispute to arbitration, the court before which the same matter between the same parties was brought shall upon respondent’s objection declare its lack of jurisdiction, annul all actions taken in the proceedings and refuse to rule on the statement of claim, unless it finds that the arbitration agreement is null and void (Article 6), inoperative or incapable of being performed.

2. The respondent may raise the objection referred to in paragraph 1 of this article no later than at the preparatory hearing or, if no preparatory hearing is held, at the main hearing before the end of the presentation of the statement of defense.

3. Where an action referred in paragraph 1 of this article has been brought to the court, arbitral proceedings may nevertheless be commenced or continued if they were already commenced, and an award may be made while the issue is still pending before the court.
**Court jurisdiction**

**Article 43**

1. The Commercial Court in Zagreb shall have the jurisdiction to rule on the jurisdiction of the arbitral tribunal (Article 15, paragraph 3), deposition of the award (Article 46), application for setting aside (Article 36) and requests for recognition and granting the enforcement of the award (Articles 39 and 40), in the cases falling under the subject-matter jurisdiction of the commercial courts. In other cases, the County Court in Zagreb shall have jurisdiction.

2. A court competent *ratione causae* designated by a separate law shall be competent to carry out the enforcement of the award.

3. Unless the parties have agreed that some or all of the assisting activities are to be performed by an arbitral institution or some other appointing authority, the activities provided in Article 10, paragraphs 4 to 7, Article 12, paragraphs 3 and 4, Article 14, paragraph 7 and Article 15 of this Law shall be performed by the president of the court designated by paragraph 1 of this article or a judge authorized by him.

4. Activities of the president of the court referred to in paragraph 3 of this Article shall not be construed as activities in a court or administrative procedure.

5. Legal assistance in the taking of evidence (Article 45) and the service of the awards (Article 30, paragraph 6) shall be rendered by a court competent *ratione causae* which has territorial jurisdiction according to the place where the particular activity has to be undertaken.

6. The provisions of this article shall not affect the application of the provisions on the jurisdiction for the ordering and enforcement of provisional measures of the Law on Enforcement.

**Interim court measures for protection of claims**

**Article 44**

A party to arbitral proceedings may apply to the court to grant interim measures for protection of a claim. It is not incompatible with an arbitration agreement for a party to request from a court, before or during arbitral proceedings, an interim measure for protection of a claim and for a court to grant such a measure.

**Legal assistance in taking evidence**

**Article 45**

1. The arbitral tribunal, or a party with the approval of the arbitral tribunal, may request legal assistance from a competent court in taking evidence which the arbitral tribunal itself could not take.

2. The procedure for taking evidence before the commissioned Croatian court is governed by the provisions on taking evidence before a judge commissioned by a rogatory letter.

3. The arbitrators are entitled to participate in the procedure of taking of evidence before a commissioned judge and put questions to persons being examined by the court.

**Authentication and deposition of the award**
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Article 46
1. The parties may agree whether and how the award shall be authenticated and deposited.
2. If the agreement referred to in paragraph 1 of this article refers to authentication and deposition with a court, the court shall complete the authentication and deposition pursuant to rules for rendering legal assistance to arbitral tribunals.
3. If parties so agree, the court shall transmit to one or both parties the transcripts of the award deposited in the court.

CHAPTER TWO. PROCEDURE OF RECOGNITION AND ENFORCEMENT

Documents to be attached to a request for recognition and enforcement

Article 47
1. The party seeking recognition and enforcement of an award or relying upon an award in proceedings shall attach to the request the original award or a duly certified copy thereof.
2. A party seeking recognition or enforcement of a foreign award, or relying on such award, shall attach to his request the original arbitration agreement or a duly certified copy thereof.
3. If the award or agreement referred to in paragraphs 1 and 2 of this article were not made in the Croatian language, the party shall also supply a duly certified translation thereof into the Croatian language.

Adjournment of proceedings for recognition and enforcement of a foreign award

Article 48
If proceedings for the setting aside of an award or for the suspension of a foreign award have commenced before a competent court, the court requested to recognize or enforce the award may, if it considers it appropriate, adjourn its decision until the termination of the proceedings for setting aside or suspension and may, upon the motion of the party seeking the recognition or enforcement of the award, subject the termination to the other party’s provision of appropriate security.

Decision on claims for recognition and enforcement

Article 49
1. While ruling on claims for recognition or enforcement, the court shall confine itself to determining whether the requirements referred to in Arts. 39, 40, 47 and 48 of this Law have been met, and if it considers it necessary, it may seek an explanation from the arbitral tribunal which rendered the award, from the parties, or from a court or a notary public or other person with which the award was deposited pursuant to an agreement referred to in Article 46, paragraph 1 of this Law.
2. The court shall provide an opportunity to the opposing party to be heard in the proceedings where recognition of the award is the main issue.
3. The court shall provide an opportunity to the opposing party to be heard with regard to a claim for enforcement on the basis of an award unless this would jeopardize the successful implementation of enforcement.
4. A decision on recognition and/or enforcement shall contain grounds for the decision.
5. An appeal against a decision rendered in the proceedings where recognition is the main issue may be submitted to the Supreme Court of the Republic of Croatia within fifteen days from the delivery of the decision on recognition.

Part Five – Transitory and Final Provisions

Repealing of particular laws

Article 50
By enactment of this Law, the provisions of the following Laws shall be repealed:

– Articles 468a to 487 of the Code of Civil Procedure, adopted as a Law of the Republic of Croatia by an Adoption Act ("Off. Gaz.", no. 53/91);
– Articles 97 to 100 of the Conflicts of Laws Act, adopted as a Law of the Republic of Croatia by an Adoption Act ("Off. Gaz.", no. 53/91);
– Article 1, paragraph 2 and Articles 101-109 of the Conflicts of Laws Act, adopted as a Law of the Republic of Croatia by an Adoption Act ("Off. Gaz.", no. 53/91), as far as they are concerned with the procedure of recognition and enforcement of foreign arbitral awards;

Article 51
1. Effectiveness of arbitration agreements concluded prior to the coming into force of this Law shall be governed by the legislation previously in force.
2. Pending arbitration proceedings which have not been completed at the time of the coming into force of this Law shall be conducted according to legislation previously in force. Settlements already made will be replaced, upon a joint proposal of the parties, by the arbitral award referred to in Article 29 of this Law. Parties may agree on the application of the new Law to pending proceedings.
3. Judicial proceedings pending at the time of coming into force of this Law shall continue under regulations previously in force.
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Entry into force

Article 52
This Law shall come into force on the eighth day following its publication in the “Official Gazette” of the Republic of Croatia.
ANNEX II

LAW ON CONCILIATION*

GENERAL PROVISIONS

Scope of application – Article 1
(1) This Law governs conciliation in civil disputes including commercial, labour and other disputes, in matters regarding rights that the parties may freely dispose of.

(2) Unless otherwise provided by special legislation, the provisions of this Law shall apply accordingly to conciliation in other types of disputes, if such application is compatible with the nature of legal relations from which those disputes arise.

(3) The provisions of this Law shall also apply accordingly to conciliations in which one of the parties is domiciled, habitually resident, or seated outside of the Republic of Croatia.

Purpose – Article 2
(1) The purpose of this Law is to facilitate access to conciliation as an appropriate method of dispute resolution, to promote the availability of conciliation, to raise awareness of conciliation by encouraging its use and by ensuring a balanced relationship between conciliation and judicial proceedings.

(2) In order to achieve the purpose of this Law, the use of conciliation and the training of conciliators shall be stimulated and encouraged; all information on conciliation, conciliators and institutions providing conciliation services shall be published and made available through press and mass media, including electronic means of communication.

Definitions – Article 3
Pursuant to this Law:
– “conciliation” means a process, regardless of whether conducted by the court, by an organization providing conciliation services, or outside any such institution, in which the parties attempt to resolve their dispute amicably, with the assistance of a conciliator or conciliators who assist them in reaching a settlement agreement without having the authority to impose a binding solution on them;
– “conciliator” means a person who conducts conciliation on the basis of an agreement of the parties;
– “organization providing conciliation services” means a legal person, an entity of a legal person or an organizational unit of a legal person which organizes conciliation proceedings.
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Principles of interpretation – Article 4
(1) When interpreting the provisions of this Law, the principles of good faith and internationally accepted conciliation standards laid down in the documents of the European Union, the United Nations and the Council of Europe should be considered.

(2) The issues not regulated in this Law shall be settled in conformity with the principles of voluntariness, effectiveness of the proceedings, equal treatment of the parties, party autonomy, confidentiality of the proceedings and the impartiality of the conciliators.

Conciliation and other proceedings on the merits of a dispute – Article 5
Conciliation may be conducted notwithstanding any pending judicial, arbitral or any other proceedings relating to the matter in dispute.

Commencement of conciliation proceedings – Article 6
(1) In order to initiate conciliation proceedings, it is not necessary for the parties to have made an agreement in advance binding themselves to resolve their future disputes by conciliation.

(2) Conciliation commences by acceptance of an invitation to conciliate, unless otherwise provided by law or agreed by the parties for mandatory conciliation proceedings.

(3) Unless the parties agree otherwise, the other party should reply to the invitation to conciliate within fifteen days from the receipt of such invitation, or any other period of time as specified in the invitation.

(4) If the other party fails to reply to an invitation to conciliate within the period of time referred to in para. 3 of this Article, the invitation shall be deemed to be rejected.

(5) In the case referred to in para. 4 of this Article, conciliation proceedings shall be considered terminated if special legislation provides prescription periods for raising claims in other proceedings.

Appointment of conciliators – Article 7
(1) The appointment of the conciliators shall be carried out according to the procedural rules agreed upon by the parties.

(2) Parties may determine by their agreement whether the conciliation shall be conducted by one or more conciliators, and who shall be appointed as conciliator.

(3) If the parties cannot reach agreement on the number of conciliators or the person or persons who shall conduct the conciliation, they may request that the number of conciliators be determined or the conciliators be appointed by the organization providing conciliation services or another third person (hereinafter “the appointing authority”).

Obligations of conciliators – Article 8
(1) In conciliation proceedings, the conciliator shall act professionally, efficiently and impartially.

(2) A person approached in connection with his or her possible appointment as a conciliator shall reveal all circumstances likely to give rise to justifiable doubts as to his or her impartiality and independence. After the appointment, the conciliator shall disclose such circumstances to the parties as soon as he or she learns of them, unless the parties have already been informed of them.

Croatia: Annex II – 2
Conduct of conciliation proceedings – Article 9
(1) The conciliation shall be conducted in a manner agreed upon by the parties.
(2) While conducting conciliation proceedings, the conciliator shall always seek to maintain fair and equal treatment of the parties.

Meetings of conciliators and parties – Article 10
(1) In the course of conciliation proceedings, the conciliator may meet with each party separately.
(2) Unless the parties have agreed otherwise, the conciliator may communicate information or data received by one party to the other party only with the party’s consent.

The conciliator’s right to propose a settlement agreement – Article 11
The conciliator may make proposals regarding the settlement of the dispute and participate in the drafting of the settlement agreement.

Termination of conciliation proceedings – Article 12
The conciliation is terminated:
– by a written declaration of a party to the other party and the conciliator to the effect that the party discontinues the conciliation proceedings, unless after such discontinuation more than one party willing to continue the conciliation remains in the proceedings;
– by a written declaration of the parties addressed to the conciliator on the termination of the proceedings;
– by a decision of the conciliator to discontinue the conciliation proceedings, issued in principle after consultation with the parties, after finding that further efforts at peaceful resolution of the dispute are no longer justified;
– by expiration of the time limit, if no settlement is reached within sixty days from the acceptance of the invitation to conciliate, or within any other time limit in accordance with the agreement by the parties;
– by conclusion of a settlement agreement.

Effects of the settlement agreement – Article 13
(1) A settlement agreement concluded in the course of conciliation proceedings is binding on the parties. If the parties have taken over certain obligations by the settlement, they are bound to fulfil them in a timely manner.
(2) A settlement agreement concluded in the course of conciliation proceedings shall represent an enforcement title if it contains an obligation to perform an act regarding which the parties may reach a settlement and if it contains the obligor’s statement on immediate authorization to forcible enforcement (an enforcement clause).
(3) In the enforcement clause, the obligor expressly agrees that immediate forcible enforcement may be ordered on the basis of the settlement agreement in order to carry out the performance of the due obligation. An enforcement clause may also be contained in a separate document.
(4) The enforcement of a settlement referred to in para. 2 of this Article shall be rejected if:
– the settlement regarding a particular legal relationship is not permitted by law,
– the settlement agreement is contrary to public policy,
– the content of the settlement agreement is inoperable or incapable of being executed.
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(5) The parties may also agree that the settlement agreement shall be drawn up in the form of a notarial deed, a court settlement, or an arbitral award on agreed terms.

Confidentiality – Article 14
(1) Unless otherwise agreed by the parties, the conciliator is bound to keep confidential all information and data received in the course of the conciliation proceedings confidential in relation to third persons, except if disclosure of such information and data is required by the law or where the disclosure is necessary for the implementation or enforcement of the settlement agreement.

(2) The conciliator shall be liable for damages resulting from the breach of the obligation in para. 1 of this Article.

(3) Paras. 1 and 2 of this Article shall apply accordingly to the parties and other persons involved in the conciliation in any capacity.

Admissibility of evidence – Article 15
(1) In arbitral, judicial or any other proceedings it is not admissible to introduce statements, propose proof or submit any other evidence in whatever form regarding any of the following:
– the fact that a party made an invitation to conciliate or accepted such invitation;
– the parties’ statements of facts or proposals made during conciliation proceedings;
– acceptance of claims or admissions of facts made in the course of the conciliation proceedings, except if such acceptance and admissions are part of the settlement agreement;
– documents prepared solely for purposes of the conciliation proceedings, unless it is stipulated by law that their communication is necessary for the implementation or enforcement of the settlement agreement;
– the fact that a party had indicated its willingness to accept a proposal made during conciliation proceedings;
– other proposals made during conciliation proceedings.

(2) Unless otherwise agreed by the parties, the conciliator and the persons participating in conciliation proceedings in any capacity may not be compelled to testify in arbitral, judicial or any other proceedings in relation to information and data resulting from conciliation proceedings or connected therewith.

(3) In judicial, arbitral or other proceedings, evidence referred to in para. 1 shall be rejected as inadmissible. Exceptionally, the data or information referred to in para. 1 of this Article may be only disclosed or used for evidential purposes in proceedings before arbitral tribunals, courts of law or other state bodies when:
– it is necessary for the protection of public order, but only under the conditions and in the scope prescribed by law, or
– it is necessary for the implementation or enforcement of the settlement agreement.

(4) Persons who act contrary to paras. 1 and 2 of this Article are liable for the damages incurred thereby.

(5) The provisions of paras. 1 to 4 of this Article apply regardless of whether arbitral, judicial or other similar proceedings are connected with the dispute that is or was the subject matter of conciliation proceedings.

(6) Except in the case referred to in para. 1 of this Article, evidence that is otherwise considered admissible in arbitral, judicial or other similar proceedings shall not become inadmissible solely because they were used in conciliation proceedings.

Croatia: Annex II – 4
Functional incompatibility of conciliators – Article 16
(1) Unless otherwise agreed by the parties, the conciliator shall not act as a judge or an arbitrator in respect of a dispute that was or is the subject of the conciliation proceedings or in respect of any other dispute arising from the same legal relationship or a relationship related to it.
(2) As an exception to para. 1 of this Article, the parties may empower the conciliator to render as arbitrator an award on agreed terms.

Effects on limitation and prescription periods – Article 17
(1) Parties who have opted for conciliation in conformity with this Law in an attempt to settle their dispute shall not be deprived of the right to initiate judicial, arbitral or other proceedings because of the expiry of limitation or prescription periods.
(2) The initiation of conciliation proceedings shall suspend the time limits stipulated by the statutes of limitation.
(3) If conciliation terminates without settlement, it is considered that no suspension of limitation periods ever occurred.
(4) As an exception to para. 3 of this Article, if within fifteen days after the termination of conciliation proceedings any party files a claim, or undertakes other procedural action before the court or other competent authority in order to determine, secure or assert her claim, limitation shall be considered suspended when conciliation proceedings were commenced.
(5) If the prescription period for filing a claim is provided for in a separate regulation, this time limit shall not run during conciliation proceedings. It shall recommence upon the expiry of the fifteenth day following the termination of conciliation.

Conciliation and other proceedings relating to the same subject matter – Article 18
If the parties who have agreed to conciliate have expressly undertaken not to initiate or continue judicial, arbitral or other proceedings during a specified period of time, or until a specified event has occurred, such an agreement is binding. In such a case the court, arbitral tribunal or other body before which an attempt to initiate the proceedings relating to the same subject matter, shall dismiss, at the request of the other party, any action by which such proceedings are to be initiated or continued.

Powers of the body conducting the proceedings – Article 19
(1) During court, administrative or other proceedings a body conducting these proceedings shall, in the disputes falling under Art. 1 of this Law, recommend to the parties to initiate conciliation in accordance with the provisions of this Law if it assesses that the dispute may be successfully settled by conciliation.
(2) The body referred to in para. 1 of this Article may invite the parties to an informative meeting to acquaint them with the use of conciliation.

Costs – Article 20
Unless parties have agreed otherwise, each party shall bear its own costs, and common costs of the conciliation proceedings shall be born by all parties in equal shares, or in accordance with special legislation or agreed rules of conciliation.
CONCILIATION IN CROSS-BORDER DISPUTES

Application of the Law to cross-border disputes – Article 21
(1) The provisions of this Law also apply to cross-border disputes in civil and commercial matters.
(2) Under this Law, revenue, customs or administrative matters, or the disputes concerning liability of the State for acts or omissions in the exercise of State authority (acta iure imperii).

Cross-border dispute – Article 22
(1) Under this Law, a cross-border dispute shall be one in which at least one of the parties is domiciled or habitually resident in a Member State of the European Union (hereinafter “Member State”) other than that of any other party on the date on which:
– the parties agree to use mediation after the dispute has arisen;
– mediation is ordered by a court;
– an obligation to use mediation arises under national law; or
– the court before which the action is brought invited the parties to use mediation in order to settle the dispute.
(2) Notwithstanding para. 1, for the purposes of Arts. 14 and 17 of this Law, a cross-border dispute shall also be one in which judicial proceedings or arbitration following mediation between the parties are initiated in a Member State other than that in which the parties were domiciled or habitually resident on the date referred to in the first three sub- paras. of para. 1 of this Article.
(3) The provisions on cross-border disputes shall not apply in relation to the Kingdom of Denmark.

Domicile or habitual residence in a cross-border dispute – Article 23
(1) In order to determine whether a party is domiciled in a Member State whose courts are in charge of the matter, the court shall apply the law of the Republic of Croatia.
(2) If the party is not domiciled in a Member State whose courts are in charge of the matter then, in order to determine whether the party is domiciled in another Member State, the court shall apply the law of that Member State.
(3) A company, another legal person or associations of natural or legal persons are domiciled in the place where they have their:
– statutory seat, or
– seat of their central administration, or
– the principal place of business.
(4) In relation to the United Kingdom and Ireland, “statutory seat” means the registered office or, where there is no such office, the place of incorporation or, where there is no such place, the place under whose law the company is incorporated.
(5) In order to determine whether a trust is domiciled in a Member State whose courts are in charge of the matter, the court shall apply the applicable conflict of law rules.

Enforcement of the conciliated settlement agreement in cross-border disputes – Article 24
(1) If a Member State in accordance with its laws and regulations provides that the parties, or one of them with the explicit consent of the other, may agree that the content of a written settlement agreement resulting from conciliation shall be immediately enforceable, the court in the Republic of Croatia shall recognize and enforce such a settlement under the conditions referred to in Art. 13, paras. 1 to 4 of this Law.
(2) If the content of the settlement agreement in a Member State is included in some other enforceable document and confirmed by a court or another competent authority in the form of a judgment, order, arbitral award or other enforceable document in accordance with the law of the Member State in which the request is made, the rules on recognition and enforcement of such enforceable documents shall apply to the recognition and enforcement of that enforceable document.

(3) For the application for recognition and for enforcement of settlement agreements referred to in para. 1 of this Article, as regards subject matter jurisdiction of commercial courts, the competent court shall be the Commercial Court in Zagreb, and for all other matters the competent court shall be the County Court in Zagreb.

TRANSITIONAL AND FINAL PROVISIONS

Rules on the keeping and the form of the registry of conciliators and on standards for accreditation of the organizations providing conciliation services and conciliators – Article 25
Within three months upon the entry into force of this Law, the Minister in charge of justice affairs shall adopt the Rules on the keeping and the form of the registry of conciliators and on standards for accreditation of the organizations providing conciliation services and conciliators.

On expiration of the legislation previously in force – Article 26
(1) With the entry into force of this Law, the Law on Conciliation (Official Gazette of the Republic of Croatia, Nos 163/03 and 79/09) shall be repealed.
(2) Prior to the adoption of the Rules referred to in Art. 25 of this Law, the Rules on the registry of conciliators and on the standards for accreditation of the organizations providing conciliation services and conciliators (Official Gazette of the Republic of Croatia, No. 13/10) shall remain in force.

Entry into force – Article 27
This Law shall enter into force on the eighth day after its publication in the Official Gazette of the Republic of Croatia, except for the provisions of Arts. 21 to 24 of this Law, which shall enter into force on the day of the accession of the Republic of Croatia to the European Union.