Social Assessment of Poverty in Croatia, 
December, 1999 - March, 2000 

by Elizabeth Gomart, 

with the collaboration of Croatian colleagues: 
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This is a background paper for the Croatia: Economic Vulnerability and Welfare Study. The views contained herein are those of the author only, and do not represent the opinions of the World Bank nor of its Board of Directors, nor of any individual country member, nor federal, nor local government. The author takes full responsibility for any and all errors of fact or interpretation.
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I. Introduction

A. Purpose of Study

1. A qualitative study of the poverty Croatia was undertaken in an effort to provide information to complement the Croatian State Department of Statistics’ Household Budget Survey (HBS hereafter) in describing poverty in Croatia. One immediate objective of the study is to understand and improve targeting and protection of the poorest. Another is to provide information at a crucial time in the design of policies and programs in Croatia. This study will be used combined with results from the HBS and other studies to serve as background papers for the Country Assistance Strategy.

B. Methodology

2. The Poverty Assessment was developed based on a wide array of poverty assessments conducted in the region from which a number of hypothesis were drawn. Given the purpose of the study and previous regional experience with the topic of poverty, the team put forth the following main questions for the research:

- What is poverty in Croatia? What are the relative (i.e. community standards of acceptable minimum standards) and subjective (i.e. personal individual perception of decline in living standards) definitions of poverty according to different groups? What are the causes of poverty and the social consequences of poverty?
- Given the dramatic drop in formal cash incomes, how are most people able to adapt to maintain a relatively high standard of living? Why can't the poor adapt and how do they cope? What is the relative importance and effectiveness of coping systems to resist poverty (land, informal sector, informal social networks, community groups and associations, Government allowances, informal sector activities, etc.) in reducing poverty of different groups?
- What are the priorities of the poor? What are the most important issues they face? How can they be resolved? By whom?
- What is the poor's experience of government services -- health, education and social assistance? How can the poorest of the poor be more effectively included in the government's social targeting systems? What examples do they have of effective assistance? What should be the role of the state and other actors in providing support to the poorest?

3. Qualitative methods were chosen for this study because the aim of the study is to understand Croatians' experience and perceptions of poverty. As much as the household survey can measure certain pre-determined phenomena, sociological and cultural factors -- revealed only in the focus groups and in-depth interviews -- can significantly impact the meaning and implications of these measurements. Thus, the qualitative findings of this study provide a context within which these measurements can be understood, explained and even contradicted. These methods allow the respondent to make linkages at the individual level and within the perception of small groups. They provide a view into intra-household dynamics, intra-community, and societal dynamics around an issue by allowing the respondents to freely construct their reality, and experience. Especially with sensitive issues such as poverty and ethnicity that are laden with political, historical, societal and cultural meaning and implications, these methods offer a means of documenting personal experiences and perceptions which would otherwise be difficult to capture.

4. The preliminary results of the HBS study guided the design of the qualitative study. We structured the study to be able to highlight differences between the poor and the non-poor, in the
Hope of drawing conclusions regarding the dynamics of poverty. We also knew that because Croatia is a developed society undergoing a transition and economic crisis, that traditional poverty lines used by the World Bank may not capture the actual levels of poverty in the society. The study consisted in one hundred and forty in-depth interviews (one hundred with poor respondents and forty with non-poor respondents); thirty focus groups (ten with poor; ten with non-poor and ten with special groups). The interviews focussed on the experience of poverty within the households and specific coping mechanisms while the focus groups focused on discussions of the definition of poverty, causes and consequences of poverty and main coping mechanisms within the community.

5. The sampling at the site level followed a quota sample that required diversity in age, gender and ethnicity of the respondents. The poor respondents were identified with the help of local key informants: the Employment Office, social workers at the Welfare office, the church, etc. The field workers who are residents of the communities in which the interviews were conducted (except for Slunj and Petrinja) were encouraged to also use snowball techniques. The non-poor respondents were purposefully chosen to represent different types of activities and situation in the site as identified in the focus groups.

6. The study was conducted in a total of ten sites, including five cities (Zagreb, Pula, Petrinja, Kutina, and Osijek), one semi-rural area (Zapresic outside of Zagreb), one small town (Drnis) and three rural areas (villages surrounding Ludbreg, Slunj and Beli Monastir). Since the purpose of the report is also to complement the household survey which was not able to conduct interviews in the formerly occupied zone, three sites were included to represent the formerly occupied zone: Drnis, Slunj, Petrinja and Beli Monastir. Osijek was also severely affected by the war although it was not occupied. (See map of Croatia and site description in Annex).

7. The fieldwork was conducted from December, 1999 until March, 2000, a tumultuous period that corresponds with the death of Croatian President Franjo Tujman, the New Year celebrations and parliamentary and presidential election campaigns. The timing influenced the findings in two ways. First it influenced the reported consumption levels of certain households receiving gifts for the holidays for those interviewed at that time. However, given the fact that most interviewers began their interviews in earnest after the holidays, it had less impact than expected. Second, the interviewers noticed that people seemed more open in their criticism of the government after President Tujman's death than before and sometimes more hopeful that things would change for the better (especially with regard to decreasing corruption and supportive economic policies).

C. Background

8. Croatia was initially well-positioned for the transition to a market economy, with a high level of social and economic development, sizable private sector and strategic location in Western Europe. However, in the last decade the country has experienced war, devastation, displacement of the population and a volatile relationship with neighboring states. The break up of the former Yugoslavia and ensuing war led to the loss of lives, forced displacement of an estimated 600,000 people from their homes, as well as massive destruction of productive assets and homes and the disruption of historical trade relations. The costs of the war and reconstruction brought deep cuts.

1 The choice of additional focus group was left up to the field worker. It was designed to include minority groups relevant to the site: i.e. Serbs in Beli Monastir, Slunj, Osijek and Petrinja, Bosnian Croat refugees in Zagreb, Bosnian Muslims in Zapresic. However, in some cases the field workers opted to interview groups that seemed more relevant to the sites: war veterans in Ludbreg, poor youths in Sibenik, rural residents in Pula, Croats and Serbs who remained in Drnis during occupation.
in wages, pensions, and social assistance. The lowest point of the crisis was reached in 1993 when real GDP contracted by 33 percent compared to its 1990 level. During the same year, real wages bottomed out at 28 percent of the 1990 wages. In 1994-5 Croatia experienced modest growth, stimulated in large part by government spending on reconstruction, setting up a national government structure and hiring and raising wages by government institutions under social pressures to regain pre-war consumption levels. In late 1995 and 1996, the displaced and refugees started to return to war torn areas, Croatian forces were demobilization, and reconstruction efforts were in full-swing bringing modest growth to the country. 1998 saw modest growth with the official reunification of Croatia led to a new wave of privatization and the return of displaced and refugees to formerly occupied areas. By 1999, macro-economic data show another decline in GDP of 1.7 percent and unemployment growing (12.6 percent nationally according to the labor force survey).

II. Summary of Findings

9. While the HBS survey focuses on defining absolute poverty, this study begins with defining subjective and relative poverty in the words of participants, mostly of focus groups. It will show how the absolute poverty line, by focussing on survival needs fails to capture not only the multifaceted nature of poverty but also significant levels of social exclusion/entrenched poverty that occur above a poverty line resulting in an entrenchment of poverty.

10. Since poverty in the international context is defined mostly as the inability to meet one’s basic needs (mostly physical survival needs for the poorest and existential for the slightly better off). In the Croatian context, respondents define poverty as "barely surviving." For the poor, poverty is hunger. However, most of our sample was able to provide for basic food needs, though diets were notably poor -- lacking in fresh vegetables, fruit and meat for the urban poor and limited by the capacity to produce food in rural areas.

11. Housing is a major problem for the poor and non-poor who cannot find affordable housing for new families in particular. The report describes poor conditions in municipal housing and high rents charged from private renters for sub-standard housing. Homes of the poor also are showing the wear and tear of the lack of resources for essential repairs and maintenance. Because of the low state of repair and low levels of consumption of heat, homes were often cold, drafty and humid. Government-financed reconstruction efforts were considered poor quality and insufficient, leaving households with insufficient rehabilitated space and much more materials and work needed to make the homes livable. In addition, all respondents who had their homes repaired through the Government's reconstruction program showed us the results of poor quality construction: patches of green and black mold on the walls and ceilings. For Serb returnees, housing rights were often denied as the government reconstruction often excluded their homes and Croat residents succeeded in some cases in intimidating them into leaving their homes or accepting below market prices for their homes. Claims of lack of accountability of contractors and corruption of the decision-making commissions were widespread regarding the reconstruction efforts.

2 The HBS analysis adopts the international standard definition of poverty which quantifies the number of goods consumed by the household. Poverty line is based on an estimate of the minimum requirements for meeting the caloric intake of 2500 Kcal/day plus other essential food needs. The HBS survey finds that only six percent of the population fall below the poverty line (15,407 kuna for a single adult per year or 41,598.9 kuna for a family composed of two adults and two children). See Croatia Poverty Assessment, Methodology.
12. Utilities are often referred to as the "first priority" even before food by the poor who will first pay for utilities and then make do with what is left to cover food and other basic needs. While the vast majority of the poor reported debts to utility companies, only a few households reported that the companies had actually cut their supply off. However, if and when companies link supply to timely payment access to utilities can become growing problem. There may be mounting movement in certain cities (i.e. Osijek) for the utility companies to cut off clients above a certain debt ceiling.

13. Clothing is mostly overlooked by the poorest and only basic items are acquired along with clothes for growing children. For the non-poor, however, clothing and their difficulties in maintaining appearances is seen as a sign of relative poverty compared to Yugoslav times.

14. Education and health are heavily subsidized and therefore there are few problems of access. However, there were a number of groups who were likely not to be covered by health insurance or are at risk of losing their coverage should collection on dues be enforced. These groups are: farmers, bankrupt or non-operating private entrepreneurs, privately sector employed workers, unemployed and those with unsettled working status, foreign citizens such as Bosnian Muslim refugees and gypsy families (Croat and other who often lack proper documentation). Serb participants reported being asked to pay off their dues for the war years in Slunj and Petrinja while Croats were not. While perceived low quality of health services was a hot issue for the non-poor, the poor had few complaints about access or quality. Some problems of the poor included the lack of timely care in particular specialist care, cost of transportation for follow up care and unavailability of medicines covered by prescription. Contrary to recent newspaper reports, bribes and informal payments did not seem to be widespread -- even absent among the poor. Informal payments are reserved for thanking doctors after emergency care (life threatening diseases and interventions) and for obtaining special treatment from doctors (speedier care) rather than for accessing basic care within the public system.

15. In a second section, we examine coping mechanisms of the poor and the non-poor. We found that the poor are generally excluded from the most effective coping mechanisms available to the rest of society in face of the economic crisis, resulting in a growing rift between the poor and non-poor. As expected in a developed market economy, the most effective means of securing a living is through formal employment and part-time second jobs. The non-poor are able to access regular and additional incomes through moonlighting, work abroad and entrepreneurship. They often own a car which allows them essential mobility to maintain social networks, access job markets around Zagreb or other main cities and shopping in cheaper sources mostly abroad or in the capital. The poor are those who are made vulnerable by a number of compounding factors. They have fallen through the formal social net because they do not fit official criteria for receiving assistance; have access to narrow, horizontal informal networks, are excluded from local and foreign labor market opportunities, in particular trade and work abroad, which require mobility and physical health, and (foreign currency savings); lack opportunities to spread out expenses by using overdraft limits, checks, credit cards, etc. The declining access to higher education is likely to compound their current isolation in a modern economy. The poor also are accumulating debts by the high cost of housing and utilities, food and other necessities.

16. We also note how these coping mechanisms have changed over the last decade – many of which were traditional, almost ceremonial, practices have been resurrected as apt coping mechanisms – such as garden cultivation, fall pig slaughtering, winter food preserves, exchange of labor for construction and agriculture, multigenerational households, etc.

17. Informal social networks are crucial to the maintenance of lifestyles of the non-poor. These networks are mostly horizontal, reciprocal and offer scarce material resources. Among the
poor, these networks are scant and narrow and sometimes do not even include members of the 
three-generational nuclear family. In contrast, for the non-poor, they offer a plethora of 
resources. We observed three levels of social networks which offer their own set of benefits and 
responsibilities. The first is the three-generational nuclear family that can provide regular 
material support in the form of housing, food, clothing, loans and gifts of cash. The nuclear 
family is the core group from which one can ask un-reciprocated help. Beyond the nuclear 
family, a wider array of relatives, friends and neighbors provide assistance (same type) but this 
time sporadically and with an expectation of reciprocation. A third level is that of acquaintances 
who generally do not provide material assistance but where people help each other help 
themselves through exchanges of information about employment and entrepreneurship 
opportunities, exchange of labor (for money or food) in the fields, on construction, or household 
repairs and chores (cleaning, tailoring, etc).

18. The section also highlights the role of government in supporting poor and non-poor 
households in the crisis and how the government actions are perceived. Government is seen as 
financing broadly only some of the poorest (those on welfare) and excluding many others who are 
struggling from any time of assistance. Government support for the non-poor was also striking 
and raised feelings of unfairness and envy toward war widows and war invalids, in particular, 
while civilian victims of the war remain unassisted. Government workers were also sometimes 
perceived as giving the run around to Serb returnees with regard to obtaining citizenship, 
unemployment benefits, welfare status, health insurance, reconstruction rights, employment, etc.

19. The final chapter presents an overview of priorities of the respondents and highlights some 
of the main policy relevant issues raised in the study. Since the study had broad implications for 
policy and programs through out the sectors, I do not try to cover all sectors and limit myself here 
to policy recommendations relevant to targeting and social assistance.

20. In order to reduce the impact of the current transition, the poor and non-poor need to have 
access to more sustainable sources of sustenance (than dissavings and dependency on the state 
and informal networks). Policies and programs should be aimed at:

- Improving the climate for foreign and local investment;
- Supporting the growth of micro- and small enterprises through facilitating financing, 
  decreasing the costs of registering and accounting, simplifying legal and tax environment, 
  and reducing obstacles to employment absorption;
- Improving the rule of law, in particular enforcement of business and employment contracts 
  and laws, improving the effective and timely functioning of the courts; and ensuring equal 
  rights to all citizens (including Serbs, Muslims and Gypsies).
- Reviewing the privatization process which is seen as deeply corrupt;
- Reducing the redundancy of benefits to non-poor households and focussing government 
  assistance on the poor;
- Ensuring continued high level of access to basic services to poor households -- heating, 
  electricity, drinking water, education and health.
- Addressing issues of access to health insurance and pension funds due to lack of collection of 
  dues to ensure access to the poor.

III. Main Findings

A. What is Poverty in Croatia?

21. In this section, we put in context the subject of poverty in Croatia. We then set forth the 
participants’ definitions of absolute and relative poverty for different groups – poor, non-poor,
youths and ethnic groups. These definitions lead to a discussion of who are the poor, characteristics of the poor, causes and consequences of poverty.

How did the situation evolve over the last decade?

22. For many of the respondents, poor and non-poor, difficulties began in 1990 or 1991: they were fired, inflation raised costs of living, and the war began. In 1991, registered unemployment soared to 15 percent (compared to a pre-war rate of 6.6 percent). The years 1990-1 also marked the beginning of the war and exile for 600,000 persons through out the former Yugoslavia, mostly Bosnia and Herzegovena (BiH) and Croatia who left everything behind – agricultural assets, houses, household appliances, livestock, harvests, jobs, etc. Many of these households were hosted by their relatives, crowding in apartments and homes and using saved assets to support unemployed fleeing relatives. Many mixed ethnicity communities, households and couples found their loyalties divided: some opting to stay and other opting to flee resulting not only in divorce but also in broken ties between generations and lost networks. War affected regions became more ethnically homogenous with, in simplified terms, the occupied areas expulsing Croat households and a majority of Serb households remaining during occupation.

23. By 1992 with an official end to the military activities –not always enforced such as in the Sibenik/ Knin and Dubrovnik areas -- in the occupied areas, most displaced noted that their situation had stabilized materially speaking (if not with regard to housing). In fact, to many, the war brought regular military salaries (especially for young couples for whom this could have been their first regular salary), and for many who continued to receive salaries and child benefits from their work places. Refugee/ IDP subsidies, after an initial chaos were regrouped into communal housing, provided with meals, free transportation, and allowances in addition to humanitarian assistance. As a result, many of these households (poor and non-poor) report that these years -- although they suffered from the trauma of exile, from separation from loved ones and often poor housing conditions -- were materially stable. In fact, many reported accumulating assets (savings, basic household appliances and furniture) making their return easier. After operation Storm in August 1995, the Yugoslav army and different paramilitary forces retreated from the Krajina and a process of peaceful reintegration began in Eastern Slavonia, opening the way for the return of Croat households, but also prompting the exodus of Serb and mixed households who had remained in the occupied areas during the war. At that time, Bosnian Croats fleeing fighting in BiH, moved into deserted Serb homes, turning many formerly diverse areas into Croat strongholds (see summary table of sites in Annex).

24. Demobilization began in 1996 leaving many families without regular incomes feeling suddenly “dropped” by a state they had served. In contrast, some of the war veterans and families of war victims were well taken care of. A number of respondents exclaimed that in order to live well today, they would have had to have some tragedy happen to their family to qualify for a military pension -- lose a husband, free transportation, and allowances in addition to humanitarian assistance. As a result, many of these households (poor and non-poor) report that these years -- although they suffered from the trauma of exile, from separation from loved ones and often poor housing conditions -- were materially stable. In fact, many reported accumulating assets (savings, basic household appliances and furniture) making their return easier. After operation Storm in August 1995, the Yugoslav army and different paramilitary forces retreated from the Krajina and a process of peaceful reintegration began in Eastern Slavonia, opening the way for the return of Croat households, but also prompting the exodus of Serb and mixed households who had remained in the occupied areas during the war. At that time, Bosnian Croats fleeing fighting in BiH, moved into deserted Serb homes, turning many formerly diverse areas into Croat strongholds (see summary table of sites in Annex).

The years following the war are, for many respondents, years of stagnation and depletion of assets because of unemployment, unpaid wages, unreliability of private sector employment, ever decreasing opportunities for additional incomes, unprofitability of agriculture and high costs and risks associated with starting up private enterprises. In fact, 1994, with the introduction of new tax and registration laws was a watershed year, after which private entrepreneurship is considered difficult to start up and sustain.
25. Households generally expected the situation to improve with the end of the war. However, today’s situation for the poor is often more hopeless and desperate than it was a few years ago. The main reason for this is the depletion of savings and an unfavorable economic environment with a decreasing number of opportunities to replenish savings and return to higher living standards. The situation seems particularly stark in the formerly occupied zones where the economy shows few signs of picking up. While those sites near the occupied zone (Osijek, Kutina and Sibenik) also suffered from destruction from the war and continue to feel the secondary impacts. While many returnees said that they were eager to be home, they felt that their region had very little future without considerable investment on the part of government. Unemployment is very high, the rate of dissaving to complete housing (and correct poor quality reconstruction) and restart agricultural activities also contributes to the vulnerability of the households in the war affected areas. In some areas, while homes had been rebuilt, the nearby schools had not been requiring young children to take public transportation to schools across town. Many returnees felt they had been tricked into coming home, believing the government’s "empty promises" of jobs and quick rebuilding. They were forced home because they would lose their right to their reconstructed home if they did not register their return within six months of completion. In Drnis, a formerly occupied area, a respondent explained that his economic situation is worse than when he was living under occupation, but that at least he “doesn’t have to see, hear or know certain things [war atrocities].”

**Academic context**

26. Poverty has been a highly politically charged topic in Croatia. There is little research on poverty. This study and the HBS survey are the only two studies that attempt to document poverty and changes in living standards in Croatia. The lack of academic research on poverty is common in post-socialist societies since poverty was not supposed to exist in socialist societies. The lack of information about poverty extends beyond the academic circles into the better-off classes. The non-poor focus group respondents were unaware and rejected the idea that destitution exists in their site. The focus group of well-off war veterans in Ludbreg agreed that there is no severe poverty and the focus group of non-poor in Kutina was unable to define poverty because they do not know of any absolutely poor households. The non-poor were aware through the mass media of people so poor that they go through garbage cans or ask sellers for waste at the green market. They said they do not come into contact with the poor in cafes, clubs and offices that they frequent -- unless they have a cleaning woman or night guard working in their building or office. They assume the poor to be marginal, lazy (unwilling to work), alcoholics, etc. The higher up on the social ladder, the less knowledge there is about the situation of the poor. This lack of information about poverty in communities contributes to the picture of isolation of the poor from the mainstream.

**Definition of poverty**

27. According to the HBS survey, poverty in Croatia in absolute terms is low. Using the international standard of $4.3 per day, only 4.0 percent of the population are poor and there are no poor at the level of $1 per day. The HBS survey finds that only 8.4 percent of the population falls below the national poverty line (15,474 kuna for a single adult per year or 41,780 kuna for a family composed of two adults and two children). An important finding of the HBS is that the level of poverty is highly sensitive to the standard used since a large number of households are concentrated around the poverty line. The HBS also finds a relatively high level of inequity within Croatian society (Gini Coefficient of 0.39). However, the HBS survey did not sample households in the formerly occupied zones that may be some of the poorest areas in the country.
28. The considerable drop in living standards for the entire population has meant that most respondents have reconsidered what is poverty. Many poor and non-poor state that poverty is extreme material destitution and cite visible signs and behaviors such as hunger, homelessness, wearing rags, begging or going through trash bins for leftovers. But, for the poor, the stereotype does not seem to fit their own experience of lacking since for the most part, they are neither beggars nor homeless. The fact that poverty mostly happens behind closed doors, to home owners and to working families, and that people ask mostly their immediate family for help all contribute to the continued lack of information about poverty. It also confirms the expectation that in a relatively wealthy society, extreme poverty is rare and the relative poverty that exists is a matter of social exclusion.

**Absolute poverty:** Respondents of focus groups, poor and non-poor, agreed that absolute poverty is struggling to meet one’s basic needs, the most basic of which is hunger. In Croatia, basic needs include:
- food (a varied diet which includes meat, milk, fruits and vegetables),
- clothes,
- housing
- utilities (electricity, water, heat, phone) and basic appliances (refrigerator, gas or wood stove, heating stove, TV),
- school supplies and textbooks,
- health costs, and
- resources to enable abeyance of cultural and social norms such as reciprocity in social networks.

29. In the experience of the poor, poverty is “barely surviving.” Poor households concentrate on the anxiety, the insecurity of their daily struggle to meet physical needs first. For the poor, discussions about their diet were very emotional, leading to tears and sobs, as mothers explained how they struggle to get food on the table for their children (See food). Poverty is not being able to buy food. Respondents often said: “Our greatest problem is food because it is expensive.” As a result many associated poverty with “stretching out one kilogram of poor quality meat over fourteen meals for four persons,” explained another respondent. Poverty also commonly means having large debts with the utility providers, and often having below standard housing since investments in maintenance and regular upkeep are often out of reach. Of course, clothing especially for adults was not a priority for the poor – limiting themselves to the basics (shoes and coats) for their children and relying on gifts and exchanges with friends and relatives. Health services were commonly within reach of the poor though many complained of the high cost of medicines that are not covered by their insurance or not available in the pharmacies. While the cost of compulsory education (grades 1 through 8) was generally not a major issue for the poor, high school costs escalated because of costs of transportation, textbooks and specialized supplies. Tertiary education was generally out of reach for rural and small town residents, unless the student excels and qualifies for scholarships -- even then requiring considerable support and sacrifice from the immediate family.

30. **Relative poverty:** Yet there is also a nagging awareness among the poor that should they meet basic physical needs, they would still be poor in the Croatian context. Even though few households suffered from hunger, the poor's inability to maintain a living standard considered normal in Croatian society (although they manage to provide basics for physical survival) has important individual and social repercussions. As a disabled father and refugee Bosnian Croat who is mostly dependent on loans and gifts from relatives asked: “We are not hungry but at the end of the twentieth century, would it be wrong to say that we are not satisfied because all you have is bread?” As a young thirty-three year old working mother (apartment owner) in a focus group in Zagreb realized: “Absolute poverty is someone who lives on the street, walks barefoot,
eats bread others have given him. In that case my family is not poor.” She paused and reflected: “Or am I? All I know is for me and my family, all has come to an end.” Both she and her husband work but neither receives a salary. Instead, they receive coupons equivalent to only a portion of their salaries. Thus, to be part of society, to have a future, households need to be able to provide more than just basic needs to their members. They need access to assets and social networks. The inability to fulfill their basic physical and social needs is seen as causing depression, anxiety anger, loss of self-respect and social isolation -- all of which are symptoms of withdrawal from society and social exclusion.

31. Relative poverty for the non-poor: For the non-poor, poverty means lower quality food, clothes and general insecurity. Food is monotonous and many items have become luxuries (veal, fish, seafood, and lamb): “We know what [dishes] we want to make the next day but we can’t afford it.” Clothing is not replaced at the same rate as it used to be and adults cannot keep up with fashion. Many households live only on one salary and juggle their expenses between credit cards, shop credit lists, checks with postponed payments (one- or two-month delay) and allowable overdrafts. The non-poor insisted that basic needs include abeyance of social and cultural norms such as being able to maintain contacts with friends and acquaintances by going out for coffee, bringing a gift to a host, pay for a funeral, etc. Many focus group participants, argued that the "existential yearning for a fulfilling existence with meaningful ties to society" is a basic need. “There is no universal definition of poverty, they said. Poverty is a reflection of the health status of the individual: material, psychological and spiritual. Accordingly, a person who is healthy is someone who satisfies their emotional, physical and spiritual needs…” Thus in the respondents' words, basic needs include “also one’s esthetic social, educational and moral needs. There is also a need for some kind of cultural superstructure and self-actualization.”

Growing gap between rich and poor

32. Focus groups around the country talked about the growing gap between the poor and the rich and the resulting annihilation of the middle class. This discrepancy is seen not only nationally but also within better off regions (in Pula for example). Before the war, working households could provide for their basic needs, which they now have to struggle to accomplish. In the words of respondents in Kutina: “Before the war we could fight poverty better and have a better life… I had a life, now I have nothing.” [Poor single mothers in Kutina focus group]

33. The middle class could afford not only the basics but also extracurricular activities for their children, appliances on credit, annual vacations, shopping trips to neighboring countries for clothing, cultural events, a car and often a humble country house. They compared their former standard of living to that of other Western countries. Now the middle class has dropped into insecurity and struggles to cover needs that are seen as essential for a "normal" life. A respondent in Pula explained: “There is little difference between the poor and the non-poor. The person who used to be in the middle class is now an inch away from the lower class. The middle class considers itself poor if they can’t send their child skiing. Now the poor are running after bread.” [Pula, non-poor respondent in focus group] Youths in Sibenik also said that there are only rich and poor, the middle only has a “better way of surviving” than the poor do. Thus the main difference between the poor and the non-poor is that the non-poor have access to more effective coping mechanisms but they still feel vulnerable to impoverishment.

34. Ethnicity and definition of poverty: Croatian Serbs and Croats generally shared a common definition of poverty: the struggle to meet basic needs (listed above). However the themes of social isolation, broken families and uncertain futures was much more pronounced among Serb respondents, reflecting their recent experiences. Bosnian Muslim and Croat refugees of rural origin did show different perceptions of what is poverty. Many had lost assets and
networks due to war and ethnic cleansing. They tended to share the view that wealth is measured in diversity and size of assets (cattle, housing, land acreage, etc.). They also seemed to be attached to their former social standing lost "by no fault of their own." (Also see box 1 for description of poverty among the Gypsy).

Who are the poor?

35. The focus groups commonly referred to three groups of poor:

(1) The poor who have always been poor but who could in the past meet their basic needs thanks to low costs of living, wages from employment, opportunities for additional earnings and/ or government assistance. These include workers who have never had a permanent job (only seasonal jobs and contract jobs), and those who have difficult family situations (e.g. single mothers, isolated elderly, alcoholics, sick and handicapped).

(2) The newly poor are the impoverished working class who used to be able to share in the leisure and luxuries of the middle class in Yugoslav times, such as taking holidays, buying quality food, owning a car and buying appliances, etc. The new poor include some absolute poor.

(3) The subjectively poor used to be part of a middle class but find themselves without security fallen out of the mainstream worrying about meeting basic physical needs when ten years ago they were able to afford yearly vacations, shopping trips abroad and entertainment.

36. Thus poverty in Croatia affects the excluded: those who have received less education, less assets, less skills than others; those who opted to live on the margins by working for themselves or seasonally, have been dealt a raw hand in terms of family situation and are now without strong bonds to material assistance from the nuclear family. With the lack of rule of law (as described below) worsened for certain groups by discrimination (Gypsies, Serbs, Bosnian Muslims, etc), the unconnected are under-protected in the face of the powerful. A trend toward marginalization and impoverishment of these groups should be expressly monitored and not avoided for politically expedient reasons.

Characteristics of the poor

37. The focus groups offered people’s perception of who is poor and the prevalence of certain types of situations in the population.

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3 One limitation of the methodology is that the purposeful sampling of the qualitative sample does not allow for generalizations about who are the poor based on the interviews since the sample prescribed specific criteria for choosing recipients (based on ethnicity, age, sex). The key informants are also likely to have influenced the sample itself since these were primarily social workers of the Social Welfare Office. The criteria for receiving welfare include that both spouses are unemployed, that formal incomes are below 500 kuna and that the household does not own title to housing. In addition, according to interviewers, a large majority of the recipients of welfare are single women, alcoholic families (i.e. "social cases") and a few unemployed families with numerous children. As a result, the interviews are useful in that they offer detailed descriptions about particular cases and can offer some insight into what makes households particularly vulnerable in certain situations.
**Main Characteristics of the Poor**

In this section, we compare findings from the qualitative study to HBS survey findings.

**Comparative Summary Table 1: Results from Focus Groups and HBS Survey**

<table>
<thead>
<tr>
<th>Focus Groups and Key informants by order of importance for Respondents</th>
<th>HBS Results</th>
</tr>
</thead>
<tbody>
<tr>
<td>Unemployed with children (especially those with many children).</td>
<td>65.7 percent of the poor belong to households headed by an adult with incomplete and elementary education level.</td>
</tr>
<tr>
<td>Unemployed over 45 years old and nearing retirement, without skills or capital, often in poor health. Education is not widely seen as a determinant of poverty by the unemployed.</td>
<td>30.8 percent of the poor live alone or in two-member households.</td>
</tr>
<tr>
<td>Employed with small, irregular or unpaid salaries.</td>
<td>23 percent of the poor are over 65 years old, and 11.5 percent of these are without retirement pensions.</td>
</tr>
<tr>
<td>Elderly, single and two person households</td>
<td>The largest number of poor households (39.7 percent) have an active head. An equal number of poor are inactive or unemployed (23.1 percent). The remainder is retired (32.5 percent).</td>
</tr>
<tr>
<td>Isolated (single person households) with especially weak ties to nuclear family.</td>
<td>32.5 percent of poor households have two or more children.</td>
</tr>
<tr>
<td>War affected areas are particularly depressed.</td>
<td>No Information.</td>
</tr>
<tr>
<td>Within those regions, &quot;homeless,&quot; unemployed returnees; single elderly are considered vulnerable.</td>
<td></td>
</tr>
<tr>
<td>Large intra-regional differences. Rural areas (central and formerly occupied) because of lack of employment other than agriculture -- which provides only enough for subsistence.</td>
<td>Slavonia and Central regions are more likely to be poor. Rural Slavonia and rural central region have 39.2 percent of the poor.</td>
</tr>
<tr>
<td>&quot;Social cases:&quot; always poor, handicapped, alcoholics, divorced or single mothers, etc.</td>
<td>Not available.</td>
</tr>
</tbody>
</table>

38. The above table outlines some basic similarities between the two sources. The main difference between the two sources is the higher importance that the focus groups give to the unemployed poor whom they tend to group with the unpaid working heads of households. Another difference is the underestimation by the non-poor -- who generally benefit from strong networks -- of the vulnerability of single, isolated households. Social workers and non-poor also focused on “marginal” families who are termed “social cases,” requiring long-term assistance to deal with chronic issues of alcoholism or poor mental or physical health status.

39. Another important contribution of the focus groups is their ability to shed light on dramatic intra-regional differences. Indeed, within Zagreb there were vast differences in living standards of participants of the focus groups as well as in other cities such as Pula, Osijek and semi-urban areas such as Zapresic.

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4 "Active" is defined in ILO terms: (QQQ ILO definition). The focus groups were likely to consider a person unemployed if they do not have formal employment, whether or not they have been looking for employment or re self-employed (e.g. in agriculture).
40. The focus groups also offer insights into the problems facing the formerly occupied zone. Indeed, the situation in formerly occupied zones are even worse than their neighboring Slavonia and Central regions identified by the survey as the poorest areas. In Osijek/Baranja and Drnis, occupation has meant the flight of many smaller companies, destruction of locales and equipment, delayed privatization and highly questionable process of privatization of state companies which has also resulted in mass unemployment. Many of the private enterprises (e.g. farmers) remain dependent on the fledgling state sector which controls the large processing equipment and continues to receive financial support from banks. In addition, not only is farming no longer profitable because of the lack of market (local or international), but the land size (many have less than three hectares) and equipment are insufficient to produce efficiently and generate a profit. Farmers explained that those households living only from small amounts of land are poor, i.e. barely surviving, producing only food for consumption of the household and cattle.

41. With its high living costs, overwhelmingly formal economy and fledgling social assistance programs, the poor are mostly the unemployed and those living off of meager government allowances (social benefits) and small retirement pensions. The unemployed are overwhelmingly people with low levels of education who are unskilled and feel their skills do not meet the demand. Middle-aged (over 40 years old) workers said they are more likely to become long-term unemployed because they are considered too old and not trainable.

42. However, working households also face with the task of covering costs with small, often irregular (sometimes unpaid) incomes. Households regrouped with other members of their immediate family in ways to ensure that members have access to at least one source of regular income – either a pension, or salary. As a result, many households were crowded into small apartments in an effort to ensure that essential living conditions (housing, electricity, and water) would be covered. However, this also meant that many households relied on small amounts of regular income and struggle on a daily basis to cover food and other needs.

43. For the general sample of the SA, urban households faced hunger and poor housing conditions. The deepest poverty was seen among urban households who did not receive food from rural relatives and were unable to produce it themselves. A large majority of our respondents did receive at least some food from relatives in the country, even though it was often not enough to make their diets varied and copious. Both urban and rural households had problems meeting housing needs (see Housing below). The more rural and less central the position of the home, the less likely it was to be served by basic utilities. A number or rural homes were old wood homes, without electricity, water or sanitation.

44. In rural areas, even in the formerly occupied zones, hunger was an issue only among extreme cases (the ill, mentally and physically handicapped, and isolated elderly) since most of the villagers either have land they are able to cultivate for their own needs or are able to exchange work for food. However, there were cases in the formerly occupied zones, where the households lacked the labor force, land and resources (seeds) so that they were unable to produce food for their needs year-round. The poor in this zone were sometimes unable to work the land because of the high cost of reclaiming left uncultivated for five years, mined land, replacing equipment and farm buildings and high cost of inputs. In Cetingrad near Slunj in the formerly occupied zone, Serb rural pensioners living with one adult were unable to meet basic needs because of lack of regularly paid salaries and high cost of restarting agriculture. In Beli Monastir for example, poor returnees saved on inputs but also expected to barely break even at harvest time, reserving their harvest for home-consumption needs. In rural sites, those who lived exclusively from agriculture were considered highly vulnerable because of the lack of regular incomes for consumption and production. Poverty is mainly the inability to purchase goods that cannot be homes produced, and non-food needs such as cost of transportation for education and health services. It is also the
inability to invest (cash) into agriculture to increase one’s income above a subsistence level (See land).

45. Isolation is also a characteristic of the poor. Focus groups commonly stated that isolated retired pensioners without support from their nuclear family and those unable to work to supplement their pensions (which is illegal but necessary for many) are likely to be extremely poor. The size of retirement pensions is dictated by years of service and earning history. Thus people who had earned small wages in the former Yugoslavia and compensated with other earnings during their working life are now receiving very low wages and often unable to meet their basic needs. Within our sample we also found a small number of young couples and singles (young men) who were particularly isolated, lacking any contact with their immediate nuclear families and struggling to meet food needs. Households headed by women (widows not receiving war pensions, divorced women and single mothers) are considered vulnerable by key informants (namely the social services who make up the majority of their recipients). However we also found households headed by divorced men who were also in very poor conditions. The main issue in both seemed to be the high level of expenditures related to housing, food, clothing and education of children, relative to the meager earnings of one adult who also has child care responsibilities.

46. Many refugees and displaced had links to their site. They commonly had relatives and a strong network of friends and relatives offering support. However, when they were without relatives in proximity, they were likely to be very isolated. Refugees in refugee centers cannot be considered a vulnerable group. They are very well provided for by the Croatian Government -- even "over-institutionalized" in the eyes of some observers. They are provided with housing including utilities, food, and a small allowance. Elderly respondents said that they expect to be struggling to cover costs when they are required to go home to their reconstructed houses, complete construction and cover utilities with their small pensions.

Box 1: Refugees and Displaced on the Island of Hvar

A group of 50 displaced and refugee families were followed between 1993-5 by a group of medical anthropologists from the University of Zagreb seeking to document the impact of displacement. The main findings are summarized in this box.

In 1992, 6,000 refugees and displaced were settled in a refugee camp on the Island of Hvar (total population 11,495 in 1991). By 1993, there were 2000 refugees and displaced and by 1995 the number had been reduced to 1000.

Among the refugees and displaced, trauma was widespread. These households (from Vukovar and Bosnia) had first hand experience of the war which had disrupted their lives in unwanted and unforeseeable ways. Twenty percent of the households had witnessed and lived first hand traumatic experiences such as capture, torture, and witnessing battle. Fifty percent showed signs of trauma while only two exhibited all symptoms of Post-traumatic Stress. Ninety percent were separated from at least one close family member.

In 1994-5, children of displaced were found to have educational results no different than others. However, refugee children were slower performers and tended to quit early. This may be due to the conditions they encountered at home in Bosnia where schools were disrupted for a couple of years. Also socio-economic status may also be a determinant since those refugee households who stayed were generally those who did not have the resources to go abroad.

The report also noted the apathy of the IDPS and refugees-- compounded by lack of employment opportunities on the small island – who complained of "having nothing to do."

6 Ibid.
47. Ethnicity is also a factor in determining well-being and vulnerability. Many respondents in focus groups were uncomfortable with drawing conclusions based on ethnicity. “You can’t generalize on ethnicity because regardless of ethnicity, three groups are most vulnerable: elderly living alone and not capable of work; homeless IDPs and refugees, and unemployed with children under 18 years old,” according to Serb focus group in Beli Monastir (formerly occupied area in Eastern Slavonia). However, in one-on-one interviews, respondents explained that the rise of nationalism was a cause of poverty. Serb returnees said that their ethnicity had a detrimental effect on their employment status and social networks – two of the most important ingredients to surviving the crisis. Foreigners (foreign spouses in particular) and Bosnian Muslims said they are not able to get citizenship and therefore are limited to black market jobs without work permits, social assistance, higher costs of higher education and full payments for health services (also see Employment and Social Networks). In addition, the internally displaced (for example a couple from Baranja district living in Osijek) have no right to ad hoc assistance for payment of utilities which are provided by the municipality. As a result they are saddled with utility costs many times higher than their incomes or welfare payments.

48. It is difficult to define exactly the perception of Gypsies because in focus groups they were unlikely to claim to be “Gypsy” instead claiming to be Muslim. Because of their small number in focus groups and the lack of a specific Gypsy focus group, it is difficult to generalize without falling into stereotypes. However, one can venture that the living standards of the gypsy community are much lower than mainstream Croatian society. Access to quality housing, education and health services are much lower. The Gypsy neighborhood on the outskirts of Zagreb are regularly threatened with destruction by authorities who claim that the residents are squatting -- though quality of homes span the spectrum, although there is no sewerage system or piped water. Insecurity is a major component of poverty among this group. Rates of informal and unregistered self-employment are much higher while incomes remain low (See Box 1).

**Box 2: Gypsy Village: Kursanec, Medimurje District**

Kursanec is a small village near Cakovec in Medimurje County with about 1100 Gypsy residents (including 560 children). According to an NGO working with the Gypsy, eighty percent of the families are socially deprived. Many receive small welfare payments. Most families do not have formal employment although many work informally on a daily basis in construction and collection of metals (aluminum, copper, iron) for resale. Begging is also widespread.

Tiny homes -- huts built of stone, wood or mud without electricity, running water or sewerage -- are the norm. Households including on average four or five children and grandparents share the one room which serves as bedroom, kitchen and living room. The floors are often earthen and the only door must remain open to allow light and air. The huts are therefore dark, wet and cold inside. A small number of families have started to build permanent houses. However, none have building permits thus in constant threat of demolition upon request by local authorities. The new houses are an improvement on the huts even though they still do not have basic sanitation facilities or utilities. There is no sewerage or piped water even at the village level. All villagers share one water pump.

There are 187 school-aged children in the village. Officially, all children are enrolled in the nearby school which has the largest number of Gypsy children in the district. The school is three kilometers from the village, therefore children have to walk six kilometers a day to go back and forth from school. The school Principal has suggested that there are no means for organizing transportation for the children. The school organizes special classes for Gypsy children. Because of the poor conditions at home (lack of electricity, sanitary conditions, and lack of support from

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7 Source: Briefing Paper prepared for Sunflower, Croatian NGO working with Gypsy children in and around Zagreb.
The children often arrive in school unprepared for the learning environment (unclean, barefoot, hungry and without suitable clothing). Teachers do not allow them to take textbooks home making it harder for them to complete their homework. The school has tried to solve the problem of lower preparedness and lack of appropriate learning environment at home with extra teaching hours and staff. Yet, the biggest problem is school attendance of these enrolled children. An estimated seventy percent of Gypsy children do not attend school regularly and most of them stop attending school at age ten.

Poor health coverage is also an issue. An estimated twenty percent of inhabitants do not have health insurance. Parents do not ensure that their children have regular check ups and vaccinations. In addition, a number of children are born at home and not in the hospital which may lead not only to health but also legal complications. As a result of poor food and sanitation, the children are very susceptible to contagious and dangerous diseases.

Regional variations

49. In extrapolating from our sites, we can propose that the country can be divided into two main zones. The first was affected by the war directly by occupation and also the area abutting the formerly occupied zones which are mined and suffered from bombing. The second only saw the war from afar and felt the secondary impacts, such as refugee flows, diverted funds toward the war, recession, etc. The first zone is clearly a depressed area compared to the rest of the country. Not only has it suffered from the direct effects of war (physical and emotional), it is also suffering from a particularly corrupt and more recent wave of privatization (since 1998). It is also more rural when agriculture faces a crisis through out the country. The region had historical links to the former Yugoslavia (Yugoslavia and Bosnia) while the rest of the country faces outward toward Italy, Hungary and Slovenia. It used to be more mixed ethnically and has seen its communities demolished and rebuilt around nationality. Among many households there seems to be little hope -- especially among poor and Serb returnees. The second zone is more dynamic with the elite aspiring to European lifestyles and a wide variety of sectors of activity. Yet in both zones, there are wide intra-regional differences between the poor and the non-poor. The depression is palpable in Petrinja and Serb-majority Cetingrad near Slunj. However, the villages on the main tourist road are optimistic about the future, investing in rebuilding with the expectation of profits through tourism. Differences in living conditions are also quite surprising. In Kozari Bok and other neighborhoods on the periphery in Zagreb, some respondents lived in shacks, use a well or ask their neighbors for drinking water, and shared or have outdoor latrines. There are also the differences that exist between ethnic minorities as described above. In the formerly occupied zone, the definition of poverty seemed closely linked to returnee status and homelessness. Recent returnees who lost their returnee allowances six months after their return considered themselves particularly vulnerable. The households who have not yet been able to reclaim their homes because they are not yet reconstructed were considered poor. In the sites that were only indirectly affected by the war, poverty is more clearly linked to vulnerability to social, economic and political exclusion.

Seasonality of poverty

50. For the poor, especially the unemployed and those without regular incomes, the worse time is winter in both rural and urban areas which have strong links to agriculture, forestry and tourism. In summer, vegetables and fruits are cheaper and utilities lower (no heating and less electricity use). In addition, it is easier to find small jobs or seasonal work in the spring and summer months such as construction, agricultural work, or from tourism even work abroad (in the fields in Germany for example). Winter is therefore the worst time of the year, while in the
country side their may be at least some food, there is often a lack of fuel wood and other cash needs (house repairs, educational needs, clothing) either pile up as debts or go unmet.

**Causes of poverty**

51. The major causes of poverty are inherited poverty (according to the long-term poor) or “lifestyle choice,” (non-poor). The non-poor are quite critical of the poor. In Kutina, the non-poor explained that the poor are too passive: “In the end we are all the creators of our own destiny. Some people get additional jobs, others sit at home and suffer.” In formerly occupied areas, where the population is more uniformly affected by the war and/or recent bankruptcies of large companies, there is more compassion: “It is a shame that people are poor but they are not to blame because they are industrious people getting by as well as they can.”

52. The most broadly reported causes of poverty are systemic: the war, corrupt privatization process and negative impact of misguided policies such as high taxes and lack of support to agricultural production. For the poor, the causes of poverty are often out of their control. They mention first unemployment as the cause of their poverty induced by a corrupt privatization process, and the mismatch between the labor skills they have and those required for getting work. They also express pessimistic views about their ability to change their own situation, saying that they are unable to afford retraining and often told to their face that they are unemployable because they are too old, in poor health or have young children.

53. “Wild privatization” has led to the misallocation of resources in the hands of a few, unskilled managers who are seen as responsible for unnecessary bankruptcies and mass unemployment. Thus while the new owners enrich themselves and take advantage of a string of loans from various banks to subsidize their ventures, leading to bankruptcies of banks and enterprises as well as the mass firing of workers. This process if widely referred to as the “tycoonization” of the economy. The leaders of the former government are widely perceived as the winners in this transition process leaving the country to bear the costs of the loss of its economic capacity. “They killed the cow for just one steak,” a focus group participant in Osijek exclaimed.

54. The non-poor blamed first the war for the decline in living standards and dislocation of economies in the formerly occupied zone. Indeed, the war destroyed trade linkages to other former Yugoslav states, productive assets such as factories but also farming buildings, private enterprises, tools, and equipment. Mines in fields and forest inhibit the exploitation of assets. Households spent savings supporting relatives in exile, but also spend their own savings upon their return trying to make ends meet without formal employment as they complete reconstruction.

55. Ethnic minorities were likely to highlight problems which affect their own groups in addition to those that affect the mainstream. Bosnian Muslims in Ludbreg highlighted the difficulties with adaptation to a new environment. Serbs in Drnis, Petrinja and Beli Monastir noted the rise of nationalism as a cause of poverty, social isolation and discrimination in employment and, at some sites, excluded from humanitarian assistance (Red Cross), government benefits, health insurance (Petrinja) and government-financed reconstruction aid (Slunj, Beli Monastir, Petrinja).
Drnis: Echoes of the War

Drmis and surrounding areas possibly had the worse experience of the war among the sites because the local population was subjected to the infamous paramilitary forces, Arkan's Tigers and Seselj’s Chetniks.

Drmis is a small town (with 2700 inhabitants in 1999 down from 4600 in 1991) of mixed population (20 percent Serb before the war) located inland between Sibenik and Knin. At the outset of the war in 1991, most of the residents fled by foot. The Serb army took over the area and made nearby Knin, the capital of the Serb Republic of Krajina. However, some residents, a majority of whom was Serb, stayed behind. Respondents explained that it was easier for the Serbs to believe that they would be safe in the hands of “their own.” Most of the people who stayed were elderly, handicapped elderly and their children who refused to abandon them. There were also those who did not want to abandon their property. In 1995, there were officially 200 people registered as living in Drnis during the war. However, according to interviews with those who stayed, the number is closer to 400. Life was difficult during the war since social networks were reduced dramatically and most people lost their jobs. These material woes were overshadowed by the physical and psychological suffering inflicted upon residents by the occupying Serb forces. These forces were not the army but “the worse possible rabble.” First, there were Serb volunteers from Bosnia; then there were also Russian mercenaries, and Serb special paramilitary forces: Seselj’s Chetniks and Arkan’s Tigers. The Tigers consisted, according to the interviewees, of convicts -- robbers and murderers -- who for each month served on the battlefield were able to lower their sentence by one year. Both Serbs and Croats claimed that they were similarly mistreated: robbed, raped, incarcerated and beaten. During that period, there were sixteen murders among the Tigers fighting over their loot. Ten of them reportedly raped a 70 year old woman. A respondent of the focus group claimed that she escaped that same fate three times. The residents were accused by Serb forces of being Ustashi spies, their homes were searched for radios and they were incarcerated. The residents knew that, in fact, these accusations were a ploy to get the residents out of their homes so that the looters could rob them. But the incarcerations were far from benign lock-ups. Both Serbs and Croats reported that they were severely and routinely beaten, “ironed,” over a period of weeks sometimes months in Serb-held camps or jails. One respondent said that he spent a total of eight and a half months in jail over 4 years. His brother who was also incarcerated was beaten so hard that seven ribs were broken and spent five and a half months sleeping on a concrete floor, falling ill with tuberculosis. The respondent said that during his time in jail, his brother died along with many others who were beaten to death. The soldiers also arrested women. A woman went to visit her child’s grave on the anniversary of his death. The Serbs paramilitary stopped her and accused her of hiding a radio in the child’s grave. She spent eleven days in solitary confinement at the end of which she was mistakenly declared dead. Another woman was arrested for receiving a letter through UNPROFOR. Almost every night the soldiers ransacked her apartment looking for a radio. As a result of constant harassment and threats of violence, the residents sought out places other than their homes to sleep at night.

But the misfortune has not ended with liberation. Apart from the emotional and physical scars that remain today to haunt them, those who remained are severely ostracized by the returnees who view them as traitors. Some of the male Serb respondents said that they were imprisoned twice: once by the Četniks and another time after operation Storm until they could prove their innocence. Croats and Serbs who stayed said that they continue to be called traitors and Četniks behind their backs. Fights break out in bars still today over the conflict. Those who stayed view the returnees with great envy: they lived in hotels by the sea for four years, with food, board and spending money provided by the government and “most of them returned with cars from exile.” In addition, upon their return, returnees got 6 months of assistance, while those who stayed received 200 kuna after operation Storm.
City government, local police and enterprises also fed this antagonism by making it very difficult for those who stayed to regularize their papers. Some respondents said that they are still without documents (work papers, unemployment documentation, ID, etc) because they refuse to put themselves in a situation where they believe they will be insulted. Thus, they forego health insurance, welfare and unemployment benefits.

56. A recurrent theme in these conversations is the lack of rule of law as a cause of poverty. The poor talked about feeling exploited by their employers and without recourse -- either within the political or judicial system. In particular, as unofficial workers in the private sector, they are faced with going unpaid or irregular wages, interminable work hours (12-14 hours), being fired without pay, and often they find out only after being fired that their employers did not hold to their promise to make contributions in full to the health and pension funds. However, non-payment also affects official workers who show up each day at work without knowing whether and how much they will be paid. The lack of rule of law also endangers these entrepreneurs (and farmers) who struggle to survive because they cannot collect receivables in a timely fashion from business partners, especially government agencies, thus in turn weakening their ability to take on recurrent costs and hire formal employees. Private farmers are in a similarly uncomfortable position since the government has not paid for produce delivered months ago and yet is requiring them to pay for taxes (with penalties should they pay late). The complexity of tax laws also creates a sense of vulnerability and distrust among the self-employed and farmers who then pay fines for mistakes some said are unintentional. The lack of rule of law is also illustrated by corrupt privatization mentioned above which benefits only the elite. In the formerly occupied zone, the massive reconstruction efforts were also a symbol of the lack of recourse of the individual without powerful connections. Those households who have connections are perceived as getting more assistance in reconstruction than the standards prescribed by the law. And contractors are accountable seemingly to no one for their poor quality work for the average household.

57. The poor and non-poor also mentioned “social injustice,” which includes not only those who enriched themselves through corrupt privatization and lax enforcement of laws, but also unfairly high pensions for certain non-poor groups (such as disabled war veterans, widows of war veterans, etc.) and comparatively high wages in government institutions and social services compared to other sectors.

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8 One estimate of 125,000 workers was quoted in daily newspaper “Jutarnji List,” February 14, 2000.
### Summary Table 2: Causes of Poverty

<table>
<thead>
<tr>
<th>Sites</th>
<th>Poor</th>
<th>Non-Poor</th>
<th>Other Groups</th>
</tr>
</thead>
<tbody>
<tr>
<td><strong>Rural and semi-rural</strong></td>
<td>Unemployment, Mismatch of labor skills to demand, Poor health, Old age/low pensions, Dependency, Refugee exile, Isolation, Lack of rule of law: Non-payment of wages and contracts</td>
<td>War, Wild privatization, Unemployment, No profits from agriculture</td>
<td><strong>Bosnian Muslims:</strong> Lack documentation so can’t work abroad, travel for trade or shopping; no govt. assistance or work permit.</td>
</tr>
<tr>
<td>(Ludbreg, Baranja, Slunj, Zapresic)</td>
<td>Urban (Zagreb, Kutina, Osijek, Pula, Petrinja, Drnis)</td>
<td>Corrupt privatization, War, Non payment of wages, Low and irregular wages, Inherited poverty, Huge taxes on private firms, Illness which prevents moonlighting</td>
<td>Lifestyle choice, War, Corrupt privatization, Irregular, unpaid wages, Oversupply of labor, Mismanagement of firms, Missed modernization, Uncollected receivables, Social injustice, High costs of living, Lack opportunities for self-employment: high taxes, contracts not honored, lack financing., Bad agricultural policies</td>
</tr>
<tr>
<td><strong>Formerly Occupied</strong> *</td>
<td>Unemployment, War – loss of assets and disavings, Unpaid wages, Impossible to make profit from land</td>
<td>War: Loss of assets, depletion of assets for reconstruction</td>
<td><strong>Serb:</strong> “Dirty war”; Prolonged homelessness be occupied by refugees or locals; Increase in nationalism; Discrimination in employment (Drnis, Petrinja) and government benefits (Petrinja) Neglect by local authorities (Slunj)</td>
</tr>
<tr>
<td>(Petrinja, Beli Monastir, Drnis, Slunj)</td>
<td></td>
<td></td>
<td></td>
</tr>
</tbody>
</table>

9 Since there is considerable overlap with the perceptions of the causes and consequences of poverty between groups, only the themes not mentioned by the groups of poor and non-poor (consisting of a majority of Croatian participants) were mentioned in this column.
Consequences of poverty

58. The consequences listed by participants reflect a multi-dimensional view of the experience of poverty in Croatia. The material consequences of poverty include: poor and monotonous diets (in both rural and urban areas), lower consumption (where anything but strict necessities are luxuries), indebtedness for utilities, poor housing and often cold living conditions. For the non-poor the material consequences include a decrease in socializing, entertainment and cultural activities and spending on leisure.

59. The social consequences include social isolation for both the poor and the non-poor. Respondents describe a folding in onto the nuclear family on which they are dependent, and resulting isolation from the community (see informal networks). Workers, both qualified and unqualified, are forced to look for opportunities not in their communities but abroad, weakening social and human capital in the communities.

60. Many non-poor focus groups identified a "drop in moral values" as a major consequence of impoverishment. As one respondent put it: “The war has been a mother to some and a stepmother to others.” In other words, the war has been a convenient “alibi for lawlessness, crime and violence.” It has led to a relaxation of the rule of law and decline in values that have allowed some households to benefit through smuggling, theft, exploitation of government benefits, humanitarian assistance and corrupt privatization. In addition, much of the escalation of societal violence is blamed on war veterans who are armed and many of whom suffer from alcoholism. Families also suffer with a reported increase in conflicts and family violence.

61. Poverty also takes a toll on the physical and psychological health of the population. Respondents mentioned depression, anxiety, hopelessness but also youth suicides and substance abuse. Just as others alluded to their own despair, a poor Albanian in Zapresic, father of three children, unemployed for four years cried: “If I had known that this would happen, I would have hung myself long ago. There comes a time when I don’t want to go home anymore. I’d rather throw myself in the Sava River. It’s been hard for me because of these three kids – it’s also because of them that I am alive today. Not even my grand-father experienced this [level of destitution].”

62. Ostracism of the poor was perceived as coming from the community at large (neighbors, strangers) looking down on them or refusing them help. Social service providers (doctors, teachers) were not seen as discriminating against the poor, on the contrary. Government workers, on the other hand, especially social workers were sometimes accused of snobbery and condescension toward the poor asking for help (also see Government Assistance below).

63. Again, ethnic minorities identified specific consequences of poverty. To the Serbs in formerly occupied and war affected areas, the consequences of poverty include loneliness, and lack of future – both consequences of discrimination and social ostracism. Other members of ethnic minorities also reported perceived discrimination in employment (see Ethnic Discrimination in Employment below).
64. **Youth and Poverty:** For youths in Sibenik: “Poverty is boredom.” Rural youths explained that without money they can’t socialize with other young people, they are stuck with their family because of transport costs (10 kuna) and price of a coffee at a café (another 10 kuna), let alone entertainment (cinema) are out of reach. So they stay home and do household chores. While the city youths explained that being poor in the city mean no goal, no chores, “only mindless sitting around with acquaintances.”

65. For parents the worse about being poor is not to be able to provide for your child what other children take for granted: a book, a treat, a school excursion or even basic food (milk, fruit or meat).and clothes. A Bosnian Croat refugee living in Kozari Bok, a grim illegally settled neighborhood in the periphery of Zagreb noted her frustration: “I can’t take my kids anywhere downtown because I don’t have the money to buy them even an ice cream or juice.” While it is often difficult to explain to children the newly emerging social differences, a worst fate may be children who have accepted their fate and already self-censor their desires and needs knowing that they will not be met. An unemployed mother of three daughters (a twelve year old and twin six-year olds), emotionally recalled a recent morning when she overheard her twins whispering to each other about the tightness of their shoes and agreeing not to tell their mom in order to spare her the angst of finding the money for new shoes.

**Summary Table 3: Consequences of Poverty**

<table>
<thead>
<tr>
<th>Sites</th>
<th>Poor</th>
<th>Non-Poor</th>
<th>Other Groups</th>
</tr>
</thead>
<tbody>
<tr>
<td>Rural</td>
<td>Insufficient, monotonous diet</td>
<td>Depression</td>
<td>Anxiety</td>
</tr>
<tr>
<td></td>
<td>Lower consumption</td>
<td>Family conflicts</td>
<td>Physical and</td>
</tr>
<tr>
<td></td>
<td>Loss of credit at shop</td>
<td>Lack of rule of law</td>
<td>psychological injury</td>
</tr>
<tr>
<td></td>
<td>Break up of families</td>
<td>Lower quality diets</td>
<td>Family conflicts</td>
</tr>
<tr>
<td></td>
<td>Psychological disorders</td>
<td></td>
<td>Isolation</td>
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<td></td>
<td>Jealousies</td>
<td></td>
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<tr>
<td></td>
<td>Guilt of poor parents</td>
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<tr>
<td></td>
<td>Illnesses</td>
<td></td>
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<tr>
<td></td>
<td>Youth suicides</td>
<td></td>
<td></td>
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<tr>
<td>Urban</td>
<td>Difficulties meeting basic needs especially in winter</td>
<td>Limited consumption</td>
<td></td>
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<tr>
<td></td>
<td>Despair</td>
<td>Decrease socializing,</td>
<td>Bosnian Croats:</td>
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<tr>
<td></td>
<td>Helplessness</td>
<td>entertainment and cultural activities</td>
<td>Indebtedness</td>
</tr>
<tr>
<td></td>
<td>Shame/ Humiliation</td>
<td>Closing in on family circle</td>
<td>Black market work</td>
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<tr>
<td></td>
<td>Dependency</td>
<td>Family conflicts</td>
<td>Dependency</td>
</tr>
<tr>
<td></td>
<td>Depression</td>
<td>Divorce</td>
<td>Violence</td>
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<tr>
<td></td>
<td>Isolation/ restricted to family</td>
<td>Depression</td>
<td>Isolation</td>
</tr>
<tr>
<td></td>
<td>Exploitation by rich</td>
<td>Guilt</td>
<td>Depression</td>
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<tr>
<td></td>
<td>Poor kids are mocked</td>
<td>Corruption</td>
<td>Social differentiation</td>
</tr>
<tr>
<td></td>
<td>Stigma of poverty</td>
<td>Loss of independence of young couples</td>
<td></td>
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<tr>
<td></td>
<td>Juvenile delinquency</td>
<td>Indebtedness</td>
<td></td>
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<tr>
<td></td>
<td>Crime</td>
<td>Brain drain</td>
<td></td>
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<tr>
<td></td>
<td>Drugs and alcohol</td>
<td>Drop in moral values</td>
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<td></td>
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<td>Anarchy</td>
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<td></td>
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<td>Alcoholism</td>
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12 See footnote 7
B. The Experience of Poverty: Meeting Basic Needs

66. The experience of poverty is multi-faceted. It includes not only enduring restrictions but also the struggles to achieve the bare minimum. It is not only a physical experience of suffering but also a highly emotional one. This section highlights households’ struggle to meet different basic needs, and specific coping mechanisms to meet these needs. The box below provides complete pictures of poor households.

**Diarists:**

Two-week diaries recording all goods and services entering the household and all goods and services provided to others during the period provide insight into life of the participants in early January 2000. The diaries highlight the principal sources of income and coping mechanisms of the poor. First and foremost, stored and home-produced food, material assistance from relatives, and juggling of debts. These diaries reveal a wide range of living standards from non-working poor to working and coping poor. These examples are not some of the worse cases we found.

**Urban Returnee: Osijek**

MT is a 50 year old Croatian woman in Osijek living in a company apartment with her three children ages 19, 16 and 6. She has been widowed for fifteen years but has been living with her common law husband, a refugee from Bosnia, for the last eight. He lives with them only part of the time because he has his own apartment in Borovo.

Since 1994, when her husband was demobilized from the army, she has lived mostly from welfare (960 kuna per month), and refugee allowances (250 kuna for her youngest son). Both of these payments are months late. In December she received welfare for September and October, 1999 after not receiving any payments since September. Her husband is employed but receives only part of his salary and months late. This month, he received half his June salary (600 kuna). She relies on taking food on credit from company store where her husband works, so he sometimes doesn’t even get a salary. She counts on her mother-in-law to lend her 100-200 kuna when she gets her retirement pension. She also grows vegetables in her mother-in-law’s garden. MT brings her utility bills to the municipality for them to pay, but they are also months late in paying electricity and water so she receives warnings that they will be cut off. As a household with a refugee under 15 years old, they also get a package of food from the Croatian Red Cross.

Her children receive free textbooks from school through grade eight since she is on welfare. In the last four years in high school, she has bought her son only math textbooks. He copies the rest of his lessons from friends’ textbooks. He cheats the bus conductor every day on his way to and from school and avoids paying the monthly bus pass (90 kuna).
Her children have health insurance but she does not. She explains that she was not registered at the unemployment office during the war in exile and therefore lost the right to insurance. She has always worked for herself and used to sell leather crafts to tourists on the seaside where her mother in law had a cottage. She knows she has the right however to a temporary emergency health card. She has great problems with her teeth since the emergency card does not cover dentistry.

Her diary entries for the first two weeks of January, 2000 show that she spent a total of 271.25 (including 88 kuna on meat products and eggs) on food 155.6 on non-food items (including soap, sanitary napkins, laundry detergent, transportation, cigarettes, birthday presents for her mother in law). Her spending varied from 3.5 kuna for only bread to a high of 70 kuna -- a median of 25 kuna per day. Every day she bought some missing component of her meal: spinach, meat, and onions. Each day she also used some frozen or stored food: potatoes, peppers, beans, etc.

The respondent reports cooking one meal per day. The daily meal was very humble: pumpkin and hamburgers; spinach and batter-dipped fried toast; jam dumplings; batter-fried meat, rice and vegetable soup; French fries and eggs; chopped liver and polenta. The household managed to have some meat dish every other day however the portions were small and low quality. On January 4th for example, she bought 250 grams of meat for hamburgers four people, on the 6th she spent 25 kuna on chicken (a little over one kilogram of the cheapest meat). Her vegetable purchases were limited since she has beans and other vegetables in her freezer.

The respondent receives most of the outside assistance from her mother in law. She received money from her mother in law (once 20 kuna and another time 100) and magazines. She also received some help from a friend in Vukovar from whom she borrowed money (150 kuna) to cover birthday presents for urban friends (flowers, cigarettes and a hamburger) and received a prepared meal for her children.

Over the two-week period, she did not report earning any cash nor did she receive her welfare benefits. She carried coal for a neighbor who thanked her with forty kilograms of potatoes.

Urban Bosnian Croat refugee: Petrinja

M. is thirty years old. She was born in Bosnia. She now lives in Petrinja with her husband, his father and their two children in their house. Only one floor of the house is fit for living. They use one room as a living room, one bedroom for the grand-father and a second for herself, her husband and their children. They have not been able to pay for electricity. They negotiated paying off their utility debts in installments of 346 kuna monthly -- but they can’t afford these. Since their return, they have not been able to do anything to repair the house. Their roof leaks badly, if they could repair it they could convert the attic into two additional rooms for the children. They found the refrigerator in the house but, she jokes, “It’s too big.” They have not enough food to fill it. They have a garden, but last year it flooded so the harvest was very poor. They usually grow paprika, onions, lettuce, beans and potatoes. Whatever they grow in their garden, they eat right away so they do not have enough vegetables to last through the winter. They bought one hen last year and now have twelve. They don’t eat the chicken because it is more important to have eggs than meat. They get clothes from her husband’s sister who lives in Slovenia and has a daughter a year older than their own.

The family is covered by health insurance through the unemployment bureau. Her husband’s kidneys have failed so he must go three times a week for dialysis treatment. All thirteen regular visits per month are covered along with the ambulance transportation. However, they still have to pay 100 kuna for medicines for her husband each month. When his iron is low they have to pay 65 kuna for 5 doses. Her husband has applied for handicap pension but their request has not been granted yet. They keep asking for more documents. Only after they get all the documents together will he appear before the health committee.
The children attend first and second grades. They were given books in the school, but the programs have changed so they got only part of the books (her daughter got three and the boy -- two) and the rest had to be purchased. They borrowed 300 DM to pay for supplies, books and clothes at the beginning of the year. They paid it back after receiving late welfare checks. The children eat in school for a reduced price (50 kuna) but the portions are meager: only a slice of bread and a piece of salami. The children have to walk thirty minutes each way to school because the nearest one has been destroyed on the war. The school organizes many outing (5-10 kuna each) that they cannot afford unless they have received welfare recently.

Mira has never been employed. While they were living in Bosnia, her husband earned a good living as a driver. Then, he was earning a salary in the army (1400 kuna) and she was receiving a displaced allowance, their income was enough to lead a normal life. Their financial troubles began after demobilization. She started looking for a job through ads to do piece work, such as assembling toys. But now she can’t leave her husband alone because he needs constant care. Her husband’s father has no pension either. While living in Bosnia, he had a pension, but in order to receive it in Croatia he would have to go back onto Bosnian territory which they cannot do safely.

The family is now on welfare receiving 1500 kuna per month. Right around the New Year, when the diary was held, they received two late welfare checks within two weeks and 1050 kuna from the city to cover back due electric bills. So, according to the respondent, spending reported in the diary is much higher than it had been in the previous months. In addition, the diary covers the period between Christmas and the New Year so they bought clothes for their children and ingredients for cakes, which they only do around the holidays.

The total disbursed over two weeks was 2580.8 kuna out of 4150 kuna received from welfare and 100 earned for cleaning a friend’s apartment. Food expenses were 755.3 kuna and non-food 643.5 kuna. Non-food includes clothing for children (283 kuna), a Christmas tree (50 kuna), medicines (37.8 kuna) soap, toilet paper, the electricity bill for December (200 kuna) and the water bill for the last five months (422 kuna). In addition, she paid off debts at the store (180 kuna); and loans from neighbors (580 kuna to cover electricity past-due bills and 200 kuna for food). It is notable that by the ninth day after receiving her welfare check, she had paid off most of her debts with neighbors and the store and already was incurring more debts at the store.

During the period she received winter wheat from her sister and 50 kuna; four liters of milk from her brother in law; 3 kilos of fruits, 2 liters of juice, 6 bottles of water, coffee, sweets and caps for the children from her sister in law; one liter of juice, two kilos of sugar, cream and dough from a friend.

***

Working Semi-Urban Head of Household: Zapresic

NM is 32 years old. He and his wife have two children – five and two years old. His mother also lives with him. The family lives in the house NM and his mother own. NM’s mother uses one room and he and his family use another. The house is surrounded by a small garden (64 square meters).

They pay their small utility bills on time: 165 for electricity, 45 for water, 100 for the telephone, 45 kuna for the TV subscription, and 2500 kuna for wood (which lasts a few months).

NM works in a private enterprise for the last eight years. The first five years, he was not registered, he worked on contract when he was needed. At the time, he was registered at the employment bureau to get health insurance. Since 1996, he has been a regular employee and earns 2650 kuna per month. To earn some extra income, he also gives some private lessons to schoolchildren for 30 kuna an hour. His wife quit work when she had their first child. She sometimes earns some extra income sewing clothes for relatives and friends. They receive 257
kuna in child allowances. NM's mother receives a pension of 890 kuna and makes some extra money selling lavender oil at the market a few days a week in the summer.

The family manages their food expenses by eating meat only twice a week, and instead buying fruits (three kilos a week). They also store food for the winter: potatoes, pickled or frozen vegetables bought on the market in the summer or received from their parents. Until recently when their car broke down, NM went to Hungary where he bought essential clothes for the children. A major expense are the diapers for the baby (300 kuna per month).

Their five-year old attends kindergarten for 460 kuna a month. The kindergarten also arranges outings for 10-20 kuna per month. There is also an insurance cost of 30 kuna yearly.

Total cash expenses of the household are 1975.5 kuna for the two weeks recorded in the diary ((January 5-19, 2000). Food costs were 348.9 kuna (with only 64 kuna for meat). Non-food expenses added up to 1159 kuna included utilities for the month (498 kuna for water, electricity, TV, cooking gas and phone); the monthly kindergarten fee (460 kuna); hygiene products (44 kuna and 120 kuna for diapers); home repairs (93 kuna); clothing (95 kuna); transportation (150 for gas and 120 for public transportation), cigarettes (400 kuna).

Part of these purchases are related to the support of her elderly mother who lives alone in a nearby village. She travels by bus on a biweekly basis and brings her food and other supplies. The couple receives very little assistance from neighbors and friends – a strudel, coffee, and chocolates.

***

Rural Unemployed in Formerly Occupied Zone: Beli Monastir

B says that he and his wife are able to satisfy their family’s basic physical needs. However they are unable to afford basic repairs to the plumbing system which has left them without water in the bathroom. They also live in fear that basic appliances might brake down and will not be able to replace them.

B and his family decided to stay in Baranja during the war. In August 1991, he lost his job because he was a Croat -- Baranja was by then under Serb rule. From 1991-1994, they just tried to survive, working for wages on other people’s land. In 1994, they sold their car to buy fertilizers. In 1995, a wealthy Serb landowner leaving the village sold them three cows at a good price. Since then, their living standards have increased because they have been able to sell milk in neighboring villages at 3 kuna the liter. In 1996, they bought a twelve-year old car. B’s family receives welfare of 1120 kuna per month. They qualify because their land and home are in the name of his mother.

They produce most of their own food on their 18-acre farm. B cultivates the land and sells his harvest to “the state.” He sows about 10 acres with grains, 5 acres with corn, 2 with sunflower and 1.5 with barley. He lost his sunflower crop to blight. He had managed to buy fertilizers and pesticides but applied them too late. His wheat crop did not meet productivity requirements so he received only half of the subsidies from the state (half of 1050 kuna per 2.5 acres). He sows corn for his cows and not for sale so he is not able to get subsidies. The main reason why they are doing better this year is that they are selling milk (10-12 liters per day per cow except in winter when one is calving) to private consumers. Those who are selling to Belje, the major company, are doing very poorly because the company is six months late in its payments.

They consume their own meat (chicken, pigs), dairy products (butter, cream, milk), vegetables and fruits. They pickle or freeze vegetables that last them through out the winter. The household bills are quite high: 450 for electricity in winter, 30 for water, 45 for the TV. B recently bought himself clothing. His children receive most textbooks through the school since the family receives welfare and they paid 190 kuna for additional books.

The total expenses reported are 917.5 kuna. Their food expenses are low (234 kuna) as expected. These include mostly sundries such as coffee, flour, margarine, and salt. The non-food
items (683.5 kuna) include veterinary services (78.5 kuna), medicines (13 kuna), hygiene products (50 kuna), clothing for children (120 kuna), and utilities (331.5 kuna), TV repair (50 kuna), and dues for a culture club (12 kuna).

What is striking from this diary (of a rather average rural resident) is the variety of income generating activities compared to other poor respondents. Indeed, the couple earned 440 kuna by selling milk, 230 kuna for a large pig and another 45 kuna selling cheese, walnuts and eggs. They also worked a total of three and a half days for neighbors (repaired a shed roof, cleaned stables, shelled corn, dug a grave for a cow, carried in firewood) earning 250 kuna, ten kilograms of onions and one kilogram of wheat. Many of these activities are generated through one well-off acquaintance who hires him to drive his tractor during the season and for chores during the rest of the year. Without this acquaintance, the family's situation would be much worse.

The household also received clothes and food (mostly luxuries) from friends and many close relatives. They also support B's mother in Beli Monastir, bringing her food on a biweekly basis. One package included: fifteen eggs, two home-made soaps, two litters of milk, two kilos of fat, detergent, cheese, onions, two kilos of potatoes, and one small rabbit.

Food

67. While poverty is defined as hunger, even poor households in Croatia rarely go without food. However, some households in our study claimed to have insufficient food (24 out of 100 poor respondents) for all members of the household. Among these cases, parents said that they limited their diet to bread and milk in order to offer fruits and vegetables to their children. A few cases of young couples with children in urban areas, especially in Osijek where unemployment is highest among the sites visited but also in Zagreb, Petrinja and a deserted village near Slunj. Isolated pensioners (Zagreb and villages) were also in danger of going with insufficient food, even with relatives (though not their own children) close by. Single parents (fathers and mothers) were also likely to be struggling with providing sufficient food if unemployed and/or sick. Some single young men with weak ties to their nuclear families also had little or no food in their homes (Zagreb, Zapresic). Middle-aged singles or couples who are unemployable because of their age (45 years old) and skill-set also face severe difficulties in meeting food needs especially when the family includes numerous dependents (unemployed adult children with children of their own).

68. Diets of the poor can be very monotonous and unsatisfactory especially in urban areas. They are reduced to staples (corn polenta, potatoes, spaghetti, rice, and beans). These diets vary seasonally. In the summer the poor can be limited to fruits and vegetables while in the winter their diets become heavy – consisting of pork meat, sauerkraut, potatoes and other stored good.

69. As in other cultures, some basic food items are required without which one feels deprived. Traditionally, in Croatia this would include: bread and milk. Essential winter preserves include “pork meat, sauerkraut and red wine,” in the words of one Drnis resident, and evidenced in the stocks of many others who had received pork through relatives or made arrangements with employers and neighbors to obtain these essentials. Some households did not have these essentials – in particular in Zagreb. The ability to afford meat at meals was a widespread standard for evaluating diets, along with affordability of fruits and vegetables out of season on the market. To the poor, meat has become a luxury, especially to those without access to land such as the urban poor, and landless sub-urban or rural poor. Most non-poor households claimed to eat meat every day. Most poor households said that when they had meat it was cheapest kind (chicken wings, tripe, pork rinds, fat and scraps sold for 12 to 20 kuna a kilo), once to three times a week, while others "don't even think about it." The ability to buy fruits and vegetables out of season was also a sign of wellbeing. Running out of coffee was also an indicator of poverty, especially for Bosnian Croats and Muslims.
Coping:

### Summary of Coping Mechanisms

<table>
<thead>
<tr>
<th>The poor</th>
<th>The non-poor</th>
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</thead>
<tbody>
<tr>
<td>Coped with high food costs by:</td>
<td>had a wider array of solutions to high food costs. These included:</td>
</tr>
<tr>
<td>- depending on relatives for food supplies;</td>
<td>- shopping trips to bulk and discount stores around Zagreb;</td>
</tr>
<tr>
<td>- gardening even in cities for planting vegetables, raising hens, rabbits and a pig;</td>
<td>- travel to neighboring countries: Hungary, Slovenia, Austria, etc;</td>
</tr>
<tr>
<td>- buying food in the summer when it is cheapest;</td>
<td>- drawing on the allowable overdraft of their bank accounts, credit at stores, paying by check</td>
</tr>
<tr>
<td>- making winter preserves; and/or</td>
<td>and credit cards (only the formally employed).</td>
</tr>
<tr>
<td>- buying food on credit at the local stores where prices are higher because of limited mobility and credit in discount stores.</td>
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</table>

70. Coping mechanisms varied among the poor and non-poor. The main coping mechanism of the poor is reliance on family members in rural areas to provide the household with food. Some urban households received whole pigs for the winter, potato stocks, cabbages and onions, in addition to fresh weekly supplies. Some resourceful city dwellers also reclaimed city land to plant vegetables and raise pigs. A pensioner in Zagreb was a rare example of an urban dweller receiving food from a long-time acquaintance. She provided her postman every day with old bread for his pigs for years and he provided her with one kilo of fresh cream and one kilo of cottage cheese every two weeks. Last year, he also gave her sausages around the holidays and the year before -- a turkey. In the countryside diets are improved with the food that is home grown – from vegetable gardens, fruit trees and livestock (hens, pigs and sometimes rabbits). Households in sub-urban and rural areas are limited by the fertility and surface they can cultivate – and cost of inputs. Thus, some households were blessed with fertile gardens while others were unable to produce food for the year because of flooded land, infertile soils or small surfaces (Zapresic, Drnis).

71. The second mechanism is food storage. Most households interviewed said that they store at least some food for the winter. The majority of households interviewed store meat (slaughtered in the fall) to cover winter meat needs, some vegetables in large freezers and if they have a cellar or storage area, potatoes, onions and cabbage. Households with rural networks or with sufficient cash in the summer to buy vegetables also stored pickled cabbage, peppers, etc. The lack and small quantities of stored food are a good indicator of poverty.

### Case: Zagreb Unemployed

BZ is 58 years old and lives with his wife, daughter and eight-year-old grandson in an apartment in Zagreb. The building is old but well kept. The 73-square meter apartment consists of two rooms: a kitchen and a bedroom. The home is very cold because they are saving on utility costs. All the furniture and appliances are twenty years old. BZ inherited the right to the apartment from his mother in 1998 and they have been paying the mortgage since then. In accepting the apartment, they lost the right to 560 kuna in welfare benefits.

BZ worked for 29 years at the "Koncar" factory until he was fired as "surplus labor" in 1991. At the time, he sold their old car for 300 DEM. Their 29-year-old daughter works as an unregistered saleswoman in private shops earning 1500 kuna a month (when she works). BZ’s wife was a housewife and never worked. They are all registered at the unemployment office to receive health benefits. In three years, BZ will be eligible for a 750 kuna pension. He manages...
to get small jobs two to three times a month for two to three days. His wife also cleans for a neighbor who pays her 60-80 kuna a month plus a chocolate bar for her grandson and some coffee. Before the war, she used to baby-sit to earn money, but now these jobs are hard to come by. Last autumn, BZ's wife sold on the street some of her old clothes, shoes, and bathrobe for 10 to 15 kuna on a few occasions. All these activities do not add up to their total expenses. Without a permanent income, they are now "riddle with debts."

They have bread every day in the household, milk, stewed cabbage, greens, leaks, potatoes or beans. They eat meat once a month, but only the cheapest chicken meat or 30 decagrams of the ground meat (12 kuna per kilo), which they eat with pasta. On several occasions a month, they run out of coffee or tea. BZ's wife doesn't remember when was the last time she went to the green market. They usually supply themselves at the nearest store because they "never have enough money piled up" for more cost-effective or varied shopping. Their grandson eats the same as the adults, the only extra is a monthly chocolate bar (3 kuna a piece). They are aware that they should be eating more fruits and vegetables, especially for BZ's wife who is frequently ill. They get some vegetables two to three times a year from BZ's sister who has a garden. But she is on a pension and cannot afford to help them much. Several times a year, BZ gets 200 to 250 kuna from one of his friends who receives a pension. He doesn't have the courage to borrow more because he knows that he cannot pay it back. They believe that the majority of people survive thanks to help from relatives, and others (like themselves) are "doomed to failure."

72. The last major coping mechanism is indebtedness. The poor were mostly limited to their local stores that will give them credit but are not necessarily the cheapest source. Indebtedness as a coping mechanism is limited to the expected monthly income. Thus without a regular formal income, households rarely incur more than a couple hundred kuna of debt for food. Neighbors and friends are also called upon for a couple hundred kuna, but this too has limitations because it assumes reciprocity and an expectation that the debtor will pay off the debt.

73. Coping mechanisms for the non-poor are more advantageous. First, the non-poor have a wider array of choices of where to purchase their food. In addition to the local stores and market, the non-poor households can go further from their homes in search of better prices. They said that they shop for food once a month in neighboring countries where the food is much cheaper (Slovenia, Austria, Italy, Hungary, Bosnia and Yugoslavia). The non-poor also have access to the large discount stores around Zagreb which allow payment on credit cards, checks and offer advantageous prices for bulk purchases.

Housing

74. While most Croatians received housing through privatization, housing is still a major concern for the poor and non-poor although to different degrees. The issue is mostly one of overcrowding of three generations within a small space. The most vulnerable to severe housing problems are young or new families (e.g. recently divorced), refugees and displaced households. The main problem is the high rental cost of an apartment or house which would allow families to live separately from their relatives. In order to be able to afford these rents, households are sometimes compelled to accept sub-standard living conditions from their private landlords and even the municipality.

75. The rental prices paid to the municipalities (and quality of housing offered) are lower than those apartments on the market but still higher than these would be should households be

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13 A number of our respondents said that they are unable to buy off their apartment because of unsettled property rights, or because privatization in certain buildings (owned by the army for example) are not yet privatized.
purchasing them for themselves according to the housing privatization laws. Quite a few interviewed households rented apartments from the city, all of which were, to say the least, sub-standard. The city rents out to the poor apartments or “homes” that are located in basements or attics, the living space is minuscule (under 12 square meters for an adult and two children in Zagreb), ill-maintained and sometimes so unfit for living that they are scheduled for demolition. Humidity and rot are common complaints, making these apartments difficult to heat and inhabitants prone to illnesses. Often they lack basic amenities such as a bathroom or toilet, sometimes the plumbing has not worked for years, etc. These worse cases were seen in large cities (Zagreb and Osijek). For these apartments, the renters are expected to pay rent (some 50-100 kuna). The interviewer describes the home of a middle-aged unemployed couple with five children as follows: “The place where they live can scarcely be called a house. It is more a shack built mainly with plaster boards. It is a small prefabricated shanty with slanted walls and no floor. The carpet is placed directly on the ground. There are two rooms, a kitchen and a bathroom in 55 square meters.” They pay monthly 96 kuna to the city of Zagreb in rent and 400 kuna for utilities.

76. In formerly occupied areas (and other cities from which Serbs fled such as Kutina), Serb apartments are commonly occupied by refugees, displaced persons and young couples. The city issues permits for occupying the homes temporarily. While the occupant does not need to pay rent, some of these apartments require investments because they have been damaged by the war, and may have been neglected for years. While the situation is officially temporary, the city municipalities have been loath to expel people who have reportedly no where else to go. For example, a widow, her single daughter and grand son, occupy a 25 square meter basement-apartment in a dilapidated building in Kutina. They were told to relinquish the apartment to its Serb owner, but given a couple reprieves because they have no where to go and could not afford rent and utilities anywhere else.

77. Compared to mortgages for apartments being purchased from the state, comparable rentals are exorbitant -- three to four times the monthly mortgage rate for comparable apartments. A Bosnian Croat family of three rents a three-room apartment (one bedroom, a kitchen and a bath) in a rundown house for 250 DM per month. A single mother rents a 35 square meter one and a half-room apartment also in Zagreb for 350 DM. A plastic railing separates the kitchen area from the bath and toilet. A middle-aged couple rent a small shanty in Zagreb for 100 DM, without a floor or running water so that they need to ask for drinking water from their neighbors. The interviewer exclaims: “The owners should pay them 100 DM to live there.” A working divorced mother lives in a 17 square meter attic room with her three kids in a neighborhood on the periphery of Zagreb. She built a loft for her children to sleep on. The apartment is very cold and humid – the walls are wet and the apartment is therefore very difficult to heat. She has no working chimney so must use an electric heater sparingly since she can afford only a few hours per day. There is no water supply to the apartment. The sink and toilet are all shared with their neighbors down the hall and there is no bathroom . She pays 700 kuna a month.

78. **Coping:** The main means of coping with housing shortages are crowding and work abroad. Households cope with these high costs of housing by regrouping into three- generation households in small amounts space by western standards. During Yugoslav times, already the short supply of housing especially in large cities was a problem. However, today the problem seems to have worsened. The lack of employment, high interest rates and stringent mortgage requirements[14] are keeping even the non-poor from purchasing their own independent homes and

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[14] Terms of loans and mortgages are prohibitive for the poor and many of the non-poor. Banks require a down payment equivalent to one third of value of the home to be purchased. The total loan is therefore of only 2/3 of the value of the loan. The interest rate is 12 percent. The lenders also require three guarantors
apartments. A number of the younger respondents interviewed said that they were not able to move out from their parents’ home because of high rental prices. Other young couples shared their experience of having to move back in with their parents after having failed to cover rental and other living costs on their own. Regrouping and crowding have their inherent limitations. A divorced woman explained how since divorcing her husband, a large closet divides their small one-room apartment, defining her and her two teenage children’s living space on one side and her husband’s on the other. Youths refusing to return to violent and troubled households were left to fend for themselves or placed in sub-standard municipal housing and Serb-owned houses (Osijek, Slunj).

79. Another means of coping for poor and non-poor households is work abroad. For example, a Bosnian Croat refugee who lives with his wife and three children worked for four years in Germany at his relative’s restaurant. With his (small) savings from his work, he was able to buy a one-story unfinished house in Zapresic. The house is not yet a home: it was no windows, there is no front door, no water, gas or phone. It is very cold and damp. The couple is divided about whether they will ever be able to finish the home. Another couple of refugees from Bosnia spent the war in Germany, hosted by her brother. With their savings, they bought a home for 12,000 DM with a large yard (1200 square meters) in Kutina. They made some basic repairs: a new roof, water tank, and installed a phone line. Of the 150 square feet of space, only fifty are inhabitable. They can no longer afford the 50 DM to fill up their water tank so they use rain water for washing clothes and ask their neighbor for drinking water. The house in very cold and damp, so damp that their belongings (clothes, furniture) are rotting. Their savings are depleted. They have even started selling some of the goods they purchased in Germany: a bedroom furniture set for 600 DM to cover food and other living expenses. In their view, the only way to make ends meet is for one of them to go to Germany for small amounts of time. In 1999, she worked for two months in the fields in Germany, earning 1200 DM per month. With a young son missing her, she does not expect to be able to return next year.

80. The non-poor also relied on multiple or large and stable salaries. A young man in Kutina and his wife rent a 56 square meter apartment for 350 DM per month. The rent is not a problem for them. He earns 10,000 kuna per month as a “pyro-technician” removing mines. They consider themselves much better off than any of their friends and relatives. Employed workers are also able to qualify for mortgages and loans to make repairs and purchase apartments.

81. In the formerly occupied zone, housing ownership issues remain a hot issue. The war, occupation and ensuing liberation all created population movements through homes that were destroyed, pillaged, and sometimes at least partially renovated or re-furnished by each new resident. Many homes are still occupied by displaced persons who are still waiting for their home reconstruction to be completed or freed up by their current occupants.

82. Unfortunately, the characteristic coping mechanisms in this zone are illegal ones, fraying at the social fabric: stealing furniture, appliances, materials from empty homes, and occupying others’ homes; pressuring owners to sell at lower than market prices etc. In Petrinja, respondents occupying Serb apartments said that they were waiting for the government to buy their apartments from their Serb owners and offer them at a more affordable price. In Beli Monastir, a respondent said that was a solidarity among Croats who said they were intent on wearing out Serb home owners who wanted to return refusing to pay the market price. Serbs participants said that they were despairing at the lack of support from authorities in their plight with those occupying who are ready to pay for the loan should the debtor default. This requires a network of people who are securely employed and ready to vouch for the lender.
their homes. In addition, some respondents reported that the Croats living in their homes had threatened to burn down their property should they press them to leave.\footnote{OSCE’s Economic Report on the Osijek-Baranja region reports in 10/99 that 100 Serb returnees from the village of Sodolovci were intimidated into leaving their homes and the region.}

83. Reconstruction of Demolished homes: Participants complained that the government financed reconstruction of their homes has not only been very slow and insufficient but also of very low quality. Government financed reconstruction covered the outside structure (exterior walls and roof) and a standard number of square meters per inhabitant registered at the address. Households are left with costs of renovating interior walls, painting, the façade, etc. Households were unsatisfied that the amount to be reconstructed was based on old household composition. Indeed, household composition has changed in the last decade, with certain households growing and others decreasing to contain only two old parents. Those who were in the process of building at the time of the war in 1991 and did not have all their papers in order have no right to reconstruction funds. Therefore many couples who invested their savings into building a home for their children have lost this investment. Reconstruction also does not cover farm buildings. Focus groups respondents in Slunj said that the better off are those who have farm buildings because they can start up their livestock raising activities.

84. All households interviewed who had a new home reconstructed by the government said that the quality of the work was shoddy. The poor and non-poor who were unable to compensate for the problems created from the poor quality work showed interviewers the green and black moldy walls and ceiling in their “new” homes.

85. Serb respondents in Slunj and Petrinja reported that authorities had explained that they do not qualify for reconstruction funds even though their homes were vandalized and damaged by shelling, gunfire and plundering as a result of the Croatian counter attack in 1995. Respondents in Petrinja were told by local authorities that the damage to their houses was not “war damage” but “a terrorist act,” and therefore did not qualify for government funded reconstruction. In Slunj, Serb returnees said that the government neglects their village in its reconstruction efforts, rebuilding Croatian villages and not providing assistance to Serbs to rebuild. In Serb villages in both Baranja and Slunj, participants complained that the state has failed to restore electricity in their villages for three years.\footnote{In fact, electricity has not been restored in many Croat and Serb villages in the formerly occupied zones but it would be interesting to monitor government investments in Serb majority villages compared to neighboring Croatian villages.}

86. Maintenance of homes: Maintenance and repairs of homes is a big problem for the poor who cannot afford these expenses. While homelessness is rare in Croatia, homes of the poor are starting to show the wear and tear of the last decade. There were cases of families living in only part of their homes because the roof leaks so badly through out the rest of the house. A single man in Ludbreg explained that when it snows he has to climb up on his roof to shovel the snow off to avoid the whole roof from caving in from the weight. There were families who could not afford to fix bathroom plumbing for years on end, fix a water-heater, replace windows, etc. Most of the poor households reported only some minor maintenance such as painting the walls themselves.
Basic Utilities

87. The cost of utilities – including electricity, water, heat, gas – is perceived as being too high. Cost of utilities included electricity\(^ {17}\), water, phone, TV fee (45 kuna flat tax per TV set), and municipal services in some sites. There were wide differences in the cost of utilities for the poor and the non-poor, because the non-poor used higher priced fuels such as central gas heating and electricity. Among the poor, electricity consumption was rarely less than 100 kuna (only pensioners in small villages and towns) and generally hovered around 150 kuna per month for a family. Water bills for the poor generally were around 150-200 kuna, and increasing with the number of persons in the family. Individual household water consumption meters are available only for private homes. Apartment buildings are equipped with meters for the entire building. The bills are calculated by dividing total consumption by the number of members within the households, assuming each member uses the same amount of water. Cooking gas (50 kuna\(^ {18}\)) depending on whether the family had an electric water heater for heating bath water and washing clothes or was using the stove to heat water. Reported phone costs were generally a little under 100 kuna (service costs 30 kuna per month). Thus, utilities generally added up to approximately 500 kuna per month -- more than the welfare benefits for an individual (350 kuna), and over a third of the minimum wage (1450 kuna per month).

88. As a result, many of the poor said food is a secondary issue after utilities. The poor often said that when they receive salaries, pensions or benefits that they pay for utilities first and then use the rest for food. The long lines of pensioners paying off utilities the day after pensions are paid attest to this practice. Respondents commonly explained: “I am finished without electricity, you can get ill, everything depends on that/ it is my priority,” in the words of a Bosnian Croat father of six in Slunj. A 72 year old woman in Zagreb said that it is easier to be hungry than cold, so she eats less to buy wood from her 525 kuna welfare check. One of the worst case we encountered was that of a very poor young couple occupying a decrepit apartment in Osijek.\(^ {19}\) The couple still has the status of displaced so they are not entitled to assistance from the municipality. The couple lived eighteen months without electricity (from early 1998 until June 1999) because of non-payment of their bills. The young husband worked for seven months in 1999 at one hundred kuna per day. The electric company moved to subtract his debts directly from his wages – as result, he was left with 200 kuna on pay day. After this "trauma," the couple made electricity a priority over food.

89. The vast majority of our poor respondents claimed that they had difficulty paying utilities and that they were compelled to incur debts. They explained that late salaries and benefits result in late payments for utilities. Most interviewed poor households report having received warnings regarding non-payment of utilities. However, very few actually had utilities cut off because of debts. Less than a handful said that they had their electricity, phone cut off or water cut off. The rest negotiated to pay off their debts by installment, and/ or had succeeded in receiving some assistance from the local city government to cover a portion of their utilities debt. However, not all applicants needing relief were accepted by the municipal offices. Those on welfare or with a certificate certifying their low status, pensioners, single mothers etc. qualify for up to 1000 kuna per year in assistance from the municipality for their utility bills. However, few working, able-bodied adults, especially those owning an apartment in Zagreb were able to receive assistance

\(^{17}\) According to the strategy paper, electricity rates are higher than any other country in the CEE.

\(^{18}\) When an empty bottle of gas is brought to the station, a refill costs 50 kuna.

\(^{19}\) According to the OSCE report, Croatian Electricity Company (HEP) initiated a campaign in Osijek to pressure companies and households to pay off debts larger than 1000 kuna. When some consumers didn't pay, they cut off their electricity supply. A brick factory placed all its workers on unpaid leave after losing its electricity supply in 1998. Other large companies -- "Olt" and "Kozara" -- also lost their supply.
from the municipal government for utilities. For example, unemployed parents of three who own their apartment in Zagreb were told that the municipality would only help them “if somebody dies,” until then, they are on their own. In Osijek, two unemployed parents of four children owed 1000 kuna in 1998 for electricity and now owe 2600 kn. Their installment plan stipulates a monthly payment of 230 kuna. The city has refused to help them because he is able bodied. Yet their debts accumulate and they can’t imagine how they can pay them off.

90. However, non-payment is not only due to lack of funds. Some households did not pay off their utilities because they occupy someone else's home and therefore assume the debt will not follow them. But the poor are not the only ones not paying their utilities. Another issue that echoes through out the social assessment is the lack of contract enforcement. Early this year, Croatian newspapers wrote about the large unpaid bills of government institutions (hospitals, universities, etc) and companies. The public debate seemed to validate the rationalization of common household: If the big companies and government institutions are not paying, why should we pay?

91. **Coping:** Households had a number of strategies that they used to ensure that their utilities would not be cut:

- decrease electricity use (live with the cold, without a washing machine, etc);
- substitute wood to central gas and electricity;
- use electricity when it is cheapest;
- negotiate installment plans with the Croatian Electricity Company (HEP);
- ad hoc assistance or from municipality or welfare services;
- agree with company pay on installment plan;
- illegally trip up wires to keep electricity going;
- bargain with electricity company, make agreement with recipient for water (agree will always pay 200 - couple in Pula), avoid TV man; and
- strategize, paying only those bills that can be cut off (electricity) and not others betting that the company (or, even less likely, the municipality) will not cut off the entire building (water).

92. But these coping mechanisms have limitations. Households can't always control consumption of electricity and therefore costs because:

- only some households have two tariff counters for electricity use, those with one tariff are always at higher rate
- cheaper time is during the day when people are at work, so working mom's can't make use of cheaper time to turn on washing machine, cook, etc…some households do not have own water use counter for apartment but for entire building;
- no alternative to electricity for cooking, heating, as there is in rural areas where the poor use wood for cooking and heating;
- some wooded areas are mined in formerly occupied zones, limiting the households' ability to provide sufficient wood (Drnis);
- installment plans do not represent a sustainable solution, only a postponement to the poor.

**Clothes**

93. In general, low quality clothing was mentioned as a sign of poverty by the non-poor whose living standards have dropped, and not by the poor unless prompted. New clothes are rare purchases for the poor. Many of our poor adult respondents said that they forego their own clothing needs to fill those of growing children -- in particular children's shoes, boots and coats. Adults, especially returnees and refugees, said that they had made their fill of clothing during the
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war by going to Caritas of the Red Cross to pick out clothing. Teenagers and young adults were those who felt the stigma associated with poor quality, old clothing the most. Parents explained that their teens revolt at the poor quality and second-class clothes they are given. Young adults also said that they became indebted trying to keep up with fashion and thereby save face with their piers. A few older men said that they did not have appropriate clothing to go to the doctor or to attend physical rehabilitation treatment.

94. **Coping:** Poor households generally coped with the need for clothing by accepting it from better off relatives, urban relatives or relatives living abroad, and from charity (the Red Cross and Caritas). Few poor said that they were offended at the suggestion of using second-hand clothes. In fact, children’s clothing is exchanged among both poor and non-poor households between households with children of compatible ages. Yet, the non-poor were more likely to be included in these exchange networks since they have clothes they can exchange and of a quality that can withstand more wear. Also households tended to exchange (versus donate) clothes with other households of similar social standing thus ensuring a certain quality of clothes for both parties. The poor were therefore unable to be part of a reciprocal relationship of exchange. Clothes are also given at holidays by friends and family to children of the poor and non-poor. They are also the main item sent by relatives abroad to family remaining behind in Croatia.

**Health**

95. The impact of poverty on health was mentioned mostly in regard to the psychological impact of impoverishment (depression), war related trauma, exile-related stress and war related civilian injuries (psychological and physical).

96. The impact of poor health on the households is however very important. Partly this is due to the lack of protection of sick workers from firing or discrimination in employment, and partly due to low (non-military invalidity) pensions and lack of disability insurance of workers. Since middle-aged workers are already looked over for employment, sick workers stand no chance. Employers are presented with the work history of workers which includes a list of sick leaves, and the health status of the worker. In addition, some of the respondents said they were fired upon their return from sick leave. A number of very poor households were headed by adults with illnesses and work injuries which limited their ability to find employment and/or earn money as day workers on the black market where most opportunities entail heavy physical labor (loading and unloading, construction, agricultural work). On sick leave, legal workers receive part of their salaries (80 percent). Yet if they are certified as unable to work, their disability pensions are insufficient to replace a lost salary.

97. Workers (legal and illegal) in the private sector are even more vulnerable than others since there is little if any enforcement of their rights. Even as a regular worker, some respondents said that they did not dare take sick leave for fear of being fired from their much needed job. A young woman said that she did not take sick leave when she fell sick this winter. Instead of taking care of herself, she went to her 14 hour a day job developing chronic bronchitis. Long unregulated hours also contribute to high risks of injury.

98. Under Croatian law, legally employed persons are entitled to health insurance through their employer’s contributions to the health fund and minimal co-payments. Children and spouses can be covered through the legally employed adult. Unemployed persons registered at the employment office are also covered by health insurance. Retirees who have in their lifetime

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20 A large percentage of the population is exempt from these co-payments, including children, retired pensioners, families of war veterans, etc.
contributed to the health fund are also entitled to insurance. Self-employed entrepreneurs and farmers are covered through contributions. Participants of a focus group in Slunj said that health insurance coverage for farmers costs 500 kuna every three months. An emergency health card can also be provided for the uninsured only in emergency cases and for public services.

99. Health insurance coverage generally guaranteed access to care. The few cases where patients had to forego services or medicines were related to high transportation costs (relative to small rural pensions) for rural inhabitants to visit specialists for follow up treatment, specialist diagnosis and purchase of medicines. Patients often have a difficult time finding the drugs on the government’s list requiring them to search in different pharmacies, sometimes in other cities (in Zagreb or request them to be sent by relatives from abroad) or for doctors to prescribe alternatives that they can find. The problem seems to be caused by the late payment of drugs procured by the government, so that the supplier suspends delivery of the drugs thereby creating a shortage of drugs procured by the government. Drugs not available on prescription mentioned by respondents included allergy, diabetes, sedatives (for PTSD) and rheumatoid arthritis drugs. In Ludbreg, a forty five year old woman living in a former municipal office that is ill-suited for living because it is very damp and difficult to heat. She is covered by health insurance but her doctor prescribes medicines that are not available in Croatia that she must order abroad for 288 kuna for a little bottle that will last her seven weeks. This is a considerable cost for her since she is supporting (in part) her son studying in Osijek on 1,887 kuna per month – soon to decrease to 1000 kuna when her unemployment benefits run out.

100. Why are some people not insured? In both the HBS and the social assessment, a small number of respondents did not have health insurance coverage. The first group of non-insured are farmers who under Yugoslav times did not make contributions to the health fund as self-employed workers. In these rural households, as in the few interviewed in the social assessment, the patriarch decreed that members of the households would contribute toward their pensions and/or the health fund. In this case, the younger generations are now stuck with the decisions made long ago by a now defunct patriarch. Poor rural residents without health insurance are therefore not likely to have access to health services because of costs.

101. Minorities were also likely to be sidelined for health insurance. One group consists of residents without Croatian citizenship (Bosnian Muslims, some Serbs, Kosovo Albanians, etc.). Bosnian Muslim refugees and Gypsies from Bosnia are in a particularly precarious situation since they have no right to citizenship and therefore no health coverage. Some Serbs or Bosnian Muslims married to Croats who were facing major obstacles in obtaining citizenship were therefore not entitled to insurance.

102. Most interviewed Serbs in Petrinja and Slunj region did not have health insurance. In Slunj, respondents said that they did not have health insurance because they were unable to pay up their dues to the pension fund through which they get health care. In Petrinja, while the retired members of the focus group had health insurance through their pension, none of the others had insurance although they were registered at the Employment Bureau. It is unclear from the focus group reports why the Serb focus group reported such problems while focus groups of poor and non-poor Croats did not. In addition, a disproportionate percentage of Croatian-born Gypsies are also without insurance, according to NGOs working with that population.

103. Another issue was small number of people who are not registered at the employment office. There were two types encountered in the social assessment. The first were Serbs and others who had not been legally fired, companies had gone bankrupt and they refused to claim their work papers expecting insults from Croatian bureaucrats. A few respondents in Drnis (two Serbs and 1 Croat) said that their health insurance had been cancelled in 1997. In Drnis, there
was also a case of a Serb who was legally fired and registered at the employment office but not covered by health insurance – only emergency health care. There were a few cases of Bosnian Croats who were not registered at the unemployment office because, they said, they were unable to demonstrate their work history in Bosnia and are therefore not able to receive insurance.

104. A small number of unemployed men had failed to register on time at the employment bureau and had lost their insurance as a result (two in Zagreb, one in Zapresic, one in Osijek). It is unclear why these men did not get health insurance. In Osijek, the respondent explained that he could get insurance only if he had a permanent job, suggesting that perhaps he misunderstands his rights to health insurance through the bureau. Some women are also not registered at the employment bureau and not covered by a working spouse or their own work. In Drnis, a sixty six year old woman with two grades of elementary school said that she used to get health insurance through her husband who left her twenty years ago. She herself never worked and only sold produce from her garden to live a simple life. As a result, she does not have health insurance because she is neither employed and nor retired.

105. Given the high level of non-payment of dues to the health fund by employers and the self-employed themselves, there may be a new group of uninsured emerging. The owner of a failing enterprise said that he has kept his enterprise formally open to cover himself and his family. However, he has not paid contributions in years since he can barely provide for his family's basic needs. Farmers and other self-employed may be in a similar situation. Many others working in the private and public sectors may be in a similar situation should the Health Fund decide to enforce timely contributions.

106. **Coping:** Some respondents explained that they continue to have access to public health services without insurance coverage. First, under Croatian Law, residents without health coverage can claim one time emergency care through the county's social care bureau which covers only emergency treatments. However, the procedure for obtaining the card is very time consuming and bureaucratic. “It takes three months to get the card and all the exams for the care, so by that time either you are dead or you are better,” explained a 57 year old former railway station worker in Drnis who is not insured. Also, few people know about this option. Since this is an impractical solution in most cases, respondents said that when they are ill, they borrow the card of a relative. This was mentioned in rural areas (Ludbreg), in a small town (Drnis) where the doctor got high marks for being very concerned about his patients and in Zagreb where the couple had acquaintances. In another example, the school led an effort to cover operation costs for a refugee child who is not covered by insurance and arranged for the medicine prescription on someone else's record.

107. **Informal payments:** Because of rumors and news articles sensationalizing cases of bribing in health services, interviewers expected that respondents would complain about corruption and bribery in health services. None of the poor respondents had experienced the need to bribe health providers for services, neither had they felt discriminated against because of their inability to offer luxurious gifts. Only a few said that they had provided doctors and nurses with gifts after the fact. On the other hand, the non-poor said that they felt compelled "to thank" health providers, offering them gifts every time they went for a check-up with a specialist or after a successful life-threatening operation. For example, one informant said that a doctor had told her relative after a successful rain tumor operation: "Please don't bring any paintings because I have no place to put them anymore." In another case, a couple displaced in Ludbreg with a terminally ill son said that the husband went to Germany twice to earn money for the treatment. However, no gifts or extra payments are required for common services even births. These gifts are common practice and considered simply politeness though they are known to be illegal. Patients ask other patients who have received a similar treatment by the same doctor what would be an appropriate
amount to thank him for his efforts. Urban respondents said that they had offered expensive bottles of perfume, alcohol and cigarette boxes of a symbolic value (no more than 100 DM) in thanks, and cash for hospital bed or a vital operation (in this case a few thousand DM). Rural residents said that they had thanked doctors with agricultural products: a pig, wine, or a "complete zimnica" (winter preserves: 10 gallons of tomato juice, ten jars of jam, paprika, sour pickles, ajvar, etc.), etc. Gifts and payments are also important to get speedier treatment or treatment not covered by the public system.

108. **Quality of care:** A number of issues affect access to quality and timely care. The first and foremost problem is the long wait time (months) for specialist care. Some operations also require a long wait. Those patients who cannot afford private sector fees must endure the wait with the inevitable health consequences. One patient explained, for example, that she will have to wait six months for a follow-up diagnostic test of her lymph nodes available through the public system which would also be of lower quality than the tests now available in the private system. Acquaintances in the health sector can also assist in obtaining more timely care within the public system. Yet these opportunities may be limited. Only one respondent said that a neighbor had arranged for her to get treatment in a timely fashion.

109. **Satisfaction:** While the non-poor talked about the lower quality of care in the public health system, the poor did not mention it, not did they feel discrimination against the poor, on the contrary they were often full of praise for doctors. The main complaint was the wait time required for specialists in the public system which they could avoid if they had the money.

110. **Invalidity Status:** A few sick respondents had invalidity status which entitles them to a small pension. A number of respondents were frustrated with the system to obtain the status. Issues of abuse of the handicapped pension system (especially military pensions) are particularly timely in Croatia. One woman suffering from severe arthritis offered that she if she had money, she would be able to obtain an invalidity pension by bribing the medical committee. One non-poor respondent explained that through the assistance of doctor friends that her husband was able to turn sick leave into early retirement because of health reasons – receiving 980 kuna indefinitely instead of 900 kuna for a limited period from the unemployment bureau.

**Education**

111. **Kindergarten Attendance:** Kindergarten costs are considered very high for the poor. The fees vary by location: in Zagreb costs reached 375 kuna per month, in Pula up to 420 kuna, 460 kuna in Zapresic, 230 and 160 in Osijek. Again, households on welfare or with a certificate of low social status qualify for a lower fee. Other households had to cover these expenses. Generally, the working households receiving both salaries and child allowances could cover these costs from the allowance. But for those households where the allowance was the only regular income and salaries were irregular, these costs often became inaccessible.

112. **School Attendance:** Attendance from grades one through eight is mandatory. Among the current generation, parents said that their children attend school through elementary (8 grades) except for gypsy parents who said they could not afford to send all their children to school. However, a number of forty-year old women said that they had only four years of elementary school because “in those days there was no pressure to do more.” Bosnian Croats also reported a lower level of education – which fits with the rural and poorer settings they left behind.

113. While attendance does not seem to be at stake, even relatively low costs of education were a burden to poor households. In general, parents said that, aside from clothes, school costs include:
- textbooks (some 500 kuna per year),
- supplies (100-200 kuna minimum)
- lunch (50 kuna if subsidized) or a snack (5-10 kuna per day),
- excursion fees (some 10-20 kuna per month),
- school newspaper (50 kuna three times a year),
- in some schools 30 kuna per month “for toilet paper and soap;”
- physical education uniform or swimsuit, and
- school trips in particular graduation trips for eighth graders (e.g. 600 DM for a week-long trip to Spain).

114. The main problematic expense mentioned by poor parents is that related to textbooks.
Graduating classes also traditionally organize a week-long field trip abroad which can be very
difficult for poor families. In a number of cases the school organized that other students would
subsidize the poor students. Some parents managed to pay costs in installments. In many cases,
poor children had to forego school excursions and graduation trips.

115. **Coping:** Subsidies are provided to poor families on welfare, and those able to obtain a
certificate showing their low social status. Children of war veterans also are entitled to these benefits. These subsidies included reduced price for lunch (50 kuna per month), free textbooks and lower costs for transportation. However, there were a number of working and other poor who did not qualify for subsidies. Textbooks were the main issue for these families, especially those with many school-aged children. Parents were often unable to buy all textbooks, (Drnis), or bought only the “essential topics.” Others borrowed money from neighbors to pay for the textbooks, paying off their debt in installments over the year. Children coped by buying second-hand books from other children in school, or borrowing textbooks and recopying lessons. Households help each other by exchanging textbooks, and clothes. Friends and acquaintances help each other with school costs by offering children school supplies and clothes for birthdays and holidays.

116. Extracurricular activities, such as advanced English classes (1600 kuna per month), music, dance are also part of the education of children – in particular in Zagreb where these are available and in other cities. Non-poor children generally were the ones who had access to these activities even when provided free through the school, since the cost of additional clothing, musical instruments and so forth is prohibitive. had access to those activities that were provided free through the school. For example, English classes in Zagreb cost 180 kuna per month, dance classes 150 kuna per month plus 30 kuna for shoes each month and a 90-kuna leotard.

117. **Secondary education:** The cost of high school (technical secondary education) is relatively onerous to the poor. High schools started charging a registration fee of 100 kuna in 1999. Many parents mentioned not being able to purchase all supplies (especially essential technical textbooks) costing 500-800 kuna per year for bare essentials. Some parents had difficulty finding the appropriate textbooks in their small towns and had to travel to nearby cities “every time another book was published” spending more on transport than on the books themselves (Drnis). Others added that transportation is a heavy cost for the household to bear especially when more than one child is taking the bus (450 kuna for three teens in Pula). Another major cost is that of the mid-day snack (5-10 kuna per child per day). This mid-day snack serves as a status symbol, those who bring their lunch from home are known to be poor while others will buy a bread roll and yet others can afford snacks stuffed with meat. Not only are costs generally higher, but subsidies from the welfare office and the municipality are not provided for high school students. However, there are private sponsors who offer help to the rural poor or local welfare recipients.
Costs of Secondary Education for Bosnian Croat Household

A Bosnian Croat family in Zagreb was one of the poor families supporting a child in high school but not able to contemplate higher education. Their only son attends a medical secondary school. They spent 1300 kuna on books, and 250 kuna on the essential white uniform plus 200 kuna for white shoes. The mother believes that they would do better in the countryside since her husband would be able to work in the fields of neighbors but instead they chose to remain in Zagreb, paying 250 DM month in rent for a one bedroom run-down house to ensure access to education for their son. She described a recent event when her son castigated her after she remarked at how thin he is compared to his classmate. He retorted: “And what do you expect? What do you think he eats? For lunch I have a rolls for 3.5 kuna each, while he eats cevapčići [meat balls] for 20 kuna each.” While a well off uncle has been helping their son with pocket money for snacks and a computer, they have little hope that they will be able to afford medical school. Both parents (well-off farmers from Posavina in Bosnia) are very supportive and believe education would be their son’s only way out of poverty.

118. **Value of education:** Many non-poor respondents and poor parents with children in high school making high sacrifices maintained that motivation to attend high school is more related to household support and dedication of the child than poverty. An unemployed father of three in Pula worked two years in Germany just to cover living costs and high school for three teenagers. However, given competing priorities and uncertainty surrounding his contract with his German employer, he was loath to predict whether his daughters would attend higher education. However, many parents doubted the value of education saying that in itself education is not enough: connections are most important, and as Serb parents added in Drnis and Beli Monastir, being a politically acceptable Croat.

119. **Higher education:** The difference between the poor's access to higher education and the rich is now very stark. The poor have access to university only through highly competitive scholarships which require them to maintain very good grades. No performance requirements are placed on the children of the non-poor. University fees are still very low (100-200 kuna per year). The most important cost is that of renting the apartment and covering other living costs of students.

120. **Coping with high costs of tertiary education:** University students are principally supported by their parents’ salaries, additional jobs and work abroad. The non-poor students live in rented apartments or with close relatives. In Yugoslav times, well off parents (sometimes Bosnian Croats) bought apartments for their children to ensure a good investment for their children to inherit and housing for higher education. Among the poor respondents, a few had children attending universities and all were excellent students on scholarship. These scholarships generally barely cover dormitory expenses and university provided meals. Poor students then relied on parents and other relatives for support and worked part-time and during the summers to cover additional expenses – tuition, clothes, books, supplies and basic living expenses.

Dealing with Costs of Higher Education

Here are some examples of the costs and coping mechanisms of the poor and the non-poor.

**Poor:** A young woman in university in Split earned over the summer the tuition for her first year of law school (2900 kuna) and another 1000 kuna for paying a tutor to pass her Latin

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21 Within the quota of students allowed into the department each year, most will pay only a small tax (100-200 kuna) referred to above. A small group of students will be able to also attend, in addition to the first
exam. During her first year, she learned about scholarship opportunities and was selected for receiving scholarships to cover her costs thanks to her high grades.

A young woman from Drnis qualified for a scholarship of 300 kuna per month thanks to her high grade point average. Another requirement was that both her parents be unemployed. Her dorm manager found her a job ironing clothes for 300 kuna per month. To save money, she skips half her meals and buys only 170 kuna in meal tickets at the university cafeteria.

A young man from Vukovar is studying in Osijek with the support of his poor mother displaced in Ludbreg. Of her 1887 kuna monthly income, she sends 1000 kuna to her son. He pays 100 DM rent – 168 kuna of which are subsidized by the city – 100 kuna in utilities, 268 kuna for the university meal plan. He is left with 250 kuna per month for toiletries and other needs. Given his tight budget he cannot afford to come home more than once a month.

Non-poor: Parents in Drnis spent 2000 per month supporting their two children in university in Zagreb and Split. Their daughter in Zagreb stayed in the dormitory (100 DM/month) and cleaned apartments and babysat to make extra money to cover costs. Another non-poor parent in Drnis pays 400 kuna in rent for a son studying in Split plus 250 in utilities. In addition, each week when he comes home for the week-end, they provide him with food and whatever cash they can afford (50-300 kuna per week).

A non-poor mother in Pula sent her entire salary, 2000-2500 kuna, to her son each month who attends university in Zagreb, living off her husband’s income. A non-poor mother in Kutina who owns and operates a restaurant estimates that if their eldest wants to go to university in Zagreb that they will have to sell their business.

121. Discrimination against the poor: In most cases, poor parents felt that there was no discrimination against poor children from the part of teachers in schools. Discrimination was more present as peer pressure among students. Children could be particularly cruel when others could not afford good clothes or a snack for lunch. There were a number of cases (Ludbreg, Osijek) when poor parents did not seek out welfare certificates that would allow them to get free textbooks and subsidized lunches for their children because they did not want their child to be “marked” as poor.

C. How Are Households Coping With the Current Situation?

122. In this section, we will first look at an overview of the main coping mechanisms of the poor and non poor and then conclude with how these mechanisms have changed over the last years.

123. The non-poor are those who have adequate salaries, more than one adult works or who are able to cope by supplementing often meager salaries with additional incomes by moonlighting at other jobs, self-employment, consultancies, seasonal work, work abroad or remittances, trade income, and agricultural income other than incomes from their small gardens. The poor’s main income sources are salaries, pensions and unskilled labor. Salaries are generally insufficient to sustain a “normal” life style and must be supplemented by other incomes, that of a spouse or additional work. Many workers in companies undergoing privatization or bankruptcy are not receiving salaries. Instead of wages, some workers received goods or coupons redeemable only at the company-owned stores. The lack of informal trade and other income generating activities

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22 The OSCE report gives the example of the Erdut factory in Osijek where 400 employees work without a contract since early 1998. One hundred of the employees receive part of their salary in coupons to buy food from the company's stores. Three hundred other employees have no income since July, 1998.
among the poor reveal a high level of vulnerability of the poor when formal employment is not available.

### Summary Table: Income sources for the poor and non-poor

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<tr>
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<th>Urban</th>
<th>Rural</th>
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<tr>
<td><strong>Non-Poor</strong></td>
<td>Multiple regular incomes</td>
<td>Permanent Employment</td>
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<tr>
<td></td>
<td>Additional jobs (regular, seasonal)</td>
<td>Investments in Agriculture</td>
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<td></td>
<td>Self-employment/ Private enterprise</td>
<td>Sale of surplus on market or to larger buyers</td>
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<td></td>
<td>Large pensions</td>
<td>Large military pensions</td>
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<tr>
<td><strong>Poor</strong></td>
<td>Single, small, irregular wages</td>
<td>Gardens, livestock</td>
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<tr>
<td></td>
<td>OR Informal jobs in private sector</td>
<td>Irregular single wages</td>
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<td></td>
<td>Mostly day jobs for added income</td>
<td>Daily wages</td>
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<td></td>
<td>Seasonal, short-term jobs</td>
<td>Exchange of labor and goods</td>
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<td></td>
<td>Small civil pensions</td>
<td>Small civil pensions</td>
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### Employment

124. **Finding employment:** Poor respondents said that they tried getting jobs through different means: looking through the newspaper classified, placing classifieds, going door to door to employers and households, making radio announcements, etc. However, none of these yielded steady jobs. The unemployment office was expected to be a source of employment leads. However, they were mostly seen as useless. Indeed, even when they provided leads to workers, when the applicants arrived at the interview it was to find that the jobs were already taken or that the terms of employment were dramatically different than advertised. Respondents also said that the workers at the employment office sometimes provided them with leads for short-term unregistered employment.

125. All participants said that to get a job, one must first have connections, and skills second. Nepotism in the workplace is institutionalized in certain settings. For example, in agricultural processing factories, respondents explained that only the children of those who are permanently employed are hired during the school holidays, or during the harvest and processing season.

126. There are also rumors that bribes are required for certain positions. Participants of a Serb focus group in Osijek explained that to get a job in a state-owned firm or private company, the prospective employee needs to pay a bribe of a few thousand DM over a two year period. But there is no guarantee that the firm will not fire the employee or go bankrupt. Respondents in focus groups reported rumors that large bribes (2000-3000 DEM) are also required according to other respondents for jobs in HEP, the national electric company, and also in forestry. However, to put these claims in perspective, none of the poor or non-poor respondents said that they had actually paid a bribe for employment.

### Case of a Poor Working Family in Osijek

T. is a locksmith by profession. He heads a family of four, including two teenage girls. Since 1996, his company has been paying employees irregularly and only partial amounts. The company was once close to bankruptcy but after reducing the workforce from 3500 workers to 290 workers, they are now working and getting contracts. In December 1999, he was paid 1270 kuna for the period of August through October 1999. He is in the dark about why they are not paid more regularly. The new Board President had promised that the workers would never get less than the minimum wage (18,000 kuna per year), yet in 1999, he received only approximately
9,000 kuna total. Through his employment, he also receives (on time) 480 kuna in child allowance and another 160 kuna per month for transportation costs.

He has not quit because he is the only employed person in the household. He has looked for employment in the other companies operating in the region (the post office, the railroad, the electricity provider, etc) but he was told openly that they are “family companies”, i.e. the children of employees get preference for employment. At fifty years old, he is too old to find another job. The private sector is also too risky – offering mostly unregistered jobs, long hours and high risk of non-payment as well.

To help support the family, his wife has worked for a private pizzeria. She had to rise at 3:30 a.m. and worked until the late afternoon, with no days off and earned only 1500 kuna per month. His wife also tried selling dishes door to door, carrying them on her bicycle. Over three months, she made only 900 kuna. Then she tried raising chicken behind their apartment building. She was making a good income from sales to former work colleagues. But a neighbor complained about her activities so she has to stop. For the last eight months, she has been cleaning apartments for 20 kuna per hour, earning close to 1200 kuna per month. In October 1999, a friend lent her land and money to start cultivating flowers. She made 5000 kuna on all Saints Day alone. She would love to expand this business but she has no one she could borrow money from and no small loans are available to the household since they own no real estate and have no regular salaries.

127. Finding work abroad has become more difficult. In the former Yugoslavia, workers were employed full-time and formally employed in Germany especially, but also Italy and other neighboring countries. Today, the economic climate has changed and work is now not as easy to find in these countries. One requirement for working abroad is a host -- usually a close family member -- who can sponsor the immigrant, offer support in finding employment, but also room and board. Without these, the pay-off is low because of high costs of living, legal complications, and unfavorable job market. Some firms act as intermediaries charging a formal fee. Non-poor and poor informants said that they found seasonal work abroad through intermediary companies. For work in Switzerland one non-poor informant paid a fee of approximately 200 DM and then was required to give 10% (approximately 100 DM) of her first salary. These fees depend on the length of employment: they are higher if the stay is more than six months.

128. Formal employment is seen as the main answer to economic, social and psychological problems associated with poverty. “Employment gives a sense of security, when you lose it, you are back to where you started: deep in a feeling of despair.” [Sibenik youths] Working as in other formal economies means not only the economic benefits and privileges but also social recognition: “I want to reconnect with people, work, gain self-respect, so that my children do not become social cases like me.” [Poor woman in focus group in Kutina]

129. However, unskilled labor is remunerated at wages that do not allow a household to rise above poverty are elicit feelings of exploitation and social injustice. The minimum wage is 18,000 kuna per year or 1450 kuna per month (as of December 1999). For example, a school cleaning lady makes 1700 kuna per month (and overtime on Saturdays for another 60 kuna). A NAMA worker without salary got 600 kuna in vouchers for goods at NAMA department store. A language teacher’s salary is 3400 kuna. None of these salaries are sufficient to raise a family of four solidly out of poverty according to the HBS poverty line (3466.5 kuna per month for a family of four with two children). Low wages affect also the private sector (see private sector below).

130. The benefits of formal employment include not only a regular wage in most cases, contributions to health and pension funds by the employer, comparatively better enforcement of labor laws than in the private sector, child allowances, qualification for loans and credit (for mortgages, appliances, household items, clothes, etc.), and overdraft rights at the bank. In
addition, much of the social networks people rely on are linked to formal work, whether for additional employment/moonlighting or assistance.

131. Those respondents who stayed in unpaid jobs did so because they found no alternatives in other companies, are mistrustful of the private sector, and have been told that they are too old to be hired by someone else if they leave. In addition, they continue to receive child allowances, and recognition for their work time from the pension fund. In a few cases, households were able to document the lack of income to qualify for a "certificate" of low social status to gain access to free textbooks in school, subsidized school lunches, humanitarian assistance, and one-time assistance for utilities. However, the unpaid workers lost their right to overdraft at the bank that is based on the average monthly income (over the last four months).

Private sector

132. While the main employers in most sites were the public firms, the private sector offers limited opportunities in all sites. Activities of the private sector are limited in many sites (Osijek, Kutina, Drnis) to cafes, shops, fast food, construction firms, crafts (plumbing, etc) and small agricultural processing firms. In Drnis, the informant said that since the war twenty cafes have open. Cafes that proliferate in the regions are seen as the only way to make a quick income in the depressed towns and cities. They are also seen as a sign that people have only enough money to spend it on a cheap drink – a five kuna coffee – and cannot afford higher end social and cultural activities. The main weaknesses are indebtedness, under-utilization of capacity, out of date equipment, and lack of favorable credits. The private sector remains under-financed and dispersed as sources of capital continue to overlook the sector -- with notable exceptions of connected entrepreneurs -- and favor the state-owned sector which continues to control large processing and production capacity. As a result, the private sector's in some sites like Osijek are overly dependent on the state sector for inputs (e.g. of forestry and leather products) and marketing (e.g. of agriculture production).

133. From the point of view of respondents, entrepreneurship presents numerous barriers to entry such as capital, skills, timing of start-up of activities and using acquaintances for information, especially legal and tax accounting advice. First, starting up a firm requires a certain level of savings to acquire inventory and equipment. These were generally foreign currency savings acquired through work abroad (oneself or parents) which were not vulnerable to high inflation rates in the 1990s. Second, because of the level of risk, most entrepreneurs had acquired experience in the sector they are now working in prior to starting up a firm: construction, sales, catering, etc. The timing of the start up of the businesses also seems to be important. The businesspersons interviewed said that they registered prior to 1994 when registration laws increased the cost and complexity of registration. They also used contacts "to expedite registration." The entrepreneurs benefited from contacts in the municipality and of legal experts who provided them with privileged access to locales, equipment, loans or advice regarding tax status, accounting etc. A couple openly acknowledged that in the last few years they have had to make arrangements to cheat on their taxes in order to retain a certain profit margin. Since 1998, many self-employed respondents have noted a sharp decline in consumption of their services and goods, a culture of non-payment of contracts (by government agencies and other private entrepreneurs), and a constricting tax and legal environment.
### Case: Private Caterer in Osijek

GH lives with his retired parents in a two-room apartment in Osijek. The apartment is equipped with the latest appliances and the household owns two cars -- an old one and a four-year old car.

He graduated from catering high school and was a waiter by profession before he started his firm. He was well-known and well-respected in Osijek among his peers before the war. GH changed jobs a number of times looking for a better salary -- finally earning 1000 DM/month in 1990, a decent salary at the time, and had no trouble finding work.

In 1990, he heard from a friend that he could open his own firm for just 150 DM, and that the business does not have to operate at once. He founded the firm and kept his job as a waiter in a hotel. When the war started, his salary dropped. He continued to work in the hotel until 1994 when a friend moving to Zagreb offered him his wife's cafeteria at a local elite school. He paid his friend only 1500 DM for equipment that would cost him 10,000 DM today. He was accepted by the school and rented the space for 850 kuna per month. He invested another 6000 kuna to obtain a working license from the municipality, hire a notary public and upgrade the locale and replace essentials. In 1994, the tax rate was only 15 percent and he reported earnings of 1000 DM per month (which was a good income compared to his salary of only 400 DM/month). In 1995, he has to re-register the firm at a cost of 3000 DM.

He still made a good income in 1995, but by 1998 he felt constricted when the tax rate went up to an "absurd" 22 percent. Since then, he does not register all his income. He has additional costs such as an annual sanitation inspection (100 DM), repairs, investments (a 300 DM cash register and a 500 DM computer program), and an accountant (100 DM per month). GH claims that his daily turnover is 800-1300 kuna with 250-300 kuna income per day. If he registered all his income legally, he would earn only 2500 kuna per month because he cannot raise prices to remain competitive with McDonald's that sells hamburgers across the street for 15 kuna (his are 10 kuna). He provides only partial bills to his accountant and pays the baker partially in cash to cover up his actual turnover. He goes twice a month to Hungary to buy salami and cheese that are cheaper there and does not provide those bills to his accountant either. He has a friend who works at the customs who helps him get his supplies through without paying tax. He does not pay the customs agent off because they are friends and he expects that he can return the favor when necessary. This way he says he earns about 5000 kuna per month working twelve-hour days -- which is probably a vast understatement given the high quality appliances in his home today.

In 1999, he once again changed the status of his activities. A friend suggested that he close his firm and open a "craft." As a firm owner, he paid 1500 kuna for social and health benefits per month but as a trader he pays only 600 kuna. His income tax will also be reduced by half. Besides, as a firm owner, he had to bring his daily turnover to the Payment Operations Institute and as a trader he can do that every two weeks.

He believes that others do not start up their own businesses because one has to invest a lot to have a reasonable income. He also thinks that he was lucky to have a friend sell him his second-hand equipment at a good price and point out the availability of the locale. He also benefited from the informed advice of friends, especially with regard to registering the firm early in 1990 avoiding the high costs of registering today. He does not want to expand his business by starting a second cafeteria because he would have to employ someone and pay for an employee's health and social insurance. He would also have more trouble covering up his daily turnover.

134. **Private Sector employment** is considered very risky because payment is uncertain and there is little recourse for the worker as the judiciary system is overloaded. All men with experience in the private sector reported having the experience of not being paid for work completed or being paid weeks or months late. A number of respondents reported being hired by a firm, commonly a restaurant, that would then fire them within their fifteen day-trial period to avoid paying their salary or health and pension benefits. The vast majority of employees of
private firms are said to be unregistered workers. One informant in Osijek said that, as a rule, out of 20 employees perhaps five are legal, the rest are "black labor." There were also cases where the employer registered the workers as earning less than they do in reality to cut down on pension and health fund dues. As a result, private sector employment was seen as a short-term solution and heads of households rarely stayed on for the long-term when these jobs were not regularized.

Self-employment

135. **Self-employment opportunities** are very limited because of limited skills, information and networks. Informal activities of the poor were limited to sewing, making wine and brandy (300 DM/year), and other small scale sales of agricultural production (mostly directly to other villagers not on the market). Unskilled labor generally meant day jobs in construction (under 1 DM/hr in Osijek), house painting, loading and unloading of trucks (earning 120 kuna for a 10-12 hour day). Women are mostly limited to cleaning jobs for individual households, institutions and enterprises, waitressing jobs, child care and care for the elderly. In certain regions, women and men work as field laborers at harvest time and in the forest (Kutina).

136. In contrast, the non-poor took on jobs that allowed them to use their skills. For example, a woman in Ludbreg receives a small 890 kuna pension but is supported by her husband, who is a baker. Her husband also takes on additional jobs, especially in the summer. He is a skilled decorator and can fix up any interior. He works for his neighbors and friends. Others who are lucky enough to live in tourist areas are able to earn extra seasonal incomes through work in hotels or stores. In Pula for example, these jobs have been on the decline. In contrast, near Slunj, in a village on the main road to the Adriatic, the inhabitants rent out rooms, set up road-side stands, selling “local” cheeses (bought in Zagreb and resold at a higher price locally) and other produce to travelers. Respondents said they were taking out loans to cover improvements and expected to pay loans back quickly thanks to expected tourist stays.

137. **Sales representative:** Through out the cities, there are hundreds of people going house to house trying to peddle life insurance, pots and pans, beauty products, and other household items. Success is very limited and most people don't last very long. Selling these goods requires a large and well-to-do network of friends and acquaintances ready to spend their money on these goods. At first, respondents said they can make some 1000-1500 kuna per month then once their circle of acquaintances is exhausted, it gets harder to arrange presentations and there is very little profit to be made. In addition, the representative needs to invest their own funds in their inventory. For the bulkier items, representatives need a car to transport items. A non-poor respondent who was successful in trade worked with her father who has more than twenty years of work sales experience, strong networks among local businesses from whom they can take loans for inventory, to whom they can make sales pitches and have accumulated a solid savings buffer to weather the current crisis. The poor said they lack the contacts to make this business profitable enough and the car to transport the goods for sale.

138. **Trade:** Very few poor respondents had ever been involved in shuttle trade or other small scale trade. There were few lone examples such as the old woman in Drnis who resold clothes for a woman who traveled to Italy. The non-poor on the other hand thanks to their access to transportation, savings and information were able to make ends meet with trade, some of which is informal. It is widely known for example that the price differential between items in Bosnia and Yugoslavia is exploited by smugglers. The Serb/Croatian border guards being stricter than the Hungarian-Croatian guards, many smugglers opt for the longer but lower risk route. Barriers to trade are high especially for new comers. Mostly, these obstacles are linked to the lack of opportunity for new sellers to have access to affordable locales without connections or bribes, and high levels of regulation of activities even at open markets.
Green Markets in Zagreb

The green markets in the city of Zagreb are an illustration of the increased regularization of small trade activities and how only a few manage to get around them.

The markets are a beautiful and tidy array of produce -- locally produced and imported vegetables, fruits and dry good. The sellers have “owned” their place on the market for decades. The city hall is the distributor of licenses for selling on the market. Officially, the market is full, but with a little encouragement (10,000 DM, according to respondents) the bureaucrat can make an exception. In 1994, when one respondent started selling her goods, she contacted an acquaintance who was able to get her a place without a bribe. She says that she pays 900 kuna per month for 4 square meters, plus taxes as a firm. Increasingly, the city has placed restrictions on what can be sold: no meat, no household items and no clothes. A police man in plain civilian clothes passes through the market to keep order – everyone knows who he is. Looking closer, one notices a sprinkling of green and blue tarps that are pulled over displays of clothes as the policeman walks by. These clothes venders rent part of the vending tables from green sellers to sell their imported clothes (from Italy, Bosnia, Hungary, etc.). They know that they can get thrown off the market if they do not play the game. In the afternoon, many of the green venders leave early, allowing undocumented vendors to take over their spaces for the next couple of hours until the market officially closes at 5 PM. Without documentation or an agreement with the police and local authorities, venders are harassed. One non-poor respondent said that she tried to sell standing on the periphery without documents. Within one month, she had been fined and taken to court. She stopped, fed up with the constant harassment and running from the police.

Noteworthy is the make-up of the periphery of these markets. Around the main square where the formal green sellers stand, a number of informal seller hawk cheap track suits (50-100 kuna), socks and underwear – basics for the poor consumer. These informal retailers purchase a box of wares in the morning from bulk retailers in the larger suburban markets. Profitability is low (10-20 kuna per track suit) and risks are high (e.g. police harassment, fines, confiscation of goods). These informal retailers are also notably poorer than those at the main stalls. At one market for example, at the time of field work, in December, a majority were Gypsies selling cheap clothes and holiday wares. Others included a few rural old grand-mothers trying to sell knitted baby shoes and table clothes and young handicapped men and women selling items (socks, bibles, etc.) they carry around with them on the market.

Unemployment

139. According to respondents, unemployment affects mostly those with low skills, of middle age or nearing retirement (over 45 years old), chronically ill or injured/ handicapped, those who never held a permanent job, youths without skills or work experience. Pregnant women and women with young children also find it hard to find employment because employers are reluctant to take on workers with conflicting child care responsibilities. Most respondents said that while they continue to be registered as unemployed, they work as a replacement, as a temporary worker or part time without endangering their status.

140. The impact of unemployment is compounded by the fact that most enterprises are large regional employers who employed multiple members of a same household in permanent and seasonal work. In addition, dependence of the private sector on the state sector has meant that the private sector has not been able to compensate for the decline of major state firms who continue to be their providers of inputs, marketers of their goods and main contractors. For example, Belje, a large agricultural firm, used to employ 20,000 employees in district of Baranja district in Eastern Slavonia and today only employs a couple thousand. In Drnis, for example, dozens of companies left during the war, again after "Operation Storm.“ “Before, one only needed the
desire to work, now there are only three companies working: one with salaries late 3-4 months, another without salaries and a third with salaries, a construction firm, for the last year (1999) thanks to an Austrian investment,” a participants of a focus group explained. Another regional variable is war related destruction. In Osijek and Sibenik, for example, the large industrial presence has been destroyed by bombings during the war.

141. Employment Discrimination: Gender discrimination is most obvious against young women -- pregnant or with small children. Employers openly turn them away once they learn that they care for children. Age discrimination is also widely reported since many respondents felt that youths without experience are often hired instead of more seasoned workers like themselves and they are often turned away from jobs requiring retraining.

142. Ethnic discrimination is also widely felt with regard to employment. This affects in particular villages, towns secondary cities in the formerly occupied zone and areas abutting this zone -- i.e. the central region, Eastern Slavonia, Dalmatia and central Croatia. Non-Croats often felt that once they reveal their ethnicity (e.g. give their last name, let their employer know where they lived during the war) they are turned away. The Serb Focus group in Osijek for example remarked that the basic qualification for employment in a private or government firm is to be “a politically acceptable Croat.” There are a number of accounts of discrimination that came up during the interviews which illustrates a pattern of discrimination (see box below) which can only be halted from above by giving people legal recourse and setting examples in government.

### Cases of Ethnic Discrimination for Employment

Through out the formerly occupied zone, Serbs reported instances of employment discrimination. Respondents of focus group in Petrinja reported that all Serbs in their firms were fired in 1995 after "Operation Storm." Some were told to their face that they were no longer wanted because of their ethnicity, others were fired under the pretext of labor surplus. In a village near Petrinja, a Serb woman who used to teach Croatian language in the local school before the war applied for her same position again upon her return from Yugoslavia. She was turned down for lack of qualifications. Instead, a young inexperienced teacher from Sibenik was hired. Discrimination also affects hiring for temporary, informal jobs. In Drnis, a healthy 48 years old Serb said that since 1995 he has been hired once in August 1995. He was hired by a local Croat entrepreneur to repair equipment. The owner of the enterprise did not care about his nationality. But five days after his starting to work there, someone called his boss and told him that he should not have hired a "chetnik." His boss came to him and told him that he must go because he had just lost a contract over him. He doesn’t believe either he or his wife will ever get a job again because of their ethnicity.

Albanians in Zapresic and Pula also mentioned discrimination, explaining that they were turned away by potential employers when they revealed their nationality. Bosnian Muslim refugees who are left in a legal limbo without Croatian citizenship said that the main consequence of their lack of legal documentation is continued unemployment and ability to work only "on the black."

### Land

143. For both rural and urban residents, land is an important coping mechanism because of the decrease in alternative incomes and increased cost of food. A number of respondents, poor and

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23 In Osijek, the OSCE reports that 118 Serbs are suing employers for discriminatory firing. Under the agreements which led to re-integration of the occupied zone, Serbs were not to lose their jobs.
non-poor said that in the past, gardening was a hobby, but that now it represents the main source of food for the household. A couple of non-poor respondents were successful in selling their produce to local restaurants and on the market. One had good contacts with a local restaurant owner who buys up most of her produce. Another respondent, a Hungarian housewife in Beli Monastir, rebuilt two greenhouses out of six after the war which allow her to produce vegetables out of season and sell them on the market, as she has done for most of her life.

144. The role of land in rural areas has also shifted from the production of products for sale to large agricultural conglomerates to production for use by the household and in particular of feed for livestock. Most rural households had an array of agricultural assets from livestock to gardens, to fields, orchards and forest land. Apart from those whose land was mined (forests and fields around the town of Drnis and in the district of Baranja), and those who could not afford essential inputs (seeds, fertilizers, etc), most rural households could provide for a portion of their needs in wood, grains, vegetables, fruits, eggs, milk products and meat.

145. However, in rural areas in the formerly occupied zone, agriculture no longer provides the level of profit that it used to. The poor said that they are unable produce food for their own needs and those of their animals, and have cut back production because they do not have an outlet for their production. According to farmers, a number of compounding issues exacerbate their current situation. First is the loss of employment incomes which were an essential source of financing of agricultural inputs. The lack of income for investment in agriculture (estimated at 300-1000 DM per acre of cultivated land in Beli Monastir) was a sign of poverty in rural areas. This was particularly widespread in formerly occupied areas where investment needs are also highest. Indeed, farming is impeded by the destruction of farm buildings (not covered by government-financed reconstruction), the loss of equipment, the lack of income for buying inputs (fertilizers, pesticides, seeds) required to make a profit, lack of financing to cultivate all their land; and high cost of working land that has laid fallow for almost ten years in some cases. Farmers talked not only about the need to replace old assets but also the need to modernize to be more efficient. As a result of lower profitability of land production, many farmers are not cultivating all of their land. In Beli Monastir, farmers estimated that 30 to 50 percent of the land was not cultivated because of the lack of financing.

Second is the lack of outlet for the produce at an acceptable price. Farmers said that they are at a loss to find buyers for their produce now that the large procurement firms are no longer buying up their production and paying for harvests months late.

146. Throughout the rural areas, another limiting factor is the aging of the population. As a result, much of the resources are left unused or used inefficiently. Elderly women represent an important percentage of the rural population. This characteristic is even more pronounced in the formerly occupied zone where a vast majority of those who have officially returned are elderly women according to UNHCR.

Savings

147. It is very important to note that the resilience of households is closely linked to their ability to rely on savings, especially foreign currency savings, to maintain their living standards. To the respondents, the only ones who were doing well in their region are those who have Deutsche Marks and are therefore able to invest in agriculture to make a profit (versus subsist). Foreign currency savings also enabled enterprise start ups. Households that are able to save because of

24 OSCE points out that many farmers in the Baranja district have land holdings of under 3 hectares, too small to turn a profit no matter the level of investment. In addition, there is still no decision about the renting of state-owned land. Banks are still not interested in lending to farmers and are currently mired in scandal and favoritism.
relatively high salaries, additional work on the side and work abroad are able to weather crises, accumulate assets, start up economic activities, and ensure themselves and their children proper housing, education and health care. The IDPs (in Drnis and Petrinja for example) who received cash assistance in addition to free housing and food, often reported being able to save over the period of exile, coming home with savings and new appliances for their homes.

148. Many of the poor started out with already low levels of savings at the beginning of the crisis in 1991. Others have used their savings to cover large expenses such as the purchase of an apartment, rebuilding and refurbishing of a home after the war, investing in temporary housing (repairing an apartment occupied) or renting temporary apartment, to cover recurrent costs when a household member lost their job or when wages fell in the mid-1990s.

Sale of Assets

149. The non-poor, often reported selling assets in time of crisis, such as campers, cars, seaside homes, luxury items such as fancy toys and clothes, etc. In contrast, very few poor households reported selling assets in recent years to cover recurrent expenses. The poor explained that they have nothing valuable to sell. Most households therefore seemed to weigh the importance of owning basic appliances (washer, refrigerator, TV, water heater, stove, etc.) as offering more benefits to the household than the price they would demand on the market. In addition, at this time, replacing these appliances would be considerably more difficult (even impossible for the unemployed poor) than when they first purchased them (i.e. mostly on credit, and often at a time of high inflation). The one asset that households did seem to sell in times of crisis are cars. The sale of a car is a critical event for the household. Poor participants in Osijek for example, explained that they somehow managed to survive “until they all sold their cars and used up their savings.” Cars are very valuable assets which expand greatly the range of options for cheap food and clothing shopping in neighboring countries, trade and smuggling, employment beyond the immediate proximity as well as regular contacts with an expanded social network and rural relatives in particular. Households also sold stocks in the formerly occupied zone (Beli Monastir and Petrinja). The poor said that they were compelled to sell them at 10 times less than their official value, i.e. for 700 kuna instead of the stated 7000 kuna. In Petrinja, farmers said that they were unable to sell back to the government the stocks they were given to cover debts owned to the government. In addition, some of the poorest households said that they sold some of their own old clothing (see case: Unemployed in Zagreb, page 31) on the street or second hand market.

Informal Social Safety Net

150. Informal networks are essential to weathering hard times and navigating a highly personalized and politicized social institutions. Through out the sites, we found that the rich and versatile networks of the non-poor (especially in rural areas and small towns) are contrasted by the narrow and weak networks of the poor. The non-poor called these networks essential, especially in the most depressed areas where returnees are rebuilding and unemployment is widespread. Non-poor involved in business also said that “a person without connections should not be in business.” Reduced social networks were not only the cause but also the result of poverty (See Consequences of poverty). The poor suffered from exclusion from effective networks because for the most part, these networks require basic resources to partake in activities, an ability to reciprocate in kind, and as a result are mostly horizontal, with limited potential to lift someone out of poverty.

151. In summary, there were three levels of social networks. These are:
(1) The first and most important for the poor is the nuclear family consisting of three generations of grand-parents, parents and children. Material assistance is asked for and provided at this level mostly.

(2) The second circle brings together neighbors and friends who can provide small loans, business partnerships, an outlet for produce or sales, information about health service providers, employment, etc.

(3) The third and broadest circle brings together acquaintances. Information and favors are mostly exchanged in the last two circles. These circles are mostly maintained through socializing and require therefore income to socialize in bars, cultural and entertainment events, eating out, travel, or invite friends home.

152. The informal networks are concentrated within the three-generational nuclear family for the most part with regard to regular material assistance. The networks of assistance are strongest between parents and children and between siblings. These become stronger in times of crisis: old age, illness, handicap, young children, unemployment, low or no pensions. They also become weaker if the family is considered out of a crisis with work capable adults. Material assistance consists of gifts of food, money, favorable loans, clothing, heating wood, housing and board, and sharing of cost of utilities. Non-poor parents also report buying off an apartment for their children and providing initial capital for their entrepreneurial activities from DM savings accounts accumulated over their working years. Poor families took in adult children who could no longer cover the cost of rental, utilities and other recurrent expenses.

153. Remittances and assistance from relatives abroad could be vast in some cases – including food, clothing, appliances, furniture, loans and gift of money, hosting for seasonal work, etc. Regular assistance from abroad also came from the nuclear family (children, parents, or siblings). For the non-poor, remittances were often very important to give young couples a strong push in life: an apartment, a business, and additional assistance to cover emergency needs. However, for some poor households those with close family abroad seem not to know how poorly they live. The help was very sporadic and too little to lift the household out of poverty. Assistance in these cases consisted of mostly clothing and some food supplies at the occasion of annual visits.

154. A second broader, circle of neighbors, friends and relatives ties people together in the exchange of services, goods and loans. The types of services exchanged span the gamut of skills in the community from construction labor, electrician and plumbing services, car repair, hairdressing, agricultural help in the fields, transporting and chopping wood, loading and unloading goods, pig slaughtering, exchange of agricultural produce, tailoring, baby-sitting, etc. Relatives hosted displaced and refugee households, assisted with finding jobs, offered room and board, provided loans for rebuilding, etc. While the non-poor benefit from a wide array of services and goods through their networks, the poor often receive limited assistance, unless they have acquaintances or relatives who are notably better off. For example, poor respondents in two cases had relationships with neighbors and employers who facilitated access to health services or additional employment.

155. While the first level is mostly limited by the resources within the nuclear family and existing family relationships, the last two levels which create linkages beyond the nuclear family are reciprocal. According to respondents, "The one who doesn't give, won't be helped." Thus, the poor have to be resourceful to remain within these active networks. Focus group of Serbs in Baranja district explained: "Large networks are crucial for the exchange of labor and goods. It is important to have skills or equipment that are useful to the community (car, tractor, chainsaw, plumbing know-how, etc.)." In rural areas, there are more opportunities for maintaining large social circles. Labor and agricultural produce are key currencies to remain in the networks and even retain contacts with the better off – doctors, skilled workers, etc. A poor middle aged couple
in Baranja said that they contribute rabbits and their work in exchange for favors. Respondents in urban areas, such as the participants of the Osijek focus group, explained that “If you don’t work you can’t help anyone and so nobody will help you.” As a result, those who are excluded from these reciprocal networks are commonly the unskilled, the ill, and poor. A respondent explained that while her neighbors benefit from mutual assistance, she has been left out because she is ill and therefore unable to reciprocate favors. She lives on social assistance and only symbolic assistance from friends and relatives.

156. The poor reported a shrinking social circle, one that includes only people of their same socio-economic level or even only their nuclear family. Their poverty prevents them from not only reciprocating favors and also from maintaining appropriate social customs such as offering coffee to guests, bringing gifts to a host or meeting friends at a café. One handicapped father in Pula voiced his frustration with his inability to juggle material and social requirements, as many others had throughout out the site: "When you are preoccupied with all those problems, you are not in the mood for company and that brings you to isolate yourself. People don't have the money, they think about their problems and they don't want to complain to their friends. They cannot go out for a cup of coffee. You head to town and you are afraid you'll meet some friend because you would have to pay for two coffees and you need those 10 kuna for bread.” Cafes are the anchor of these broader social networks especially for men and youths. In Drnis and Beli Monastir, cafes are segregated by occupation also: a person looking for a certain type of job should frequent a certain café. Reportedly, cafes are also segregated by ethnicity in some sites (Osijek, Beli Monastir, Drnis and reportedly in Vukovar). While coffee and gifts are more important for married couples and women who are more likely to entertain in homes.

157. Another obstacle to inclusion in well-off social circles is shame. Respondents explained over and over that they would rather turn to the poor who will not pass judgment on them for their poor economic situation. "It's easier to get help from the poor than from a person in a better situation," explained a handicapped father of three in Pula. He adds that his main means of coping is to borrow money from neighbors and friends in similar situation who do not look down upon him for being in a critical situation.

158. Ethnicity and Informal Networks: Undeniably, especially in the sites touched by the war, “people associate within their own nation.” In Osijek, a woman explained how cafes are segregated by nationality: Bosnian Croat café, Croatian café, Serb café, etc. In some regions, this is a long-lasting tradition that has kept villages themselves mostly segregated. In Baranja, for example, villages were rarely mixed ethnically, making cross ethnic networks more rare. In contrast, in and around Drnis, villages were more commonly mixed. In Drnis, the few who stayed behind during occupation (a small number Serbs and Croats) are ostracized by the rest of the community who are returnees. Serbs in individual interviews in Drnis report ostracism and eroded networks which result in work-related discrimination, a dearth of day-job offers and few neighbors with whom to exchange favors. In Osijek also, elderly Serb respondents said that they felt that their former friends and acquaintances are cooler towards them. In a village in Baranja, villagers reacted strongly to a Serb family returning to their home as they would be the first Serb family to return. The insults did not come directly, but people spoke behind their backs loudly enough for him to hear: “The Ustashis’ bread is not good enough for him now.”

159. Feelings of exclusion are widespread among minorities. Serb, Albanian, Kosovo Croat, Bosnian Croat and Bosnian Muslim respondents through out the sites (Zapresic, Zagreb, Petrinja, Drnis, Osijek, Slunj) complained that they felt at some point discriminated against in particular with regard to employment. Problems are not only linked to citizenship and work permits. Croatian respondents shared their frustration with Bosnian Croat refugees who are seen as responsible for driving down construction wages. They are also looked down upon for speaking a
different dialect, being of rural origin and more traditional and less educated than their Croatian counterparts.

160. Community and family networks were altered by the war, the rise of nationalism and the mass exodus of non-Croatians. The Serb community is undeniably weakened by the loss of a large part of its members who left for Yugoslavia. In addition, most Serb returnees are elderly. An elderly man explained that his circle of friends is decreasing because acquaintances avoid him, many Serb friends have left for Yugoslavia and because many more are dead. In Drnis, a mixed couple – the wife is Croat and the husband is Serb – reported that some of their former friends have been warned not to receive a “Chetnik” [Serb paramilitary force] in their house. At the family level, many mixed marriages have reportedly split up as a result of the strains of the war. Family support to mixed couples has also weakened in some cases.

**Government assistance**

161. Government casts a wide net in providing a concentration of subsidies to a few poor and non-poor households yet excluding many poor households. Many subsidies are expressly not targeted to the poor but instead to the well-off such as child allowances, war veteran benefits, military pensions, reconstruction subsidies, non-enforcement of health and social contributions by entrepreneurs, etc. And excluding many at risk minority groups (Gypsies and Serbs) from health insurance, the working poor and real estate owners from welfare, the unemployed from child allowances, Serbs, Gypsies and other minorities who are excluded from health insurance. In addition, the process of providing support is corruptible allowing recipients (who do not fit criteria for receiving assistance) with contacts the ability to pull strings to qualify for long-term help.

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<tr>
<th>Case of Petrinja: Exclusive policies</th>
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<td>Ethnic tensions are replicated at all levels of society. The authorities at certain sites adopted policies and practices that contribute to isolating and weakening the Serb community. In most sites, discrimination was not as pervasive as that reported in sites like Petrinja and surrounding villages where many Serbs remained during the war, taking over the main government posts and then fleeing in 1995. Focus group participants shared their poor experience with government institutions since 1995. Here are some of the problems they faced in their interaction with government institutions over the last five years:</td>
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<td>- Upon their return, all men of draft age were taken to the police station and questioned about their activities during the war, they said, treated like criminals. The sign on the door at the station read: “War crimes and Terrorism.”</td>
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<td>- Entrepreneurs returned to find their locales privatized or leased to others.</td>
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<td>- A worker at the employment bureau responded to a Serb respondent’s request for jobs: “Croats have no jobs, what do you [a Serb] expect.”</td>
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<td>- None of the participants of the focus group had health insurance coverage though they are all registered at the employment bureau. The employment office told them to make contributions while registered Croats do not have to make contributions and no other bureau made that request of Serbs at any other site. Only pensioners were covered through the pension fund.</td>
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25 Similarly, in other sites, laws were being enforced selectively at the detriment of the Serb minority. In Osijek, employed Serbs were asked to repay promptly on loans plus high interest charges they had taken
With regard to social benefits, the Serb participants felt that they were turned away politely on the basis of their ethnicity.

The Croatian Red Cross was also seen as discriminating against Serbs asking for assistance. Not only are their policies targeted at returnees – effectively eliminating the Serbs in certain areas --

The government’s reconstruction policies exclude Serb homes that were destroyed or damaged during operation Storm in 1995. Serbs inquiring about their entitlement to reconstruction assistance were told that their homes were damaged not by the war but by “acts of terrorism.”

162. **Unemployment Bureau:** The employment office was reviled by respondents who see its role as merely a rubber stamp for obtaining other benefits such as health insurance and welfare. The participants said they expected the office to be able to provide them with leads to jobs. However, few respondents said that they were ever called for a job interview. And when they were called, the information they were given at the bureau turned out to be fictional: either the job is posted pro forma only or the terms of employment are radically different. The Employment Office workers also provided unofficial information about unregistered employment.

163. **Social Welfare:** The social welfare program provides monthly support to those persons who are unemployed, have no other source of income and own neither a home, land nor a car. The social welfare allowance for adults under 65 years old able to work is of 350 kunas per month (approximately $48) for a single adult. For adults unable to work, the allowance is of 525 kunas. The allowance for families depends on the number of members and children and the children’s respective ages. Every adult is entitled to 280 kuna, and children receive between 280 kuna and 350 kuna. A pregnant woman and mothers with a child under two months old can receive 525 kuna. The children of single mothers or single fathers receive between 420 kuna and 525 kuna depending on their age.

164. Respondents in focus groups said that there were plenty of examples of non-poor who receive welfare while others who need it do not. Indeed, in our sample, there is a wide-range in socio-economic standing of the welfare recipients interviewed. As a result, those with unregistered incomes (from black market work, work abroad, land registered in a relatives’ name, etc.) can easily obtain unemployment certificates that show that their situation is poor. There were plenty of cases when people even in small towns and villages received welfare recipients while they work regularly, albeit not formally -- a fact that could not have gone unnoticed to the social welfare worker. Apart from legal requirements and a home visit, other unstated criteria also play a role since, according to our interviewers, the vast majority of welfare recipients are single person households, single mothers, divorced mothers, widows, and social cases (e.g. individuals and families with a history of alcoholism, mental illness, violence, etc.)

165. In contrast, some poor respondents tried to qualify for benefits but were turned away because they own an apartment (for which they are paying mortgage payments). Others were told that since there were two adults in the household they should be able to support themselves. Male heads of households who had obtained welfare benefits said that it took a lot of convincing for the
social workers to even consider their application. In Drnis, those who stayed during the war and have been as a result labeled as traitors are able to get only ad hoc assistance.

166. A small number of the respondents interviewed said that they had mortgaged their house to the state in order to receive welfare. One was an unemployed young man who had inherited the home from his parents, another a rural pensioner without a pension and a third was an unemployed fifty year old head of household. In the latter case, the respondent was particularly upset because he had invested his own savings into the house versus receiving it through privatization or inheritance. He explained that in order to regain ownership of his home that he would have to reimburse the social services the amount they have provided him over the last five years (980 a month and a total of 54,600 kuna) while his house is worth only 70,000 kuna. According to the regulation, once the households loses its right to the house, apartment or other real estate wagered for social benefits, they can be evicted and the bank can sell the real estate.

167. Social welfare bureaus also have discretionary funds which social workers use for ad hoc assistance to households. The maximum amount of funds that can be allocated to a household in one year is 1050 kuna (or 300 percent of the minimum allowance of 350 kuna). They use this income to assist households in crisis or with large essential expenses such as utilities, textbooks, health care, etc. Recipients of ad hoc assistance generally have incomes slightly above the ceiling required for permanent assistance. In Pula, Zagreb and Osijek participants said that the ad hoc assistance is particularly unfair. They said that they are treated with mistrust by the social workers who instead of looking into the matter more deeply would rather check papers and send them away. In Osijek, the municipality handed over the function to the social services. The social services now have criteria that include that the total income of a two-member household must not exceed 1200 kuna. Social workers seem to be taking this limit very seriously, since one participant said she lost her right to have free utilities when the function shifted from the city to the social services because she has an income of 1230 kuna for two persons. One respondent in Osijek said that his social worker “looked at him as if he had fallen from Mars” when he came to ask for one-time help. He was turned down and told that he was not in a particularly critical situation. Many others were offended by social workers who told them they are not poor, not struggling, and even “lucky” to own an apartment or home even though they can barely pay for food and utilities.

168. Social Welfare offices also provide coupons attesting to one’s low social status. This can be obtained by workers not receiving salaries, for example, to qualify for free textbooks in schools, subsidized school lunches, subsidized kindergarten fees, assistance from the municipality for utilities, etc. The welfare office also provides temporary health cards to those who do not have health insurance to cover medical emergencies. However, the process of obtaining these cards was considered lengthy and insufficiently transparent and therefore not practical in case of emergency (see Health).

169. Municipalities: The municipalities’ welfare offices provide support in a number of ways. First, each household is entitled to assistance in a time of crisis. For most households, with work capable adults not on welfare, this means that they can get up to 1000 kuna per year for funeral expenses. For those on welfare, with a certificate of social standing, small pensions and so forth, the city volunteers to cover each year up to 1000 kuna of their utility-related debts. A number of respondents not on welfare said that they had sought assistance for utilities but were turned away.

170. The municipality also provides a small number of apartments to “social cases.” These apartments were rented to the users at very low prices (under 100 kuna per month) but the living conditions were often unsanitary due to overcrowding, lack of basic amenities, mold and humidity, poor heating, etc. (See housing above.)
171. **Retirement pensions**: Pensions can be so small that they require the retired to look for work. A retired man receives a small military pension of 700 kuna. To support himself and his wife who is sick, he works as a night-watchman making 5 kuna per day and 6 kuna per night, bitterly explained: “It’s exploitation. But I have to accept it because utilities are so high. I’ll work as long as I can.” Without pensions, some retired people (elderly without resources or real estate) qualified for welfare benefits.

172. **Child allowances**: Until recently, child allowances were reserved for the employed thereby excluding the unemployed and thereby the poor. These were used to cover kindergarten costs, diapers and other essentials. When employees are not receiving salaries allowances can become the only income for the household.

173. **Disability Pensions** are particularly low and difficult to obtain since they require collecting a mass of documentation to be presented to a health commission for approval. As a result, unskilled disabled workers are particularly at risk since they do not have the capacity to work the physical jobs that are mostly open to them such as construction, loading and unloading, agricultural work, etc. Again, this process was corruptible since those who did not qualify medically were able to obtain coverage through acquaintances on the health committee.

174. **War-related benefits**: To most respondents, war related benefits were considered to be excessive and unfair given the distress of common citizens. War widows (and to a lesser degree war invalids) receive enormous pensions (7000 kuna per month or four times the average wage) from the state. Respondents exclaimed that that these widows “have long forgotten their dead husbands,” they are remarried, and yet continue to receive their war widow pensions. In addition, war veterans also received benefits otherwise reserved for the poorest households on welfare such as subsidized school textbooks, lunches, etc. War veterans also received preferential terms for buying cars, however even war veterans said they would have preferred loans to start up businesses. In the media and among our respondents, many complained that civilian war victims were not similarly compensated even when their suffering is comparable. For example a war veteran suffering from Post-Traumatic Stress Disorder is eligible to a comfortable pension while a civilian who also suffers from PTSD from war related trauma received 800 kuna per month. Respondents often stated that that the cost of maintaining these benefits is too high and funds should be reoriented toward the poor and civilians.

**Reconstruction**: See Housing Reconstruction above.

175. **Humanitarian assistance (Red Cross and Caritas)** was perceived as providing valuable services during the war. However, many respondents said that the employees were able to take advantage of their position to pick out the best clothes and other items for distribution, leaving less desirable items for others. Indeed, some respondents had worked for these organizations and confirmed that they had first pick among the clothes and furniture enabling them themselves and their friends with quality clothes. Some Serbs also felt that these organizations are aimed at supporting Croatian Catholics not Serbs who are orthodox. In a number of cases, they were turned away by workers who told them the assistance was not for traitors.

176. The main Churches (Orthodox or Catholic) were not active institutions in supporting the poor (except for Caritas in certain cities). However, smaller new churches did seem to offer a wider range of services to its new converts.
Recent changes in sources of income and coping

177. As a formal, industrialized economy, employment has been a major source of income for households. Croatia faces a severe economic crisis characterized by high unemployment (close to 20 percent), sluggish private sector employment and a high percentage of employed who are paid months late or not at all. Certain sectors such as construction and tourism which used to provide wealth are sluggish. Therefore, income from employment has decreased, while other sources such as the informal sector and home production have not really been able to provide a viable supplement. The private sector burdened with high labor costs, high taxes and complex regulations for recent start ups and a culture of non-payment of receivables has remained weak providing unreliable incomes and only absorbing a few workers. This is a recent shift dating from the introduction of new complexities in registering firms and a VAT.

178. Additional jobs (moonlighting) and seasonal work were already important supplements to income in Yugoslav times. However as the crisis has worsened, their importance has increase to supplement low wages yet opportunities have decreased. In the past, moonlighting activities were often the result of a blending of private activities using public goods and assets. As enterprises have privatized, this is no longer possible. In addition, many moonlighting jobs (accounting, legal work, etc) are mainly reserved for skilled and healthy workers. For the unskilled, there is a trend for young and middle aged people going house to house as sales representatives.

179. Household gardens were cultivated in Yugoslav times to provide healthy food to the households, generally not as a necessity for the non-poor as they are now. In the countryside, land was a source of wealth. Land is now cultivated to meet subsistence needs (feed for cattle) versus to make a profit. Some rural areas, are limited in their agricultural production not only by the loss of equipment and cattle but also the presence of landmines. Production from home gardens and land are very useful to maintain linkages to social networks both urban and rural.

180. Government pensions and benefits were in the past sufficient to cover basic needs, though rural retirees would often supplement incomes with garden production. The average pension used to be 70 percent of the average wage but it has declined to 35 percent of the average wage, covering only a small portion of needs. As a result more retired people continue to work. Those on Yugoslav military retirement pensions in particular work as night guards since they are allowed to carry weapons. Some Croats with work experience in Germany earned German pensions which have become an important asset today. In addition, in the late 1980s, elderly pensioners in Istria qualified for Italian pensions. These recipients first got a large sum corresponding to their unpaid pensions since world war II and then each month another $200 or so.

181. Foreign exchange savings from work abroad, additional jobs etc, were used in the past to buy or build homes for the younger generations and to cover costs for a rainy day. Today, for many households these savings have been annihilated in an attempt to maintain consumption levels, and replace lost assets and belongings during the war. Indebtedness has become a main coping mechanism for the poor – from local stores and family. But especially for the employed, non-poor who can afford credit cards, checks and allowable overdraft in their bank accounts.

182. The sale of assets has been important for the non-poor to face the crisis – they sold off cars, seaside homes, camping trailers, equipment, wedding gifts or gifts from relatives abroad, businesses, etc. Among the poor, however, the sale of assets is minimal. The lack of prospect for replacing these assets and appliances is so bad that few ever considered selling their belongings other than an old car when they could no longer afford to use it.
183. Because of the dearth of local opportunities to replenish these savings, many workers opt to go abroad. But here again opportunities have been reduced from earlier times. Germany now has regulations limiting legal opportunities to work. Workers ready to work for less on the black market have now displaced Yugoslav workers. For example, in Italy, Croatian workers are undercut by other foreign women asking for less money and in Germany, respondents said that Kosovars are ready to work for less.

184. The social network has grown in importance. There is a strong contrast between social networks of the poor and those of the non-poor. The non-poor draw on these networks to maintain access to basic needs (food, clothes, housing but also opportunities such as work, loans, legal information, etc.). Respondents explained that before the crisis households would pay for services (construction, repairs) now they try to use their circle of friends and exchange favors or goods for services instead of payment. In rural areas especially, residents exchange favors and work for food or cash. However, the networks of the poor have shrunk as their ability to obey social customs has decreased. Respondents explained that as people grow poorer, they turn more and more toward their nuclear family for material support. But respondents also said that they rarely ask for or provide material assistance beyond the family. Thus, in a new trend, adult children and their families are moving back in with their parents when the main income disappears to ensure payment of utilities and other basic costs. Children are also expected to care for their parents and supplement for their meager pensions. Recently, a new family law was passed which established the obligation of children to support their parents by either paying for a retirement home or provide financial assistance. While this is traditional expectation, there was no such legal obligation in the past.

185. Mobility is a main coping mechanism for the non-poor who equipped with cars can go to neighboring countries to buy cheaper food. In the past non-poor households used to travel to Italy regularly to buy clothes – now households worry about cheap food. The non-poor also use their mobility to look for work further from home (commute to Zagreb in particular), carry inventories as home sales representatives, buy goods for resale or private enterprise (office supplies), etc.

IV. Conclusions and Remarks

186. This final chapter presents an overview of priorities of the respondents and highlights some of the policy relevant issues raised in the study. Since the study had broad implications for policy and programs through out the sectors, I do not try to cover all sectors and limit myself here to policy recommendations relevant to targeting and social assistance.

187. Poverty is mostly relative in Croatia. This is true not only because most people are capable of earning at least the minimum to cover basic food needs and housing, but also because of ample government subsidies for health care, education, and utilities. Should some of the implied subsidies of uncollected debts for utilities and health insurance dues be eliminated for example, some households may in fact lose their ability to juggle their meager incomes to cover basic needs.

188. The major priorities of the poor are first finding, holding onto and being paid for work. The main basic needs that were not fulfilled were housing, especially among those returning to formerly war torn areas. The problem of crowding into small spaces remains a problem even for the non-poor. Food quality is also very important for the poor.

189. Poverty is clearly linked to a process of social exclusion from resources (such as education, health, employment, but also most importantly information about legal rights and opportunities,
citizenship, etc.) and opportunities. The poor are the few for whom the current means of making a
decent living are not available such as education, work, additional incomes, buying cheaper
necessities abroad, relying on friends and family for material assistance, jobs and information,
and finally migration. As a result, the poor are the less educated, the most socially and
geographically isolated, the less re-trainable, the less resourceful (less savings or assets). They are
often old, sick, and have always been in the lower social strata. However, this group now also
includes the working poor whose rights are not protected -- right to salaries right to a minimum
wage, rights to sickness and pregnancy leave, etc. In the context of growing nationalism, new
groups have become more vulnerable to exclusion: foreigners unable to formalize their residence
(such as Bosnian Muslim and Gypsy refugees); Serbs especially in the formerly occupied zones,
and Gypsies -- who have historically been excluded.

190. To the poor (and most non-poor Croatian households), the principal solution to their
problem is employment. Employment is the pre-requisite for being part of the mainstream of
society and for a normal living standard. Protection of their rights as workers – to salaries for
work completed, health insurance and pensions -- is essential in both the private and public
sectors. This may seem contradictory to much needed efforts to jumpstart private sector hiring but
without the appropriate institutional mechanisms to empower private sector workers (trade
unions, efficient legal system, arbitration, etc), the lack of regulation will result in a drop in work
standards for workers. Indeed, the main causes of poverty is the lack of accountability of
employers to workers (unpaid wages, long hours, lack of days off, etc.). In addition, employers
themselves are at the mercy of their own clients. Should employers be able to count on payments
from clients, their ability to commit to workers would also be increased. Other problems may
need to be addressed to ensure that the private sector becomes viable such as providing financing,
rationalizing the tax system and reducing the dependency of the private sector on the public
sector for inputs and access to markets.

191. Strong social networks are a main coping mechanism. However, the poor are often left out
of these crucial networks leaving them without the food, housing, employment, information and
emotional support that they offer to the non-poor. The strength of the social networks also leads
to excesses such as nepotism and favoritism which contribute to an environment where the
powerful ignore the rule of law.

192. From the point of view of respondents, the main culprits of the current situation are war
and a corrupt transition process. As one respondent put it: “The war has been a mother to some
and a stepmother to others.” In other words, the war has long been a convenient alibi for a
relaxation of the rule of law and decline in values that has allowed some households to benefit
through smuggling, theft, exploitation of government benefits, humanitarian assistance and
corrupt privatization. Meanwhile, the majority has lost their assets, jobs, savings and for the
poor, in the formerly occupied zones, hope. The government needs to show leadership in
strengthening the rule of law by enabling law enforcement, starting transparent third-party
reviews of privatization and banking scandals.

193. Social services exclude many poor households on the basis of criteria that do not reflect the
current vulnerability characteristics -- such as real estate ownership and formal employment (and
in turn including many non-poor households who fit the outdated criteria). The social services
also seem to focus a broad range of social services to a small number of repeat recipients who
accumulate benefits while others are entitled to no help at all. Respondents also perceived ad hoc
assistance as inherently unfair, offering help once again to the same households on welfare or
those fitting the same criteria with a higher formal salaries income per family. Government
benefits in general -- including health insurance benefits in particular -- are poorly understood by
certain persons who seem to lack basic information about their rights, thus exacerbating a process
of social exclusion of certain groups ostracized by society. In addition, the government also
provides numerous benefits to the non-poor. The most evident of which is the child allowance
which has been exclusively reserved for the employed. Other benefits have also accrued to war
veterans who are by no means poor as a group yet compete for scarce resources such as free
textbooks, subsidized lunches -- with poor households.

194. In order to reduce the impact of the current transition, the poor and non-poor need to have
access to more sustainable sources of sustenance (than dissavings and dependency on the state
and informal networks). Policies and programs should be aimed at:

- Improving the rule of law, in particular enforcement of business and employment contracts
  and laws, improving the effective and timely functioning of the courts; and ensuring equal
  rights to all citizens (including Serbs, Muslims and Gypsies).
- Facilitating regularization of informal employment contracts however while enforcing a
  minimum level of regulations to ensure workers’ rights (e.g. to sick leave, limited work
  hours, regular pay; protection from harassment and discrimination; etc.);
- Improving the climate for foreign and local investment;
- Supporting the growth of micro- and small enterprises through facilitating financing,
  decreasing the costs of registering and accounting, simplifying legal and tax environment,
  and reducing obstacles to employment absorption;
- Reviewing the privatization process which is seen as deeply corrupt;
- Reducing the redundancy of benefits to non-poor households and focussing government
  assistance on the poor;
- Ensuring continued high level of access to basic services to poor households -- heating,
  electricity, drinking water, education and health.
- Addressing issues of access to health insurance and pension funds due to lack of collection of
dues to ensure access to the poor.
- Reviewing the reconstruction efforts and providing a means for making contractors
  accountable to the homeowner for quality of work and provide a transparent complaints
  process.
Appendices:
### Reference Table: Site Description

<table>
<thead>
<tr>
<th>Site</th>
<th>Type</th>
<th>Region</th>
<th>Demographics of site</th>
<th>Social Data</th>
<th>Main Economic Activities</th>
<th>War Impact</th>
</tr>
</thead>
<tbody>
<tr>
<td>Zapresic, Zagrebacka county</td>
<td>Semi-urban</td>
<td>Center</td>
<td></td>
<td></td>
<td>Agriculture</td>
<td>No Physical impact Hosted refugees and displaced.</td>
</tr>
<tr>
<td>Ludbreg (villages), Varazdinska county</td>
<td>Rural</td>
<td>North</td>
<td>179,052 in county</td>
<td></td>
<td>Agro-industry Family farms: livestock and flowers Trade Industry Religious tourism</td>
<td>No Physical impact Hosted refugees and displaced.</td>
</tr>
<tr>
<td>Kutina, Sisacko-Moslavacka county</td>
<td>Urban</td>
<td>Center</td>
<td>251,023 in 1991 14,992 in Kutina 1999: est. 173,786</td>
<td></td>
<td>Agriculture Trade (Bosnia) Industry</td>
<td>Physical destruction at the periphery. Could see the impact since border is close. Many refugees and displaced. Mines.</td>
</tr>
<tr>
<td>-------------------------------------------------------------------------</td>
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</tr>
<tr>
<td>Pula, Istarska county</td>
<td>Urban</td>
<td>North Coast</td>
<td>61,378</td>
<td>2700</td>
<td></td>
<td>Tourism</td>
</tr>
<tr>
<td>CROATIA</td>
<td>--</td>
<td>--</td>
<td>4.78 million</td>
<td>Est. 20%</td>
<td></td>
<td>Tourism</td>
</tr>
</tbody>
</table>