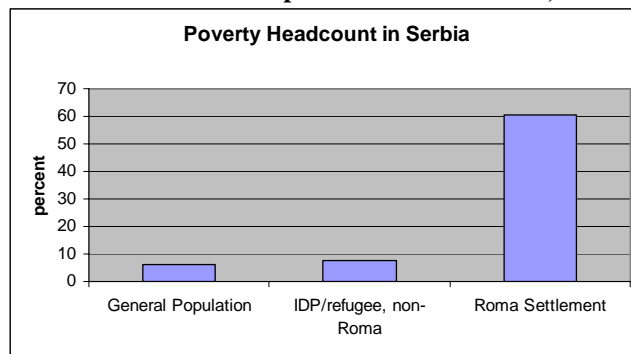


I. Overview

1. **Living standards in Serbia and Montenegro overall appear to be on the rise, but deep pockets of poverty remain in both Republics.** While both Serbia and Montenegro had experienced rising poverty over the 1990s, ambitious economic and social reforms initiated by the first democratic Government of Serbia have resulted in rebounding GDP growth, and growing wages and employment suggest living standards have been rising over the last few years. However, despite an overall improvement, some groups suffered continued losses and pockets of deep poverty remain. In Montenegro, consumption growth is slower, and poverty reduction has stalled, with indications of recent increases in inequality and, like in Serbia, persistent pockets of deep poverty².

Figure 1.1: Roma settlement households in Serbia in 2003 are substantially more likely to be poor than non-Roma households – even those expected to be vulnerable, such as IDPs and refugees



Source: Own calculations based on Serbia SLS 2003 and Roma Booster Survey of Settlement Roma Households

2. **Deep poverty and multiple deprivations in Serbia and Montenegro are found to have a strong ethnic dimension and are highly concentrated among the Roma population, particularly those residing in settlements.** According to the 2002 Serbian census, Roma constituted 1.4 percent of the population (over 108,000 individuals), while estimates by NGOs and international organizations place the Roma population at between 4-6 percent of the population (300-460,000 individuals)³. Approximately 20,000 Roma, Ashkaelia and Egyptians (RAE) are estimated to live in Montenegro. Poverty rates among Roma are many times the poverty rates of the general population and other vulnerable groups. A staggering 60.5 percent of the Roma population residing in settlements are considered very poor⁴ in Serbia, compared to 6 percent among the general population. Roma also stand out from among other vulnerable groups such as predominantly ethnic Serb refugees from Croatia and Bosnia and Herzegovina and internally displaced people from Kosovo, whose poverty rates, while higher than the general population are significantly below that of the Roma. As the analysis in this report reveals, internally displaced RAE from Kosovo face particular deprivation and exclusion. In Montenegro 40 percent of RAE could be considered very poor in 2003 compared to 10 percent of the general population. Roma in Serbia are not only the poorest ethnic minority, but also represent a sizeable share of the extreme poor, with 9.8 percent of Roma households residing in settlements in Serbia considered extremely poor compared to a negligible 0.2 percent among the general population. In

² World Bank, *Serbia and Montenegro Poverty Update*, forthcoming

³ Observers estimate the true number of Roma individuals in Serbia to lie between 450,000 and 500,000, many of who did not identify themselves as Roma in the census (Antic, 2005).

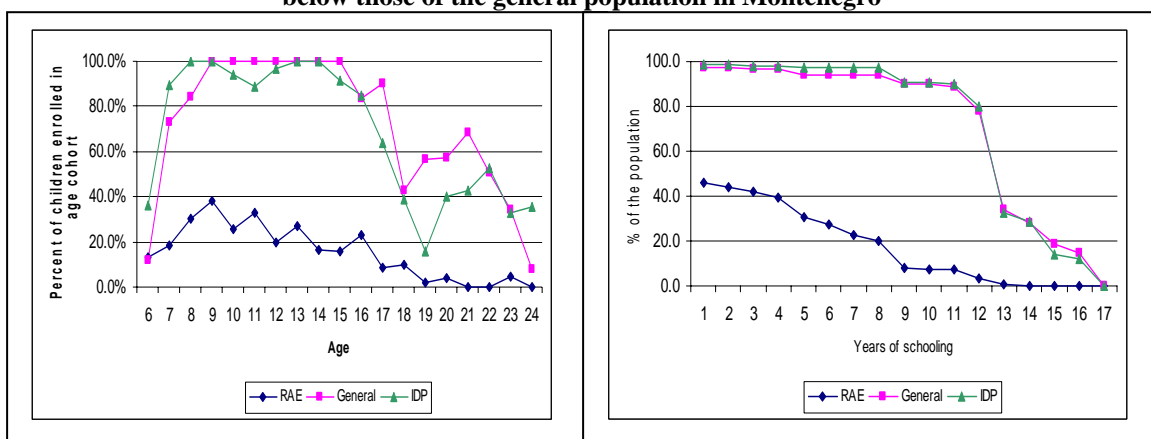
⁴ In this report, we introduce the notion of "very poor" and a new "very poor" poverty line, which is the absolute poverty line minus imputed housing/rent expenditure. See section II and Annex 1 for definitions.

Serbia, while only constituting 4-6 percent of the population, settlement Roma represent nearly a quarter of the very poor. This report's analysis also reveals that a sizeable share of Roma are considered extremely poor in non-income dimensions of poverty, compounding the findings on extreme income poverty.

3. **Roma poverty in Serbia and Montenegro is multifaceted and is evident in multiple non-income dimensions of deprivation.** Individual country analysis of Roma poverty in Central and South-Eastern Europe consistently shows that various causes of poverty reinforce each other in a vicious circle and require a multifaceted poverty alleviation approach⁵. Poverty analysis has in recent years taken a wider approach to deprivation, using the notion of social exclusion⁶. While its precise definition is still under academic debate⁷, the concept of social exclusion builds on the view that there are multiple dimensions of deprivation and participation. In addition to the income and monetary consumption dimension of poverty it identifies non-income dimension of poverty in the areas of education, employment, health, housing and others and relating to access barriers to and under-utilization of public services⁸. The concept also emphasizes interventions beyond social welfare benefit programs, through improving access to education, employment, health services and decent housing. The concept of social exclusion is helpful in revealing the multi-dimensional nature and extent of poverty of the Roma population. Indeed, in addition to income poverty among the Roma population in Serbia and Montenegro, there is strong evidence of social exclusion and non-income poverty – manifest in a number of areas:

- ***In Serbia and Montenegro alarmingly few Roma children and youth are in school, and Roma educational attainments and outcomes are poor.*** National school performance testing data reveals that Roma children fare worse in school performance compared to their non-Roma peers, such as in Serbian language which subsequently worsens labor market prospects. While income poverty discrepancies between RAE and refugees and IDPs in Montenegro are not as stark as in Serbia, RAE education poverty⁹ is 77 percent versus 11 percent for refugees.

Figure 1.2: School enrollment (left) and attainment (right) rates for RAE children are significantly below those of the general population in Montenegro



Source: Own calculations based on Montenegro 2003 ISSP

⁵ See Revenga et al. (2002) and Ringold et al (2005)

⁶ See also World Bank (2000), *World Development Report 2000/2001: Attacking Poverty*, and Atkinson, Cantillon, Marlier and Nolan (2002), *Social Indicators: The EU and Social Inclusion*.

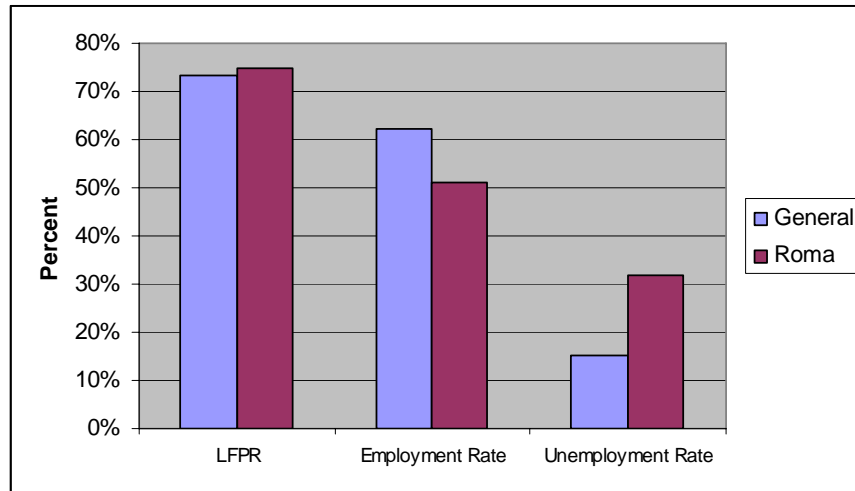
⁷ For a theoretical introduction to the concept see Saraceno (2001) and Hills, Le Grand and Piachaud (2002)

⁸ See Annex 3 for a summary of recent EU initiatives to tackle social exclusion and eradicate poverty in the EU member States.

⁹ For a definition of education poverty, see section III

- **More Roma are out of work than among the general population and even the non-Roma poor.** This is especially true for workers aged 35 and above, while the younger Roma have higher employment rates, often at the expense of receiving a school education. Higher risk of unemployment is evident across all educational levels – from individuals without or with unfinished elementary education to those with secondary or higher education. At the same time, Roma employment is mostly informal, part-time or short-term and low-skilled, with many individuals in work actually remaining poor.

Figure 1.3: Higher unemployment and lower employment rates for Roma residing in settlements in Serbia stand out



Source: Own calculation based on Serbia 2003 SLS and Roma Booster; LFPR is labor force participation rate

- **Roma in both Republics face problems of accessing public social services in education, health and social protection, with barriers to access driven by widespread non-registration as well as a lack of knowledge and language skills, discrimination and poverty.** Indeed, both income and non-income dimensions of poverty paint a picture of stark social exclusion of the Roma population in Serbia and Montenegro. Bad health outcomes and housing poverty for Roma are closely related, with many Roma living in precarious housing with inferior sanitary conditions in makeshift settlements. Poverty is especially pronounced among the displaced Roma from Kosovo and Southern Serbia, whose residential status is often unresolved and who often remain unregistered residents in settlements.

4. **Deep Roma poverty and social exclusion in Serbia and Montenegro have an intergenerational dimension, and, if not tackled, risk creating a continuous poverty trap.** Like in other countries, the Roma population is significantly younger than the general population, pointing strongly towards the need to focus on improving educational outcomes for Roma to break out of the poverty cycle. However, currently significant education access barriers and resulting poor educational outcomes of Roma children today predict their continued social exclusion and poverty in the future. The analysis in this paper shows that labor force participation rates in Serbia are higher for young Roma aged 15-24 than for non-Roma, indicating that many young Roma are looking for work or engaged in income generation rather than acquiring an education. The need to work today to raise household income and avoid poverty comes at the high cost of a foregone education and a resulting lower income tomorrow. Unless a sustained and

all-out effort is undertaken to raise school attendance and educational attainments among the young Roma population, Roma poverty and social exclusion is likely to persist.

5. **Chronic non-registration of the Roma in Serbia and Montenegro, particularly of those residing in settlements, constitutes the ultimate form of social exclusion and prevents Roma from accessing social services.** Common access barriers to services for Roma include lack of information about available services and benefits as well as language barriers and multiple forms of discrimination. However, most importantly, access barriers are driven by chronic under-registration among the Roma communities, in particular among Roma IDPs, and includes both citizenship and residential registration. A survey of Roma settlements in Belgrade in 2001 revealed that almost 40 percent of respondents did not have a valid ID card, and almost 55 percent were without a birth certificate and citizenship respectively¹⁰. Obtaining residential registration, birth certificates or national passports requires passing often complex and costly procedures, often too costly and complex for poor Roma households and especially those illiterate or in insufficient command of the Serbian language. Often lacking the complete set of documentation required to access certain public social services or benefits, such as social assistance, many Roma remain locked out of the reach of public poverty alleviation efforts. Moreover, many Roma settlements are located on non-designated land and are therefore illegal or without a formal residential address, without which residential registration becomes impossible.

6. **Breaking the poverty trap and tackling social exclusion of the Roma population in Serbia and Montenegro – ways forward in the context of the Decade of Roma Inclusion, PRSP implementation and European Union accession:** With the European Union placing an increasingly strong emphasis on combating social exclusion, efforts at reducing poverty and fostering social inclusion of the Roma in Serbia and Montenegro are likely to receive substantial attention in the process of both Republics' accession to the European Union and, at the same time, can benefit from EU experience. Moreover, both Serbia and Montenegro have recently joined peer countries in Central and South-Eastern Europe in proclaiming the Decade of Roma Inclusion 2005-2015, which sets a framework to tackle Roma social exclusion and poverty in a sustained and comprehensive manner. Roma inclusion is also an issue singled out in Serbia's and Montenegro's Poverty Reduction Strategy Papers (PRSP). The analysis in this report finds that Roma poverty is multifaceted and comprises both income and non-income dimensions and has an intergenerational nature. In particular, education poverty is a key predictor of income poverty and the main driver of an inter-generational poverty-trap. The resulting policy and reform directions include the following areas:

- The Decade of Roma Inclusion 2005-2015 Action Plans¹¹ are very comprehensive documents with a multitude of policy measures in the areas of education, employment, health and housing, and the challenge is to *prioritize and operationalize identified interventions*.
- The key non-income dimensions of poverty analyzed in this report – education, employment, health and housing – are to a large extent in the realm of *responsibility of the municipalities*. Any sustained effort at improving Roma welfare in these areas needs to involve the municipalities – for (co-) funding and implementation.
- A pre-condition of improving Roma access to services is a solution to the *chronic and multiple non-registration*. Tackling the problem of lacking citizenship and residential

¹⁰ Oxfam and Argument (2001), *The Roma Livelihood in Belgrade Settlements*, Belgrade

¹¹ Government of Republic of Montenegro (2005), *Decade of Roma Inclusion 2005-2015 Action Plan*, Podgorica, Government of the Republic of Serbia (2005), *Decade of Roma Inclusion 2005-2015 Action Plan*, Belgrade

registration is challenging given complex associated legal dimensions, and the elaboration of solutions lies beyond the scope of this report. However, it is obvious that the authorities in Serbia and Montenegro need to intensify efforts in particular to ensure residential registration of Roma, including those residing in settlements and in particular Roma IDPs, to ensure access to municipal services even without legalizing such settlements. While a new and comprehensive registration effort is required in the long term, allowing Roma households to access, in addition to residential and citizenship registration documents, such varied types of documents such as birth certificates and marriage licenses, temporary solutions may have to be found in the short term. This could involve applying temporary “proxy-residential registration” through the municipal centers for social work or allocating temporary numbers to households instead of addresses. In addition, given literacy and language barriers for many Roma, free legal aid would need to be a core part of the registration strategy.

- The staggeringly low enrollment rates among Roma children call for an ***all-out effort to improve access to schooling*** for the Roma population, comprising measures both within and outside the education system. Only if Roma children go to school and raise overall attainment rates will the Roma population stand a chance of being lifted out of poverty over the next generation. Such an all-out effort is necessarily multi-sectoral and encompasses both financial and income measures as well as interventions aimed at overcoming multiple access barriers. They should be primarily directed at raising and fostering the number of children in preschool and regular elementary schooling and to ensure they complete it, but also need to be compounded by availability of vocational education as well as adult education.
- Within the education system, it appears that ***increasing access to pre-schooling*** for Roma children is a priority, in particular for IDP Roma children who often do not speak Serbian. In Serbia only 7 percent of Roma children attend pre-school (from age 3-7) in 2003, comparing to almost 34 percent for the general population. Experience from across the world demonstrates the multiple economic and social benefits of early childhood interventions (ECD) in terms of reduced dropout and repetition rates, improved school achievements, greater adult productivity and improved social and emotional behavior. Pre-schooling can help Roma children to catch up and make up for suboptimal learning conditions at home, so as to improve their chances once entering regular primary school. However, with even general population pre-school enrollment standing at only 34 percent, demonstrable change for both general population and Roma children will require a substantial Government effort. Expanding pre-schooling for Roma children can take the form of boosting Roma enrollment within existing public pre-school institutions, expanding the pre-school network so as to absorb additional pupils, and, in a second-best solution, can also involve NGO-run pre-schooling within Roma settlements.
- Many Roma children who are going to school are enrolled in “special” schools for children with special needs who often do not allow Roma children to uncover and to exploit their true potentials. Anecdotal evidence suggests that very often a referral to special schools is based on an assessment of insufficient Serbian language skills of Roma children. The challenge of ***achieving higher enrollment rates for Roma children in regular schools*** can therefore be addressed through expanded use of pre-schooling to help prepare Roma children adequately for primary school. This requires specific school teacher training to deal with social exclusion manifested in the classroom as well as the provision of extra teachers to help bridge the knowledge gap between Roma and non-Roma children, in particular in the Serbian language.

- Outside the education system, efforts at getting Roma children to school have to be compounded with *increasing social protection cash transfer coverage* to fill the income gap left by children and youth who study rather than generate household income. Serbia's 'MOP' social assistance benefit appears best placed to step in. However, while targeting of MOP social assistance is good, currently its adequacy and coverage of poor households is low mainly for reasons of under-funding and registration documentation requirements, and this affects Roma households disproportionately. Addressing poverty through the formal social safety net is most effectively and efficiently done through raising spending on the MOP, addressing the registration challenge as well as expanding outreach efforts of municipal Centers for Social Work (CSW) to identify and cover poor households, Roma and non-Roma. Efforts to expand outreach activities can build on the experience of Serbia's Social Innovation Fund (SIF), as well as the Ministry of Labor, Employment and Social Policy's pilot project to test new ways of social service delivery, and could be focused on regions of deep pockets of poverty.

7. **This report aims to analyze in-depth the determinants of deep and chronic Roma poverty and social exclusion in Serbia and Montenegro**, in particular of those residing in settlements, and report on the income and non-income dimensions of Roma poverty, in order to help identify policy recommendations aimed at reducing social exclusion and poverty among Roma and other excluded groups. To this end, the report follows a two track approach and compares the poverty profile for Roma with that of the general population in both Republics, as well as explores in depth the non-income dimensions of poverty and the correlation of indicators in the areas of education, employment and housing with poverty.

8. **Roma are a group of the population usually severely underrepresented in survey work, and accurate data on the situation and causes of poverty of Roma are extremely scarce. Recent Serbia and Montenegro household surveys with their large booster samples of Roma, and comparable questionnaires as used in the general population surveys, offer a unique opportunity to understand conditions of Roma and causes of poverty.** The report uses the following methodology and definitions: The Serbia analysis in this report is based on the 2003 Serbia Living Standards Survey (SLS) which is complemented by a booster for Roma residing in settlements and which allows comparing the Roma poverty profile with that of the general population. The Serbia dataset allows for some differentiation between "integrated" Roma which are covered in the general population dataset and that of "settlement" Roma covered in the Roma booster. The Roma booster survey captured 525 non-integrated Roma households living in settlements. However "settlement" is not precisely defined. The consumption aggregate in the Serbia dataset is redefined such that poverty rates can be consistently compared between Roma residing in "settlements" and the general population. The analysis for Montenegro uses a survey of Roma, Ashkaelia, Egyptians (RAE) and Refugees and IDPs¹². The survey includes four sub-samples (RAE, refugees, IDPs and a general population control group) and covers 264 RAE households, of which half are RAE IDPs and half domicile RAE. Quantitative analysis in this report is compounded by the review and presentation of existing qualitative information from other sources.

9. The report is structured as follows: Section II develops an income poverty profile for the Roma populations in Serbia and in Montenegro. Section III discusses social exclusion and non-

¹² Institute for Strategic Studies and Prognoses (2003), *Household Survey of Roma, Ashkaelia and Egyptians, Refugees and Internally Displaced People*

income dimensions of poverty of Roma, and Section IV reviews Roma access to and coverage by existing social safety net and coping mechanisms in Serbia.

Box 1. Poverty and social exclusion of the Roma, Ashkaelia and Egyptians in Serbia and Montenegro – areas for further research

- This report's key observation is that *chronic non-registration* is likely to act as a substantial access barrier to services in the areas of education, health, housing, employment and social protection. These registration barriers comprise both general citizenship registration, but, crucially, also municipal residential registration. Further review of relevant legislation and exploration of ways to overcome registration barriers is a matter of priority in addressing Roma poverty and social exclusion.
- The 2003 Roma SLS Booster Survey Poverty focused on *Roma households residing in settlements* – arguably the poorest of the poor in Serbia. However, it does not capture those Roma households not residing in settlements – the so-called “integrated” Roma. The 2003 general population survey, although not featuring formal questions on ethnicity, picked up a small number of non-settlement Roma, whose poverty risk appears to be lower than ‘settlement’ Roma. However, this information does not allow representative and disaggregated comparative analysis on what predicts their lower poverty risk. More qualitative analysis is needed to help the understanding of these differences.
- This report's analysis finds that income and non-income poverty is higher for *Roma internally displaced persons (IDP)* than for non-Roma IDPs. One key dimension of this differing poverty experience is that non-Roma IDPs are more able to integrate in the local labor markets and their children more likely to go to school and graduate. Both characteristics are predicted by a dramatic language barrier of many Roma IDP households – almost half of the surveyed Roma IDP households did not speak Serbian in 2003. However, this is only one likely explanatory variable, and more qualitative work can help to understand what lifts non-Roma IDPs out of poverty put locks Roma IDPs into poverty.
- The *Roma population in Serbia and Montenegro are very diverse*. This is not just true in terms of their residence in settlements or not or their status of displaced person, but also in terms of languages and cultural identity. In Montenegro (and Kosovo where many IDPs originate from) in particular, there are groups who refer to themselves as Roma, as Ashkaelia and as Egyptians. The household surveys on which the analysis in this paper is based do not adequately allow for disaggregation and inevitably leading to some degree of generalization. Qualitative analysis may help shed light on differences in the depth and patterns of social exclusion by sub groups.
- Household survey data allow little analysis of the true picture of the *Roma health status*. Such survey data presents self-reported illnesses and health service utilization. However, both are fraught with biases. Respondents may under-report illnesses and diseases, because of a lack of knowledge and sensitization, or mischaracterize the true extent of their problems of accessing services. If individuals are repeatedly denied access, they are likely to request such services less. Moreover, the household surveys analyzed for the purposes of this report do not contain information on where Roma sought care, the type of facility and their experience while seeking care. There is also no information on health status. Focused qualitative health surveys can help augment the understanding of the health challenges faced by Roma.
- The Government of Serbia passed major amendments to its social assistance legislation in 2004, introducing for example a unified Republican-level eligibility threshold. The analysis in this report uses household survey data from 2003 – one year preceding these legislative changes. The *social protection benefit incidence* analysis presented in chapter IV of this report, therefore, is limited to the characteristics in place in 2003, and more analysis is needed to fully understand how effectively Serbia's revised social protection system has reduced the poverty risk beyond 2003, particularly among the poorest groups in society.