

Privatization of Housing in Croatia*

Dusica Seferagic

The privatization of housing is the main pillar of the new housing reform being undertaken during the transitional period in Croatia. That is why it is being treated as the main subject of this paper and not because of its substantial meaning for the housing problem as such.

In 1990, after the collapse of Yugoslavia, Croatia became an independent state. The socialist era finished and the transitional phase started. Many features were similar to those in other ex-socialist countries, many were different. The same goes for the transitional period: some features are common to all societies in transition, others are quite unique. However, the war in Croatia makes the situation very different as opposed to other countries.

When analysing the Croatian situation, either the common or the specific one, it is necessary to take into account some internal factors concerning its past, present and future, as well as global and concrete levels. It is also necessary to think of some external factors like the spheres of (dis)interest of the world forces, the position on the European map, etc. Without, at least, a short analysis of the societal level, it is impossible to understand and explain any of the specific fields, and thus also the one concerning housing.

The Socialist Heritage

Before the socialist period, Croatia had been an undeveloped capitalist society on the periphery of the Austro Hungarian Empire. Together with its weak capitalistic relations, there co-existed both feudalistic and very straight barter economy elements (Novak 1991). The settlement structure was characterised by a low degree of urbanization, a

* Croatia has been an independent republic since 1991. The surface area is 56,538 sq. km. The country is inhabited by 4.8 million people, of which 75 per cent are Croats, 12 per cent Serbs and 13 per cent other ethnic groups. 51 per cent of the population lives in urban settlements. Zagreb, the capital city, has 931,000 inhabitants. The GNP in 1991 was estimated as 3,223 US-dollars per inhabitant. (Harenberger Länderlexikon '94/95. Dortmund 1994.)

large number of small villages and towns, a lack of medium sized towns, and a domination of the capital. Industry was the main urbanizing factor (Bicanic 1962; Bilandzic 1976). Even though Zagreb, the capital of Croatia had reached its urban standard in the 19th century, only in the 20th century did it become a real urban center¹.

After the II WW and with the formation of the socialist Yugoslavia, Croatia underwent the same pattern of changes as the other socialist countries and the other Yugoslav republics. Some specific features were the following: openness to the world (no Iron Curtain), non allied politics and the self management social model.

At the beginning, the main goals of the strong communist state were: the preservation of the political power of the communist party, quick industrialization, deagrarianism and a quick urbanization. They were all supported by central planning. I.Szeleenyi calls "*the under-urbanization model*" the one, in which mass migrations from villages into cities occur, not accompanied by urban infrastructure. By neglecting the urbanization of villages, and concentrating it in a few larger cities, two kinds of serious housing problems were created, which dominated the whole socialist period:

- Housing of a low quality in villages both at the household and settlement level (no urban infrastructure, like running water, no collective sewage system, no shops, schools, post offices, etc.),
- A permanent lack of socially owned houses and their generally low standard of quality (small flats, badly constructed, etc.).

However, the very nature of the socialist state and central planning opposed any private initiative and a market economy, even though they co-existed with the state's property and planning. Actually, the private housing saved the whole society from a total housing collapse. That was also the main housing paradox during the socialist period. Also, private housing was (tacitly) allowed because the State needed it.

It is important to say that in spite of the rigidity of the socialist state, the whole society was actually developing and being modernised. The first free elections were the result of it.

The same can be said for the housing; in spite of hundreds of wrong decisions, unsuccessful housing reforms, the nightmares of the collective housing system, a lack of land values and very low rents, housing was improving in both a quantitative and qualitative sense. The reasons lay in the slow urbanization of cities, and an increase in the urbanization of villages, better construction and a slow release of the private

¹ It is very important to know the level of development before the socialist period if one wants to talk about "the usable past and return to the good old days".

initiative. Similar features of the housing situation and policies could be found in other socialist countries² (in most of them).

To make the picture more complete, we ought to mention some statistical data and some research results. According to the Central Bureau of Statistics of Croatia in 1991 (the census), there were 1,772,345 dwellings, 1,575,644 for permanent residence. As many as 1,182,402 were in private and 393,242 in social ownership (25 per cent)³. At the end of 1990, the crude surplus of dwellings was about 225,927, more in villages than in cities. Most of the housing stock is quite new: about 60 per cent has been built since 1960. Most is built of solid, stout materials. An average dwelling is of 65 sqm and occupied by 4 member families in two rooms mostly.

In 1958, many buildings were nationalized, together with the city owned land. We can say that the existing housing stock consisted of five main categories:

- privately built dwellings occupied by the owner,
- publicly built dwellings occupied by the owner,
- publicly built and rented dwellings,
- previously nationalized dwellings,
- privately owned and rented dwellings.

There were also some special state owned categories of dwellings (for government officials, army personnel, etc.)

Most of the dwellings were equipped with elementary infrastructure, though only in the cities was it truly urban infrastructure, while in many villages it was only individual infrastructure (not connected to the public one). A separate issue is the quality of such infrastructure, particularly in old buildings. For example, some research in Zagreb has shown that the urban infrastructure in the very heart of the city is close to a collapse.

Much other research has shown that the *differences in housing between the villages and the cities were considerable*. The city population was on the one hand privileged, having socially owned flats and a high quality of urban infrastructure, and on the other hand it was punished because of many specifically urban problems (lack of flats, high prices of flats, a low standard of dwellings, etc.) Most respondents were

² Some of authors who have written about it: D.Caplan, I.Szelenyi, J.Hegedus, I.Tosic, J.Musil, P.Michalovic, A.Mousillova, E.Kaltenberg, C.Pickvance, G.Andrus, S.Mandic, B.Verlic, S.Vujovic, K.Petovar, G.Bezovan, O.Caldarovic, D.Seferagic.

³ It is important to know the relation between the private and socially owned housing stock if we want to judge the importance of the privatization of housing and its place in the global situation.

not satisfied with many things but, surprisingly enough, they were more satisfied than the objective conditions would suggest.

To summarise, the main features and housing problems in the socialist period were:– a housing policy based on central planning, building, distributing and maintaining, yet still a quantitative prevalence of private housing (100 per cent in villages, ca.50 per cent in cities),

- large differences (inequalities) between villages and cities, between lower and upper social classes, between tenants and owners,
- lack of city owned land rent,
- cheap rent, expensive flats to buy,
- constant quantitative and qualitative shortage of flats.

Transitional Changes

As in all other ex-socialist countries, the changes started much earlier than when the communist parties lost the elections. More political freedom, some economic market reforms and even the housing privatization were already present in almost all of these countries.

Transitional changes at a very general level, are similar or at least comparable in all the ex-socialist societies while at the average level, the differences expand. What makes Croatia so very different from nearly all other countries is the present day war, it being the most cruel way of transition⁴.

The shifts from the expected transitory changes (if the conditions were peaceful), are significant: huge losses in human and material resources, a total collapse of the economy, distribution of investments in favour of the military needs, a necessity of central state control, etc. At the same time, the society is experiencing some transitory changes, like: a pluralistic political system, the establishment of the market, privatization in economy (actually an etatization). When speaking about the spatial changes important for housing, we must say that they are drastic: 1/3 to 1/4 of the Croatian

⁴ In this paper there is no intention of talking about the war, its causes and consequences. The readers will be informed that Serbia and the Yugoslav Army were the aggressors against Croatia and that the war option was considered as the only way of getting freedom from former Yugoslavia and the way to get national sovereignty, for the politicians in power. However, not all of them thought of it as of the only way of solving the problems. Later, the State's strong propaganda in the mass media constantly produced a war atmosphere instead of a peaceful one among the people. According to the Ministry of Health 27,413 people were wounded (7,103 civilians and 802 children) and 6,934 killed (2,189 civilians and 177 children) during the war.

territory is not under its control, many settlements are destroyed or damaged together with the whole urban infrastructure, there are demographic shifts of refugees and displaced people to some safer parts of the country (mainly cities), contrasts arising between un-populated and overcrowded places ...

At the territorial level, the **transitional changes** can analytically be divided into **three different levels**:

(i) The entire territory of the Republic of Croatia has changed. The meaning of frontiers, as well as the territories close to the frontiers are in a totally different position. These are the most insecure zones and people and capital refuse to be placed there. At the same time, these are the territories which are the most important ones for the country's safety, particularly against the present enemies.

The new political division of power and the economic changes have produced a decline of some parts of the country ("the twilight zones") while others are blooming ("sunrise zones"), due to their advantages or thanks to their disadvantageous position as opposed to other regions. International, as well as national capital is more interested in investing in the prosperous and safe zones, sometimes for very different reasons (the homesickness of the dispersed Croats, the help from other countries, even for economic reasons), capital can also flow to the unsafe zones. The main task of the State is to distribute the war consequences on all the parts of the country.

(ii) The inter-urban network: many new factors play and will continue to play an important role. New centers of the new geopolitical entities (districts = "zupanije") will gain power to the detriment of some previously more important cities. Some collaboration, but also many conflicts arise among them. Strong metropolitanization of the capital is taking place: the city of Zagreb has centralised more political, economic and cultural functions than ever before (most of them used to be in Belgrade, the capital of the former Yugoslav federation). That will produce some new division of labour and also many conflicts between Zagreb and other big cities, as well as among other towns in the metropolitan region (some want more independence, others want to be part of the Zagreb region).

(iii) The intraurban scene: many changes, similar to other transitional cities are taking place. In the cities damaged by the war, renewal is the main goal. They will for a long time be some kind of a permanent building site. In others, a new political and economic system (marketization, privatization, commodification) play an important role. The urban spatial and social structure has changed over night. Some social groups, both old and new are emerging, gentrification and pauperization are reshaping the urban scene. There is also some "city-ization" of the center, CBD (Central Business District) formation, elitization of contents, heterogenization of different offers. A symbolic capital and a symbolic presentation of power have left their marks on the urban scene.

However, some grassroots movements, "luttes urbaines" are quite weak, except for the housing issue. They depend on the development of democracy, public opinion and civil rights, and it takes time for them to develop⁵.

Privatization of Housing

As already mentioned, the privatization of housing is the main pillar of the new housing reform. (Bezovan 1993, Seferagic 1993). The new housing reform is oriented towards deregulation, marketization, commodification, (re)privatization, denationalization and similar. It is, or should be, a part of the development strategy of a global society.

There are some *major controversies* in it: The *first* being an unusual combination of neo-liberal (advocating the market and privatization) and the strong state control (central decision making) approaches.

The *second* one is the fact that certain specific fields are very thoroughly elaborated, while some global strategy is not present. It can only be recognized through some separate decisions and acts.

The *third* controversy is the fact that the State wishes to deregulate the housing sphere and annul the socially owned housing, causing severe conflicts regarding the housing problems of hundreds of thousands of refugees and displaced people and returnees, who have no home, and no means of solving their problems themselves, as well as the thousands of poor people who need some kind of social protection⁶.

The *fourth* controversy is that the housing reform by nature, forcing privatization in the first place, does not even touch the tip of the "iceberg" of the actual housing problems (homelessness, low housing standards, ...)

⁵ We can mark only the real urban movements, organised and spontaneous in the housing field. That can be explained by the real, vital meaning of housing for the people.

⁶ The housing problem of the refugees, displaced and returnees is huge. At the moment most of them live in improvised accommodation like hotels, schools, homes for the elderly, tents, old train carriages, barracks or with their relatives and friends. Those who want to return must first build their homes and it proceeds very slowly because of the costs. The others might stay for many years or for ever in their new surroundings. Their housing problems have to be solved in a more appropriate way than now. Recently we have had problems with people in the hotels along the coast because the hotels had to be vacated and renovated for the tourist season, but the refugees do not want to leave and go elsewhere to new unknown places. Apart from the housing problems, there mainly are social and psychological, and moral ones as well. In the near future they might need social housing until they start to live, work and earn normally.

Many previously mentioned authors from other societies in transition have analysed the housing reforms in their countries. Most of them, together with the numerous authors who have analysed some western housing reforms, have clearly shown that these reforms were not good enough to solve the housing problems and to help more people to reside at a better standard. In fact, these reforms (if only verbal) were not meant to solve the housing problems at all, but were part of some global reforms towards neo-liberal societies. The unsuccessfulness of these reforms can therefore be judged as such only from the point of view of the people's needs, and not from their own goals. In that light they were partly successful but have produced new housing problems.

With a considerable time lag and some specific differences, the housing reform in Croatia has followed the same route, having produced very similar problems, added to by the war. If there was no war, the Croatian housing reform would more or less follow the Slovenian example (see Mandic 1993, Stanovnik 1993, Dekleva 1993).

The Croatian Parliament has very recently voted for the *"Integral Concept of Housing Reform"*. The denationalization issue was postponed and public land was not even mentioned. Therefore, we cannot say that it is integral.

The paper gives some data about the housing situation, and presents its goals and preconditions for the new law on housing. There are a few pages about the establishment of Stimulating Fund Resources and about the organization of the housing reform and its costs. Why has there been no denationalization of buildings and of urban land yet? It is a very hard nut to crack for a few reasons:

- if it happens, thousands of tenants with tenant's right would be left at the mercy of the former owners or municipalities. In the "Integral Concept..." a few variants have been suggested, but it is obvious that they cannot be accomplished,
- no one (neither the tenants, the former owners, nor the State) has enough money to solve the tenants' housing problems. Particularly now when there is no construction going on at all...,
- the new political elite lives in the previously nationalised dwellings in the best parts of cities and they want to remain ensconced in them.

However, that is only approx. 40,000 dwellings, in comparison with approx. 200,000 that are destroyed by the war!

The city-owned land which was *"cheap public goods"* would be very expensive, if the market laws were functioning properly. Tenants, who buy their flats do not want to buy the public land under their buildings, and neither does the political elite in the villas with huge gardens.

The rest of the concept has been accepted. Privatization is its main subject, because the main goal of the housing reform is to define the owner's rights (and not to

solve the housing problems)! In 1991, the Law on selling the socially owned houses was passed. The deadline to buy all these flats is June 30, 1994. Until the end of 1993, 157,098 of all the dwellings were sold for a total of 790 millions DEM. It is, in comparison with the real market prices 5 to 10 times lower the price! Most dwellings were bought for cash, for foreign currency savings, and the rest on long installment plans. In the first two cases there were the largest discounts, and needless to say, it was an advantage for the already rich people⁷.

The total sum of social dwellings is about 400,000, out of which approx. 145,000 dwellings⁸ cannot be sold and out of about 250,000 which can be sold, 100,000 have not been sold yet. It is not difficult to judge the effects and the importance of the housing privatization in Croatia!

The housing reform, as the "Integral concept... " has declared it will occupy numerous bodies at all levels, from different ministries, fund-raising institutions and firms, to various cooperants. Nothing has been said about the people's organisations. They obviously ought to form their own bodies, and they do so (like various organizations of tenants and owners) in order to fight for their interests. The housing reform has been predicted to last for 10 years. One cannot help asking, why then is the deadline the beginning of 1994?!

The *goals of the housing reform*, even though they are not in the "Integral concept..." (Is it a retreat?) have been reformulated many times. Can they be accomplished with such a housing reform?

The *first goal*, which was to gain more money for new flats was wrong from the very beginning. Forming the criteria for the alleviations of dwellings and tenants has

⁷ After many changes, the State has finally defined the criteria for the concessions for dwellings and tenants. For tenants they are: years of work, numbers of children, victims of the war and their families, method of payment (in cash, in foreign currency, on long term installment plans). For the dwellings themselves the prices depended on: dwelling surface, age of the building, position in the building, size of the building, zone of the city, former investments of the tenants into the dwelling After complicated calculations (special services were formed to help people calculate the prices), it came out that theoretically the concession could exceed 100 per cent of the book value of the dwelling. In practice it could not exceed 50 per cent in total. Such conditions helped the better-off buyers to buy with the maximum concessions. Many people were interested in buying somebody else's dwellings offering the tenants cash, foreign currency, lifetime support. The most targeted groups were the poor and even more, old people in big central apartments who could not or did not want to buy them.

⁸ 29,414 of them were nationalized and confiscated, 1,141 are owned by the Yugoslav federation, 38,106 were the Yugoslav army property, 7,810 are the rented ones and another 36,000 are in the occupied zones, 12,000 are destroyed, and there are 20,000 undefined ones.

shown that no large sums of money can be expected into the State's treasury. Also, the National Fund for Development is not obliged to spend all the money obtained on housing.

The *second goal*, to improve the maintenance has also proved to be wrong for the time being. The purchasing of dwellings has exhausted private budgets. Also, new institutions for the maintenance as substitution for the old ones have not yet been formed. The negotiations between the new owners and the tenants (who do not want to buy their flats but intend to pay rents) are very difficult. There are always some people who do not want to participate in the expenses related to the building and cultivating the surroundings.

The *third goal* of improving the housing conditions would not be the result of privatization but perhaps of some other actions. *The fourth goal*, to restore social justice on new grounds has only produced some new social inequalities. Many people say that *"the previous injustice has simply been replaced by a new one"*.

Caplan (1993), referring to the East European countries suggests that the new housing reforms have imitated the so called *"dualistic model"* from the Anglo Saxon countries instead of *"a unitary model"* from Sweden, the Netherlands, Germany, Switzerland... The dualistic system distinguishes the private from the public rented housing, forcing the other to serve only the poor. The public sector thus remains residual and not competitive. The unitary model allows for competition and collaboration between different sectors and offers more variety for solving the housing problems. Croatia has evidently chosen the dualistic model.

It is amazing that urban renewal being a part of the global renewal when the war finishes, has not yet been incorporated into the Croatian housing reform, as if it were a short term problem, or as if this housing reform is for ever. That is of course not true.

Some research has investigated public opinion regarding the housing reform (Seferic 1992, Caldarovic 1992, Bezovan 1993). It has shown very similar results, based on the inquiries and the content analysis of some newspapers:

- public opinion can be divided into two main groups: pro and contra privatization,
- people's attitudes correspond to their tenant status: the owners are for privatization and denationalization, while tenants are against it (except for the rich tenants who were only happy to be able to buy their dwellings),
- in spite of such opinions, most tenants are in the process of buying, intend to buy in the future or have already bought their dwellings, explaining that they have been "forced" to do it,
- almost nobody is interested in buying the land under, and around their dwellings, mainly for financial reasons.

The analysis of the letters to the editor shows that an open "war" is going on among tenants of the previously nationalised dwellings and their former owners. The housing privatization is really a very contradictory process and it seems that it cannot be realised in favour of everybody. The question is, what the price will the losers have to pay?! The winners will be the rich who could buy their dwellings for very low prices, and those who then sold them for five to ten times higher prices, and different groups of state officials who again have the right to live in state owned places.

The losers are all the poor, former tenants of the denationalized dwellings and of course thousands of refugees and returnees, whose housing problems will not be solved satisfactorily for a very long time.

Concluding Remarks

It has not been possible to cover all the aspects of the housing situation and its reform in Croatia. One reason is that the housing situation and the reform itself are changing from day to day. The data about the housing stock, new buildings, destroyed and damaged homes is also approximate. Also, not much research has been done on the issue. The author hopes to have given a general picture of what is going on. This picture cannot be as comprehensive and detailed as it is in other countries, even in Slovenia which used to be part of former Yugoslavia.

In summary, the housing reform in Croatia has not yet finished. What has been done so far shows that the results are not as were expected. Some problems have been solved, but others have appeared.

If anything can be said in favour of the housing reform and the privatization in general, it is that it has started a new frame of reference, a new way of thinking and acting. Private initiatives were suppressed for almost half a century, and now they have been freed and will be even greater in times to come. That has awakened some people from hibernation in believing that somebody else will take care of their needs, and will even define them. Others, inclined to initiatives, will have some opportunities to realize them. It will also, hopefully, develop the public awareness and self confidence in some individuals, so that they will oppose the State's decisions, if they do not satisfy their needs. They may become capable of formulating their own programmes and of fighting for them.

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