



**USAID**  
FROM THE AMERICAN PEOPLE

# CELEBRATING THE CROATIAN- AMERICAN PARTNERSHIP

## USAID legacy publication



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THE WHITE HOUSE  
WASHINGTON

May 2, 2008

His Excellency  
Stjepan Mesic  
President of the Republic of Croatia  
Zagreb

Dear Mr. President:

Witnessing firsthand the remarkable achievements Croatia has made since its independence was an inspiration to me when I visited your beautiful country in April. Under your leadership, Croatia has accomplished much. One sign of that progress is the successful completion of our transition assistance program.

Since 1992, through the Support for East European Democracy (SEED) Act, the American people have provided over \$320 million in development assistance to Croatia to help expand the private sector, promote the rule of law, and strengthen democratic institutions, including civil society organizations and local governments. Croatia's wise use of this assistance has helped transform a war-torn economy into a dynamic, democratic, and economically sound country with some of the most attractive tourist destinations in Europe. I am proud that the SEED programs have been able to help Croatia overcome the legacy of the war.

I also appreciate Croatia's contributions to international security through its participation in NATO's mission in Afghanistan and its work on the U.N. Security Council. We applaud your efforts to ensure that the entire southeast Europe region can enjoy the benefits of stability and prosperity. I am especially pleased about NATO's recent membership invitation to Croatia and look forward to our two nations becoming treaty allies.

Although we are concluding this phase of official assistance, the American people will continue to support Croatia's progress. I look forward to further strengthening our partnership.

Sincerely,

A handwritten signature in black ink, appearing to read "George W. Bush".

George W. Bush



Republika Hrvatska / Republic of Croatia  
Predsjednik / President

Mr. George W. Bush  
Predsjednik Sjedinjenih Američkih Država  
White House  
Washington

Poštovani gospodine Predsjedniče,

Zeljeđujemo na Vašem pismu od 2. svibnja kojim najavljujete završetak tranzicijskog programa za pomoć Republiki Hrvatskoj, dobrošete mi da uzastim izrazim zahvalnost na tog pomoć koje je našoj zemlji pomogla u proširivanju privatnog sektora, promicanju vladavine prava, jačanju demokratskih institucija, uključujući organizacije civilnog društva, te lokalnoj upravi.

Vrijednost pomoći što su nam je pružile Sjedinjene Američke Države ne može se mjeriti samo izgođenošću onih 320 milijuna US dolara što smo ih primili, nego možda čak i više stvaranjem i jačanjem svijesti o univerzalnim vrijednostima demokracije. To je u Hrvatskoj koje se borila i poboljšavala najsloženija zadaća: ponovno uspostaviti toleranciju između pripadnika različitih naroda i vjera, bilo od izumiruća važnosti.

Drago mi je što ste se i sami mogli uvjeriti u napredak moje zemlje predijem vašemog posjeta našim gradovima Zagrebu. Republika Hrvatska je svojih odgovornosti u današnjem svijetu punoim opazivati i usavršiti i neće oklijevati dati svoj doprinos napretka za jačanje mira i sigurnosti u svijetu. U tome kontinuirano vodim i razgovore sa građanima naše Atlantskog pakta.

Dobrošete Vam uvažiti o spremnosti američkog naroda da i dalje podržava napredak Republike Hrvatske i vjerovati sam u dalju uspjeha evropsko-američke suradnje.

Izvrno Vam,

Zagreb, 7. svibnja 2008.

*Stjepan Mesić*  
Stjepan Mesić

His Excellency  
George W. Bush  
President of the United States of America  
The White House,  
Washington, D.C.

Dear Mr. President,

In thanking you for your letter of May 2 announcing the completion of the Transition Assistance Program to the Republic of Croatia, allow me to express my great gratitude for this form of assistance which has helped my country to expand the private sector, promote the rule of law, and strengthen democratic institutions including civil society organizations and local administration.

The value of the assistance provided by the United States cannot be measured only in terms of the 320 million US dollars received by Croatia, but perhaps even more in terms of the creation and strengthening of the awareness about the universal values of democracy. This was of exceptional value for Croatia, which had to cope with the aftermath of the imposed war and re-establish tolerance between the members of different ethnic and religious groups.

You have personally been able, and that gives me particular pleasure, to witness the progress of my country during the recent albeit, unfortunately, short visit to Zagreb. The Republic of Croatia is aware of its responsibilities in the present-day world full of dangers and challenges, and it will not hesitate to provide its own contribution to strengthening peace and security in the world. It is in this context that I see the invitation to join NATO.

I welcome your statement about the readiness of the American people to continue to support the progress of the Republic of Croatia, and I am convinced that the cooperation between the Republic of Croatia and the United States of America will continue to develop successfully.

Sincerely yours,

Zagreb, May 7, 2008

Stjepan Mesić

# PREFACE

Croatia has undertaken a remarkable transformation since its independence in 1991. Thousands of courageous, optimistic and enterprising Croatians have realized an enduring dream of independence, democracy, and peace. USAID is privileged to have supported many of these individuals and their organizations as partners. This publication relates the Croatian and American people's enduring and productive partnership that helped Croatia's people and government build a better future.

***USAID began working with Croatian partners in early 1992 when their nation was new and struggling***

Across Central and Eastern Europe in the late 1980s, formerly socialist countries began the complex transition to market-based economies and multi-party, democratic governments. The United States supported and promoted democratic transition in each of the countries, through funding from the 1989 Congressional Act to Support for East European Democracy Act (SEED). In socialist Yugoslavia, the transitional process, which continued unabated, was overshadowed by war. It was the most devastating conflict in Europe since World War II, engulfing Croatia, neighboring Bosnia and Herzegovina, and later Kosovo.

Shortly after the war's outbreak, in early 1992 USAID began working with Croatian partners. The Croatian people showed unflinching resolve in facing the dual burdens of seeking reconciliation, while rebuilding a society and economy based upon democratic and free-market principles. When its mission began, the overarching goal for the United States was to help secure regional peace and foster re-integration among the former republics of Yugoslavia. The newly independent Government of Croatia shared this objective and had set the highest, longer-term priority on attaining economic integration with the European Union, eventually culminating in full Union membership.

Over the course of USAID's mission, the partnership with the Croatian people evolved in three distinct phases. Initially, USAID worked to deliver humanitarian relief and help the victims of war rebuild their lives and communities. Reconstruction and rehabilitation projects were augmented by programs to strengthen civil society and democratic institutions. The displaced were aided in returning to their homes and war-affected communities received support in revitalizing their economies and infrastructure.



In 2000, a second phase of new, intensified programs was launched to foster economic growth and a competitive, dynamic private sector. Accelerating the return and reintegration of war-affected populations was a particular priority. Working directly with local, regional and national government, USAID's partners and projects helped increase citizens' participation in government, strengthen civil society and the political system, boost government efficiency and promote the transition to a market-based economy.

When the European Union opened membership negotiations with Croatia in 2004, USAID's mission entered its third and final phase. USAID's experts and partners undertook initiatives to boost Croatia's economic competitiveness, improve small and medium enterprises' performance, increase incomes in economically distressed areas, and to enhance local governments' effectiveness. These efforts ensured that the political, economic and social reforms already achieved would continue to deliver enduring benefits for the Croatian people.

Alleviating human suffering and rebuilding relationships between the populations affected by the war was USAID's foremost concern when it launched its support programs in Croatia in 1992. The USAID mission began as the regional office for Bosnia and Herzegovina and Croatia, delivering humanitarian relief to war victims. USAID's Croatian office sought out and supported grassroots organizations that helped rebuild communities, cared for war victims, promoted reconciliation between ethnic groups and supported Croatia's reintegration.

During this period USAID programs played a major role in assisting refugees and displaced persons in Bosnia and Croatia to cope with the crisis' extreme circumstances and enable them to return to their homes of origin in Croatia and Bosnia. At that time, USAID provided in total over \$25 million in grant funding for international and indigenous civil society organizations (CSOs) that cared for about 630, 000 refugees, displaced persons, war victims, children and other war affected populations.

USAID support through CSOs and local institutions provided essential, additional capacity to the Croatian national and local governments to cope with the enormous demand for humanitarian assistance. The CSO network that arose from this intensive cooperation later played a continuing role in developing civil society in peacetime. Croats confronted war and radical societal change in the space of a few short years. USAID understood that they needed a government that could address their needs. The Croatian people wanted a peaceful resolution to the conflict and a smooth transition to an open, market economy.

Throughout its mission, USAID's priority was to speed and ease Croatia's democratic and economic transition. With its Croatian partners, USAID worked to bolster the institutions that guarantee a stable and effective

***USAID provided in total over \$25 million in grant funding for civil society organizations that cared for about 630, 000 refugees, displaced persons, war victims, children and other war affected populations***

OCTOBER

NOVEMBER

DECEMBER

1992

## PREFACE

*... thousands of Croatians courageously learned new practices, developed new organizations and adopted a new mindset to drive change*

democracy. To reach political maturity, USAID developed long-term programs that helped the judiciary establish and defend its independence and impartiality. Both the free press and those supporting a robust and representative multi-party system received training and support to establish independent media and effective political parties. Civil society received expert support to be able to effectively assume its role as a forceful and durable advocate for social change that could credibly hold leaders accountable.

Daunting challenges resulted from the combined effects of the war's damage, a fragile banking system, and a flawed privatization process that created unemployment and impoverished enterprises. Economic development was thus one of USAID's core tasks. In its enterprise development projects, USAID identified and supported Croatian entrepreneurs and leaders whose aim was to build and reform Croatian industry and business to help as many Croatians as possible improve their livelihoods.

Throughout this transformation, thousands of individuals learned new practices, developed new organizations and adopted a new mindset to drive change. The younger generation, farmers, journalists, labor activists, bankers, lawyers, teachers, politicians, and academics reached across ethnic lines to rebuild communities and establish enterprises. In pursuing democratic reforms, many of them risked losing their positions, livelihoods, reputation and friends. They all understood the necessity to change, and wished to re-establish relationships with all ethnic groups throughout the region.

In November 1995, the Erdut Agreement formally ended the conflict on Croatian soil, and a month later, hostilities on Bosnian territory ceased with agreement on the Dayton Accords. Following a further two-year administration by the United Nations, in 1998 Croatia regained full sovereignty over all of its territory, including Eastern Slavonia. The end of the conflict opened the opportunity for an economic, political and social turnaround. Peaceful reintegration was USAID's chief priority in the war's aftermath. In its strategic vision, USAID recognized that by helping to re-weave the multi-ethnic fabric of Croatia, the region would enjoy stability and improved economic prospects. USAID concentrated on supporting CSOs, communities, and institutions that upheld high standards for human rights protection, which promoted the re-awakening of a multi-ethnic society and encouraged the displaced to consider returning to their homes.

The war's toll was heavy: hundreds of thousands of civilians lost their homes and livelihoods. Communities had been torn apart. USAID programs during this period sought to revitalize local economies to increase opportunity and competition. The task for USAID and its partners was clear: to help build a robust economy that served the people. The challenge was equally clear: people were losing their jobs because during the transition to a market economy. This predicament was further exacerbated by the destructive effects of the war. USAID responded by helping private enterprise development thus



helping to offset a troubling concentration of wealth and distribute the benefits of economic restructuring more widely among the population. USAID provided essential capital to launch and carry on small enterprises and, later, help repaired public infrastructure in towns and villages committed to welcoming returnees.

With its local and international partners, USAID helped to broaden citizens' participation in politics and public decision-making. Local governments also needed to adapt and assume new responsibilities in this transformative process. USAID's experts and partners implemented support projects to aid cities to efficiently manage their new duties and to respond more effectively and accountably.

With peace, USAID developed new programs to promote political plurality, allowing for a more representative debate on how to solve the pressing problems that Croatia faced at that time. Both the political parties and the public needed to have access to information and the means to communicate with each other. Training and support from USAID helped independent media, the political parties and the general public enter a dialogue that has grown in strength and breadth to the present day.

After an initial recovery period ending in 1998, Croatian economic growth weakened since economic reforms had not been vigorously implemented. To redress the situation, USAID fielded technical advisors in macroeconomic policy, fiscal and banking reform, privatization, agricultural policy, trade and investment, and small enterprise development. They shared the strategic goal to strengthen private enterprise thus improving the ability of Croatian businesses to compete regionally and internationally while adding new jobs to the economy.

By 2003, the situation had improved significantly. Croatia had applied for European Union membership. USAID's strategy foresaw the day when its support would no longer be required, as Croatia's democratic and economic reform prepared the nation for its role as a regional leader and European Union member.



# THE CROATIAN AND AMERICAN PARTNERSHIP

## CELEBRATING CROATIA'S TRANSITION

*The American people provided more than \$320 million funding to build a better future for all Croatians.*

- Overcoming conflict and division, Croatia has undertaken a remarkable transformation within fifteen years to become a stable democratic country and one of the fastest growing economies in Central and Eastern Europe.
- With its membership on the United Nations Security Council, an invitation to join NATO, and participation in other Euro-Atlantic treaties, Croatia has assumed a regional leadership role that stabilizes and revitalizes the region.

### **USAID/Croatia's Mission**

- Over its fifteen-year mission from 1992 to 2007, USAID Croatia provided expert advice, training, and financial support to its partners throughout Croatian society, in government ministries, the judiciary, and municipal administration, as well as in private enterprise and civil society.
- The American people provided more than \$320 million funding to build a better future for all Croatians.
- In many sectors, from finance to judicial practice, from agriculture to banking supervision, from legislative to local government reform, and from political parties to labor unions, USAID has assisted Croatian citizens prepare for their nation's accession to the European Union.
- Consistently and systematically, USAID has supported Croatia as it established responsive, efficient and transparent democratic institutions, especially in its local governments.

### **Supporting Democracy and Responsive Governance**

- More than 6,000 leaders, volunteers, elected representatives, political party members, and civic activists have received training to improve constituent relations, election planning and message development.
- Multi-party elections are conducted successfully, fairly and freely, demonstrating that the democratic system is an integral part of Croatian society.

1992

JULY

AUGUST

SEPTEMBER

**AUGUST** • Multi-party  
Presidential and parliamentary  
elections are held

- USAID supported Croatian policy-makers who drafted more than three dozen laws, decrees and regulations passed by the Sabor—the Croatian Parliament—to further democratic and administrative reforms that ensure the long-term viability of the pension system, strengthen the independence and vigor of organizations that fight for citizen rights and the respect for the rule of law, promote local government decentralization, and guarantee free elections and transparent political party financing.
- USAID helped the Privatization Fund tender 200 majority-owned companies, generating \$35.5 million for the Croatian treasury. Buyers made commitments to invest more than \$1 billion in the newly-privatized enterprises.
- With USAID assistance, 49 cities identified assets that were never before inscribed in public registers, including over 6,000 municipal properties valued at approximately \$2.3 billion. They are now generating much needed local government revenue to benefit citizens and their communities.
- To help improve professional standards and autonomy, USAID funded international study trips, workshops and training in ethics and court management for 700 judges. Through technical assistance and expert support, USAID helped strengthen the Croatian judiciary's independence, expand and enhance, as well as support a long-term judicial reform program to upgrade judicial procedures and infrastructure.
- Playing a leadership role in defending media independence, USAID support was instrumental in laying the foundations for a diverse, unfettered and commercially-viable media. Independent media has flourished. Today young journalists receive training in ethical and unbiased reporting practices.

### **Supporting Economic Development**

- USAID facilitated investments in Croatian industries totaling \$240 million.
- USAID helped initiate and provide support to the National Competitiveness Council that combines the best political, economic, social and scientific counsel to develop long-term strategies that increase Croatia's economic competitiveness.
- To speed innovation, bundle talent, and embolden enterprise, USAID's experts supported and established successful and productive agricultural cooperatives, industrial associations and industry clusters that are strengthening and diversifying the private sector.
- Training for more than 5,000 entrepreneurs has increased their capacity, and productivity, making their businesses more competitive.

***USAID facilitated investments in Croatian industries totaling \$240 million.***

OCTOBER

NOVEMBER

DECEMBER

1993

## THE CROATIAN AND AMERICAN PARTNERSHIP

*About 6,000 small and medium enterprises relied upon the technical assistance and training USAID provided to expand their businesses and create almost 22,000 new jobs.*

*USAID assistance to the Croatian agriculture sector helped increase annual sales of agricultural products by over \$100 million 2003 to 2007.*

- About 6,000 small and medium enterprises relied upon the technical assistance and training USAID provided to expand their businesses and create almost 22,000 new jobs. One third of these jobs are in less-developed areas in Croatia.
- USAID assistance to the Croatian agriculture sector helped increase annual sales of agricultural products by over \$100 million 2003 to 2007. USAID introduced new technologies and strengthened market linkages among agricultural producers, processors and wholesalers.
- A cadre of professional Croatian management consultants—trained and organized with USAID support—is now providing authoritative advice to increase Croatian enterprises' profitability and competitiveness.
- Since 1993, more than 4,000 Croatians from all walks of life participated in USAID training programs that imparted the skills that these pioneers sought to bring about lasting, positive improvements in business, civil society and government.

### Supporting Civil Society

- Nearly 300 CSOs, supported by USAID, built partnerships with governments and businesses, mobilizing over 70,000 citizens to address local and national issues.
- Training and support provided by USAID helped approximately 750 CSOs strengthen their organizational and financial sustainability, allowing them to more effectively deliver services and advocate social reform in the future.
- Civil society is now significantly stronger, works in a more supportive legal environment, enjoys the respect of the public, and delivers valued services. Nearly 300 CSOs work hand-in-hand with governments, businesses and individual citizens to address local and national issues. Over 70,000 citizens have been mobilized to improve their communities.

### Supporting Reconstruction and Reconciliation

- Approximately 100,000 people in over 70 Croatian towns and villages benefited from 150 reconstruction and improvement projects founded by USAID, including refurbishment of nearly 70 schools, libraries and playgrounds, and over 60 community centers. Electricity was restored or improved in 84 war-affected villages home to 26,000 people. 30,000 people living in 32 villages now drink clean, safe water.
- USAID provided in total over \$25 million in grant funding for international and indigenous CSOs that cared for approximately 630,000 refugees, displaced persons, war victims, children and other war affected populations.

1993

JANUARY

FEBRUARY

MARCH

USAID begins distributing food to refugees and provides support to CSOs

FEBRUARY • United Nations Security Council establishes the International War Crimes Tribunal for Former Yugoslavia.

# 1992-1995

## CHAPTER I: HUMANITARIAN RELIEF, RECONCILIATION AND DEMOCRATIZATION

The USAID/Croatia mission began in the midst of war and crisis. Over the coming five years, USAID and its partners worked with the Croatian people as they resumed their lives, found employment, began new businesses and re-established community life. CSOs worked with USAID, delivering vitally needed humanitarian services at a time of great need.

### Aiding War Victims

Survival was the first priority when USAID began providing food, shelter and health care to waves of refugees and displaced people fleeing the war zones in Croatia and Bosnia and Herzegovina. USAID coordinated with other international donors, including the UN High Commission for Refugees and the International Red Cross, to deliver medicines, millions of kilograms of food, and heating stoves.

USAID provided much of its \$30 million in humanitarian assistance between 1993 and 1995, benefiting Croatians and Bosnians on both sides of the border. Aid was delivered by local and international CSOs and was directed toward the most severely affected regions of the country.

Osijek-Baranja County was one of several hard-hit Croatian counties. Much of the local industry, infrastructure, and private property had been destroyed during the first two years of the war. With more than 24,000 residents and 40,000 displaced persons and refugees registered to receive social services from 1992 to 1995, the needs of the burgeoning population outstripped the government's capacity to cope. By 1995, only 61,000 people – 18 percent of the total workforce of 330,000 - were employed. In one example of many of the missions undertaken by the Disaster Assistance Response Team from USAID's Office of U.S. Foreign Disaster Assistance, a program to feed displaced persons, refugees and needy residents was launched in Osijek-Baranja County in the winter of 1995.

APRIL

**APRIL** • Croatian President Franjo Tudjman meets U.S. President Clinton in Washington

MAY

**MAY** • A second cease-fire is enacted, followed by a joint declaration in January 1994 between Croatia and Yugoslavia.

JUNE

1993

# 1992-1995

## CHAPTER I: HUMANITARIAN RELIEF, RECONCILIATION AND DEMOCRATIZATION

### Protecting Minority Rights and Fostering Reconciliation

Displaced people began to return to their home regions slowly as early as 1993. Refugees and displaced people needed help in asserting their rights to property, citizenship, governmental representation, and employment when they returned to their homes. In response in the mid-1990s, USAID and its partners designed and pursued programs to further democratic reforms and strengthen civil society, in part to grant minorities the means to exercise their rights.

Croatian CSOs monitored human rights violations and provided pro bono legal assistance to minorities, refugees and displaced persons. With the support of USAID, America's Development Foundation (ADF) began in 1994 to train, fund and advise CSOs that provided free legal aid and human rights protection to refugees and displaced people throughout Croatia. The legal services staff and field workers helped the disadvantaged to regain their legal status, personal documents, tenancy rights, and property. These enterprising Croatian CSOs all provided detailed, regular reports on respect for human and civil rights in the 23 municipalities and five regions where they were active. This information helped both national and international aid agencies better analyze and respond to problems at the local level. Their accomplishments are remarkable because these CSOs had no prior experience in delivering independent, legal aid.



**Pre-school**

### Helping Refugee Children

Many children were separated from their parents, when families fled during the war. Through USAID funding, CSO traced and reunited family members. Once the children were temporarily settled, Save the Children, with USAID's support, helped care for 2,679 displaced and refugee children from Bosnia and Croatia. The organization counseled small children and helped found 170 preschools that offered community-based, educational activities. The preschools were the children's safe haven from the surrounding turmoil. The children learned ethnic tolerance, and their parents found neutral ground in the

preschools and in public forums (also sponsored by Save the Children) where community reconciliation began.

Teachers and parents worked closely together to offer their children a "normal" preschool experience, although many of the communities were displaced and living in collective centers, hotels or private accommodations, where they often formed a "community in exile". Each participating community provided free space and maintenance for their preschool. Five hundred and sixty teachers received training and teaching materials to help them in

1993

JULY

AUGUST

SEPTEMBER

## SUPPORTING WOMEN LEADERS

**T**he Strategies, Training and Advocacy for Reconciliation/Resources, or STAR Project, undertaken by Delphi International, focused its training and organizational support on women's Civil Society Organizations (CSOs) in Croatia and throughout the former Yugoslavia. STAR's assistance began in 1994 and focused on training women as effective advocates for community cohesion and tolerance since women were perceived to be less prone to nationalistic bias. Women could thus more easily and credibly cross ethnic and national borders to seek and promote peace, reconciliation and social change because they were largely excluded from military, political, economic and social hierarchies.

USAID supported women's groups that worked to bring about inter-ethnic reconciliation. Their bravery was remarkable, since many of them had suffered the loss of their homes, children, and husbands. The project helped these women's organizations safely meet and exchange information across borders during war-time when such communication placed the participants at risk. Delphi International provided vitally needed funding and support for women's organizations helping war victims, promoting peace, and inter-ethnic reconciliation. The STAR program helped women form new organizations and generate incomes to sustain them.

STAR trained over 400 CSO staff members in leadership, advocacy, media relations, management, evaluation and reporting, conflict resolution, finance, micro-enterprise -- even how to use e-mail. Later, in 1999, after the conflict ended, the STAR Project was continued by USAID partner World Learning which helped the participating women's CSOs successfully adapt their war-related missions to peace-time service and advocacy on behalf of women in the local community. Most importantly, STAR recruited and nurtured capable women and organizations outside the capital city, Zagreb. A new generation of leaders was formed that consequently established a Women's Network Croatia (WNC) that quickly carried out highly visible advocacy for women's rights.

For example, ten years later, the WNC now numbers 50 Croatian women's organizations that received support through the STAR program to become one of the most prominent advocates for the rights of women and minorities, and for peace and reconciliation, while at the same time assisting the development of women's grassroots CSOs throughout Croatia. The WNC continues to push for a more active role for women in politics, government and other sectors. Its members are rectifying gender stereotypes and preventing violence against women. By promoting community solidarity

through economic opportunity, STAR's partners have helped women entrepreneurs and aided returnees' reintegration. For instance, the project "80 Greenhouses" brought together women who were resettling in the communities they had fled with women who had stayed. In the Baranja region, where the Centre for Peace-Osijek implemented 80 Greenhouses, the program rejoined formerly estranged communities through common economic interests. Some of the beneficiaries later co-founded BIOPA, one of the largest organic food associations in Croatia. The STAR partners today continue to open doors for women entrepreneurs. Through the Star partners' advocacy, Rijeka's regional development agency, PORIN, was convinced in 2005 to give priority to women entrepreneurs when they apply to the city's business incubator to rent office space. The city also introduced a credit line specifically for women entrepreneurs.

The STAR Project demonstrated that when social service agencies work together in a network, they become individually stronger and speak more forcefully and convincingly in promoting equality and social justice in Croatia and throughout the region. The leadership women provided in Croatia's war-relief effort helped jumpstart civil society in Croatia. Women continue to play an important role in Croatian advocacy and civil society organizations.

# 1992-1995

## CHAPTER I: HUMANITARIAN RELIEF, RECONCILIATION AND DEMOCRATIZATION

their work with refugee children. In many cases, the preschools were re-located to the home communities when families were able to return. Additional support was also provided to Bosnian extra-territorial elementary schools, aiding Bosnian teachers to work more effectively with Bosnian children.

### Healing the Trauma of War

During and after the war, CSOs provided an invaluable service by feeding the civilian victims, helping them find housing and regain a source of income. These civilians endured the dire conditions of war. Many suffered from trauma. They had been exposed to atrocities, or forcibly evicted from their homes.

Beginning in 1994, USAID's partners, Catholic Relief Services, the American Refugee Committee, Save the Children, Harvard Medical School, the International Refugee Committee (through CSO sub-grants) and the Center for Attitudinal Healing, and many other programs helped nearly 150,000 people living in refugee camps, or with friends or family, learn to adjust to a new life and to cope with a new reality. The rising demand for mental health services could not have been met without the assistance provided by CSOs.

The USAID Post Trauma Recovery Training Project, led by Catholic Relief Services (CRS), directly helped refugees and host communities recover from trauma, displacement, and loss. In addition to increasing the capacity of local groups to reintegrate and unite communities, this program provided training to a professional, non-profit mental health organization, the Society for Psychological Assistance, for professional and volunteer mental health workers. Through the Post Trauma Recovery Training Project, 1,150 care-providers from 118 organizations enhanced their counseling skills, enabling them to improve the care they provided to about 120,000 people.

CRS' training also taught mental health providers how to care for themselves and to handle the stress of their work. Health and social workers that learned to cope with their demanding role were thus able to provide more effective and uninterrupted treatment and support, a necessity given the lack of trained therapists.

The USAID-funded Harvard Medical School Program in Refugee Trauma, provided a further 130 health and mental health professionals a grounding in how to assess and care for traumatized persons. In cooperation with the CSO "Ruke" the Harvard program evaluated the physical and mental health of some 540 refugees living in the Varaždin refugee camps. The generalized findings about the trends and conditions of the refugee population were disseminated to mental-health professionals. Over 500 families in the Varaždin camps also received repatriation counseling. The Psychiatric Clinic at the University of Rijeka was designated as one of four National Trauma Centers in

1994

JANUARY

FEBRUARY

MARCH

**FEBRUARY** • Croatian and Bosnian delegations hold talks with U.S. Ambassadors Redman and Galbraith at the State Department in Washington.

**MARCH** • A framework for a Federation of Croat and Bosniac majority areas in Bosnia-Herzegovina and a preliminary agreement for a Confederation between the Federation and Croatia is agreed.

## PARTICIPANT TRAINING

**T**hroughout its tenure in Croatia, USAID provided its program participants organizational and leadership training as an integral element of these programs. Individually-designed, short-term learning programs exposed Croatian professionals to a wide variety of hands-on learning experiences both within and outside Croatia, including in the United States. About two-thirds of the training provided by USAID took place in European countries, including other post-communist nations in Eastern Europe that had faced or were facing the same transitional challenges found in Croatia. This expert training helped program participants achieve lasting improvements in their businesses and communities. Most importantly, USAID sought to give those enterprising individuals that

wished to improve their lives and those of their fellow citizens the skills, support and expertise they needed to bring about positive changes. Since 1994, USAID financed professional training for over 4,000 Croatians, a cross-section of Croatian society: Government ministry officials, parliamentarians, judges, prosecutors, mayors, civil society representatives, journalists, bankers, business managers, and leaders from trade unions and employers associations. Training introduced Croa-

tian participants to new or alternative solutions to the challenges they and their organizations faced. USAID training improved technical skills, changed attitudes, and stimulated new ideas and innovation.



Generic training scene

Croatia. Through the Croatian Veterans' Project, 273 veterans with symptoms of serious physical and emotional problems participated in group therapy. Harvard provided the Rijeka Trauma Clinic software to track clinical, demographic, and trauma-related information.

Using this experience, Harvard and the Croatian CSO Ruke jointly produced a Repatriation Guidebook for community service organizations and for health care professionals to help them understand the difficulties that traumatized refugees and displaced people face when returning to their place of origin. Since trauma, if not treated, can lead to disabilities an informed medical response is needed when affected returnees begin to reintegrate into their communities.

### Medical Relief

During the war, medical relief was hindered by a chronic shortage of drugs to fight infections. USAID's Project Hope provided medicines to 13 hospitals across the country to fight diseases resistant to the drugs that were locally available at that time. The health care system was under continual strain from the skyrocketing number of war casualties and long-term injuries. With its partner the American International Health Alliance (AIHA), USAID supported a regional program to improve health care quality, manage costs and in-

***Beginning in 1994, USAID and its partners helped nearly 150,000 people cope with trauma, displacement, and loss.***

APRIL

MAY

JUNE

1994

**MARCH** • Croatian President Franjo Tudjman meets U.S. President Clinton in Washington.

**MAY** • The Croatian kuna is introduced and replaces the Yugoslav dinar.

# 1992-1995

## CHAPTER I: HUMANITARIAN RELIEF, RECONCILIATION AND DEMOCRATIZATION

crease efficiency. The program began in 1994, AIHA provided broader assistance including training sessions, coached by experienced American physicians, nurses, administrators, educators, and allied health professionals. Bosnian, Croatian, and Serbian medical professionals received instruction and advice on using new organizational and medical methods and techniques to improve their hospitals' service quality. The program arranged exchange visits by American medical professionals and hosted Croatian physicians' visits to hospitals in the United States for training in medical procedures not available in Croatia, as well as to acquire new equipment. This exposure to best practices also led to new policies and programs in Croatia that improved the patient-doctor relationship and reduced costs.

Three Zagreb hospitals – Sveti Duh General Hospital, Dr. Fran Mihaljevic University Hospital for Infectious Diseases and Srebrnjak Children's Hospital for Respiratory Diseases – began to raise standards and to measure the quality of their care. In the process, the hospitals gave nurses more authority and a greater role in management. Doctors learned less invasive surgical techniques, which shortened patients' convalescence. More effective management also reduced pharmacy costs and improved food quality in the hospitals. The Croatian-American partnerships, including exchange trips, technical aid and funding continued after the training phase ended.

### Dealing with Adversity

In the first three years of USAID's mission, travel to the sites where aid was needed, when possible, was difficult and slow. Coordinating and supporting the efforts to help Croatians contend with life in a conflict zone was made more difficult by delayed transports and frequently interrupted and spotty communications. With these impediments, the bulk of USAID's work to assist Croatia address and successfully complete its transition to democracy and a market economy could only be undertaken when the hostilities came to an end.

1994

JULY

AUGUST

SEPTEMBER

#### USAID PROGRAMS:

- Provide training for treating trauma victims
- Help re-unite families separated by war
- Deliver urgently needed medications

- Establish women's CSO network
- Train CSOs and women leaders in advocacy for peace and reconciliation
- Increase union participation

- Strengthen grass-roots citizen's initiatives that advocate respect for human rights
- Help youth displaced by war
- Provide legal assistance to the displaced and war victims

## EMPOWERING CIVIL SOCIETY ORGANIZATIONS

In the 1990s, Croatian governmental social services were contending with several, simultaneous challenges of a much larger scale than they had ever encountered. Under these circumstances, CSOs became crucially important partners in ensuring community welfare. As in other transitional societies evolving from a socialist, one-party system to a more open and democratic system, Croatian CSOs could not draw upon a long tradition to help guide them in the midst of crisis. In 1993, USAID began to design and launch projects to help strengthen these groups by offering training and assistance to improve their service quality and financial and organizational sustainability.

Over the following six years, approximately 200 CSOs received training through USAID's Umbrella Grant Program that was implemented by the International Rescue Committee. Delivering essential social services to refugees, displaced people and minorities, this training helped the assisted CSOs improve their organizational planning, project management and fundraising skills. Initially, 80% of the USAID-supported groups were based in Zagreb. Within a year of the program's launch, however, more than 65% of them expanded their capabilities to deliver services in the war-affected regions.

The Umbrella Grants also funded CSOs that helped young people,

women and the elderly cope with the consequences of the conflict. Refugee families confronted many difficulties: they received help in finding accommodation, employment, health care and psychological support. CSOs funded by USAID trained counselors to respond to these needs through a telephone hotline, providing families and individuals anonymous access to swift help in rebuilding their lives. About 50,000 people benefited directly from the services that USAID-funded CSOs provided through the Umbrella Grants Program.

OCTOBER

NOVEMBER

DECEMBER

1995

# 1995-2000

## CHAPTER 2: RECONSTRUCTION AND RECONCILIATION

**B**y late 1995, the end was in sight: the Erdut Agreement halted the conflict, separated the adversaries and secured the peace in Eastern Slavonia. Helping refugees and the displaced return home, while supporting CSOs in defending minority and civic rights, remained priority tasks for USAID in this post-war period. With peace secured, USAID seized the opportunity to help the region and the country shift its attention to re-building communities and businesses, offering as many Croats as possible a chance to live and prosper in harmony with their neighbors. New programs fostered stronger, more inclusive and more responsive democratic institutions and local governments. Continuing its individual support for civil society, USAID trained CSOs that began addressing a wider range of issues.

Under the Erdut Agreement, the Republic of Croatia and the local Serb leadership in Eastern Slavonia committed themselves to the conflict's peaceful resolution and the reintegration of Eastern Slavonia within Croatia. The process would be undertaken while Eastern Slavonia was temporarily governed by United Nations' Transitional Administration of Eastern Slavonia (UNTAES). Between January 1996 and January 1998, UNTAES demilitarized the region, normalized relations between Croatia and Yugoslavia, restored key cross-border public services, re-established vital transportation and communications links, as well as monitored the implementation of the Agreement's stipulations to allow refugees to return and to ensure the civic rights of minorities. In cooperation with UNTAES, USAID provided extensive assistance to Eastern Slavonia, supporting elections and grassroots democracy, providing legal assistance, and assisting reconstruction, independent media and private enterprise.

Within a year of the Erdut Agreement's conclusion, the Council of Europe granted membership to Croatia, reserving the right to review Croatia's performance on a number of key issues related to democracy: cooperation with the International Criminal Tribunal for the former Yugoslavia (ICTY); respect for human rights, minority rights, civil society, and press freedom; and the separation of governmental powers.

Under UNTAES' administration, local elections were held in Eastern Slavonia in April 1997, which had been occupied by Serb forces from 1991 until 1995. Citizens in these regions elected their representatives in conformity with the

1995

JANUARY

FEBRUARY

MARCH

### USAID PROGRAMS:

- Provide education to small children displaced by the war
- Provide humanitarian and trauma assistance to those affected by war

- Establish a telephone hotline for war-affected children, parents and teachers
- Support drafting a new labor code and law on incorporation

- Strengthen the Croatian Central Bank's bank supervision capacity
- Provide public administration assistance to improve municipal management

Croatian Constitution for the first time since independence. Well in excess of expectations, 90% of the registered voters cast their ballots. The newly formed Independent Serb Democratic Party won an absolute majority of the vote in 11 of the 28 municipalities. The success of the municipal and local elections proved that peaceful reintegration in the region was possible despite continuing tensions.

### **With Peace, New Strategies**

Now confident that a renewed outbreak of the conflict had been averted and that peace had returned, USAID expanded its support for democratic reform, reintegration and economic recovery in Slavonia. USAID and its Croatian partners had long recognized the limitations on freedom of speech and freedom of association; the judiciary's lack of independence; inadequate protection of human and civil rights; and weak local governments, susceptible to corruption, as key areas of concern.

Prior to the peace agreements, USAID had set about strengthening political parties to help these political activists and elected representatives develop the means to better understand and represent constituent interests. The labor unions, a key avenue for citizen participation, were given expert support to improve their training capacity through a "train the trainer" program. This new internal training capacity helped the unions develop their own expertise in collective bargaining, organizing and activating membership, internal democracy, labor monitoring, media relations and promoting the role of women in union organizations. CSOs received assistance in developing a cadre of in-country trainers and materials to increase the capacity of smaller local CSOs to address local needs, but also to improve their managerial skills, financial and organizational stability and to increase their advocacy capability. Independent print, television and radio journalists were provided legal assistance, training and expertise to help them sustain their reporting, more effectively address their audience's concerns and promote ethical journalism. To bolster judicial independence and greater professionalism, USAID intensified the support it had given Croatian judges since 1993.

By far the largest challenge was helping displaced people and refugees return to their original homes which was a precondition for long-term stability in the region. Several hundred thousand ethnic Croats, Croatian Serbs and others were unable to exercise their right to return because their homes and communities were in ruins, their jobs were lost, and many feared that they may be unwelcome in their home communities. USAID helped to speed reintegration by supporting reconstruction in those communities that encouraged minorities' return and ensured that the human and civil rights of all affected populations were respected. USAID also supported local CSOs that provided legal services and monitored human rights. Economic opportunities were made possible through USAID's support for small and medium enter-

APRIL

MAY

JUNE

1995

- **Deliver training in court management and provide trips to U.S. courts**  
**Parliamentarians and political parties receive expert advice and support**
- **Support labor unions through training**
- **Help independent media secure financial viability**
- **Offer entrepreneurial and executive management training delivered by experts in the U.S.**

# 1995-2000

## CHAPTER 2: RECONSTRUCTION AND RECONCILIATION

prises and agriculture. The local partners and USAID reawakened community life by helping communities focus on reducing unemployment, creating an equitable market economy, reactivating schools, restoring utilities, and repairing roads.

### Helping Returnees Exercise Their Rights

The number of returnees has started slowly to increase after the spring and summer of 1995, when Croatia re-established military control over most of the regions it had lost during the conflict in 1991. However after the Croatian Army's military operation "Storm" in 1995, a large number of Croatian Serbs left Croatia and moved to Bosnia and Herzegovina or Serbia as refugees.

With improved security after the Erdut Agreement took effect in early 1996, reconstruction began and the number of returnees continued to rise, although not as swiftly as had been hoped. The demand for legal assistance increased dramatically after Croatia's reintegration of Eastern Slavonia in 1998. Minorities in Eastern Slavonia sought to obtain citizenship papers, marriage, birth and death certificates, identity cards, as well as their social benefits and the restitution of their property. These minority groups found the Croatian laws on citizenship and citizens' rights confusing. The legal process to restore rights and property was often protracted. Enforcement was inconsistent.

A Civil Rights Project was launched in Sector East by ADF's legal experts and funded by USAID and the Norwegian Government. USAID played a key role in helping train a cadre of CSOs that proved capable of shouldering an ever heavier caseload providing essential legal assistance to the present day. In many cases, the returnees could only reacquire their homes through effective legal and administrative support. At the local level, USAID supported CSOs, advocating minority and returnees' rights and helping them to reacquire their rights. At the national policy level, USAID and its partners promoted the rights of minorities, refugees, returnees and displaced persons.

Serb citizens found their rights curtailed. Citizenship rights were interpreted on an ethnic rather than territorial basis so that ethnic Croatians enjoyed automatic recognition, even those born in Bosnia and Herzegovina or other countries, whereas non-ethnically Croatian citizens were obligated to prove citizenship, although they were born within the new nation's borders or were long-term and permanent residents. The lives of tens of thousands of Croatian citizens were severely disrupted when they failed to reclaim their property lost in the conflict or receive benefits such as a state pension because their citizenship as non-ethnic Croatians was not officially recognized.

By 2000, seven USAID-supported legal aid CSOs, through their thirty legal offices across Croatia, provided pro-bono legal services to 48,435 clients and

1995

JULY

AUGUST

SEPTEMBER

**OCTOBER** • Elections for the Chamber of Representatives of the Croatian Parliament are held.

## DEFENDING MINORITY RIGHTS

**D**uring its fifteen year mission in Croatia, USAID worked closely with the leading human rights and peace CSOs. These groups all actively assisted victims of war and minorities. The Serbian Democratic Forum (SDF) is one example of a USAID-supported CSO that encourages reconciliation and insists upon non-discrimination. Formed in 1991 by a coalition of Croatian and Serbian citizens trying to find political solutions to the conflict, SDF has grown to become one of the largest CSOs in Croatia.

Its mission encompasses the repatriation and reintegration of refugees and the revitalization of war-torn areas. For instance, the Forum supported “go-and-see” visits by poten-

tial returnees to their homes, to build their trust and confidence in the reintegration process, as well as to allow them to directly assess the actual condition of their home and community. The Forum also provided an array of assistance during and after return.

Free legal assistance to refugees, displaced, and socially vulnerable people is one of the key services SDF provides. The organization also monitors the consistent application of the Constitutional Law on the Rights of National Minorities in its effort to ensure equal opportunity in employment, education and housing, a vitally important pre-requisite for harmonious reintegration.

The head of the Serbian Democratic Forum’s Pakrac office, Obrad Ivanovic, attended a USAID-funded training session held in Indiana, U.S.A., in 1996 to learn how other CSOs and organizations address and resolve social issues. He remembers, “It was the first mixed delegation from Croatia with Croatians and minority representatives, Serbs, Hungarians and other minorities. The core of this mission was to work out the post-war community in which both the CSOs and the government would participate.” He summarizes the Forum’s mission to advocate minority rights, “We raise problems, we talk about problems, but we would like to take a more active role. We also form partnerships with local governments.”

worked on 58,724 legal cases. In the course of the project, free legal assistance benefited 36,000 individuals whose cases were resolved. Printed information on legal issues related to return helped those considering return as well as the agencies that could assist in their return.

Returning to a war-scarred community and re-building a livelihood is an intimidating task. Establishing a business is an important step forward toward successful re-integration. Ethnic minorities and returnees sought support to register their businesses in Eastern Slavonia, Legal assistance was again needed to succeed in that process. With USAID support, ADF’s Business Registration Project listed 618 businesses and eased the registration of close to 4,000 more sole proprietorships, primarily those owned by Croatian Serbs.

The USAID-supported legal aid CSOs—the Association for Peace in Baranja, Center for Peace in Osijek, the Center for Peace in Vukovar, the Dalmatian Solidarity Committee, the Organization for Civic Initiatives and the Serbian Democratic Forum—formed the Legal Services Coalition (LSC). The LSC has proven its ability to effectively promote and protect human rights, provide free legal assistance and use its expertise and technical resources. It monitors and oversees the consistent implementation of legal norms guaranteed by the constitution and their concordance with internationally accepted standards, and educates the public on the importance of respecting human rights.

**USAID supported CSOs that provided pro-bono legal aid, benefiting 36,000 individuals whose cases were resolved.**

OCTOBER

**NOVEMBER** • The United States sponsors peace talks in Dayton, Ohio.

NOVEMBER

**NOVEMBER** • Erdut Agreement is concluded and establishes UNTAES to peacefully reintegrate Eastern Slavonia, Baranja, and Western Sirmium.

DECEMBER

**DECEMBER** • Croatia signs the Dayton Peace Accords, committing itself to a permanent cease-fire and the return of all refugees.

1996

# 1995-2000

## CHAPTER 2: RECONSTRUCTION AND RECONCILIATION

### Building a Strong Judiciary

An independent and impartial judiciary is indispensable in ensuring that minorities and all Croatian citizens can exercise their rights without discrimination. The Croatian judiciary in the mid-1990s was routinely the target of political interference in judicial appointments and court operations. The suspicion of corruption undermined the courts' credibility and authority. Many judges in this period were not re-appointed, because the appointment process was politicized. At the same time, many other qualified and experienced judges also left the judiciary. The newly appointed judges were comparatively young and lacked the knowledge and skills to adequately execute their judicial duties and responsibilities. Case back-logs, antiquated procedures and procedural inefficiencies further hindered the courts' effectiveness.

To help improve professional standards and autonomy, USAID funded workshops and training in court management for judges. Study trips to the U.S. and other countries were organized to assist the judges establish an association that promotes and protects the independent judiciary in Croatia. The resulting association, the Association of Croatian Judges (ACJ), active to the present day, was awarded grants to purchase computer equipment for its local branches and received technical support in publishing its journal, "Sudac", to better inform the judges about ACJ activities and training opportunities. Law faculties' in Split, Rijeka and Osijek were helped in instituting clinical law programs that augmented senior students' theoretical courses with the practical skills and knowledge required of legal practitioners.

A USAID grant was used to launch "The Judges' Web", a CSO that maintains an internet information clearinghouse to improve the transparency and efficiency of Croatia's judicial system. The database grants the public, judges and legal professionals access to a systematically updated archive of easily searchable court decisions and important public information, helping to satisfy the growing demand for judicial information in Croatia. USAID provided course materials and supported the development of a curriculum for the Croatian Judicial Academy's use in its judicial training programs. This project identified gaps and set the groundwork for the further development of judicial training and education. USAID through the American Bar Association's Central European and Eurasian Law Initiative (ABA/CEELI) assisted the Croatian judiciary develop a model of judicial education and aided them in defining their specific organizational structure, teaching methodology, curriculum, and financing strategy.

### Rebuilding Businesses and Farms

One of the main goals of USAID and its partners was to create jobs through its support for Slavonia's small, private enterprises and to enable returnees and minorities to gain basic economic security by expanding employment.

1996

JANUARY

FEBRUARY

MARCH

**JANUARY** • US President Clinton meets Croatian President Tudjman in Zagreb

**JANUARY** • UNTAES is established.

#### USAID PROGRAMS:

- Village democracy program encourages democratic process in eastern Slavonia
- Help uphold civil rights in Sector East

Joblessness plagued the region. The transition to capitalism, mismanaged privatization, and war damage forced the large, socially-owned agricultural conglomerates to shed thousands of jobs when they radically downsized their workforce or closed down completely. Small and medium enterprises thus became the most active job generators in the region and consequently received concerted business development support from USAID and its implementing partners.

By 1996, the Croatian economy rebounded for a period following the end of hostilities. The gross domestic product grew by about five percent. Inflation remained low and the domestic currency, the kuna, stable. But private investment growth nonetheless remained sluggish, as business growth was dampened by uncertainties about the future and limitations in the financial sector. This, in turn, stunted employment growth, especially in regions affected by war. New businesses and farms in economically deprived regions needed access to credit to survive and grow, but often could not provide banks the necessary collateral or guarantees. The borrowers were the foundation for the market economy that was to be built in transition from socialism. They were also the foundation for reintegration. To meet these challenges, USAID funded Opportunity International's effort to launch the NOA Micro-loan Cooperative in 1996.

Small entrepreneurs in Slavonia, and later around the country, used their loans to seize business opportunities that generated new employment. One of the founders of the micro-finance institution, Professor Slavica Singer, School of Economics, J.J. Strossmayer University in Osijek, recalled how NOA came into being in a bleak period, "Living on the edge of chaos from 1990 until the last grenades hit Osijek in 1995, I was happy when USAID came to us with this great idea of starting a micro-lending program. Its mission was to revitalize multi-ethnic economic life in Eastern Croatia."

NOA extends loans on a non-discriminatory basis to individuals that lack sufficient collateral or guarantees for borrowers to acquire financing from commercial banks. Today, NOA continues to help their customers become business owners or expand their enterprises by offering small loans, averaging about \$8,000, to small and medium entrepreneurs, family farmers, craftsmen and tourist-business owners in war-affected areas.

Since it was founded in 1996, NOA has disbursed over 3,100 loans valued at more than \$17.2 million and each year the number of loans disbursed increases. These small loans helped preserve over 5,600 jobs and generated almost 1,900 new jobs. The novice entrepreneurs needed to be proficient in marketing, market appraisals, collateral and credit. Banks were not willing to train the small borrowers. NOA stepped into the breach and trained, jointly with the Center for Entrepreneurship in Osijek, nearly 12,000 loan recipients in accounting and management practices. Over 340 new businesses were registered as a result of NOA's micro-lending activities. Refugees received

***“Living on the edge of chaos from 1990 until the last grenades hit Osijek in 1995, I was happy when USAID came to us with this great idea of starting a micro-lending program. Its mission was to revitalize multi-ethnic economic life in Eastern Croatia.”***

• **PROFESSOR SLAVICA SINGER,**  
School of Economics, J.J. Strossmayer University, Osijek

APRIL

MAY

JUNE

1996

- **Train union officials in collective bargaining**
- **Begin program to strengthen CSO's financial sustainability**

- **Foster small enterprise development in war-damaged regions through microloans, expertise and training**

**JUNE** • UNTAES certifies complete demilitarization.

# 1995-2000

## CHAPTER 2: RECONSTRUCTION AND RECONCILIATION

15% of the disbursed loans, while the percentage of loans assumed by women recipients continued to rise to 40% in 2008.

Singer remembers that people in Eastern Slavonia did not wish to depend upon humanitarian aid rather, "they wanted help to be able to stand on their own feet". In her estimation, the USAID grant and vision that created NOA offered loan recipients that opportunity. Singer summarized the project's impact, "NOA is a success story, because a good energy emerged from a synergy between USAID's support, local initiative and international best practice."

### Pursuing Prosperity

From mid-January 1998, for the first time since declaring independence, the Croatian government exercised sovereignty over all of the regions within its borders. The UNTAES transferred power to democratically elected, local government officials. Many saw this moment as the one of the most important milestones in Croatia's recovery from the war. Finally after four years of conflict, uncertainty and austerity, Croatians could begin to concentrate on building businesses and re-establishing their livelihoods.



### Small farm or start-up business

**Since 1996, NOA has disbursed over 3,100 loans valued at more than \$17.2 million. These small loans helped preserve over 5,600 jobs and generated almost 1,900 new jobs.**

### Inspiring Business Leaders

Small and medium enterprises were becoming a driving force in Croatia's development and reconstruction. USAID anticipated that its support to entrepreneurs would lead to business expansion, improved enterprise performance and wider business contacts that would accelerate economic activity and improve employment opportunities. The three-year Entrepreneurial Management and Executive Development training program (EMED), launched by USAID in 1995, enhanced the management skills and practices of the owners and senior managers of Croatian small and medium enterprises. Many of the training participants were based in war-affected areas. The program sent these entrepreneurs on individual training sessions. Through individually-tailored three to four-week courses, the managers visited trade shows, seminars, and companies in the United States where they received on-the-job training and consulted experts in their fields. From 1995 to 1999, USAID funded a World Learning consortium that provided entrepreneurial and executive development training to 74 participants, offering new insights and opportunities in a wide variety of industries ranging from agriculture to information technology and banking to tourism.

1996

JULY

AUGUST

SEPTEMBER

**AUGUST • Croatia and Yugoslavia agree to normalize relations**

# REBUILDING COMMUNITIES BY PROMOTING LOCAL DEMOCRACY

**S**tart-up training was also needed in municipal administrations since many new politicians took office without any prior experience of government operations, following the first local elections in previously occupied regions in 1997. During the region's reintegration after 1998, the Croatian government created many new municipalities. Here again, the new municipalities' officials had likewise little or no experience in public administration. USAID's partner, the Urban Institute, provided these officials a crash course in local governance.

To quickly brief new mayors, council members and county administrators, the Urban Institute, produced and distributed a practical guide detailing

the duties and responsibilities of elected officials. The project provided them with comprehensive training and tools on topics such as: taxation authority and responsibilities, capital improvement plans, municipal services and fee structures, leasing municipal land, citizen participation, public information, and conducting free and fair elections.

These local governments faced an enormous reconstruction effort to repair the damage the war had wrought: communities were polarized; public infrastructure, businesses and homes destroyed. USAID's Village Democracy Project helped reestablish representative decision-making at the local level by support-

ing communities that included minorities on their village boards. The Croatians, Serbs, as well as other national minorities that previously were segregated by war jointly agreed upon the projects that refurbished community infrastructure and raised their standard of living. These projects enriched community life and served to encourage displaced people to return to their homes. In coordination, UNTAES provided engineering support while USAID funded and advised the democratic planning and implementation of these projects. As a result, 43 villages and towns installed one hundred containers to temporarily house returnees and internally displaced families.

Following their training, many participants were able to improve, expand and reorganize their businesses by introducing new technologies, products and services, and developing lasting professional relationships with American business owners. This form of training connected Croatian enterprises to the global economy and enhanced Croatia business competitiveness.

## Rebuilding Communities by Welcoming Returnees

Displaced families and individuals often could not return to their homes since their workplaces and homes had been lost and community life had been disrupted during the war. Several organizations, including USAID, worked together with local governments to rebuild community infrastructure to promote each community's renewal and encourage displaced people or refugees to consider resuming their lives in their home towns and villages. The Return Assistance Program, designed and funded by USAID, built fish farms, bridges and water towers, delivered dairy cattle, helped people acquire supplies, funds, and loans to rebuild homes. The program reunited leaders of different ethnic groups, initiating the reconciliation that both sides hoped could occur.

After surveying the needs of war-affected communities, USAID and its partner, the International Organization for Migration (IOM), concluded partnership agreements with 16 municipalities under the Return Assistance Program. These communities were chosen because they were committed to reinte-

OCTOBER

NOVEMBER

DECEMBER

1997

**NOVEMBER** • Croatia joins the Council of Europe.

**NOVEMBER** • Massive public protest compels the Council for Electronic Media to re-issue independent Radio 101's broadcast license.

# 1995-2000

## CHAPTER 2: RECONSTRUCTION AND RECONCILIATION

grating all of their displaced citizens, regardless of ethnicity, and included representatives of all minorities on their village boards. Together, the community's stakeholders planned and implemented projects to rebuild the tradition of community-wide relationships.

The Return Assistance Program repaired marketplaces that local farmers and producers needed to sustain an income. Schools were reconstructed and reopened allowing children and young people to resume their education. The renewed electrical, water, and roads infrastructure raised residents' standard of living and offered businesses easier access to markets and allowed them to expand. Often, the projects received joint funding from the Croatian Government and the Croatian utility providers. These projects were designed and conducted to benefit the largest number of returnees and their communities by restoring public infrastructure and improving community relations. The Return Assistance Program built and renovated community centers where community groups held meetings, hosted cultural events and workshops, and received training. Since local authorities faced an unprecedented demand for services, the project also provided computers to local administrations to help improve and streamline their work.

Within a year of the Return Assistance Program's launch, seven more communities joined the original group of 16 municipalities and agreed to support reintegration through community reconstruction. For example, Knin joined after witnessing the progress achieved in neighboring Biskupija and Kistanje. By the end of the Return Assistance Project's second year, the 16 participating municipalities reported 30,100 registered returnees. Through these assistance partnerships, municipalities created policies and activities to encourage displaced people to return to their home towns. These municipalities demonstrated that divisions can be bridged and communities reunited. Neighboring communities, facing similar challenges, learned that this success can be emulated.

### Helping Civil Society Grow

In peacetime, Croatian CSOs continued to play a vital role in creating conditions for reconciliation and delivering humanitarian relief. These organizations also began to orient their missions towards improving social services and helping to reduce and address the disruptions that resulted from the transition to a market economy. That strategic shift required additional operational capacities that many CSOs lacked. In 1998, USAID commenced the 3-year CSO Development Program together with its partner, the Academy for Educational Development (AED). The program provided expertise and technical support to CSOs working on issues such as human rights and democratization, social welfare and reconciliation, women's rights, environmental protection, business and economic development. Through its NGO Development Program, USAID stimulated Croatian efforts to improve domestic organizational training and support for CSOs.

1997

JANUARY

FEBRUARY

MARCH

# REBUILDING COMMUNITIES BY ASSISTING SMALL FIRMS

In 1997, the economy in Slavonia remained weak compared to other regions in Croatia. Limited employment also contributed to slow progress in refugee returns. To boost Slavonian businesses' revenues and thus regional employment, USAID worked to improve the competitiveness of small firms and farmers' cooperatives. USAID formed a team with the University of Delaware's Firm-Level Assistance Group (FLAG) composed of American volunteers and Croatian consultants.

FLAG provided one-on-one consultancy to small companies and farmers. With the help of FLAG's experts, these businesses concluded business agreements with national and regional buyers that gave the food producers, manufacturers and processors the needed assurance that their products and services would be purchased at favorable prices. The partnership with FLAG helped small and medium entrepreneurs acquire the comprehensive marketing planning they needed to compete yet could not have otherwise afforded to purchase from commercial consultants.

Farmers were counseled to form cooperatives to share costs and achieve better purchase agreements for their products. FLAG provided accountancy training for the supported farmers to ensure that they would operate as financially sound and transparent suppliers. Within a year of the program's launch, the strengthened cooperatives and companies were able to market their products regionally. Increased output and uniform quality also enabled these enterprises to make new business connections allowing them to negotiate with a larger group of interested buyers. By the end of the four-year project, FLAG helped its partner enterprises grow further by identifying and easing access to sources of credit. Overall, USAID's project helped more than 3,700 individuals, small firms and farmers' organizations restructure

their enterprises. As a result, 42 new farmers' organizations were registered, 11 organizations were restructured into modern cooperatives, employment in the assisted organizations increased by 17%, and sales grew by 11%. Approximately 880 trade linkages were established between FLAG-assisted firms and potential buyers, both domestic and international. FLAG helped farmers and entrepreneurs acquire working capital by publicizing available sources of credit. When bank and government lending were at a standstill, FLAG awarded \$800,000 in grants to



The NGO Development Program included an intensive, six-month "train the trainer" segment. The training graduates then formed three training organizations: EOS and NIT, based in Zagreb, as well as SMART, based in Rijeka. These groups have successfully acquired public and commercial contracts to provide needed training and to help CSOs improve their advocacy, strategic planning, and fundraising. The program also produced a Croatian-language publication on CSO management and provided information to help civil society organizations find support networks and improve their service delivery, such as a registry of trainers, and databases of funding sources offered.

In the 1990s, CSOs struggled with the restrictions imposed by regulations and legislation. For instance, onerous legal constraints on fund raising were in place, forcing CSOs to rely on foreign support. The financial police could en-

**USAID's project helped more than 3,700 individuals, small firms and farmers' organizations restructure their enterprises ... employment in the assisted organizations increased by 17%, and sales grew by 11%.**

APRIL

MAY

JUNE

1997

**APRIL** • UNTAES conducts the first local elections under the Croatian constitution. Turn-out exceeds expectations.

**MAY** • US Secretary of State Madeleine K. Albright meets President Tudjman in Zagreb and appeals for the return of Serb refugees

# 1995-2000

## CHAPTER 2: RECONSTRUCTION AND RECONCILIATION

**By the end of the Return Assistance Project's second year, the 16 participating municipalities reported 30,100 registered returnees**

ter CSO premises without warrant, examine records and suspend their operations. The Croatian Law on Associations gave government officials broad powers to prevent a CSO's establishment, as well as monitor and suspend a CSO's activities without court proceeding. A USAID support program endeavored to release CSOs from these restrictions and administrative impediments that had hindered CSO expansion, networking and fund-raising. In USAID's CSO Legal Reform Initiative, the International Center for Non-Profit Law (ICNL) and other organizations worked with the Croatian government and CSO leaders to develop a legal and regulatory framework to empower CSOs. In cooperation with ICNL, USAID assisted Croatians in drafting new legislation, implementing the new laws, providing training and technical assistance, as well as producing publications on the CSO legal framework and educating lawyers and CSO representatives in not-for-profit law.

In 1999, a task force of the Ministry of Justice and CSO legal experts drafted a new Law on Associations that eased CSO registration and allowed foreign foundations to set up branch offices in Croatia. The task force also revised the Law on Foundations and Funds to provide significant tax benefits for CSOs. In 2001, the new Law on Associations was adopted by the Sabor, simplifying CSO establishment and granting CSOs independent governance administration. This was followed by the 2002 enactment of new tax laws that granted CSOs tax exemptions.

### Supporting Labor

USAID supported Croatian organized labor since 1994. Labor unions represented a large proportion of Croatia's workforce with the potential to positively influence the transition to a market economy. Many Croatian workers' lives were disrupted in the 1990s by a privatization process that was opaque, politicized and prone to produce enterprises that proved incapable of sustaining the workforce. Thus unions witnessed ever more lay-offs and further thinning union ranks.

Starting in 1999 USAID's partner, the American Center for International Labor Solidarity (ACILS) of the American Federation of Labor and Congress of Industrial Organizations, trained representatives of the five largest union confederations, improving communication between the rank and file and the leadership. Union leaders were trained to listen to the unfiltered opinion of their members when developing strategies and policies. With this direct, broad feedback from the rank and file, the unions could devise better policies.

New laws established collective bargaining in Croatia, but unions lacked skilled negotiators. Unions sent members to ACILS training over a five-year period from 1999 to 2004 to develop a team of negotiators. The introduction of collective bargaining is credited with significantly reducing strike days,

1997

JULY

AUGUST

SEPTEMBER

#### USAID PROGRAMS:

- Provide technical support for the April local elections in the UN-administered zones

- Enhance public administration of municipalities affected by war
- Support election monitoring by the CSO GONG
- Provide political parties organizational training

- Provide training, study tours and professional contacts for those engaged in the transition to democracy and market economy

lifting industrial productivity and acting as a further incentive for foreign investors to consider opening factories in Croatia.

The democratization of organized labor also contributed to Croatia's embrace of women's rights. During collective wage and contract negotiations, unions included in their demands guarantees of equal treatment in the workplace and equal benefits for women. In both the unions and the CSOs, women were free to advance to leadership positions, heightening their influence. Political parties responded by including quotas in their platforms for positions in party leadership dedicated to women, as well as for positions for women as elected representatives in local, regional and national government. Participants in USAID-funded labor support programs credit the ACILS workshops and training with raising awareness of both women's under-representation in unions and politics, as well as women's unequal status in the workplace.

Today, Croatian trade unions are able to provide for their own training and development. Through USAID assistance, trade union organizations have learned to collaborate on key issues to effectively lobby the government and become a stronger, united political force.

### **Strengthening Political Parties**

By the late 1990's, voters began to consider and choose political alternatives. Political party leaders thus were motivated to take on the task of transforming their parties into modern political institutions capable of offering and delivering solutions for the social, economic and administrative problems Croatia was facing.

Beginning in 1995, the USAID partner, the National Democratic Institute for International Affairs (NDI), helped political parties strengthen their organizational capacity and improve communication between central and branch offices, the foundation of strong political parties. In turn, the political parties began to directly engage their constituency when formulating messages and campaign platforms. The new branch organizations were more responsive to the views of women, the young, and retired. Political parties began to establish relationships with unions, CSOs and the media to broadcast their messages more widely and effectively. Through its political party-building program, USAID trained more than 6,000 elected representatives, party members and civic activists. Political organizers developed the skills needed to train other party members in effectively contacting voters, conducting campaigns and building party membership.

With USAID funding, the International Republican Institute (IRI) began in the late 1990s to share with the political parties their experience in using opinion polls to shape campaigns and employing focus groups to learn how best to address specific voter groups. Over 20 party leaders also received one-on-

OCTOBER

NOVEMBER

DECEMBER

1998

- **Support food-sector enterprises through targeted credit and investments**
- **Help small firms and farmers in war-affected areas become more productive**
- **Support for youth-oriented and youth-led CSOs**

# 1995-2000

## CHAPTER 2: RECONSTRUCTION AND RECONCILIATION

one communications and media training to prepare for debates and other campaign appearances. Party youth learned public speaking skills and received technical assistance in organizing get-out-the-vote campaigns.

### Getting out the Vote

In 1997 in coordination with USAID's other programs to strengthen citizens' participation in a democratic political system, USAID's Office of Transitional Initiatives (OTI) helped increase voter participation by supporting both CSOs and a free press that were working to inform the electorate and encourage citizens to exercise their right to vote. Over the coming three years, OTI sought to strengthen Croatian NGO advocates and the independent media to promote transparency and accountability in governmental institutions.

Prior to the 2000 Sabor elections, opposition political parties had few opportunities to interact with their constituencies. Thus, the means to raise public awareness were limited and many feared that voter turn-out in these crucially important elections would be lower than in earlier years. USAID, through its OTI program, assisted civil society and media with their "get out the vote" activities. The elections turned out to be a rallying point around which CSOs learned to coordinate and work together. In addition, unions established a cooperative relationship with political parties and CSOs for the first time. Together these groups participated in joint get-out-the-vote campaign. The unions also afforded opposition politicians a further opportunity to meet the electorate and explain their party platforms.

Many independent media organizations received grants from USAID's OTI to develop news and programming content. An OTI evaluation conducted after the program ended found that while most Croatians said they didn't believe government-funded media was objective and accurate, they held the independent media that received USAID support in much higher regard.

### Supporting a Free Press

USAID's OTI and USAID'S implementing partners promoted a free and independent media to provide the Croatian electorate a broad and representative spectrum of views. The Croatian media had been monopolized by a narrow set of political viewpoints that constrained voters' understanding of the events affecting their lives. A limited and controlled media thus impinged upon voters' ability to make informed decisions. USAID helped strengthen independent Croatian media that offered the electorate a wider range of views and alternative policies that voters could consider and choose when voting.



# GONG: A CSO ENSURES FREE AND FAIR ELECTIONS

**F**ree elections are the most direct and fundamental means for citizens to participate in a democracy. The Croatian electorate's will to support political and economic reform could only be accurately reflected through fair elections. Worryingly, voter turnout had fallen in the 1997 presidential elections; there were fears that the decline would continue, in particular among the young. A coalition of Croatian human rights and peace CSOs established a coalition to monitor elections.

Soon after a group of students also joined this informal coalition hoping to raise voter confidence, spark interest and forestall election manipulation. The students registered a CSO, GONG, which invested the support it received from USAID, OTI and other donors in building 12 regional branches and mobilizing 5,600 volunteers to monitor the 2000 parliamentary and presidential elec-

tions. Many GONG volunteers were also civic activists from human rights, peace, youth, women and environmental CSOs. Complementing the efforts of other democracy advocates, the group undertook a campaign to educate voters about the frequent, and confusing, changes that had been made in the election system. To help GONG meet its increasing responsibilities, USAID supported the volunteer election monitors' training and travel, as well as the educational radio and television programming GONG produced. In the same year, GLAS 99 was established by CSOs to enliven interest in the forthcoming elections. Together GLAS99 and GONG helped to boost voter turnout for the 2000 elections to their highest level since 1990, reaching around 76%.

GONG continued to refine its election monitoring. In 2005, GONG observed irregularities at polling stations and reacted quickly by alerting

election officials. The news media reported extensively on its work. "The 2005 elections were very important for GONG and for Croatia, according to GONG's executive director, Suzana Jašić. "For the first time, the media expressed great interest in our work. They contacted us on a daily basis to ask for more news and opinions. We received the same media coverage as the Government's own Election Committee."

GONG continues to monitor and advocate further reforms to ensure that the political process in Croatia remains fair and transparent. Maintaining a high public profile and broad range of activities, GONG educates citizens about their rights and duties, organizes forums and venues to bring citizens and their elected representatives together, promotes transparency within public services, manages public advocacy campaigns and helps citizens in self-organizing initiatives.

USAID began its support for Croatian media in 1995 through the regional ProMedia I project implemented by its partner, the International Research & Exchanges Board. Members of the Croatian Journalists Association (CJA) attended a "Weekend Journalism School" to learn investigative reporting methods. The project also sent media lawyers to the U.S. to observe how their American counterparts defended press freedoms. The program paid particular attention to the financial sustainability of media institutions and the legal protection of journalists. The training was so effective that the CJA became the foremost, permanent training institution for young Croatian journalists. The CJA also began to promote adherence to journalistic ethics and legal reform, taking an active role in advocating policies that allow journalists to work free of political pressure. ProMedia also helped the CJA to become a financially sustainable organization by supporting the development of its business plan and improvement of its premises.

The political environment for independent journalists in the 1990s was often adversarial. Critical journalists were dogged by legal suits stemming from their reporting on government practices, which existing laws deemed libelous. In the 1,900 cases pending against journalists at that time, the govern-

*"The 2005 elections were very important for GONG and for Croatia. For the first time, the media expressed great interest in our work. They contacted us on a daily basis to ask for more news and opinions. We received the same media coverage as the Government Election Committee."*

- **SUZANA JAŠIĆ,**  
Executive Director, GONG

APRIL

MAY

JUNE

1998

## USAID PROGRAMS:

- Launch the judicial ethics workshop
- Rehabilitate public infrastructure in communities that encourage displaced populations' return

- Provide training to political party leadership in election campaigning
- Conduct public opinion polling to support political parties' strategy development

- Educate voters and hold candidate fora
- Provide legal assistance to journalists
- Provide grants and training to Croatian CSOs

# 1995-2000

## CHAPTER 2: RECONSTRUCTION AND RECONCILIATION

ment sought a staggering \$50 million in damages. These suits threatened the financial survival of the independent media outlets and individual journalists. USAID responded by supporting free legal advice for Croatian media and journalists.

Vesna Alaburić, Croatian media lawyer, defended journalists and editors in more than 200 civil suits, including some 130 criminal libel cases. This earned her an American Bar Association International Human Rights Award for pursuing “the highest ideals of our profession in the face of extraordinary adversity.”

“In the nineties, we can safely say the Government had placed a number of media under its control and attempted to legally discipline those it did not control,” Alaburić recalled. “The American support and their help for us were really very important. They came with the American approach to the freedom of expression, which means you can speak very freely about all political issues, about the public life of public figures. And this right is something that should be respected.”

The independent media, dogged by political interference, also struggled to reach the public. An opportunity arose for USAID and its Croatian partners to swiftly establish an alternative television network through a USAID-sponsored visit to the U.S. in the summer of 1999. During their study trip, the Croatian television producers met American communication technology experts. Together they devised a plan to create a distribution network utilizing Croatia’s existing fiber-optic infrastructure. By December 1999, USAID’s OTI assisted the new network, the Croatian Commercial Network (CCN), produce its news program, *Vijesti Dana*.

The television programming CCN distributed was broadcast by a network of independent, local television stations, enabling CCN’s programming to reach about 75% of the Croatian population. CCN therefore became the first independent national news broadcaster to compete with state-owned Croatian Radio and Television (HRT), winning awards for the best television news in Croatia during its first years in operation. Although CCN later ceased operation, CCN-trained journalists went on to other media outlets where they continue to apply the objective and professional journalistic standards they developed at CCN.

USAID’s media support effort also had a direct effect on the forthcoming parliamentary and presidential elections. CCN produced programs that introduced opposition candidates and hosted debates significantly lifting public interest in the issues and the campaigns.

In radio, USAID supported the creation of the Association of Independent Radio network that began providing Croatia’s first national independent news programming for local radio. The project also linked 12 independent mem-

1998

JULY

AUGUST

SEPTEMBER

**AUGUST • US Secretary of State Madeleine K. Albright meets President Tudjman and Croatian politicians and journalists in Zagreb.**

## DEFENDING INDEPENDENT MEDIA: THE RADIO 101 STORY

One of the radio broadcasters that USAID supported, RADIO 101, was confronted with the revocation of its license on Nov. 25 1996. By that evening, some 100,000 people spontaneously gathered at Zagreb's central square to support the station. In the morning, in the

wake of the public outrage, the Council for Electronic Media reversed its decision and renewed Radio 101's license. As Feral Tribune noted, "No one organized them and led them out of factories, schools and their homes. They came on their own; they wanted to support Radio

101 and send a message to the officials who wanted to abolish this station: you didn't start the station; you won't take it off the air! They experienced it as another attempt to limit their right to be informed voters."

ber stations by satellite and supported their shared news and public affairs programming.

### Recovery Begins

Since peace returned, four years earlier, Croatia's democratic institutions had advanced noticeably. Local elections were held in once-occupied areas, resulting in significant minority representation. The media had gained widely-respected, independent voices. The judiciary's independence was underpinned by a vocal Association of Croatian Judges that would defend their institution from political bias. Political parties and CSOs had proven that they could effectively represent their constituencies to bring about lasting and positive social change. The Croatian electorate turned out in record numbers to vote in the 2000 Presidential and Parliamentary elections. The electorate demanded reform, a mandate assumed by a new coalition government. The new government's subsequent support for democratization would allow USAID and its Croatian partners to build upon the successes they had already achieved.

By 2000, Croatia's economic recovery, although difficult and prone to setbacks, had been underway for half a decade. War-affected communities had begun the long process of rehabilitation, supported by USAID. Infrastructure was rehabilitated in dozens of towns and villages where jobs were created through new business ventures and refugees were encouraged to return to their original homes. Croatians now expected a brighter future.

*"In the nineties, we can safely say the Government had placed a number of media under its control and attempted to legally discipline those it did not control. The American support and their help for us were really very important."*

- **VESNA ALABURIĆ,**  
media lawyer

OCTOBER

NOVEMBER

DECEMBER

1999

# 2000-2007

## CHAPTER 3: REVITALIZATION AND REINTEGRATION

***In the 2000  
parliamentary elections,  
the Croatian electorate  
realized and used its  
power to shape and  
influence government  
and public policy.***

The road towards a better future would be built over the coming seven years. These years also were the final years of USAID's mission during which USAID focused on the completion of Croatia's transition process by supporting three main areas: improving the political system and government effectiveness, strengthening civil society and boosting small and medium enterprises' competitiveness.

In the 2000 parliamentary elections, the Croatian electorate realized and used its power to shape and influence government and public policy. That shift in thinking came in part through the firm belief held by many CSOs, journalists, politicians and average citizens that change is possible. Moreover, the elections proved that politicians can effectively be held accountable to their constituencies. Some political leaders began to address real concerns and needs, moving beyond the rhetoric of ethnic strife. People believed that their vote could make a difference.

For the first time since USAID's mission began, USAID and its partners were able to implement their programs through direct engagement with Croatian national governmental institutions. Previously, this level of cooperation had been achieved only at the local level. The prospect of Croatia's accession to the European Union and NATO membership began to drive a reform process that USAID supported vigorously through its programs.

Two years after the new coalition government assumed office, the accelerated pace of reform allowed USAID to predict when Croatia's political and economic transition had made sufficient, irreversible progress to become self-sustaining, obviating the need for further direct USAID assistance. USAID adapted its strategy to ensure that its resources could yield the greatest, durable benefit during its mission's final phase. The overarching goal of USAID Croatia's mission remained the development of a fully democratic society and productive market economy that would serve as a cornerstone for prosperity and stability in the region.

One of the major democratic reforms undertaken in this period was the Government of Croatia's decentralization effort which USAID supported throughout its implementation. In this process, Croatia's central government

1999

JANUARY

FEBRUARY

MARCH

#### **USAID PROGRAMS:**

- **Extend reconstruction activities to encourage refugees' return**
- **Survey focus groups to identify voter concerns**

- **Support minority media and independent media management**
- **Fund public outreach to increase voter turnout**

- **Deliver legal advice to help minorities and refugees exercise their rights**
- **Offer technical advice in drafting the new Law on Foundations**

delegated responsibilities previously held within the national government to local governments in an effort to enhance efficiency. This removed the national government's intermediation and allowed local officials to allocate resources in accordance with local needs. While the reform promised to bring improvements in administration and the standard of living, it also imposed heavy administrative and fiscal demands on the country's 567 local governments. USAID's Local Government Reform Project helped local officials better meet these demands by introducing new public administration practices, transparency measures, and citizen participation strategies to municipalities throughout the country.

The transition process placed new burdens on governments and society at large. USAID's strategy recognized that civil society organizations play an essential role in a democracy, demanding and driving social reform, while filling gaps in government-administered social services. In 2001, USAID intensified its cooperation with Croatian CSOs through assistance programs that spanned the following seven years. National and community-based organizations around the country were strengthened so that these groups could mobilize more citizens and more effectively work with local, regional and national policy makers to find solutions for their constituents' concerns. Expert guidance from USAID's partners offered these organizations the basis for their financial and organizational sustainability. At the same time, CSOs were supported in their continuing effort to draft legislation that reformed the laws governing foundations, CSOs' tax exempt status, as well as the legal framework for philanthropic donations. Over three hundred CSOs were awarded small grants. This funding was coupled with training that gave the grant recipients the means to immediately improve their management and service delivery.

Building a vigorous and self-sustaining civil society was one of the program's fundamental objectives. The supported CSOs worked to recruit volunteers and win media support for their missions in an effort to improve their public image and gain wider community recognition. Regional NGOs received substantial support from USAID to develop two-year training and development plans to institute an indigenous CSO support infrastructure that can assist grassroots CSOs throughout Croatia. These NGOs remain as legacy organizations. USAID's support helped to ensure that they will be able to diversify their funding base and improve their financial sustainability. USAID's CSO development program helped to found a Trainer's Forum and later introduce quality certification guaranteeing professional standards and ethical standards.

In this final phase of support to Croatia, USAID's third area of strategic focus concentrated on helping develop a dynamic small and medium enterprise sector that would act as the engine for economic growth and a source of new jobs. Persistent high unemployment was perceived by USAID as the most critical threat to Croatia's progress toward long-term political stability and economic prosperity. USAID provided entrepreneurs training and tech-

APRIL

MAY

JUNE

1999

# 2000-2007

## CHAPTER 3: REVITALIZATION AND REINTEGRATION

**... unemployment fell by 20% in the participating communities from 2002 to 2004, twice as fast as in neighboring communities. The project raised incomes in one of the poorest regions in the country.**

nical support to enhance managerial and entrepreneurial skills, while building associations and cooperatives that would improve producers' and service providers' competitiveness and raise revenues through improved market linkages.

Preparation for Croatia's eventual membership in the European Union transformed the desire for change into systematic action in business and policy-making. USAID-funded training, expertise and technical support were sought-after services as Croatian enterprises, organizations and governments strove to meet international and European Union standards for transparency and quality.

### Improving Living Conditions and Infrastructure

In 2001, USAID conceived an Economic and Community Revitalization Project (ECRA) to increase employment and enliven business growth in regions that remained underdeveloped. Through this effort, reconstruction projects were completed in 10 municipalities located on the border with Bosnia and Herzegovina. In these towns that had been severely damaged in the war, repairs had moved forward slowly. By rehabilitating communities and dwellings, USAID's ECRA project encouraged the displaced to continue to return to their homes.

These 10 communities were chosen because of their expressed commitment to reintegrate returning families and individuals. Community committees, which were composed of representatives of each municipality's ethnic groups, agreed upon projects that benefited the largest number of residents. As hoped, social and political life in the supported communities was revitalized by cross-ethnic cooperation and eventually the committees comprised a total of 17,000 people drawn from all ethnic groups.

Within four years, the committees' program to re-activate local economies created employment for 1,900 people. It supported family farms through livestock and financial loans and provided technical assistance and training to improve business and farming productivity and profitability. As a result, unemployment fell by 20% in the participating communities from 2002 to 2004, twice as fast as in neighboring communities. All ethnic groups benefited equally. The project raised incomes in one of the poorest regions in the country.

All of these communities lacked sufficient housing which presented a major, widespread obstacle for returnees. Many of their homes, which they had been forced to abandon, were used in the meantime by families that had likewise been uprooted. Other returnees found that their homes had been destroyed. In combination, the lack of housing and employment curtailed returns. Taking these limitations into account, USAID's Community Infrastructure Reconstruction Program was launched in parallel with ECRA. Entire

1999

JULY

AUGUST

SEPTEMBER

communities had been left without water, electricity, sewage and passable roads. Repairing public infrastructure, such as green markets and roads, re-established the means for producers to deliver their goods to buyers. Repaired schools and civic centers raised the standard of living for thousands, which in turn eased returnees' integration into the community. Under this USAID-funded program, USAID's partners rebuilt 100 houses, eight community centers, 12 schools, four kindergartens, four playgrounds, two office buildings, three green and multi-purpose markets, a health clinic and a library. The program directly benefited 55,000 people.



School and health services in these communities resumed normal operations. After years without power, the lights and appliances worked once again in 1,965 homes. Electricity projects benefited 84 villages, or about 26,000 people. A further 30,000 people can now depend upon a reliable, safe source of water. Electrification not only eases the life of residents living in these villages, it also helped foster the return of an additional 500 displaced people reluctant to return home. Two road upgrades made it easier for 11,000 people to reach neighboring communities, markets, medical services, government offices and their workplaces.

On average, the USAID-supported communities welcomed more displaced people back to their homes than in communities nationally. When the rate of resettlement was falling elsewhere, the participating communities could boast a consistent number of returns. The trend illustrated that these towns and villages can attract and sustain families, and in particular a working-age population, which injects new life into the region.

### **Training Responsive Political Parties**

Along with reconstruction of physical infrastructure, USAID and its implementing partners worked to strengthen the foundations of the political system by assisting in the development of political parties. When a coalition of parties won the 2000 parliamentary elections and formed a new government, USAID's program implementers were able to work directly with national government institutions for the first time, as well as expanding their cooperation with the Sabor and all leading Croatian political parties, to help them modernize their operations.

IRI trained newly elected officials in effective communications between the coalition partners, government ministries, the parliament and the general public. Ministry spokespeople, as well as political reporters and editors, attended training to improve their mutual understanding and enhance professional standards.

***USAID's partners rebuilt 100 houses, eight community centers, 12 schools, four kindergartens, four playgrounds, two office buildings, three markets, a health clinic and a library. The program directly benefited 55,000 people***

OCTOBER

NOVEMBER

DECEMBER

2000

**DECEMBER • Croatia's first President, Franjo Tudjman, dies**

# 2000-2007

## CHAPTER 3: REVITALIZATION AND REINTEGRATION

In an NDI initiative, Croatian parliamentarians visited the U.S. State of Washington to observe committee hearings in the state legislature to experience how citizens influence legislation and how the legislature oversees the state government. In the same program, caucuses in the Sabor learned how to develop strategic plans and improve communication among members of parliament and between the parliamentarians and their party headquarters. With USAID's support, NDI also conducted workshops in which women parliamentarians honed their skills in political leadership. The training also improved parliamentary staff's proficiency in using computer technology to better communicate with constituents as well as to conduct research for legislators more rapidly and more comprehensively. More than 6,000 party activists, elected representatives, political party members, and civic activists have participated in NDI training programs on member recruitment, voter contact, branch development, election planning, organization and readiness since 1995. They have also developed skills in long-term strategic planning, internal and external communication, and message development.

In preparation for the November 2003 general elections, NDI helped political parties reach out more effectively to citizens by building focus groups of undecided voters from traditionally underrepresented groups, coordinating activists and members at all party levels, developing more effective communication techniques, and including elected representatives in outreach activities. By all accounts the November 2003 parliamentary elections were free and fair, marking the second consecutive peaceful transfer of power since Croatia gained independence in 1991.

The multi-party political system is now a stable, democratic institution in Croatian society. This transformation supported by the partnership between Croatian and American political parties, experts and activists.

### Supporting Court Reform

A judiciary operating free of corruption and political influence ensures that the law is enforced fairly and civic and human rights are respected. Inefficiencies or incompetence in this complex organization weaken the institution, calling into question the value of property and contractual obligations. Croatia's economic development suffered due to investors' hesitancy to make long-term commitments and because legal ambiguities clouded their ability to project the potential yield of a given investment. Since the courts' unfettered independence also is of fundamental value in checking the power of the executive and legislature, as well as guaranteeing the rights of citizens in a democratic state, USAID began a long-term judicial improvement and support program in 1995, expanding these efforts substantially with the advent of the pro-reform coalition government that took office in 2000.



Croatia's busiest and most over-burdened court is the former Zagreb Municipal Court (ZMC). The ZMC, which was divided into Civil and Criminal Courts in late 2007, is comprised of 700 judges and court staff. Lacking information technology such as electronic file storage and computer-generated document templates, existing court management methods and techniques resulted in major backlogs. USAID offered support as the ZMC experienced growing pressure to reform and improve its performance. In 2000, after detailed and extensive consultation, USAID funded the development of court management systems, installed computer and network technology and provided users training. The reform project engaged the judges and court staff to ensure that the new system was successful. In addition, a judicial opinion database for the ZMC judges was designed and developed. This innovation offered judges instant access to relevant judicial opinions. By 2004, nearly all judges in every ZMC courtroom could use at least one computer-automated decision template and access relevant judicial opinions.

The Court's Book of Rules, which pre-dated automation, was suspended to test automated case flow management. In January 2006, the Book of Rules was amended to allow these automation efficiencies. The court launched a website to provide citizens immediate access to essential court information. The initial increase in case dispositions were modest as the courts were exploring automation benefits and integrating automation into their everyday work. The system's refinement continues today with more pilot testing throughout Croatia prior to the full roll-out to the entire court system. The World Bank and the European Union have taken over long-term funding and support of the project. Court reform will continue to be monitored by the international community as Croatia approaches EU accession.

***The Croatian Judges Association adopted a code of judicial ethics, modeled after the American Bar Association's code. USAID trained nearly all Croatian judges on the Code.***

### **Training an Ethical Judiciary**

With the judiciary's growing independence from the central government, a burning concern could be addressed: judicial ethics and autonomy. Through a USAID-funded Rule of Law project, ethics were introduced in workshops led by USAID, proving to be a novel concept, welcomed by the judges.

The Croatian Judges Association adopted a code of judicial ethics, modeled after the American Bar Association's code. ABA/CEELI trained nearly all Croatian judges on the Code. The nation-wide seminars on judicial ethics sensitized the entire Croatian judiciary to the need for ethical behavior and judicial integrity to gain essential public trust and confidence. U.S. Supreme Court Associate Justice, Sandra Day O'Connor, visited Croatia in July 2000 to draw attention to the new ethics code. A lasting legacy of the USAID Rule of Law program in Croatia is the recognition of judicial ethics as an integral element of the judicial profession. The Association of Croatian Judges' work on developing rules for a court of honor provided the foundation for the Code's finalization and adoption by the Supreme Court in 2006.



# 2000-2007

## CHAPTER 3: REVITALIZATION AND REINTEGRATION

**“... this experience conveyed to us the values a judge must have in order to adjudicate as one should – meaning independently and without bias. A true judge acts solely in accordance with his or her conscience, ethics, honesty and the law.”**

- **JUDGE MARIN MRČELA,**  
*Zagreb County Court*

Recalling the impact USAID's Rule of Law program had on Croatian judges active at that time, Judge Marin Mrčela from the Zagreb County Court remembers, “The experiences we gained through such trips are priceless. While there we met the Florida and Utah Supreme Court Judges. Our exchange was not based on judges simply conveying their opinions. Instead we had a number of other meetings with people related to the court, which gave us some insight into their relations towards the courts and to the judges. But more than that, this experience conveyed to us the values a judge must have in order to adjudicate as one should – meaning independently and without bias. A true judge acts solely in accordance with his or her conscience, ethics, honesty and the law.” Judge Mrčela noted that seven of the eight judges that participated in the USAID study group later went to assume the “highest positions in the Croatian judicial system”. The most notable characteristic of the Rule of Law program in Judge Mrčela's view is the manner in which the training was conducted, “they did not teach us what to do or show us what to do, rather how to get it done.”

### **Strengthening Bank Supervision and Oversight**

One of government's most important functions is to protect citizens' savings and win investors' confidence by ensuring the stability of the banking sector. Inadequate bank supervision was seen by USAID to be one of the obstructions that slowed Croatia's economic recovery. Without it, lending was limited. The financial sector lacked a robust banking supervision authority to detect and correct overstated asset quality and to identify banks whose liabilities outweighed their reserves. As a result, the financial sector suffered from investor anxiety and limited domestic liquidity. That anxiety was well-founded: during 1998 and 1999 seven banks went into receivership and two were taken over by the government as a result of the dramatic collapse of Dubrovačka Banka in March 1998.

The National Bank of Croatia (HNB) and USAID had already entered a long-term partnership in 1994 to strengthen the HNB's oversight capacity, in particular to build a professional bank supervision department. That relationship was intensified in 2001. Financial experts recognized that investor confidence would rise substantially if the Croatian National Bank met international norms in monitoring the banking industry. Therefore, USAID re-established its program with the financial experts from KPMG/Barents Group (and later Bearing Point) to strengthen the HNB's supervisory capacity. USAID's first step was to train HNB's bank examiners, followed by a program to standardize the accounting procedures used by financial institutions throughout Croatia. This improved bank examiners' awareness of potential risks and increased transparency about banks' assets and liabilities. The HNB's examiners then reviewed their bank supervisory procedures, developing a regulatory reporting form and an instruction manual with the help of USAID's partners.

2000

JULY

AUGUST

SEPTEMBER

- **Brave Phone hotline to prevent child abuse is opened**
- **Extend support for children's education in war-affected areas**
- **Make additional funds available to help implement the Dayton Accords**
- **Assist the Ministry of Economics and Finance in its relations with the World Bank and the IMF; provide advice on foreign investment, capital markets, infrastructure projects**
- **Support the independence of the judiciary and enhance court efficiency**

Once implemented the new supervisory procedures and standardized reporting allowed the HNB in its offsite inspections to examine the full range of financial risks that may threaten a bank. With the HNB Governor's endorsement, USAID's experts provided HNB staff expert guidance on tightening bank supervision, introduced a new bank rating system, and conducted risk assessments at 10 Croatian banks. HNB instituted stricter internal controls and tougher capital reserve regulations. In the course of the program, bank supervisors adopted and applied internationally recognized, risk-oriented approaches to bank monitoring and risk ratings for all Croatian banks.

Over the course of the partnership between USAID and the HNB, the Croatian financial sector has undergone a profound transformation. By 2004, 90 percent of Croatian bank assets and 50 percent of its banks were foreign-owned, resulting in significant reform pressure to meet international norms but also new risks associated with international exposure and participation. USAID assistance to the HNB was instrumental in helping it adapt to these changes smoothly and to thrive. A well-developed financial sector and capital market also enhances Croatia's long-term prospects for European integration. Upon the project's completion, the regulations, policies and procedures put into place have placed Croatia's banking sector in one of the strongest positions in Central and Eastern Europe.

### Improving Municipal Governance

Decentralization has long been viewed as one of the primary means to raise government efficiency by granting local authorities the right to regulate and manage public affairs under their own responsibility in the interests of the local population. In 1992, the Croatian government replaced its inherited administrative system with self-governing villages, cities and counties. Following its membership in the Council of Europe in 1996, Croatia ratified the European Charter of Local Self-Government, binding itself to bring its legislation on local self-government into accord with European standards. The pressure to decentralize and delegate authority was rising. Thus, although largely unprepared, local governments began to assume greater responsibility. The local electorate's expectations for greater transparency and a more participatory democracy rose. However, by 2000 many local representatives had received no training to develop the skills and understanding they needed to satisfy these expectations. In addition to an expanded public role, these officials were also saddled with a much more complex administrative mandate.

USAID, an advocate of more responsive governance, developed programs with its partner, NDI, to build more effective local councils, form and manage coalitions, and undertake effective constituency outreach. The program also linked local representatives with their nationally elected counterparts and the party headquarters to acquire additional support and guidance.

***Upon the project's completion, the regulations, policies and procedures put into place have placed Croatia's banking sector in one of the strongest positions in Central and Eastern Europe.***

OCTOBER

NOVEMBER

DECEMBER

2001

**AUGUST** • Croatian President Mesić and Croatian Prime Minister Ivica Račan meet U.S. President Clinton in Washington.

**NOVEMBER** • Croatia joins the World Trade Organization.

# 2000-2007

## CHAPTER 3: REVITALIZATION AND REINTEGRATION

*in the City of Split, revenues increased by nearly \$1 million in 2005... the City of Karlovac increased revenue by \$750,000 and the City of Varaždin doubled its revenue since it started using the asset management model USAID introduced in 2001*

In a further, ambitious step in 2000 under USAID's eight-year Local Government Reform Project, the Urban Institute joined forces with 49 Croatian cities, towns and municipalities to improve public finance, procurement and asset management. The Project also helped local governments introduce greater citizen participation and more transparent relations between municipalities and local CSOs. Through training and education, the municipalities developed the skills they needed to responsibly assume the broader fiscal and administrative duties that had been delegated from the national and regional to the local level through the decentralization process. An internet-based, e-government system was established to help to foster transparency, improve efficiency, and track the performance of elected officials enabling citizens to participate in their community governments. Professional development courses offered local government officials a long-sought opportunity to exchange experience and advance their management skills.

Since many cities' assets had never been accurately surveyed, USAID's asset management model was applied in selected cities. Through this process, assets that were never included in public registers were identified. Consequently, in the City of Split for instance, revenues increased by 13% (nearly \$1 million) in 2005. Within three years the City of Karlovac increased revenue by \$750,000 and the City of Varazdin doubled its revenue since it started using the asset management model USAID introduced in 2001.

### Creating City Partnerships

Municipalities around the world share similar challenges in attracting and encouraging enterprise, developing sound financial planning and capital investments, and increasing citizen participation in local policy-making. In its Local Government Reform Project, USAID organized a wide-ranging effort to match Croatian and American cities that are similar in size, locality, and challenges confronted by their respective governments. This long-term exchange of views and experience helped local governments in both countries. USAID supported four partnerships between Croatian and American cities since early 2004: Dubrovnik and Monterey, California; the Istrian cities of Buzet, Labin and Pazin are twinned with the cities, Pendleton and La Grande and Union County, Oregon; Karlovac and Kansas City, Kansas; and Umag and Port Townsend, Washington State.

USAID sponsored exchange visits that benefited the leadership of twinned municipalities in both countries by enabling them to explore strategies to improve economic growth and development opportunities such as urban tourism or Internet-based portals to attract investment. For instance, Buzet, Labin and Pazin plan to jointly promote their region's assets such as agro-tourism development. The Croatian cities' advice to the cities of La Grande and Pendleton could prove useful in developing a source of additional employment for these U.S. cities. The collaboration between Pendleton's Blue Moun-

2001

JANUARY

FEBRUARY

MARCH

The Independent Radio Association is launched

**JANUARY** • A Free Trade Agreement between Croatia and Bosnia and Herzegovina comes into effect.

tain Community College and the Polytechnics School in Pula in a number of areas resulted directly from the USAID-sponsored exchange visits. Karlovac and Kansas City examined the public-private partnerships Karlovac is pursuing to redevelop the vacated military barracks in the city center into housing that could attract new residents. Karlovac intends to use Kansas City's Livable Neighborhood Program to show citizens how they can participate in their local government. Karlovac has also redesigned its web portal in consultation with its business community to speed access to the statistical information business people need to assess whether an investment in Karlovac could offer competitive advantages. Dubrovnik and Monterey enjoy a flourishing partnership, since they share similar goals such as extending the tourist season. Monterey excels in hosting corporate retreats, educational symposiums, golf tournaments, sporting events, musical festivals, and creating vibrant year-round opportunities. Dubrovnik's three-year Capital Investment Plan is modeled after Monterey's strategy. The University of Dubrovnik, California State University and the Monterey Institute of International Studies are exploring joint ventures. Umag and Port Townsend both have former military barracks. Port Townsend converted two former military facilities into cultural centers and a maritime crafts center; Umag plans to initially use the facility for youth activities.

### Training Administrators

City administrators assumed new administrative, financial and planning roles, yet had little opportunity to learn and hone the skills they would need to manage efficiently. With USAID's assistance, over 300 local government officials completed professional development courses at the Universities of Zagreb, Split, and Rijeka, as well as Zagreb University's School of Economics and Management. The courses covered e-government, asset management, performance management and other key areas of public management.

In 2003, USAID provided Cleveland State University's Maxine Goodman Levin College of Urban Affairs and the Faculty of Economics at the University of Rijeka a grant to fund an Institutional Partnership in Higher Education for International Development. Together they designed and implemented the first graduate-level program in public administration in Croatia. A subsequent USAID grant led to the development of a Master of Public Administration program at the University of Rijeka, which is offered on a schedule geared to accommodate working public sector administrators.

The MPA program was designed to enhance the professional skills of mid-level, municipal managers in efficiently and effectively utilizing municipal resources. Until the Cleveland-Rijeka partnership, the Croatian city governments had no training program in municipal management. Sustainable improvement in the professionalism of local government officials and delivery of public service can only be achieved by a long-term commitment to the education of those

***With USAID's assistance, over 300 local government officials completed professional development courses at the Universities of Zagreb, Split, and Rijeka, as well as Zagreb University's School of Economics and Management***

APRIL

MAY

JUNE

2001

#### **USAID PROGRAMS:**

- **Revitalize communities and economies in war-affected regions**
- **Reconstruct community infrastructure destroyed in the war**
- **Support Croatian CSOs**
- **Foster dialogue between the government, labor and business**
- **Support pension reform measures**
- **Assist in helping agrokombinats become profitable, private enterprises**

# 2000-2007

## CHAPTER 3: REVITALIZATION AND REINTEGRATION

**Pension experts projected that employment and demographic trends would leave ever fewer workers supporting an increasing number of pensioners, an unsustainable proposition. At some point, the “pay as you go system” would collapse.**

who are and who will be occupying leadership positions in local government. Several MPA courses are team-taught by faculty from the University of Rijeka and faculty and researchers from the Levin College of Urban Affairs. Professors from the two schools have also collaborated on a textbook for the course titled, *Economic Decentralization and Local Government*, which was published in Croatian and English. Croatian universities have been influenced by Rijeka's MPA as a model study program. For example, the Zagreb School of Economics and Management and the University of Split's Law School have each established public administration centers.

### **Easing Social Transitions: Pension Reform**

Throughout Croatia's transition process from socialism to a free market, layoffs and job losses occurred. Easing these social transitions was a key priority for USAID in its effort to support a stable, Croatian democracy that could respond effectively to the populace's evolving needs. Pension experts working with the Croatian Government and USAID projected that the then-current employment and demographic trends would leave ever fewer workers supporting an increasing number of pensioners, an unsustainable proposition. At some point, the “pay as you go system” would collapse. The national pension system's reform became an urgent priority for the Croatian Government and USAID. The Croatian Government took the decision to introduce a completely reformed system of obligatory and voluntary individual pension accounts and contributions. The reform represented a dramatic shift for conservative pension savers and a potential source of worker dissatisfaction.

For the reforms to succeed, the Government had to convince subscribers to make both obligatory and voluntary contributions to ensure that the pension fund would grow steadily for the foreseeable future. A public information campaign was needed to explain the consequences and benefits of the reform. USAID-funded experts helped design and implement the media campaign and to educate and assure the future participants of the scheme's efficacy and reliability. In 2002, USAID helped increase public confidence in the integrity of the new system explaining to workers how individual subscribers could make voluntary contributions. The pension's registration and regulatory authorities also received training to help them understand the new scheme. Over 40 journalists attended pension reform seminars resulting in more accurate media coverage. The successful public education campaign for the mandatory contributions scheme became the model for similar government outreach efforts in privatization and other critical reforms. A year later, USAID, its partner, Carana, and the Ministry of Labor and Social Welfare (MRSS), devised a strategy to educate future subscribers. Print advertisements and explanatory supplements were designed and placed in leading periodicals, as well as national and regional newspapers. More than 500,000 additional brochures and leaflets were distributed targeting businesses, unions and citizens. A number of television commercials were produced for the

2001

JULY

AUGUST

SEPTEMBER

project. In a particularly successful outreach effort, 100 trade union professionals were trained to provide detailed presentations on pension reform. They conducted over 1,800 worksite presentations, reaching at least 55,000 participants and answering 8,000 questions and comments, which were shared with all of the stakeholders.

The Minister of Labor and Social Welfare, Davorko Vidović, who was responsible for the pension reform's implementation at that time, was impressed with the swift and comprehensive public information campaign that USAID supported. "Through television commercials, media seminars, community meetings and speaking directly with citizens, we built a pension reform program that is now the model for emerging democracies throughout the world. This cooperation has been a successful experience for both me, and the citizens of Croatia."

As a direct result of USAID's support for the Croatian government's public education campaign, public awareness and approval of pension reform rose from 20 to over 80 percent within the eight-month introduction of the new mandatory contribution scheme. The campaign became the model for government outreach in privatization, European integration, and the campaign against trafficking in persons. The system now numbers over 1.1 million subscribers and has placed over US\$ 400 million under management.

### **Easing Social Transitions: Preventing Human Trafficking**

Youth unemployment was a further disruptive side-effect of the Croatian transition. The threat of human trafficking grows in regions where unemployment among the young is high. Lured into accepting superficially attractive, but fraudulent job offers, young people find themselves trapped in criminal and sexually exploitive labor. In Croatia, human trafficking was a hidden problem until USAID began to raise public and institutional awareness. Many law enforcement officials and members of the Croatian judiciary were no more aware of Croatia's role as country where human trafficking can arise, or where victims may transit, than the general public.

USAID launched a program to inform judges and lawyers of the threat of trafficking in women and children in Croatia and the region. The program also explained how existing Croatian laws, judicial precedence, and the nation's pursuit of its obligations as a signatory of international treaties addressing trafficking can form the basis for an effective program to combat human trafficking. Journalists attended training that explained the realities and risks of human trafficking, as well as how to avoid stereotypes and sensationalism in reporting on these crimes. The project cooperated effectively with the Croatian Institute for Social Research, which prepares new school curricula for high school students, and which agreed to include an educational module on counter-trafficking into the curriculum. The Center for Women War Vic-

***“Through our cooperation with USAID, we did more than just establish a new pension system; we established a new level of expectation of what a government can accomplish for its citizens. The proposed pension reform won the confidence of Croatian citizens and was introduced successfully.”***

- **DAVORKO VIDOVIĆ,**  
*Minister of Labor and Social Welfare (2000-2003)*

OCTOBER

NOVEMBER

DECEMBER

2002

**OCTOBER • Croatia and the European Union sign the Stabilization and Association Agreement and an Interim Agreement.**

**The Law on Associations is adopted, granting associations independent governance and easing their establishment and administration.**

# 2000-2007

## CHAPTER 3: REVITALIZATION AND REINTEGRATION

***small grants were disbursed to 215 community-based CSOs and local citizen initiatives. Over 220 projects mobilized more than 50,000 citizens in community improvement projects***

tims “Rosa,” in Zagreb undertook a media outreach campaign to promote an anti-trafficking hotline which later led to the discovery of four cases of trafficking and one case of enslavement. Hotline calls led to 20 cases for police investigation, resulting in the prosecution of at least two human traffickers.

### **Supporting Civil Society and Social Reform**

USAID had been a long-term supporter of Croatian civil society, building their capacity to deliver services and enhancing their skills in organization, advocacy and fund-raising. An effective civil society serves to anchor respect for democracy and citizen’s equality. The seven-year “CroNGO” support program, launched by USAID in 2001, and implemented by its partner, AED, extended the scope of USAID’s CSO support strategy, setting in place a permanent, independent, indigenous capacity to foster and strengthen CSOs that directly represent and address the needs of a local constituency.

Building a vigorous and self-sustaining civil society was one of the program’s fundamental objectives. Regional NGOs received substantial support from USAID to develop two-year training and development plans to create an indigenous CSO support infrastructure for CSOs throughout Croatia. These support centers help new and small CSOs acquire the training and quality certification they need to successfully compete for grants and generate income. USAID’s support helped to ensure that they will be able to diversify their funding base and improve their financial sustainability.

The project linked training and grants to quickly leverage the supported CSOs’ organizational skills. Small grants were disbursed to 215 community-based CSOs and local citizen initiatives. Over 220 projects mobilized more than 50,000 citizens in community improvement projects in seven key areas – participatory decision-making, community-based economic development, influential public education, vibrant public spaces, preserving cultural heritage, revitalizing the natural environment, and making social and health care more accessible.

CSOs also received extensive technical assistance and capacity-building grants to design two-year training and development plans. CroNGO benefited over 300 medium and small organizations, improving their financial management and strengthening their service delivery, and improving their fund-raising through multiple sources. The regional partners, SMART, OGI and Association MI, participated in USAID-funded training to develop proficiency in designing grant-making programs, as well as transparently awarding and administering grants. The CSOs received considerable, positive media attention, substantially raising CSOs’ positive image in the public eye. Eleven leading Croatian CSOs became organizationally and financially better able to improve and sustain their services. Over 40 CSO management trainers increased their professional skills by participating in a series of training-of-trainer workshops

2002

JANUARY

FEBRUARY

MARCH

#### **USAID PROGRAMS:**

- Enhance agribusiness competitiveness
- Provide returnees and other residents of war-affected communities access to credit to repair their damaged homes

- Help prevent human trafficking
- Launch an Action Plan to reduce case backlog in the Zagreb Municipal Court

**The Law on the National Lottery is adopted. A portion of the Lottery revenues will fund the National Foundation for the Development of Civil Society.**

which helped to establish a Trainer's Forum. The Forum later adopted a Trainers' Code of Ethics and instituted quality certification, guaranteeing professional and ethical standards. Through USAID's CSO development program, both the regional CSO support centers and the Trainer's Forum became sustainable bodies that help bolster Croatian civil society over the long-term and remain as legacy organizations.

This program displayed leadership by strengthening new, grass roots organizations. The vast majority of grants were awarded to communities outside major cities. Milka Gorup, the head of the Social Affairs Department in Pregrada, Krapinsko-zagorska County, noted that "Smaller communities are especially challenging when we are talking about changes. Citizens like to wait for someone else to bring about change. This is a slow process and because of that CroNGO's efforts to mobilize local communities are very important." Her colleague in Daruvar, in Bjelovarsko-bilogorska County, Deputy Mayor, Dalibor Rohlik, recalls that "We recognized the value of USAID CroNGO-supported projects since all of them were responding to concrete needs in our community. We learned how much local CSOs can assist us in responding more appropriately to our community needs."

About one-third of the groups supported by USAID help the vulnerable such as the aged, infirm, children and youth. Civil society represents their concerns and thus enriches and informs policy development by including more viewpoints and experiences thus helping to meet the needs of a broad segment of society. Đordana Barbarić, from the CSO, MoSt, in Split assessed CroNGO's impact in creating new community cohesion and solidarity, "CroNGO small grants were given to communities which had never before experienced support for their ideas. (The recipients) were given the opportunity to activate the whole village, settlement or part of an island, and together do something important for the children, the elderly or the infirm ... and to fill their volunteer work with energy and enthusiasm, which they thought they had been lost long ago."

In addition to its efforts to set up a self-sustaining CSO support network, USAID assisted CSOs that advocated stronger legislative oversight and anti-corruption programs. These CSOs helped draft and push through legislation that fostered entrepreneurship, added additional protections for ethnic minority rights, promoted volunteerism, and created incentives for corporations to set up their own social responsibility and philanthropy programs. For instance, these USAID-funded CSOs worked with the Sabor to draft and adopt the new Law on Financing Political Parties and Campaigns and improved policies related to minority groups such as Roma. The Government of Croatia also approved the Code of Good Practices for Public Financing of NGOs and the Law on Volunteerism after consultation with these advocacy CSOs.

***“CroNGO small grants were given to communities which had never before experienced support for their ideas. (The recipients) were given the opportunity to activate the whole village ... and together do something important for the children, the elderly or the infirm ... and to fill their volunteer work with energy and enthusiasm, which they thought they had been lost long ago.”***

• ĐORDANA BARBARIĆ,  
MoSt, Split



# 2000-2007

## CHAPTER 3: REVITALIZATION AND REINTEGRATION

*There has been a vast improvement in the public's understanding and appreciation of CSOs in the past fifteen years.*

Six key civil society institutions – the National Foundation for Civil Society Development, the Government Office for NGO Cooperation, three Regional Partners (SMART, OGI and Association MI) and the Trainers Forum gained financial and operational sustainability as well as significant grant-making skills.

### CSOs as Partners

Through USAID's CroNGO program, CSOs have developed a certification and professional development capacity that has won them recognition as capable and professional partners in development. As a result, CSOs' access to decision-making bodies has improved, granting CSOs an opportunity to influence policy making and develop relationships with business. CSOs have also found new and diversified sources of funding, improving their financial and organizational sustainability.

CroNGO introduced CSO leaders to SOKNO, a quality assurance system, to give their organizations an objective basis with which they could then objectively monitor and record the beneficial results of their self-designed programs. That evidence is crucial in securing corporate and government funding and gaining public confidence. The high quality of the results depends in part upon industry standard training. Here again, CroNGO helped establish an industry norm, the Trainers Forum to monitor and enforce strict ethical guidelines and professional standards for CSO training, and certify CSO trainers.

There has been a vast improvement in the public's understanding and appreciation of CSOs in the past fifteen years. In the late 1990's, the public had a limited understanding of civil society's role in their lives and were not very supportive of CSOs since they were considered hostile to the government. In the meantime, nearly every respondent to a major 2005 survey was familiar with CSOs and over 73% considered their mission and work to be a valuable contribution to society. Sanja Sarnavka of the CSO B.a.B.e. credits CroNGO's training with lifting her organization's visibility. "CroNGO support helped me a lot since I was able to use that experience immediately in Croatia. According to my research, my NGO has become and remains one of the top three most recognized NGOs in the country and that demonstrates the value this training had for us."

### Rebuilding Cities, Lives and Livelihoods

Granting all citizens equal access to economic opportunity is a cornerstone of USAID's democracy and economic support programs. Nowhere in Croatia is such support more acutely needed than in Vukovar, the largest Croatian river port, located at the confluence of the Vuka and the Danube. Almost entirely destroyed by intensive bombing and bombardment during its three-month siege in 1991, the city is the symbol of the war's tragic and horrifying conse-

2002

JULY

AUGUST

SEPTEMBER

**SEPTEMBER** • Croatia is included in the World Economic Forum's *Global Competitiveness Report* for the first time.

quences. The staggering loss of life, the devastation of the city's infrastructure, large-scale depopulation and the conflict's lingering corrosive effects on community cohesion have slowed economic recovery in the region.

To attract investors and to reinvigorate Vukovar's economy, the Croatian government created the Fund for the Reconstruction and Development of the City of Vukovar.

"When we launched the Fund in 2002, we knew that our work is fundamentally and dramatically different from the effort to rebuild infrastructure", says Ljiljana Blažević, the Fund's Director. "We must rebuild an entire economy. At the same time, we are learning how to rebuild a city, destroyed utterly in war. No one has ever had to do that in Croatia; we do not have that experience. So we set priorities and make major investments in those sectors of the economy that will quickly respond positively to improve the quality of life, especially for young people. The young people leave the city; many of those that remain are unemployed."

The Reconstruction and Development Fund of the City of Vukovar financed the Podunavska business zone's construction. Together, the Reconstruction and Development Fund of the City of Vukovar and USAID then jointly promoted the business zone. To attract the support of city officials and investors, USAID and the Croatian Bank for Reconstruction and Development organized an international investment conference in 2006. The resulting dialogue between the city and private sector led to new enterprises settling in the business zone.

"The Podunavska business zone that USAID promoted is the only business zone that is currently operating in Vukovar at full capacity," Blažević says. "Young people are now earning money. They are able to have a life. This has an enormous social influence and gives them something to live for. Every step forward is important for this community and USAID has helped us move forward."

Cities compete to attract investors. The cities that can offer a business-friendly environment and can facilitate business investment by reducing red-tape enjoy a strategic advantage. Such incentives require intensive coordination to complement municipal, regional and national-level economic development plans. Incentives' funding and implementation also require on-going oversight and dialogue.

The Podunavska business zone's success lies in its well-ordered coordination, as Blažević explains. "USAID has been training city government officials in the methods and tools to improve their economic planning. This is changing attitudes. This process is not simply educational: it provides us a new perspective on solving problems and how to communicate and coordinate strategies and solutions more effectively. Local government now is thinking about the investors' needs and about how to structure offers to attract investors."

***"CroNGO support helped me a lot ... According to my research, my NGO has become and remains one of the top three most recognized NGOs in the country and that demonstrates the value this training had for us."***

• **SANJA SARNAVKA,**  
B.a.B.e.

OCTOBER

NOVEMBER

DECEMBER

2003

**DECEMBER** • The Constitutional Law on the Rights of National Minorities is adopted.

# 2000-2007

## CHAPTER 3: REVITALIZATION AND REINTEGRATION

**USAID's support is a push of positive energy to initiate and implement programs that build the economy.**

- **LJILJANA BLAŽEVIĆ,**  
*Director, Fund for the Reconstruction and Development of the City of Vukovar*

This success will need to be repeated frequently before the city returns to its pre-war economic condition. Although the challenge may appear overwhelming, Blažević is undeterred. "We now can offer over 100 incentives to attract new businesses. But it remains a very difficult task to cold start an economy. USAID's support is a push of positive energy to initiate and implement programs that build the economy. As a result, people are speaking more openly about problems and about economic difficulties. This dialogue improves planning because we now can recognize false starts and correct our course."

The Reconstruction and Development Fund has undertaken new business enterprises, such as linking craftspeople with the tourism industry to market their handicrafts to visitors. USAID provided training in marketing these products. Souvenirs and handicrafts are now sold at tourist sites around the country. A jam festival, horse and cycle tourism, river boat trips and other initiatives are now valuable sources of income and work throughout the region.

The will to change economic and social conditions in Vukovar is shared by many in the city. As Blažević acknowledges, "USAID recognizes people can improve social conditions and the economy. They help us to communicate the message that Vukovar will develop."

"We all have learned to live with the ruins, yet we are just like people anywhere else. We desire a normal life. So, we want to change things. Through our friendship with USAID we have learned that we do not expect too much. Through this experience with USAID, we have the courage to ask for help to make our vision a reality. In this relationship, trust, cooperation and support are the keys to success. USAID has been a good teacher and a friend."

### **Dairy Cooperatives: Starting from Scratch**

The agricultural cooperative "Lovas", founded in 1953, is one of the largest employers in the small, rural community of Lovas. Located in Slavonia close to the Danube, in a broad, fertile plain, the cooperative was prosperous with over 50 workers operating state of the art equipment; it financed its operations and investments, such as a wheat storage building, without external capital or loans. In October 1991, the village suddenly found itself caught on the war's front line. It was bombarded and overrun. Dozens of Lovas' citizens were killed or forced to abandon their homes, families, friends, livelihood and land and flee. The conflict destroyed village life and work.

With the region under U.N. administration, Adam Rendulić, the cooperative's director, was one of the first five people to return to his hometown after the war in August 1997. He found the cooperative had been occupied during the war and, when it was returned to its owners the following spring, Rendulić

2003

JANUARY

**JANUARY** • The Croatian Agency for Small and Medium Enterprises (HAMAG) is created.

FEBRUARY

**FEBRUARY** • Croatia applies for EU membership.

MARCH

**USAID PROGRAMS:**

- **Expand the court improvement project to include courts at various levels and jurisdictions**

## OVERCOMING ECONOMIC ADVERSITY

**A**cross Croatia, agriculture often offers the only form of ready employment. Especially in war-torn regions, there is a need to increase agricultural output to raise incomes and the standard of living. From 2002 to 2007, USAID and its partner, DAI, conducted the Agribusiness Competitiveness Enhancement (ACE) project to help small and medium-sized agribusinesses raise output, improve product quality and widen their products' distribution – all to increase sales, employment and income.

The ACE project and its companion program, Raising Incomes in Economically Distressed Areas (RIEDA), helped farmers throughout the country, in war-torn regions in particular, to develop strategic business plans, marketing plans, employ environmentally sustainable production techniques and establish producer organizations. In summarizing the effects of USAID's support, the Minister for Agriculture, Forestry and Water Economy, Petar Čobanković, said that "USAID offered aid to Croatia's agriculture where it was most needed, in competitiveness enhancement and in lifting incomes in economically underdeveloped areas. The total increase in agricultural production is around \$220 million." Within five years, more than 100

partner organizations received support, representing over 11,000 Croatian family farms. In the same period, sales revenue from dairy, swine and horticulture products increased by over US\$ 100 million. Nearly 1,800 farmers, assisted by USAID, improved their business to earn enough to finally sustain their farm livelihoods.

In the dairy sector, ACE played a key role in helping producers achieve "Extra-Class" milk quality, meeting the highest EU standards for human consumption – a prerequisite to export dairy products to the European Union. With DAI and USAID support, larger dairy farmers joined together to form the dairy association "Mliko," which has given them leverage in negotiations with processors, boosting their revenues through better sales prices and conditions, and given them a voice in developing government agriculture policies in preparation for Croatia's entrance into the European Union. Smaller producers have also overcome distance and isolation to found the Association of Croatian Small & Medium Milk Processors. They too have garnered more market power in price negotiations and representation at the Ministry of Agriculture. ACE assisted the Tomato Association of Umag introduce drip irriga-

tion and fertilization to increase yields by 14 percent, while cutting water use by 40 percent and achieving 80 percent savings in fuel costs. An ACE matching grant then made it possible to expand drip irrigation to 16 large members of the association. The drip irrigation technology had never been used on this scale in this region. The ACE experts patiently demonstrated the technique in a pilot demonstration before the farmers adopted the practice. Agriculture Minister Čobanković, commended the educational value of these support programs, saying "USAID assistance has been very important in making the most difficult changes – changing people's mindsets. You have helped our farmers start understanding it is not enough just to work; the result of that work must be marketed appropriately." Participating Croatian farmers in three targeted areas, dairy, swine and horticulture products, now thrive in the rapidly-changing food market and are prepared for their integration into the EU. They serve as a model for other farmers, raising the confidence of their buyers that it is possible to partner with small enterprises even in a market dominated by large processing and marketing businesses.

discovered that most of the moveable assets had been either damaged or vandalized. Fields had stood fallow for six years. The livestock were gone. Buildings were destroyed or had been neglected for years.

"This was the lowest imaginable baseline from which to rebuild the business," he says. "We had no money. Often we had to pay salaries in kind with food. Most of the workforce had no home. They came only for the day. In the beginning, there were so few of us we could eat from the same pot. When we started we only had hope - nothing else."

Faced with the cooperative's catastrophic condition, Rendulić acquired a loan to buy new equipment and livestock. The situation remained difficult until

*In the beginning, there were so few of us we could eat from the same pot. When we started we only had hope - nothing else.*

- **ADAM RENDULIĆ,**  
Director, Lovas cooperative

APRIL

MAY

JUNE

2003

- Launch an integrated case management project to help courts cut case backlogs
- Expand support to local government administrations

**MAY** • Croatia, Albania, and Macedonia join the United States to sign the Adriatic Charter and pledge their commitment to NATO values.

# 2000-2007

## CHAPTER 3: REVITALIZATION AND REINTEGRATION

***“The help, technical expertise and encouragement from USAID’s experts gave us hope in those early years that we can succeed. Their commitment to us made all the difference in the success of our strategy and development.”***

- **ADAM RENDULIĆ,**  
*Director, Lovas cooperative*

enough workers returned to Lovas. But by 2003, the cooperative was seeking to exceed its pre-war production. USAID’s agriculture production experts from DAI identified the Lovas cooperative as a suitable candidate for technical and financial support. The cooperative then received expert guidance in using management tools to analyze operations and develop a strategic plan for the future. The USAID-funded experts also undertook four feasibility studies that presented options for expansion in dairy farming, fattening beef cattle, raising blueberries and establishing an apple orchard. The cooperative considered these in-depth studies and chose dairy farming.

“The help, technical expertise and encouragement from USAID’s experts gave us hope in those early years that we can succeed,” Rendulić says. “USAID found us and we are glad they did. Their local staff knows the community and knows which companies have the potential for growth. Their commitment to us made all the difference in the success of our strategy and development.”

At first, the Lovas cooperative began dairy farming on a small scale with a herd of 30 cows and an improvised milking system. Through USAID, the cooperative’s employees received training in computer data processing to develop their business monitoring, analysis and planning in anticipation of the dairy’s expansion. The cooperative then employed an agricultural engineer, invested in state-of-the-art milking equipment and built a new barn for up to 100 cows. By 2005, the cooperative was producing extra-class quality milk-- which commands a higher price and is suitable for export. As the cooperative planned to quadruple the herd size to 400 cows, USAID provided a grant for an enlarged milking parlor. The cooperative’s farmers also received training through USAID in modern animal care and feeding to be able to produce high quality products and therefore operate more competitively. Five years after USAID’s feasibility study, the cooperative’s dairy complied with current EU regulations so it was prepared for Croatia’s accession to the Union. In the meantime, crop yields exceed those achieved by the pre-war cooperative. New crops are under cultivation: Grapes, corn, sugar beets and sunflowers have been added to the cooperative’s production.

“We are more profitable now and earn more than we ever did with crop production before the war, and our business has greater scope for growth,” Rendulić says. “This progress is only possible with the technical and financial support provided by USAID.

“This was an entirely new business venture that we would never have attempted if USAID had not given us the conviction that we would succeed. The new business has had a significant and beneficial community impact: new and permanent jobs have been created which is quite a boost for such a small community. We have proven that new production techniques can be profitable, and we hope that this will act as a catalyst and good example to draw more small farmers into milk production.

2003

JULY

AUGUST

SEPTEMBER

**OCTOBER** • Freedom of  
Information Act enacted

Through the strategic planning we have undertaken, and supported by USAID, we are well prepared for Croatia's EU accession and will be able to compete in a European market."

### Preserving Natural Heritage

Tourism is one of Croatia's most important sources of revenue. The sector had essentially collapsed during the conflict. USAID saw significant potential for economic recovery in environmentally-conscious tourism since Croatia is among the most biologically rich countries in Europe. Its Adriatic coast, including islands and coastal mountains, is a most biologically important component within the Mediterranean bio-geographic region. Moreover, the World-wide Fund for Nature has identified Croatia's Velebit Mountain as one of the ten most important forest areas in the Mediterranean region, home to big game such as bears and wolves whose populations have declined throughout most of Europe. The wetlands and rivers host numerous rare and endangered fish species.

Croatia's national parks promise to attract tourists searching for this unspoiled beauty. A reactivated tourism sector can also generate sustained employment in maintenance, stewardship and marketing in a region where jobs are scarce. In the "Jobs in the Parks" program at Paklenica and Plitvice Lakes national parks, USAID brought experts from the U.S. National Park Service and the Croatian Ministry of Physical Planning and Environmental Protection to train young people, particularly returnees, in management, preservation and visitor guidance. Working in teams, interns completed high-priority maintenance projects and a series of visitor guidance projects at each park. At Plitvice Lakes and Krka National Parks, 50 interns received valuable training that immediately helped their careers. Several of the interns and one project coordinator were later recruited by the Croatian National Park Service.

***Croatia is among the most biologically rich countries in Europe. Its Adriatic coast is a biologically important component within the Mediterranean bio-geographic region.***

### Becoming Competitive: The Economic and Social Council

On a national scale, Croatian social partners understood the need to undertake a rigorous review of the strategic options available to offer greater employment and economic opportunity. In other countries confronting rising debt, unemployment, and a marginal economic position, such as Ireland, the model of a strategic tripartite dialogue among government, trade unions and employers has been effectively employed for decades to address major societal problems.

With the Government of Croatia's Office for Social Partnership, USAID assisted the Economic and Social Council (GSV) to achieve consensus among the diverging agendas and viewpoints of these three economic actors. USAID and its partner, Management Systems International, improved social dialogue



# 2000-2007

## CHAPTER 3: REVITALIZATION AND REINTEGRATION

**“USAID assistance has been very important in making the most difficult changes – changing people’s mindsets.”**

- **PETAR ČOBANKOVIĆ,**  
*Minister for Agriculture, Forestry and Water Economy*

between the primary actors by offering technical assistance and training to all of the parties. The Council members that participated in this training visited Austria, Belgium, Ireland, the Netherlands and the United States where similar councils have broken negotiation deadlocks, found consensus among key players and coordinated policies that would offer employment and grant entrepreneurs the flexibility to adapt to changing market demands.

The introduction of mediation to avert labor disputes represents the project's principal success. Since then, hundreds of mediation proceedings have prevented strikes and industrial actions.

### **Becoming Competitive: The Competitiveness Initiative**

Regardless of the progress achieved in developing national economic plans, competitiveness is undeniably a key factor determining whether developed and developing countries will prevail in acquiring a share of today's increasingly open and integrated world markets. Whether gauging Croatian business' fitness for integration into the European Union, or Croatia's relative advantages in attracting foreign investment in a region of avid competitors, Croatia needed to plan how it would produce goods and services that can be sold globally while ensuring long-term growth in Croatian living standards.

In April 2001, USAID undertook a Croatia Competitiveness Initiative and began to recruit support for the National Competitiveness Council. It sought support from across the economic spectrum, including industry associations, regional development authorities, labor unions, academic institutions, CSOs, media professionals, small and medium enterprises, the Foreign Investment Advisory Service, and the Ministries of Economy, Finance, Science and Technology, Labor, and Agriculture.

By February 2002, the National Competitiveness Council was officially formed and its 21 members appointed by the Government of Croatia to represent business, labor, the government, as well as academia and science. By catalyzing a national dialogue on Croatian business competitiveness, USAID's Croatia Competitiveness Initiative helped increase the Croatian government's constructive engagement with the private sector and civil society to identify and remove obstacles to improved competitiveness.

In 2002, the Council commissioned an assessment of Croatia's competitiveness position and achieved an initial ranking at 58th place among 80 countries included in the World Economic Forum's "Global Competitiveness Report." Croatia has appeared in these rankings in every year since, reaching the 51<sup>st</sup> place among 125 nations in the 2007-2008 survey.

2004

JANUARY

FEBRUARY

MARCH

**MARCH • Croatian Prime Minister Sanader meets U.S. President George Bush in Washington.**

In September 2003, the National Competitiveness Council developed and approved a policy paper, "55 Policy Recommendations for Raising Croatia's Competitiveness," which it presented to Prime Minister Sanader as guiding principles for the Government's advancement of economic competitiveness. The Council brought consideration of Croatia's relative competitive stature to the forefront of the public debate on development policy. The Council urged policymakers to transform the Croatian economy into a knowledge-based, efficient and export-oriented economy to raise the quality of life. The Council meets routinely to develop and recommend policies, as well as to monitor and evaluate reform implementation crucial in improving Croatian competitiveness.

In the Competitiveness Council's annual report, in January 2004, one of the policy recommendations called for the establishment of industrial associations or "clusters" that would ensure optimal development using best practices and competition benchmarks. The hotel sector was listed as one of the enterprise areas in which clusters should be formed. Exchange within a cluster, especially with academia and researchers, would help all participants manage their business more effectively.

### **Strength in Numbers: Enhancing Small and Medium Enterprise's Performance**

In line with the Competitiveness Council's recommendations, USAID developed a project in 2004 called Enhancing Small and Medium Enterprise (ESP) to boost small and medium enterprise performance, placing a special emphasis on building industry clusters to create more dynamic growth in the hospitality industry, specialty foods, tourism, wood products, boat-building, selected metal products and information/communications technology sectors. Often, the clusters formed around leaders that had already begun to build nascent groups, yet who faced an exhausting exercise in attempting to meld disparate interests within a sector while continuing to operate their own successful business. USAID and its partners, Nathan Associates and DAI, then worked with the clusters and individual enterprises to develop, expand and improve business operations and products.

An estimated 6,466 jobs had been created by 2007. Based on current trends, it appears that in the mid-term, clustering and association formation will generate more than 22,000 new jobs helping as many as 6,000 companies expand sales and exports and resulting in more than \$240 million in new investment by June 2008.

In its first three years, ESP assisted over 1,700 enterprises access new credit and non-debt financing sources. More than 2,060 enterprises had been directly assisted, experiencing a substantial rise in revenues of approximately \$357.8 million, while their export revenues reached \$91.6 million. New business growth that was developed through ESP support attracted \$62.5 million

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APRIL

MAY

JUNE

2004

**APRIL** • The European Commission recommends opening full membership negotiations with Croatia.

**APRIL** • The National Foundation for Civil Society Development is established.

**JUNE** • European Council confirms Croatia as a candidate country.

**Based on current trends, it appears that in the mid-term, clustering and association formation will generate more than 22,000 new jobs helping as many as 6,000 companies expand sales and exports and resulting in more than \$240 million in new investment by June 2008.**

in foreign investment and a further \$64.2 million in domestic direct investment. Over 3,700 entrepreneurs were trained under the project; women entrepreneurs made up 45% of the participants supported by the program.

### Small and Family Hotel Owners' Association

Small hotel owners were among the first group of entrepreneurs to be identified through USAID's Croatia Competitiveness Initiative as a promising basis for a cluster to improve revenues across the sector. Previously, small hotel owners found that the government supported primarily large hotels and focused its attention on the hotel complexes' privatization. Until the formation of the Croatia Competitiveness Initiative and ESP, these hotel owners had received no practical, institutional support. The small and medium-sized establishments provide the largest proportion of accommodations and services within the Croatian tourism industry. Clusters clearly offered distinct advantages in negotiating prices for supplies, services and in acquiring government support. Consequently, small and family hotel owners formed the cluster as a registered association, the National Association of Small and Family Hotels (NASFH), based upon a charter that set out common goals and standards.

One of the main priorities of this cluster was to create a unique brand. The members must meet high standards of quality, provide traditional, high quality cuisine, served in an ambience appropriate to the locale and its traditions, while maintaining the cluster's brand. The NASFH's brand is now sought-after; membership continues to climb, surpassing 300 NASFH members in 2007.

USAID's ESP program provided the funding and expertise to develop the Association's internet portal, which will be supported by on-line reservation software that all of the members can utilize. It will become the members' primary means to market their products. Through ESP support, the NASFH completed its first marketing plan that will utilize outreach at the main tourist centers in Croatia, and globally will use online "paperclip" advertising that appear in response to the keywords browsers use in their Internet searches.

To launch the cluster, USAID engaged World Learning to provide the Association staff training in project management, quality control and English language courses. The NASFH's charter and other normative documentation were drafted with the support of expertise provided by World Learning to codify procedures and ensure continuity in vision, objectives and management focus, covering the rules and regulations for the Board members and staff, and a code of ethics.

In the final phase, USAID coordinated with the Ministry of Tourism and USAID partner, Poduzentna Hrvatska, to form a wine-tasting and culinary task force, or "eno-gastro cluster", that worked to raise restaurant quality and revenues. Every member restaurant was thoroughly surveyed by gastro-

#### USAID PROGRAMS:

- Help ease agribusinesses' access to credit
- Croatian CSOs receive grants to advocate policy changes that can solve national and local problems
- Raise local communities' awareness of the risks of human trafficking in women and children
- Help businesses increase sales and exports, promote strategic investments

## PLANNING FOR SUCCESS

**N**one of the enterprises that enter a cluster can hope to succeed without sound, well-informed and objective planning. Businesses rarely develop into profitable, robust enterprises that offer secure employment on their own. Often that strategic development is supported by management consultants. With the launch of USAID's Croatian Enterprise Program (CEP) in 2001, USAID's partner, Deloitte Touche Tohmatsu, collaborated with the Institute of Economics, Zagreb, and the Croatian Employers Association (HUP-CEA) to establish an Association of Management Consultants that would help increase the supply of expert management consulting services while raising awareness in the business community that these services speed business growth and boost product quality.

The Croatian consultancy industry was disorganized and under-resourced before the Association of Management Consultants was established in 2002. USAID sought to improve consultant services as a key step in furthering Croatian enterprises' competitiveness and ability to generate jobs. Looking back, the Association's President, Anton Barišić, remembers that before the Association came into being management consultants faced an "uphill battle to convince businesses that consultancies offer the help firms need to be able to identify and seize opportunities to improve their business practices, heighten their competitiveness and strengthen their companies." For those enterprises that were seeking external expertise, he notes that "clients could not rely upon a

Croatian certifying authority to guarantee management consultants' service quality, or their compliance with professional business and ethical standards."

The CEP program quickly set about building a cadre of trained and certified experts that could provide advice and practical support to fill the demand for expertise in improving marketing, customer relations and cost control. Through the CEP program, the Association provided training to Croatian experts seeking to offer consultancy services. In turn, these certified consultants helped their clients, small and medium-sized companies, build their businesses. As a group, small and medium-sized enterprises represent over 90% of Croatia's economic output. Their long-term growth is a fundamentally important factor in creating greater prosperity. The "Enhancing Small and Medium Enterprise" program, sponsored by USAID, followed the CEP project to help thousands of small companies. Consultants, trained and certified by the Association, were engaged to help firms that could not afford these services, resulting in increased sales and export revenues for companies throughout Croatia.

The Association further serves business clients by certifying consultants thus acting as the guarantor for the quality of their services. These quality assurances broaden the market of consultancy services by increasing the clients' confidence that they can achieve the desired improvements by engaging external expertise. Companies that wish to acquire international quality certifications can

also receive training from the Association. Often, these quality certifications are a pre-requisite for entry into European markets. Before the Association was founded, such international certification could only be obtained from outside Croatia, resulting in higher certification costs and less flexible scheduling. Since the CEP project's completion in 2004, the Association's membership has almost doubled to comprise 220 members, of which 50 corporate memberships each include up to 20 additional certified consultants. USAID's management consultancy support programs have helped create an institution that connects policy-makers, regional development agencies, communities and businesses to better link the needs of entrepreneurs - vitally important economic actors - to national development strategies. As a result, business and economic planning has improved, industries can act more quickly to seize new commercial opportunities, and Croatia's business competitiveness is enhanced.

Association President Barišić credits USAID's support with "accelerating the Association's establishment which, without USAID's help, would have required several more years to realize. USAID's focused vision and funding produced a much more uniform result; the business community has recognized management consultants as valuable partners. The consultancy industry is stronger, drawing upon a pool of consultant specialists who cover a broad range of disciplines and whose expertise benefits Croatian enterprises across the board."

OCTOBER

NOVEMBER

DECEMBER

2005

- Help entrepreneurs build competitive IT businesses
- Increase small and medium-sized dairy and agricultural producers' access to credit

# 2000-2007

## CHAPTER 3: REVITALIZATION AND REINTEGRATION

**“Our partnership with USAID has helped increase employment in small and family hotels in Croatia which was one of the aims common to USAID and NASFH.”**

- **ŠIME KLARIĆ,**  
*President, National Association of Small and Family Hotels (NASFH)*

conomic experts resulting in detailed, practical recommendations to improve menus, ambience, efficiency and profitability. One of the most successful efforts to boost members' performance and competitiveness in a hard-fought sector was USAID's joint venture with the NASFH to train 300 sommeliers from the main wine-growing regions of Slavonia, Dalmatia, Kvarner, and Istria. The benefits were immediately felt; one talented sommelier is a potent revenue driver whose wine sales have a profound effect on turnover.

Stressing the most important objective of the Association's partnership with USAID, Šime Klarić, the Association's President stated that “Our partnership with USAID has contributed to the creation of new jobs for the members of NASFH, i.e. it has helped increase employment in small and family hotels in Croatia which was one of the aims common to USAID and NASFH.”

### Information Technology Cluster

In 2007, six regional information and communication technology clusters relied upon USAID's support to form an alliance called “CRO ICT,” to improve competitiveness and cooperation in the domestic ICT sector. The alliance now encompasses about 40 companies with about 500 employees altogether.

### Boat Building Cluster

The Marine Institute (Brodarski Institute) and boat manufacturing companies also drew upon USAID's expertise to found a small shipbuilding cluster in 2007. The cluster provides procurement unification, joint market access, export promotion activities and educational programs to its 21 members. The Croatian Ministry of Economy, Labor and Entrepreneurship has supported the cluster as a part of the Croatian Export Offensive Strategy. The Brodarski Institute offers the boat-builders a range of services in environmental protection, design and development of vessels and hydrodynamic tests.

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2005

JANUARY

**JANUARY** • Presidential elections are held. President Mesić is inaugurated for a second term

FEBRUARY

**FEBRUARY** • The European Union's Stabilization and Association Agreement with Croatia enters into force.

MARCH

## CROATIAN PRIVATIZATION PROJECT

**C**roatia's legacy of socially-owned enterprises inhibited sound economic development because these outsized enterprises had proven incapable of sustaining themselves and languished as under-utilized or inactive assets. The socially-owned enterprises' privatization that was both controversial and contentious had to be managed judiciously. The seller was obliged to assess a reasonable market price that offered the new proprietors conditions conducive to re-structuring that would reanimate the facility and quickly support a viable, commercial enterprise capable of generating employ-

ment. The seller also was obliged to ensure that the tendering process remained transparent and yielded fair market value upon sale. USAID's Croatian Privatization Project supported 201 tenders for companies or elements of companies resulting in 49 sales that produced over US\$ 219 million in revenues and commitments of an additional US\$ 1 billion in investments. The preparation of tenders for elements of six agrokombinats yielded sales proceeds of US\$ 22 million and commitments of US\$ 198 million in investment. USAID worked with the Government's Croatian Privatization

Fund to improve the privatization process including, extensive public and investor outreach, improved transparency; and help to potential investors' performing due diligence. The project developed creative solutions such as a public-private partnership for shared ownership and management of a chain of hotels, and an employee stock sale of an agrokombinat. As a result, new businesses began operating, offering jobs and generating additional investment that benefited the Croatian economy and industry.

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APRIL

MAY

JUNE

2005

### USAID PROGRAMS:

- **Help raise incomes in distressed areas**
- **Promote and attract foreign investments in Croatia**

# 2000-2007

## CHAPTER 3: REVITALIZATION AND REINTEGRATION

***USAID's support accelerated the Association's establishment which, without USAID's help, would have required several more years to realize. USAID's focused vision and funding produced a much more uniform result; the business community has recognized management consultants as valuable partners.***

- **ANTON BARIŠIĆ,**  
*President, Association of  
Management Consultants*

The Association further serves business clients by certifying consultants thus acting as the guarantor for the quality of their services. These quality assurances broaden the market of consultancy services by increasing the clients' confidence that they can achieve the desired improvements by engaging external expertise. Companies that wish to acquire international quality certifications can also receive training from the Association. Often, these quality certifications are a pre-requisite for entry into European markets. Before the Association was founded, such international certification could only be obtained from outside Croatia, resulting in higher certification costs and less flexible scheduling. Since the CEP project's completion in 2004, the Association's membership has almost doubled to comprise 220 members, of which 50 corporate memberships each include up to 20 additional certified consultants.

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### **Increasing Incomes with Exports**

In the Neretva River's fertile delta lie kilometer-long mandarin orange plantations stretching along the Adriatic coast. Up to 40,000 tons of mandarins are harvested annually exceeding domestic demand by a wide margin. An opportunity to export the fruit would provide the Valley's small farmers, the main growers in the region, welcome additional income. New export markets would increase revenues for the largest fruit processing facility in the region which is run by the supermarket operator, Konzum. It would also help to secure employment and continued investment in the region.

Until USAID began its campaign to assist agricultural associations and cooperatives, these farmers had not been organized effectively. Their production methods resulted in harvests too small and of insufficient quality to interest the major European wholesale buyers and supermarkets. With DAI's expert advice and USAID-funded local experts' market knowledge, a campaign was

2005

JULY

AUGUST

SEPTEMBER

# PRIVATIZATION - ĐAKOVŠTINA EMPLOYEES DO IT ON THEIR OWN

**T**he massive Đakovština agro-kombinat located in Đakovo, Slavonia, in the heart of Croatia's bread basket, began the transition from social to private ownership in early 1993. Agrokombinats cultivate a significant proportion of the available agricultural land and are major employers in their regions. Their conversion to viable, profitable private enterprises that provide stable employment and achieve steady growth plays a major role in ensuring regional economic and social welfare. In the first attempt to privatize Đakovština, shares in the company were offered to private buyers, including the workforce. Shares could be purchased for five percent of their nominal value. If the full purchase price was met within two years of the purchase, the shareholder could take full ownership of a portion of the company. In many cases, the purchasers could not meet the payment schedule and the defaulted shares were returned to state ownership. Thus a significant proportion of the share capital remained government property. In that first attempt, the firm was reorganized into a group of 14 limited liability subsidiaries, several of which later filed for bankruptcy. A debt of over \$15 million accumulated. In addition, Đakovština needed an additional \$15 million to repair the war damage to its main facility. With the majority of the shares in state ownership, private shareholders holding a minority stake had little possibility to muster the capital needed to renovate the firm and place it on a solid financial and operational footing. The situation was precarious since these financial burdens severely limited the company's ability to compete and survive. Management, the labor union and the workforce faced the

desolate prospect of a renewed privatization that could lead to lay-offs and downsizing. But the Đakovština workforce and management, proud of the company's nearly 250-year tradition of grain production, milling, bakery and feed production, were intent on saving the institution that had employed generations of their families. Representatives of the union, the workforce, the shareholders and the management met with USAID's local experts in 2002 to request their advice and support.

USAID's Croatian Privatization Project supported the Government's second attempt to privatize state-owned assets, including the agrokombinats, by evaluating the fair market price of the companies and ensuring the transparency of the tender and bidding processes. To help the Đakovština workforce and management, USAID proposed that they submit an employee stock ownership plan in their bid for the company. Đakovština's management acquired a loan that would enable it to purchase the 46% stake held by the Croatian Government's Privatization Fund and assume majority ownership. The Đakovština employees won the bid to buy their company in 2003.

"Without USAID's assistance, we would have been sold on the open market," says Mijo Matić, Đakovština's Chief Executive Officer. "Who knows who would have bought the company? And who knows what we would have faced: bankruptcy?" Matić considers USAID's most important contribution to be its effort to ensure the fairness of the bidding process and to advise the government on the firm's fair valuation. The employees funding was limited and a realistic and reasonable price was an essential pre-condition for

the success of their bid. He recalls that "the employee share ownership plan was an option that we had not even considered before meeting USAID. For us, it was crucially important that USAID was there as a serious and committed partner, giving us the confidence and optimism we needed to prepare a professional and competitive bid."

In its first year managing the re-privatized firm, Đakovština's workforce earned its highest profits in four years. Since then, the food and feed producer has thrived and continues to invest in new facilities and new product lines. A new bakery has been built, over 70 percent of the equipment park is state-of-the-art and the new product lines are selling well. The initial loan will be retired in 2009, five years after the employees acquired their majority stake. For the community, employee ownership has been a boon for employment. Privatization did not lead to any layoffs and urgently needed jobs have been preserved. Increased productivity has brought a modest increase in the workforce. During the company's transition, supermarkets have come to dominate retailing in Croatia. Suppliers now confront fierce price competition accompanied by slower, less frequent customer payment cycles. Despite these challenges, the company's profitability continues to rise enabling it to reclaim and defend its market share. The share price quadrupled in value in the four years after the initial public offering. Đakovština now exports its bakery and pastry products to Italy and Austria. "Clearly, USAID provided very sound advice, since the success of this venture and the company's consistent growth is proof that USAID's valuation of the firm was indeed correct," Matić says.

OCTOBER

NOVEMBER

DECEMBER

2006

**OCTOBER** • Accession negotiations between Croatia and the EU begin.

**OCTOBER** • Beginning of the EU's screening of Croatian legislation

# 2000-2007

## CHAPTER 3: REVITALIZATION AND REINTEGRATION

***“This was the first time a EUREPGAP certification was granted in Croatia. USAID’s cooperation and expertise was a key to our success. The certification is very important because it gives us enormous possibilities to export our mandarins to EU markets.”***

- **NIKO KAPOVIC,**  
*Manager, KONZUM, Opuzen*

launched to convince the mandarin growers to coordinate their production and seek the necessary certification to allow them to export their produce. In cooperation with the major fruit processor in the region, Konzum, DAI and USAID worked to speed the establishment of a core group of certified growers to supply Konzum.

In the spring of 2006, DAI's agricultural production experts, together with Konzum DAD Neretva agronomists, provided interested mandarin growers with detailed training to receive their certification in safe produce cultivation. After successfully undergoing an auditor's assessment, 28 farmers received their Euro-Retailer Produce Working Group Good Agricultural Practices (EurepGAP) certification. This certification made it possible for producers to expand their sales to 10 major companies and to become eligible for government subsidies available only to suppliers of those companies.

The EurepGAP-certified mandarins meet the industry quality and safety specifications set by the Good Agricultural Practices (GAP). These practices are internationally recognized principles for safe, healthy and sustainable food production processes, defined by the United Nations Food and Agriculture Organization. EUREGAP techniques give purchasers accurate and traceable quality assurance information. A wholesale mandarin purchaser can trace every crate of mandarins exported by Konzum to the farm and field in the Neretva Valley where it grew and was harvested. This quality assurance gives buyers confidence and opens new markets for Croatian produce.

KONZUM's manager in Opuzen, Niko Kapovic, is enthusiastically engaged in developing the Valley's export production potential. Pleased with the venture with USAID, he said, “This was the first time a EUREPGAP certification was granted in Croatia. USAID's cooperation and expertise was a key to our success. The certification is very important because it gives us enormous possibilities to export our mandarins to EU markets.” In 2007 the certification process continued and by the end of year, 38 new growers had become certified. In 2008, 66 growers will produce over 6000 tons of mandarins that meet this standard. All of these growers now have a better relationship with distributor Konzum DAD Neretva and are producing more attractive, higher quality mandarins.

Konzum now exports mandarins to Austria, the Czech Republic, Slovakia, Slovenia and other countries in the region as a result of the grower's more efficient output and certification. Last season the buy off of the mandarins produced in Neretva Valley reached almost 50 %. More mandarins are produced every year with yields expected to reach over 60,000 tons annually. The EurepGAP certification has proven to have been exceptionally good business for the Neretva Valley mandarin producers. Moreover, the certification ensures that growers will only employ production methods that protect the pristine, natural beauty of the region, and use resources sustainably and responsibly.

2006

JANUARY

FEBRUARY

MARCH

## Business Zones Attract Investment

Donji Miholjac, a mid-sized Slavonian town on the Hungarian border, was struggling to recover from the war and socialism. Unemployment had grown swiftly, peaking at 28 percent. But the director of the Donji Miholjac Entrepreneurship Center, Valent Poslon, envisioned a better future by attracting investors to a business zone in the community.

In 2005, USAID local experts invited Poslon's team to participate in the RIEDA program to boost economic growth in the region. "USAID's support was not offered or replicated by any other agency or institution we knew," Poslon recalls. "With USAID support, we began working on a completely new idea." He notes, "Without USAID support and cooperation this project would have moved forward much more slowly and the market we would have addressed and the range of activities we pursue would be much narrower." The small Donji Miholjac team received USAID-sponsored training through DAI/NA-THAN and attended workshops that helped them draft a detailed plan to accelerate investment. Using the plan, Poslon was able to persuade the municipality to offer investment incentives on a trial basis. "USAID was the best training provider we have ever had," says Poslon. "No one in Croatia ever organized a workshop on how to market a business zone. As far as I know, our business is one of the few to have developed a marketing plan for business zones."

One of the Entrepreneurship Center's first major investors, Limex, a well-established company with over \$47 million in annual sales and 700 employees, decided to build a large production facility at the center. "This investment never would have happened without the local government's support to create a business-friendly environment so that we were able to finish construction and start production in just three months," says Josip Šelej, Limex's General Manager.

Recently, Poslon's team has acquired two major foreign investors, a Slovenian wood processor and an Austrian bio-fuel processor. "The investors found that we were offering the incentives they were seeking. That is the result of the marketing plan that USAID helped us design to meet investors' needs." For instance, the municipality expedited the paperwork needed to build and start a company, while offering discounts on municipal fees and taxes. The plan paid off. Two years after the project began, the Center's follow-up study found that investors had provided a total investment of US\$ 44 million, a sum almost 20 times the size of the city's US\$ 2.4 million incentives package.

Since the Entrepreneurship Center began in 2005 as a 17-acre green field, all of its lots are occupied and creating 500 new jobs. Now Donji Miholjac plans to almost quadruple the center's size to 65 hectares. Poslon expects employment to increase further as these unfinished initial investments are implemented. "It is very heartening to see that the businesses in the center are

***"USAID'S projects are actually friendly projects. They are projects that are granted, although they do not need to be granted, because the people helping us are far away. They are giving these projects with full hearts. These programs gave many producers the courage and strength to place their products on the market."***

- **PROF DR JASMINA HAVRANEK,**  
*professor agronomical faculty Univ. of Zagreb*

APRIL

**APRIL** • Trade and Energy Ministers, representing the European Union and seven Balkan countries, including Croatia, agreed to adopt EU single market regulations and liberalize their energy markets by 2008 to boost energy investment.

MAY

**MAY** • Croatia assumes the Presidency of the Southeast European Cooperation Process.

JUNE

2006

**MAY** • U.S. Vice President Cheney meets Croatian Prime Minister Sanader and Croatian President Mesić in Dubrovnik

# 2000-2007

## CHAPTER 3: REVITALIZATION AND REINTEGRATION

***“In our cooperation with USAID, we have acquired new knowledge, visited many people who were by far more advanced than us, we acquired new skills and know-how. Thanks to USAID we are on the best way to placing our products on the market, we don’t have to fear competition.”***

- **VLADIMIR TOMAIĆ,**  
*President of the Dairy Product  
Manufacturer’s Association.  
predsjednik Udruge prerađivača  
mlijeka*

thriving,” Poslon says. “For instance, one entrepreneur began operations with a staff of nine and now employs 100 people. Another company is preparing to open a 7,500 square-meter space for vegetable processing, and it will be part of a large cooperative network of over 1,000 contractors across the country.”

The new investment has led to a 7 percent drop in unemployment in the community, the first decrease since the war. Poslon also sees other economic benefits. “Purchasing power in the region has increased and new shopping centers have appeared. None of these developments - the investment, the increased employment, and the acceptance of new business methods - none of it would have been possible without USAID’s support.” The future of Donji Miholjac looks bright. “Thanks to our cooperation with USAID, it will be much easier to enter the new market following EU accession,” Poslon says. “We are very confident about the future. This project will continue to grow in the mid-term producing more jobs over time.”

### **A Mission Ends**

The third and final phase of USAID’s work in Croatia engaged a wide and diverse group of beneficiaries. Entrepreneurs leading small and large companies, hundreds of national and grass roots organizations, local and national governments, academics, judges, and tens of thousands of Croatian citizens were supported. The reforms and innovations that USAID initiated and promoted benefit millions of Croatians. Pensions and workplaces are more secure. New investors are actively creating new employment. Exporters boost revenues in small and large enterprises. The judiciary and civil society are respected, independent institutions that protect and expand democracy. City governments, now enjoying wider administrative powers, are better able to meet their citizens’ needs. Croatian businesses and government institutions are much better prepared for integration into the European Union using this opportunity to further bolster its democratic institutions, economy and standard of living.

2006

JULY

AUGUST

SEPTEMBER

OCTOBER

NOVEMBER

DECEMBER

2007

**OCTOBER** • The EU completes its screening of Croatian legislation.

# THE BEGINNING – ENDURING BENEFITS AND CONTINUING GROWTH

*The American people are proud to help Croatia achieve its enduring dream of independence and prosperity.*

**D**uring the past 15 years, an enduring partnership has been formed between the Croatian and American people that will continue to serve and benefit both for many years to come. In its mission to support the Croatian people as they undertook their journey from the chaos of war to a place of growing hope and stability, USAID has had the privilege to work with many Croatians to forge a democratic nation that stands at peace with its neighbors, to stabilize the region and offer the promise of growing opportunity in the future. The American people are proud that Croatia is achieving its enduring dream of independence and prosperity.

In Croatia in the early 1990s, the world for many Croatians had lost its moorings. Many felt a sense of helplessness that comes with radical change. Today, the evidence of the early effort of thousands of Croatians to transform their belief in democratic reform into irreversible progress is visible throughout the country. The fear of the unknown has been replaced today with the certainty that a vote will be counted, rights can be exercised, justice can be found before the bar, organized labor will be heard, the media can freely speak, young people need no longer search beyond the borders of their nation to find a better future, minorities can enjoy the protection of law, and governments can be held accountable by their constituencies.

The belief in democratic reform had taken root as soon as Croatia became independent and it has continued to mature over time. USAID has been privileged to accompany its Croatian partners in this process, providing the help its partners needed to achieve their vision. Together we have shown that people can make a difference and that their hopes will be fulfilled.

One of Croatia's most notable and hard-won achievements is its independent, self-sustaining civil society. Civil society organizations now actively monitor, guide and champion an equitable reform process. There is no doubt that they will demand that government, private enterprise, the media and the judiciary uphold the highest standards of transparency and fairness for many years to come.

2007

JANUARY

FEBRUARY

MARCH

• **USAID funds legacy institutions that will continue to promote democracy, effective governance and a strong private sector.**

USAID did not need to instill this insistent spirit. It has been part of the Croatian character for a millennium, finding its most vocal expression today. The will to anchor civil society within Croatian life succeeded within a decade to bring a much more hospitable, legal and political environment within which CSOs can conduct their work. Civil society organizations today can rely upon resourceful and talented training organizations. Quality of service can be certified. The Government of Croatia's Office for Cooperation with NGOs and the National Foundation for Civil Society provide assurance that this sector will remain an active, vocal and effective advocate for social change and democratic reform.

The most influential members of civil society, the labor unions, champion the rights of their members, including women, and fight discrimination. Watch-dog and advocacy CSOs monitor compliance with election financing legislation, ensuring that elections are conducted transparently, freely and fairly. They also seek further policy reforms. CSOs that protect minority rights can carry their concerns to the highest authorities in the land. They speak on behalf of an informed constituency that, through these CSOs' stewardship, now has the confidence to exercise their rights. Partnerships between civil society, national and local government and other stakeholders to address the issues shaping the lives of every Croatian citizen are becoming common practice. USAID welcomed the opportunity to provide its experience of managing transition and seeking social reform.

Looking forward, the diverse media landscape seen today in Croatia will prove to be an asset of increasing value as the global issues affecting Croatia's citizens become more complex. The media can offer an objective examination of national affairs, as well as a window for all to see a wider horizon where Croatia's future lies. USAID supported the independent media to see this institution achieve financial viability and political vigor.

Over the past decade, USAID has been honored to work closely with Croatia's most capable judges and attorneys. Their diligence and insistence upon the judiciary's unsullied independence has advanced reforms in court administration and procedure. The adoption of mediated dispute resolution gives the courts welcome and necessary relief and allows this institution time to adjudicate those issues that require the courts' fullest attention. These innovations will long serve Croatian citizens and those that depend upon the strict and objective adherence to the rule of law to protect human, civic and property rights. Further improvements in these areas can be expected for many years to come.

Croatia's political system has experienced a complex evolution. Over these years, USAID has provided guidance and assistance to support those leaders working to consolidate a mature democracy within Croatia's borders. During that journey, it has become clear that in the future, as today, Croatian citizens will be able to expect that their multi-party system to adapt and anticipate

***USAID has had been able to establish long-term partnerships with many, many Croatian enterprises that are deservedly proud to offer more employment and raise the quality of life in their communities.***

THE BEGINNING  
ENDURING BENEFITS AND  
CONTINUING GROWTH

the opportunities and challenges presented by European and international integration.

Progress also brought empowerment and decentralization. Croatia's municipalities are assuming greater responsibility. Over the past seven years, USAID has been engaged with agile, forthright, and enterprising municipal executives who spare no effort to ensure the best conditions for the future of their villages, towns and cities. The Association of Cities, the formal education now offered municipal leaders, and the twinning of Croatian and American cities will lead to new ventures, increased employment, more efficient and accessible administrations.

In the business sector, the power that can be derived from associations is being tapped by enterprises around the country. USAID established partnerships with many, many Croatian enterprises that now offer more employment and raise the quality of life in their communities.

***“Croatia is a small country, and if it is unable to catch up to the developed world, we will be condemned to economic and political marginality. That is something that, with a little help from our friends, we cannot allow to happen.”***

- **JOSIP KREGAR,**  
*Dean of the Faculty of Law, Zagreb*

The social transformation that the Croatian people and USAID have witnessed, led, and shaped, continues as Croatia prepares for its membership in NATO and the European Union. Recalling the pain of conflict, the devastation of war, the economic and political dislocation that could have derailed the nation's successful transition just ten years ago, Croatia's journey can only be termed a remarkable success. Everyday Croatians achieved something that eluded many other people around the world that have been scarred by conflict. Around the country, people plotted a course to a better future for all Croatians. Both the Croatian people and their government have acknowledged societal deficiencies and are systematically addressing them with the aim of offering greater opportunity for all of Croatia's citizens.

The capacity to look forward, work harder and believe in change is likely the best guarantee that Croatia has entered an era of stability and opportunity. The Croatian and American partnership that USAID has supported will yield benefits for many years to come. Evidence is manifested in the increased strength, health and productivity of the Croatian economy and the sound governance practiced by its leaders who encourage and support the widest possible participation of Croatian citizens. USAID has worked in Croatia, providing aid from the American people, and, in return, expresses its gratitude to its steadfast Croatian partners.

2007

JULY

AUGUST

SEPTEMBER

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# Glossary of Acronyms and Terms

- ABA/CEELI** – American Bar Association’s Central European and Eurasian Law Initiative
- ACE** – USAID Agribusiness Competiveness Enhancement Project
- ACILS** – American Center for International Labor Solidarity of the American Federation of Labor and Congress of Industrial Organizations
- ACJ** – Association of Croatian Judges / Udruga hrvatskih sudaca
- ADF** – America’s Development Foundation
- AED** – Academy for Educational Development
- AIHA** – American International Health Alliance
- ARC** – American Refugee Committee
- BIOPA** – Association for organic-biological production / Udruga za organsko-biološku proizvodnju
- CCN** – Croatian Commercial Network
- CEP** – USAID Croatian Enterprise Program
- CJA** – Croatian Journalists Association
- CroNGO** – USAID support program for Croatian civil society organizations (also referred to as non-governmental organizations or NGOs)
- CRS** – Catholic Relief Services
- CSO** – Civil society organizations
- DAI** – Development Alternatives Incorporated
- DART/OFDA** – Disaster Assistance Response Team from USAID’s Office of U.S. Foreign Disaster Assistance
- ECRA** – USAID Economic and Community Revitalization Project
- EMED** – USAID Entrepreneurial Management and Executive Development Program
- ESP** – USAID Enhancing Small and Medium Enterprise Project
- EU** – European Union
- EUREPGAP** – Euro-Retailer Produce Working Group Good Agricultural Practices
- FLAG** – University of Delaware’s Firm-Level Assistance Group
- GAP** – Good Agricultural Practices
- GONG** – Citizens Organized to Monitor Elections
- GSV** – Governmental Office for Social Partnership in the Republic of Croatia and Economic and Social Council / Ured za socijalno partnerstvo u Republici Hrvatskoj i Gospodarsko-socijalno vijeće
- HNB** – National Bank of Croatia / Hrvatska narodna banka
- HRT** – Croatian Radio and Television / Hrvatska radiotelevizija
- ICNL** – International Center for Non-Profit Law
- ICTY** – International Criminal Tribunal for the former Yugoslavia
- IMF** – International Monetary Fund
- IOM** – International Organization for Migration
- IRC** – International Rescue Committee
- IRI** – International Republican Institute
- LSC** – Legal Services Coalition
- NDI** – National Democratic Institute for International Affairs
- OTI** – USAID Office of Transitional Initiatives
- RAP** – USAID Return Assistance Program
- RIEDA** – USAID Raising Incomes in Economically Distressed Areas Project
- Sabor** – Croatian Parliament
- SEED Act** – 1989 Congressional Act to Support East European Democracy Act
- SOKNO** – Quality Assurance System for Non-profit Organizations / Sustava osiguranja kvalitete za neprofitne organizacije
- STAR** – Strategies, Training and Advocacy for Reconciliation/Resources

2008

JANUARY

FEBRUARY

MARCH

**JANUARY** • Croatia begins its two-year mandate as a non-permanent member of the UN Security Council.

- TREF** – Trainers Forum
- UI** – Urban Institute
- UNTAES** – United Nations’ Transitional Administration of Eastern Slavonia
- WNC** – Women’s Network Croatia
- ZMC** – Zagreb Municipal Court





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