
CHAPTER 6 Poverty in Transition: Lessons from Eastern Europe and Central Asia

Jaroslav Górníak

Economic and political transformation in Central and Eastern Europe and the former Soviet Union republics provided a spectacular epilogue to a century marked by sacrifice on a large scale. Most of these countries now suffer from a severe and, in most cases, long-term transformation crisis triggered largely by three factors: the disintegration of the old economic system, a collapse in trade with other states in the region and an increasing need to adjust to the competitive demands of the world economy. Unemployment and a dramatic rise in poverty have appeared as the main social concerns in countries that were not accustomed to recognising, let alone confronting, these issues.

The Central European countries (the Czech Republic, Hungary, Slovakia and Slovenia) have made the most progress in disentangling their economic systems from planned to market economies. They have achieved relatively adequate living standards and are now applying for European Union membership. Despite continuing problems and challenges, the reforms introduced by these countries may be regarded as largely successful. Poland has achieved significant success in the economic sphere, but nevertheless has seen poverty emerge as a major social challenge.

The Baltic states (Latvia, Lithuania and Estonia) stood out positively from the rest of the Soviet republics even prior to the collapse of the Soviet Union. An internal 'border' appeared to mark them off from the other republics in terms of living standards and economic development. After they gained their independence, a process that strained relations with Moscow and on a number of occasions sparked armed clashes, these countries found themselves in a crisis from which they have only gradually extricated themselves. Estonia has been the most successful of the three and today is one of the leaders among the countries applying for European Union membership. All of them have nonetheless experienced varying degrees of poverty and are making noteworthy efforts to identify and solve these problems.

The other former Soviet republics have suffered the most from the crisis in the region. In some cases, the old order has collapsed entirely. These countries, however, do not represent a homogeneous group. Prior to the transformation they were characterised by different living standards and economic development. Differences

have also become apparent with regard to the transformation strategy. The contrasts range from Uzbekistan, where the transformation process has been relatively gradual and peaceful, to Kyrgyzstan, which has adopted a market-oriented strategy burdened by serious problems, and Ukraine and Russia, which have suffered from long-term crisis and a dramatic increase in social stratification.

The countries of South Eastern Europe have been plagued by their own problems, particularly in the Balkans, as a result of civil conflict and ethnic wars. Other countries have been spared conflict, but have witnessed a sudden rise in poverty following economic breakdown. Such is the case of Bulgaria, which after a brief respite in the middle of the 1990s, has once again experienced a downturn from which the country is still trying to escape. The collapse in domestic demand caused by a sharp fall in real incomes poses a serious problem.

This chapter is based on the findings from policy work supported by the United Nations Development Programme (UNDP) through its Poverty Strategies Initiative (PSI) programme in 11 countries in the region: Armenia, Bulgaria, Estonia, Kazakhstan, Kyrgyzstan, Moldova, Poland, Russian Federation, Tajikistan, Turkmenistan and Ukraine. Although the analytical and policy work funded by UNDP varied in nature across countries, it provides a rich source of information for understanding the nature of poverty throughout the region and the challenges facing policy-makers. A clear diagnosis of the problem and its determinants should, after all, be the departure point of any public policy.

The chapter begins by presenting briefly the radical social transformation experienced in these countries, and the efforts supported by UNDP to raise public awareness of the magnitude of the problem. It then provides an analysis of how these countries are struggling to devise adequate tools to capture the extent, depth and profile of poverty. Finally, we present some of the answers that are emerging in the region, focussing on a number of programmes and strategies developed to address particular aspects of the poverty agenda.

The emergence of poverty as a public concern

The demise of the Soviet Union was an enormous shock for the region as a whole. Free of Soviet domination, the countries now had to develop their own political systems and market mechanisms. They managed to do this to varying degrees. Cooperative links that existed previously between countries broke down, traditional supplies of raw materials were interrupted, and the export markets of the huge socialist production plants collapsed because they were producing goods that failed to conform to the rapidly spreading patterns of consumption in market economies. In many places, short or more protracted armed conflicts broke out. This further exacerbated the severe economic crisis facing these countries, especially in the former Soviet republics.

As a consequence of this transformation crisis, the extent of poverty has increased dramatically, and so have income disparities. There has been a rapid improvement in the incomes of the top 5 to 10 per cent of society and a simultaneous fall in the incomes of the majority of the population in many countries. Social groups not previously affected by poverty, such as public sector workers, saw their salaries and living standards plunge. As a result of these developments, 60 to 70 per cent of the population in most countries currently earn fairly low incomes.

It is important to stress that poverty is not a new phenomenon that can be attributed exclusively to the transformation process. It did exist before in the Soviet Union and its satellite countries, even though political and ideological reasons obstructed its official recognition. This was particularly true in the republics of Central Asia, especially Turkmenistan and Tajikistan, where national income per capita was approximately two times less than the average in the Soviet Union. Even in Ukraine, international experts estimated that 11 per cent of the population lived below the poverty line in the late 1980s, although other sources put this figure at 20 to 25 per cent (Ukraine 1997a). In spite of this, inadequate attention was paid to ensuring proper analysis of living standards in the former socialist bloc. Until 1989, much statistical data was secret. This included the periodic family budget surveys, which contained a great amount of social information, as well as the existence of inflation and hidden unemployment. Attempts to conduct serious surveys of living conditions were forbidden and considered nationalistic propaganda. Soviet social policy was planned on a national scale, without taking account of regional peculiarities and imbalances.

Moreover, economic indicators during the pre-transformation period, which have served as a guideline when estimating the effects of the subsequent crisis, were often shaped by government optimism and the habit of recording on paper the performance of plans never intended for implementation. In addition to problems of economic growth, all the countries in the former Soviet bloc have poor records in environmental protection, life expectancy, health care, education and training. Although these problems have emerged largely during the course of the transformation crisis, some have roots in the old system. The transformation crisis merely intensified these problems. It did not create them.

The fact that poverty was never officially acknowledged explains why it was neither an object of public debate nor treated as problem of public policy. Politicians in most countries largely neglected the issue, even after its dramatic emergence following the transition. In an attempt to hide the problem, many people have willingly substituted various euphemisms for the word 'poverty'. Such behaviour often results from the fact that a person who is labelled as 'poor' or 'needy' risks being marginalised. A negative consequence is that social assistance may fail to reach those who need it because they are too ashamed to claim the ben-

efits to which they are entitled (Trapenciere et al. 2000).

One key challenge for the region, therefore, was to increase awareness of poverty among both policy-makers and the public at large, and to identify the scale and structural causes of this phenomenon. This was one of the main functions of the projects financed by UNDP in the 11 countries covered in this chapter. Whether it was a qualitative poverty assessment in Latvia, a national strategy for improving public health in Kazakhstan, a study on women in poverty in Bulgaria, or a living standards survey in Tajikistan, a key objective of UNDP assistance to these countries set out to introduce the issue of poverty into the national public discourse.

Poverty in Eastern Europe and the former Soviet republics is still largely a problem caused by crisis-related factors. The radical political and economic changes unleashed by the demise of the Soviet Union have been accompanied by high unemployment, changes in the relative situation of large social groups (e.g. farmers), and a drastic drop in consumption levels as a result of changes in relative prices. This was further compounded by the inability of public services to satisfy basic needs and the reduction or removal of state subsidies on critical goods and services.

The key to solving the problem of crisis-induced poverty lies in guaranteeing stable economic growth and creating new jobs. One particular form of temporary poverty that has emerged in the region is associated with the difficulties involved in the 'full nest' syndrome, that period in the family cycle when children are still being brought up at home. During this time, the incomes of household earners, some of whom may be single parents, must be able to cover the expenditure of many people. Even if temporary in nature, the effects of such poverty can be inherited by children. They may be denied access to an appropriate level of education and be exposed to the dangers of biological underdevelopment due to malnutrition. At the same time, the prolongation of a crisis may result in the appearance of highly vulnerable social groups. It also increases the danger of long-term, structural poverty as a consequence of the emergence of a new competitive labour market and, in particular, the rising importance of education in market economies. Long periods of absence from the labour market can contribute to passivity and the development of a welfare dependency syndrome, factors that increase the likelihood of structural poverty.

Under these circumstances, the main challenges facing policy-makers in the region today are to limit structural poverty and mitigate its effects in the short term, while creating the conditions for empowering people and providing them with opportunities for escaping poverty. Particular attention needs to be paid to limiting the reappearance of poverty in later generations by ensuring that children receive adequate support and assistance. Given the strong regional character of poverty and unemployment in several countries (due, for example, to the closure of plants in many 'factory towns'), an additional challenge for public policy is to implement emergency packages of assistance to impoverished regions.

On the other hand, a number of factors inherited from the Soviet era led many people who suddenly found themselves below the poverty line to treat their situation as temporary. Among these factors are the presence of nearly universal literacy, an accumulated stock of goods, including a dwelling and domestic appliances, as well as the existence of a very active, skilled population prior to the transformation. This makes it possible, at least in principle, to mitigate poverty in the short term by creating jobs, raising incomes and improving the economic situation of the population.

Poverty measurement and analysis

Choosing a poverty threshold

To wage an effective attack on poverty, it is vital to identify its extent, nature and determinants. This requires, among other things, devising appropriate tools for gauging the scale of the problem, both for purposes of heightening public awareness and informing the design of policy. The first step is to determine which criteria or threshold should be used to differentiate between impoverished groups and the rest of the population. The method most frequently employed is to define a poverty line based on monetary or other indicators. Estimates of the extent and depth of poverty in a given society will be contingent upon the choice and exact location of the poverty line. The problem is that, to a large extent, all poverty lines are arbitrary. For this reason, all the countries covered in this chapter have been struggling with the need to come up with a set of measures that not only reflect accurately the incidence of poverty in their societies, but also are accepted politically as providing a sound basis for public action.

A review of the various surveys and assessments financed by UNDP in the region reveals that in the majority of countries, poverty lines were calculated on the basis of the value of income or expenditure per capita (or equivalent adult) in a household. Such poverty lines often were based on absolute criteria, such as the estimated minimum subsistence level or a social minimum. Other possibilities, however, were also examined. They included the setting of a relative poverty line, a subjective poverty line or a structural poverty line calculated on the basis of the share of expenditure per person assigned to food. The most frequent sources of data were the results of standard research into household budgets carried out by statistical offices or of special research projects investigating the problem of poverty, as was the case in Bulgaria, Latvia and Lithuania. Unfortunately, given the differences in methodology, the figures obtained in these studies cannot be compared across countries.

Poverty researchers in many countries were particularly sensitive about the methodological choices involved in setting poverty lines and equivalence scales. They often considered various alternative approaches, before recommending the one or two that seemed to be best suited for their country. The most prominent example in this respect is the Bulgarian report *Poverty in Transition* (Bulgaria

1998a), which grappled with the challenge of establishing a poverty line that would be theoretically sound, yet could also be used as a basis for social policy. The report presented a detailed analysis of the advantages and disadvantages of various poverty lines and estimated the percentage of households living in poverty using ten different methods for establishing the poverty threshold, nine of which had an upper and lower variant. The lowest line corresponds to the basic minimum income used to define eligibility to social welfare assistance (BLG 29,500 per capita a month). Based on this estimate, only 3.9 per cent of Bulgarian households were poor in 1997. This line, however, is administrative rather than analytical in character, and clearly underestimates the scale of poverty in the country. The incidence of poverty was significantly higher, ranging from 53 to 68 per cent of households, when other methods were considered. These figures, in turn, differed considerably from those obtained when variants of a relative poverty line were used. In the latter case, the incidence ranged from 4.2 per cent to 49.2 per cent of households.

Upon considering all the different alternatives, the authors of the report, which comprised a large team of national experts from academia, government agencies and the trade union movement, settled for a poverty line derived from calculating the share of expenditure on food per capita for each household unit.¹ Almost two-thirds (65.5 per cent) of Bulgarian households found themselves below this line (BLG 95,500) in 1996. The poverty headcount spread that emerges from different yardsticks is extreme. The challenge for researchers and policy-makers is to find one that meets the criteria of both theoretical legitimacy and fiscal feasibility, if it is to be officially adopted.

Other countries in the region have relied on multiple lines as well. In Latvia, the poverty profile was estimated on the basis of three thresholds, while in Estonia, a normative criterion was used involving a threefold classification: those who are poor, those whose ability to cope is in danger, and those who are at risk of becoming poor. According to this, more than half of the Estonian households is either poor or vulnerable to poverty. One-fifth of the population (the two lower income deciles) lives in direct poverty, while more than one out of three Estonians is below the poverty line (Estonia 1999).

In Poland, 5.4 per cent of the population is defined as living below the minimum subsistence line. If the official poverty line, which entitles people to welfare benefits is used, the incidence of poverty rises to 26.3 per cent and to 50.4 per cent if the threshold is set at the so-called social minimum line. Registered poverty, an administrative criterion that covers people already receiving social assistance and unemployed persons registered at employment centres (irrespective of whether they receive benefits or not), results in a poverty rate of 27.7 per cent of the population (Kabaj 2000).

Four poverty lines have also been proposed in Moldova. They are assessed at 30, 40, 50 and 100 per cent of the subsistence minimum. Twenty-one per cent of the

Table 1. The layered structure of poverty in Estonia

Poverty strata	Income level, Kr	Households		Individuals		Average income, Kr	Average consumption, Kr
		N	%	N	%		
Below the poverty line	Below 1,250	234,000	36.2	546,000	37.8	880	1177
In direct poverty	Below 1,000	117,000	18.1	314,000	21.7	698	1013
Poverty endangering coping	1,001-1,250	117,000	18.1	233,000	16.1	1132	1238
In poverty risk area	1,251-1,500	107,000	16.6	226,000	15.6	1369	1495
Outside poverty risk	1,501+	305,000	47.2	675,000	46.7	2828	2599

Source: Household Income and Expenditure Survey, 1997.

population is below the first line, which denotes a condition of extreme poverty or indigence, while 76.8 per cent live below the subsistence minimum. The poverty depth in Moldova is also large: 40 per cent in the case of the first line and 52 per cent in the case of the second. The share of expenditure on food in the poorest households is 66.4 per cent in the towns and 73.4 per cent in the countryside (Moldova 1998).

No precise data on the incidence of poverty is available for Turkmenistan. Nevertheless, it is still possible to infer the scale of the problem by comparing other indicators of deprivation across countries. Data on the share of food expenditure in household budgets are available from the Turkmenistan Living Conditions Survey, financed by UNDP. It shows that, on average, 68 per cent of expenditures in Turkmeni households are devoted to food (Turkmenistan 1998). This represents approximately the same share as that among Moldova's most impoverished households. While one cannot determine with precision the proportion of the country's population that is poor, the comparison with Moldova provides at least an initial indication of the magnitude of the problem in Turkmenistan.

Kyrgyzstan and Tajikistan are also among the poorest countries in the region. Sixty-two per cent of the Kyrgyz population lives below the poverty line, which represents the total monthly expenditure per capita required to ensure that a person consumes minimum calories for biological existence. The figure is even higher in the countryside, where it reaches 75 per cent of the population (Kyrgyzstan 1998). In turn, data from the Tajikistan Living Standards Survey, conducted in 1999 with funding and technical assistance from the World Bank and UNDP, shows that 87 per cent of households have a monthly expenditure of up to 20,000 Tajik roubles (less than US\$ 12 at market rates). Slightly over one fourth of the Tajik households spend up to TR 8,000 (US\$ 4.60). Other sources put the pover-

ty rates at 70 to 96 per cent of the population (Turayev 2000). A recent report published by Goskomstat, Tajikistan's statistical agency, reveals that only 3.5 per cent of households have an expenditure greater than US\$ 1 PPP per capita per day (TR 30,000 per month) (Goskomstat 2000). As can be seen, poverty is extremely high in Kyrgyzstan, Moldova, Tajikistan and Turkmenistan.

A number of countries examined the viability of establishing a relative, rather than an absolute, yardstick for measuring poverty. Relative poverty lines have various advantages. First, a relative poverty line accords with the observation that from the point of view of those who suffer it, poverty is primarily relative in character. In fact, people most often compare their present situation with that of others, with their own situation in the past or with their expectations for the future. As a result, they may not regard themselves as poor even when, by objective criteria, they are. By the same token, feelings of relative deprivation may increase during periods of rapid social change and dislocation.

A second important advantage of relative poverty lines is that they offer certain possibilities for cross-country comparative analysis. This is particularly valuable when contrasting methodologies and definitions of absolute measures make it impossible to compare poverty rates across countries. By setting a threshold at, for example, 50 per cent of the median income or expenditure per capita, one can at least compare the poverty profiles thus obtained in several countries at a time.

Of the countries covered in this chapter, five (Bulgaria, Estonia, Latvia, Lithuania and Poland) gave estimates of poverty using a relative line. The first four reported the poverty line at 50 per cent of median income or expenditure per capita or equivalent adult. This approach resulted in relatively low headcount figures, ranging from 6 to 7 per cent in Bulgaria (Bulgaria 1998a) to 7 to 10 per cent in Estonia (Estonia 1999), 10 per cent in Lithuania (Lazutka 1999) and 12 per cent in Latvia (Aasland 2000). The reason for such low estimates stems from the characteristics of the income distribution series in these countries. A large percentage of the population earns low incomes, and significant differences appear only in the upper half of the scale, especially between the top 5 to 10 per cent of society and the rest.

To correct for this distortion, the Central Statistical Office of Poland set the relative poverty line at 50 per cent of the arithmetic mean value of expenditure per equivalent adult in a domestic household. Approximately 15 per cent of the population was found to be living below this line, while poverty depth was estimated at nearly 20 per cent (Kabaj 1999). If a similar definition had been used in Bulgaria or Latvia, the estimates of poverty would have increased from 6 to 12 per cent in the former (Bulgaria 1998a), and from 12 to almost 17 per cent in the latter (Latvia 2000).

Despite the popularity and theoretical legitimacy of relative measures, experts in the region generally treat them with scepticism, largely because such measures, as explained above, are greatly influenced by the distribution of incomes in a soci-

ety. Only in Lithuania does a consensus seem to be emerging among professionals that a relative poverty line, set at 50 per cent of the mean rather than the median equivalent expenditures, should serve as the basic criterion for determining poverty rates in the country.² Lithuanian experts prefer a relative line to normative criteria like the minimum subsistence level. They contend that although the latter are common, understandable and reflect the dynamics of poverty, they are also prone to be biased by subjectivism in defining the basic consumer basket. For this reason, they propose using instead a relative poverty line at constant prices for the purpose of monitoring poverty (Černiauskas 1999).

By contrast, Estonian experts do not share the same opinion about the merits of relative measures. Considering the country's comparatively low level of incomes, they feel that a relative measure would have limited practical significance for determining poverty rates. They propose instead a methodology for establishing an absolute poverty line, defined in monetary terms. The *income poor* are said to be those households whose income is less than the poverty line. In order to determine where such line should be drawn, a number of thresholds are examined using various methods. These thresholds correspond to various facets of poverty, and therefore can be thought of as representing different manifestations or components of the problem (Estonia 1999).

An important contribution of the Estonian study is that it recognises that poverty is not homogenous. Thus, it is probable that determining its incidence on the basis of its various dimensions will not only result in different poverty rates, but also in different households being classified as poor. Estonian experts identify the following categories of poor people:

- The *food poor* are those households in which expenditures on food per consumption unit is less than the value of the basic food basket. Based on 1997 data, there are 29.9 per cent of such households in Estonia.
- The *consumption poor* comprise households whose consumption level is below half the median value of household consumption expenditures (700 kroons per month). According to this criterion, 8.5 per cent of Estonian households are poor.
- The *life style poor* represent households for whom expenditures deemed essential to survival, such as food and housing, account for more than 80 per cent of total consumption expenditures. Almost one in every four households (24.1 per cent) falls into this category.
- The *housing poor* are households who live in dormitory accommodation or who have half a room or less per household member, without counting the kitchen. Housing poverty affects 7.7 per cent of the country's population.
- The *subjective poor* are those who consider themselves to be poor.

In cases of long term, structural poverty, the correlation between insufficient incomes and other dimensions of poverty such as under-nourishment, inadequate housing or ill health normally is high. Subjective feelings of deprivation also tend to

Box 1. Drawing the line

Virtually all the former socialist countries have experienced a significant increase in poverty during the transition period. Estimates of its extent and depth are, nonetheless, contingent upon the choice of the poverty line that serves as a threshold for distinguishing the poor from the non-poor. Unfortunately, there is no simple solution to the issue of poverty measurement. All poverty lines are to some extent arbitrary, and therefore no simple, all-embracing definition of where the threshold should be located can be given.

For this reason, many countries have examined multiple poverty lines using a range of poverty criteria and definitions. Using multiple criteria for determining how to measure poverty may be fully acceptable for researchers. But policy-makers generally prefer to have one poverty line, which can be used for social policy purposes. The choice of one poverty line as a standard for determining eligibility to certain social benefits is fraught with problems, including the need to balance fiscal criteria and theoretical soundness. In the end, the choice is always political in nature.

Nevertheless, a combination of poverty lines can still be very useful, both for analytical purposes and for policy making. Ultimately, poverty is not a discrete concept, but rather a layered, multifaceted phenomenon that affects people in numerous ways. Differentiating between poverty layers has a vital socio-political importance, since poverty of varying intensity requires the implementation of diverse intervention strategies. This is especially relevant at a time of rapid economic dislocation, when people are subjected to various sources of social disadvantage.

correspond more closely with indicators of income poverty the longer people are trapped in such situation. However, in a context in which people become suddenly impoverished due to the convergence of various factors and poverty is, to a large extent, transitional, the correlation between its various dimensions is not necessarily strong. The data from Estonia, in fact, shows that the various poverty criteria correlate weakly with income poverty, independently of where the poverty line is set. This indicates, in the words of the Estonian experts, that 'all the poor households are not poor in the same way' (Estonia 1999). The question, therefore, is how to determine a poverty line that can capture all the main dimensions of poverty and represent the various categories of people who suffer from one or another kind of deprivation.

To do this, Estonians propose to determine the poverty threshold at an income level at which they can claim with at least 50 per cent certainty that any given household will also be poor in some of the other dimensions listed earlier. Hence:

In comparing various poverty criteria distributions, it became apparent that the lowest poverty line fulfilling all the conditions would be 1,270 kroons. Estimates show that 87 per cent of the consumption poor, 58 per cent of the life-style poor,

66 per cent of the food poor, and 50 per cent of the housing poor are below a poverty line which is determined in this way (Estonia 1999).

In other words, the poverty line is such that it covers all the poverty components that have been defined with recourse to a number of objective criteria that reflect the housing conditions, food expenditures and consumption levels of impoverished households. As can be seen, subjective assessments are not included in the determination of the poverty line. This, in fact, is indicative of the scepticism present in the region regarding the validity of subjective definitions of poverty based on respondents' self-assessment of their own condition. Although feelings of deprivation seem to be a natural indicator of poverty, their use in deriving a common yardstick is, to a degree, questionable. The scepticism that prevails in the region has been reinforced by the results of research carried out in countries such as Latvia, which show that people's assessments of their own deteriorating situation contrast with objective indicators of this situation (Gassman and de Neubourg 2000). Nonetheless, subjective criteria can still play a valuable role in poverty research. They can do this by providing a benchmark for checking the validity of the results obtained when using objective indicators for the determination of an absolute threshold.

The work carried out in Estonia contains a number of interesting insights that could be applied in other countries in the region. Most importantly, it shows that poverty is not homogeneous, but rather is a stratified problem that requires the adoption of several yardsticks for gauging its extent and character. By identifying different components or layers of poverty, policy-makers may be in a better position to devise different solutions for those who are directly affected by poverty, and those who are in less severe economic situations or are only at risk of becoming poor.

Our review of the analytical work financed by UNDP in the former socialist countries of Eastern Europe and Central Asia has produced several important lessons for poverty analysis and measurement:

- Poverty is a *layered* phenomenon. A combination of poverty lines based on several criteria gives a better picture of a country situation than the choice of a single poverty line, regardless of how the latter is determined. Multiple poverty lines can also be used for defining appropriate policies for particular target groups.
- Policy-makers, however, normally prefer a single solution, which could be easily used for administrative purposes. While the definition of such a unique poverty line must be grounded on a firm theoretical basis, it is important to stress that the choice, ultimately, is a political issue.
- Absolute thresholds seem to be better suited for monitoring poverty in poor countries as well as in countries undergoing rapid transition or economic

change. Relative poverty lines, on the other hand, may be better suited for richer countries where absolute deprivation, especially destitution, is less of a problem.

- Nonetheless, both the absolute and relative methods of measuring poverty have advantages as well as disadvantages. The final choice of the approach to be followed must, therefore, be well justified. Making use of both approaches should also be considered, particularly for checking the reliability of the poverty rates obtained through the application of either one of the methods.
- A number of interesting proposals have emerged from the transition countries. Of particular relevance are the approaches followed in Bulgaria (a modified version of the so-called Orshansky index) and Estonia (a layered concept of poverty based on absolute criteria analysed in multiple dimensions). These proposals should thus be considered for application in other countries where poverty data are inadequate.

The profile and determinants of poverty

One very important factor to note when addressing the issue of poverty in the countries of the former Soviet bloc is that impoverished people often experience financial difficulties as a result of external, independent factors. Well-educated people, including health service employees, teachers and other professionals, suddenly found themselves facing hardship as a consequence of low earnings. The same is true of many enterprise workers and employees, who earn low wages and regularly suffer from extensive wage arrears. Pensioners whose payments have failed to keep pace with inflation are in a similar situation. All of these groups have fallen into a state of poverty stemming from the economic crisis that has accompanied the transformation from socialism to a market economy. Feelings of deprivation have been heightened by rapidly widening gaps in incomes and living conditions between the majority of the population and the small, privileged elites who have benefited most from the privatisation process that took place in most countries.

With the exception of Central Europe, large groups of the population across the region have suddenly become innocent, random victims of poverty, regardless of the reform strategies adopted in a particular country. People have adopted an assortment of coping strategies in an effort to confront, and if possible escape from this predicament. There are normally two types of strategies. Some seek to generate additional revenues to supplement or make up for declining family income. Examples of income generating strategies include selling vegetables or cattle, engaging in casual or informal jobs, performing services and other paid activities. Many families have also resorted to a variety of activities that do not generate extra income, but rather seek to protect household consumption by cutting on non-essential expenditures. Examples of the latter are such activities as growing veg-

etables, collecting berries or mushrooms, sewing and knitting for family members, as well as other activities undertaken to provide goods or services to the household out of its own production (Gassman and de Neubourg 2000).

The causes of this dramatic and unprecedented rise in poverty are plentiful. A qualitative assessment funded by UNDP in Latvia found that respondents attributed the abrupt deterioration of social conditions to a multiplicity of factors: unemployment; low salaries, late pay, partially or in-kind; high cost of public utilities; hyperinflation and the collapse of the Baltija bank in 1995, which deprived people of their life savings; inadequate child benefits, which affected large families in particular; low market prices for agricultural production, coupled with the high cost of technology and inputs; and government's incompetence and indifference to peoples' wellbeing (Trapenciere et al. 2000).

The impact of the economic reforms introduced by the Latvian government shortly after the beginning of the transition process was also cited as a factor contributing to widespread poverty. The manner in which the privatisation of publicly owned enterprises took place, through the distribution of vouchers, prevented many Latvians from benefiting and led to a substantial concentration of assets and wealth. A large proportion of the population did not have the means to take advantage of the process by privatising land or houses. Others sold their vouchers to cover the cost of daily essentials. The massive reforms of the public administration also left people confused and intimidated by continuously changing regulations and demands.

Most of these factors were externally imposed on people. At the same time, alcoholism and a pervasive attitude of dependence on the state, inculcated during the Soviet period, contributed further to apathy and passivity. Alcoholism in particular is linked to unemployment, sometimes as a cause, often also as a result. Feelings of dependence, on the other hand, certainly had a strong impact at the beginning of the transition, when Latvians were still accustomed to a system in which enterprises not only functioned as production units, but also provided social assistance to their employees from cradle to grave. In time, most people gradually realised that they had to rely on themselves, their friends or relatives for their sustenance. Not everyone, however, has managed to adapt to the new situation successfully (Gassman and de Neubourg 2000).

A review of findings from a cross section of poverty profiles in the former socialist countries reveals that poverty occurs most frequently among:

- Large families, with three or more children;
- Single parent households, especially those headed by single mothers, as well as households with a higher than average number of dependants in relation to income earners;
- Rural households, partly as a result of the prevalence of larger families in rural

areas in comparison with cities and towns;

- Families whose head or main income provider has a low level of education;
- Households headed by non-earners, such as unemployed persons or pensioners;
- Disabled people.

In most countries, the long-term character of the crisis has increased the danger of poverty being inherited by later generations. Long-term poverty may result in the emergence of what in other countries has been called an 'underclass' trapped in a 'culture of poverty'. This refers not only to the extreme marginalisation found among the homeless, although this too is a serious problem, but to the possibility that poverty may become consolidated and perpetuated among groups that are currently deprived of opportunities to support themselves, yet also lack the ability to change this situation. This problem particularly concerns children. For instance, one study found that:

Children are the group most vulnerable to poverty in Estonian society. The younger the children are, the greater the probability that they live at a resource level which is below the poverty line. Of those up to 10 years old, 48 per cent live in poverty, while for those between 10 and 19 years of age, the figure is 44 per cent. One third of children live in direct poverty, and 13 per cent live in a situation that endangers coping. Therefore, on average, small children run a substantially greater risk of ending up in direct poverty than the remainder of the population (Estonia 1999).

In Poland, the only country in our sample with a relatively good economic situation, one third of all people living below the minimum subsistence level are children under 14 years of age, and almost half of this total are under 19 (Szukielojc-Bienkunska 1998). In the Russian Federation, the poverty rate among children under 15 stood at 46 per cent in 1994. For adults, aged 31 to 60 years old, the corresponding figure was 35 per cent, and for male pensioners it was 22 per cent. Even more disturbing is that a phenomenal 73 per cent of families with three or more children were impoverished in Russia (UNDP 1998).

This situation is alarming. Due to the impoverished condition of their families, massive numbers of children are in danger of being permanently deprived of key opportunities in life. Among other things, they may be denied full access to education, and suffer psychological or biological problems as a result of inadequate diet. Children from poor families may also suffer marginalisation from their peers, a fear that was echoed by many concerned parents in Latvia (Gassman and de Neubourg 2000; Trapenciere et al. 2000).

Together with high literacy and enrolment rates, the post-communist countries have inherited extensive, albeit poor, education systems. Nevertheless, in many countries, children from poor families now have restricted access to education due to the distance to and from school, the inability of their parents to cover travel

costs, and the problem of child labour in the countryside. The enrolment rate in Kyrgyzstan, for example, is only 76 per cent, whereas in Moldova and Ukraine the respective rates are 87 and 83 per cent. One of the major tasks facing policy-makers in these countries should be to prevent the situation from deteriorating further.

In Moldova, the young age of people setting up domestic households is regarded as a major cause of poverty (Moldova 1998). The same happens in Armenia, where the labour market is very tight and favours workers with long employment records in enterprises to the detriment of young people, who are being made redundant (Armenia 1999). Pensioners also constitute a high-risk group in several countries. They are the most vulnerable group in Estonia, due to the country's low pension levels (Estonia 1999). Only in Poland, which boasts a relatively generous pension system, do pensioners enjoy a relatively good economic situation. The average pension in Poland amounts to 70 per cent of the average wage, and the state makes sure that no payment arrears occur.

Interestingly, many of our country studies do not find gender to be an important determinant of poverty risk. The situation is more complex, however. A study on the topic conducted in Bulgaria (1998b), found that four groups of women are particularly vulnerable to poverty: divorced women with children, single mothers, elderly single women, and women from minority groups (Muslims and Romanians). The authors of the study conclude that:

Women are not inherently poorer than men, but the uneven distribution of the burden of crisis has formed groups of women who undoubtedly constitute the poorest population strata. They are being marginalised: temporary poverty grows into a way of life, not only for women, but for their children as well (Bulgaria 1998b).

Another study done in Latvia (Gassmann 2000) also contains a very interesting analysis of the relationship between poverty and gender. Women's poverty appear to be the outcome of their socially defined roles, including their child-rearing responsibilities, more than a function of lower education or of institutional obstacles to their professional carriers.

However, ethnicity does not seem to be a factor determining poverty. In Latvia, a country with a large Russian minority, the relationship between ethnic origin and poverty risk was found not to be very strong (Aasland 2000). The situation may be different in other countries, however, in particular in Southeast Europe. The vulnerability of Muslim and Romany women in Bulgaria has already been mentioned above.

On the other hand, unemployment certainly is a principal cause of poverty in the region. The main problems connected with the labour market relate to access to and quality of work, job security, wage levels, and wage arrears. Official statistics vary in accuracy from country to country and do not provide a full picture (Keune 2000). Statistics on employment do not shed light on the situation in the 'shadow econo-

Box 2. Being poor and being women

A detailed gender-based analysis of poverty reveals some differences between the risk for an individual to live in poverty depending on the characteristics of the breadwinner. Taking the official minimum wage as the poverty threshold, the headcount ratios for male and female-headed households are almost equal (39.9 per cent and 40.9 per cent, respectively). Whether a household has children or not makes a difference. With an increasing number of children, poverty rates are higher in female-headed households, although they are equal in case of no children. Regarding household size, four or more household members is a bad risk in both cases, although female-headed households have a significantly higher poverty rate (60.1 per cent to 51.5 per cent) in this context. The opposite is the case in single households. Female households do even better than their male counterparts. Only 15.4 per cent of single living females are poor, compared to 23.6 per cent of single males. Then again, with increasing size, the risk for female-headed households to be poor is higher (Gassmann 2000).

my', where a considerable number of the officially unemployed and people seeking additional incomes have found work.³ Moreover, non-working individuals are not always registered at employment centres, especially if registration does not entail any benefits. Hidden unemployment is especially high in the countryside. As a result of these factors, it is impossible to give a precise estimate of the scope of the problem.

If, however, we restrict ourselves to the official data, one very important fact to note is that young people are most at risk. This is particularly evident in Poland, where the unemployment rate among those aged 15 to 24 years old is almost 30 per cent, compared to an average unemployment rate of 12 per cent for the country (Kabaj 1999). The situation is similar, although less striking, in Russia and Ukraine, where the most vulnerable age group comprises those between 20 and 29 years. The table below shows unemployment rates for selected countries in the region.

Table 2 is a good example of the problems with official statistics in some countries. It is clear, for instance, that the low unemployment figures for Moldova, Tajikistan and Ukraine cannot be considered reliable. The national poverty alleviation strategy financed by UNDP in Moldova presents a different picture of the labour market situation in the country:

During the first half of 1997, over 110,000 workers (9.8 per cent of the total workforce) were sacked from enterprises, another 12 per cent (132,000 people) were on forced leave, and approximately 27,000 were transferred to part-time work due to reductions in the volume of production. As a result, 27,000 people were registered as unemployed in the month of October, of which 66 per cent were women. There was only one vacancy to every 11 unemployed persons, making their chances to get a job extremely limited. The purchasing capacity of the cash income of the population in 1996 constituted only 26.4 per cent of what it had been

in 1990, and only 25.5 per cent in the case of salaries. The average salary in real terms, adjusted to the prices of previous years, was equivalent to the salaries of the mid 1960s, while in the sectors of education, health, and culture and arts, the corresponding salary was that of the late 1950s (Moldova 1997).

Similar problems are present in Tajikistan. The country was hard hit by the crisis in Russia and the other former Soviet republics, particularly by the collapse of the single market and the cooperative ties that bound those countries together. Tajikistan's crisis was further aggravated by the civil war that broke out after independence in 1992. As a result of the deep economic crisis that followed, men have become afraid to engage in commerce, which is often subject to racketeering. Women often play the role of main breadwinner, obtaining income through petty trading and other small-scale activities. Given this context, official statistics about unemployment are very misleading and should be treated with caution.

Labour market conditions are giving rise to a new social category alongside the impoverished unemployed: the working poor. Often these people work in simple, uncompetitive jobs and have to support other people in their families. It is difficult to estimate the number of working poor, as employees sometimes receive part of their wages 'under the table' in order to avoid paying income tax and insurance contributions that increase labour costs. This problem is compounded by the widespread prevalence of wage arrears in all 11 countries, especially in Russia, Ukraine and Moldova. The scale of this phenomenon varies, depending on the region, the branch of the economy, the sex of the employee and his or her competitiveness. In general, women as well

Table 2. Unemployment rates, selected countries (1990-1997)

	1990	1991	1992	1993	1994	1995	1996	1997
Armenia	...	...	3.5	6.2	5.6	8.1	9.7	11
Bulgaria	1.6	10.5	13.2	16.3	14.1	11.4	11.1	14.2
Estonia	...	...	...	5	5.1	5.1	5.6	5.4
Kazakhstan	0	0	0.5	0.5	8.0	11.0	13.0	13.5
Kyrgyzstan	...	0	0.1	0.2	4.1	5.7	7.8	7.5
Latvia	...	...	2.3	4.7	6.4	6.3	7.2	6.7
Lithuania	...	0.3	1.3	4.2	3.8	6.1	7.1	5.9
Moldova	...	...	0.1	0.7	1.1	1.4	1.4	1.7
Poland	6.3	12.2	14.3	16.4	16	14.9	13.6	10.5
Russia	0	0	4.8	5.7	7.5	8.8	9.3	9.0
Tajikistan	...	...	0.3	1.1	1.7	1.8	2.8	4.7
Turkmenistan	2.0	2.0	...	...	...	3.0	...	...
Ukraine	0	0	0.3	0.4	0.4	0.5	1.6	2.9

Source: Kolodko 1999 (based on official statistics).

as less competitive workers experience longer delays in being paid. Wage arrears have increased differences in pay and, therefore, income disparities among households. The alternative, however, would be unemployment for the less competitive workers, an option that they themselves would find even less attractive than lower wages.

Nonetheless, the low level of real wages in general, as well as the low level of incomes officially declared by enterprises, have had a devastating impact on people. The entire region recorded dramatic falls in real wages during the first five years of the transformation. The largest drops took place in Russia and Ukraine, where real wages declined by approximately 70 per cent. In Bulgaria, where there were major differences between the private and public sectors, real wages decreased to 30 to 40 per cent of their 1990 level and were still falling in 1998.⁴

Young people who are beginning their working lives are in a particularly difficult situation, especially if their lack of experience is combined with, at best, a vocational school education. The transformation has brought an end to the days when a vocational or technical training sufficed to make employees attractive to firms and every school graduate immediately found a job. Now, people with higher education have a better chance of finding employment than those with fewer years of schooling.

Education not only determines an individual's chances of securing employment, but also the level of her wages. Nevertheless, the situation varies from country to country. Education is a crucial stratifying element in Poland, where it explains income differences more than any other factor.⁵ The same happens in the Baltic countries, whereas in Ukraine or Tajikistan, education is essential for managerial positions in the private sector, but is no guarantee of high earnings for other professionals, who are often less well paid than many factory workers. Despite this fact, as economies in the region become more market-oriented, it is likely that education will increase in importance as a determinant of life opportunities in every country. Individuals with less formal education can expect difficulties in finding employment and will be more at risk of poverty.

Geographical factors also have an important bearing on the labour market and therefore on poverty. Unemployment poses the greatest danger when it is structural and long-term, which usually takes place when the only large employer in a given area is forced to downsize or goes bankrupt. At the beginning of the transition, this was the case in Poland and other countries where state agricultural farms, which were often the main employers in the countryside, collapsed. This has led to the emergence of impoverished rural enclaves. Sociologists regard these poverty-stricken areas as the embryos of a new 'underclass' in places that had previously known none.

Given the multiple challenges facing the region to arrest the alarming rise in poverty, many countries have begun to develop policies and programmes to address the problem. We shall review a sample of them in the next section.

An evolving poverty reduction agenda

To varying degrees, all the countries in the region are struggling to address the sudden impoverishment of large segments of the population. They are doing so in a context in which jobs are being eliminated at an alarming rate, public services have been curtailed, and fiscal revenues are extremely limited. Another constraint is that most governments lack the knowledge and tools required for devising effective policies that are targeted at people in need.

Six countries have prepared comprehensive policy documents intended to serve as a basis for national anti-poverty strategies and programmes: Estonia, Kyrgyzstan, Latvia, Lithuania, Moldova and Poland. Others, like Bulgaria, Kazakhstan and Ukraine, have focussed on one particular aspect of policy-making with implications for poverty reduction. Most documents contain an analysis of the causes and consequences of poverty, along with a series of prescriptions aimed at promoting pro-poor economic growth, employment creation, education and human capital formation, as well as social protection and assistance to vulnerable groups. Only in one case (Kyrgyzstan) does the role of partnerships with civil society actors for social policy formulation occupy a central place in the analysis. Estonia has made a serious effort to identify specific target groups for social programmes, while Latvia has proposed a list of indicators for monitoring poverty and social stratification.

Despite the good intentions, most documents are too general to provide clear guidance for action. They normally contain a long list of very generic policy goals and directives, but with little prioritisation and virtually no systematic analysis of the relationship between various policies, the implementation conditions or the budgetary implications of poverty reduction. In most cases, policy goals are not quantified and neither the target groups nor specific interventions tailored to individual problems are spelled out in detail. The Kyrgyz Republic's poverty alleviation programme is the only one that contains some estimates of the expected cost of selected projects. Governance issues, furthermore, are missing in most analyses.

Nevertheless, as the presentation below will show, the governments in the region are making a first attempt to deal with the complex questions inherited from the Soviet era and aggravated during the transition process.

Bulgaria

In the early 1990s, the Bulgarian economy experienced a sharp decline from which it has yet to recover. Real wages plummeted to 30 per cent of their pre-crisis levels. Unemployment rose tenfold between 1990 and 1993, and stabilised around 11 to 14 per cent of the economically active population during the latter part of the decade. It is estimated that unregistered economic activities account for approximately 40 per cent of the country's GNP.

Against a background of rising poverty and widening income differentials, as

measured by the Gini coefficient, Bulgarian officials and social policy experts engaged in a major debate on how to reform social welfare. As in other countries in the region, Bulgarian policy-makers face the dilemma of continuing with the system of universal benefits inherited from the communist era or adopting a system of strict targeting for those who are most in need. Clearly, the first option is fiscally untenable. It is also inefficient from the point of view of reducing poverty. On the other hand, strict targeting normally entails high administration costs, especially if it is based on complex means-testing procedures. Given the weak administrative capacity of public agencies in post-transition countries, a system of welfare provision based on means testing may easily become open to abuse. There is, moreover, a definite risk that groups that are entitled to certain benefits may not apply for them if the system is too complex or time-consuming.

To investigate these issues, a team of national experts, assisted by UNDP and the International Labour Organization (ILO), carried out a detailed analysis of the tradeoffs involved in adopting a targeted policy (Bulgaria 1998a). The study concentrates on the methodological problems involved in defining a threshold that can be used to determine eligibility for social benefits. This issue is closely related to how poverty is defined and where the poverty line is set. The Bulgarian authors suggest employing the basic minimum income level, which is based on energy expenditure and a basket of 22 consumer products, as well as a relative poverty line as the lower and upper poverty thresholds. Using a relative yardstick as a criterion for social policy is, however, questionable. Granting benefits to certain groups on the grounds that their position is relatively worse than that of other groups will not appeal to the latter, who may also see themselves as deserving of support.

Alternatively, ensuring a minimum subsistence income to all segments of the population seems unrealistic, at least in the short and medium-term. Budgetary resources are clearly insufficient to cast the welfare net too widely. Ultimately, any poverty line adopted as the official basis for an anti-poverty policy must be acceptable from a fiscal point of view so that public finances can cover the costs of the proposed programmes. The poverty line also needs to enjoy broad public acceptance if society is to cooperate in mitigating the plight of the poor.

While achieving such a consensus is essential, it is nonetheless important to realise that targeting is always a thorny issue. People who experience economic hardship, but do not meet the official criteria for receiving support, will question the legitimacy of a narrowly conceived policy. Targeting on the basis of income is particularly problematic in the context of economic transition in the region. Due to the explosive growth of the 'shadow economy', incomes declared officially are not a good measure of a household's material conditions. Means testing can also socially stigmatise those who apply for public assistance socially. Consequently, a policy of broad targeting appears to be a more attractive option, provided fiscal revenues allow for it.

Non-income criteria should be considered for the allocation of benefits, including categorical indicators of need along the lines developed in Estonia (1999).

In the short term, reducing the size of the unregistered sector of the economy may help increase fiscal revenues and therefore improve the chances of success for public policies. This should be done with great care, however, given that many people use the 'shadow economy' as a means of coping with poverty. If it were suddenly reduced in scale, it would certainly undermine the situation of many families who are already struggling to make ends meet (Bulgaria 1998c).

Estonia

The Estonian government has produced a very comprehensive outline of a national poverty reduction strategy that contains basic principles and aims for guiding public policy. The emphasis of this official document, financed by UNDP, has been to clearly specify high-risk groups for whom particular sets of measures will be designed, according to the characteristics of each group.

Nearly half of Estonia's population lives in poverty or at risk of poverty, and consequently are potential subjects of specially designed initiatives. The official policy is to distinguish among three high-risk groups, depending on their location with regard to the national poverty line: those who suffer poverty acutely (below 80 per cent of the poverty line); those who are slightly below the threshold (81 to 100 per cent); and those who are at risk of becoming poor (up to 120 per cent of the poverty line). The government prioritises the first group as its main target for public policy. According to 1997 figures, 18 per cent of households fall into this category. It includes children and families with children, women, the long-term unemployed, the working poor, the disabled, the elderly and other individuals dependent on the social insurance system (Estonia 1999).

The main principle guiding Estonia's poverty reduction policy is that every social group should be guaranteed the basic human right to be actively involved in community life and to have a sufficient livelihood and social assistance for a decent living. In line with this principle, one of the government's key priorities is to actively reduce the social and economic vulnerability of families with children and to ensure their equal access to opportunities and resources. This entails, among other things, promoting their access to the labour market and expanding opportunities for combining work and child care; granting support through financial assistance and services; and providing housing on favourable terms and supplementary state guarantees for housing loans and essential durable goods for the household. Households most at risk will receive supplementary assistance to ensure their ability to manage economically. In the area of health, the policy prioritises families living below the poverty line and seeks to protect the health of the mother and the child, through health insurance for single pregnant women and guaranteed access

to essential medical treatment and medicines. Children themselves are a major target for public policies, which will aim to minimise the risk of underdevelopment of children in poverty, protect their physical and mental well-being, and to expand the system of subsidised services for children from poor families.

Another set of measures is geared towards restoring the social and economic participation of the long-term unemployed through the implementation of proactive regional and labour market policies. The latter will focus on groups at greater risk of unemployment, such as the youth, rural inhabitants, single mothers, and disabled people. Measures to prevent discrimination or exploitation on the basis of age, gender, ethnicity, education or occupation will also be actively promoted. With regard to the rising number of working poor, the government's strategy is to reduce their economic insecurity by improving the quality of work, strengthening the social protection system, enforcing a minimum wage scheme, and instituting a system of employment and other types of insurance.

Estonia's policy also includes a number of proposals aimed at redressing gender imbalances. These proposals are based on the recognition that the causes and patterns of poverty differ for men and women, thus necessitating specific programmes to address their distinctive needs. A major priority is to enforce national policies to combat discrimination against women. Other measures will be geared to increasing the competitiveness of women in the labour market, expanding social security coverage for poor women, and improving the targeting of assistance directed to them.

Kazakhstan

The government of Kazakhstan developed a National Programme for the Promotion of a Healthy Lifestyle in cooperation with a large number of multilateral and bilateral organisations (Kazakhstan 1998a, 1998b). The document recognises that poverty is one of the main reasons for poor health standards in Kazakhstan. Other factors include an inadequate supply of good quality drinking water, the deterioration of sanitary conditions (e.g., overcrowding in schools), inadequate lifestyles (poor diet, smoking, alcoholism, drug abuse), pollution, the massive use of abortion as a contraceptive, and the spread of infectious and sexually transmitted diseases, including HIV/AIDS.

The programme presents a comprehensive set of measures aimed at improving the health status as well as the consciousness of the population regarding health issues. Emphasis is placed on providing better access to quality reproductive health and family planning information and services, promoting safe sex and preventing drug abuse and the spread of HIV/AIDS. Government bodies will collaborate with international and nongovernmental organisations in implementing the various components of the programme.

Many programme components are sensitive to the problem of poverty and seek to target low-income groups with special interventions. Poverty issues, however, are not

addressed in an explicit and integrated manner. In particular, the initiative offers no specific public policy measures for alleviating poverty directly or for improving the material conditions of the same low-income groups targeted for public health interventions. This seems to be an important shortcoming, given the fact that poverty is acknowledged to be a major determinant of inadequate health conditions in the country.

Kyrgyzstan

One commendable feature of the national Poverty Alleviation Programme prepared in Kyrgyzstan (1998) is its emphasis on reaching out to community-based and non-governmental organisations (NGOs) and involving them as partners in the design and implementation of projects addressing poverty. Whilst encouraging, this also poses a formidable challenge to Kyrgyzstan and other former Soviet republics, given the weakness of their civil societies and the lingering mistrust of governments toward the voluntary sector, from which they fear competition for scarce resources for development projects. As a result, partnerships between government and non-governmental actors are still very weak.

As in other post-communist countries, Kyrgyzstan's voluntary sector is underdeveloped and highly dependent on foreign financing. Strengthening the role of civil society as advocate for the poor and their local communities will be a difficult, but essential task. Political and voter education is almost non-existent. There are virtually no institutions that provide free advice to citizens on their socio-economic, legal and other rights.

At the same time, public administration in most countries, particularly in Central Asia and the Caucasus, is also very weak, especially at the local level. This could make it more attractive to enlist the support of community organisations and NGOs in the fight against poverty. The flexible nature of development NGOs and their proximity to the people can enhance the transparency and community ownership of local development initiatives. This has the potential of improving their effectiveness and sustainability over the long run.

The Kyrgyz programme contains a number of proposals calling for the development of stronger and more effective social organisations. It also stresses the need to promote and popularise microfinance as a critical instrument for poverty reduction. Non-governmental agencies could play a major role in this area, building upon the experience of several international micro-credit programmes already in operation in Kyrgyzstan. Some of the challenges for mobilising civil society in support of poverty alleviation are:

- Support for the establishment and growth of grassroots-based organisations;
- Provision of training to non-governmental actors to enhance their advocacy and policy role with regard to poverty issues;
- Promotion of partnerships between development NGOs and local government authorities;

- Strengthening of information networks and non-governmental coordination mechanisms;
- Involvement of NGOs in the development of energy, time and cost-efficient technologies;
- Financial support through credits and grants to enable NGOs to initiate and implement poverty reduction activities.

Clearly, improved networking and coordination among development NGOs will be essential for capacity- building and avoiding duplication of efforts. While duplication is not a problem at present, it could become one as growing numbers of development organisations are set up at the community level. Sharing information on sources of credit and grants, credit users and their performance will also be extremely valuable. Over time, NGOs may become increasingly involved in the formulation of Oblast development plans and as subcontractors for public interest programmes.

Moldova

The wellbeing of children is essential to preventing poverty's passing from one generation to another. In Moldova, however, the situation of children is disturbing. There are at present 6,000 children aged up to 16 with disabilities, 11,000 orphans and bereft children, and more than 200,000 families with many children who represent the most numerous among Moldova's vulnerable groups. For many of these families, the main income source is a modest child allowance, which is often paid late. Recent years have seen a marked deterioration of nutrition standards among children from poor families, with adverse consequences for their health and cognitive development. It is estimated that children with physical retardation represented 9 per cent of the total number of children in 1995, rising to 19 per cent in 1996 (Moldova 1998).

Consequently, the government decided to develop a special programme to combat child poverty as part of the country's Short-Term Poverty Alleviation Programme. The initiative offers a wide range of measures aimed at instituting a social care system for orphaned and disabled children, as well as children from poor families. This includes the provision of material support to poor families, the distribution of in-kind allowances (clothes, shoes, textbooks and other goods) through the school system, supplementary feeding programmes, free access to essential medicines and training of family doctors, and an increased emphasis on pre-school education. One important goal of the strategy is to ensure that children continue to have access to education as a means of preventing the spread of illiteracy (Moldova 1997).

The government document contains a detailed timetable for certain priority tasks, along with the allocation of responsibilities to particular ministries in charge of preparing the legal and institutional measures required in specific areas. One major gap, however, is that the programme does not specify what material resources would be used when implementing the proposed actions.

Poland

Work supported by UNDP in Poland has focussed on the problem of unemployment, which is a major determinant of poverty throughout the region. An outline of a national programme against poverty and social exclusion has been produced, with a major emphasis on combating long-term unemployment through proactive policy measures rather than simply raising the benefit levels available under the current system. In fact, the chief recommendation of the authors is to eliminate the so-called 'Polish benefit syndrome' through a revamping of the social welfare system, which currently spends the bulk of its resources on passive measures while failing to improve the situation of the poor in any fundamental way (Kabaj 1999).

To achieve this, the programme proposes a set of measures for expanding employment opportunities and economic security for the unemployed through:

- Active labour market policies to increase the number of work places through public works projects, subsidised jobs and other temporary work based solutions;
- Training, vocational advice, job placement services and loans to help the unemployed reinsert themselves in the economic circuit;
- Promotion of small and medium-sized firms through greater access to credits, credit guarantees and tax relief on investments;
- Job-sharing schemes and other measures aimed at expanding short-term and part-time employment, while also improving the conditions of those who participate in these activities;
- Cash benefits and assistance in kind (leasing of tools, machines, etc.) to help people engage in independent economic activity;
- Close linkages between eligibility for social assistance and participation in training and employment, coupled with the removal of barriers that prevent people who receive benefits or allowances from engaging in paid work.

Because this author believes in the need to concentrate efforts and resources on a few key policy targets, he chooses to focus on the employment question at the expense of other aspects of poverty. The next step should involve the elaboration of a detailed action plan to guide implementation and the establishment of linkages between this and other poverty reduction programmes in Poland.

Ukraine

One of the challenges facing policy-makers in the region is how to improve the quality of the information used in the decision-making process, as well as their own ability to process and use this information for policy design. A project financed by UNDP in Ukraine made an important contribution in this respect. Commissioned by the Ministry of Labour and Social Policy, a study on 'social budgeting' was produced in cooperation with UNDP, the International Labour Organization and the World Bank (Ukraine 1999).

The study offers an accounting model for social expenditure planning that covers a period of approximately 20 years and includes financial forecasts based on alternative scenarios. It suggests various tools for planning future expenditure and assessing the resource needs of the existing social welfare system on the basis of several macroeconomic and demographic projections and offers simulations of the financial, economic and fiscal impact of possible social welfare reforms. Since the model takes feedback effects into account, it allows policy-makers not only to assess the impact of labour costs and possible budget deficits caused by social spending on employment and economic growth, but also to factor in the potential externalities that social expenditure might have on economic performance.

It is important to point out that the study presents only a model, not a solution that has been tested and applied in practice. Yet despite the fact that it is a simplified picture of reality, the proposed model does offer a systematic approach to decision-making, as well as a sophisticated method for calculating cost-benefits in the budgetary sphere. Another notable side effect of this project is that it entailed a close collaboration between a team of domestic experts and the foreign advisers provided by the multilateral agencies. This is a positive development from the point of view of transferring know-how to Ukrainian experts for the future refinement and application of the social-expenditure planning model.

Conclusions

Our review has shown that faced with a dramatic deterioration in living standards of vast segments of the population, Eastern European and Central Asian countries are making strenuous efforts to confront the problem as a matter of priority. While these countries were not prosperous before the transition from communism, they at least enjoyed developed social welfare systems and full employment. Both ensured an adequate standard of living for their people. The sudden rise of poverty after the demise of the Soviet Union has resulted from a combination of several factors: economic crisis, declining real wages and growing inequality, along with massive unemployment, irregular wage and pension payments and the breakdown of public services. In some countries, this situation was further aggravated by the outbreak of civil conflict.

Poverty was not recognised as a social problem under the previous system. Rather, it was considered an outcome of individual failure. This predisposition detracted from the perception of policy-makers regarding the urgency of tackling poverty during the early years of the transition. Only recently have governments begun to understand the need for improved tools for analysing the nature and scope of poverty as a prerequisite for designing effective public policy. The support provided by UNDP across the region must be credited with this achievement.

Research on the scope and depth of poverty undoubtedly performs an important

function. By highlighting the extent of a problem, it compels politicians and the public to take steps to address it. Thus, in countries where poverty assessments have been conducted, the issue has crept into the public discourse and is now on the agenda of policy-makers. Admittedly, all poverty measures are somehow arbitrary. They are nonetheless essential tools for analysing and monitoring how well societies are performing, and for identifying measures to remedy the situation of those who are being left behind. An important criterion for selecting a poverty yardstick is that it should not only enjoy theoretical legitimacy, but also fiscal viability and political acceptance.

The incipient state of knowledge about the measurement, analysis and design of policies against poverty shows that there is still a great need for research and capacity-building in the post-communist countries. Measurement tools are still quite rudimentary, and policy measures need to be better tailored to specific problems and targeted more effectively to the groups they intend to help. In the future, therefore, donor organisations should put more emphasis on developing sound, country-specific methodologies for measuring poverty, and facilitate the international exchange of solutions among countries. This should take precedence over the concern with ensuring international comparability of poverty rates, which often comes at the expense of country relevance.

Poverty is clearly a layered phenomenon, affecting various social strata in different ways. This implies there cannot be a single, one-size-fits-all solution to all problems. Sophisticated policy tools must be developed to enable decision-makers to address the particular needs of specific vulnerable groups, based on a comprehensive poverty profile in each country. At present, most of the programmes and strategies formulated in the region are simple catalogues of good intentions, but lack concrete proposals for implementing the stated goals. The challenge, therefore, is to translate those general statements of policy into specific plans of action. This requires setting explicit timetables, identifying budgetary needs as well as additional resources that might need to be mobilised, proposing legal measures, and defining the institutional arrangements necessary for implementation.

Unquestionably, countries that are trying to build market economies under the conditions described here are experiencing hard times. For some of them, the worst is already behind. The majority, however, are still struggling to cope with the combined challenges of economic and political transition, a dramatic rise in poverty and burgeoning inequality. Their prospects for tackling these challenges successfully will depend largely on the quality of the strategies and action plans prepared today. Advice and support from foreign organisations are thus urgently needed during the policy-making process. This is undoubtedly a strategic entry point for future initiatives aimed at supporting the elaboration of national poverty reduction strategies in the region. ■

Notes

Jaroslav Górnjak is Adjunct Professor at the Institute of Sociology, Jagiellonian University in Kraków, Poland. Dr. Górnjak would like to thank Alejandro Grinspun for in-depth discussions and his editorial work, Rasheda Selim for her kind assistance, and Siddiq Osmani for valuable comments on an earlier draft.

¹ The poverty line was calculated on the basis of a modified version of the so-called Orshansky index, following the American Mollie Orshansky who, in the early 1960s, proposed a yardstick for diagnosing poverty in the United States. The Orshansky index, as originally formulated, was based on the assumption that poor American families spent one third of their income on food. Therefore, it pegged the poverty line at three times the cost of an administratively determined low cost budget for food, adjusted for family composition and rural-urban differences. This has provided the basis for the official poverty line in the US ever since. Other multipliers can be applied, nonetheless, in order to account for differences in the share of non-food expenditure in a household budget in other settings. In the case of Bulgaria, the authors chose to modify the Orshansky method by using a multiplier of 2.

² In 1997, 50 per cent of the mean consumption expenditures calculated at PPP dollars per day equalled US\$3.95. This was extremely close to US\$ 4 PPP proposed by international organisations as a poverty line for the former socialist countries of Central and Eastern Europe.

³ The unregistered or 'grey' economy has grown in size throughout the region. In Bulgaria, unregistered economic activities account for approximately 40 per cent of GNP. The equivalent figure in Ukraine is 50 per cent, whereas the share of the shadow economy in Poland is estimated at 15 per cent of GNP, although the real figure is probably higher. The situation is very similar in other former socialist countries.

⁴ This problem was addressed in a special report sponsored by UNDP in Bulgaria. The authors of the report point out that a major reason for the dramatic fall in real wages stems from the government's decision to maintain a restrictive system of centralised wage controls in the public sector and a low minimum wage. This has led not only to a dramatic deterioration in the material position of large groups in society, but also to a decline in budgetary revenue. It has also undermined the entire pension system. These trends are due to the fact that private enterprises do not declare wages significantly higher than wage levels in public enterprises, and tax rates have been adjusted in line with this low level of declared wages. The price liberalisation instituted at the beginning of the transition has led to major wage differentials between the private and the public sector. It has also undermined the state budget and resulted in a collapse in domestic demand (Bulgaria 1998c).

⁵ This finding is based on the author's own analysis of the data contained in the survey of *Living Conditions of the Population in 1997*, conducted by Central Statistical Office of Poland.