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**REPORT**

**ON**

**“FIGHT AGAINST POVERTY IN THE BSEC MEMBER STATES”**

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## **I. INTRODUCTION**

1. Poverty is a multidimensional phenomenon, encompassing inability to satisfy basic biological and social needs: lack of education and skills, poor health, malnutrition, lack of shelter, poor access to water and sanitation, violence and crime, lack of political freedom and voice. Poverty is a call to action so that many more may have enough food, adequate housing, access to education and health, protection from violence, and a voice in what happens in their communities.
2. Poverty is one of the main problems on the international development agenda for the 21<sup>st</sup> century. In December 1995, the UN General Assembly proclaimed the First United Nations Decade for the Eradication of Poverty (1997-2006). In December 1996, the General Assembly declared the theme for the Decade as a whole to be "Eradicating poverty is an ethical, social, political and economic imperative of humankind."
3. Economic growth that does not improve the standards of living for everyone is socially and economically unsustainable. Promoting a recovery in living standards by continuing positive macroeconomic trends, accompanied by structural reforms and programs to reduce poverty, is now one of the greatest challenges confronting the governments of the BSEC member states.
4. Contribution for the Report and Recommendation has been received from the national delegations of Greece and Romania. Reference materials used for the preparation of the Report were obtained by the International Secretariat mainly through the Internet from the web-sites of international organisations dealing with the issue of poverty, particularly the World Bank, UNDP, etc.

## **II. MEASURING OF POVERTY**

5. To know what helps to alleviate poverty, poverty has to be defined, measured, and studied. The measurement and analysis of poverty, inequality and vulnerability are crucial for cognitive purposes (to know what the situation is), for analytical purposes (to understand the factors determining this situation), for policy making purposes (to design interventions best adapted to the issues), and for monitoring and evaluation purposes (to assess whether current policies are effective, and whether the situation is changing).
6. In the international practice several methods are being used to measure poverty. The most commonly used way to measure poverty is based on incomes or consumption levels. A person is considered poor if his or her consumption or income level falls below some minimum level necessary to meet basic needs. This minimum level is usually called the "poverty line".
7. What is necessary to satisfy basic needs varies across time and societies. Therefore, poverty lines vary in time and place, and each country uses lines, which are appropriate to its level of development, societal norms and values. And it is clear that the poor, for example in Greece, may be quite well-to-do in the standards of any transition country. And the poor in the transition countries may be living not bad in comparison with the poor of Ethiopia, for example.

8. The poverty line adopted by the World Bank and the UNDP for the transition countries is an income of \$4 US per head per day at 1990 prices at Purchasing Power Parity exchange rates. This is considered to be enough to buy sufficient food for a basic diet according to WHO recommended guidelines, leaving about \$1.50 a day to buy minimum essential clothing, to pay for local transport and probably to pay modest housing, fuel and communal charges.
9. The poverty assessment depends on the definition of the phenomenon which has wide variations used by different countries, organisations and institutions. However, the majority of surveys conducted about poverty are anchored on the indicators of "biological needs", partially including also the opportunities of education and health accessibility. The factor of other social necessities and spiritual-cultural needs is mainly missing in them.
10. Variety of the poverty definitions comes to witness that poverty is a multi-sided phenomenon and one can see at least the following types of poverty:
  - Food poverty
  - Income poverty
  - Human poverty (impossibility of healthy life, knowledge and decent standard of living)
  - Cultural poverty and social isolation
  - Voice deprivation and legal exposure.
11. As poverty has many dimensions, it has to be looked at through a variety of indicators - levels of income and consumption and social indicators.

### III. POVERTY PECULIARITIES IN THE TRANSITION COUNTRIES

12. Most of the countries of the BSEC region – countries of the CIS and the Central and Eastern Europe, before 1990s were notable for providing their population with a high degree of basic security. Freedom, democracy, security based on protection of basic political and civil rights were lacking, but with regard to many economic and social rights, people were relatively secure in their entitlements. People's right to full lifetime employment was guaranteed. Although cash incomes were low, they were stable and secure. People had food security and were adequately clothed and housed. They had free access to education and health. They were assured pensions when they retired and regularly benefited from many other forms of social protection.
13. The transition period has drastically altered this situation. People enjoy much more freedom in terms of thought, expression and organisation, and are beginning to benefit from some of the halting and uneven advances in political democracy. But the process of transition has had huge human development costs, many of which still continue unabated. One of the biggest costs has been extreme rise in **poverty – both income and human poverty**.
14. The gains in freedom have been accompanied by the loss of many basic economic and social rights that population had come to enjoy over decades. Millions of people in the region are unemployed or underemployed. Huge number of workers has been driven into insecure employment of private sector. Even those still formally employed are not guaranteed payment of their wages. People continue to receive pensions but

all that these seem to ensure now is an old age afflicted by misery and poverty. In some countries, even pension payments, as meagre as they have become, are in arrears. The whole previous comprehensive system of social protection has been crumbled. Many basic social services now require the payments of fees or have been partially privatised. Public education and health facilities have been deteriorated, while private facilities have taken their place for those rich enough to pay.

15. Human poverty, which UNDP defines as the lack of basic human capabilities, also has been on the rise.
16. The **main causes** of poverty are low and irregular wages, as well as high levels of open and hidden unemployment resulting from economic decline. These reflected in a dramatic increase in inequality in all the transition countries.
17. Poverty results in malnutrition, constant outflow of citizens abroad, low birth rates, high morbidity and mortality.
18. **Malnutrition** has become a serious problem in many countries. Income-poor families have greatly reduced their consumption of milk, meat and vegetables and now increasingly rely on cheaper, lower-quality food. Iron deficiency is common in many countries. For example, the number of Russian women suffering from anaemia at the end of their pregnancies nearly tripled from 1989 to 1994. A 1996 survey in Moldova revealed that because of inadequate intake of vitamin A, between 20% and 50% of children had rickets. Infant mortality rates have been held down in most countries, but the number of low birth weight babies is on rise, heralding future problems.
19. Malnutrition, accompanied with worsening of medical service, impossibility to buy expensive drugs for the wide sections of the population, inaccessibility to sports, chronic psychological and emotional overload - all these adversely affect the health of the nations.
20. **Migration** is the direct reaction of citizens to the low level of life. The transition countries became suppliers of cheap and enough qualified working force. One of the most dangerous tendencies here is the **brain drain**.
21. Low **birth rate** is another important indication of impoverishment, although it can be seen also in many rich countries, but the reason there is completely different - women don't agree to limit their interests with family affairs.

#### **The social composition of the poor people:**

22. **The working poor** - The overwhelmingly most important cause of poverty is the low wages. Poverty of people with low qualifications, with professions that are not required at the labour market, or with poor health is understandable. But in transition countries poverty very often is the companion of well educated people with high qualifications and having full-time jobs. This situation reflects the process of devaluation of the working force, typical for the poor societies.
23. **Unemployed** - Poverty is one of the natural results of unemployment. The impact of unemployment on the poverty status of the household depends on the level of unemployment benefit and the earnings of other household members. When wages are so low for many in employment, with many being paid nothing at all, the unemployed are not necessarily worse off than those formally in work. Only the part

of the unemployed receives unemployment benefit, and in general the benefit rates and eligibility have been reduced as unemployment has grown.

24. Some groups have experienced much greater impoverishment than the others. In many transition countries, **pensioners** have been very hard hit. Very often the value of the pensions is falling below the poverty line. As a result, many pensioners, who are 55-70 years old, are using all the opportunities to find any employment. At the same time very old-aged pensioners, who are not able to work live in poverty. Worst of all are the single pensioners.
25. **Women** have usually been more affected by impoverishment than men. Unemployment and underemployment among women appear to be growing. Feminisation of poverty is a persistent and intractable problem in the region. Gender inequalities and disparities in economic power-sharing, unequal distribution of unremunerated work between women and men, lack of technological and financial support for women's entrepreneurship, unequal access to capital and resources, particularly land and credit, as well as harmful traditional and customary practices, have exacerbated the feminisation of poverty.
26. **Dependants: children and the disabled** are very often victims of poverty because growing numbers of people cannot earn enough to support their dependants and the real value of child and invalidity benefits has almost everywhere not been maintained. Children's vulnerability has been increased during transition because of the dramatic increase in unemployment, adult mortality rates, divorces, suicides etc.
27. **Migrants and refugees** have found themselves exposed to acute financial and physical difficulties.

#### IV. POVERTY TRENDS IN THE BSEC MEMBER STATES

28. It is very difficult to make international comparisons of poverty and inequality. The major difficulty is the availability of comparable data from different countries. The official statistics very often doesn't give information on the scale, depth and acuteness of the problem.

##### **Albania**

29. 30 percent of population was below the poverty line in 2001. The World Bank's estimates suggest that between 25 and 30 percent of the rural population (of nationwide total of 1.9 million), and around 15 percent of the urban population (of an urban total of 1.3 million) were in poverty relative to the rest of the country's rural and urban population in 1997. Regardless of the poverty line used, urban poverty has some distinct characteristics. i) Poorest of all are households with an unemployed head, typically male, in his early 40s, and with little or no formal education. ii) Next are the households headed by a pensioner. iii) Households headed by a low wage earning male constitute the third largest group in poverty. These household heads are about 50 years of age, have little or no education and are employed or self-employed in a low paying jobs. iv) Families with three and more children are especially vulnerable to poverty. v) Households that have no regular source of market income and rely on social cash transfers are typically very poor.

30. The social assistance program plays a key role as a social safety net, but the program seems to suffer from targeting errors and very low payment levels.

#### **Armenia**

31. Although overall living standards have improved since 1994, poverty is still widespread, and little or no impact has been made on the incidence of extreme poverty. From the 1996/97 Household Budget Survey, about 55 percent of the population was estimated to be living in poverty and 28 percent of the population was under the food line. 2001 household survey results were respectively 50.9 and 16

percent. The Gini coefficient\* for income per capita was 0.52 and for expenditure - 0.34 in 2001). The results of the poverty surveys allow to find that the main groups of the poor are: members of multi-member families, especially with many children; unemployed people and employees with low salaries (culture, education etc.); refugees, especially dwelling in temporary shelters; pensioners and handicapped (especially the singles). Although the incidence and depth of poverty is highest among the unemployed, high number of poor consists of the working poor. Because of the low level of public sector wages, the large number of workers on administrative leave without pay, and the high prevalence of part-time work, employment does not guarantee sufficient earnings to support a family. Education remains a relatively poor predictor of poverty, as those with a high level of education are only slightly less likely to be poor. Overall, the urban population continues to be poorer than the rural population. Location is one of the strongest poverty correlates. The worst-off regions were found to be in the earthquake zone and in the border areas.

32. Social insurance programs, in particular old-age pension and unemployment benefits, do not effectively provide protection from poverty in the short term because the levels of pensions and benefits are very low and the poor are not well-targeted. Aware of the system's shortcomings, the government has begun its reform of social assistance.

#### **Azerbaijan**

33. Using the poverty line of 120.000 Manat (25.8 USD) per person per month, based on the cost of minimum food consumption basket, the poverty rate for the country was 49% for the year 2001. According to the other poverty line, recommended by Eurostat, which is a relative one, the poverty incidence is estimated at 17%. Individuals living in urban households have higher risk of being poor than rural households (poverty rates of 55% in urban areas). Poverty is roughly equal in Baku and other cities. The larger the household, the greater the poverty risk. Gender does not influence the poverty risk - both male and female members of the population have an almost equal probability of being poor. Households where the head of household has a status of internal displaced person or refugee have a higher poverty risk. Households where the head of household has higher education are less likely to be poor. Poverty rates of 54% for the households where the head of household has less than secondary education. The analysis was also done for 9 economic zones, and this revealed significant regional variation, with the region of Nakhichevan being the poorest, and the South-West region relatively the best off.

34. Social protection comprises a number of social insurances and social assistance benefits: old age pensions, disability pension, unemployment benefit, child benefits for low income families etc. Social insurance payments amounted to 3.1% of GDP in 2001.

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\* One of the most common measures of income or wealth distribution. It indicates how equal, or unequal, income, expenditure, consumption, wealth, or similar stuff is distributed among the population. Gini coefficient falls in the range of 0 to 1. A value of 0 tells that the distribution is perfectly equal, that is, everyone has exactly the same amount of income, wealth, or whatever. A value of 1, however, tells that the distribution is perfectly unequal, that is, one person has everything and everyone else has nothing.

### **Bulgaria**

35. The World Bank analysis shows that about 36 percent of population, or some 3 million people, were living in poverty in 1997. To measure poverty, the poverty assessment used a poverty line equal to two-thirds of average consumption in Bulgaria in 1997. A more detailed analysis of poverty rates among different sub-groups of population reveals that poverty rates are higher in rural areas. Poverty also varies by region. Regions with the highest poverty rates in 1997 were Sofia and Plovdiv. Poverty rates were also found to be higher among ethnic minorities and large households. Also vulnerable are elderly and single women. The level of education and, therefore, earning opportunities of the poor appear remarkably lower than for the population at large.
36. The reduction in poverty in Bulgaria since the 1997 crisis highlights the role of effective economic stabilisation policies and the social safety nets in improving the living conditions of the population. The nature of poverty in Bulgaria has changed since 1997, when poverty for many households was a transient phenomenon resulting from the immediate shock of hyperinflation and sharply increasing unemployment. Poverty in 2001 (12.8% according to the BSEC Business Council information) is more entrenched, concentrated among clearly defined groups, and is still highest among ethnic minorities, which comprise 60 percent of the poor.

### **Georgia**

37. A large section of the population in Georgia is poor. Although per capita consumption has increased in real terms for almost all the Georgian households, nearly 43 percent of the population can be considered poor if measured by the official poverty line in 1998. The most important correlates of poverty in Georgia are employment status and ownership of productive assets. Those who are unable to work (the inactive, elderly or disabled) or do not have work (the unemployed) are much more likely to be poor. In general, urban poverty is more widespread, deeper and more severe than rural poverty. The majority of the chronic or long-term poor are urban (73 percent). Regional differences in poverty incidence are very wide. Adjara and Samegrelo appear to have the lowest incidence of poverty while Imereti has the highest. No region is exempt from poverty or from extreme poverty. Income inequality is very high. In 1996, the Gini coefficient for money income was 0.59. Most poverty is

transient. Employment status of the household is the strongest correlate of long-term poverty.

38. Between 1997 and 2001, poverty has increased unambiguously (54% in 2001 - CIA World Factbook 2002), for a full set of poverty lines and definitions of poverty measures. Poverty has increased because over the period, consumption fell and inequality rose. Living standards have not risen despite growth in GDP because growth was too weak, too concentrated in a narrow set of sectors, and there were no effective mechanisms to redistribute its benefits. The depth and severity of poverty have increased, and the most socially vulnerable have become poorer and more deprived.

### **Greece**

39. According to the Eurostat information, made public in April 2003, 15% (around 56 million people) of the EU inhabitants were at the risk of poverty in 1999, i.e. living in households with a disposable income below the poverty threshold. This share was highest in Greece and Portugal - both 21 percent.
40. Due to the complicated poverty reasons, social protection policy aiming at the implementation of effective measures is focused on the targeted groups of vulnerable population. Combination of financial support and services contributes to the social integration. Assistance is provided to receive a minimum income to such categories as the non-socially secured elderly people, people with disabilities, families with many children etc. A sum of 1.486.444 euros in 2001, and 5.583.550 euros in 2002 has been given by the Ministry of Social Security to the program for financially weak and for the emergency cases. But according to the Eurostat, the effect of social transfers (excluding pensions) in reducing the at-risk-of-poverty rate varied greatly between EU Member States and had the weakest effect in Greece. In addition, series of programs are being realised directed at family, child, elderly, people with disabilities and other vulnerable groups, in particular: help at home, day care for children, centres for creative occupation for children with disabilities, etc.

### **Moldova**

41. A significant and growing share of Moldova's population is poor. According to the poverty evaluation report by the World Bank, about 37 percent of Moldovans were below an absolute poverty line of Lei 82.1 (17.6 USD) per person per month in 1997. In 2000, according to a Household Budget Survey, 40.5% of all Moldovan households lived below the poverty line (set at 30% of the minimum subsistence wage). While the per capita monthly disposable income increased from Lei 135 in 1997 to Lei 186 in 2000 in nominal terms, the real monthly disposable income per capita in 2000 did not even reach 80% of the 1997 level. Today, about 90% of the population live on less than USD 1 per day. The increase in poverty has been associated with increase in income inequality - the Gini coefficient for income distribution was estimated at 0,40 in 1999, while the richest 20% of the population earn 11 times more than the poorest 20%. In 2001, the situation improved slightly, as average wages picked up, rising to USD 40 per month from USD 30 per month in

2000 and to USD 54 per month in early 2003. Poverty is more prevalent in rural areas (54% of the total population), where over half of the population lived below the poverty line in 2000. Moreover, those who live in Chisinau are much better off than those in other cities. The poorest groups in Moldova are the working poor, especially the landless in agriculture. Elderly people are poor. Women are less poor than men, but the difference narrows with age. The poor are worst affected in the sphere of health and education, where the public spending has been falling.

42. Official unemployment rates are very low, but greatly underestimate the true number of those out of work. Registered unemployment in Moldova in 2002 was roughly about 2% of the economically active population. The ILO (International Labour Organisation) estimation of the unemployment rate is 7.3% (with youth unemployment rate being close to 16%), but even this may not reflect the true situation. The data from the household survey presents that the rate of unemployed and people on unpaid leave is close to 28 percent of the labour force. In 1999 the Government has begun taking actions to rationalise compensation strategy

According to the EBRD Transition Report 2002, in July 2002 the Moldovan Government approved a comprehensive interim Poverty Reduction Strategy in coordination with the World Bank and the European Union and is expected to finalise a more comprehensive Economic Growth and Poverty Reduction Strategy in 2003. Furthermore, the Government has increased pensions by 20% and reduced arrears in wage bills (pension arrears were successfully eliminated already in the first quarter of 2001) drawing on an unused budgetary surplus from 2001 that was carried forward. The IMF commended Moldova's prudent fiscal and monetary policies as applied over the past year and the country's further consolidation of its institutional framework. In consequence, the IMF resumed its loan disbursements under its Poverty and Growth Facility in July 2002.

### **Romania**

43. Romania faces an outbreak of poverty and social exclusion. Poverty dynamics was varying from 21.5 to 30.6 percent in the years 1995-2000. By 2001 it fell to 29.6 percent According to the Romanian national statistics, the highest incidence of poverty was among the households headed by unemployed (40 percent) and by farmers (48.1 percent). The poverty rate for pensioners (24 percent) and salaried workers (14.1 percent) households was far less. Transient poverty is concentrated among salaried workers and the unemployed. Farmers and pensioners represent a longer term aspect of poverty. Persistent poverty and social exclusion groups in Romania are represented primarily by children severely abused, many of whom are living in conditions of extreme poverty joining the armies of street kids populating the country's major cities. Poverty among women is becoming a reason for domestic violence, human trafficking and sexual exploitation. Poverty is high among the Roma population. Income inequality has increased much less in Romania than in other transition countries: according to the World Bank data, the income Gini only increased from 0.23 to 0.28 between 1989 and 1993, the consumption Gini from 0.21 to 0.23. Romania has the lowest health indicators in Eastern Europe and the poor have the lowest health status in the country.

44. The Government has made efforts to stabilise and to control the situation, adopting such measures as ensuring a minimum income, increasing the minimum wage (from January 1, 2003), and launching the National Anti-Poverty and Social Inclusion Promotion Plan along with the National Program for Job Occupancy. Also, the Romanian Fund for Social Development has been established. The Governmental Social Programme supports certain categories of people in improving their living conditions (gratuitous medication, heating subsidies, etc).

#### **The Russian Federation**

45. One of results of the country's recent economic growth was a drop in poverty. With its GDP rising over 4 percent in 2002, the Government says the number of poor has fallen from 29 percent to 27 percent. The State Statistics Committee, pegs the degree of poverty to the official per capita subsistence level, which it puts at 1,817 roubles (\$57) a month. The agency says 39 million Russians earned less than that amount as of November 2002. But the figures of the State Statistics Committee are widely disputed. Different estimates of the number of Russia's poor vary from one-fifth to the half of the population. The poor in Russia are primarily families with children, the unemployed, the disabled, the single elderly living alone, and women. The homeless as well as some refugees form a small but critical group of the poor. The working poor are the largest group of the poor. There is another ominous development - a growing number of children are joining the ranks of the poor, with burgeoning armies of street kids populating the country's major cities. Regional disparities in the living standards have sharply widened during the transition, as price liberalisation has resulted in sharply differing the costs of living and the average wages of the regions of Russia. Ninety-seven percent of the longer-term poor live in rural areas (33 percent) and urban areas other than Moscow and St. Petersburg (64 percent) according to the study of 1994-1996.
46. The safety net in Russia is comprised of cash transfers (social insurance and assistance programs). Formal cash transfers consist of pensions, unemployment benefits, family allowances, social assistance (poverty benefit and local social services), sickness pay, and maternity benefits, as well as household subsidies for housing, utilities and health care.

#### **Turkey**

47. In Turkey for the first time the Research on the Income Distribution and Consumption per Family has been done in 2002 by the State Institute of Statistics. The Research is going on now and will be officially published in August 2004. The preliminary results show that poverty in Turkey is connected with the education and unemployment. The Government pays a special attention to the struggle against poverty in it's eighth five-years Plan of Actions for the period of 2001-2005.

The national income per person in Turkey has increased from the 2100 USD to 3430 USD in the year 2003.

48. In Turkey, in the framework of the eighth five-years Plan of Actions, the legislative regulations have been done in the connection with the social security. In the result of that, the inflation causing the poverty have been stopped and decreased till 16%.

In this year, the school books have been distributed free of charge to the students of the primary and secondary schools. 800 thousand tons of coal has been distributed from the central government and at least as much as this amount by the local authorities to the poor families to satisfy their heating needs in the winter time. The medical services for all poor families deprived of the social security started to be rendered free of charge. In the framework of the Urgent Plan of Actions, the struggle against poverty have been considered as a priority task and the social parities started to be established in this framework. The central government has provided the educational grant to the 400 thousand students of the secondary and high education, and the local authorities have provided such grants to the half of that amount of students.

### **Ukraine**

49. According to household survey results of 12,000 households launched by State Statistics Committee of Ukraine with the assistance of the World Bank covering the first half of 1999, some 30% of the population was poor. For the purposes of the poverty analysis, a poverty line was determined at a per capita expenditure level equal to 75% of estimated median per capita expenditures for the survey sample. The percentage of the population living in extreme poverty was estimated at 17%. Who are the poor in Ukraine? As in many other transition countries there is a growing incidence of poverty among workers and working families because of wage arrears and low wage levels. Single elderly above 70 years form a significant share of poor households. However, more generally poverty among pensioners is tempered by the fact that a large number of such people keep working - some 35% of people aged 55 to 70 works. Households with children are likely to be poor: some 50% of such households fall below the poverty line, and the likelihood of poverty increases with the number of children. Single provider households, especially families headed by women, are particularly exposed. Poverty is correlated with lack of education and occupational skills: the higher the education level of the head of household, the less likely the household is to be poor. Poor households reside more in rural areas. Moreover, poverty is differentiated by regions and related to residence outside growth areas (Kiev city, Chernihiv, Kharkiv, Zakarpatska, show the lowest poverty rates). Compared to other transition countries, in Ukraine the Gini coefficient characterising inequality in living standards is low. A consumption-based Gini coefficient is 0.28.
50. One of the most important documents issued by the President of Ukraine in this sphere is the Decree "On the Strategy to Overcome Poverty" defining the main directions in the fight against this negative phenomenon: creation of economic and legal pre-conditions to boost economic activity among able-bodied citizens and increase their incomes; and reformation of social security system that would make social assistance more effective.

## **V. ADDRESSING THE PROBLEM OF POVERTY**

51. Information in the Chapter above indicates a complex picture of poverty, differentiation in poverty by regions, human capital status and asset ownership or access status, poverty linked to the lack of progress in creating an economy that can offer productive jobs.

52. Mobilising resources for poverty alleviation remains a difficult task. Fight against poverty is more than mere development of social programs aimed at helping the needy strata of society. It is a complex program aimed at helping people to adjust to the market economy.
53. Many governments have set national poverty reduction targets and formulated poverty eradication plans and strategies. Poverty Reduction Strategy Papers (PRSPs) are prepared by many governments through a participatory process involving the civil society and the development partners - the World Bank and the International Monetary Fund. Except these organisations, international agencies, such as the UNDP, ILO and others are also providing support in alleviating this problem. Poverty Reduction Strategy Papers describe country's macroeconomic, structural and social policies and programs to promote growth and reduce poverty.
54. According to PRSPs, the governments' poverty reduction strategy should be founded on three main pillars:
1. sustainable economic growth and inclusive development that will provide the population with productive employment;
  2. human development policies emphasising increased access to basic services (especially basic medical services and education);
  3. social protection policies targeting those most in need.
55. There is a strong two-way correlation between the **economic development** and poverty reduction. Strong growth is unsustainable in the absence of improvement in poverty reduction and income inequality. Economic and social policies that focus on poverty reduction and equity in income promote investments in primary education and health to ensure wider participation of the poor in the process of economic development. Without public support, which is linked to reducing poverty, measures aimed at achieving macroeconomic stability and structural reforms would be difficult to justify or implement. But the experience confirms that economic development is a necessary but not sufficient condition for poverty eradication.
56. The establishment of an **efficient governance** system is crucial for poverty reduction. Over the past, this has been one of the main impediments to poverty reduction, having resulted in extreme polarisation of income. Sustainable development requires a sound judicial system, which is crucial for the operations of the private sector and the protection of human and property rights. Therefore, measures targeted to increasing the efficiency of the judicial system are crucial for sustainable and balanced economic growth and for reducing poverty.
57. Poverty reduction and sustainable human development are necessarily linked to the preparation and implementation of a comprehensive and targeted strategy in the areas of health, education and social security, which have suffered seriously during the transition as the adjustment has largely affected the fiscal expenditures for these sectors.
58. **Health** programs should include increasing the scope of publicly financed medical services and initiating the creation of a health system that combines both market mechanisms and social guarantees, giving the priority to the basic medical care.

59. Improvements in **education** have a direct effect on poverty reduction. Hence, efforts are needed to improve educational standards, improving efficiency of the educational system while maintaining fiscal sustainability.
60. Special attention should be paid to the **social insurance** and **social assistance** programs. These programs, in particular old-age pensions and unemployment benefits, at present do not effectively provide protection from poverty because their levels are very low in many countries. Governments have to concentrate on regular payment of pensions, as well as their increase in accordance with economic growth. Quite often the poor are not well-targeted. Targeting of beneficiaries must be improved, so as to insure that benefits are received by the most vulnerable groups of population.
61. **Job creation** is the cornerstone for addressing the social issues, which in turn would help to reduce poverty. Given that flexible labour markets play an important role in job creation, in order to create pliable labour markets, the governments should revise or, if necessary, improve the legislation regulating the labour markets, as well as institutions and policies in this area. Public protection against unemployment should be strengthened. Policies which assist people in finding jobs should be developed. Particular attention should be paid to the disabled, creating opportunities for them to work.
62. Thus, adoption of comprehensive national strategy for poverty eradication means integrating policies at all levels, including economic and fiscal policies, fostering capacity-building and institution-building, and giving priority to the investments in education and health, social protection and basic social services.

## VI. CONCLUSIONS

63. Poverty continues to be a serious problem in most of the BSEC member states. The problem of poverty is much more acute in the transition than in non-transition countries because the latter have the financial and institutional resources to tackle the problem on their own account. Poverty in all the transition countries is primarily a result of low wages and long-term unemployment, supplemented in some countries by the breakdown of the benefits system, which is a part of a wider fiscal crisis.
64. Poverty reduction has been only very little during the years of economic recovery. Lack of nationwide, comprehensive household data render poverty analysis difficult, and will continue to hamper the ability to develop an effective poverty reduction strategy. One of the key recommendations of this report is that the countries launch a nationwide survey of household incomes and expenditures to help better quantify the extent of poverty, characterise the poor, which will help to develop a well-targeted policy and programs to fight poverty.
65. As poverty is still primarily a transitional phenomenon for the BSEC region, affecting big sections of population, sustained economic growth and stable macroeconomic performance are crucial components of any poverty alleviation strategy.

66. Anti-poverty strategy must include improvements in government management, employment opportunities, provision of social services, protecting the poor through well-targeted programs. Good health and education are widely recognised as playing a key role in raising individual living standards and, in particular, being an essential element of a poverty reduction strategy.