CHAPTER 15 Bulgaria, Latvia and Tajikistan

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Like other countries of Eastern Europe and the former Soviet Union, Bulgaria, Latvia and Tajikistan have all experienced a severe transformation crisis following the demise of communism. In the limited span of one decade, these countries have gone through a major change of both their economic and political systems. The crisis triggered by the disintegration of the previous system and the need to adjust to the competitive demands of the world economy have resulted in rising unemployment, poverty and inequality. Poverty is most acute in Tajikistan, which was already among the poorest countries in the former Soviet Union. But Bulgaria and Latvia have also witnessed a massive deterioration of living standards for vast segments of their population, and the corresponding emergence of poverty as a public policy issue.

Despite alarming social indicators, there has been a low level of awareness about poverty and inequality in these countries. This is partly a legacy of the Soviet era, during which poverty was attributed largely to individual failure and, therefore, associated with stigma and shame. To the extent that poverty resulted from individual failure, it was not seen as a major social problem requiring decisive action from policy-makers. For this reason, a major challenge has been to raise awareness about the question of poverty, provide reliable estimates about its magnitude, and encourage national governments to address poverty by developing the tools required for monitoring it, while also strengthening their capacity for policy design.

This chapter reviews the experience of three projects sponsored by the United Nations Development Programme (UNDP) in Bulgaria, Latvia and Tajikistan under the auspices of the Poverty Strategies Initiative (PSI). The chapter starts by presenting a brief socio-economic background since the early 1990s to set the framework for the subsequent discussion. Then it analyses the main contributions made in each country to improving the measurement of poverty, enhancing public awareness, and building local capacities for policy research. Next we assess the overall impact of the projects on the development of policy for poverty reduction. The final section of the chapter reviews the different modalities of donor engagement and collaboration that have been present in the respective projects.

Country context

Bulgaria

Following the economic crisis of the early 1990s, Bulgaria introduced only superficial market reforms and put off more urgently needed structural changes in the public sector until hyperinflation brought about another major crisis in 1996. Real GDP fell for two consecutive years in 1996 and 1997 by 10.9 per cent and 7.4 per cent, respectively, while inflation reached 578 per cent in 1997. This has been accompanied by a rising trend in unemployment, which after a short-term fall in 1994-1995, began to climb again in 1996. The effect of these changes has been a steep decline in real wages in the late 1990s to 30 to 40 per cent of their 1989 levels. To complicate matters even more, the Russian crisis of 1998 and the war in neighbouring Yugoslavia have deterred investors and compromised further the economic reform process in Bulgaria.

In addition to the long-term decline in GDP combined with high inflation, poverty has increased as a result of a substantial rise in income differentials among households. According to the World Bank, the Gini coefficient for earnings has increased dramatically, from 0.28 in 1995 to 0.4 in 1997 (World Bank 1999). The 'grey' economy, which is believed to account for 20 to 40 per cent of GDP, has expanded to shelter many of those who have lost their jobs. But this expansion of unregistered economic activity, combined with the fall in real incomes, has narrowed the direct tax base, preventing the government from financing public programmes. Consequently, the government has had to transform the previous social welfare system based on universal subsidies and allowances into one that targets resources and programmes to those who are most in need. This has left many people whose incomes have fallen as a result of the economic crisis without adequate social protection.

The crisis of 1996 resulted in a change of government in April 1997. In cooperation with international organisations, the new administration is trying to carry out essential reforms and lead the country out of the crisis. The currency has been devalued and pegged to the Deutsche Mark, and a currency board has been set up to make decisions on monetary policy. The government has also made a commitment to fight poverty. To do this, it needs to resolve a number of problems. The first and most obvious one derives from the lack of knowledge about poverty. For various reasons, there has been no reliable information on the extent of the problem or the characteristics of those who are most affected. A related problem is the need to establish a poverty threshold that will be accepted politically for use in determining eligibility for targeted social assistance. Finally, the country needs to define a more effective income policy, especially in relation to the public sector, if it is to arrest the ongoing deterioration of incomes in a context of tight budget constraints.

Latvia

The collapse of the Soviet Union had a major negative impact on the Latvian economy, which until then had enjoyed, along with its Baltic neighbours, a relatively privileged position within the Soviet bloc. The economic problems were aggravated by high inflation, with a tenfold increase in prices in 1992, which contributed to a fall in real incomes to 45 per cent of their 1990 levels. A subsequent collapse of state banks in 1995 caused many Latvians to lose their life savings, significantly eroding their living standards.

Since independence, the Latvian government has embarked on a programme of economic reform involving far-reaching structural changes, including the privatisation of most state enterprises with the exception of a number of large firms. At present, the share of the private sector in agriculture, manufacturing, construction, and trade exceeds 90 per cent (Latvia 1999). Western countries account for an ever-growing share of foreign trade, and foreign investment has been rising as well.

The profound economic changes adopted since independence have helped stabilise the economy and generate growth from 1996 onwards. Already by 1997, the situation had improved somewhat, allowing real incomes to recover from the low point of the early 1990s to reach 60 per cent of their pre-transition levels (Latvia 1998a). The country's steady growth rate suffered another reversal in August 1998 following the Russian crisis, but in the second half of 1999 it had once again recorded an economic upturn. Yet, while inflation fell to 4.7 per cent in 1998, a steep rise occurred in rents (33.3 per cent), as well as in the cost of medical services, public transport and electricity. This has severely affected the living standards of many households, particularly those struck by unemployment, which increased to reach 10.2 per cent of the economically active population in April 1999.

Latvian society may be regarded as well-educated. More than 12 per cent of the population above the age of 15 has received higher education, making Latvia the country with the highest enrolment rate in the Baltic region. Households are generally well-supplied with appliances, average dwelling stock per capita amounts to 21.5 m^2, and most apartments have piped water (93 per cent), central heating (82 per cent) or gas (85 per cent). To a certain extent, this helps mitigate the effects of poverty, ensuring a basic level of comfort and providing people with a cushion during hard times. Poverty, in fact, is primarily related to income shortfalls arising from unemployment and low wages or pensions.

This situation of rising income poverty in the midst of relatively adequate standards of living in comparison with other post-socialist countries has prevented policy-makers from coming to grips with the sudden impoverishment that has befallen on many Latvian households. Not only was poverty not a political issue until recently; it was not even part of the political vocabulary in the country. Raising awareness among politicians and opinion makers was therefore a precondition for developing policies to address poverty.

Tajikistan

With a population of 6.2 million and 93 per cent of its territory covered by mountains, Tajikistan is the poorest of the countries that emerged from the breakdown of the former Soviet Union. Almost three fourths of the population live in the countryside, where arable land is approximately 0.2 hectares per capita. In spite of a decline in the population growth rate from the mid-1980s, the birth rate was still relatively high in 1997 at 2.5 per cent. Almost half of the country's population is made up of children aged up to 14 years old.

Tajikistan had the lowest GNP per capita in the Soviet Union. Its economy, which was largely dominated by cotton production, was highly dependent on the Soviet market, as well as on subsidies received from the centre. For this reason, Tajikistan was hit very hard by the crisis in Russia and the other former Soviet republics, and by the breakdown of the single market that followed the disintegration of the Soviet bloc.

Nevertheless, the main contributing factor of Tajikistan's social and economic crisis was the civil war that broke out in 1992, which brought the country to the brink of collapse.[1] In spite of efforts to stabilise the situation, the country is still regarded as unsafe, a reputation that has deterred international donors and investors from playing an active role. In October 1997, with the help of international financial institutions, the government launched a three-year reform programme aimed at stabilising the economy.[2] In 1998, a 5 per cent growth in GDP was recorded, while inflation fell from 164 per cent in 1997 to 2.7 per cent in 1998. The crisis in Russia that year dealt another blow to the Tajik economy, from which it is still recovering.

The problem of poverty has been overshadowed by the need to defuse the country's long-term armed conflict. Only after achieving a minimum level of stability has it been possible to turn the attention of policy makers toward that question. International and non-governmental organisations (NGOs) are currently trying to assist in alleviating the effects of poverty and promoting socio-economic development. However, one of the problems in planning and coordinating action has been the lack of awareness concerning the scale and character of poverty in the country. As in Latvia, filling this gap was thus seen as an essential first step toward solving the country's severe social problems.

Assessing poverty

Faced with the need to tackle simultaneously the challenges of political and economic reform, and to restore peace in the case of Tajikistan, politicians in these countries did not regard poverty as a priority issue during the early years of the transition. Measures taken as part of the PSI programme have played an important role in raising awareness among political elites and public opinion. There is a growing recognition that while the vast majority of society is bearing the costs of the tran-

sition process, some groups are particularly susceptible to poverty and are in danger of being marginalised. Driven by this awareness, the governments are now trying to devise policies aimed at counteracting poverty.

Bulgaria

The PSI programme in Bulgaria went through a number of changes during the course of its implementation. Initially, the government asked UNDP for assistance in its efforts to promote the National Programme of Action for Social Development, which was developed shortly after the 1995 World Social Summit held in Copenhagen, Denmark. In accordance with this goal, a national conference was organised in 1996, which approximately two hundred people, representing key ministries, civil society associations, trade unions and academia, attended. The conference is believed to have played an important role in increasing poverty awareness among the political elite and the general public.

The change of government following the economic and political crisis of 1996 brought this work to a halt, and resulted in a reorientation of the PSI programme. It was felt that previous activities had not been adequately integrated with other public sector policies, and that more attention should be devoted to assisting in the development of policy and analytical instruments for the design of policies against poverty.

A new project was therefore launched in 1997. It was a joint undertaking of UNDP and the Ministry of Employment and Social Policy, with the International Labour Organization (ILO) acting as the executing agency. The purpose of the project was to assist the government through the provision of various analytical inputs with direct application to policy, particularly with regard to minimum wage policy and social welfare reform. Subsequently, additional activities were launched to develop a government strategy for the reduction of poverty, on the recommendation of the Ministry of Employment.

During this phase, the UNDP project produced three main outputs. The first one was a report prepared by a large team of national experts representing the scientific community, government departments, civil society, the statistical office and trade unions (Bulgaria 1998a). The report contains an analysis of the nature of poverty, as well as the operations of the social welfare system, and several recommendations for social policy. Its chief aim, however, was to suggest a poverty threshold that could be used as a basis for public policy, particularly for determining eligibility for social assistance. This was in response to the government's commitment to reform social security by abandoning the principle of universal benefits and replacing it with a benefit system targeting the social categories most in need. Together with a reorientation of economic policy, the commitment to reform social security was a centrepiece of the agenda of the government that took over in 1997. Carrying out this reform required agreeing on a certain yard-

Table 1. Poverty in Bulgaria, 1995 and 1997

	1995		1997	
	Higher poverty line	Lower poverty line	Higher poverty line	Lower poverty line
Poverty Rate	5.5	2.9	36.0	20.2
Depth	1.7	0.9	11.4	5.9
Severity	0.8	0.4	5.3	2.7
Average per capita consumption*	117,208		62,604	
Gini coefficient	0.271		0.314	

* In June 1997 prices (Bulgaria Leva)

Source: Bulgarian Integrated Household Survey 1995, 1997 (World Bank 1999)

stick that would not only be accepted politically, but would also be feasible from a fiscal standpoint.

The controversy surrounding the definition of a poverty line was the starting point for the main project launched under the PSI programme. The poverty rate in any country obviously depends on the threshold adopted for determining who is poor. The World Bank has chosen a lower and an upper poverty line for Bulgaria, set respectively at 50 per cent and 66.7 per cent of average per capita consumption in 1997 (World Bank 1999). Based on these two lines, Table 1 shows the scope and depth of poverty in 1995 and 1997.

Other poverty lines were proposed in the report prepared within the framework of the PSI programme (Bulgaria 1998a). The lowest threshold corresponds to the basic minimum income (BMI), which is calculated using a basket comprising 22 food items and energy expenditure. The BMI is an administrative yardstick that has been used since 1992 as a criterion for assigning social allowances. It has never been adopted officially as a poverty line, as it clearly underestimates the scale of poverty in the country (3.9 per cent of households in 1997).[3] The report also considers an upper threshold calculated on the basis of the share of expenditure on food per capita, making allowance for non-food expenditures, which gives a poverty incidence of 65.5 per cent of households in 1996. Various other normative methods for calculating the poverty line produced incidences that range from 53 to 68 per cent. The report is inconclusive as to which yardstick should be adopted for monitoring poverty, but it emphasises the potential conflict between the theoretical legitimacy and fiscal feasibility of a poverty line, if it were to be used as basis for granting social assistance (see chapter 6, this volume).

The second output of the UNDP project was an assessment of the impact of the country's anti-poverty policies and strategies on women (Bulgaria 1998b). Prepared by a team of Bulgarian experts from the Agency for Social Analysis, the report examines the consequences of economic change for the situation of women and

identifies female-headed households as being particularly at risk of poverty, especially those headed by single mothers and women from ethnic minorities. The following social groups were also found to be among the most vulnerable to poverty:

- Inhabitants of rural areas;
- National minorities, especially Gypsies, followed by Turks;
- Households composed of at least five people;
- Members of female-headed households, mainly single mothers and elderly single women;
- Children;
- People with low levels of education;
- Pensioners, who make up 60 per cent of the poor.

The third and final output was a study on income policy conducted by two experts, one from Bulgaria and the other one from the ILO. The document recommended the determination of a poverty line or subsistence minimum level, an increase in the minimum wage, a reform of the wage-tariff system, and a de-linking of all social benefits from the minimum wage, using instead the subsistence minimum as a criterion for social assistance (Bulgaria 1998c). The arguments presented in this study were used in negotiating the conditions of an economic aid package from the International Monetary Fund, which agreed to a slight increase in the minimum wage as recommended in the document.

It is apparent that the assistance provided by UNDP helped Bulgarian policy-makers and analysts gain a better understanding of the extent and nature of poverty in their country, as well as the tradeoffs involved in adopting certain policy instruments for designing policies against poverty. As we shall see later, the PSI project also laid the ground for the development of a national anti-poverty strategy.

Latvia

Prior to the transition from socialism, universal access to employment and a guaranteed minimum income resulted in a relatively egalitarian although non-affluent society. Poverty did not appear on the scale it does today, nor was it felt so acutely. A key objective of the PSI programme, therefore, was to raise the awareness of policy-makers and experts and provide them with reliable information about the magnitude and profile of poverty, including the manner in which impoverished people perceive their situation and the mechanisms they use to make ends meet. Five studies were commissioned. Some of them were carried out in collaboration with the World Bank or the ILO.

The first study contains a detailed analysis of the socio-economic and demographic characteristics of poor households using data from standard research on domestic household budgets carried out by the Central Statistical Bureau of Latvia (Gassmann 2000). On the basis of a relative poverty line, the official minimum wage and the crisis subsistence minimum, the report estimated the scope and depth of poverty, identi-

fied risk factors and analysed the consumption patterns of poor households.

A qualitative assessment of poverty was also carried out to supplement the results of the first study (Trapenciere et al. 2000). It is based on in-depth interviews with a sample of 400 households chosen to gain insights into the world and living conditions of the poor, how they interpret their situation, and the coping strategies they adopt. The study examines the factors that cause poverty or prevent people from breaking out of the poverty trap. It also assesses the extent to which poor people enjoy adequate access to education, health care and social services.

A third output, which developed the themes raised in the previous two studies, contains a quantitative analysis of the groups who lost out most during the first decade of the transition, their coping strategies, as well as their relationship with social welfare agencies (Gassmann and de Neubourg 2000). The exploration was carried out on the basis of a special questionnaire included as part of the standard research project on household budgets. Data from this research was also used in a fourth study that analysed the relationship between ethnicity and poverty in Latvia, where ethnic minorities make up almost 45 per cent of the population (Aasland 2000).

Finally, the fifth output examines one of the key determinants of poverty: the labour market and unemployment. Using data from the household budget and the labour force surveys of the Central Statistical Bureau, the document confirms that both unemployment and the quality of employment have a great bearing on the risk of being poor (Keune 2000). An adequate level of education is one of the most important determinants of success in the labour market, although it should be noted that the quality of secondary and vocational school education is still inadequate in relation to the needs of the economy (Latvia 2000).

There is no official poverty line in Latvia. The Central Statistical Bureau uses three poverty thresholds, which correspond to the crisis subsistence minimum level (55.7 *Lats*), the full subsistence minimum (82.2 *Lats*), and a relative line set at 50 per cent of average expenditure per adult equivalent (36.6 *Lats*). It is characteristic that the relative threshold is lower than the crisis subsistence minimum level, which indicates the low level of incomes of a considerable number of households located above the official poverty lines. The headcount ratio based on the first and third poverty lines is presented in Table 2.

The information contained in the documents financed by the PSI programme reveals that a wide variety of social groups are at risk of poverty (Gassmann and de Neubourg 2000; Trapenciere et al. 2000; Latvia 2000). The most vulnerable ones are:

- Households with children, particularly those with three or more children;
- Households with an above average number of dependants;
- Single-parent households, especially if headed by a single mother;
- Households with unemployed members, particularly unemployed persons of pre-pension age;

Table 2. Poverty headcount ratio in Latvia, 1996–1998

	Number of persons residing in households whose consumption expenditure is below:					
	Crisis subsistence level (per capita)			50% of adjusted average (per equivalent household member)		
	1996	1997	1998	1996	1997	1998
All households	67.9	68.1	59.6	14.9	16.1	16.8
Urban households	65.4	65.3	53.2	13.9	14.0	13.0
Rural households	73.8	74.8	73.6	17.3	21.2	25.5
Households with 3+ children	90.6	91.6	87.5	27.3	30.7	32.8

Source: Central Statistical Bureau of Latvia

- Households dependent on income from agriculture;
- Households located in rural areas;
- Households where the breadwinner has a low level of general education, lacks professional education or work experience;
- Households in which one or more family members are alcoholics;
- Disabled people.

One important factor increasing the risk of poverty is gender, although it does so in a specific way. Female single-person households are less at risk of poverty than male single-person households. The risk of poverty increases with the number of children, and is distinctively higher when the household head is a woman than where a man is the chief breadwinner. These differences result from the fact that female-headed households are often those abandoned by the father, or where the father does not provide for its sustenance (Gassmann 2000; Neimanis 1999). When a divorced father cannot or will not provide his children with financial assistance, the mother is often unable to combine effective professional employment with her parental functions and the family is at greater risk of falling below the poverty line.[4]

Women, moreover, seem to react differently to poverty than men. Due to their feelings of responsibility towards their children, they tend to actively seek means of subsistence more often than men do. Men are more prone to alcoholism and bouts of depression in such situations (Trapenciere et al. 2000; chapter 3, this volume).

Another interesting finding is that ethnic affiliation has no major bearing on the risk of being poor, other factors being equal. Ethnic minorities are susceptible to higher unemployment, but have a labour market participation rate similar to ethnic Latvians. Nevertheless, ethnic minorities are more dissatisfied and express greater feelings of deprivation than other groups (Aasland 2000).

Still another main source of dissatisfaction derives from the widening inequality that has accompanied the transition from socialism. According to the Central Statistical Bureau, the Gini coefficient reached 0.32 in 1998, up from 0.23 in 1987-

88 (Milanovic 1998). Thus, two factors have bred feelings of deprivation among the lower segments of society: decreasing incomes as a result of unemployment and a drop in real incomes during the 1990s, and the increasing gap between those who have fallen behind and the 'winners' of the transition process.

Tajikistan

According to various sources and criteria, 70 to 96 per cent of the Tajik population currently live in poverty. Nevertheless, precise information about living conditions in the country has been missing, which has not only prevented the design of effective public policies, but also increased the costs of donor interventions. Donors interested in implementing social development programmes have had no choice but to invest their own resources for diagnostic assessments prior to their interventions.

For this reason, PSI resources were mainly used to finance the country's first Living Standards Survey, a joint undertaking of UNDP and the World Bank carried out in 1999 on the basis of a sample of 2,000 households nationwide. Goskomstat, the government statistical agency, was responsible for analysing the data and producing a report based on the results of the survey.

According to data from the survey, almost nine out of ten households have a monthly expenditure of less than US$ 12 at market rates, and 27 per cent spend less than US$ 5. Approximately 3 per cent of the rural population and 6 per cent of the urban population have expenditures greater than 30,000 Tajik roubles per month, which is the equivalent of $1PPP per capita per day (Tajikistan 2000).

Food expenditure accounts on average for 73.7 per cent of total expenditure. Of this, 42.5 per cent goes to cereal products, while 8 per cent is assigned to the con-

Table 3. Monthly expenditures and income grouping urban and rural households, 1999 (in per cent)

Per capita in Tajik roubles	Expenditures			Incomes		
	Urban	Rural	Total	Urban	Rural	Total
Up to 2000	0.2	0.7	0.6	8.5	7.5	7.7
2001–4000	2.9	2.7	2.7	12.2	12.6	12.5
4001–6000	6.5	9.9	9.2	13.1	14.2	14.0
6001–8000	11.6	14.9	14.2	14.9	15.2	15.1
8001–10000	13.7	15.5	15.1	11.8	10.6	10.9
10001–15000	31.3	31.9	31.7	19.5	18.6	18.8
15001–20000	14.2	13.6	13.8	8.1	9.1	8.9
20001–25000	7.0	5.4	5.7	4.4	4.2	4.2
25001–30000	6.7	2.6	3.5	2.3	3.2	3.0
Above 30000	5.9	2.8	3.5	5.2	4.8	4.9

Source: Goskomstat, Living Standards Survey 1999.

sumption of meat. It is estimated that average meat consumption in towns is 20 per cent of the norm, while the corresponding figure in the countryside is 10 per cent. On the other hand, vegetable consumption of town and country dwellers is 41 and 35 per cent of the norm, respectively (Turayev 1999). Households with at least three children face the greatest risk of extreme poverty, which corresponds to the lowest quintile of the income distribution. Single-parent households in this category are the most affected.

Private garden plots and allotments constitute a very important element of the rural economy. Ninety-two per cent of rural households have allotments, as do 38 per cent of urban households. Besides the cultivation of cereal crops and vegetables, cattle husbandry and poultry farming are also developing. This sector of the economy is highly intensive, and every fragment of land is exploited. More than 50 per cent of household revenue comes from the consumption or sale of products from private garden plots.

As a result of the crisis and the war, enrolment rates in primary and secondary schools fell sharply, to 62 per cent in 1996. This may jeopardise Tajikistan's educational achievements, which boasted of a literacy rate estimated to be 99 per cent among men and 97 per cent among women in 1995 (UNDP 1998). Although many private higher educational establishments also appeared at this time, the decline in the school enrolment rate will have a long-term impact on the country's development. Reversing this declining rate is one of the major challenges facing the government and aid organisations.

Enhancing poverty awareness

These countries started with different levels of awareness of poverty in their societies. It is fair to say, however, that their understanding of the problem was generally low. Both politicians and the public were inclined to treat economic distress and deprivation as a transitory effect of the transition to a market economy. The commissioning and publication of surveys and analyses of poverty in both English and the local languages attracted substantial media attention, and played an important role in changing people's perceptions and introducing the issue into the vocabulary of the political elites.

Poverty became an issue in Bulgaria earlier than in the other two countries. In 1993, the government appealed to the World Bank for a loan to conduct research on poverty, which eventually took the form of panel research projects in 1995 and 1997. Concurrently, in June 1995, the government prepared a National Programme for Social Development as a consequence of the commitments it made during the World Social Summit held in Copenhagen. UNDP was asked to assist in promoting the national programme, with support from the PSI programme.

The new government that emerged following the crisis in 1997 was preoccupied

with economic stabilisation. Through a revamped PSI programme, UNDP played an important role in increasing poverty awareness among policy-makers. One barrier to developing an anti-poverty policy was that there was neither a clear definition of poverty nor adequate tools for measuring its scope and character. This problem was accordingly tackled within the PSI programme through a comprehensive study of poverty based on all available sources. The study included an analysis of the social safety net and a special research project on the position of women. Work was carried out in parallel with a poverty assessment of the World Bank. Each programme took into account the results of the other's work, mostly to good effect.

By contrast, no initiative had addressed the problem of poverty in Latvia prior to the launch of the PSI programme. It is no exaggeration to say that poverty was simply not an issue before 1997. The situation of sudden impoverishment faced by a growing number of households was certainly well known to local social workers, but neither the government nor society had taken an active interest in the problem. The support provided by UNDP thus encouraged politicians and policy-makers to take note of the fact that not everyone had benefited from the transition from socialism. The publication of five reports accompanied by a press conference by the Ministry of Welfare and UNDP in February 2000 contributed in a critical manner to mobilising societal and political support for addressing social problems in the country. Special care was taken to ensure that the press began to write about the problem with a view to changing the prevailing attitude towards poverty, in which it was perceived as the result of personal failure rather than structurally determined constraints.

Given the dramatic scale of poverty in Tajikistan, nobody needed convincing that there was a problem to be solved. However, the absence of reliable information on its precise nature and extent hampered action by the government as well as international organisations. Shortly after concluding a peace agreement with the opposition, the Tajik government began to cooperate with international donors on the task of economic and social reform. But the methods used by Goskomstat, the state statistical agency, for monitoring living conditions were sorely inadequate and needed updating to be applied effectively to the design of policy. For this reason, UNDP reached an understanding with the World Bank with the aim of jointly financing and conducting a Living Standards Survey, which became the linchpin of the PSI programme. Apart from improving the data collection and processing methods used by Goskomstat, another important goal of the programme was to make international opinion more aware of Tajikistan's problems and attract donors who would contribute to the development and reconstruction of its economy.

Conferences and seminars organised within the framework of the PSI programme were instrumental in for stimulating poverty awareness in the three countries. Efforts were made to ensure that technically complex issues, such as the choice of a poverty line, were treated in a manner that could reach a large audi-

ence and become a subject of public debate. A good example of this is Bulgaria. From the outset, it was recognised that defining a threshold that could serve as the foundation of a basic minimum income and an instrument of social policy required more than a solid theoretical justification. It entailed, above all, a political decision that necessitated public approval. In June 1998, at a conference devoted to the problem of poverty, the results of the PSI studies were presented. Both the assessment of poverty trends during the transition and the special report on women attracted great interest among policy circles.

Moreover, since an important objective of the project was to organise a local cadre of social policy experts, a five-day workshop was held in October 1998 on the design, monitoring and evaluation of social security and employment protection programmes. Representatives from the government, municipalities, non-governmental organisations, trade unions and research institutions attended the workshop, which constituted a valuable input into the ongoing examination of Bulgaria's social security system. Because of these dissemination and training activities, the recommendations from the studies supported by UNDP were used during the course of preparing the National Development Plan for the years 2000-2006, as well as in the design of public initiatives targeted at low-income groups.

Similarly, a two-day seminar on the theme of poverty was held in Dushanbe in late 1999. The seminar, chaired by the Deputy Prime Minister, provided an opportunity for presenting the preliminary results of the Tajikistan Living Standards Survey and discussing its policy recommendations with representatives from the ministries, civil society, universities and foreign experts.

Perhaps nowhere has public information played a more salient role than in Latvia. A round table discussion held in May 1998 with participants from various ministries, the Central Statistical Bureau, the Institute of Philosophy and Sociology, and the Latvian Institute of Statistics was the first in a series of events that contributed to placing poverty reduction on the public agenda. This initial event was followed by a seminar on the country's profile of poverty in November 1998, at which the results of the quantitative and qualitative assessments sponsored by UNDP, as well as the report on employment and poverty, were presented to a broad audience of academics, civil society representatives, journalists and policy-makers. This was complemented by five workshops in which poverty issues were discussed in connection with education, social guarantees, health care, and employment.

The culmination of this public relations effort came with the official presentation of the five reports financed by UNDP at a press launch in Riga in February 2000, which opened a regional conference on Poverty Reduction in the Baltic States. Hosted by the Latvian Ministry of Welfare and co-organised by the UNDP missions in the Baltic States, the conference was attended by teams in charge of preparing poverty reduction strategies in Estonia, Latvia and Lithuania, as well as

foreign experts and representatives of the state administration, UNDP, the World Bank, ILO, civil society and academics. This participation level produced not only a greater exposure, but also an international dimension to the anti-poverty debate in the region. It also encouraged the formation of a fledgling regional network of poverty researchers across the Baltic countries.

Strengthening technical and institutional capacity

Despite the fact that there is a fairly well developed research infrastructure in the region, foreign experts were involved to a greater or lesser degree in the implementation of the PSI activities in all three countries. What matters for purposes of local ownership and sustainability of the policy reform process is the extent to which capacities and know-how have been transferred and vested locally as a result of the participation of international experts. Here we find different models of interaction and engagement between foreign and local experts and institutions.

The local expertise base was weaker in Tajikistan than in Latvia or Bulgaria. One of the main purposes of UNDP assistance, therefore, was to help create such a base. For this reason, the project was carried out with extensive cooperation between foreign experts and native personnel, and also involved training programmes, workshops and a process of 'learning by doing' under the supervision of experienced consultants.

The experience in Tajikistan offers a model with regard to improving technical skills of local personnel. Carrying out the living standard survey required, as a preliminary task, developing a research infrastructure and improving the operations of the national statistical bureau. Goskomstat was established on the basis of the old Soviet branch, as an agency performing tasks commissioned by the central authorities, but not involved in independent research activities. For their part, government agencies were not fully capable of putting research results to use in their own operations. Thus, the aims of the PSI programme went decidedly beyond the standard tasks involved in carrying out a simple survey.[5]

Intensive training and transfer of know-how were key features of the project. The cooperation between Tajik and foreign experts has been rated very highly by its beneficiaries. Apart from yielding valuable information for use in policy-making, the Living Standards Survey has helped put in place a highly experienced local team prepared to take part in similar exercises in the future. The ability of Goskomstat to carry out statistical research has clearly increased, as evidenced by the report it produced using the results of the survey (Turayev 1999). So has the ability of staff from the ministries to absorb research results, because of the training and the purchase of computer software and equipment made possible by the project.

A different type of relationship between local and foreign experts was present in Bulgaria. The main project outputs were prepared by a large group of domestic

experts drawn from various institutions.[6] External assistance was provided mainly through ILO personnel. Although this working model was beset with the usual problems of coordinating the work of a large team, it had other relevant side benefits. Most importantly, a local think-tank was established, charged with the task of carrying out a comprehensive analysis of poverty. The participation of a broad cross-section of local institutions also facilitated the task of disseminating the results of the studies. The experts who were involved in the PSI programme went on to collaborate on new initiatives, including the preparation of several reports commissioned by UNDP as a basis for the formulation of a National Plan of Action against Poverty.

Team members acquired new skills in the course of the work, although more as a result of the exchange of knowledge within the team than through external help. Most valuable from the standpoint of capacity-building, were the workshops on the design, planning and evaluation of social security programmes, which contributed to the transfer of policy-relevant knowledge with direct operational application.

The modality of cooperation between local and foreign experts was found to be more problematic in Latvia. With the exception of the qualitative assessment of poverty (Trapenciere et al. 2000), local experts played only a minor role in producing the studies sponsored by UNDP, which were done mostly by international consultants from the University of Maastricht (the Netherlands) and the FAFO Institute (Norway). The Central Statistical Bureau supplied data for two of the studies. It also carried out research based on a special questionnaire attached to the standard Household Budget Survey, which provided the basis for another two reports. However, staff from the Bureau were not involved substantially in designing the questionnaire. Their role was mostly limited to conducting the fieldwork.

There was also little interaction between the international experts and the members of the Working Group set up in 1999 with the task of preparing an outline for the formulation of a National Strategy for Poverty Reduction. The authors of the PSI reports were not consulted during the course of preparing the strategy until an advanced draft had been completed. At the same time, the Working Group did not receive the necessary advice and information on how to prepare a poverty reduction strategy. Its members had no access to planning workshops or policy papers that might have given them some guidance regarding the final product they were expected to deliver. Although the Ministry of Welfare, which chaired the Working Group, stressed the need for direct cooperation with foreign consultants based on the principle of 'learning by doing', the latter only had a limited working relationship with the Working Group. Neither the Ministry of Welfare nor the other members of the Working Group made full use of the studies commissioned by UNDP, which they perceived to be too generic in their recommendations to be of practical use for policy action.[7]

Consequently, the involvement of international experts in the programme

activities failed to develop local research potential. Opportunities for transferring knowledge and skills were missed. To make such transfer possible, the project should have established more extensive contacts with local partners and been more firmly grounded on cooperation with the recipients of the project results. It is therefore not surprising that the Group's work was not entirely satisfactory, although it should also be noted that the participation of the foreign consultants did help increase awareness of the problem of poverty both in the state administration and among those circles represented in the Working Group.

There was an exception to this pattern — the qualitative poverty assessment, which involved a different form of cooperation with foreign experts (Trapenciere et al. 2000). A research team from the Institute of Philosophy and Sociology in Riga carried out the research and prepared the subsequent report, in collaboration with a World Bank expert. The outcome of this cooperation has been highly rated by the local partners, who as a result of the project, have gained an in-depth knowledge of the situation of poor people in Latvia. The exercise has not only produced a useful report, but also sustainable results in the form of a local team of experts with improved skills. The decisive factor, it seems, was that this project component was better able to establish the necessary conditions for a bilateral transfer of knowledge and experience among its various participants, both local and foreign.

Impact on policy

In spite of the newness of the PSI programme and the limited amount of funding involved, there are clear indications that the assistance provided has not only contributed to enhancing knowledge about poverty conditions, but also to creating a momentum for the design of anti-poverty policy in these countries. The analyses and information produced by the programme have been so timely that steps are now being taken to translate the knowledge acquired into concrete policy measures.

All three countries are going beyond the diagnostic stage into the formulation of programmes or strategies for poverty reduction and the creation of institutional mechanisms for coordinating work on poverty. The results of the studies and surveys financed by the PSI programme are being used for this purpose, as well as for the enactment of legislation and the launching of initiatives that deal with particular aspects of the problem highlighted by those studies.

Latvia has made the most progress in this regard. Despite the problems of insufficient cooperation between international and local experts mentioned above, the efforts to place poverty issues on the public domain have been so successful that Latvian authorities have taken up the issue in earnest. The first step in this process was the creation of the Working Group with representatives from the ministries, municipalities, civil society and academic institutions. The Ministry of Welfare was made responsible for chairing the Group, given the leading role that its Social

Policy Department had traditionally played in developing anti-poverty programmes.

The initial task of the Group was rather limited — to review the five reports sponsored by the UNDP project in order to formulate a set of recommendations for a national policy against poverty. During the course of implementing the project, however, the Cabinet of Ministers decided to set a more ambitious task, the development of a full-blown National Strategy for Poverty Reduction, and assigned the responsibility to the Working Group. A draft version of the Strategy was submitted to the Cabinet in late 1999 and presented to the public at the conference on Poverty Reduction in the Baltic States (January 2000), where it was discussed along with the draft strategies prepared in Estonia and Lithuania. In the meantime, the Cabinet passed a law on social assistance, as well as a resolution adopting a guaranteed minimum income. It has also recommended the preparation of a detailed plan of action, which will serve as the basis for government policy in the fight against poverty.

The draft strategy proposed a set of basic policy measures as well as three alternative poverty lines for designing the threshold for social assistance. They are, respectively, a low-income threshold (persons whose income falls below a level set nationally in accordance to regulations issued by the Cabinet); 75 per cent of the average disposable income per person; and 50 per cent of the value of the full subsistence basket of goods and services. Based on these three lines, the incidence of poverty in Latvia ranges from 15 to 39 per cent.

For reasons explained above, the draft strategy cannot be considered a mature policy document. Certain weaknesses in the draft strategy need to be addressed as a matter of priority. This includes agreeing on a working definition of poverty, setting realistic policy goals and quantifying them, linking with sectoral and other government programmes at regional and local levels, and identifying target groups for specific types of intervention. Furthermore, the scope for financing the programme needs to be identified, and mechanisms for monitoring and evaluation established.

Whether actions aimed at alleviating poverty become a central feature of gov-

Table 4. Poverty lines and headcount ratio in Latvia, 1998

	Poverty line (US$ per person per month)	Headcount ratio (%)
Persons with low income	49.0	15.8
50% of full subsistence basket per capita	70.0	31.2
75% of average income per capita	79.0	39.3

Source: Central Statistical Bureau of Latvia

ernment policy will depend on the quality of the action plan being designed by the Working Group. It is important, however, to highlight the strong commitment that appears to be present at the highest political level. This is a major achievement in a country in which the existence of poverty was barely recognised only a few years ago.

Similar moves towards institutionalising anti-poverty policy have been taken in Bulgaria and Tajikistan. Bulgaria undertook a thorough diagnosis of poverty following a reorientation of the PSI programme in 1997. This work provided the basis for subsequent policy initiatives. The social segment of the National Development Plan for the years 2000-2006 was prepared with assistance and advice from UNDP. PSI activities have also been synchronised with wider reform packages in the social sectors, as reflected in the recent Social Welfare Act. In October 1999, the Minister of Labour and Social Policy appealed to UNDP for additional cooperation in preparing a Plan of Action for Poverty Reduction. The aim of the Plan of Action is to supplement the National Development Plan 2000-2006 in the areas of social assistance for the needy, social integration of vulnerable groups, and labour market legislation. This process culminated in January 2000, with the announcement by the Prime Minister that the reduction of poverty is a major priority for the government. This announcement, which took place at a meeting between the Cabinet and international donors that had originally been proposed by UNDP and supported by the World Bank, signals a spectacular success for anti-poverty programmes in Bulgaria.

The joint collaboration between UNDP and the World Bank in support of the Tajikistan Living Standards Survey has not only produced information that can now be used for policy purposes, but has also increased public policy research capacity within the country. A research infrastructure has been established in Goskomstat and in the policy departments of selected ministries, whose staff received intensive training in data gathering, processing and analysis, as well as in the use of statistical software packages. The Survey was supplemented in two regions by a special health care module, which was commissioned by the Ministry of Health for the preparation of an impending World Bank loan for a pilot health care reform programme. The fact that all of these ambitious goals have been achieved is laudable, given the difficult security situation in Tajikistan and the problems involved in carrying out field research.

Experts from the World Bank and UNDP are using the data generated by the Living Standards Survey to analyse poverty profiles and prepare a poverty assessment, which began during 2000. Concurrently, a Working Group for Poverty Alleviation has been established under the auspices of the Prime Minister's Office, and charged with the task of elaborating the country's first anti-poverty strategy. The group has prepared a preliminary version of the strategy, which still requires further work.

Donor engagement: Modalities of cooperation

Most of the work on poverty done so far in these countries, whether analytical or policy-oriented, has depended on the resources committed by international organisations. Governments have made no financial contribution, except of course at the stage of implementing some of the measures that have been identified as necessary.

There have been different models of cooperation among the donor agencies, as well as between them and their national partners. The model developed in Latvia is especially worthy of attention. The PSI project involved close collaboration between the Ministry of Welfare, UNDP, the World Bank and ILO, assisted by foreign experts from two renowned European institutions. The main partners involved in the project set up a Steering Committee that met regularly to update each of the participating institutions about the progress made in implementation. Such collaboration made it possible to coordinate efforts and combine the resources invested by all the partners. It also enabled the project to adapt more easily to changing conditions, as illustrated by the Cabinet's decision in January 2000 to recommend the elaboration of a national strategy for poverty reduction. Working relationships between international organisations have been highly cooperative, as have their relations with the Latvian authorities. This pattern of collaboration has been further reinforced as a result of the PSI activities, and may be recommended as one of the best practices of the programme.

In Bulgaria, UNDP worked closely with ILO and a large team of domestic experts from various academic, trade union and civil society organisations. By contrast, there was little direct collaboration between UNDP and the World Bank. The PSI studies built upon the results of the poverty research conducted by the Bank in 1997, which they supplemented by assessing the strengths and weaknesses of the existing social safety net, the use of alternative poverty lines for social policy, and the institutional conditions for anti-poverty policy (Bulgaria 1998a). But despite the existence of ample scope for collaboration and cross-fertilisation, both sets of activities were mostly carried out in parallel. Moreover, in 1998, the World Bank began a new poverty assessment project, the results of which were published the following year (World Bank 1999). Given the good working relationship that exists between UNDP and the World Bank in Bulgaria, it appears that cooperation between the two organisations could have been tighter.

Such intensive cooperation between UNDP and the World Bank was certainly present in Tajikistan. The implementation modality adopted for the Living Standards Survey favoured close contacts between specialists from the two organisations, government officials, local experts and Goskomstat personnel, even though no coordinating body was officially established like the one set up in Latvia. The World Bank has made its assistance to Tajikistan conditional upon the preparation of a Poverty Reduction Strategy Paper (PRSP).[8] The model of cooper-

ation and mutual trust between government officials and development agencies engendered by the implementation of the Living Standards Living are likely to ease future negotiations on the content of the country's PRSP.

An important by-product of the Survey is that it may facilitate the development of aid programmes and therefore attract donor interest in operating in the country. The international community in Dushanbe is small. So far, few organisations have set up operations, partly for safety reasons and partly due to a lack of knowledge of the country. By supplying the donor community with updated information on the prevailing poverty situation, the Living Standards Survey will reduce the cost of preparing aid programmes, which has hampered donor efforts in the past. From this point of view, the Living Standards Survey was an important milestone, potentially streamlining the actions of not only the Tajik government, but also its international donors.

To support this process, UNDP organised a meeting of donors in 1999, which was attended by representatives of international organisations and ambassadors from countries interested in promoting development in Tajikistan. At the meeting, the results of the research were presented as a basis for attracting further international aid. For the first time, financial support has been offered by the Know How Fund (KHF), Britain's programme of bilateral technical assistance to the former socialist countries of Europe and Central Asia. This financial contribution, which will be channelled through UNDP, constitutes a major achievement, given the relative isolation from which the country has suffered in the past. Other donors have been slow to come forward. But at least they have now gained a better basis for their activities, should they decide to set up operations in the future.

Conclusion

In Bulgaria, Latvia and Tajikistan the PSI programme has been part of an extensive process of transformation unleashed by the breakdown of the Soviet Union. By their very nature, periods of systemic transformation entail openness to and expectations of change. They are periods during which the basic framework of a new political, economic and social system is being developed, which becomes more difficult to change once the transformation process comes to an end. A major challenge for countries in transition has been to make the public aware of the social woes that have accompanied the transition from planned to market economies, and to induce politicians to become involved in reform programmes. From this perspective, the PSI initiative came at the right time.

Considering the modest scale of the programme, its achievements have been particularly noteworthy. In Latvia, poverty has become a central issue in the public discourse, from which it had been absent until very recently. The profile and situation of poor households have been thoroughly diagnosed, a high-level Working Group was set up to coordinate the development of anti-poverty policy, and a draft

version of a National Strategy for Poverty Reduction was submitted to the Cabinet for endorsement at the beginning of 2000. In Tajikistan, the first-ever Living Standards Survey was conducted, local capacity for public policy analysis has been strengthened, and a Working Group was created under the auspices of the Prime Minister to draft the country's PRSP. As a result of the Survey, the donor community has also become more aware of the humanitarian dimensions of poverty in a country that is striving to overcome the effects of civil war. In Bulgaria, a large cadre of local experts has been established, work on the formulation of a National Plan of Action against Poverty has commenced, and poverty reduction has become a top priority for the government, as announced by the Prime Minister in January 2000. These and other positive developments certainly cannot be attributed only to the assistance provided by UNDP, but it is equally clear that the PSI programme has been thoroughly involved in these processes and has contributed directly to most of the outcomes.

The projects sponsored by UNDP also had certain drawbacks. The most salient ones were the inadequate coordination between UNDP and the World Bank in Bulgaria, where cooperation could have been tighter, and the limited contacts between national and foreign experts in Latvia, which reduced the potential for skills transfer and lateral learning. In Tajikistan, it remains to be seen whether the results of the Living Standards Survey translate into more effective anti-poverty policy and whether foreign donors feel encouraged to set up operations in the country. Despite these shortcomings, it has now become common knowledge in these countries that poverty is not simply a problem affecting marginal groups in need of charitable support, but rather an outcome of the manner in which the transition process was managed, as well as a structural barrier to development. Governments have stepped up their involvement in the fight against poverty. Models of cooperation between international organisations and national partners have been developed. Finally, countries have taken the first steps towards institutionalising the anti-poverty drive through the establishment of high-level coordinating mechanisms.

The first stage of work on an anti-poverty policy has thus been largely completed in the three countries. Yet the capacity to design good public policy and implement effective social programmes remains weak. The working groups that have been set up still have to evolve into something more permanent in order to have a lasting impact on public policy. Their members, whether from government, academia or civil society, tend to need preliminary training in policy analysis and design. Representatives from civil society have been included in these working groups, but cooperation has not become institutionalised yet.

As countries move from the diagnostic phase into formulating government strategies for poverty reduction, support from foreign experts will be needed. Any follow-up programme should aim to develop local capacity to prepare, implement

and monitor policies and programmes to tackle poverty, and to pilot and disseminate model solutions to those responsible for managing those programmes. There is in these countries a great demand and willingness to acquire the necessary technical skills. For this reason, technical assistance geared towards transferring skills and know-how and vesting them locally is, at present, one of the most attractive features of international programmes. ■

Notes

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[1] The conflict lasted until 1997, when the government signed an agreement with the opposition. This agreement, however, failed to prevent further armed clashes in the north in 1998 and various minor disturbances, especially on the border with Afghanistan. As a result of the war, an estimated 50,000 people have been killed, 500,000 have become economic refugees, and 600,000 have changed their place of residence.

[2] The government is working closely with the IMF, the World Bank and other international organisations to solve basic development problems and maintain the country's still unsteady growth rate. Key undertakings in the field of structural policy have included an acceleration of ownership transformations in agriculture, further reforms in the financial sector, and reform of health care, education and the energy sector. Since 1995, approximately 120 state farms have been transformed into joint-stock companies and leaseholds. Since mid-1999, as a result of pressure from the World Bank, a number of measures have been taken to step up organisational and ownership transformations in another 160 farms. Cotton production continues to be dominated by the centralised state economy.

[3] One criticism levelled at the BMI is that it does not necessarily cover minimum calorie needs. For this reason, the Bulgarian Institute for Trade Union and Social Studies proposed its basic needs consumer basket as an alternative to the BMI, after taking into account the consumer spending habits of the second and third deciles of the income distribution series.

[4] The divorce rate in Latvia is one of the highest in Europe. Thirty-four to 36 per cent of marriages end in divorce after 5-9 years of matrimony. Sixty to 70 per cent of divorced couples have children under the age of 18 (Latvia 1998a).

[5] During the course of the Tajikistan Living Standards Survey, a number of standard tasks had to be carried out: develop a questionnaire; identify, recruit and train surveyors; pilot the questionnaire and make necessary revisions; carry out the survey in 2,000 households throughout the country; input the data and generate profiles of poverty; prepare a final report on living standards; and disseminate the information to the international community and government institutions.

[6] Among others, the National Statistics Institute, the Economic Institute of the Bulgarian

Academy of Sciences, the Ministry of Labour and Social Policy, the Confederation of Independent Trade Unions, the National Centre for the Study of Democracy, and the Agency for Social Analysis.

[7] Representatives from the ministries and the Central Statistical Bureau even maintained a certain critical distance from the research activities carried out by the international experts. It was felt, for instance, that resources from the PSI programme could have been used more effectively to improve the basic household budget survey to ensure a more systematic monitoring of poverty. The reports produced by the international consultants were said to be difficult to use in practice because they did not offer the kind of clear policy recommendations needed by decision-makers. Some researchers were even criticised for their apparent lack of knowledge of the operations of the social welfare system in Latvia, which they were supposed to help evaluate.

[8] Due to the fact that poverty affects rural areas with particular intensity, the World Bank has made rural development a basic goal of its aid strategy for Tajikistan. Other areas of assistance to the Dushanbe government include health, education and a social welfare fund.