



POVERTY ASSESSMENT

Background

The World Bank central mandate is to focus its efforts on poverty reduction and social development. Poverty reduction is also central for the Country Assistance Strategy for Bulgaria.

Methodology and analytical framework. The concept for poverty work in Bulgaria is based on the Bank overall approach to poverty reduction and involves providing:

- **Opportunities** – increase the capacity of the poor people and communities to benefit from economic opportunities by helping diminish informal social, cultural and other barriers
- **Empowerment** – support communities to develop mechanisms for increasing participation, support the **institutional** reform at local level and promote rule of law
- **Security** – enhance the ability of communities to support its members during periods of economic crises by enhancing local solidarity and capacity

The analytical and advisory work on poverty and living standards is well integrated into the overall project portfolio of the Human Development sector. The main pieces of analytical and advisory work for the period 1999 - 2002 include:

- **Poverty During the Transition**, 1999, report based on Poverty Assessments and Integrated Household Surveys conducted in 1995 and 1997
- **Consultations with the Poor** – Bulgaria is one of the pilot 23 countries where such consultations took place. The findings from the Bulgaria country case study were reflected in a number of World Bank publications like “Voices of the Poor: Can Anyone Hear Us?” and “From Many Lands”
- **2001 Bulgaria Poverty Assessment** – a comprehensive analytical report based on a Living Standards Measurement Survey (LSMS) conducted in May 2001 and extensive qualitative research on the linkages of poverty with employment, educational attainment, access to health care, etc.

Scope

Several milestone events mark the progress in the dialogue between the Bank and the Government on monitoring and analysis of poverty and living standards. A

Primary Counterpart:

Ministry of Labor
and Social Policy
(MLSP)

Project Status:

Under preparation

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high-level joint retreat on “Mainstreaming Social Development and Poverty Reduction” was attended by the Prime Minister and the majority of the Cabinet in the end of January 2000. It was followed by two workshops on “Understanding and Building Social Capital in Bulgaria: A Development Imperative” in the middle of the year with representatives of the central and local governments. In the end of 2001 the ECA Social Protection Strategy Paper “Balancing Protection and Opportunities” was widely discussed with the Government and the Parliamentary Standing Committee on Labor and Social Policy. Also in December 2001, the Government and the Bank discussed the poverty rates, profile and trends as they emerged from the LSMS. On April 5-6, 2002, the Bank launched the 2001 Poverty Assessment background paper and initiated a discussion on poverty and inequality in Bulgaria in 1995–2001 with representatives of the central and local governments, civil society, social partners, academia, media, private sector and foreign donor agencies.

The **main findings** of the Poverty Assessment and other analytical work of the Bank indicate that:

- Living standards in Bulgaria rebounded dramatically since the 1997 crisis when poverty escalated to 36 percent of the population. Poverty rates declined since then as consumption levels recovered. Using poverty lines updated from 1997, poverty fell by nearly two-thirds to 12.8 percent, and the depth and severity of poverty improved. Nevertheless, in 2001 poverty remains at twice the levels of 1995.
- Absolute poverty in Bulgaria in 2001 is comparable to that in neighboring countries, although it exceeds levels in the high-performing countries of Central and Eastern Europe. Using the absolute poverty line of \$2.15 per day, poverty in Bulgaria was 7.9 percent, slightly higher than that of Romania and Latvia and significantly higher than poverty in Hungary and Poland. At a poverty line of \$4.30 per day, poverty in Bulgaria was 31.9 percent, which is comparable to Ukraine in 1999 and Latvia in 1998.
- Poverty in 2001 has become more concentrated among distinct population groups than in previous years. The profile of poverty in Bulgaria has come to resemble poverty patterns in other countries in Central and Eastern Europe more closely. Pockets of extreme destitution persist in the country. Large rural households with young children under 5 and low education levels are at greatest risk. Ethnicity is another clear correlate of poverty, over 60 percent of the poor are ethnic minorities. As was the case in the 1997 profile, education and labor market status are key determinants of welfare.

The Bank works with the Bulgarian Government for recognizing the need to accelerate social development and poverty reduction, ensuring that the costs of the economic transition are socially sustainable and setting social development and particularly improving the conditions of the poor, as a very important policy priority. The analytical work indicates that during the last decade of transition the status of poverty in the country is in many aspects worsening. Poverty in Bulgaria has many



dimensions, extending from low levels of incomes and consumption, to declining living standards, limited access to quality health care and education, and other deteriorating “non-material” dimensions of well-being as personal insecurity and social exclusion. The quality of life of the predominant part of the Bulgarian population has been adversely affected by the economic decline and poverty during the transition period. The studies indicate that there is a need to strengthen the poverty alleviation focus of the macroeconomic and sectoral policies with the financial and technical support of development partners, and to develop a context for a systemic approach to poverty reduction.

Policy Priorities

The most important policy priorities emerging from the analytical work and the dialogue with the Government on living standards improvement and poverty reduction include:

- Improve the analytical framework of poverty reduction and social development through advanced diagnostics of poverty and poverty determinants based on enhanced access information and data bases. Elaborate approaches for clearer and consistent with EU practice working definitions of poverty, measure more precisely its scope and impact and identify indicators for its monitoring. Empower state institutions to monitor and analyze poverty trends and determinants consistently and build capacity for designing poverty alleviation policy instruments and for dealing with poverty related risks.
- Better target social programs, with a renewed emphasis on quality and standards of education and health services. Increase the efficiency of social spending through investing in restructuring and optimization of educational and health care institution networks. Improve the targeting of resources to social protection and development programs. Design special measures to reduce poverty and vulnerability among the most disadvantaged groups of the population.
- Develop an anti-poverty strategy / social development program within a strong and coherent macroeconomic program. Integrate poverty and social indicator projections into the macro-framework. Set national priorities for poverty alleviation related outcomes; outcomes based strategies for social development and poverty reduction at national, sectoral and local community level. Achieve more transparent balancing of narrow deficit and inflation targets with social indicators. Encourage labor market flexibility and lower costs of labor and reduce unemployment.
- Ensure greater involvement of the poor and their communities in policies and programs. Encourage SME development and self-employment by elaboration and enforcement of a conducive legislative framework for self-help initiatives and amending the legal and regulatory framework aimed at increasing the business/market opportunities for the poor.



Dissemination

The disclosure and dissemination of the Bulgaria Poverty Assessment report and background analytical materials is starting in September 2002 and will spread over one calendar year. The report and background papers will be published in Bulgarian and English before the end of 2002. The dissemination of results will involve the central and local governments, civil society organizations, including social partners, academia, central and regional media, communities, the private sector and the international donor community. The dissemination aims at initiating an inclusive and comprehensive public discussion on poverty profiles, poverty monitoring and design of anti-poverty and social development policies, which will be adequate to the Bulgaria EU accession aspirations.