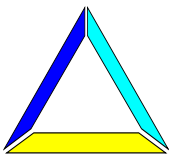
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V2

A social welfare system to lift Ukrainians out of poverty

Executive summary

Ukraine is lacking an efficient social welfare system. Most social privileges do not reach the poor. The Ukrainian government need to adopt a realistic poverty threshold. We recommend to implement an absolute poverty measure for identifying the poor like the poverty line 'one US-dollar per day'. The poverty incidence is higher in rural areas. The probability of poverty increases with unemployed household heads and household size. Families with children are more likely to be poor. The government should introduce means testing for better targeted social welfare. Social welfare should be financed from the national level. Financing of welfare should be made available through redirecting public spending away from expensive and complex social privilege schemes. Social privileges should be phased out step by step. Local implementation should be nationally monitored. The government should promote the work of professional social workers and charitable organizations. Since unemployment is a major cause for poverty, the social welfare should be complemented with employment promotion policies.

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1 Introduction

Present Ukraine records rather high income inequalities and widespread poverty. On the one hand, a certain degree of income differentiation is necessary, as it provides incentives for individuals to work harder, be innovative and accept more risk, invest into education and qualification. In its consequence the individual search for higher income improves the efficiency of labour allocation.

On the other hand, excessive income inequalities violate elementary standards of fairness and hence, erode the foundations of a civil society. Very low incomes are perceived by individuals as unfair and induce shirking, cheating, shadow economic activity, and reduce labour productivity and quality of work. Hence, lasting high inequalities are detrimental to economic growth.

Persistent low income levels of disadvantaged people lead into poverty and social exclusion. Poverty promotes serious spill-over effects to the mainstream society like diseases, crime and social neglect. Furthermore, in market economies all individuals face the risk of substantial income loss, e.g. due to structural changes in the economy or individual tragedies like car accidents causing individual disabilities. While some of the affected will be temporarily without sufficient income, others may remain so lastingly.

A functioning social security system is necessary to cushion individuals against harsh misfortune, real hardships and to reduce poverty. While many social risks can be dealt with efficiently through insurances (pension, unemployment etc.), there is a broad consensus even in the most market-oriented economies, that a tax financed basic social safety net (social welfare) should be available for those in need. In this paper we will focus on social welfare[1].

The present social privileges system in Ukraine still resembles more the defunct Soviet model, based on many `social privileges´, most of which are provided in kind. Accordingly, prices and tariffs for numerous goods and services are regulated and cross subsidized. Social privileges are often provided by enterprises. But social privileges were never intended to provide social security but to reward special individuals and groups for their loyalty to the Soviet system. So instead of providing targeted services to the poor the main recipients of social privileges are social and occupational groups (pensioners, veterans of labour, civil servants etc.). Despite the substantial increase of social privileges and entitled groups after Ukraine's independence the social system could not prevent the massive spread of poverty. The present social privileges system is ill-suited to buffer individuals against risks in a market economy. Hence, Ukraine needs to introduce a social welfare system. Effective poverty reduction at lowest cost possible will require the introduction of targeting social welfare to the poor and improving welfare coverage by means testing. Financing of reforms and social welfare could come from reductions of untargeted social privileges.

In the rest of the paper we first provide an assessment of poverty in Ukraine using different poverty lines. This is followed by an estimation of the determinants of poverty incidence and the depth of poverty. The analysis of present social policy efforts is followed by recommendations of first simple steps for future social policy reforms.

[1] A broader reform framework for the social security system, including pension reform, unemployment, work accidence and temporarily working disability insurances, as well as health care was provided in: IER/GAG 'Towards Higher Standards of Living: An Economic Agenda for Ukraine', Chapter 3 `A Strategy for Reforming the Social Security System in Ukraine´, pages 16-26, December 2004, http://www.ier.kiev.ua/English/books_eng.cgi

2 Social policy and poverty lines

Poverty is commonly defined as the inability of individuals to achieve politically acceptable standards of living and adequate participation in society. Poverty by definition is connected to income and spending needs. In order to measure, compare and assess poverty in an objective manner, various socio-economic thresholds, the so called 'poverty lines' are commonly used. Poverty lines try to capture a predefined level in the income distribution, below which individuals are considered as `poor´ and would qualify for special attention. Poverty has absolute and relative components and hence, different thresholds were developed. The World Bank for instance is mostly concerned with absolute poverty, so its poverty lines to assess the dimensions of poverty in a country include[2]:

- Poverty line `80% food´. More than 80% of household expenditures are spent for food.

- Poverty line `one dollar per day´. A household spends less than one US-dollar per day. This is a global poverty threshold used by the World Bank for international comparisons.

- Poverty line `calorie based´. Per capita expenditures are lower than the cost of the World Bank's calorie basket plus allowances for non-food goods and services. The food share in consumption is close to 70%, thus leaving 30% for non-food items.

However, the most publicly known and widely used poverty threshold in Ukraine is the:

- Poverty line `Subsistence minimum´. Per capita expenditures are lower than the subsistence minimum based on the price of a predefined consumption basket set by the Ukrainian parliament.

Because absolute poverty was widely eradicated in Western Europe most countries in the EU are using relative poverty thresholds. The most common is:

- Poverty line `60% e-median´. Per capita expenditures are lower than 60% of median equivalent expenditures.[3] This threshold takes into account the development of incomes (including wages) in an economy. This poverty line is used among others by the European Commission.

But also Ukrainian ministries are using a relative measures, especially:

- Poverty line `75% median´. Conditional per capita expenditures[4] are lower than 75% of median total expenditures of the population. This is the official threshold defined by the Order of different Ukrainian ministries.[5]

In the next section we estimate the incidence of poverty in Ukraine using the different poverty lines discussed above[6].

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2 See also the World Bank report *Ukraine: Poverty Assessment. Poverty and Inequality in a Growing Economy*, May 2005.

3 Equivalent total expenditures are calculated as household expenditures divided by equivalent household size according to the modified OECD scale, which gives a weight of 1.0 to the first adult, 0.5 to other persons aged 14 or over and 0.3 to each child aged less than 14 (see 'Laeken' indicators for more details). This equivalent scale takes variations in needs (for example for food) across different age groups as well as economies of scale in household consumption (an apartment that is heated for one individual is automatically warm for a second individual) into account.

4 Conditional per capita expenditures take into account 'savings on scale', they are calculated as total HD expenditures divided by (1+0.7*(number of people in HD – 1)).

5 The Methodology of complex estimation of poverty is approved by the Ministry of Labor and Social Policy of Ukraine, the Ministry of Finance of Ukraine, the Ministry of Economy of Ukraine, etc.

6 Because of lacking data we exclude the poverty line `calorie based´ from further analysis.

3 Poverty in Ukraine

To estimate the incidence of poverty we use data from the Derzhkomstat Household Budget Survey conducted in 2001 and 2004. Because of the large share of the shadow economy in Ukraine and serious underreporting of household incomes, we use the less biased data of household expenditures. For expenditures we use the reported total expenditures instead of cash expenditures, since Ukrainians, especially in rural areas, are often paid in kind and grow products on their subsidiary farms. The estimation results are provided in Table 1.

Table 1
Poverty lines and poverty incidence (in %)

	'80% food'		'one dollar per day'		'60% e-median'*		'75% median'**		'Subsistence Minimum'	
	(1)	(2)	(1)	(2)	(1)	(2)	(1)	(2)	(1)	(2)
2001										
Rural	27.02	54.39	35.23	35.29	16.36	36.11	32.08	36.25	80.93	32.53
Urban	10.18	45.61	29.02	64.71	13.01	63.89	25.35	63.75	75.43	67.47
Ukraine	15.40	100.00	30.90	100.00	14.00	100.00	27.40	100.00	77.10	100.00
2004										
Rural	10.45	52.28	11.17	44.61	16.53	39.56	30.80	38.24	64.72	35.43
Urban	4.39	47.72	6.38	55.39	11.63	60.44	22.91	61.76	54.31	64.57
Ukraine	6.30	100.00	7.89	100.00	13.17	100.00	25.40	100.00	57.59	100.00

Note: (1) Indicates poverty incidents in either rural or urban area
(2) Indicates the structure of poverty incidents in rural or urban area.
* For estimating the poverty incidence the equivalent expenditures are used.
** For estimating the poverty incidence the conditional expenditures are used.
Source: Household budget survey of Derzhkomstat, own estimations

For each poverty line used we report the percentage of households below the respective poverty line in Ukraine, in rural and in urban areas (column 1) and the distribution of the poor between rural and urban areas (column 2).

First of all, for all thresholds the share of poor households is higher among the rural population than the share of poor among the urban population. However, except for the `80% food´ concept the total number of poor in urban areas is substantially higher than in rural areas (column 2). This reflects the high level of urbanization in Ukraine (66.7% in 2004). However, except for the food threshold the share of poor in rural areas increased from 2001 to 2004, indicating an uncoupling of rural areas from real economic and income growth.

As expected, the poverty incidences vary substantially according to the different poverty lines. The lowest levels are reported for the poverty lines capturing absolute poverty - `80% food´ and `one dollar per day´ - according to which in 2004 6.3% and 7.9%% of households respectively were below the poverty line.

The poverty line `60% e-median´ shows that in 2004 around 13.2% of households are poor while for the poverty line `75% median´ the number increases to 25.4%. According to the subsistence minimum nearly 58% of households in Ukraine are poor.

The comparison of poverty incidence according to the different poverty lines of 2001 and 2004 reveals that poverty declined against all benchmarks. However, the changes differ across the poverty lines used. While roughly 30% of Ukrainian households had less than one dollar per day in 2001, the number decreased in 2004 to little less than 8%. A similar significant reduction of absolute poverty is recorded for the benchmark `80% food´. Both results indicate that absolute poverty declined substantially. However, about 6-8% of households still remain in absolute poverty. Regardless of the dramatic reduction in numbers intuitive experience tells that poverty is still widespread in Ukraine. The benchmarks `80% food´ and `one dollar per day´ seam not to capture the full picture as the purchasing power

of one US-dollar is much lower in Ukraine's transition economy than in most developing countries. That is not only because of higher costs for minimum consumption, but also owed to the colder Ukrainian climate.

The 'subsistence minimum´ documents an unrealistically high incidence of poverty, with 77% of households in poverty in 2001 and 57% in 2004. The high figures are due to the weaknesses of the subsistence minimum consumption basket and its rather artificial nature, which does not reflect real consumption patterns and market prices. The composition of the basket has not been revised since the year 2000. Moreover, the subsistence minimum is constantly set by Parliament higher than minimum wages, thus reflecting more bureaucratic ambitions of defining need. Hence, the `subsistence minimum´ should not be used as a yardstick for a responsible social policy.

Less dramatic is the relative reduction of poverty measured according to the `60% e-median´ and `75% median´ poverty lines. This indicates that most households benefited with higher incomes from the real economic growth during the period 2001 -2004.

Consequently, the poverty incidence is the highest among households with unemployed heads (Table 2) across all poverty lines (except for `80% food´), while employees and employers are the least likely poor households.

Table 2
Poverty incidence across occupation of households' heads in 2004 (%)

	`one dollar per day´		**`80% food´**		**`60% e-median´**		**`75% median´**	
	Poverty incidence	HD structure	Poverty incidence	HD structure	Poverty incidence	HD structure	Poverty incidence	HD structure
Unemployed	19.4	21.7	7.6	10.7	22.1	14.8	40.67	14.1
Pensioner	6.3	31.8	10.0	63.0	17.1	51.8	27.63	43.4
Unpaid family job	9.0	2.1	3.4	1.0	10.5	1.5	29.06	2.1
Employee	6.7	37.4	3.1	21.9	8.1	27.0	20.15	34.9
Employer	5.8	0.6	-	-	5.4	0.3	14.00	0.4

Source: Household budget survey of Derzhkomstat, own estimations

In order to better understand the characteristics of households in absolute poverty we conduct a probit estimation distinguishing between rural and urban poverty[7]. In table 3 we report determinants influencing the probabilities that households live in absolute of poverty[8].

In general, we find the most important factor for absolute poverty for both, urban and rural households, is **unemployment**. Consequently, an increase of the share of workers per household and the household head being employed reduce the probability of living in poverty. Next in importance as a general determinant of poverty is the **number of children** per a household. Households headed by unemployed with many children are the group with the largest risk of living in absolute poverty. Also important for reducing the probabilities of poverty is **educational attainment**, while the results for higher education do not give a clear picture. No clear results are derived as regards pensioners and unpaid family jobs.

[7] See also an earlier Policy Paper T25 *Poverty in Ukraine*, by Victoria Galushko, http://www.ier.kiev.ua/English/papers/t25_en.pdf.

[8] Readers interested in more details on the probit estimation should contact the authors.

Table 3
Determinants of poverty in 2004

Factors and probabilities of poverty increases (in %)					Factors and probabilities of poverty reductions (in %)				
Factors increasing poverty	**`one dollar per day´**		**`80% food´**		**Factors reducing poverty**	**`one dollar per day´**		**`80% food´**	
	Urban	Rural	Urban	Rural		Urban	Rural	Urban	Rural
Unemployed household head	5.2	4.4	4.3	5.0	Working share of household	3.2	3.6	1.3	5.4
Household size	2.8	3.7			Household size			0.5	0.8
Number of children under 16	2.2	2.2	1.3	3.0	Head of household is an employer	2.7*	-	-	-
Female head of household	1.2	0.8*	0.5*	2.2	Educational attainment of the household head	0.4	0.7	0.3	0.3
Household head on unpaid family job	0.4*		1.0*		Household head on unpaid family job		4.9		0.5*
Household head is pensioner		0.5*	2.3	4.1	Household head is pensioner	0.6*			
Household headed by an employee			1.1*	0.8*	Household headed by an employee	0.8*	2.4		
Household head with high education		0.4			Household head with high education	1.3		2.2	7.1
Age of household head	-		0.1	-	Age of household head		0.2		

* Coefficient not significant
Source: Household budget survey of Derzhkomstat, own estimations

In order to assess the actual depth of poverty we calculate so-called income gap ratios (IGR). IGR are showing to what extent the poor fall below the poverty line. For comparison we calculate the IGR for four poverty lines[9].

The Income gap ratio (IGR) is defined as follows:

$IGR = \sum_{i=1}^{n} \frac{(P - \exp_i)}{n * P}$, where P is a poverty line, exp_i are the expenditures of the i^{th} person, and n is the number of persons in poverty. The IGR multiplied by poverty threshold shows what amount of transfer is needed to lift the average poor person out of poverty.

As Table 4 indicates, the income gap ratio as well as the amount of money to lift people from poverty varies substantially between different poverty lines applied.

For example, the income gap ratio (IGR) at the poverty line `one dollar per day´ indicates that on average poor households in this group are 21.13% below the poverty threshold. In order to lift them out of poverty, monthly payments of UAH 34.16 per person would have been necessary. This would amount to annual aggregate budget transfers of UAH 2.23 bn to lift out of absolute poverty 11.79% of total population or 7.89 % of all households (see Table 1).

[9] Due to applied methodological technique it is impossioble to calculate the IGR for the poverty line `80% food´.

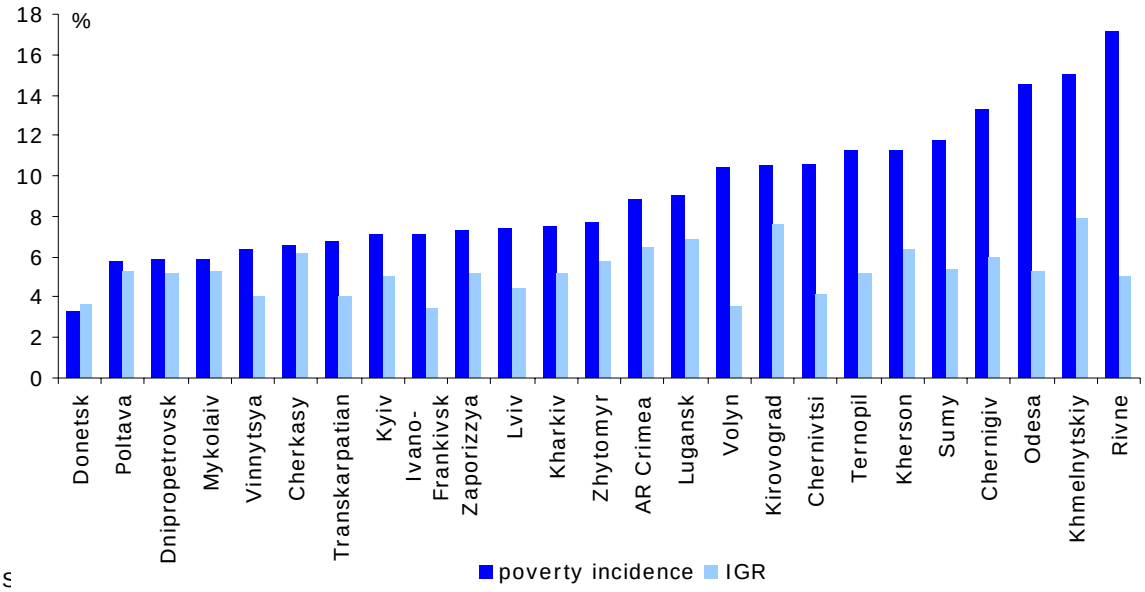
Table 4
Poverty depth in 2004

	'one dollar per day'	'60% e-median'**	'75% median'*	'Subsistence minimum'
Poverty line (monthly basis), UAH	161.55	272.42	282.55	362.23
Income gap ratio(monthly basis), %	21.13	19.45	23.08	32.72
Monthly transfers necessary to lift a person above the poverty line, in UAH	34.16	53.00	65.22	118.54
Annual budget transfer required, in UAH bn	2.23	4.11	10.89	43.08
People affected, % of population	11.79	14.00	30.15	65.62

Note: * While making calculations for the poverty line '75% median' we use conditional per capita expenditures.
** While making calculations for the poverty line '60% e-median' we use equivalent expenditures.
Source: Household budget survey of Derzhkomstat, own estimations

Poverty incidence and the IGR, both vary substantially across regions and oblasts (Chart 1). The lowest poverty incidence slightly above 3% was reported for the Donetsk oblast, while the highest with about 18% for the Rivne oblast. At the same time, the Rivne oblast does not illustrate the highest IGR.

Chart 1
Regional poverty incidence and IGR according to the poverty line 'one dollar per day' (2004)



4 The current system of social privileges

Currently most budget funds are allocated to numerous in-kind social privileges, such as discounted payments for utility services and housing, fuel and gas, electricity, transportation, setting and use of fixed phone lines, purchase of certain drugs, sanatorium treatments, etc.[10]

Among those entitled for such social assistance are pensioners (13.8 m individuals), veterans of labour (4.6 m individuals), veterans of war and their families (3.7 m individuals) and persons directly affected by the Chornobyl catastrophe (2.9 m individuals). Other beneficiaries are state employees such as civil servants, policemen and military personnel and individuals with recognized outstanding merits for the fatherland. Therefore, privileges at the moment are provided to different groups of population on the basis of their loyalty rather than income status. Currently over 30% of the population is entitled to some type of benefit.

However, the current system is vastly inefficient and not targeted to the poor. For example, pensioners receive since September 2004 minimum monthly payments (pension plus social assistance) of UAH 284 per month or +75% above the absolute poverty line of `one dollar per day´ equal to 161,55 per month. However, all substantial social in kind privileges provided to pensioners are continued.

Furthermore, the current approach sets incentives for waste and misallocations to consumers of important sectors of the economy, such as utilities, energy, and transportation. At the same time the so-called social tariffs inhibit investments and modernization in the sectors and lead to substantial waste of the scarce resources.

The old approach of in-kind social privileges hardly qualifies as social assistance to the poor. Even worse, its inefficiency in its consequence reduces Ukraine's economic growth potential and is in the long run detrimental to overcoming poverty. Consequently, Ukraine should abolish the current social privileges system and substitute it with targeted and means tested social welfare.

5 A social welfare system for Ukraine

Ukraine's recent experience demonstrates that **economic growth reduces poverty**. Fostering future sustainable growth should be a top priority of the government. Besides, the government needs to ensure that the weak and disadvantaged do not stay behind. This requires redirecting public spending away from expensive and complex social privileges towards investments that support growth and the development of a social welfare system ensuring effective poverty reduction at lowest cost possible.

First Ukraine's government needs to define and use a meaningful poverty threshold. Currently Ukraine employs two concepts, the *relative* poverty line `75% median´ and the *absolute* measure of the `subsistence minimum´. In our view both measures do not capture the everyday reality of the poor and are in their extent overambitious. So policy makers can easily find excuses right from the beginning that social reforms are not affordable. We recommend instead at the beginning of the introduction of the social welfare system to **adopt the absolute poverty line of `one dollar per day´**. According to the household budget survey in 2004 about 12% of Ukrainians lived below that poverty line. To lift the poor above that threshold would have required in 2004 the amount of UAH 2.23 bn.

The **proper identification of the poor** living below the poverty threshold is a rather complex issue and requires a combination of several measures. The household income

[10] See also: IER/GAG 'Towards Higher Standards of Living: An Economic Agenda for Ukraine', December 2004, pages 18-19, http://www.ier.kiev.ua/English/books_eng.cgi

declared at the State Tax Administration would be a starting point of identifying eligible households. The introduction of an **income register** should ease the verification of claims. But because of underreporting of income, shadow economic activities, and significant income received in kind, the assessment of eligibility needs to be verified regularly on-site by **professional social workers**. In order to curb possible corruption and monopolization of benefits the means testing should also involve local community groups.

In addition to the rather difficult means testing so called **categorical services targeted towards specific vulnerable groups** should be introduced (see below). All currently privileged categorical groups like war veterans, pensioners and the like would not qualify for social welfare, as they are not identified as vulnerable and below the poverty line. Instead we identified as the most important determinants of poverty `unemployment´ and the `number of children per household´. The identification of these groups is easier than full scale means testing. So, welfare reform could start here, for example with all families with more than 2 children or families with children and an unemployed head of household. The new categorical social welfare support to the poor should be combined with the regular family benefits granted to all. However, with successful means testing in place an upper income ceiling should be considered.

Furthermore, Ukraine should introduce a legal basis for the work of **charitable organizations** helping the poor (like the Salvation Army, Caritas, church organizations etc.). Such organizations often provide care to pockets of the society outside the reach of bureaucracies and communities. The Ukrainian state should recognize the public benefit status of such non-profit organizations and support their activities, for example indirectly through the possibility of partial tax deduction of individual donations given to such charities.

Important for the effectiveness of the social welfare system is the **menu and size of benefits** provided. The **mix of targeted cash and in kind benefits** should always ensure reaching the target audience and reducing leakages to other groups. For example, the general subsidization of bread prices benefits all consumers of bread and can hardly be classified as social policy, while issuing food stamps to the poor would achieve that goal.

Special attention needs to be paid to poor households with children. Fee waivers for example for school and kindergarten attendance, the free provision of textbooks and the like improve the access of the poor to social services. School feeding programs for poor children improve at the same time the school attendance rates. All **expenses of such in kind benefits should be covered from the welfare budget**. Because means testing needs some time to be developed the provision of social welfare should start with categorical assistance to the identified most vulnerable groups, i.e. unemployed single mothers.

The traditional approach of ordering local enterprises like municipal transportation and public utilities to provide free of charge services to status groups should be abolished. This approach sets wrong incentives for consumption, requires cross-subsidization and distorts markets. Instead means tested poor should receive cash assistance for such services.

As the most important factor determining poverty we identified unemployment. Hence **social welfare** should be **combined with employment promoting policies**. This requires the close cooperation between the welfare office of a community and the state employment service in providing back to work incentives. Workable welfare recipients, especially young people and long term unemployed should be enrolled public works programs including in food for work.

Besides `number of children per household ´ and `unemployment`, we identified `educational attainment´ as an important factor determining poverty. Consequently, special attention is required for children and young adults with high absence rates from school or professional training. Social workers should **get in touch with truants**. The cooperation between the welfare office, social workers and local schools would be necessary.

Proper financing is the key for the success of the social welfare system. Successfully **targeted social welfare requires national financing**, as the regional differences in poverty incidence are substantial (Chart 1). Decision makers on the local level often lack incentives to implement national rules and minimum standards. The exclusion of ethnic minorities and other vulnerable groups would be possible without **national monitoring**. Cash-strapped local governments will tend to spend budget funds first for salaries and the maintenance of infrastructure. Without national funding the poorer regions will provide less welfare benefits than the richer. So the funding and monitoring of the implementation should be delivered from the national level.

Table 5
Social spending (subventions to local budgets), 2004-2006

	2004	**2005 (preliminary figures)**	**2006 (plan)**
For provision of **privileges** and subsidies to eligible groups of population in UAH bn	3.2	4.0	4.1
Payment of assistance to families with children, **low-income** people, and disabled individuals in UAH bn	1.7	3.4	3.7
Total social spending in UAH bn	**4.9**	**7.4**	**7.8**
State budget in UAH bn	79.5	112.8	137.1
Total social privileges and assistance payments spending as share of state budget in %	6.2	6.6	5.7

Source: State Budget Laws

Financing of welfare should be made available through **redirecting public spending** away from expensive and complex social privilege schemes. **Social privileges should be phased out** step by step. The inclusion of new individuals into privileged schemes should be stopped. Occupational privileges should be cancelled, since they do not play a role of social assistance policy instruments. Since the minimum pension is currently set at the level of subsistence minimum and significantly above the absolute poverty threshold, **pensioners should not per se be considered as poor**. Privileges to pensioners should be abolished. However, the government could acknowledge a special status for pensioners, allowing for discounts on certain services like public transport. The costs of discounts need to be covered by local budgets.

The implementation of targeted social welfare would have required budget funds of UAH 2.23 bn in 2004 at the poverty threshold `one dollar per day´. In 2004 the budget spent UAH 3.2 bn for social privileges and UAH 1.7 bn for children assistance, low income and disabled individuals (Table 5). In 2005 the government increased the assistance payments to UAH 3.4 bn but without introducing targeting and means testing.

Spending for social privileges in 2004 of UAH 4.9 bn amounted to 6.16% of the state budgets fiscal expenditures. For 2006 the planned social privileges spending will be at the level of UAH 7.8 bn or 5.68% of the state budget. The government should **continue the redirection of funds from the first `privileges´ towards the `low income´**. However, an effective social welfare system would require means testing and better targeting.

6 Policy recommendations

- Sustainable real economic growth is the best approach to reduce poverty. But the government needs to ensure through social welfare that the weak and disadvantaged do not stay behind.
- The government needs to define and use a meaningful poverty threshold. We recommend initially to adopt the absolute poverty line of `one dollar per day´.
- An efficient social welfare system needs proper identification of the poor living below the poverty threshold. The creation of an income register would help with means testing.
- The government should promote the work of professional social workers.
- In order to curb possible corruption and monopolization of benefits the means testing should also involve local community groups.
- Categorical services targeted towards specific vulnerable groups should be introduced. The most important determinants of poverty `unemployment´ and the `number of children per household´ provide guidance for identification.
- Because means testing needs some time to be developed the provision of social welfare should start with assistance to the identified most vulnerable groups, i.e. unemployed single mothers. Introduce an income ceiling for categorical services.
- The government should provide legal basis for the work of charitable organizations helping the poor.
- The menu and size of benefits should mix targeted cash and in kind benefits ensuring the target groups are reached.
- All expenses of in kind benefits should be covered from the welfare budget.
- Social welfare should be integrated with employment promoting policies.
- Poverty prevention requires the promotion of `educational attainment´.
- Targeted social welfare requires national financing and national monitoring.
- Through redirecting public spending away from privileges towards a targeted means tested social welfare system sufficient budget funds would be available
- Soviet type social privileges should be phased out step by step.
- Pensioners should not per se be considered as poor.

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