I. THE 2008/09 ECONOMIC CRISIS IN CEECIS AND THE SOCIAL POLICY RESPONSE

One year after the global economic crisis of 2008/09, Central and Eastern Europe and the Commonwealth of Independent States (hereby referred to as the CEECIS region)¹ had been hit the hardest relative to other regions. In the year 2009 alone, real GDP contracted by 5.2% in CEECIS, whereas it only contracted by 2.2% worldwide.² At the same time, these GDP contractions represented a stark departure from a decade of strong economic growth and large capital inflows. Some CEECIS countries registered drops in GDP as high as 7.9% (Russia) or even 15.1% (Ukraine). In 2009, the real GDP of Ukraine was set back four years, that of Turkey and Armenia was set back three years, and in Romania, Moldova and Bulgaria, the GDP contraction reversed two years of growth.³ Moreover, the effects of the 2008/09 crisis were compounded by a number of other non-economic shocks that hit the region over the period 2007-2011, including drought and poor crop yields in Russia, violent conflict in Kyrgyzstan and Tajikistan, and widespread flooding in 2010.⁴

- Poverty disproportionately affects children in all CEECIS countries for which data is available.
- Social protection is needed to mitigate the lasting effects of the 2008/09 economic crisis in CEECIS, as well as the additional strains on households due to the Eurozone crisis, high unemployment, and recurring food/fuel price spikes.
- Existing social protection systems in the region need urgent reform: programmes for children need to reach more vulnerable families, provide higher allocations, and offer additional support services beyond cash.
The countries in the CEECIS region responded to the 2008/09 crisis in a variety of ways. During the first 1-2 years after the crisis, many countries – such as Belarus, Kazakhstan, Russia, and Tajikistan – made protecting or expanding social expenditure part of their stimulus approach. Even in Serbia, where the government implemented general austerity measures, social expenditure remained protected. Meanwhile, Russia and Armenia publicly committed to leaving social expenditure levels untouched and to protecting vulnerable groups. These measures succeeded in preventing many households from falling into poverty. In Armenia, for example, the poverty rate increased by only three percentage points during the crisis, as opposed to the eight that were expected.

By contrast, other countries that experienced the crisis’ triple threat to revenues – lower growth, contributions, and tax revenues – left social spending, including on social protection benefits, at its current level or even scaled it back. This is all the more worrisome given that following the onset of a crisis social spending should actually have increased automatically, as more individuals became eligible for support. Bosnia and Herzegovina, Bulgaria, Montenegro and Romania are some of the countries whose austerity measures involved cutting social spending as a whole. In Bulgaria, for example, the funds allocated to social protection were over 13% lower in 2010 than they had been in 2009, leading to a deficit in the social protection budget. In general, increased fiscal pressures have been felt in the form of higher user-fees and co-payments, reduced benefit packages, and more stringent eligibility or administrative requirements – measures that households already challenged by higher prices and loss of employment wages cannot cope with.

II. POST-CRISIS RECOVERY IN CEECIS?

At the time of writing, in mid-2012, the economic downturn that began around 2008 appears to be more persistent than originally expected. While there were encouraging signs of economic improvement when GDP growth jumped from -2.03% in 2009 to 4.75% in 2011, the region’s projected growth rate for 2012 is only 3.17%. Meanwhile, the priorities of governments shifted away from fiscal stimulus to fiscal consolidation, which may threaten vulnerable groups. A review of 158 IMF country reports (2010-2012) suggests that numerous CEECIS countries are considering cuts in social spending. Eight among them, including Belarus, Kazakhstan and Russia (which had all expanded social spending during the crisis), are considering further targeting social protection programmes as a cost-cutting strategy.

Reducing social protection measures, however, could exacerbate the region’s high and persistent level of childhood vulnerability, as manifested by an under-five child mortality rate of 23 (out of 1,000 live births) – significantly higher than the rate for industrialized countries (6/1,000). The extent to which the fragile economic recovery is felt varies widely from country to country and depends on a number of factors, including: a country’s dependence on remittances; whether it is an importer of food or other basic items and the type of food security policies it adopts; the extent to which it is open to global economic and financial markets; and whether it is a net energy exporter or importer. Kazakhstan, for example, as a net exporter of wheat, has benefitted from food price hikes. On the other hand, food insecurity in Tajikistan is likely to increase. Meanwhile, Kosovo did not experience the global crisis very strongly because it is a closed economy. On the other hand, Armenia – a country heavily dependent on both energy

2 UNICEF
imports and foreign investments – experienced a GDP contraction of over 14% in 2009 and continues to display sluggish recovery.

Beyond the intra-regional differences in the extent to which countries have witnessed economic recovery since 2009, one should also not assume recovery prematurely or that overall improvements in GDP growth since 2009 for the region as a whole are actually translating into concrete improvements in children’s wellbeing and creating an enabling environment for the fulfilment of child rights. Vulnerability persists, particularly in countries such as Bulgaria, Croatia and Romania, where domestic demand has remained weak, or in countries that are net importers of food or fuel, like Tajikistan. Social protection spending and programmes that benefit families and children must therefore be sustained and expanded. This would help households care for their children and build the resilience necessary to withstand future socio-economic difficulties, such as the continuing Eurozone debt crisis. Specifically, social protection can prevent households from having to resort to negative coping strategies with lasting impacts on welfare, such as cutting back on education, health or nutrition, institutionalizing children, and emigrating.

III. THE CASE FOR SUSTAINING AND EXPANDING SOCIAL PROTECTION

Protecting and expanding social expenditure in the current environment is necessary for several reasons. First, the vulnerability caused by the 2008/09 economic crisis and surrounding fuel and food crises will last well beyond 2012 and is being intensified by Eurozone instability. Second, in most cases, there were underlying contexts of vulnerability that were exacerbated, rather than caused, by the economic crisis of 2008/09 as well as the food and fuel crises that hit between 2007 and 2011. Specific social protection measures aimed at reaching children were necessary then and continue to be necessary today. Finally, the social protection systems of most CEECIS countries were already in dire need of reform prior to the crisis. Scaling back coverage or the size of benefits is, in most cases, precisely the inverse strategy from that which would make systems better at reaching the most vulnerable.

A. THE 2008/09 ECONOMIC CRISIS HAD LASTING EFFECTS AND HAS BEEN FOLLOWED BY ADDITIONAL THREATS TO STABILITY

The sudden deterioration of the public finances of several CEECIS countries during the crisis led them to make real cuts in public expenditure as high as 10 to 20% – the case of Moldova in the early stages of the crisis, for example. Some countries, such as Turkey, Montenegro, Kyrgyzstan and Romania, have even cut employer social security contributions, compensating for lost revenues by raising employee contributions. These types of approaches are likely to exacerbate families’ vulnerability, particularly since challenges such as unemployment and food and fuel price volatility are expected to continue.

Recovery in labour markets lagged far behind economic recovery, as indicated by the region’s 2010 adult (aged 25 and above) unemployment rate of 9.6%. As of 2012, unemployment has dropped to 8.6% but this figure is still high for a region lacking widespread effective social protection programmes. Not surprisingly, the ailing labour market has had significant negative impacts on children and youth, particularly in countries that were already experiencing growing child poverty rates, such as Croatia, Serbia and Tajikistan. The impact on youth, however, deserves special attention, given that this age cohort (years 15-24), is directly affected by an especially high unemployment rate of 17.7% (2011 regional average).
Meanwhile, the region is experiencing on-going fuel and food price fluctuations. Given that many countries in the CEECIS region are dependent on fuel imports for their energy needs, spikes in the world market prices for fuel are likely to create significant imbalances in current accounts, depress government revenues, and make providing essential public services (such as heating in hospitals and schools) more expensive. Local food prices, in turn, significantly increased between 2009 and 2010: by 10% in Belarus, Russia and Turkey and by as much as 15% in Georgia. And, as recently as July 2012, the FAO global food price index had risen to 213 points – just 25 points below its historic peak of 238 points in February 2011 – raising concerns that local price hikes will soon follow. These spikes tend to have a disproportionately negative impact on the poor, for whom spending on food constitutes a greater proportion of general household expenditure. In many countries, such as Kyrgyzstan and Tajikistan, the poor are also more affected because they are net consumers, having limited access to agricultural assets and land on which to cultivate their own food. In short, fuel and food price fluctuations affect vulnerable households in complex ways, whose net impact varies widely. What is common across countries is the lesser ability of poorer and excluded groups to deal with these fluctuations in the absence of effective and widespread social protection.

Lastly, the sovereign debt crisis in the Eurozone represents yet another threat to the full recovery of the CEECIS region. The region’s initial pace of recovery in the first quarters of 2011 has since slowed and projections for growth in 2012 are much lower than expected (less so for Central Asia) as a result of the Eurozone crisis. Specifically, CEECIS is already being affected by market instability and constrained credit. Major disinvestment from CEECIS, reduced exports (the EU is the region’s major importer), and lower remittances are imminent risks. In this context, the further development of social protection systems would serve as a buffer to the effects of continued instability in the Eurozone crisis by protecting and supporting vulnerable households.

B. INDIVIDUALS AND CHILDREN, IN PARTICULAR, FACED UNDERLYING VULNERABILITY PRIOR TO THE 2008/09 CRISIS

Social protection should not only be seen as a response to the recent crisis but as a way to tackle deeper sources of exclusion that have existed for years. The transition from centrally planned to market economies that most CEECIS countries underwent in the early 1990s was accompanied by reforms that reduced both the coverage and the size of social protection benefits. The economic growth that the region has experienced since the late 1990s has not been synonymous with significant improvements in quality of life among the poorest. Even prior to the global crisis of 2008/09, a backdrop of structural inequalities had consistently left large groups socially and economically excluded, as evidenced by the fact that the bottom 20 percent of the population have held a steady 7 to 8% of national income since 1998. Inequality, as measured by the GINI index, has remained very high in several CEECIS countries: 45.3 in Bulgaria; 44.2 in Macedonia; 41.3 in Georgia; and (perhaps most significantly, given the country’s population of 143 million) 42.3 in Russia. At the same time, despite countries’ steady pre-crisis growth rates, poverty rates were already on the rise in Armenia, Bulgaria, Croatia, Macedonia, Montenegro, Serbia, and Turkey.

As a whole, the region’s poverty headcount ratio at the $2 (PPP) per day poverty line is 6.3%. This is a low number relative to other regions but one that nonetheless masks a very high concentration of poverty in specific countries: Georgia (32.2%), Kyrgyzstan (21.7%), and Tajikistan (27.7%). Furthermore, while facilitating comparison across
countries, the ratios arrived at using the $2 (PPP) per day poverty line grossly underestimate the additional costs of living in CEECIS such as heating and increased caloric intake; the rates relative to national poverty lines are substantially higher.

What is more, regardless of the general rates of poverty in the region, children in all CEECIS countries for which disaggregated data is available, are disproportionately affected. Indeed, the child poverty rates are higher than those of adults in all countries by several percentage points and households with children are more likely to be poor.\textsuperscript{31} For example, in Turkey the proportion of under-fifteens in “food and non-food poverty” in 2009 was 25.77\%, or 7.69\% above the general population’s poverty rate.\textsuperscript{32} In Montenegro, the official national poverty rate in 2010 was 6.6\%, rising to 9.5\% for households with one child and to 41.2\% for those with three children.\textsuperscript{33} In Ukraine, the rate of childless families living in poverty in 2010 was 15.7\% compared to 31.3\% of families with children. Families with four or more children had the highest poverty rate, at 71\%.\textsuperscript{34}

In addition to monetary poverty, certain socio-cultural characteristics have been shown to increase the likelihood that a child will be poor compared to a child in otherwise similar circumstances. Having three or more siblings, coming from a rural area, having a disability or belonging to a certain ethnic group are compounding characteristics that intensify a group’s experience of poverty, thus making children in that group vulnerable in more ways than one.\textsuperscript{35} In Moldova, whereas the child poverty rate at the national level was 24\% in 2010, over 40\% of children living in households with three or more children were poor.\textsuperscript{36} In Kyrgyzstan, 58\% of children living in the rural province of Naryn were poor in 2010, versus 9.7\% of children in the capital city of Bishkek.\textsuperscript{37} Approximately 80\% of Roma children in Bosnia and Herzegovina are estimated to live in poverty, as compared to the national child poverty average of 26.2\%.\textsuperscript{38} Relatedly, while the prevalence of stunting in the Former Yugoslav Republic of Macedonia was 24\% among Roma children, the national average was less than half, at 10.3\%.\textsuperscript{39}

A particular manifestation of the socio-economic constraints experienced by families in the CEECIS region is the relatively large proportion of children that are placed in formal/institutional care: an estimated 42\% of all children in institutional care worldwide live in CEECIS. Financial hardship – and sometimes the related outcome, migration – as well as the lack of day care facilities that would allow parents to reconcile their professional life with family are the main drivers behind the high proportion of children living away from their parents. An estimated 859 children out of every 100,000 were living in residential care in 2007 – about the same as in 2000; the most recent data for 2008 and 2009 confirms this regional trend.\textsuperscript{40}

Not only did the rate of children living in residential care stay at the same level for seven years but the average for the region hides important differences between countries. A closer look reveals that, between 2000 and 2007, the rate of children in institutional care actually increased in twelve out of twenty CEECIS countries for which data was available.\textsuperscript{41} Through instruments such as cash transfers and home based care (particularly relevant for households with disabled children), social protection can play a crucial role in giving families the capacity to care for their children in their own homes. Indeed, evidence from Ukraine, for example, shows that following the dramatic increase in the budget allocations for child and family benefits (including the child birth grant and the 0-3 year child benefit) from 1.3\% of GDP in 2005 to around 2\% in 2007-08, the rate of relinquishments of infants
and young children into institutions dropped by two-thirds in three years.\textsuperscript{42}

Levels of economic exclusion in the region are also reflected in the massive number of individuals that emigrate in search of better economic opportunities. Many countries in the CEECIS region are heavily dependent on remittances. Indeed, as of 2009, six of the world’s top 20 remittance-receiving countries (as a percentage of GDP) were in CEECIS, including the country with the world’s highest proportion of remittances: Tajikistan, where remittances constituted 35% of GDP.\textsuperscript{43} In 2009, remittance flows declined by 23% due to recession in typical CEECIS-migrant destinations such Russia and the Eurozone. They have now recovered their pre-crisis levels and display a positive growth level of 3.7%, reaching about $37 billion in 2010.\textsuperscript{44} Yet, while this means that workers are once again able to support the income of their families, it should be noted that heavy reliance on work abroad takes a huge toll on workers and their children, who are left behind in large numbers and who live without one or more of their primary caretakers.\textsuperscript{45}

C. REFORM OF SOCIAL PROTECTION SYSTEMS IN CEECIS HAS BEEN LONG OVERDUE

Despite the region’s many documented vulnerabilities pre-crisis, most CEECIS countries never achieved effective and efficient social protection systems. Given the region’s relatively recent transition from a planned to a capitalist economy, during which the government’s role in social policy was drastically reduced and new market and non-market vulnerabilities emerged, countries are still in the process of determining the form their social protection systems will take. In this context, UNICEF has been playing an active role in advising governments on how to implement social protection systems in a more equitable and evidence-based manner.

In the past decade, the CEECIS region has seen a major shift toward benefits targeted exclusively to people falling below a certain level of income or consumption, also referred to as means-tested benefits. While this is a development that UNICEF encourages in specific instances – namely as a means to reduce regressive categorical privileges that outlasted the socialist period – in many countries, means-tested targeting seems to have gone too far. In an effort to minimize the chances that wealthier households might be reached by mistake, governments have failed to consider a more consequential problem: the exclusion of the most vulnerable – precisely the segment of the population that they intended to reach.\textsuperscript{46} In Kyrgyzstan, for example, the only programme specifically targeted at poor families with children, the “monthly benefit,” reaches only 18% of those in the poorest consumption quintile.\textsuperscript{47} Similarly large exclusion errors have been observed in Armenia, where only one in every four poor families receives family benefits, and only 58% of extremely poor families are reached.\textsuperscript{48} In Moldova, 45% of households with children from the poorest quintile receive no social transfer of any kind.\textsuperscript{49}

Beyond targeting errors, too little attention has been paid to whether vulnerable individuals and families actually receive the benefits to which they are entitled.\textsuperscript{50} Several barriers may block access to social protection programmes. These include: physical distance to the location where eligibility requirements are confirmed, migrant status, land ownership status (regardless of effective access to said land), child care obligations, conflicts with other benefits that put the recipient above the poverty line, etc.\textsuperscript{51}

Additionally, benefits may have a limited impact on recipients’ living standards because they are too small. In many cases, reforms of social protection programmes have made benefit levels so low that programmes have become ineffective.
It is estimated that in some countries, social cash transfers, for example, make up only 10% of the consumption of poor recipient households. Moreover, despite the region’s high poverty rates, social assistance spending is equivalent to a meagre 1.6% of GDP.

Also of relevance is the fact that the low poverty thresholds of many existing programmes make the region’s social protection systems largely ill equipped to protect populations – and especially children – from economic crises and their effects. Because families are required to already be in a deep state of destitution before qualifying for benefits, this type of narrow income targeting keeps programmes from serving social protection’s preventive and counter-cyclical functions. With a view to protecting standards of living and human capital, governments may want to consider making programmes more responsive to punctual and slight increases in vulnerability, particularly in the current context of labour market flexibility and widespread unemployment. Unemployment assistance, for example, is severely lacking, as the proportion of registered unemployed individuals who are receiving benefits is very low. This is, in part, due to the cumbersome administrative barriers imposed as a means to reduce programme expenditure (through subtle bureaucratic rather than political means). Furthermore, despite the region’s growing informal sector, unemployment benefits are usually tied to formal employment. This is problematic given that, according to estimates for 11 Eastern European and Central Asian countries, between 32% and 65% of the labour force works in the informal sector.

Another characteristic of most social protection systems in CEECIS is that they constitute an insufficient response to the region’s high rates of poverty among children, in particular. Among the Commonwealth of Independent States (CIS), 5-19% of GDP is spent on pensions, for example. On the other hand, social assistance (which includes child benefits) is typically allocated less than 1% of GDP. In this vein, many of the strategies implemented in response to the crisis involved simply “topping up” pension benefits but not significantly expanding social protection for children. While the already modest pensions in these countries should by no means be reduced, a set of child-sensitive social protection programs for addressing children’s specific vulnerabilities is necessary. Comparative analyses of model families demonstrate that there is an extremely large discrepancy between the child-related expenses (formal and informal) families with children have in terms of health, education and childcare services, and the government benefits these families receive. This helps explains the persistently greater poverty levels households with children face and provides a case for significantly reducing the effective cost of services and providing more adequate child benefit packages. Programmes like child benefits, birth grants, home-based care, school feeding, and scholarships can ensure that children’s specific needs are met and that children who do not live in multigenerational households are still being reached.

**IV. CONCLUSION**

As demonstrated above, a number of factors point to the conclusion that countries in CEECIS would benefit from the expansion of social protection programmes: (a) lasting effects from the 2008/09 crisis as well as new sources of instability; (b) an underlying context of vulnerability that predated the crisis; and (c) social protection systems in need of reform. This is especially true for children. The benefit levels of programmes for children have been largely inadequate given a number of enduring and persisting sources of vulnerability, both directly related to the 2008/09 crisis (lagging labour markets) and parallel to it (high food and fuel
prices, as well as recurring natural disasters and Eurozone instability). Moreover, even prior to the onset of the global crisis in 2008, the population in the region already suffered from underlying vulnerabilities to poverty and social exclusion – and these circumstances affected children disproportionately. Indeed, since countries transitioned to market economies in the early 1990s, there has been a gross mismatch between the population’s needs and the size and type of social protection programmes governments have implemented to address them.

When considered alongside ample evidence that social protection programmes of an adequate size have reduced vulnerability in CEECIS countries, the arguments above lead us to conclude that the region’s on-going economic recovery should be accompanied by renewed efforts to expand and improve the effectiveness and efficiency of social protection. Rather than prompting the belief that there is now less of a need for expanded social protection programmes, the recovery following the 2008/09 crisis actually provides an opportunity for expanding much-needed social protection systems and for ensuring that they function in an efficient and equitable manner.

The increased need for social protection brought on by the 2008/09 economic crisis had the effect of quickly mobilizing international partners and governments to join forces in combatting vulnerability. Since the dissolution of the Soviet Union, UNICEF has played a crucial role in supporting the efforts of CEECIS countries in data collection/analysis around child wellbeing and in advocating for children’s rights at the legal level. However, since 2008, UNICEF and other partners have come together more actively to generate increased knowledge of child poverty and the effectiveness of existing social protection schemes, as well as to advocate for wider policy reforms. UNICEF proposes that governments enact concrete changes to existing schemes and programmes in order to better reach children and protect them from a potential second economic crisis caused by instability in the Eurozone.

To be effective at reducing poverty and promoting social inclusion, benefits should generally: have good coverage (avoid exclusion errors); be predictable and of an adequate size (sufficient to make a difference in living standards); be accessible (no hidden barriers to access, whether formal or informal, proactive outreach to the most marginalized); and be easy to administer. Given the region’s high child poverty rate and very high rates of child institutionalization, it is also necessary to focus attention on social protection programmes designed specifically for children. These can operate in conjunction with other social services, such as child protection, social support, and healthcare, to address multiple social and economic vulnerabilities.

Concrete immediate reforms in CEECIS might include using existing fiscal space to raise benefit levels, launch outreach campaigns, and issue moratoriums on fees for supporting documentation required by benefit applications – an underestimated barrier to access. Beyond these immediate measures, systemic reforms in social protection and other sectors of social policy will need to take place. These reforms may include: creating child-focused cash benefits, strengthening internal monitoring and accountability mechanisms, ensuring the coordination of policies across ministries, building effective linkages between programmes, distributing resources among regions equitably, and implementing progressive tax and spending policies. Countries in CEECIS must consider maximizing the effectiveness of social protection interventions in these ways if they are to achieve not only sustained GDP growth but also inclusive and equitable economic and social development in the long run.
REFERENCES

1. The CEECIS UNICEF region includes the following countries: Albania, Armenia, Azerbaijan, Belarus, Bosnia and Herzegovina, Bulgaria, Croatia, Georgia, Kazakhstan, Kosovo (territory under UN Security Council Resolution 1244), Kyrgyzstan, Moldova, Montenegro, former Yugoslav Republic of Macedonia, Romania, Russian Federation, Serbia, Tajikistan, Turkey, Turkmenistan, Ukraine, and Uzbekistan.

2. Please note that this average pertains to the 30 countries considered to be in Eastern Europe or Central Asia by the World Bank. They include the Baltic States (which were particularly hard-hit) and Central European countries in addition to the countries under UNICEF’s CEECIS designation (see above).


7. Recent figures on social protection spending specifically are not available.


10. Authors’ own calculations based on IMF, World Economic Outlook: Growth Resuming, Dangers Remaining, April 2012.


15. Hoelscher and Alexander, p. 255.


19. Please note that this figure is for the region defined by the ILO as “Central and South-Eastern Europe (non-EU) and CIS. The confidence interval for the ILO’s 2010 unemployment estimate lies between 9.1 and 10.1 percent.


28. UNICEF & University of York, p. 84.


30. Latest available data (years 2008, 2009 and 2009, respectively); World Bank Databank.


41. UNICEF Regional Office for CEECIS, At home or in a home? Formal care and adoption of children in Eastern Europe and Central Asia, September 2010, p. 20.


46. Hoelscher and Alexander, p. 257.

47. Gassmann, p. 17.


49. UNICEF Moldova.

50. Hoelscher and Alexander, p. 259.


52. Gassmann, p. 20.


56. Ukraine, Armenia, Moldova, Turkey, Romania, Albania, Macedonia, Serbia, Kyrgyz Republic, Azerbaijan, and Bosnia and Herzegovina.


58. Hoelscher and Alexander, p. 266.


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