Safety Nets in Central and Eastern Europe: The Influence of External Agents

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Abstract:

The paper examines the influence of the World Bank on the creation of the post-socialist safety net in Central and Eastern Europe. It compares measures advocated by the Bank in its policy documents, such as country poverty assessments, to the actual design of social assistance programs in ten former socialist countries. Albeit measures supported by international agents can be found in the design of the post-socialist safety nets, there is considerable national adaptation and continuity of older models. National governments and agencies seem to resist quite successfully radical reforms proposed from the outside, although situations of financial crisis may open larger windows of opportunity for wholesale institutional change. Moreover, as national constraints and trends together with external influence often converge in pushing for meager income support, it is not clear that the latter played a significant role in shaping national policy.

INTRODUCTION

The demise of the Soviet style communism and the regime change that followed was rightly seen as an unprecedented opportunity of the Western World to extend its influence and export some of its most fundamental institutions. The countries most susceptible to such a transplant were undoubtedly those in Central and Eastern Europe. This region had strong historical and cultural links with the Western half of the continent and its nations generally saw the communist period as an unwanted, outside imposed derailment on their path to modernization. The crumbling of the communist rule translated in this context into a much awaited opportunity to "return to Europe".

The West was also keen on helping these "strayed" countries adopt Western institutions and practices. Among these, the Western political model of a democracy and the economic model of a free market were paramount. Especially in the latter field the Western intervention became a very visible but also a highly contentious matter. International Financial Institutions (ISI) such as the International Monetary Fund (IMF), the World Bank, the European Bank for Reconstruction and Development (EBRD) but also the European Union played an important part as organizations though which Western aid and influence were channelled.

This paper aims at charting the influence one foreign international organization had in Central and Eastern Europe on one specific social program, namely social assistance. Not all of the international actors had the same potential of shaping social assistance schemes in CEE countries. Undoubtedly, the most important one has been the World Bank, although other actors (such as the European Union or the International Monetary Fund for example) also played a role. Consequently, this analysis focuses on this institution and the policies it advocated. It is organized in four parts. The first one is dedicated to an overview of the involvement of international actors in Central and Eastern Europe, stressing those interventions that might have an impact on social policy in general and on social assistance in particular. The second section takes a closer look to the actual policies promoted by the World Bank in the field of social assistance. The third one details in comparative perspective a number of features of social assistance schemes in ten CEE countries[1]. Finally, based on the previous two parts, the last section discusses the possible influence of the World Bank on the safety net of Central and East European countries.

INTERNATIONAL ORGANIZATIONS AND THEIR ROLE IN CENTRAL AND EASTERN EUROPE

From the beginning, the prevailing idea among Western leaders has been that Western capitalism and Western democracy were the path to be followed by all the former members of the

[1] The countries are Bulgaria, the Czech Republic, Estonia, Hungary, Latvia, Lithuania, Poland, Romania, Slovakia and Slovenia;

Soviet bloc (Wedel 1998). To help Central and Eastern Europeans achieve the profound political and economic transformation that such an aim imposed, Western governments and Western-based international institutions rushed to "offer" both financial as well as technical "support". Given its stronger industrial development, its historically closer links to the West and its geographical position, Central Europe was considered a primary recipient for Western aid and advice (Wedel 1998).

Several levers were available to the West to try and influence changes taking place in Central and Eastern Europe. First and foremost were obviously the financial means. Western donors made available loans, debt relief, export credits and to a much smaller extent grants (Wedel 1998), usually conditional on particular policy and budgetary measures. Secondly, Western donors used "technical advice"[2] as another tool to exert influence in the region. A large number of foreign consultants were involved in anything ranging from managing privatization deals to writing legislation[3]. Thirdly, the European Union used grant matching to local resources, political agreements and structural funds to exert influence, thus relying more heavily on the willing cooperation of the host country(Deacon, Stubbs et al. 1997).

Despite the general perception that the West conveyed only one message on the "right" path to follow and despite some consensus on certain economic issues (such as for example, the "Washington Consensus"), competition among various Western agencies arose. Some (Deacon and Hulse 1997) have interpreted this situation as a confrontation between various types of capitalism (i.e. American and European).

Most interventions were initially channelled initially towards liberalization, macrostabilization and later towards privatization, legislation writing and other structural reforms (Rodlauer 1995). Social policies were seldom viewed as a priority of reform[4]. As such, social conditionality was seldom incorporated into the loan structure. In fact, the IMF (unlike the World Bank) never considered including social policy related clauses into its loan agreements (Deacon, Stubbs et al. 1997). Nonetheless, the major economic policies advocated by the West effected at least one major impact on the social policies of CEE countries. By forcing budget balancing measures, they triggered reductions in social spending. In addition, social expenditure was often considered "unproductive" (see, for example, Rodlauer 1995; Connor 1997; Kramer 1997; Fox

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[2] The large part of the grants made available to CEE were, in fact, used to pay for this technical advice Wedel, J. R. (1998). Collision and Collusion. The Strange Case of Western Aid to Eastern Europe 1989-1998. New York, St. Martin's Press.

[3] Whether this advice was truly beneficial to the recipient country or merely a way to provide high-paying jobs to foreign consultants is a highly debated question see Ibid.;

[4] In fact, social reform started off very late in the transition as neither local policy makers nor their foreign advisors, much less International Organizations saw a priority in them; in the early days of the transition, the myth that the market would somehow solve everything by itself and that "social" was inherently "socialist" was very much alive; Deacon, B., P. Stubbs, et al. (1997). Global Social Policy: International Organizations and the Future of Welfare. London, Sage Publications.

2003) in a context of economic recession and therefore singled out as a prime target for reductions. The need for social spending was acknowledged only to the extent that it prevented the most severe forms of poverty and as a result, garnered political support for the economic reform. An extensive social assistance system replacing insurance-based or universal programs was promoted as growth-friendly and pro-poor policy. Yet, despite discursive support, no financial support was made available for building a well-working social assistance program[5] (Zecchini 1995). Instead, the preferred strategy was to advocate the targeting of existing benefits such as pensions or family benefits (Sipos 1994).

WORLD BANK ADVOCATED POLICIES

In theory, the World Bank had a special focus on poverty issues among its objectives. After negative experiences with stabilization and adjustment programs in Latin America in the 1980's, the World Bank modified its strategy from simply emphasising growth to acknowledging the need to support the very poor during periods of economic shock (Deacon 2007). It should be said at this point that the sheer size of the Bank as an institution, the variety of programs it handled simultaneously and the diversity of experts it employed precluded the emergence of only one view on how to best tackle poverty and redistributive issues. Still, the overwhelmingly dominant view favoured labour-intensive growth complemented by a narrow, targeted safety net to protect only the very poor while the rest would buy the services they needed in the market (Deacon, Stubbs et al. 1997; Deacon 2007).

Targeting and means-testing constituted the broad principle upon which social protection systems were to be based. Yet, when it came to implementing this broad principle, the Bank's philosophy ceases to be straightforward. What was present in virtually all of the Bank's poverty related work in Central and Eastern Europe is the attempt to define an "appropriate", country-specific poverty line (Deacon, Stubbs et al. 1997; Deacon 2007) and employing that line to gauge the number of poor persons[6]. But beyond this, what constitutes a desirable safety net is ill defined and, depending on the country where the Bank is carrying out work, may entail food for work programs, partial subsidies for a range of goods and services, some cash-based social assistance as well as means-tested or flat-rate social insurance (Deacon, Stubbs et al. 1997; Deacon 2007). Nor is the

[5] Social assistance programs under communism were very patchy and were equated with social work rather than income support; since everybody could earn a wage and its associated social benefits, social assistance was, in fact, designed for "deviant" persons, unable to be integrated through mainstream channels;

[6] In most CEE countries the World Bank has carried out Poverty Assessments which aim at giving a rather detailed description of the poverty profile and magnitude as well as to advance possible solutions in the respective countries;

meaning of targeting any clearer, i.e. both universal and categorical targeting has been advocated. Consequently, the advice given by the Bank has differed from country to country, depending on the views of the particular experts working in various countries. Moreover, the position of the Bank regarding desirable social policy in a given country changed over time. An overview of the various measures the Bank advocated in CEE countries is presented in Table1.

[Table 1 around here]

As a result, we cannot speak of a common model of social assistance scheme promoted by the World Bank in Central and Eastern Europe. Yet, a small number of desirable traits seem to emerge more often. Firstly, the Bank almost invariably argued for an extended role to be assigned to social assistance or means-tested programs in the larger welfare setup (See Table 1 above). This was argued to satisfy both requirements of efficiency and equity by helping to reduce expenditure while simultaneously shielding the very poor (Graham 1994; Sipos 1994; Subbarao, Bonnerjee et al. 1997; Fox 2003; Alam, Murthi et al. 2005). In addition to an extended role for social assistance, the Banks has also pushed for more means-testing to be introduced into benefits and services that were previously quasi-universal, such as child allowances or care services[7] (Deacon 2007).

Secondly, the Bank tended to emphasize the local level, especially in countries with a more advanced administrative setting (Deacon and Hulse 1997; Ringold 1999; Ringold and Andrews 1999; Fox 2003). Thus, decentralization of social assistance schemes was seen as potentially increasing efficiency (based on the availability of local knowledge) and enhancing the responsiveness of the programs to the clients' demands. The financing problem brought about by decentralization was usually recognized, although it was sometimes framed as a danger of social assistance led migration, i.e. more generous municipalities being overwhelmed by residents of the poorer ones rushing to take advantage of the benefits on offer (Barr 1994; Sipos and Ringold 2005). Horizontal inequities in the context of decentralized funding were recognized as a major problem (The World Bank 2000; The World Bank 2003; The World Bank 2004), but the Bank almost never argued in favour of full centralization. Instead, it suggested compromise solutions such as conditional matching grants or equalizing transfers conditional on local payments (see Table 1)

Thirdly, the Bank seemed to favour in-kind over cash solutions so as to minimize misuse (Barr 1995; Deacon and Hulse 1997; Subbarao, Bonnerjee et al. 1997; Sipos and Ringold 2005), although there was significant country variation in this respect. Similarly, traditional Westerns-style means-testing was seen as theoretically preferable but unfeasible in a context of an extended informal economy and weak administrative capacity (Sipos 1994; Milanovic 1995; Ringold and

[7] Later on, there was some acknowledgement from the Bank that quality public services require a wider user group than just the very poor Deacon, B. (2007). Global Social Policy and Governance. London, Sage Publications ;

Andrews 1999; Deacon 2000; Fox 2003). Therefore, indicator based targeting was seen as a possible temporary solutions especially if there were clearly visible characteristics strongly associated with the poverty risk (for example, disability, a high number of children, rural residence etc.).

Finally, it is not very clear what the position of the Bank was regarding benefit levels and indexation. Given its emphasis on labour intensive growth, it tended to focus on adverse labour supply incentives that social assistance schemes might generate. In particular, given the rather low level of mandated minimum wages, there was a concern among World Bank experts that too high social assistance benefits might deter low-skilled workers from taking up employment (Fretwell and Jackman 1994; Boeri and Edwards 1998; Rutkowski 1998; Ringold and Andrews 1999; Fox 2003; Ringold, Kasek et al. 2007). On the other hand, the need to protect benefits against hyperinflation and to ensure that benefits are not set so low as to become irrelevant was acknowledged (Milanovic 1995; Milanovic 1996; Milanovic 1998).

Although, the Bank's discourse and published papers and reports never contained an explicit embrace of a given welfare regime (Deacon, Stubbs et al. 1997; Deacon 2007), it is quite clear that most of its proposed major social policy reforms are close to the residualist model (Deacon 2000), although they have also been termed a "crisis-driven, short-term, flat-rate strategy" (Deacon and Hulse 1997, p. 55). In general, the Bank's policy has been to scale back or even in some cases dismantle traditional social insurance and universal benefits and replace them instead with targeted measures, supplemented by private charity. In practice, this amounts to a dualization of welfare between the very poor, served by the state and the better off who can afford to have their needs satisfied through the market[8].

CHARACTERISTICS OF SOCIAL ASSITANCE SCHEMES IN CENTRAL AND EASTERN EUROPE

By the end of the 90's, all the countries in the Central and East European block have established minimum income guarantee schemes for their residents. The introduction of this form of social assistance took place as early as 1990 in countries such as Poland or Lithuania and as late as 1995 in Romania and Latvia or Estonia. To be sure, the introduction of social assistance was mainly triggered by the swelling number of unemployed who exhausted their benefits and had no access to other income sources, but the speed with which countries responded to this new phenomenon varied. Moreover, general schemes were often implemented alongside categorical ones that treated the vulnerable differently according to their status, i.e. elderly, disabled, single-parents, care-takers etc. Unavoidably, fragmentation of the income support system ensued.

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[8] This dualization is usually accompanied by a downward spiral of both political support for and the quality of welfare state services and benefits;

EXPENDITURE ON SOCIAL ASSITANCE PROGRAMS

One angle from which one can analyze a social policy is public resources devoted to it. This subpart presents expenditure data on social assistance programs in the ten Central and East European Countries. Two components are included under the general social assistance term, i.e. expenditure on the "social exclusion" branch and means-tested housing benefits[9]. Three expenditure indices are presented in Table 2, i.e. percentage of GDP, percentage of social expenditure and PPP/inhabitant.

A quick overview of the figures reveals that the Baltic States stand apart from the remaining countries by having low values on all indicators. They make little resources available to social assistance programs and they do not rely too much on them to provide income security. Hungary, the Czech Republic, Slovakia and to a certain extent Slovenia as well, place much more weight on targeted benefits to provide social protection. At the same time, they spend more of the available public resources (with the exception of Slovakia) to ensure the achievement of the objectives incorporated in social assistance programs. Generally speaking, countries that are willing to spend more on social assistance programs are also keen on making these programs into important items within the overall social protection system[10].

[Table 2 around here]

DECENTRALIZATION OF THE SYSTEMS

The organization of social assistance programs can be located on a central-local continuum. The division of responsibilities between central and local authorities concerns three axes, namely implementation, financing and decision-making. In principle, these three areas are independent of each other. In practice, they are usually linked.

On the grounds that local governments are better able to establish who the needy are, a majority of CEE countries have devolved the responsibility for the daily running of the program to municipalities. Only three countries, the Czech Republic, Slovakia and Slovenia, have retained a

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[9] The inclusion of means-tested housing benefits is done for the sake of consistency and maximizing comparability as some countries include this benefit directly into their social assistance scheme while other provide it alongside it;

[10] Another explanation might be that various social programs compete for the same resources (although social assistance is financed through general taxation while insurance-based benefits are financed through contributions which are collected into a separate and independent fund). Thus, expenditure on one type of program squeezes resources for the remaining schemes;

centralized system of delivering benefits (see Table 3). The remaining seven states have chosen to delegate program implementation to the local level. More important than implementation are, however, financing and decision-making. Decentralization of these two functions tends to create strong regional imbalances in the treatment the clients get. More often than not, decentralization of financing and decision-making is regressive, from a redistributive point of view, as better-off clients living in richer districts receive more comprehensive support than the neediest living in poor municipalities. While only one country (Hungary) assigns local authorities total discretion in establishing the basic amount of the benefit, seven regulate benefit amounts at the national level (see Table 3). The remaining two countries allow municipalities to set the quantum of the benefit as long as it does not fall below a national minimum. If decision-making is centralized in a majority of cases, the opposite is true of financing. Six countries rely mainly on the local budgets to finance social assistance schemes, while only four employ chiefly funds from the central budget (See Table 3).

[Table 3 around here]

ENTITLEMENT: MEANS TESTS AND WORK TESTS

By definition, social assistance is awarded subsequent to a means test. The means test may consist of an income test, an asset test or both. All of the ten CEE countries have an income test as part of the process of determining entitlement. However, the types of revenue that are taken into consideration may differ. Four countries except various income sources when conducting the means test, usually disregarding transfers related to child rearing or to disability (see Table 4). Of these, the most generous is Slovenia who disregards six types of income.

[Table 4 around here]

In addition to the income test, another way of gauging a household's resources is the use of an asset test. Carrying out asset tests may bring two advantages. On the one hand, income is much more fluctuating than wealth. As a result, an asset test is better suited to capture the long-term material well-being of a household. On the other hand, in economies where a large share of the activity takes place underground, asset tests may be a much more reliable tool than income tests. Despite their enhanced stability and reliability, asset test also incorporate a major drawback. They require future recipients to "spend away into poverty" in order to become eligible for benefits. Put differently, they require persons with low incomes to first consume their wealth before becoming eligible for state support. This prerequisite may have negative consequences as it entails a deterioration of the individual's material situation before state intervention is allowed for.

Furthermore, wealth constitutes a resource in more ways than just financially[11]. For example, selling a house and moving out of a neighbourhood may disrupt a person's social network as well as undermine her self-esteem and sense of efficacy. It follows that despite its higher accuracy in evaluating resources, asset testing may entail exclusionary processes. Of the ten CEE countries present in the study, only two do not have asset testing as part of their means test. Nonetheless, of the remaining eight, three disregard possessions up to a given maximum (see Table 4).

On top of passing a means test, potential clients may also have to demonstrate that their material deprivation is not due to a personal choice. In practice, this amounts to passing a work test. Each of the ten social assistance programs includes a work test for the able bodied, albeit some exceptions may be made for parents of small children. In its lightest form, the work test consists of registration with the employment office. Indeed, this prerequisite is present as an eligibility condition in all ten schemes. More "demanding" work tests comprise of the obligation to accept job offers, to take up training and requalification and even to participate in public works. This last condition, willingness to participate in public works, may be considered the most stringent and the possibly the most stigmatizing (workfare). Four countries, Bulgaria, Hungary, Lithuania and Romania, link eligibility for social assistance benefits to availability to participate in public works (See Table 4).

BENEFITS

The amount of the benefit encompasses the sum of resources that the state is willing to provide to those who cannot support themselves. The principle on which the determination of this amount rests and the indexation mechanism incorporated in the scheme play an important role in determining the size of the available aid. More specifically, countries that determine the benefit level in a purely administrative way, instead of basing it on a minimum basket of goods and services, tend to have lower benefit levels. Similarly, social assistance programs that lack a clear indexation mechanism have lower benefit levels as well. Administrative discretion tends to be heavily influenced by budgetary considerations. Both lack of indexation and discretionary setting of the benefits are used as savings generator devices. As a result, fewer resources are redistributed through this type of programs (for a description of indexation, principles of determination and benefit levels see Table 5).

[Table 5 around here]

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[11] For an informing discussion about the non-financial importance of assets as well as their role in the poor's lives see Shapiro, T. M. and E. N. Wolff, Eds. (2001). Assets for the Poor: The Benefits of Spreading Asset Ownership. New York, Russell Sage Foundation.

Just by taking a quick look it is easy to realize that social assistance benefits are meagre, insignificant in some cases. The most generous are by far Slovenia and the Czech Republic (see Table 5). Poland and Slovakia also disburse somewhat higher benefits. The rest of the countries offer only very limited resources through their social assistance schemes, usually around or below 50 Euros for a single person. Benefits may become more generous as the family includes a higher number of children. Yet, the amounts of the benefit are obviously well below subsistence level.

DISCUSSION: IMPACT OF THE WORLD BANK ON THE DESIGN OF SOCIAL ASSISTANCE IN CEE

To what extent did international bodies such as the World Bank succeed in using their clout to shape national social policy in CEE? Although the question is certainly not new, the answer is not clear. Some have contended that "the World Bank's role in shaping and damaging national social policy in a development and transition context has been very important in the 1980's and 1990's" (Deacon 2007, p. 169). Yet, a closer inspection reveals that the success of both the World Bank and the EU in swaying CEE social policy might have been more limited. It is true that Bank supported measures have been adopted throughout Central and Eastern Europe. However, overall, the enacted measures are far from closely following recommended reforms. For example, despite the harsh social expenditure cuts[12] introduced in Hungary in 1995, the socialist government failed to establish a national social assistance programme as advocated by the Bank, preferring to use resources to reduce social insurance benefits only partially (Deacon, Stubbs et al. 1997). In Bulgaria, Bank backed governmental attempts to reduce insurance benefits met with strong trade union opposition and were eventually thwarted as the government was compelled to continue compensating workers for the social costs of reform (Deacon, Stubbs et al. 1997).

Even though the influence of international actors on Central and East European social policy in general is disputed, their advocacy might have been more successful in the social assistance field. Unfortunately, the data at hand does not allow for an in-depth analysis of policy making processes around social assistance, and the actual role that the World Bank might have had within such processes[13]. However, by comparing actual policies to reform proposals advocated by the Bank, a first, preliminary test of the Bank's influence can be carried out. A fairly close correspondence

[12] The so-called Bokros austerity package included means-testing previously universal child allowances, ending universal care grants for working mothers, introducing user fees in health-care and education among others; some of these measures were not fully implemented or were deemed unconstitutional by the country's Constitutional Court;

[13] Considering the large number of countries included in the study, a qualitative analysis of the policy making process would be, in any case, unfeasible;

between policies and recommendations cannot be considered a definitive confirmation of the Bank's influence, as other factors might have brought about the same policy outcomes. However, lack of correspondence would largely disconfirm the hypothesis of a substantial role played by the World Bank in shaping national social assistance programs in Central and Eastern Europe.

Taking a closer look at the actual outlook of social assistance schemes in CEE, the circumscribed nature of the Bank's success becomes apparent. First, probably the most consistent position adopted by the Bank consisted of its emphasis on extending targeted programs to the detriment of insurance and universal ones. Nevertheless, social assistance schemes are usually a very small section of overall social expenditure. Contrary to Bank advice, CEE countries continue to direct the bulk of resources towards social insurance or universal types of programs[14], leaving social assistance as a small residual scheme, catering to a small clientele and enjoying limited budgetary resources.

Second, although both centralized and decentralized systems can be found in CEE countries, there is little overlap with Bank recommendations. A centralized system has been maintained in the Czech Republic, Slovakia and Slovenia. The remaining counties have opted for decentralization albeit to varying degrees. Nevertheless, the countries where the Bank has clearly favoured a more centralized approach, namely Latvia, Romania and Hungary, continued to have decentralized funding arrangements.

Third, several categorical programs (with higher benefits or laxer eligibility conditions) have been maintained alongside a universalist, minimum income guarantee-type of program. Streamlining of various existing means /income-tested programs, a measure pushed forward by the Bank, has been implemented in Slovakia but not in Hungary or Bulgaria. Work tests are incorporated in all MIG programs but their harshness varies. Explicit incorporation of a workfare strategy has occurred in four of the ten countries. In-kind benefits in the form of means-tested housing or energy subsidies may form a significant share of social assistance support, which otherwise is disbursed in cash.

Fourth, the existing benefits are rather low, especially for single persons, and risk being corroded by inflation as an automatic indexation mechanism is present only in four of the ten countries. On the one hand, low benefits are consistent with a poverty trap avoiding strategy. On the other hand, benefits are lowest and indexation is lacking precisely in the countries where the Bank has pushed for more generous programs to support the poor.

Overall, some outside advocated measures (especially World Bank advocated measures), such as decentralization and keeping benefits low, can be found in the present design of social assistance schemes in Central and Eastern Europe, albeit this result can be just as well attributable to

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[14] Some privatization of the former has been introduced though, especially in the field of pensions and health-care as well as some means-testing of the latter, such as in the case of child benefits;

national circumstances (such as, for example, strong budgetary pressures, weak national/central administration, liberal politicians in power) as to external influence[15]. The single most important measure advocated by the World Bank, i.e. extending the scope of social assistance, failed to materialize. Given their low importance in the overall welfare setup, it is perhaps unsurprising that social assistance schemes are fairly underdeveloped and ungenerous. There is, of course, substantial country variation. In one of its reports, the World Bank categorised countries in the ex-communist region according to how much they progressed in reforming their social policy. Slovenia, Hungary, Poland, the Czech Republic and Slovakia were considered among the frontrunners while Estonia, Lithuania, Bulgaria, Latvia and Romania were placed in the second group[16] (Deacon 2000). As an irony, countries in the second group have taken much more radical steps toward residualization (cutting benefits and tightening eligibility) compared to the first group and their social assistance schemes (except for their scope) resemble much more the Bank advocated models[17]. Furthermore, it is precisely in this latter group of countries that the Bank favoured more generous measures to support the poor, pointing to the prevalence of national considerations rather than Bank influence in social assistance design.

To conclude, attempts to exert some influence on the shape of Central and East European social assistance schemes by the World Bank did meet with limited success, , although the strongest influence might not have been in the countries seen as most reform-friendly. Obviously, such influence operated in conjunction with the national context. It is no accident that countries with a sourer state of the economy were more prone to reduce social programs. Their options were simply fewer. In fact, national factors, especially measures of national wealth such as GDP/capita, seem to be more closely associated with policy features than the recommendations of the Bank. The residualisation of social policy, advocated by the IFI's, has hardly taken place.

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[15] Given this overlap, it might be hypothesized that for the Bank to have a successful intervention, certain national conditions have to be in place; such a hypothesis however cannot be tested in the framework of this study;

[16] The remaining categories were occupied by countries in the ex-Soviet space;

[17] A very interesting case is that of the Czech Republic which has been very close to the neoliberal orthodoxy in the discourse of its leaders but which has probably the most developed social security system and certainly the most developed social assistance scheme in the region; this paradox prompted Bob Deacon to state that the Czech liberalism was only apparent Deacon, B. (2000). "East-European welfare states: the impact of the politics of globalization." Journal of European Social Policy **10**(2): 146-161.

TABLES:

Table 1: World Bank advocated measures in Central and Eastern Europe

Country	WB proposals	Source
Bulgaria	Improve targeting so as to reduce benefit payments to the non-poor Impose means/income tests in social protection programs to reduced costs and direct resources to the poor Introduce means-tested cash payments or energy vouchers (same eligibility as social assistance) Streamline the existing programs which are too fragmented and administratively too costly Keep decentralized system but incentivize local authorities to pay benefits on time Cut back or means-test untargeted programs such as maternity leave for uninsured mothers Means-test child allowances Provide cash rather than in-kind benefits Train social workers Build information systems Possibly re-centralize funding to allow poorer localities to pay benefits Public campaigns about the programs and their eligibility conditions	(Hassan and Peters Jr. 1995; The World Bank 1999; The World Bank 2002)
Estonia	Use participation in public works conditionality in social assistance schemes as a way to self-target benefits Keep low benefit levels to convey appropriate incentives Shift more funding to the minimum guaranteed income program from housing assistance and institutional care Decentralize responsibility for social assistance programs Increase discretion for social assistance officers to decide on the allocation of social assistance funds between the various programs Means test child benefits Increase the value of unemployment benefits as they are the most progressive transfer	(The World Bank 1996a)

Country	WB proposals	Source
	Rely more heavily on social assistance	
	Do not expand social assistance/ safety net programs beyond available resources	
Hungary	Increase the value of social assistance benefits and reduce universal transfers	(The World Bank 1996b; The World Bank 2001a)
	Improve targeting	
	Replace flat benefits with differentiated amounts according to need	
	Means-test family benefits- including GYES and GYED	
	Increase unemployment assistance benefits (but not beyond the min wage) and add job search tests and other "activation" measures	
	Reduce the income ceiling for some social assistance programs	
	Replace per-capita incomes with equivalence scales when determining eligibility and benefit levels	
	Streamline the existing programs which have different eligibility criteria	
	Funding should be both from local and central sources	
	Set a minimum level of support nationally	
	Reduce the aggregate level of social spending to stimulate economic growth	
	Formulate reinsertion programs to reintegrate the Roma and the long-term unemployed back into the labour market	
	Public works are preferable to simply disbursing benefits to recipients even if they do little to increase employment prospects and are more expensive	
	Increase social assistance coverage through public outreach campaigns	
	Shift financing to earmarked matching grants conditional on local spending	
	Increase social assistance benefits and reduce spending on untargeted programs	
Latvia	Improve targeting of social assistance benefits	(The World Bank 2000; The World
	Increase the budget of social assistance benefits	
	Funding should be largely but not fully centralized (keep part of	

Country	WB proposals	Source
	funding at the local level to incentivize local authorities to raise revenues and contain costs)-matching grants, equalizing transfers etc.	Bank 2007)
Poland	Reduce total social spending, especially spending on pensions Expand active labour market programs Concentrate public works and wage subsidies on the long-term unemployed and those with the smallest chances of finding employment Do not introduce a minimum guaranteed income (seen as too costly and introducing labour supply distortions) Introduce care vouchers for low-income mothers Introduce school lunches for children of poor families (funded from the central budget) Introduce workfare elements into the social assistance program as a way to eliminate recipients with high incomes from the informal economy Simplify information collecting systems and reduce administrative loads Means-test or tax family allowances (means-testing with a sufficiently low ceiling preferable) Improve targeting of social assistance Implement a poverty monitoring system Relate benefits to the local purchasing power	(The World Bank 1994; The World Bank 2004)
Romania	Phase out discretionary social assistance and keep only the minimum guaranteed income Include child allowances in the means-test Withdraw benefits on a sliding scale to improve work incentives Cap benefits an approximately 2 years Require recipients to participate in community work Set benefit levels below the unemployment benefit level Restructure pensions to free up resources for social assistance Index benefits according to inflation Abolish school attendance requirements for child allowances to minimize exclusion errors Means-test child allowances or eliminate them	(The World Bank 1997; The World Bank 2003)

Country	WB proposals	Source
	Deal with old-age poverty through social assistance, not through the pension system Phase out the wage subsidy programs (as it benefit college graduates the most) Establish the minimum benefit as a % of the poverty line to reflect fiscal resources Outreach campaigns Expand the minimum guaranteed income program using resources from targeting child allowances Do not decentralize social assistance (horizontal inequities) Introduce local co-funding to incentivize localities to use funds in a 'responsible' manner Introduce national rules on imputing home production Ask a lower co-financing share from poor localities Make workfare requirements proportional to benefits received Make funding more regular and predictable	
Slovakia	Too generous safety net (i.e. targeted benefits) creating a poverty trap Adopt a gradual phasing-out of benefits to reduce the marginal tax rate Shift social assistance expenditure to work related programs Means-tested parental and child allowances have too high benefit levels that create work disincentives Implement child-care and transportation subsidies for employed individuals in low-income families Make benefit receipt conditional on attending job interviews, training etc. Revert to means-tested family benefits Introduce transfers to families with many children, conditional on attending school	(The World Bank 2001b; The World Bank 2005)
EU 8	Reduce overall social protection expenditure as it is crowding out other expenditure and limiting employment growth Do not reduce social assistance programs Improve targeting Build information systems to better track recipients	(Ringold, Kasek, Rydvalova, and Holzer-Zelazewska

Country	WB proposals	Source
	Conduct public outreach campaigns	2007)
	Decentralize (with caveats)	
	Couple social assistance benefits to active labour market policies and keep benefits low to avoid welfare dependency	
CEE	Reduce overall social protection spending; high contributions and high transfers hampering growth	(Barr 1996; Rutkowski 1998)
	Design temporary schemes to help the poor instead of social insurance	
	Reduce generous unemployment benefits as they have labour supply distortions and are expensive	
	Improve targeting /coverage	
	Develop social assistance and increase disbursed benefits	
	Reduce ease of access to unemployment and family benefits	

Table 2: Expenditure on social assistance and means-tested housing benefits

	Expenditure on soc exclusion and means-tested housing benefits as % GDP	Expenditure on soc exclusion and means-tested housing benefits as % social expenditure	Expenditure on soc. exclusion and means-tested housing benefits as PPP/ inhabitant
BG	0.4	2.73	33.2
CZ	0.6	3.11	98.9
EE	0.1	1.21	20.9
HU	0.6	3.1	95.9
LV	0.2	1.6	21.2
LT	0.2	1.76	27.2
PL	0.5	2.51	54.8
RO	0.3	2.12	22.7
SK	0.5	3.21	70.4
SI	0.7	2.9	128.8

Note: figures refer to the year 2005;

Source: Eurostat;

Table 3: Centralization of social assistance programs in CEE countries

Country	Implementation	Financing	Decision making
BG	Local government and local branches of central administration (Ministry of Labour and Social Policy)	Local budget, block grants from central budget, earmarked central funds	Central
CZ	Local branches of central administration (Ministry of Labour)	Central budget	Central
EE	Local government	Central budget for the basic amount; local budget for supplementary benefits	Minimum amount set nationally; local authorities may grant additional benefits of relax eligibility conditions
HU	Local government	SA: mainly local budget but some central grants UB: 75% central 25% local	SA: local authorities UB: minimum amount set nationally
LV	Local government	Mainly the local budget	Since 2003, the basic amount is set nationally; local authorities may grant additional benefits at their discretion
LT	Local government	Local budget	Central. Municipalities grant additional services.
PL	Local government	Local budget?	Central. However, social workers have wide discretion in establishing eligibility.
RO	Local government	Local budget with some support from the central budget	Central. Local authorities may grant additional services.
SK	Local branches of central administration (Ministry	Central budget	Central

Country	Implementation	Financing	Decision making
	of Interior)		
SI	Local branches of central agency (Centre for Social Work)	Central budget	Central

Source: ((GVG) 2003a; (GVG) 2003b; (GVG) 2003c); MISSCEECII Tables and MISSCEEO Tables;

Table 4: Determining eligibility: means tests and work tests

	Income test	Asset test	Work test	Unit of testing
BG	All taxable earnings	Must not have savings, including bonds and securities, real estate, vehicles or cattle; only small house allowed	Registration with the labour office for min 6 months. Did not decline job offer. Did not decline to participate in public work programs. Not involved in the unofficial economy.	Family
CZ	Income from gainful activities and from capital; social security benefits and all recurrent income	No	Registration with the labour office and willingness to work.	Household/ Single person
EE	Taxable income, pensions, social security benefits; Not included in the test: lump sum payment, benefits for the disabled + child allowances and supplementary benefit (since 2003)	No	Registration with the labour office. Did not refuse repeatedly a job offer. Did not refuse to participate in a rehabilitation program.	Household
HU	Established locally; For unemployed-	Usually, yes.	From 1999-income replacement for the unemployed linked to participation in public work	Usually household (more discretionary)

	Income test	Asset test	Work test	Unit of testing
			programs (workfare)	
LV	All types of income considered.	Yes, but savings up to 200LV and property up to 3000LV allowed.	Registration with the labour office. Must accept suitable work or training.	Immediate family/ household members
LT	All income. Exception: extraordinary grants and alimonies	Must not have a farm larger than 3.5 ha. Must not own an establishment.	Registration with the labour office. Must accept participation in training or public works.	Family
PL	All income considered.	Yes.?	Registration with the labour office. Availability for work, training or socio-professional integration Did not refuse job unjustifiably	Family/ single person
RO	All income.	Land and properties, personal goods that can be sold.	Registration with the labour office. Must not refuse training or requalification. Must perform 72 hours of community work/month.	Family/ Single person
SK	All income. Exception: birth grants and death grants	Yes.?	Registration at the labour office and willingness to work to receive the higher amount (SA for objective reasons)	Household
SL	Earnings, inheritances,	Yes, but assets valued at	Must sign and observe a contract	Family (spouse/cohabitant

	Income test	Asset test	Work test	Unit of testing
	gifts; 6 exceptions: child benefits, scholarships, alimony, benefits for the disabled and benefits for care	maximum 24 minimum wages allowed.	with the Centre for Social Work.	children and parents and grandchildren if in the care of the applicant)

Source: ((GVG) 2003a; (GVG) 2003b; (GVG) 2003c); MISSCEECII Tables and MISSCEEO Tables;

Table 5: Benefit level and determination in social assistance programs

Country	Determination of minimum amount	Indexation	Max. benefit amounts for single person	Relation between amounts (equivalence scales)
BG	% min wage until 1992; after 1992-set by central government	No regular indexation; at the discretion of the government	38 BLN (20 EUR) 14,7% AW	Single person=1 Single person>70=1,2 Handicapped=1,2 Orphan=1,2 Single parent=1,2 Child=0,9 Handicapped child=1,2 Couple=1,8 Other cohabiting persons=0,9
CZ	Minimum basket of goods	Regular indexation, as soon as the cost of living increases by 5%	4100 CZK (160,23 EUR) 27.3% AW	Single adult=1 Child<6= 0.73 Child 6-10=0.81 Child 10-15=0.96 Child 15-26=1,06 Household amounts: 1 person=1 2 persons=1,3 3/4 persons=1,6 5+ persons=1,8
EE	Set by Parliament	No regular indexation; at the discretion of the government	500 EEK (32 EUR) 8.1%AW	First person=1 Every subsequent=0.8
HU	Set by the local authority/ min pension	SA: no regular indexation; at the discretion of	SA: determined by local authorities	SA: N/A UB: per capita

Country	Determination of minimum amount	Indexation	Max. benefit amounts for single person	Relation between amounts (equivalence scales)
		local authorities UB: linked to the minimum pension	UB: 14070 HUF (57,5 EUR) 11.5%AW	
LV	Set by local authority until 2003; 2003-set by central government	No regular indexation; at the discretion of the government	21 LVL (37,5 EUR) 13%AW	Per capita
LT	Minimum basket of goods	No regular indexation; at the discretion of the government	121,5 Litas (38 EUR) 11.9%AW	Per capita
PL	% of min pension	Price indexed since 1996	447 PLN (126,27 EUR) 21.3% AW	First person= 1(1,1-single person) Subsequent adult=0.7 Child (<15)=0.5
RO	Set by the government	No regular indexation; at the discretion of the government	630 000 ROL (23 EUR) 11,8%AW	1 person=1 2persons= 1,8 3persons=2,5 4 persons =3,1 5 persons =3,7 Each subsequent person=0,25
SK	Set by the Parliament, but based on minimum basket of goods	Regular price indexation at least once a year/ as soon as cost of living	3490 SKK (1895 SKK if subjective reasons) (83 EUR)	First adult=1 Subsequent adult= 0.7 Child= 0.5

Country	Determination of minimum amount	Indexation	Max. benefit amounts for single person	Relation between amounts (equivalence scales)
		increases by 10%	25.8%AW	
SI	Set by the government	Regular price indexation- 1 per year	37934 SIT (175 EUR) 16.1%AW	First person=1 Subsequent adult= 0.7 Child=0.3

Note: AW= Average Wage

Source: ((GVG) 2003a; (GVG) 2003b; (GVG) 2003c); MISSCEECII Tables and MISSCEEO Tables

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