

Public Disclosure Authorized

Draft National Strategy on social inclusion and poverty reduction

(2015-2020)

- (i) Analytical underpinnings of the Strategy;
- (ii) Strategy objectives and targets; and (iii)
Main messages

Mr. Codrin Scutaru, Secretary of State

Public Disclosure Authorized

Strategic actions at the national level relevant for poverty reduction and promotion of social inclusion

- ❑ Establishment in 1998 of the Poverty Prevention and Fighting Committee under the patronage of the President of Romania
- ❑ Establishment of the Anti-Poverty Committee for the Promotion of Social Inclusion (CASPIIS) (operating between 2001-2006)
- ❑ Preparation of the Joint Social Inclusion Memorandum by the Romanian Government and the European Commission in 2005
- ❑ Creation of a national mechanism for the promotion of social inclusion by adopting Government Decision no. 1217/2006
- ❑ Approval of the Strategy on the reform in the social assistance field in 2011.

Draft Strategy preparation process

- The MoLFSPE team, together with other ministries in the field and the World Bank
- Inputs coordinated by MoLFSPE and prepared by the WB team:
 - Strategic vision (April 2014)
 - Draft Strategy - executive version (first version, October 2014, final version 26 February 2015)
 - Draft Strategy - extended version (first version, December 2014, final version 26 February 2015)
 - Draft Action Plan - first version, October 2014, final version 26 February 2015)
 - Many substantiation studies (approx. 5000 report pages; approx. 20 data bases collected for this project) - see the annex to the presentation
 - Implementation plans 2015-2017 for 8-10 measures with a high impact on diminishing poverty and social exclusion (**in preparation** - Aug 2015)
- Consultation process:
 - With the expert decision takers in the central administration (18 November 2014)
 - With the civil society, NGOs, people in research, academic environment (29 January 2015)
 - Social service forum (10-11 February 2015)
 - Public consultation 27 March 2015

Research activities prepared in view of substantiating the Social Inclusion Strategy

	Feb-Apr	May-Jul	Aug-Oct	Nov-Feb
1. Documentation				
2. Research on qualitative data				
Case studies in Arad and Botosani (>150 interviews)				
> 20 interviews with representatives of the central authorities				
Interviews with the beneficiaries/eligible persons FSA/GMI				
Other interviews				
Focus groups with social workers				
3. Quantitative research				
Consolidated data base of physicians, pharmacists, CN/SMs				
Census of urban mayor's offices on housing (93%)				
Census of social workers in SPASes (>3100 questionnaires)				
Administrative data base of services for the elderly				
Administrative data base of services for disabled persons				
Data base of child protection services				

Research activities in view of substantiating the Social Inclusion Strategy

	Feb-Apr	May-Jul	Aug-Oct	Nov-Feb
3. Quantitative research (continued)				
Survey on Services for elderly people (~300 questionnaires)				
Questionnaire for School Inspectorates on the education needs and services at school level				
Data base of the local school units				
Identification of source communities for children included in the child protection services system (rural/urban environment)				
Selection of representative sample of children included in the child protection services system (>9000 cases)				
Research carried out together with UNICEF on children included in the system and their source communities				

Research activities in view of substantiating the Social Inclusion Strategy

	Feb-Apr	May-Jul	Aug-Oct	Nov+
4. Analysis of quantitative data				
Poverty and material deprivation + vulnerable groups 2008/2012 (EU-SILC)				
Prognosis of poverty evolution 2013/2020 (EU-SILC)				
Simulation of measure impact on poverty evolution 2013/2020 (EU-SILC)				
NEETD segmentation for the target group (EU-SILC)				
Profiling of vulnerable groups - minor mothers, children with parents that are abroad, people with disabilities, lone elderly, people in the rural environment, children not going to school, homeless persons (Census)				
Diagnostic of housing issues (census)				
Analysis of small urban towns/recent (administrative data + census)				
Identification of poor villages (census)				
Identification of marginalized rural communities (census)				

Research activities in view of substantiating the Social Inclusion Strategy

	Feb-Apr	May-Jul	Aug-Oct	Nov+
4. Analysis of quantitative data				
Overlapping of Roma communities and urban and rural marginalized communities				
Analysis of social participation types and conditions				
5. Other analyses				
Functional analysis of the role of NAE				
Analysis of microcredits and protected workshops for people with disabilities				
Special education of people with disabilities				
Nutrition programmes in schools				
School curricula based on asset testing (writing materials, high school money, social scholarships etc)				
European funds for small urban towns				

Strategy objective (I):

Reducing relative (monetary) poverty

Citizens should have equal opportunities to participate in the society, should be appreciated and valued, should live a dignified life, **their elementary needs should be satisfied** and differences should be observed.

- The target adopted at EU-28 level is to reduce the number of people risking poverty or social exclusion between 2008-2020 by 20 million people.
- The Romanian Government is committed to contribute to this target by reducing the population at risk of relative poverty following social transfers, by 580,000 people, from 4.99 million in 2008 to 4.41 million in 2020.
- Up to 2013, approximately a third of this target was met.

Relative poverty ratio, 2008-2013

	2008	2009	2010	2011	2012	2013
Relative poverty ratio (%)	23.4	22.4	21.1	22.2	22.6	22.4
No. of poor people	4.988	4.745	4.522	4.748	4.824	4.777

Source: EU-SILC, 2008-2013. Eurostat

Strategy Objective (II): reducing social exclusion

Citizens should have equal opportunities to participate in the society, should be appreciated and valued, should live a dignified life and their elementary needs should be satisfied and differences should be observed.

Fighting poverty and social exclusion require an approach of the needs of the respective people for their entire life.

For *children*, the objective of this strategy is to give them an opportunity to develop, irrespective of their social origin, by providing the necessary conditions for the development of their skills and acquiring the necessary knowledge to fulfill their individual potential.

For the *adults fit for the labor market*, the objective is to provide them with an opportunity to fully participate in the economic, social and cultural life of Romania.

The objective envisaged for *those who exceeded their active age* is that elderly people should be appreciated and respected, should remain independent and should be able to participate in all aspects of life as active citizens, as well as to enjoy a high quality of life in a safe community.

Vulnerable groups face particular problems for which generic policies may not work, they often need tailored and integrated services in order to increase their social and economic participation

1. Poor people
2. Children and youths deprived of parental care and support
3. Lone or dependent elderly
4. Roma
5. People with disabilities
6. Other vulnerable groups
7. People living in marginalized communities

Key messages of the draft strategy

- Without major changes of the sectoral policies and a better coordination of these policies the poverty reduction target will not be reached
- The key policies for reaching this target are the employment, social assistance, social services, regional and rural development policies
- 9 priority initiatives have been identified, that can substantially contribute to the reduction of poverty and social exclusion; this is not an exhaustive list;
- Increasing the capacity to diminish poverty also requires the development of a series of instruments for the identification of the poor:
 - One programme based on testing the means used to identify the poor population
 - A list of marginalized communities with a high concentration of extreme and persistent poverty
- With the help of these instruments used to identify the problem, the financial and logistic effort required is downsized to reasonable/feasible dimensions.

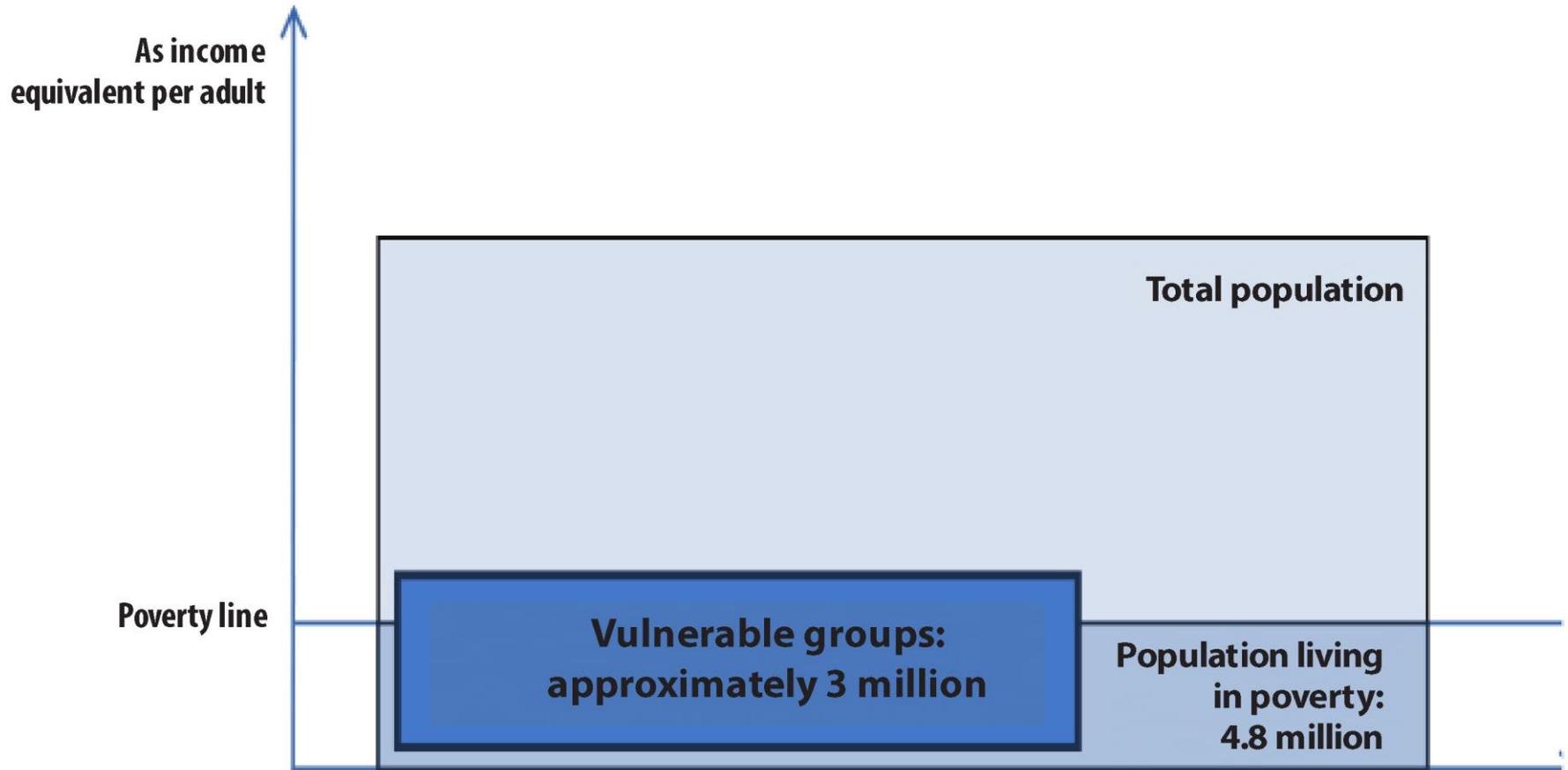
Draft National Strategy on Social Inclusion and Poverty Reduction

(2015-2020)

- (i) Target group and intervention mechanisms
- (ii) Employment policies and (iii) Social protection

Mrs. Lăcrămioara Corcheș, Director
DI. Alexandru Alexe, Public Manager

Target group of the strategy: Approximately 5 million people



Poverty profile (2012/2013)

Poverty rate depending on age, 2008-2012

	2008	2009	2010	2011	2012
0-17	32.8	32.3	31.6	32.6	34.0
18-24	24.4	25.6	25.6	28.5	31.4
25-49	20.5	20.6	20.1	22.0	21.8
50-64	17.4	16.2	14.8	16.1	16.4
65+	25.4	20.6	16.4	13.9	14.9

Poverty profile (2012/2013)

**Poverty rate in
2012 (%)**

Urban

11.1

Rural

37.9

Self-employed in agriculture

56.8

Unemployed

51.2

Pensioners

11.8

Full-time employees

5.4

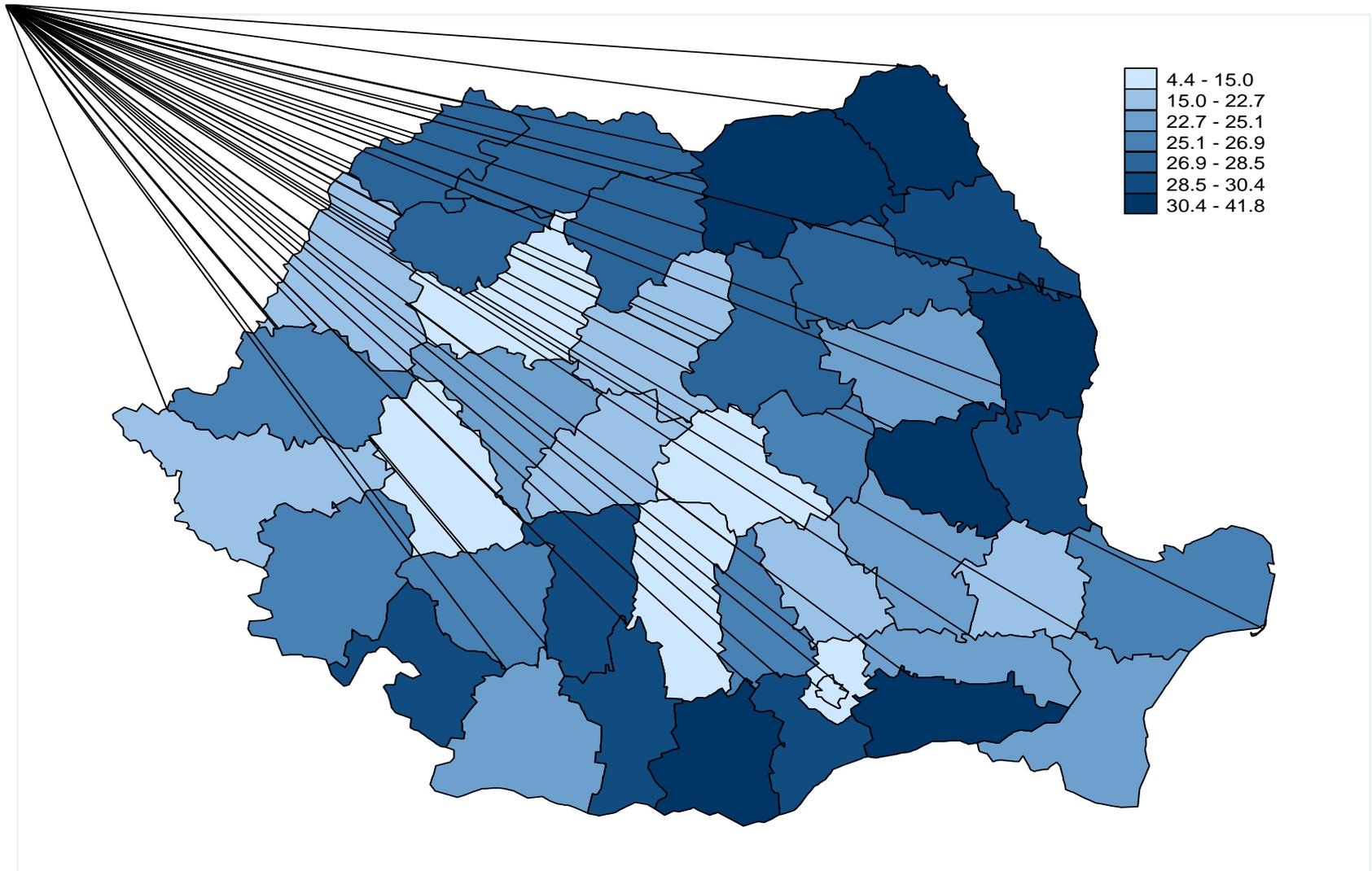
Persons aged 65 and over

25.8%

Lone women aged 65 and over

30.2%

POVERTY MAP – RO 2013



Prognosis of relative poverty evolution

- *it includes the probable macroeconomic, demographic, labour market evolutions + microeconomic model of population income simulation.*
- *is conducted in the absence of significant changes of social, regional or rural development policies.*

Indicator	Scenario	2008	2012	2013	2014	2015	2016	2017	2018	2019	2020
Relative poverty rate (%)	Low growth	23.3	22.5	23.1	22.9	22.9	22.7	22.9	22.9	23	23.1
	Moderate growth	23.3	22.5	23.1	22.8	22.4	22.3	22.5	22.5	22.7	22.7
	High growth	23.3	22.5	22.8	22.3	22.5	22.3	22.2	22.1	22.2	21.6

Vulnerable groups in Romania

Main groups

1. People in poverty

2. Children and youths deprived of parental care

3. Lone and/or dependent elderly

4. Roma

5. People with disabilities

6. Other vulnerable groups

7. Persons in marginalized areas

The Strategy is based on the life cycles perspective in order to address the **intergenerational poverty cycle**

CHILDREN (0-17 years)

Our purpose is to ensure **equal opportunities for all children to develop to the fullest of their potential**, regardless of their social environment of origin



ACTIVE LIFE

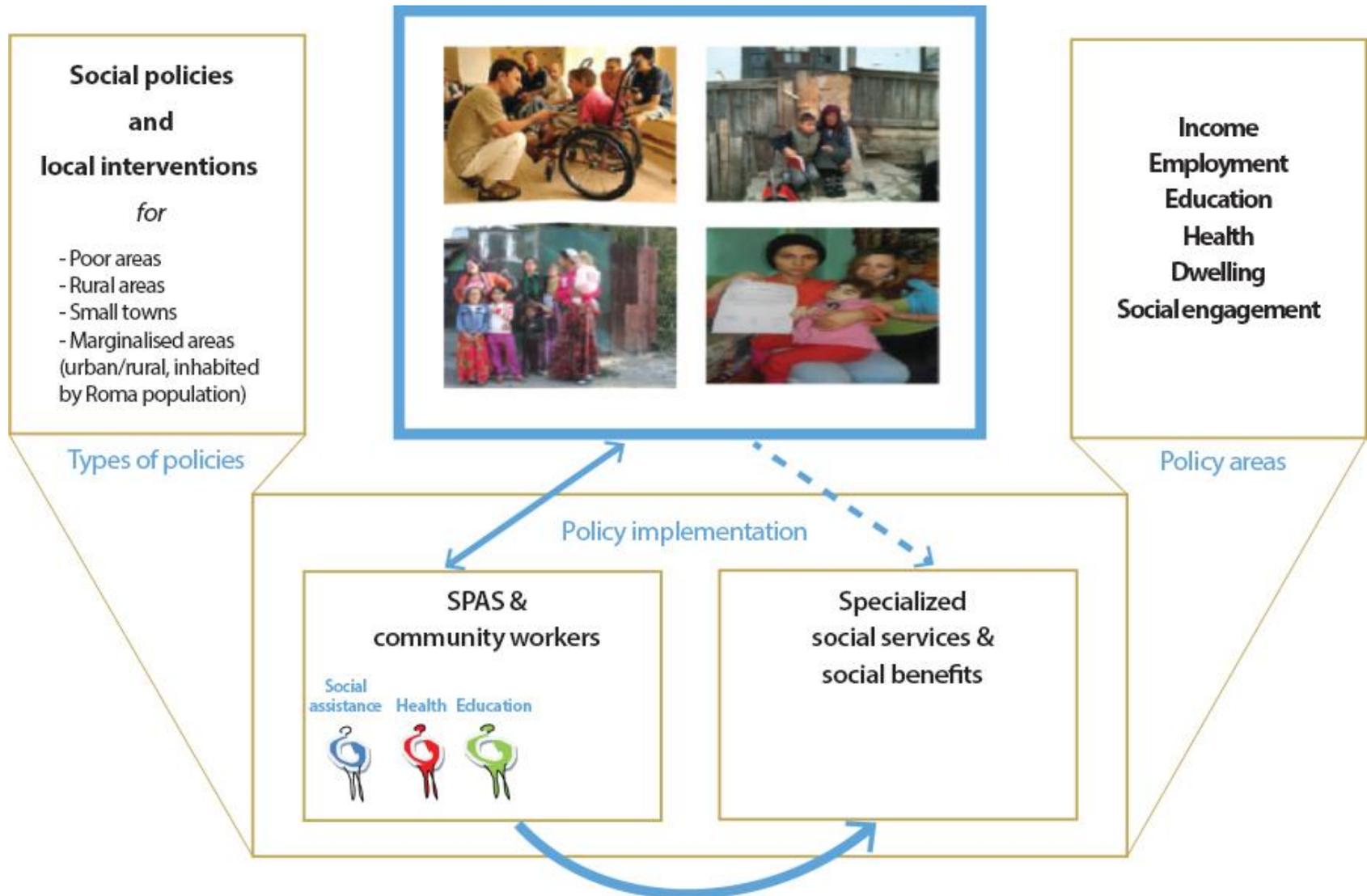
Our purpose is to ensure **equal opportunities for all working-age persons to fully participate in the economic, social and cultural life.**

AFTER ACTIVE LIFE

Our purpose is to make sure that **the elderly people are valued and actively take part in all aspects of the society's life**

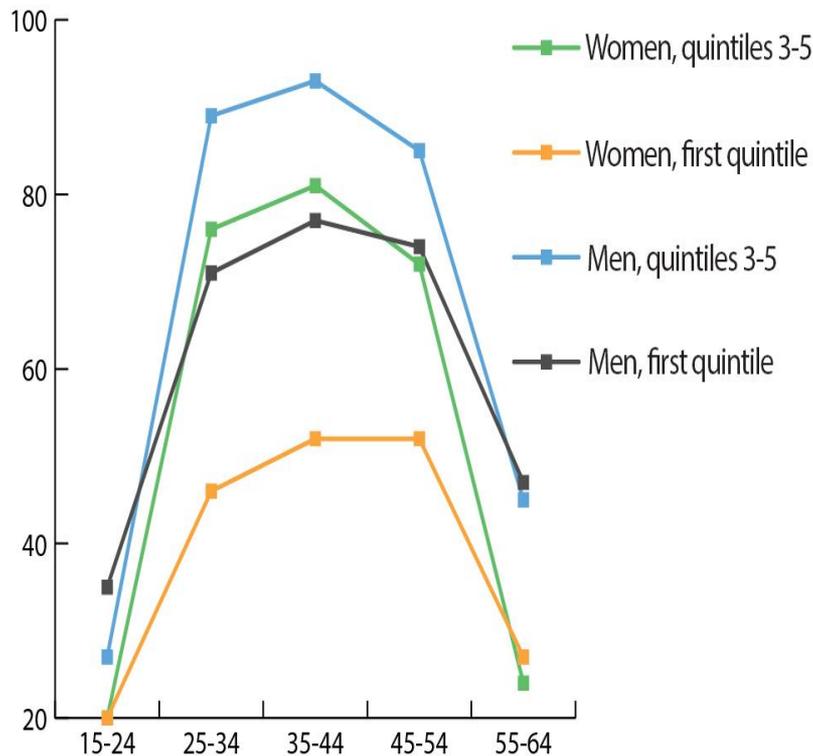


Policies to reduce poverty and increase social inclusion

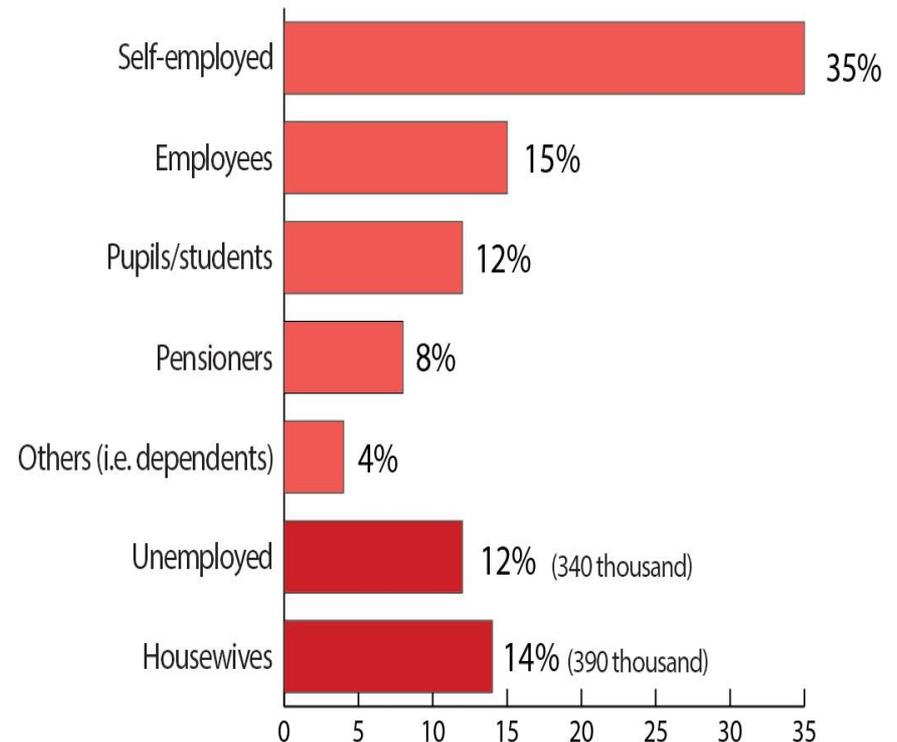


EMPLOYMENT POLICY

Activation of the poor persons which are not in education, employment or vocational training (I)



Source: ABF, 2012-2013 pooled data, World Bank calculations.
 Note: *Equivalent adult consumption quintiles



Source: ABF, 2012-2013 pooled data, World Bank calculations.
 Note: *Equivalent adult consumption quintiles

Activation of the poor persons which are not in education, employment or vocational training (II)

Problems for the poorest 20% of the population	Solutions
50% of the working-age population in the poorest quintile has a workplace, but low income	Supplementation of the work income with the social protection income (for “in-work poor”) by MSII
26% are able to work but fail to do so; most of their income comes from social protection	Introduction of co-responsibilities and priority access to active measures
Approximately 1/3 of them may be relatively easily activated, another 1/3 with support from NAE (active measures)	Extension of access to active measures on the labour market for this segment of population; their profiling depending on the likelihood of finding a workplace
Activation measures offered by NAE are not adapted to their problems	Extension of the NAE offer for this category of persons

Activation of the poor persons which are not in education, employment or vocational training (III)

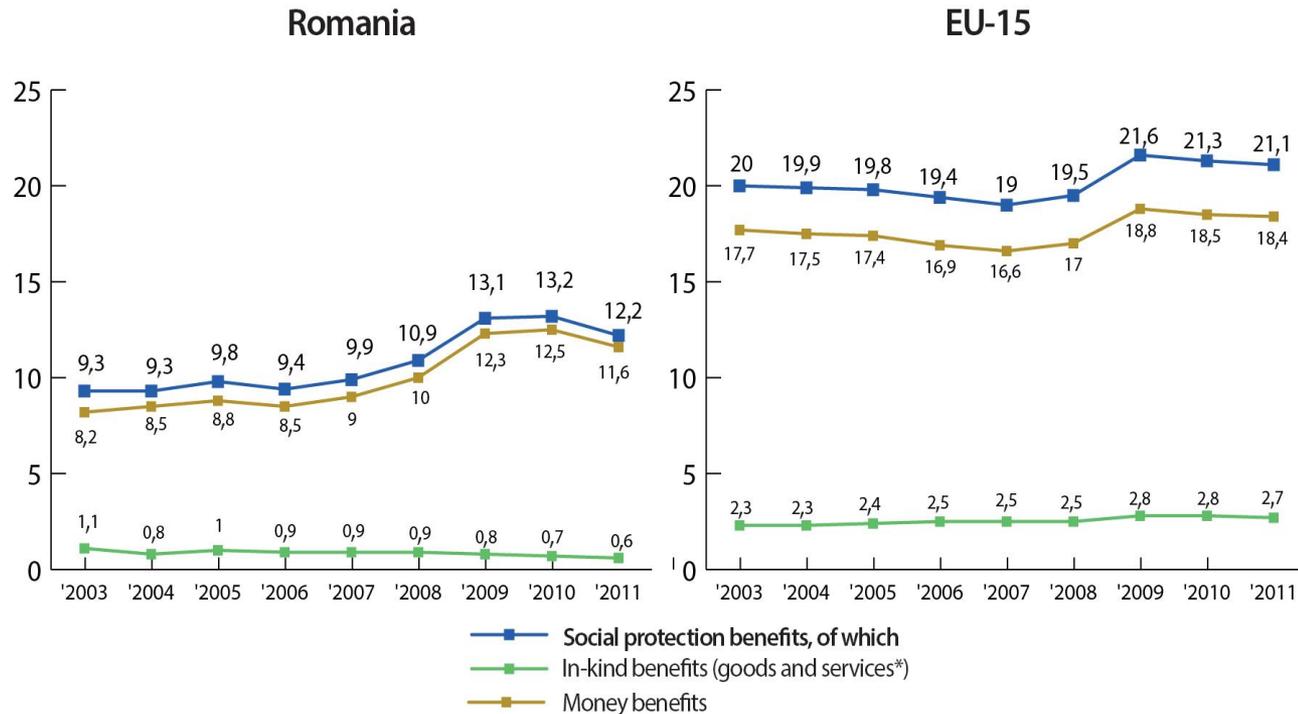
Issues	Solutions
NAE's resources (staff, budget for active measures) are insufficient	Budget and staff increase, introduction of solutions based on modern technologies/ITC
Insufficiently financed social economy	Development of social economy for increasing the employment of vulnerable groups
High unemployment rate among young people	Youth guarantee
Over 50% of the population in the marginalized communities is not working	Development of NAE work points in the urban marginalized communities, IT solutions for the rural areas

SOCIAL PROTECTION

Financing the social protection system

Romania's budgetary efforts with the social protection continue to be among the lowest in the EU, despite the budget increase in absolute figures. The available funds are still insufficient to efficiently solve such a widespread problem.

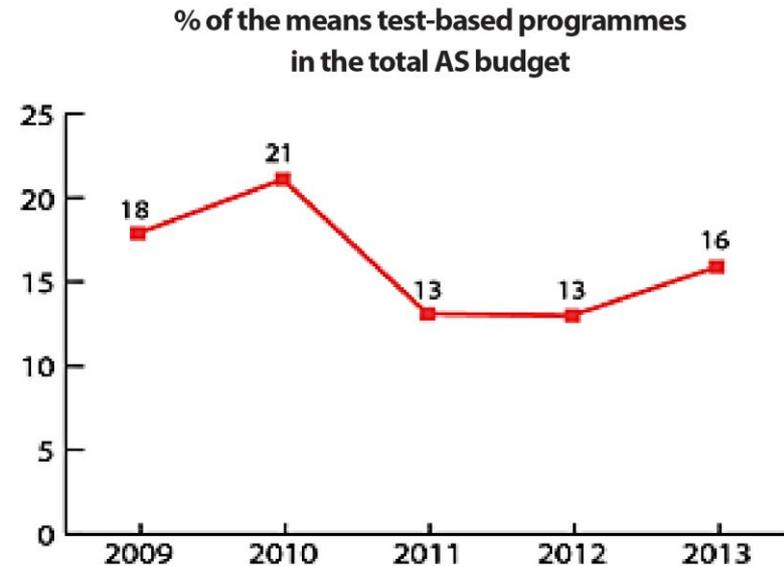
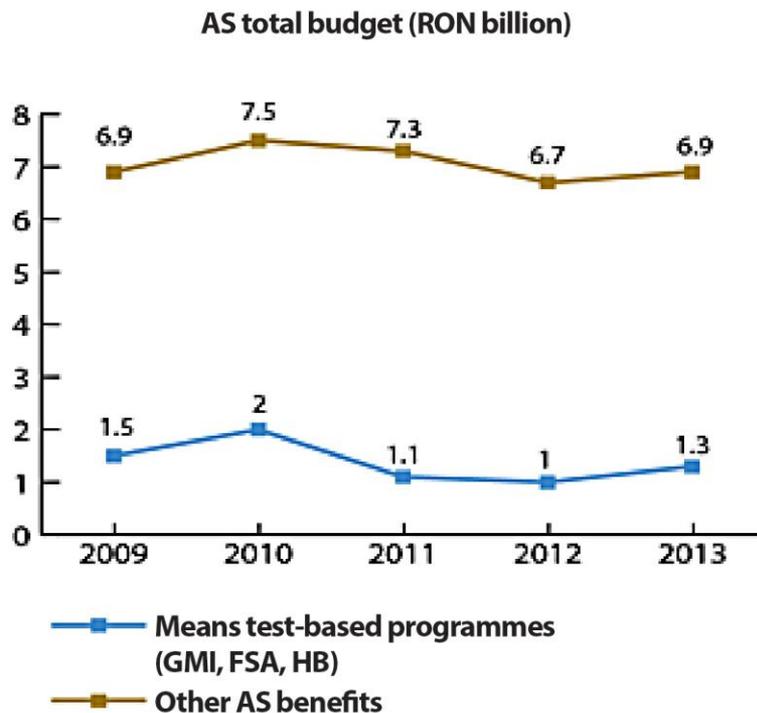
Expenditures with social protection per types (without healthcare)



Source: Eurostat, ESSPROS, consulted on 29 August 2014. World Bank calculations.
 Note: * Other in-kind benefits (goods and services) besides healthcare

Increasing the impact of the social assistance expenditures on poverty reduction (I)

The percentage allocated to means-tested programs in the total social assistance budget decreased



Source: Calculations made by the World Bank using administrative data for GMI, family support allowance, heating benefit, SCA, maternity allowance and incentive, scholarships and disability benefits. For the other benefits, the budget was estimated using the data from the Family Budget Survey (ABF).

Note: The budget is expressed in nominal prices.

Increasing the impact of the social assistance expenditures on poverty reduction (II)

Issues	Solutions by implementation of MSII
Expenditures with programs targeted at the vulnerable groups decreased after 2010	Increasing the budget allocated to the means-tested programs
Small programs, fragmented social assistance system	Consolidation of these programs
Reduced coverage of the poor (approx. 46% outside the cold season)	Coverage of the poorest 20% of the population
Discourages work	New eligibility criteria including in-work poor
Different eligibility criteria	Improved eligibility criteria, aligned with the targets of Europe Strategy 2020
Governance by ANPIS (GMI, FSA) and town halls	Governance by ANPIS
Lack of coordination with the social services	Co-responsibilities, supported by granting the social services (employment, education, health, housing)

Increasing the impact of the social assistance expenditures on poverty reduction (III)

**MSII
connection
with:**

Service delivery mechanisms

**Employment
services**

Strong activation component, which is based on the following elements: increased coverage of the in-work poor by eliminating the taxation of a share of their income on the labour market, resulting both from agricultural and non-agricultural activities, of the members of the beneficiary families; facilitating the local authorities' possibility to replace community work with forms of vocational training and lifelong learning in order to increase the beneficiary's opportunities of employment; limiting the amount of the benefit granted to a family to a threshold depending on the value of the minimum wage, so as to maintain the incentive to find a workplace and to reduce the stigmatization associated to the current GMI system.

**Children's
education
and health**

MSII shall include a benefit for the children in the families included in the program, conditional upon (depending on the child's age): participation of the children aged up to one year in the national mandatory vaccination program; attendance of children aged 3 to 5 years of kindergarten with school attendance of 100%, only medical certificates issued by the family doctor being accepted for leaves; attendance of children aged 6 to 16 years in school with school attendance of 95%. The benefit shall be granted on a case by case basis, thus improving the provisions of the current FSA system.

Increasing the impact of the social assistance expenditures on poverty reduction (IV)

MSII connection with:

Service delivery mechanisms

Housing services

The MSII program shall include a housing component for the families benefiting from social dwellings, besides the heating benefit addressed to low income families having their own dwelling. This housing benefit shall cover the cost of rent and part of the heating costs. Thus, the MSII program shall set off the high housing expenditures for the people affected by poverty and social exclusion, which lead to a high rate of overcharging the housing costs and shall contribute to the prevention of losing dwelling, in particular by evacuation from social dwellings.

Social services for vulnerable groups

The MSII program shall cover a higher percentage of the poor, but shall be strongly relevant for other vulnerable groups as well. The calculation of the assessed means in order to determine eligibility and value of the benefit shall not take into account certain benefits associated with specific risks and vulnerabilities, for instance the allowance for disabled or allowance for children in foster care.

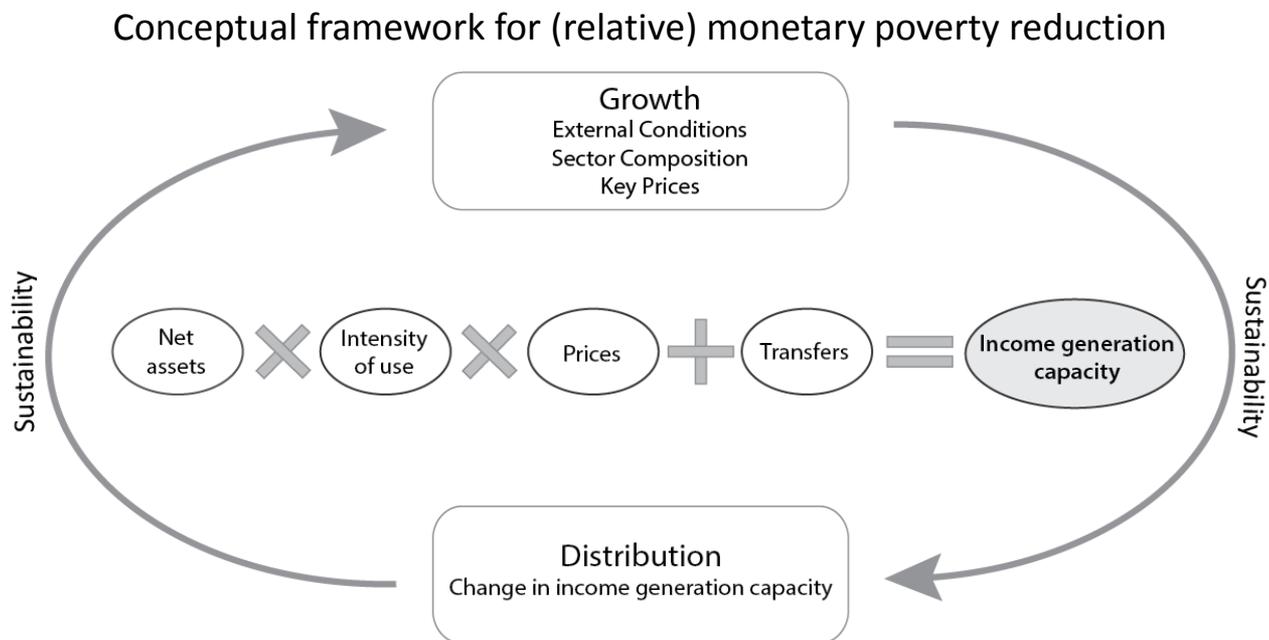
Poverty reduction further to application of priority interventions

Likely evolution of relative poverty after the implementation of the MSII Program and of the measures for activation of the working-age population

Implemented policy	2012	2013	2014	2015	2016	2017	2018	2019	2020
Status quo	22.6	23.1	22.8	22.5	22.4	22.6	22.5	22.8	22.8
A. Increase in budget					18.1	17.8	17.9	18.7	18.7
A+B1. Income exemption in MSII causing 7 percent of the NEETD to move into jobs					17.0	16.6	17.1	17.8	17.9
A+B2. Income exemption in MSII causing 17 percent of the NEETD to move into jobs					15.7	15.3	16.1	16.4	16.6

Monetary poverty reduction

To help 580,000 people out of monetary poverty between 2008 and 2020, measures are necessary to develop the income-generating capacity of the poorest 4.8 million Romanians, so that their incomes grow faster than the average income.



Source: Shared prosperity in ECA region, World Bank, 2014

Draft National Strategy on Social Inclusion and Poverty Reduction

(2015-2020)

(i) Social services; (ii) Education, Health, Housing; and
(iii) Social Participation

Mrs. Elena Dobre, head of unit
Mrs. Dorina Vicol – expert
Social Services Directorate

SOCIAL SERVICES

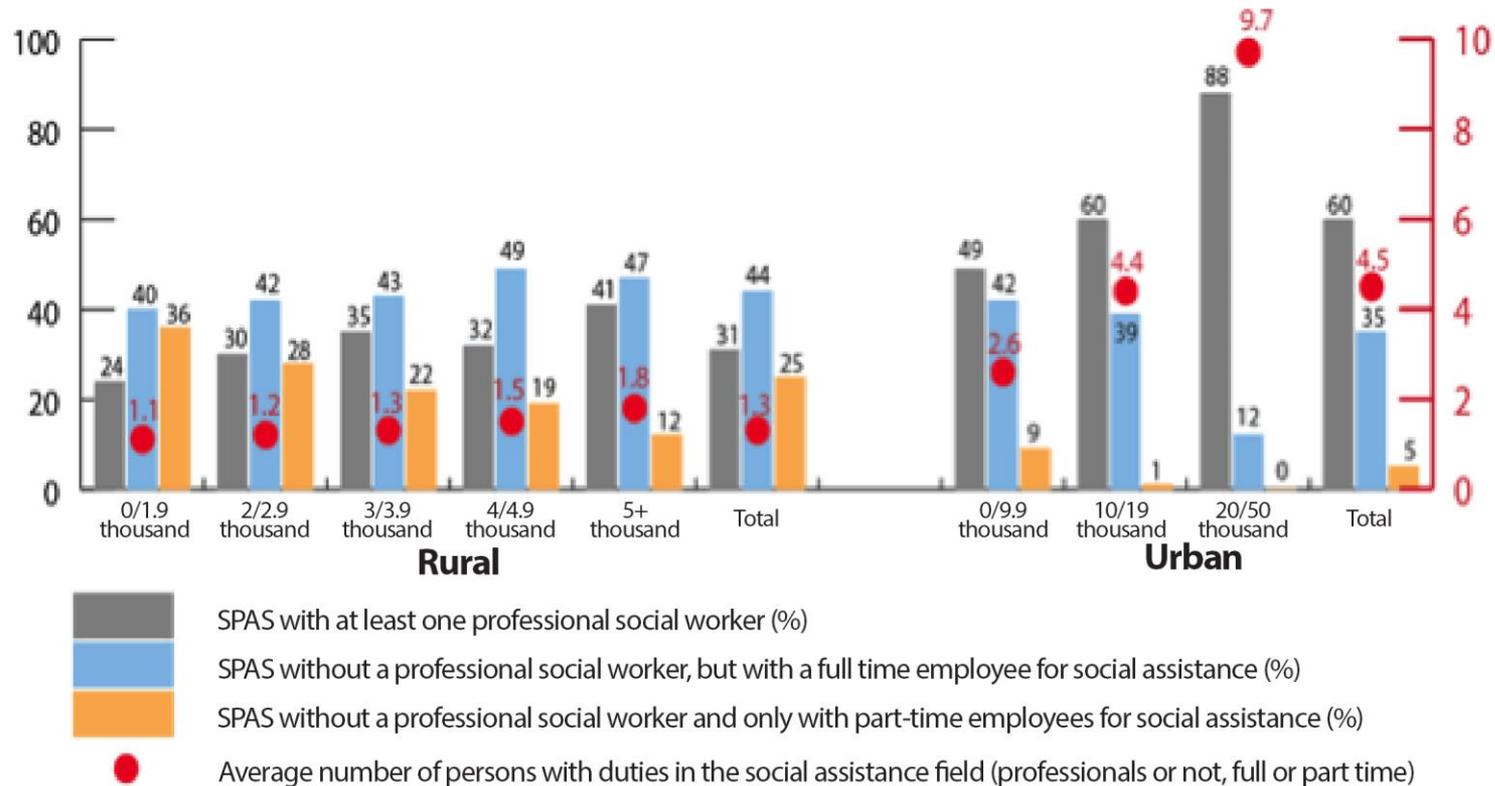
Increasing the impact of social services on the poverty and social exclusion reduction

(1) Strengthening and enhancing public social assistance service at the local level (SPAS)

- **Issue:** The implementation of the provisions of Social Assistance Law no. 292/2011 was postponed in several localities, although AAPL's responsibility to set up SPAS/compartiment is regulated as early as 2003. SPAS have a serious human resources deficit, the professionalization level of the existing personnel is inappropriate and such personnel is overloaded with bureaucratic duties. The local budgets are totally insufficient for allowing the development of the social services. In particular small communes and towns with less than 20,000 inhabitants are affected.
- **Main directions of action:**
 - Defining a minimum intervention package necessary and mandatory to be supplied in each rural and urban locality
 - Performance of a national program, at least for the period 2015-2020, for the employment and training of a social assistant/worker at the level of each community
 - National program for professional training of the personnel in the social assistance field and development of methodologies, guidelines and instruments supporting the wide scale implementation of the case management at the SPAS level in particular in small communes and towns.

Increasing the impact of social services on the poverty and social exclusion reduction

Communes without qualified social assistants



Source: SPAS Census, World Bank

Increasing the impact of social services on the poverty and social exclusion reduction

(2) Developing the Integrated Intervention Community Teams

- **Issue:** Fragmented approach and weak coordination between various social sectors, in which each institution only works within its own specific field of responsibility. Most of the local communities are affected, in particular families and persons in extreme poverty cumulating vulnerabilities.
- **Main directions of action:**
 - The development of the integrated intervention community teams formed of community workers in all the social sectors (which are employed, financed and/or monitored by MoLFSPE, MH and MNE).
 - The preparation of a new regulatory framework and harmonised financing mechanisms supporting the development of these teams, by collaboration between MoLFSPE and MH, MNE, MRDPA, together with the county and local institutions.
 - Developing framework methodologies, protocols, and work procedures for these teams.
 - Ensuring financing of the community teams, in particular in marginalised areas and the communities with high percentage of Roma population.

Increasing the impact of social services on the poverty and social exclusion reduction

(3) Developing social services targeted at vulnerable groups

- **Issue:** The social services for vulnerable groups (children, elderly people, disabled people, other vulnerable groups) should be further developed, strengthened and improved.
- **Main directions of action:**
 - Financing of social services should increase and the financing framework should be known and implemented - contracting services with private suppliers
 - Preparation of national norms for the award of social service contracts in order to guarantee that the contracting authorities comply with the principle of transparency and equal treatment for the social service suppliers
 - Increasing GDSACP's capacity of strategic planning and management of the database regarding all the public and private social service suppliers at a county level and the services managed by them, as well as the local strategies and annual action plans, locally collected data and information regarding the beneficiaries.
 - Development of an initial and continuous vocational training system for social work professionals.
 - Strengthening the capacity of the Social Inspection to assess and control the social services.
 - Development of the mechanisms of co-responsibility and participation of the beneficiaries in the social service supply.

SECTORAL POLICIES

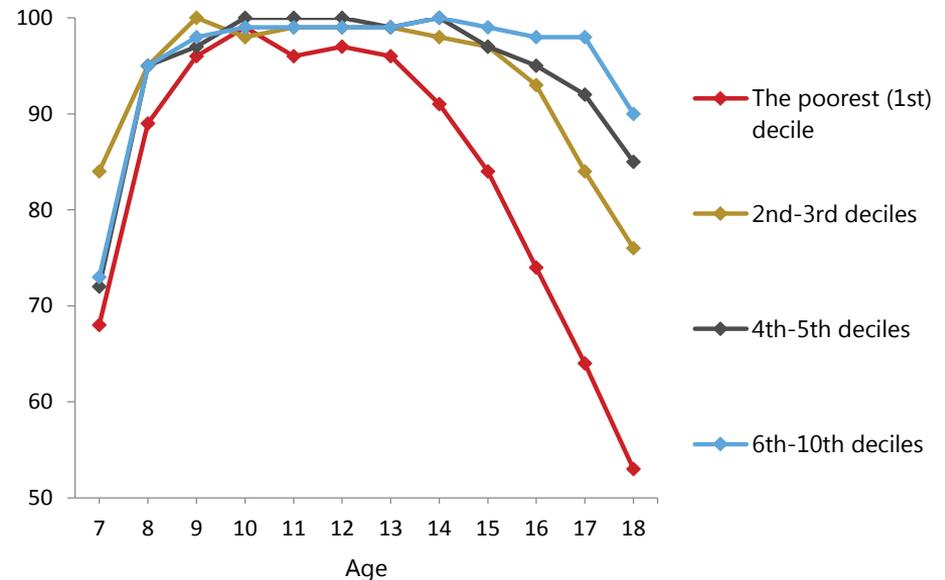
Sectoral Policies: Education (a)

Issue: At the 2011 census, around 69,800 children aged 7-14 years were not taking part in education, of which 48,400 were illiterate.

The following have a disproportionately high risk of not being enrolled in school:

- Children with disabilities;
- Children whose mothers have no formal education or who graduated only primary education;
- Children in poverty;
- Roma children;
- Children from families with many children;
- Children deprived of parental care;
- Children from the rural environment;
- Children from marginalised areas.

School attendance of children in the top four poorest deciles



Source: World Bank (2014) using data from ABF 2012-2013.

Sectoral Policies: Education (b)

Directions of action:

- Increasing the quality of the early care and education system for children.
- Ensuring the attendance of preschool and mandatory education by all children, irrespective of the difficulties they face. Focus on poor children, children with disabilities and/or special educational requirements, as well as on the children from the rural environment.
- Promoting larger access to tertiary non-university education in the case of underrepresented categories.
- Improvement of access to lifelong education and training for young people and working-age population/with work capacity in the disadvantaged groups.
- Increasing attractiveness of inclusion, quality and relevance of the education and initial vocational training system.
- Improving efficiency of the social programs conducted through the educational units, possibly by reviewing and including them as a component of the Minimum Insertion Income.
- Ensuring adequate financing for disadvantaged schools and reviewing the financing mechanisms to the benefit of children in vulnerable situations which involve a risk of not attending school, of school dropout or early leaving school.
- In order to improve quality and equity of the education services, first of all, the system financing should increase.

Sectoral Policies: Health

Specific objective: Increasing equity and quality of healthcare services, accompanied by improvement of access and financial protection of vulnerable groups.

Directions of action:

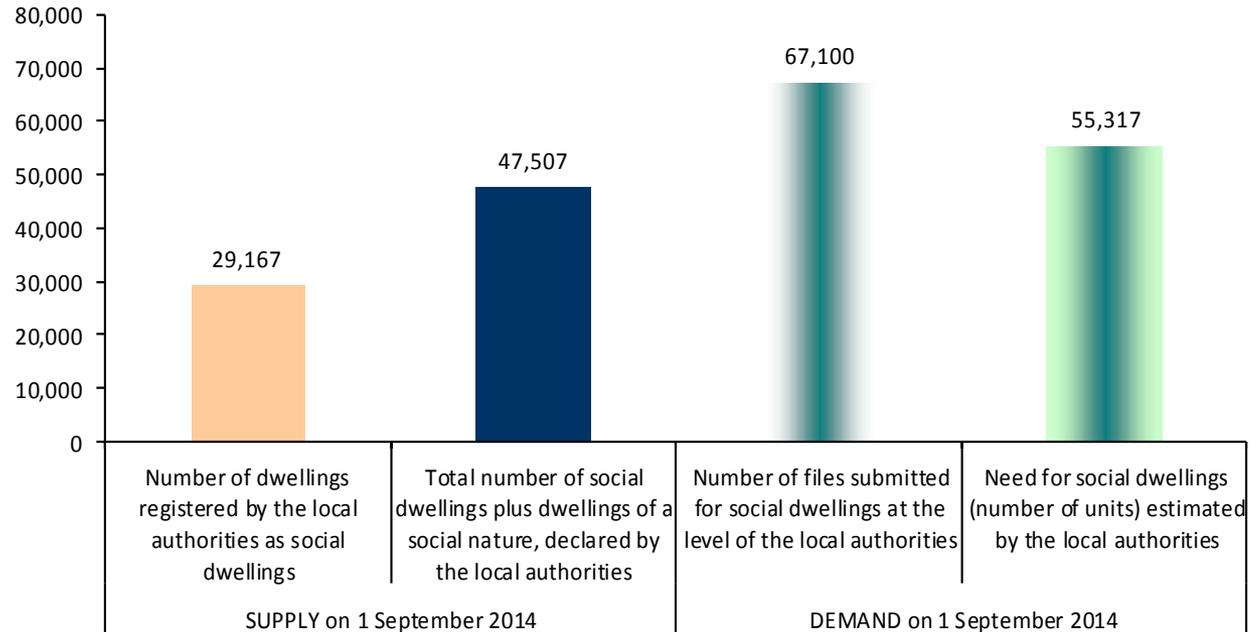
- Increasing financing for primary healthcare services, simultaneously with monitoring the efficiency of fund spending.
- Balanced distribution of the health system resources in order to reduce territorial inequities.
- Development of prevention services at a local level and ensuring the access of vulnerable groups to the primary healthcare services, by restoration (or development) of the national network of community healthcare nurses and health mediators.
- Continuous training of the suppliers of primary healthcare services (family doctors, community healthcare nurses and health mediators) in order to supply quality services, in compliance with clearly defined competences.
- Monitoring, assessment and continuous control of the supply and quality of the primary healthcare services.
- Planning, implementation, monitoring and assessment of information-education-communication programs and field activities that take into account the needs, beliefs and traditions of the vulnerable groups.
- Increasing access of vulnerable groups to the programs for health promotion and prevention of illness.

Sectoral Policies: Housing (a)

Issue:

- The fund of social dwellings and dwellings of a social nature is insufficient, old and of very low quality.
- The access of the social groups to social dwellings continues to be unsatisfactory.
- The problem of cumulated debts for rent and utilities requires an urgent solution.
- Evacuations from social dwellings in the absence of support mechanisms should be stopped.
- The social housing sector is seriously underfinanced as compared to the other European countries.

Supply and demand for social dwellings in Romania, at a national urban level



Source: MRDPA and World Bank, Survey on Social Housing (SSH), September - November 2014, N=300 municipalities/towns + 3 sectors of Bucharest, supplemented with information provided by General City Hall of Bucharest Municipality (for sectors 3, 4 and 5) within consultations with the local players organized in the project Regulatory Impact Assessment (RIA) Framework in Romania, World Bank, on 12 February 2015.

Sectoral Policies: Housing (b)

Specific objective: Increasing the access of vulnerable groups to housing services for accessible prices.

Directions of action:

- Establishing a strategic national framework for social housing .
- Establishing mechanisms of inter-sectoral coordination (MoLFSPE, MRDPA, MNE, MH) and strengthening cooperation between the central and local authorities.
- Preparation and financing of social housing programs (possibly on a determined land) targeted at vulnerable groups which do not afford to pay the rent or utilities, such as: homeless persons, young people leaving institutions, former convicts, victims of violence, persons evacuated from houses returned to their owners, persons addicted to substances.
- Subsidizing rents/utilities for the beneficiaries of Minimum Social Insertion Income living in social dwellings
- Analysing the opportunity to involve the social economy entities or private ones in the preparation, financing and implementation of the social housing programs for the vulnerable groups.
- Regenerating or improving the housing conditions (including access to basic services) by CLLD/LEADER type interventions in the marginalised urban/rural areas.

Sectoral Policies: Social participation

Directions of action:

- Art. 3 of Law no.292/2011- own responsibility – “circumstances and effort”. (Roemer, 1993);
- The beneficiary is encouraged/forced to take part: excellence principle 1 of 9 383/2005, contract 73/2005; 2126/2014, decision making, supply of services, etc. - increasing the beneficiaries’ participation in drawing up and implementation of the policies with a direct impact on them, in the achievement of individualized social support programs;
- Active involvement in the community life, through association forms: NGOs of the beneficiaries, cooperatives, protected units, FSS;
- Community facilitation in order to establish the new objectives and services, decisional transparency 52/2003 strategies, annual action plan, consultation of representative organizations of beneficiaries 292;
- Increasing the general population’s tolerance level to the vulnerable groups: education and campaigns of promotion and valuation of diversity, as well as by development and strengthening of the anti-discrimination mechanisms, those encouraging volunteering.
- Encouraging participation in volunteering activities - to the benefit of vulnerable persons, but also to maintain an active and healthy life.

- 1. Regional disparities**
- 2. Eradication of concentrated and persistent poverty from the marginalized communities**

Mrs. Cristina Grozavu, public manager

Mrs. Olivia Rusandu, public manager

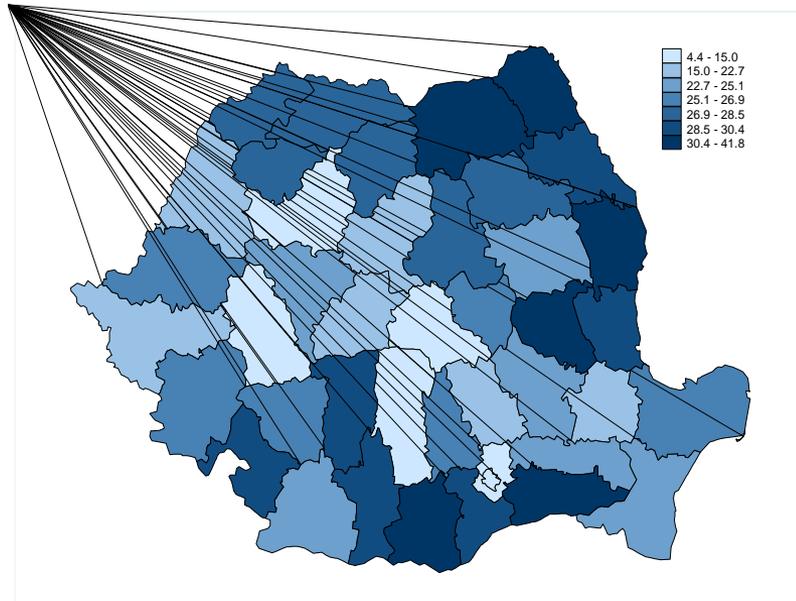
MoLFSPE

Strategic approach: Sectoral policies and specific territorial interventions targeting the poor/marginalized areas

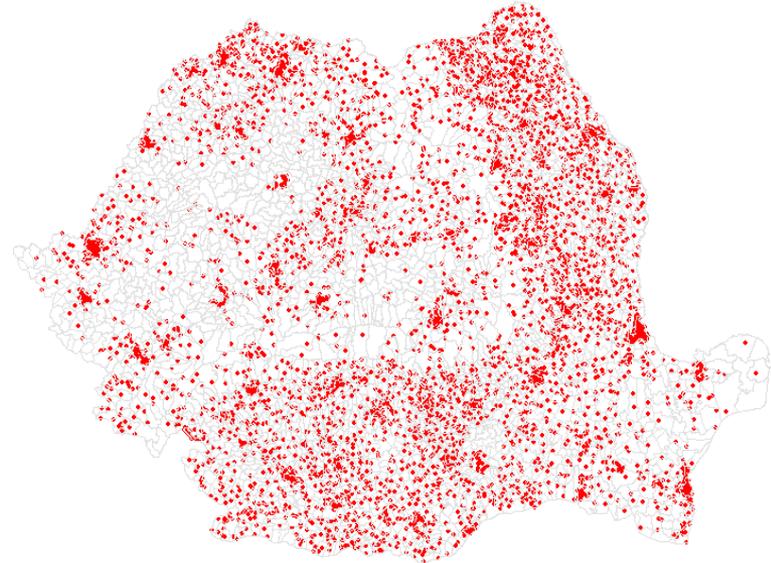
Type of disparities	Attributes
1. Regions/counties	Poverty concentration
2.a. Urban - Rural	Significant differences according to size (poverty, education, health, housing etc) as compared to the urban environment
2.b. Small urban areas - large urban areas	Areas whose profile is similar to that of the rural areas
3. Marginalized urban and rural areas	Concentrated areas of extreme poverty/severe deprivation

1. Regional disparity

Poverty ratio



Number of persons (thousands) below the at-risk-of-poverty threshold



- There is a visible concentration of poverty at the county level.
- Allotting resources only based on the poverty rate has its own limitations (the number of persons struck by poverty can be quite high in areas with a low poverty rate).
- The North and South regions have poorer results as compared to all the other regions based on all welfare indicators.

2.a. Urban - Rural Disparities

- The urban-rural disparities involve aspects such as:
 - poverty ratio,
 - existence and quality of infrastructure,
 - access to education, health and social services.
- The rural areas are heterogeneous in terms of geographical characteristics, population size, distance to towns or administrative form of organization (commune center/periphery).

2.b. Disparities between small urban areas - large urban areas

- ❑ Approx. 20% of all urban population is found in small urban areas (< 20,000 inhabitants).
- ❑ Small urban areas are very heterogeneous (a mixture of agricultural towns, former industrial centers, tourist areas).
- ❑ The least development areas are the localities that were declared towns (2002-2006), namely 51 localities with an average population of 7,500 inhabitants.

3. Marginalized urban and rural areas

The “**marginalized**” **urban areas** are defined as areas inside the municipalities, towns and communes that:

- (1) have a human capital deficit,
- (2) have a low level of formal employment,
- (3) provide inadequate housing conditions.

- Marginalized urban areas - 3.2% of the urban population
- Marginalized rural areas - 6.2% of the rural population

Marginalization aspects (criteria)

Aspect	Key indicators	
	URBAN	RURAL
Human capital	Proportion of population aged 15-64 who graduated maximum 8 grades	Proportion of population aged 15-64 who graduated maximum 8 grades
	Proportion of people with disabilities, chronic diseases or other medical conditions that affect the performance of their daily activities	
	Proportion of children (0-17 year old) out of the total population	
Employment	Proportion of people aged 15-64 that are not included on the labor market or in the education system	1: Proportion of people aged 15-64 that are not included in the education system and have never been included on the labor market (employees, employers or pensioners)
	Proportion of houses not connected to the electricity network	Proportion of houses not connected to the electricity network
Housing	Proportion of overcrowded houses (<15.33 m ² /person)	Proportion of overcrowded houses (Eurostat indicator)
	Proportion of households not owning the house	Proportion of houses not connected to the water network

Specific objectives

aimed at reducing regional disparities

- ❑ Development of basic infrastructure and services in the rural areas.
- ❑ Targeting a series of development programmes towards the small and isolated communes and villages.
- ❑ Providing technical support to the local authorities in view of developing the basic integrated and social services so that the ESI funds may be used.
- ❑ Improving vocational training in order to establish small and medium sized farms (forms of education/training for farmers), to develop and increase their productivity.
- ❑ Providing investment facilities for added value activities of food production or other economic activities in the agriculture field.
- ❑ Strengthening the subsistence farms in order to increase their productivity and sustainability

Priority interventions on the medium term (2015 –2018)

1. Implementing activation programmes aimed at increasing the employment level of vulnerable groups.
2. Increasing the financial support of people struck by poverty by strengthening the programmes based on income testing and activation measures.
3. Developing the integrated services provided at the community level.
4. Improving the social services targeting vulnerable groups.
5. Creating an instrument for the identification of poor rural areas and of marginalized (urban and rural) communities.
6. Establishing an e-social assistance system.
7. Developing a modern payment system
8. Strengthening the coordination, monitoring and evaluation mechanisms.

Technical annex:
Modeling the evaluation of relative
poverty risk:
Model hypotheses

Demographic evolution, 2014-2020

Age groups	Year							Change 2014-2020
	2014	2015	2016	2017	2018	2019	2020	
0-14	3,133	3,127	3,117	3,116	3,117	3,113	3,110	-24
15-19	1,093	1,088	1,092	1,090	1,081	1,071	1,061	-32
20-64	12,464	12,368	12,270	12,174	12,083	12,002	11,907	-557
65+	3,297	3,381	3,457	3,524	3,592	3,656	3,733	436
Total	19,987	19,964	19,935	19,904	19,873	19,842	19,810	-177

Note: Demographic prognosis NIS / EU / World Bank
Average population, in thousands people, per year

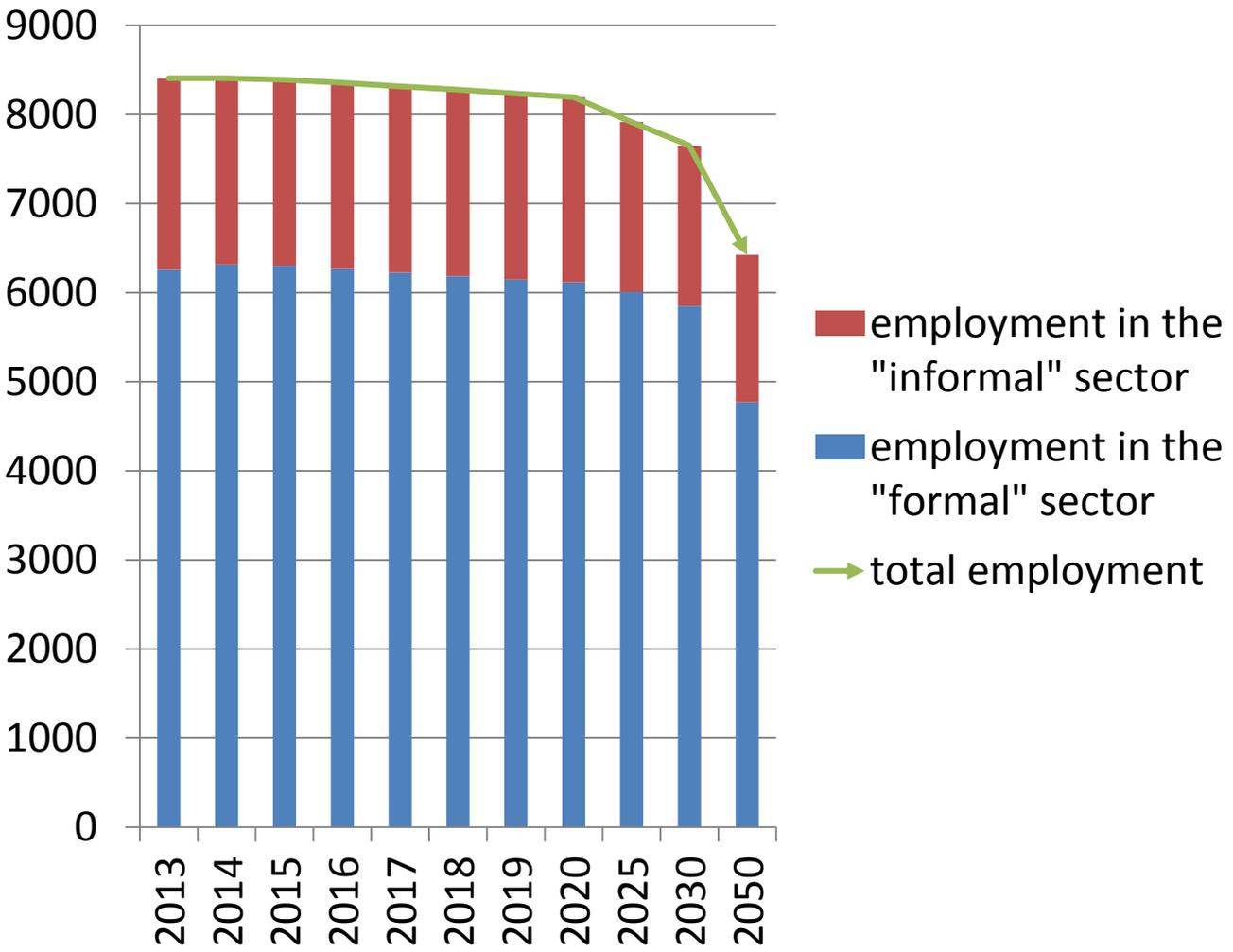
Hypotheses on macroeconomic evolution, 2014-2020

	GDP growth rate, in real terms, % per annum (3 scenarios)		
	Pessimistic	Base	Optimistic
2012			
2013	3.5	3.5	3.5
2014	2.5	2.7	3.0
2015	2.6	3.1	3.5
2016	2.5	3.7	4.0
2017	2.5	3.9	4.5
2018	2.5	4.0	5.0
2019	2.2	4.1	5.0
2020	2.2	4.1	5.0

Hypotheses on labor market evolution (employment, productivity, educational level), 2014-2020

	Employment rate (20-64)			Labor productivity, % of growth, per hour	% of young people between 18-24 with maximum 8 grades	% of university graduates, age groups 30-34
	Low	Base	High			
2012	63.8	63.8	63.8			
2013	63.6	64.1	64.5	1.5	14.8	20.2
2014	64.0	64.6	65.2	1.7	14.3	21.3
2015	64.4	65.1	65.9	2.0	13.8	22.1
2016	64.6	65.6	66.7	2.4	13.3	23.0
2017	64.7	66.1	67.4	2.7	12.8	24.0
2018	64.8	66.5	68.1	2.7	12.3	25.0
2019	64.8	66.8	68.9	2.7	11.8	26.0
2020	64.9	67.4	70.0	2.7	11.3	26.7

Labor market: formal vs. informal sector



Evolution of the public pension system: Pension/average salary ratio

