

**The Social and Economic Situation in
Countries of the FSU
Case Studies of Ukraine, Russia & Moldova**

**HIGHLIGHTS OF THE
INTERNATIONAL LITERATURE
and Source Documents**

**DRAFT
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Table of Contents

Introduction

1. Ukraine

- a. Comparative Economic and Social Indicators
- b. General Standards of Living and Poverty
- c. Health Services
- d. Nutrition/ Food
- e. Elderly: Pension Levels

2. Russia

- a. Comparative Economic and Social Indicators
- b. General Standards of Living and Poverty
- c. Health Services
- d. Nutrition/ Food
- e. Elderly: Pension Level

3. Moldova

- a. Comparative Economic and Social Indicators
- b. General Standards of Living and Poverty
- c. Health Services
- d. Nutrition/ Food
- e. Elderly: Pension Level

4. Bibliography

Introduction

The past 12 years have been years of turmoil in the republics of the Former Soviet Union, beginning with the dissolution of the FSU in 1991 and the transition from centralized to market economies. The negative impact on the populations of various republics was further exacerbated by the Russian economic crises of 1993 and 1998. Together, these changes have contributed to dramatic declines in standards of living over this period.

This review describes some of the impacts of this situation on the people living in Ukraine, Russia and Moldova. It is based on the most up-to-date data available from international comparative databases and on the literature in English and Russian from the major international organizations (such as World Bank, various divisions of the United Nations, World Health Organization, and International Monetary Fund) and from important sources – governmental and non-governmental – within the countries.

All of the information in this report is directly based on statements made or direct quotes from the literature. We have not exercised any independent review of these statements. However, we have only included information that seemed to be consistent with the reports from various sources and was not directly contradicted by any of the sources.

It covers a range of topics, from overall economic growth, to poverty and nutrition, and to key social support mechanisms, such as the health and pension systems. There is a particular emphasis on the situation of the elderly. We have attempted to provide a general overview and each of the topics covered could certainly be examined in greater depth.

While we feel we have already covered the bulk of the major literature, this is definitely still a work in progress.

Ukraine

Comparative Economic and Social Indicators

In 2002, the standard of living in the Ukraine is well below that which prevailed in 1989, prior to the transition. Real GDP declined in the 1990s so that in 1997 it was 37.4% of the level in 1989. Due to the resumption of economic growth in the last several years, by 2002 it rose to 46.5%, of the level in 1989. Parallel to this decline, real average wages (adjusted for inflation) declined throughout the 1990s to 48.9% of their 1989 level in 2000 and improved to 59.1% in 2001 with the spurt of economic growth in that year, which is continuing. In 2003 there has been new crisis with the emergence of poor harvests and grain shortages that have led to dramatic increases in prices of basic staples, such as vegetables and bread. It is still unclear how long this situation will persist. In 2002, the per capita GDP, adjusted for purchasing power, was \$5,344 compared with \$35,158 in the United States.

One indicator of the health and social situation is life expectancy. This has been increasing rapidly in the 1990s throughout the West and most of the developing world. By contrast, in Ukraine, life expectancy fell significantly between 1990 and 2002. In 2002, it was 60.9 for males and 72.1 for females, well below the levels for developed countries and many developing countries.

Sources:

UNICEF, Social Monitor [Brookdale data base]
World Health Organization, World Health Report [Brookdale data base]
U.S. Bureau of the Census, International Data Base (1996-2050) [Brookdale data base]
Economist Intelligence Unit, July 2003

General Standards of Living and Poverty

"The economic decline in the 1990s has had a serious and long-term impact on the income and the well-being of the Ukrainian people." A 2001 survey found that 80% of the population expects to experience ongoing financial difficulties. In two separate surveys conducted in 2000, respondents reported incomes insufficient to purchase enough food, housing, healthcare and clothing. [In the 2000 National Survey] "respondents assessed the sufficiency of their income to satisfy basic needs: 73% of them do not have enough food, 80% cannot pay for housing, 89% cannot receive medical services and buy medicines, 93% cannot buy enough clothes. While they prefer to expend income on food, their ability to satisfy other needs decreases, and the level of dissatisfaction with the ability to pay for housing, clothes and healthcare is higher."

Sources:

UNDP Prosperity Program April 2002, p. 3

"The life expectancy at birth has declined marginally between 1992 and 2000. The estimated level of GDP per capita in 2000 was \$700, which is more than 60% less than what it was a decade ago. The economic decline in the 1990s has had a serious and long-term impact on the income and the well-being of the Ukrainian people. "

Yatsenko, USAID Mission, 2001, p. 1

"According to the survey jointly conducted by the State Statistic Committee of Ukraine and ILO in the Fall of 2000, only 18.9% of the polled people found their financial

situation good or adequate. The remaining 81.1% foresaw they would be living in financial scarcity. "

Kalachova, State Statistics Committee of Ukraine, 2001, p. 3

"The majority of respondents [in the People's Basic Security in Ukraine Survey conducted in 2000] said that [their income] was not sufficient to cover the priority needs: food, housing, healthcare, clothing. ... Pensioners and unemployed feel least secured."

Novikova, National Academy of Science of Ukraine, 2001, p. 9

"Analyzing the assessment of respondents of sufficiency of their income to satisfy the first needs, we may say that 73% of them cannot have enough food, 80% cannot pay for housing, 89% cannot receive medical service and buy medicines, 93% cannot buy enough clothes. While they prefer to expend income on food, their ability to satisfy other needs decreases, and the level of dissatisfaction with the ability to pay for housing, clothes and healthcare is higher" [based on a poll conducted October-November 2000; part of the ILO Target Social and Economic Safety Program].

Poverty remains very high. The National Survey in 2000 found that over half of the population lived below 85% of the poverty level and three quarters live below 127% of the poverty level. Moreover, the United Nations Development Program identified 16% of the population in 2000 as extremely poor. There are high levels of distrust in government social security agencies and reportedly growing social unrest. "Ukraine is experiencing the creation of chronic "inherited" poverty, when children from poor families are predetermined to remain poor in adult ages."

Sources:

Novikova, National Academy of Science of Ukraine, 2001, p. 12

"The 75% of respondents have the average per capita household income up to UAH 150.00, among whom 53% - up to UAH 100.00. This means that more than the half of respondents have an average per capita income lower than the official poverty level – UAH 118.00. "

UNDP Prosperity Program April 2002, p. 3

"The poverty assessment indicates that in 2000, 45% of the population lives on less than \$1 a day and the number rises to 70% when the \$2 a day yardstick is used. Nearly 16% of the population is termed as extremely poor, living on less than 60% of the median equivalent expenditures. The people have also faced the erosion of social benefits and services, largely due to cuts in public expenditures and introduction of policies of gradual cost recovery in the social services."

Kalachova, State Statistics Committee of Ukraine, 2001, p. 4

"People have little trust in the government agencies dealing with social security: almost half of the respondents (49.4%) do not trust these government agencies."

Kyryan, Ukrainian Ministry of Labour and Social Policy, 2001, p. 24

"Today poverty is turning into one of the most important factors of the social tension and unrest in the society, the rapid decline in birth rates, the growing rates of emigration, including illegal emigrants, the high morbidity and mortality rates and the accelerated depopulation processes. Ukraine is experiencing the creation of chronic "inherited" poverty, when children from poor families are predetermined to remain poor in adult ages.... Therefore, poverty today may turn into the problem of the future."

The rate of poverty among those age 60 and older is variously estimated to be 40% overall in 2000-2001 and 93% among pensioners. The rate is estimated to be 88%

among those 50 to 60 years of age. Older adults reduced their expenditures on food and consumer goods at the end of the 1990s and reportedly receive fewer and poorer quality services. Furthermore, pensioners and those just before retirement age are very worried about their future financial situation and access to medical care.

Sources:

HelpAge International 2001; based on 2000-2001 estimates, p. 32

"The period since the end of Soviet rule in 1991 has been one of austerity for older Ukrainians, who make up nearly a quarter of Ukraine's total population of 50 million. They have fewer, poorer quality services. They have experienced a sharp reduction in financial security.

Male deaths in the Second World War, coupled with lower male life expectancy, have led to an imbalance between numbers of older women and older men, with nearly twice as many women aged 60 and over as men. Older Ukrainian women form a substantial and often isolated group. The 'oldest old' of both sexes – those over 75 – are set to rise from 5 to 8.7 percent of the population by 2026."

Yatsenko, USAID Mission, 2001, p. 1

Over 90% of Ukrainian pensioners are poor.

Novikova, National Academy of Science of Ukraine, 2001, p. 14

"In the older age groups the feeling of poverty is growing. Among respondents at the age from 50 to 60 years, the specific weight of poor people is 88%, and it is higher in the oldest age group – 93%."

Bezrukov and Foight, United Nations, 2000, AARP AgeLine Abstract

"Old-age pensions have fallen from about 40 percent of an average wage in 1985-1986 to just 15.7 percent of an average wage in 1995. As a result, expenditures on food and consumer goods by older adults have declined, though housing opportunities have increased slightly, due largely to public assistance and subsidies."

Kalachova, State Statistics Committee of Ukraine, 2001, p. 4

The level of dissatisfaction continues to grow among people of pre-retirement and retirement age. "Almost 82% are very worried about their financial and healthcare service situation in old age. 81.1% and 76.4% accordingly are expecting poor financial situation and inadequate healthcare in old age."

Despite recent economic growth since 2000, employment may not provide an escape from poverty, at least in the near term, as 70% of poor families already have at least one adult worker. In 2000, 25% of workers received wages lower than the poverty level; many industries pay wages lower than the official minimum wage. Moreover, positive economic growth was accompanied in some years (such as in 2000) by declining domestic consumption and real wages.

Sources:

Kyryan, Ukrainian Ministry of Labour and Social Policy, 2001, p. 24

"In contrast to many countries, the available job does not mean a guarantee of at least minimum prosperity. About 70% of all poor families has one adult worker.

About ¼ of workers received a wage which is lower than the poverty level and 72% of them – less than the minimum subsistence level, that was estimated in 2000 in the amount of UAH 270.1 per capita and in 2001 – UAH 311.3 per capita.

The positive changes in the national economy that happened in 2000 are accompanied by the further constriction of domestic consumption and a decrease in real wages by 0.9%. It was usual in many industries to pay wages which are lower than the minimum official wage."

Health Services

Expenditures on health care declined significantly during the transition years and reportedly had a disproportionate effect on older adults. In a 2000 survey, lack of access to acceptable health care services was reported by those living in rural areas (91%) and in urban areas (76%). "About 90 per cent reported that their income was inadequate to cover their healthcare needs."

Sources:

UNICEF, Social Monitor 2002, p. 74

Table 6.10 Public expenditures on health (as percent of GDP)

Bezrukov and Foight, United Nations, 2000, AARP AgeLine Abstract

"Expenditures on health care and social welfare have declined significantly [from 1986 to 1995] and have had a disproportionate effect on older adults."

Standing and Zsoldos, International Labour Organization, 2001, pp. 3, 36

" [In a 2000 survey, researchers found that] "Most Ukrainians felt that they do not have access to acceptable health care services in their neighborhood: 82 per cent of women and 79 per cent of men." (p. 3)

"The positive correlation between financial and health status was clear. "about 90 per cent reported that [their income] was inadequate to cover their healthcare needs" (p. 36).

[By the mid 1990's] "Ukraine had seen the development of a two-tier system of health care in which the poor suffer disproportionately from poor-quality treatment, shortages of necessary medicine and indifferent medical practitioners. Patients had to provide all medical supplies, including cotton, bandages, needles, anesthetics and antibiotics. For hospital stays, patients had to bring their own bed linens and food and arrange to have family members at the patient's bedside around the clock." [Even more recently it was reported that] "doctors commonly supplement their salaries by charging for operations and maternity care, and drugs are often available only privately."

Sources:

The World Bank, Wanner and Dudwick, 2003, p. 285

"As in education, a two-tier system was developing in health care in which the poor suffered disproportionately from poor-quality treatment, shortages of necessary medicine, and indifference on the part of medical practitioners....Patients had to provide all medical supplies, including cotton, bandages, needles, anesthetics and antibiotics. For hospital stays, patients had to bring their own bed linens and food and arrange to have family members at the patient's bedside around the clock. "

Economist Intelligence Unit, July 2003, p. 19

"Doctors commonly supplement their salaries by charging for operations and maternity care, and drugs are often available only privately."

Against the backdrop of poor health care are indications of urgent healthcare needs. "Poor health is a feature of Ukrainian society, in addition to the pervasive long-term effects of the Chernobyl accident of 1986.... According to data [gathered from the People's Security Survey conducted in 2000], a high proportion of adults suffer from health problems – including 48-52% of pensioners."

Sources:

Standing and Zsoldos, International Labour Organization, 2001, pp. 2-4

"There is no doubt that poor health is a feature of Ukrainian society, in addition to the pervasive long-term effects of the Chernobyl accident of 1986. (p.2) According to the data, a high proportion of adults were suffer from health problems...." (p. 3)
Figure 1: Respondents suffering from a chronic illness by work status and gender (p. 4)

Nutrition/Food

Insufficient agricultural and meat production and the declining purchasing capacity of the population over the 1990s threatened Ukraine's food security levels. As a result, the caloric intake in the late 1990s was estimated by the State Statistical Committee of Ukraine to be about 70% of what is considered necessary. "Consumption of meat has fallen by about 50% [between 1990 and 1996], fruit by over 20%, eggs by 40% and fish by 75%.... Nutritional deficiencies have become widespread, as Ukrainians have cut their consumption of expensive vitamin-and protein-rich foods in favor of cheaper bread and potatoes, in response to a sharp drop in incomes."

Sources:

National Security and Defense, 2001, p. 3

"The level at which the basic needs of Ukraine's population are met in terms of agricultural production remains insufficient. In grain production, Ukraine is behind not just developed European countries (Austria, Denmark, Spain.) but also its former COMECON partners – Bulgaria, Poland, Romania and Hungary.

Per capita meat production fell 2.5 times (from 84 kg in 1990 to 33.6 in 2000) over the last decade – one of the worst indicators in Europe: and many other basic indicators in the agro-industrial complex also declined. As a result, at the end of the 1990s, Ukraine's food security level was close to a critically dangerous level by FAO criteria.

According to the State Statistical Committee of Ukraine, the caloric content of nutrition received by the populace in the late 1990s was about 70% of what is considered necessary. It is worth noting that the insufficient volume of agriculture production is not the only cause of the decline in the level of Ukraine's food security – the quality of nutrition is not least dependent on the purchasing capacity of the population, which is critically low. "

The Economist Intelligence Unit, July 2003, p. 19

"Consumption of meat has fallen by about 50% since 1990, fruit by over 20%, eggs by 40% and fish by 75%.... Nutritional deficiencies have become widespread, as Ukrainians

have cut their consumption of expensive vitamin-and protein-rich foods in favor of cheaper bread and potatoes, in response to a sharp drop in incomes."

In a 1996 study, the poorest – disproportionately pensioners – "cite hunger as the worst aspect of their lives. After purchasing bread, these households barely had any money left. Many existed on bread, milk and tea." In a 2000 survey, very large majorities reported that their household incomes were insufficient to cover food needs. Among those most severely affected were pensioners – 82% of whom reported that their incomes did not cover their food needs.

Sources:

The World Bank, Wanner and Dudwick, 2003, p. 265

" [In interviews conducted between October 1995 and March 1996] The destitute cited hunger as the worst aspect of their lives. After purchasing bread, these households barely had any money left. Many existed on bread, milk and tea. Household and utility charges, medicine, clothing, and other necessities were entirely unaffordable. The destitute tended to be pensioners and young single people without a social support network."

Standing and Zsoldos, International Labour Organization, 2001, p. 35-36

"Most people in Ukraine reported that their household income was insufficient to cover their food needs, and this applied to three-quarters of all industrial workers, 82% of pensioners, 65.8% of agricultural workers, 64.1% of students, 70.8% of private service workers, 83.7% of the unemployed and 72.2% of those working in the public service sector. In all cases, even higher proportions said their incomes were insufficient for their housing needs, and about 90% reported that it was inadequate to cover their healthcare needs. This is chronic income insecurity."

Elderly: Pension Levels

The value of pensions declined "from about 40 percent of an average wage in 1985-1986 to just 15.7 percent of an average wage in 1995." Declining pension values and the eradication of savings precipitated by bank failures and hyperinflation between 1992 and 1994 have all contributed to very high poverty rates among the elderly.

Sources:

Bezrukov and Foight, United Nations, 2000, AARP AgeLine Abstract

"Old-age pensions have fallen from about 40 percent of an average wage in 1985-1986 to just 15.7 percent of an average wage in 1995."

Yatsenko, USAID Mission, 2001, pp. 1, 7

"The current pension system does not ensure the important linkage between the contributions made and benefits paid. The pension contributions stay high compared to the inadequately low pension benefits" (p. 1).

" [P]eople invest in private pension plans if they are confident in appropriate management of their assets and receiving pension benefits upon retirement. The previous years of bitter experience gave Ukrainians the grounds to doubt the reliability of private pension plans. In addition, many large banks bankrupted, and the hyperinflation of 1992-1994 erased all savings" (p. 7).

The ongoing pension crisis was precipitated not only by the economic crises of the 1990s but also by the large number of pensioners relative to workers, black market activities,

and ongoing public distrust in pension reform. "The old system of social insurance has effectively gone bankrupt," so that, without pension reform, assessments are that Ukraine's 14 million pensioners will continue to face extreme poverty.

Sources:

Yatsenko, USAID Mission, 2001, p. 1

"Along with the economic crises of 1990s, the aging population of Ukraine per se causes the fundamental problem for the pension system: an ever decreasing number of working people will have to support more and more pensioners in future."

Dubrogonov, 2000, AARP AgeLine Abstract

" [There are] problems associated with pension reform in Ukraine associated with the large informal ("black market" or underground) economy in the post-Soviet era.... Together with a decline in output in the formal sector and rising unemployment, in formalization has become one of the main reasons for the severe crisis in the Ukrainian pay-as-you-go pension system. Analyses indicate that public trust in pension reform plays a crucial role in its success and in economic development in general."

Oxford Analytica, 2001

"The old system of social insurance has effectively gone bankrupt, and no new social protection programmes have been established. Without pension reform, many of Ukraine's 14 million pensioners are doomed to extreme poverty, especially in view of the decline in the birth rate and increasing mortality rates among the population of employable age."

Bezrukov and Foight, United Nations, 2000, AARP AgeLine Abstract

"The position of older adults in Ukraine – especially in regard to income and housing security- will depend on the success of current government reform proposals."

Russia

Comparative Economic and Social Indicators

In 2002, the standard of living in Russia is well below that which prevailed in 1989, prior to the transition. Real GDP declined throughout the 1990s and in 1997 was 58% of the level in 1989 and fell further in the major financial collapse of 1998. Due to the resumption of economic growth since 1999, by 2002 it rose to 64.3% of the level in 1989. Parallel to this decline, real average wages (adjusted for inflation) were 45.9% of their 1989 level in 1995 and recovered to 52.7% in 2001. In 2002, the per capita GDP, adjusted for purchasing power, was \$7,926 compared with \$35,158 in the United States.

One indicator of the health and social situation is life expectancy. This has been increasing rapidly in the 1990s throughout the West and most of the developing world. By contrast, in Russia, life expectancy in 2002 was significantly below that of 1990. In 2002, it was only 62.3 for males and 73.0 for females, well below the levels for developed countries and many developing countries.

Sources:

UNICEF, Social Monitor [Brookdale data base]

World Health Organization [Brookdale data base]

U.S. Bureau of the Census, International Data Base (1996-2050) [Brookdale data base]

General Standards of Living and Poverty

Poverty rates rose significantly over the transition years; there are various estimates of the change. The Russian Bureau of Statistics reports that poverty increased from 10-12% in 1990 to 25%-33% in 2000. There have been some declines since 1989, but poverty remains high. The poor are predominantly single women over age 65 and two-parent families, previously part of the middle class, with one or two children.

Sources:

Oxford Analytica, 2000

"The proportion of the Russian population living in poverty is estimated at 25-33%, compared with 10-12% in 1990. Poverty is defined as living on less than the subsistence minimum (SM), with the official poverty line based on the cost of the consumer basket. In September, Goskomstat set the SM at 695.5 roubles per month (24.9 dollars)."

UNICEF, Social Monitor 2002, p. 4

"While poverty has declined in Russia since 1998, it still affects 3 in 10 young children in that country."

World Bank, Grootaert and Braithwaite, 1998, pp. 48-49

"In Russia, out of all poor individuals, approximately 60 percent live in families with children, while slightly more than 40 percent live in childless homes....For single Russian females, the poverty rate was high but so too was the share (60 percent) aged 65 or older."

Rimashevskaya, Russian Academy of Sciences, 2000, p. 2

"40-60% of the poor consist of two-parent families with one or two children in their prime working years. These "new poor" are people who were previously considered middle class."

Poverty rates vary by population groups. The elderly are disproportionately poor (two-thirds in 1998-99), as are one-parent families (more than half in 1998-99). In general, rural areas have higher rates of poverty than urban areas. For example, the poverty rate in the Russian Far East is more than four times the rate in Moscow. The North Caucasus and North-European parts of Russia have the highest concentrations of poverty.

Sources:

Rimashevskaya, Russian Academy of Sciences, 2000, p. 2

More than half of one-parent families and two-thirds of pensioners are under the poverty level.

The regions with the highest concentration of poverty include the North Caucasus and North-European part of Russia.

Food and Agricultural Organization of the United Nations, May 1999

Structurally, the level of the poor is higher in the rural than in the urban areas (e.g., 15% in Moscow, 60-70% in the Far East).

The income gap between the wealthy and the poor in Russia is estimated to be higher than in any other Eastern European country.

Sources:

Oxford Analytica, 2000

"The income levels enjoyed by the wealthiest sections of the population are more than 14 times higher than those of the poorest. This is estimated to be the largest income gap in all of the East European transition economies."

A very small percentage of the poor who are eligible to receive benefits actually receive them. The poor report widespread dissatisfaction with nutrition and housing conditions.

Sources:

Ovcharova, I.E.T., 2001, p. 28

"25% of the population is officially eligible for benefits due to poverty; however, only 5-6% actually receive such benefits."

Food and Agricultural Organization of the United Nations, May 1999

"The poor show overall dissatisfaction with nutrition (94%), housing conditions (74%), provision with modern home equipment (86%)."

Health Services

The quality of the health care system declined dramatically over the 10 years following the collapse of the Soviet Union. Since 1992, government medical spending has been cut by 75%. According to the World Bank, 54% of health bills within Russia's public system are now paid out of patients' pockets.

Sources:

Webster, Lancet, 2003, p. 498

"Although the Russian constitution still guarantees universal access to medical care, health-care quality has declined dramatically since the Soviet collapse in 1991... Since 1992, government medical spending has been cut by 75%. According to the World Bank, 54% of health bills within Russia's public system are now paid out of patients' pockets."

Currently, only about 4% of GDP is going to health services and a 2003 government report concluded that the health insurance fund received only about one fifth of the funds it actually needs.

Sources:

Lancet Editorial, 1999, p. 337

"Despite the desire to provide free care for all, the health service received only about 4% of the GDP, compared with 8 - 9% in most market economies.... With the country in such political and economic turmoil, funding is likely to remain inadequate, and the effect the changes will have on access to health care remains to be seen. "

Webster, The Lancet, 2003, p. 498

" [A Jan 2003] report from the Kremlin's Government Control Directorate (GKU), concluded that because Russia's health insurance fund receives only a fifth of the funds required to adequately sustain the system, patients are denied 'equal access to free medical services guaranteed by the state.'"

Even before the economic crises of the 1990s, the Russian health care system was operating well below optimal levels. "Facilities were old, many without running water and health care personnel were paid as much as a third below the national average." Poor training and heavy patient loads also contributed to improper diagnoses. "The last decade has seen the virtual collapse of Russia's health care system. Although Soviet-era conditions were poor, with long waits, brusque bureaucracy and uneven standards of care, today's problems are more fundamental. Public hospitals and clinics lack the most basic medicines and equipment and are nearly overwhelmed by an increasingly sick population. Despite successful reform efforts in a few localities and the heroic efforts of dedicated doctors to improvise their way around the shortages, the overall statistics are grim."

Sources:

Wines, New York Times, 2000, Late Edition – Final, Section A, Page 1, Column 2

"Russia's health care system is ancient (one in 10 hospitals was built before 1914), ill equipped (one in five hospitals have no running water), huge and inefficient (12,000 hospitals and 20,000 clinics). Doctors and nurses are astonishingly underpaid, as much as a third below the national average, as of December 2000. The best leave for better jobs. Those who stay battle a lack of money, medicine and equipment it. "

The New York Times, Editorial, January 2, 2001

"The last decade has seen the virtual collapse of Russia's health care system. Although Soviet-era conditions were poor, with long waits, brusque bureaucracy and uneven standards of care, today's problems are more fundamental. Public hospitals and clinics lack the most basic medicines and equipment and are nearly overwhelmed by an increasingly sick population. Despite successful reform efforts in a few localities and the heroic efforts of dedicated doctors to improvise their way around the shortages, the overall statistics are grim."

Maclean's Toronto, 1993, p. 29

"With the collapse of the Russian economy, the grim state of the health care system has become shockingly clear. A government study (published Fall 1992) showed that 40% of Russia's hospitals lacked hot water, 18% had no sewage systems and 12% had no water at all. Much of hospital equipment is obsolete and broken and supplies are poorly stocked. Ambulances are often unavailable because drivers use them as unlicensed taxis."

Kessler, Employee Benefits Journal 1998, start page 18

"A main and overriding issue [in 1998] is the inability to receive proper diagnoses; the first doctors that a patient sees are usually very poorly trained and overworked in terms of patient load. If diagnosis is done correctly, the next major hurdle is adequate and correct treatment. Drugs are in very short supply, and patients often must seek them out themselves or use what is available."

The impact of the antiquated system, as well as declining government expenditures, may be seen along a number of dimensions, including, for example, declining life expectancy and rising incidence of Tuberculosis and other infectious diseases.

Sources:

Maclean's Toronto, 1993, p. 29

"As the medical system crumbles, overall levels of health among Russians are declining as well. Doctors are paid the equivalent of \$16-30 per month."

UNICEF Social Monitor 2002, pp. 9-10

"The case of Russia is of particular concern, with recent signs of a significant climb in mortality among adult men and women ... aged 20-24 between 1996 and 2000. The increases that occurred after 1997 mean that the mortality rates in this age group in 2000 were higher in Russia than in any other country in the region and higher than at any stage since 1989."

Lancet Editorial, 1999, p. 337

"In today's Russia, control of infectious diseases, such as diphtheria, multidrug-resistant tuberculosis, and sexually transmitted diseases, is a struggle; infant mortality is three to four times, and maternal mortality is five to ten times, those of other industrialized countries; and life expectancy has plunged. In the 1960s Russia was the second strongest industrial power in the world, yet now life-expectancy for Russian men (57.6 years) is lower than the average for developing countries (64 years). For both men and women, increasing death rates at 30-60 years of age account for most of the fall in life-expectancy, and heavy alcohol consumption is a major contributing factor. The downturns in health have been especially striking in the 1990s."

The New York Times, Editorial, January 2, 2001

"The last decade has seen the virtual collapse of Russia's health care system. Although Soviet-era conditions were poor, with long waits, brusque bureaucracy and uneven standards of care, today's problems are more fundamental. Public hospitals and clinics lack the most basic medicines and equipment and are nearly overwhelmed by an increasingly sick population. Despite successful reform efforts in a few localities and the heroic efforts of dedicated doctors to improvise their way around the shortages, the overall statistics are grim. Male life expectancy has declined to just 59.9 years, compared with 74.1 years in the United States. Russia's death rate now surpasses its birth rate. Once tamed infectious diseases, including tuberculosis, diphtheria and polio, are again spreading at worrisome rates. On top of this, many Russians have responded to economic hardships with self-destructive forays into alcoholism and violence."

While the overall level of health care is low, the poor fare even worse. Even though Russia still theoretically guarantees universal access to medical care, those with wealth and/or connections fare better. In 1997, only 1% of the population could afford insurance and special clinics, and in 1998, 1% of the medical service expenditures went to the poorest population groups, while 46% went to the wealthiest. The homeless, among the poorest, cannot receive outpatient medical care without documentation of address; between 1999 and 2003 nearly 1,700 homeless people in Moscow died of hypothermia.

Sources:

Rusinova and Brown, 2003, Abstract

"Those with connections and better knowledge of the state medical system are able to interact more effectively with physicians, take greater advantage of supposedly free services, and thereby gain access to the best care.

The brunt of the inadequacies of impoverished and inefficient state medicine is born by those who lack both the skills to "work" the system and the resources to pay for private care outside it. This reinforces the long-standing cultural predisposition to delay treatment until health problems become more difficult and costly to manage."

Possehl, Hospitals and Health Networks, 1997, start page 42

"The Russian state health care system, which is supposed to provide equal care for all, is among the last vestiges of Communism. In 1997, Russia's health system was in the process of developing a 2nd tier that depended on the patronage of the wealthy, and the quality of care can differ greatly. A visit to a Western-style clinic costs more than the average Russian's monthly wage.

In 1997, the number of Russians who could afford insurance and special clinics was limited to 1% of the population. The other 146 million contended with a much grimmer reality, with both the state system and general health status facing serious challenges: Outside major cities, the situation is desperate, with scarcity of medication and beds. In the Russian Far East, doctors went on a hunger strike because they had not been paid."

Rimashevskaya, Russian Academy of Sciences, 2000, p. 3

"In 1998 only 1% of all medical services expenditures go to the poorest population groups, while 46.4% go to the wealthiest population groups."

Ford, Lancet, 2003, p. 887

"As of Feb 25, 2003, 360 people have died of hypothermia since winter began, bringing the total number of deaths on Moscow's streets in the past 4 years to 1697.

Despite constant lobbying over the past decade, there are no outpatient medical services available for homeless people, and hospital services are expensive and only available for people without documents in emergencies."

The costs of medicines and medical devices are unaffordable for many. A 2002 survey indicates that 12-16% of sick people cannot afford needed medicines. The situation is severe for the elderly who are most in need of medicines. Various reports indicate that at least 20,000 cancer patients die annually because they cannot afford medicine and that 200,000 diabetics are unable to get insulin. In addition, those with disabilities face additional high costs; for example, an artificial limb reportedly costs \$2,000 today.

Sources:

Maksimova, Moscow: Per Se, 2002, p. 139

"According to surveys of physicians 80-90% of physicians surveyed for the 2002 study report that they discuss the cost of drugs with their patients. This generally results in the prescription of a cheaper, less effective drug than the optimal choice, which may lead to complications. Despite physicians' efforts to accommodate patients' limited purchasing power, surveys show that 12-16% of sick people are still unable to buy the drugs prescribed for them.

[G]roups that have most need of medicine – in particular, the elderly – are least able to afford it.... Matters would be worse yet if not for the fact that 15% of the population have privileged access to medicines."

Wines, The New York Times, 2000, Late Edition – Final, Section A, Page 1, Column 2

"By a 1999 estimate, at least 20,000 cancer patients die annually because they cannot afford medicine. By another, some 200,000 diabetics are unable to get insulin, even though the government guarantees a free supply, because local and regional governments cannot afford to buy it."

Blagov, Global Information Network, 2003, p. 1

"The disabled encounter particularly severe difficulties in the winter. Russian cities are not easy for anyone in a wheelchair; facilities such as ramps, wheelchair accessible toilets and special parking for the handicapped are rare. Artificial limbs, once distributed for free in Soviet days, now cost about \$2,000 – prohibitively expensive for most people."

As in the Ukraine, the condition of the health care system must be evaluated against the backdrop of environmental problems (two-thirds of the population live in areas in which air pollution levels exceed health and safety standards), high disease and mortality rates (documented earlier) and high disability rates.

Sources:

WHO Country Highlights, 1999

More than two-thirds of the population live in areas affected by air pollution at levels exceeding health and safety standards in force.

Blagov, Global Information Network, 2003, p. 1

"There are an estimated 10.8 million people listed as disabled in Russia – about one in every 14. [Labor Minister Alexander Pochinok said] that the figure could reach 15 million over the next few years. "

Nutrition/Food

The impact of the economic crises in the 1990s, both on incomes and the social/health service system, has resulted in a serious deterioration of the Russian population's nutrition patterns. An estimated 40% of the Russian population was receiving insufficient nutrition at the end of the 1990s. Population of some Russian regions suffers from faster growth of food prices as compared to incomes. These include regions in which price increases exceeded income increases by at least 30% between 1995 and 1999 (three regions in Central Russia, three in Southwest or South Siberia, two in the Far East and one in North Russia and the Caucasus).

Sources:

Baturin, I.E.T., 2001, p. 33

"The economic instability in Russia during the reform years entailed serious deterioration of population's nutrition patterns."

Ovcharova, I.E.T., 2001, p. 21

"The drop of household incomes during years of transition has greatly undermined food security of most Russian families."

Serova, I.E.T., 2001, p. 14

"Population of some Russian regions suffers from faster growth of food prices as compared to incomes."

Rimashevskaya, Russian Academy of Sciences, 2000, p. 2

"About 60 million people are living in very hard conditions and are receiving insufficient nutrition."

One source indicates that milk and dairy product consumption declined by 43% and meat consumption by 36% between 1990 and 1998. Another source reports a 21% decline in dairy consumption and a 15% decline in meat consumption over the same period. In 1996 the average daily caloric consumption was 30% lower than recommended by the World Health Organization and on par, at the end of the 1990s, with developing countries having problems with food supply.

Sources:

Ovcharova, I.E.T., 2001, p. 21

"The average per capita consumption of food items declined as follows:
Milk and dairy products – from 386 kg in 1990 to 253 kg in 1995 and to 219 kg in 1998; Meat consumption – from 69 kg in 1990 to 52 kg in 1995 and to 44 kg in 1998.

The consumption of the food items declined: milk and dairy products from 278 kg in average per capita in 1995 to 219 kg in 1998; meat consumption – from 52 kg in average per capita in 1995 to 44 kg in 1998.

The caloric intake dropped to the level of developing countries having problems with food supply. "

World Health Organization, Country Highlights, 1999

"In 1996, average daily calorie consumption per head was approximately 30% lower than the level recommended by WHO, and the diet of all population groups contains an inadequate amount of B group vitamins."

Rimashevskaya, Russian Academy of Sciences, 2000, p. 2

"Long-term poverty led to 10% of urban families and 5% of rural families suffering from insufficient calorie intake and 20-40% experienced protein hunger in 1996."

In 2001 reported that a majority of Russians suffer from a variety of nutritional deficits including vitamins, minerals and protein. Vitamin A sufficiency decreased from 70% in 1989 to 57% in 1996 and Calcium from 80% to 56%.

Sources:

Baturin, I.E.T., 2001, p. 35

"Russians suffer from vitamin and mineral deficits, including: Vitamin A – sufficiency decreased from 70% in 1989 to 57% in 1996. Calcium – sufficiency decreased from 80% in 1989 to 56% in 1996."

Incidence of malnutrition is highest among the poor, with various studies reporting malnutrition among impoverished groups and arguing that it is a serious issue of concern. A study relying on 1996 data indicates that urban families were twice as likely to suffer from insufficient caloric intake as rural families. Specific outcomes have also been reported, ranging from a reduced body mass index among men in lower income groups to a deterioration of children's anthropometric status. Undernourishment is reported to be a new feature of poverty in Russia, which in the past was more likely to be characterized by poor housing conditions and inadequate clothing.

Sources:

Ovcharova, I.E.T., 2001, p. 32

"Poorer population groups are most affected demonstrating medical signs of malnutrition."

Rimashevskaya, Russian Academy of Sciences, 2000, p. 2

"Long-term poverty led to 10% of urban families and 5% of rural families suffering from insufficient caloric intake and 20-40% experienced protein hunger in 1996."

Baturin, I.E.T., 2001, p. 41-42

"Breast-feeding period has been decreasing, and children's health and their anthropometric status has also deteriorated. Malnutrition in low-income families is a serious issue of concern."

Elderly: Pension Levels

Over the 1990s, large and systematic deficits occurred in all social funds, including the pension fund. The pension fund was also drawn upon for non-mandated uses, further contributing to its insolvency. "As a result, the system is chronically unable to cover the broad field of social risks that have brought about its low efficiency, crisis and actual bankruptcy."

Sources:

Oxford Analytica, 2000

"In 1997, enterprise arrears accounted for 51% of total obligations to the Pension Fund, 40% to the Social Welfare Fund, 120% to the Health Insurance Fund and 174% to the Unemployment Insurance Fund. Moreover, the federal and local administrations often gain access to the funds' resources (especially the Pension Fund) for opaque and non-mandated uses (eg, to reduce pension or wage arrears temporarily ahead of local elections). As a result, the system is chronically unable to cover the broad field of social risks that have brought about its low efficiency, crisis and actual bankruptcy in the first place."

In 1998 pensions were the only source of income for 2/3 of elderly households and yet, between 1992 and 1998, average pension values declined from 117% of the poverty level in 1992 to 70% of the poverty level in 2000. In 2000, pensions "did not provide sufficient income to bring half the country's population above the poverty level."

Sources:

Tchernina, Ageing and Society, 2002, AARP AgeLine Abstract

"In the decade since the collapse of the Soviet centrally planned welfare state, poverty has affected a rising number of older persons in Russia. Most have seen their savings annihilated and their pensions devalued, and all have had to face the degradation of medical care and personal social services."

Ovcharova, I.E.T., 2001

"Minimal pension as percentage of the poverty level declined from 85% in 1992 to 67% in 1998 to 49% in 2000. Average pension as percentage of the poverty level declined from 117% in 1992 to 115% in 1998 and to 70% in 2000."

Rimashevskaya, Russian Academy of Sciences, 2000, p. 3

"The largest transformation of the social service system occurred in the pension system. As a result, today pensions do not provide sufficient income to bring half of the population's elderly above the poverty level."

"The elderly have arguably suffered the most during Russia's uneasy transition to a market economy. Too old to find new ways of earning money in the post-Soviet economy, most of the country's elderly are forced to survive on their pensions alone, which, at an average of \$45, do not even meet the official subsistence wage of \$60 a month. The problem is especially dire in Moscow, where living expenses can soar to nearly three times that amount.... Living on so little money reduces the life of a pensioner to a kind of grim mathematical equation. Monthly expenses may include \$10 for housing and utility costs, \$3 for a garden plot outside of Moscow; at least \$3.50 must be set aside every month for medicine. After that, just 55 rubles (\$1.70) remain to spend each day on food and other small necessities."

Sources:

Mereu, Russia Political Weekly, 2002

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Moldova

Comparative Economic and Social Indicators

In 2002, the standard of living in Moldova is well below that which prevailed in 1989, prior to the transition. Real GDP declined throughout the 1990s and in 2000 was 32.6% of the level in 1989. Due to the resumption of economic growth in recent years, by 2002 it rose to 38.4% of the level in 1989. Parallel to this decline, real average wages (adjusted for inflation) were 35.8% of their 1989 level in 2000 and have then somewhat increased. In 2002, the per capita GDP, adjusted for purchasing power, was \$1,432 compared with \$35,158 in the United States

One indicator of the health and social situation is life expectancy. This has been increasing rapidly in the 1990s throughout the West and most of the developing world. By contrast, in Moldova, life expectancy fell significantly between 1990 and 2002. In 2002, it was only 60.4 for males and 69.3 for females, well below the levels for developed countries and many developing countries.

Sources:

UNICEF, Social Monitor 2002 [Brookdale data base]

World Health Organization [Brookdale data base]

U.S. Bureau of the Census, International Data Base (1996-2050) [Brookdale data base]

General Standards of Living and Poverty

The transition from a centralized to a market economy has contributed to increasing economic insecurity. "In Soviet times, all people of working age worked, and older people received pension payments. Although formal wage payments were low, there were significant non-wage benefits, as well as price controls and subsidies on consumer goods."

Moldova, one of the poorest republics of the Former Soviet Union (FSU), is closely tied to the Russian economy and was therefore severely impacted by the economic collapse of the Soviet Union and the Russian economic crisis in the third quarter of 1998. Poverty rates increased to an estimated 62% and unemployment rates to an estimated 28% of the labor force in the late 1990s. Even among the employed, the poverty rate was 22%. After the 1998 crisis, poverty, which had most affected rural populations, also affected the previously non-poor in urban areas.

Sources:

World Bank, Poverty Assessment Summaries, Moldova, 2000, pp. 6, 9.

"In Soviet times, all people of working age worked, and older people received pension payments. Although formal wage payments were low, there were significant non-wage benefits, as well as price controls and subsidies on consumer goods. Only those totally cut off from the formal labor market were considered to be in need of special interventions. Poverty was regarded as a social pathology, and these 'excess' cases included alcoholics, the handicapped, vagrants or the elderly infirm. The Moldovan social protection system is still oriented towards this old philosophy" (p. 9).

"Official unemployment rates are very low, but greatly underestimate the true number of those out of work. Registered unemployment is about 23,000 workers, but if workers who are on forced or unpaid leaves, the official unemployment rate rises to over 12% of the

labor force. Data from the household survey presents a more serious picture- the rate of unemployment and unpaid leave is closer to 28% of the labor force.

Being officially employed or not has a very small effect on whether a person is poor. Those with jobs have about a 22% chance of being poor, while the unemployed have about a 28% chance of being poor because salaries are often extremely low and are often delayed by several months. The unemployed rely on trade, seasonal employment and transfers from family members" (p. 6).

World Bank, Murrugarra and Signoret, 2003, pp. 2, 42

"Moldova is one of the poorest countries in Europe and was severely affected by the Russian crisis. Incidence of poverty increased by about 10% (from 52% to 62%)" (p. 2).

"Poverty in Moldova had been concentrated in rural areas, but after the crisis, non-poor in urban areas were also severely affected" (p. 42).

World Bank, DeSoto and Dudwick, 2003, pp. 339-340

"In urban and rural areas alike in Moldova, many houses had no gas or water connections. Many families could not afford coal to heat their houses for the winter. Throughout the country, access to potable water was a problem, and in villages, water was supplied exclusively from wells, with hours waiting on line to get it. For the poorest, including the elderly, life has become a struggle to survive."

Health Services

The healthcare system was severely affected during the transition years, particularly during the Russian crisis in 1998. Between 1997 and 2000, government spending on health care declined from 6% to 2.9% of GDP – the equivalent of a 46% decline in average per capita health expenditures. The population's utilization of health care services, particularly of primary care, was similarly affected: outpatient visits declined by 30%. By the end of the 1990s many could no longer afford basic medicines.

Sources:

World Bank, Murrugarra and Signoret, 2003, pp. 28-29, 35

" [Moldova's extensive healthcare system] presented a major burden to the government in face of a decade of difficult transition and of a major regional crisis. The response has been one of major restructurings and expenditure cuts.... According to official statistics, in 1999, after the Russian Crisis, public fiscal expenditure on health was ...2.9% of GDP. This same figure ...in 1997 [was] 6% of GDP" (p. 28).

"Health expenditures in Moldova during the period after the Russian Crisis drop on average by 7.4 lei per capita (a proportional drop of 47%)" (p. 29).

"Before the crisis, 33.5% visited at least once a health clinic or a hospital per month. And most households visited clinics (31.9%) compared to hospitals (5.2%). For the period after the crisis, the percentage of households that had visited either a clinic or a hospital decreased almost 7 percentage points, from 33.5% to 26.8%. Most of this decrease comes from a decreased utilization of clinics. Clinic utilization dropped by 6 percentage points.... (p. 35).

UNICEF, Social Monitor 2002, p. 74.

Table 6. 10. Public expenditures on health

HelpAge International 2001, p. 26

"Nutrition, health status and access to health have worsened [since 1991]. Life expectancy in Moldova now stands at 66 – the lowest in Europe. From 1991 to 1999, the daily caloric intake of the average older person dropped by half. Able-bodied older people in rural areas could grow some of their own food, but older people in urban areas suffered badly. Many older people now cannot afford the cost of basic medicines."

The health status of the Moldovan population declined over the 1990s, with rising overall death rates, increasing incidence of infectious and other diseases and declining nutritional status.

Sources:

World Bank, Poverty Assessment Summaries, Moldova, 2000, p. 12

"The health care status of Moldovans is worsening, with the poor suffering the most. The crude death rate (death rate per 1,000 persons) increased from 9.7 in 1990 to 11.5 in 1996, and the infant mortality rate increased from 19.0 per 1,000 live births in 1990 to 20.2 in 1996. The incidence of diseases such as tuberculosis, hepatitis, circulatory diseases, malignant neoplasms and syphilis have increased rapidly since independence."

HelpAge International, 2001, p. 26

"Nutrition, health status and access to health have worsened [since 1991]. Life expectancy in Moldova now stands at 66 – the lowest in Europe. From 1991 to 1999, the daily caloric intake of the average older person dropped by half. Able-bodied older people in rural areas could grow some of their own food, but older people in urban areas suffered badly. Many older people now cannot afford the cost of basic medicines."

The poor were especially affected. In the late 1990s, the poor spent only 12% of what the non-poor spent on health care and visited primary health care services 40% less frequently than the non-poor. Hospitalization is especially expensive, since patients must provide many of their own supplies. A de facto system of private medicine further threatened the poor's access to medical care.

Sources:

World Bank, Poverty Assessment Summaries, Moldova, 2000, p. 12

"Overall, poor families are visiting primary health care services almost 40% less often than the non-poor, although their use of hospital services are on par. The poor's expenditures on health care was just over 7.5 percent of their non-food expenditures, and only 12 percent of the corresponding expenditures by the non-poor. Illnesses needing hospital care are particularly unaffordable, since patients must provide everything from bed linen to syringes."

World Bank, DeSoto and Dudwick, 2003, p. 341

"In Moldova, although the state officially continued to provide free or low-fee medical services, serious shortages of hospital equipment and medicine, low salaries for medical personnel, and a long tradition of doctors and nurses demanding and accepting small "gifts" for special attention had created a de facto system of private medicine. People who were hospitalized had to provide everything necessary for their stay: bed linens, blankets, food, medicine, syringes, even blood for surgery. Patients had to bribe doctors and nurses with food or cash

just to look in on them. Often they had to borrow the money. Rural families sometimes sold food surpluses, even farm animals, to cover emergency expenses."

Nutrition/Food

“Over the 1990s, food production in dacha plots became a critical survival strategy for both the employed and the unemployed.” However, as reported in a 1996 study, **“poor urban dwellers had little cash with which to buy food and lacked access to land.... Many respondents said there were nights they went to bed hungry.... Many urban pensioners grew fruit and vegetables on small plots, but those who were very old or sick could not afford unsubsidized and increasingly irregular bus transportation to gardens located far from their homes.”** Women consistently reported feeding their husbands first, then their children, and eating leftovers only after everyone else finished.

Sources:

World Bank, Poverty Assessment Summaries, Moldova, 2000, p. 6

"Food production in dacha plots has become a critical survival strategy for both the employed and unemployed."

World Bank, DeSoto and Dudwick, 2003, pp. 336-338

" [In a qualitative survey conducted in 1996, researchers found that] Poor urban families had little cash with which to buy food and lacked access to land. Even villagers said they did not eat as well as they used to; they sometimes ran out of food before summer. Many respondents said there were nights they went to bed hungry (pp. 336-337). Many urban pensioners grew fruit and vegetables on small plots, but those who were very old or sick could not afford unsubsidized (and increasingly irregular) bus transportation to gardens located far from their homes; man lacked gardening tools, and when they did plant, they were unable to guard their crops" (p. 338).

The situation among the elderly was much more critical throughout the 1990s. For example, caloric intake among the elderly reportedly decreased by half between 1991 and 1999, at least in part because most older people live in urban areas where it is not possible to supplement diets with homegrown food.

Sources:

HelpAge International, 2001, p. 26

"Between 1991 and 1999 caloric intake of older people decreased by half. Younger people living in rural areas grow their own food to supplement nutrition, but most of the older people live in urban areas and are unable to grow their own food."

Elderly/Pension Levels

Eighty-five percent of Moldovan elderly are dependent on pensions that were extensively devalued over the 1990s (and range in value from \$5 to \$14/month).

Contributing to the financial stress experienced by the elderly, was the elimination of state subsidies which resulted in rising cost of living and delays in payment of pension benefits. Delays in receiving pension checks continued at least through 2000 (our most recent data) and particularly affected elderly living in rural areas.

Over 80% of the elderly lived below the poverty level in 2000/2001. "Some sections of the elderly are, indeed, extremely poor. Those living alone and those dependent

exclusively on pensions for income are especially vulnerable." In a 2000-2001 survey of those aged 65 to 90, "over a third were receiving help from relatives or humanitarian organizations."

Sources:

HelpAge International, 2001, p. 26

"Since [independence in 1991] the real value of pensions – on which 85 percent of older Moldovans depend – has fallen dramatically, and there has been a near collapse in social security systems. Over 80 percent percent of older people now live below the poverty level, many working informally to supplement their incomes. The rolling back of state subsidies has brought a sharp rise in their cost of living, while protracted delays in the payment of benefits have added to the stress of budgeting on inadequate income.

A recent survey of 1,500 people aged 65-90 was conducted by a Moldavan non-governmental organization, Second Breath, showed incomes were desperately low. Pensions ranged from US\$5 to US\$14 a month, and were paid three to nine months late. Over a third of those surveyed were receiving financial help from relatives or humanitarian organizations."

World Bank, Poverty Assessment Summaries, Moldova, 2000, pp. 4, 10

"Some sections of the elderly are, indeed, extremely poor. Those living alone, or depending exclusively on their pensions for support, may be extremely vulnerable" (p. 4).

"Most pensioners (especially those in rural areas) receive pensions anywhere from a few weeks to nine months late. Moreover, distribution and access to assistance differs a great deal between city and village" (p. 10).

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