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**THE TWENTY NINTH MEETING OF**

**CULTURAL, EDUCATIONAL AND SOCIAL AFFAIRS COMMITTEE**

# REPORT*

on

# "IMPROVEMENT OF THE QUALITY OF LIFE IN THE BSEC MEMBER STATES"

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## I. INTRODUCTION

1. Quality of life is a broad concept related to overall well-being within a society. The concept goes beyond living conditions approach, which tends to focus on material resources (money, access to goods and services) available to individuals and takes account of indicators such as happiness, the freedom to choose one's lifestyle and subjective well-being. The concept is thus multi-dimensional, and measured by both objective and subjective indicators. Quality of life is defined as "an individual's perception of their position in life in the context of the culture and value systems in which they live and in relation to their goals, expectations, standards and concerns. It is a broad-ranging concept affected in a complex way by the person's physical health, psychological state, personal beliefs, social relationships and their relationship to salient features of their environment

2. The Parliamentary Assembly of the Organisation of the Black Sea Economic Cooperation has worked out comprehensive proposals on social problems of the Member Countries preparing and adopting proper Recommendations on “The Social Guarantees during Transition Period in the PABSEC Member Countries” 12/1996, “The Rights and Social Protection of Refugees and Displaced Persons in the Black Sea Region” 21/1997, “The Legal Framework for the Social Protection of Pensioners in the BSEC Member Countries” 36/1997, “The Legal Framework for Child Protection in the BSEC Member Countries”, 41/1999, “Cooperation in the Field of Public Health among the BSEC Member-Countries” 44/2000, “Legal Framework of the Protection of Migrant Workers in the Black Sea Countries and the Relations between Immigrant Communities and the Host Country” 51/2001, “Social Reintegration of Jobless People” 67/2002 and “The Fight against Poverty in the BSEC Member States” 74/2003.

3. Challenges arising from low employment rates, an ageing population, changing family structures and social exclusion have put quality of life issues in the foreground. Within this framework PABSEC Cultural, Educational and Social Affairs Committee, decided to take up the subject of “Improvement of the quality of life in the BSEC Member States” as the main item on the Agenda of its 29$^{th}$ Meeting.

4. Contributions for the Report and Recommendation 100/2007 on this subject have been received from the national delegations of Azerbaijan, Greece and Romania.In addition, the reference material has been obtained by the official Internet sites of the related international organizations as well as from the appropriate National Reports. Most of the information were collected by the National Reports of the countries that participate in the European Neighbourhood Policy (ENP) such as Armenia, Azerbaijan, Georgia, Moldova and Ukraine as well as from the National Reports, based on the Lisbon Strategy, on the strategies for social protection and social inclusion for the EU member states like Bulgaria, Greece and Romania.

## II. IMPROVEMENT OF THE QUALITY OF LIFE IN THE BSEC MEMBER STATES

5**. Albania:** One of the major pillars of Government’s project for Changes is employment of every and each Albanian. High level unemployment among the young generation, are a major threat and hindrance for the country’s development. While the Government’s programs aims to increase the economic growth, one of its main objectives is the reduction of unemployment to the average level of the developed countries. Government has employed direct measures and instruments, proven to be

effective, in order to adjust and improve the functioning of the labor market, such as labor information, intermediary institutions, vocational training, fiscal incentives etc. Employment promotion programs have been implemented in cooperation with civil society organizations and the private sector. Pensions will be doubled, while the gap between rural and urban pensions will be significantly reduced. As a result, on average, pensions will be significantly higher than the minimum living standard, where they have stalled during the entire socialist rule.

6. Priority is also given to the reduction of wages imbalances amongst different public sector areas, in particular by increasing wages in the direct public services, such as education, health and public order. Poverty reduction is ensured through high economic growth that includes every region. In addition, social policies and instruments are being tailored such as to assist every poor person to cross the poverty line. In cooperation with the local authorities, the poverty subsidy funds have been activated through public works schemes. Employment promotion and vocational training is primarily geared towards poor families. In order to break generational inheritance of poverty, government is paying special attention to the vocational training of children from poor families. The improvement of public services and their accessibility, especially in the poorest areas of the country, has further contributed to the reduction of non-income poverty. The effectiveness of the social policies has been increased and attention has been given towards groups with specific needs, such as the disabled, orphans, street children, mothers with many children who are heads of households, teenagers, young girls and women that have suffered violence. Special care has been offered to disabled children and/or disabled parents who raise children, in particular offering them assistance and facilities for proper education and employment. Aid in the form of vocational training, financial assistance, scholarships etc. is also being offered to orphans, as well as to parents with many children.

7. **Armenia**: The social situation in Armenia remains marked by sharp inequalities and strong social polarization. Despite the good macroeconomic performance and commendable achievements to fight poverty within the framework of the Government's Poverty Reduction Strategy Paper (PRSP), adopted in August 2003 (Armenia is ahead of schedule in reaching the benchmarks set by the PRSP), 32% of the population are reportedly still living below the poverty line. Reported unemployment is around 8%, though unofficial estimates suggest figures closer to 20-25%. Tax revenues increased significantly in 2005-2006, although from a very low level, making it easier for the Government of Armenia to spend on social security, health and education in accordance with the PRSP. The 2007 budget continues to focus on social spending, mainly healthcare and education. According to Armenia's planning public sector salaries will be raised and more resources will be spent especially on improvement of infrastructure.

8. Economic growth has started to have an impact on poverty; however, regional disparities have widened as the rise in living standards is concentrated in the capital Yerevan whereas other regions have been largely left behind. According to the Armenian Medium Term Economic Framework (MTEF), increased public financing of social insurance and social security, as well as enhanced efficiency of such expenditure will be considered a top priority over the whole MTEF period and the development of a social security system is one of the basic tasks. The MTEF also states that increasing public expenditure on education and improving the overall situation in that sector will be prioritised over the whole MTEF 2006-2008 period. The current level of pensions is below the minimum subsistence level; the Central Bank of Armenia has however now

put forward proposals for the development of a pension system following the so-called "three-pillar model". The PRSP is based on a real Gross Domestic Product growth rate assumption of 6% over medium term. Due to its main focus on redistribution issues, the strategy addresses sustainability and the sources of future economic growth at a fairly general level. Substantial job creation in new small and medium sized businesses is a key for meeting the poverty reduction targets. At the same time, continued public sector modernisation should provide better access to basic services for all.

9. The country joined the Bologna Process in 2005 and is using European principles in the reform of this sector, for example with regards to curricula, accreditation procedures and quality assessment of courses and institutions. Public spending on health and education has remained at low levels in recent years. The PRSP pays particular attention to ensuring quality of education in order to better meet the needs of employers. In the health sector, private financing (mainly informal payments) are estimated to account for two-thirds of total health expenditure. The health system has been decentralised and given more responsibility for managing its finances. The PRSP identifies the health sector as a main priority and foresees a substantial increase in public funding for 2004-2007 with the objective of reaching 2.5% of GDP by 2015. The government funds Public Health Care service providers, but is conscious that it needs to increase funding and to encourage communities to participate in designing and implementing health projects. The country's Poverty Reduction Strategy aims at maintaining public health through a substantial increase in accessibility and quality of health care services granted by the State.

10. To support the poor, the Government has created a Basic Benefit Package to be provided without charge to a list of vulnerable groups. Payments to hospitals and polyclinics are provided through the State Health Agency, but they only add up to 45% of the costs of health services. Only a fraction of the capacity of the large number of hospitals, hospital beds, nurses and doctors is being used. Primary health care involves education of the public about health issues, maternal and child care, immunization and treatment of common infectious diseases. Armenia has benefited of an EU-funded Social Insurance Identification Number System and the USAID Social Transition Programme that has aimed to render the Armenian social system, including the provision of healthcare, sustainable through the reform of health benefits and the restructuring of health sector financing. This programme also seeks to expand primary health care services, based on family medicine and community-based health education, and to upgrade the skills of staff at rural health posts, health care outreach to isolated rural communities.

11**. Azerbaijan:** Azerbaijan embarked on a poverty reduction strategy – the State Programme on Poverty Reduction and Economic Development. The Program describes the macroeconomic, structural and social policies that will be pursued to promote broad-based growth and reduce poverty. It addresses several key issues including social policy and human capital, regional policy, institutional reform and capacity building, and the participatory process.

12. Recognising the need for increased reform of both sectors, the State Programme for Socio-Economic Development of the Regions, approved in February 2004, encompasses measures to support the health and education sectors. A National Employment Strategy for 2006-2013 was signed by the President in October 2005 and includes a National Action Plan on Employment (NAPE), focusing in particular on vocational education and training, development of small and medium-sized enterprises (SMEs) and social protection. Reform of the pension system (transferred from the

Ministry of Labour and Social Protection to the State Social Protection Fund) was undertaken following an October 2003 Presidential Decree. A Programme of Regional Development, approved in February 2004, is centred on job creation in the regions, with an ambitious target of 600.000 jobs in three years. Primary education is universal and the literacy rate is 99%, but the quality of education is a problem. It is a key task to bring both primary and secondary education up-to-date and to bring the educational system closer to the needs of the private sector. Improving the quality of basic education is a strategic objective of the SPPRED. Enrolment rates are almost gender-equal both for primary and secondary education. The Vocational Education and Training system is being reformed, albeit slowly.

13. Since independence, the public health sector has not seen significant reform and still widely follows the traditional Soviet model in which the Ministry of Health is responsible for central specialised institutions and the regions and cities. Private hospitals are appearing, also at district level, but cannot provide comprehensive and inclusive health care services for all. There is no notable insurance industry in Azerbaijan yet. Some private insurance agencies are trying to develop voluntary insurance schemes with the assistance of foreign insurance companies. Official salaries are very low and informal payments widespread and substantial. The salaries of health care personnel hardly provide incentives, apart from fees for additional services that they can provide within the facilities at which they work. The health sector suffers from structural unemployment or under-employment, lack of managerial skills and low productivity of health care personnel. The State Medical University provides undergraduate courses for pediatricians and other medical doctors and specialised studies, with subsequent postgraduate training at the Medical Post-Graduate Training Institute.

14. **Bulgaria:** According to the National Strategic Report, social security and social assistance expenditure make up 13.4% of GDP (figure 2006). Particularly vulnerable to poverty and exclusion are: a) children (particularly those from ethnic minorities and those living in single parent family households); b) persons employed on low wages and unemployed; and c) elderly persons, particularly those above 75 years of age. Bulgaria has made progress in pensioner poverty alleviation. Supplementary pension schemes are expected to have a positive impact on pensioners' incomes. Bulgaria made significant changes to its pension system in 2000, introducing a funded component to its first pillar system and reforming its pay as you go scheme. The decision to link pension indexation to a mix of wages and prices will help future sustainability. The development of a funded tier of the first pillar and the promotion of other voluntary saving should provide good incentives for work and for working longer. However, it will be important to develop suitable mechanisms for the payment of pensions from these systems that are sustainable and contribute to improvements in replacement rates. Furthermore, extending working lives through incentives, or by linking contributions more closely to benefits, needs to go hand in hand with improved employment opportunities for older workers. Increases in employment and in particular in employment rates of older workers are steps forward, as are improvements in revenue collection and adequacy of pensions. In addition, individuals are able to save via the two funded components of the system. However, improvements in employment rates still have a long way to go to reach the EU average and provide a solid, sustainable base.

15. Overall health indicators in Bulgaria show significant gaps vis-àvis the EU averages. Following the introduction of mandatory health insurance (Health Insurance

Act, 1998), the National Health Insurance Fund (NHIF) collects health insurance contributions from employers and employees set at 6% of wages. It contracts general practitioners, specialists in outpatient services and hospitals. General practitioners are paid by the NHIF on a capitation basis for the services provided, with regional compensation to offset geographical disparities. Outpatient care specialists are paid on a fee for service basis. Contributions for the unemployed, the poor, pensioners, students and other vulnerable groups are covered by the state and municipal budgets. The Ministry of Health is in charge of the overall health policy and management of the health care system. Hospital treatment is covered by the NHIF on the basis of clinical paths for diagnosis. Reimbursement of pharmaceuticals varies. Life-saving drugs and the treatment of certain diseases such as cancer, diabetes and genetic diseases are free of charge. The state provides free, universal access to emergency health care and to all services paid for by the state budget. The state budget also provides a specific health benefit for hospital admission of vulnerable groups. A remaining problem is the fragmented access to primary health care services of some ethnic minorities, particularly in rural areas, resulting from non-registration and non-contribution with the health insurance fund. The level of reimbursement for certain pharmaceuticals and medical devices effectively hinders access to health care services. Rules for good medical practice are to be prepared and introduced. Establishing effective quality control and evaluation mechanisms of the health care services remains a challenge for the authorities.

16**. Georgia:** The difficult socio-economic situation created in Georgia set forth for the new Georgian authorities following the Rose Revolution the task for fundamental political, economic and social transformations. Concrete reforms have started in priority spheres (economics, business, social security, governance, environmental protection, defense).

17. In cooperation with the international partners the State developed and approved in 2003 the Economic Development and Poverty Reduction Programme (EDPRP) – an overall strategy aiming at "raising welfare of the population of Georgia and improvement of quality of life of each citizen along with sustainable socio-economic development of the country".

18. In order to achieve the above objectives two important strategic tasks have been defined: 1) **Fast and sustainable economic development**: average growth rate of real GDP at 5-8% per annum, which should ensure two to threefold growth of real GDP by 2015 in comparison to 2001; and 2) **Reduction of poverty:** reduction of extreme poverty from 15% to 4-5%, and reduction of poverty level in relation to official subsistence minimum from 52% to 20-25% by 2015.

19. As a result target oriented and sustainable economic and social reforms the government of Georgia managed to achieve a progress in attaining both objectives – fiscal revenues have increased (due to increase in total GDP and substantial increase in tax revenues), the real GDP growth in 2005 reached 9.3% and according to the statistics of the Organization for Economic Cooperation and Development (OECD), in terms of economic development rate and income Georgia in 2007 has moved from the group of countries with lower average income to the group of countries with average income.

20. **Greece**: The Reform Program which the Greek government implements, has contributed to the significant improvement of living conditions for all Greeks. Through the mutual interaction and enforcement of economic growth, employment and social cohesion, Greece has already achieved positive results. Unemployment rate falls

steadily (from 10,6 % -April 2004 to 8,4%-April 2007), while employment rate reached 61% of the active population in 2006. Social expenditure as percentage of GDP is high (estimated 22,64% in 2007), although effectiveness is the main challenge. Moreover, the modernization of the Public Employment Service (OAED), mainly through the creation of a network of one-stop shops and the implementation of an individualized approach of the people seeking work, has already lead to an improved level of services and a more effective matching between supply and demand at the labour market. Greece adopted reforms according to the Directives of the European Union, within the context of the improvement of quality of life. Legislative interventions for combating any kind of discrimination in the labour market, as well as the adjustment of matters concerning health and safety in workplaces and organization of working time were of the highest priority for the Greek Government during the last three years.

21. The strong domestic economic activity has not led, however, to the expected gains in employment. The total employment rate has shown a gradual increase over the last few years, but in 2005 it continued to lag behind the EU average by 3.7 percentage points (60.1% against 63.8%). The gap is greater for young people and women's employment rates (25% in 2006 against 36.8% and 46.1% against 56.3% respectively), whiles the older workers' employment rate, is near the EU average. After reaching a peak of 12% in 1999, the unemployment rate fell to 9.8% in 2006 but remains higher than the EU average. Moreover, unemployment continues to affect mainly young persons and women, whose unemployment rates remain significantly higher than the EU averages. Total social protection expenditure as a percentage of GDP reached the EU average in 2001 and, though slightly decreasing since, remains close to the EU average, at 26% against 27.3% in 2003. Nevertheless, in 2004, Greece posted an at-risk-of-poverty rate after social transfers of 20% against a 16% EU average, while the disparity for the 65+ age group was even stronger (28% against 18%). Expenditure on pensions was slightly above the EU average, at 12.9% of GDP in 2004. Greece's old-age dependency rate will grow from a moderate 26.8% in 2005 to 58.8% in 2050, among the highest in the EU.

22. Over the last decade, efforts to improve and extend the social protection system, in terms of quantity and quality, are evident and partly reflected in the increase in social protection expenditure as a percentage of GDP, which reached the EU average in 2001. The social inclusion strategy identifies four strategic priorities, namely a) strengthening employment, especially for women, young people, the long-term unemployed and vulnerable groups; b) tackling the disadvantaged position of persons and groups with regard to education and training; c) reinforcing the family and supporting the elderly; and d) promoting social inclusion of the disabled, immigrants, and persons and groups with cultural and religious particularities. Although the identified priorities point in the right direction, further efforts are needed towards the adoption of an integrated and streamlined strategic approach. The links between the strategic priorities and the proposed interventions are not always sufficient, while the social inclusion objective of Governance is only partly addressed. With the notable exception of three specific targets to be achieved by 2010 (employment rate of 64.1%, poverty gap rate at 20% and the rate of early school leavers below 10%), the plan lacks further concrete targets. An increase in the number of structures providing social support and care services throughout the country has been observed. Moreover, some progress towards the integration of immigrants and the promotion of multiculturalism has been made through the adoption of a new law. Nonetheless, prompt and effective implementation is crucial if this is to succeed. Upgrading and extending the provision of services to the most vulnerable groups constitutes the prevailing concern. In this respect, increasing

the efficiency of social protection expenditure is crucial. Finally, linkage with the intervention of the Structural Funds in the future period could benefit from more clarity, given that many of the envisaged interventions in the field of social inclusion will solicit ESF co-financing.

23. The Greek healthcare system is based on the coexistence of the National Health Service (NHS), a compulsory social health insurance and voluntary private health insurance schemes. Universal coverage of the population is provided by the NHS and a variety of social insurance funds (35). 8% of the population maintains complementary private voluntary health insurance coverage. The provision of health care consists of NHS units, insurance funds' units and private sector units contracted by the insurance funds. A legal reform resulting in NHS decentralisation along regional lines has been remodeled. The original Administrative Health Regions (PESYs) which were not given individual budgets have been replaced by Managerial Regional Health Units (DYPE). Primary Health Care (PHC) is delivered through PHC centers, hospital ambulatory (outpatient) services that belong to the NHS, and PHC units that belong to the largest social insurance fund (IKA). Secondary and tertiary care is provided in general and specialised hospitals. High and increasing private health care expenditure – almost half of the total – signals inequities in access for vulnerable groups. A legislative reform with an emphasis on PHC, the structural inclusion of family doctors and the inclusion of social insurance healthcare entities into the PHC system is ongoing. The authorities acknowledge the need to institutionalise a comprehensive and uniform framework for quality control. Problems of poor effectiveness and efficiency concern mainly the hospital sector. A legislative proposal aimed at establishing quality control mechanisms, accreditation, inspection of facilities, the enforcement of patient rights (Ombudsman) and the promotion of preventive measures is to be adopted.

24**. Moldova:** The agreement on the joint EU-Moldova Action Plan concluded in the context of the European Neighbourhood Policy has created a unique opportunity for Moldova to transform itself into a modern democratic country, and progress with the process of economic reform. The Action Plan has provided a concrete tool for furthering Moldova’s European aspirations. As Moldova makes genuine progress in carrying out internal reforms and adopting European standards, relations between the EU and Moldova will become deeper and stronger. The Government promotes a consistent policy in this area so that Moldova ultimately joined the European community. All the activities in this direction are centred on the implementation of European norms and standards on a national scale.

25. In December 2004, the Parliament of the Republic of Moldova has approved the Economic Growth and Poverty Reduction Paper (EGPRSP) 2004-2006. During this period of elaboration the strategy was that the whole society participated in these open debates. As a result the permanent partnership with social institutes, civil society and development partners have been extended.

26. In 2005, the Government significantly increased allocations for social expenditures, and introduced decisions aimed at rationalizing allocations of social benefits. The introduction of sector policy strategies for education, health and social protection, linked to the medium term expenditures framework, allows a better channeling of public resources, through the budget, to poverty reduction actions. The Moldovan Government has also taken steps to increase allowances for child birth and childcare, to improve care of children in public institutions and to reform those institutions. Moldova continued public health sector reforms on the basis of the national health policy and the economic growth. Key areas for further attention include improvement of primary

health, access (especially for the poor), quality, prevention and efficiency including the use of available financial means. The six years experience of the National Company of Medical Insurance proved that the reform and implementation of the compulsory insurance constituted to the better quality of medical services.

27. Moldova has launched a programme for the modernization of its educational system. The country joined the Bologna Process in 2005 and is using European principles in the reform of this sector, for example with regards to curricula, accreditation procedures and quality assessment of courses and institutions. For these reforms Moldova makes good use of the Tempus programme. Moldova also participates in Stability Pact cooperation in this field. Since the academic year 2005/06 Moldovan students have been benefiting from Erasmus and Mundus. Moreover, Moldovan young people and youth organizations took part in activities under the Youth programme.

28. To solve challenges and stabilize the social-economic situation, in 2001 the Government started to institute a number of national programs, ensuring the consistent and widespread implementation of the state policy. The economic recovery and the real growth in people's incomes had a considerable positive impact.

29. **Romania**: The restructuring of the social security system of Romania entailed the introduction of new, voluntary and compulsory, privately managed elements in the pension system, for the purpose of providing supplementary income for the retirement period. The law providing for the introduction of privately managed voluntary pension schemes (3rd pillar) entered into force on 31 May 2006 and the preparation and approval of secondary legislation deriving therefore has been completed by the end of the year. It should also be noted that a surveillance and regulatory framework for the private pension schemes was created and integrated in the institutional system by setting up a Private Pension Scheme Surveillance Committee, under the control of the Romanian Parliament**.** With respect to the enter into force of the privately managed pension funds, the goal is to increase the number of compulsory participants and to extend the relevant provisions to all employed and insured persons aged up to 35, as well as to set up a new structure for the expenditure incurred from the pension fund. The studies conducted for this purpose show that in 2008 (the first year the law shall be fully implemented) some 2.67 millions of people shall participate in the compulsory pension funds, whereas in 2012 the number of contributors shall increase to nearly 3.55 millions people.

30. Restructuring of the health care system is another short-and medium-term priority of Romania, aiming, on the one hand, to increase the quality of and diversify services provided to citizens, undergoing the national health programme reorganization and, on the other hand, to rehabilitate the health care system infrastructure. The three pillars of the legislative package adopted in the early months of 2006 provide for significant changes in the health care system: effective management of public funds, launch of infrastructure projects for the rehabilitation of the health care system, reward of the medical personnel and raising their responsibility awareness. The main investment efforts shall be directed at the rehabilitation or construction of 15 county hospitals with the help of the „County Hospitals" Programme (completion date: 2008) and at improving the quality of medical equipment. At the same time, certain health care units and wards are to be closed down as they no longer fulfil addressability criteria. There are also plans to outsource certain services and to reroute certain funds to finance medical services and the supply of reimbursable medicinal products, using certain funds supplied by the Ministry of Public Health from the contributions owed by

tobacco and alcoholic beverages producers/importers. As far as the system structure and functionality is concerned, the new regulation package institutionalised the autonomy of the National House for Health Insurance and put the finishing touches to a regulatory framework highlighting the role of the family doctor, including the introduction of the minimal service package for cost reduction in the health care system. As a result, the spotlight will move from the high-cost in-patient health care to preventive health care, which will also entail changes to the status of the family doctor.

**31. Russia:** Improving of the quality of life of the citizens was declared as the key issue in the State Policy of Russia. The Russian Federation continues to reap the benefits of increasing economic stability. Reforms have gathered pace, underpinned by a government plan designed to tackle a number of hitherto elusive structural impediments, including the tax system, the banking sector, public service and land.

32. Having accumulated considerable budget and administrative resources in 2005 the government determined as its priority the task to improve living standards of its citizens through implementation of the four major national projects: *"Health", "Education", "Affordable and Comfortable Housing for Russian citizens"* and *"Agricultural Development"*. These national projects overlap the spheres that affect every particular indiviadual, enhance the quality of life and form the "human capital" – educated and healthy nation. The Council under the President of the Russian Federation was established as a coordinating body for implementation of the priority national projects and the demographic policy.

33. *"Health"*. In compliance with the priority tasks of the project the Russian government has allocated in 2006-2007 funds in the healthcare system in three directions: establishment of new medical centres that are supplied with modern equipment, raising salaries for basic medical workers, provide modern medical equipment and enlarge the scope of service. Also measures have been undertaken to increase the scope of immunizations and preventing AIDS and tuberculosis. Being one of the most acute socio-economic problems in Russia, the demographic situation triggered launching in 2007 of the programme "Maternal (family) Capital" envisaging additional allowances to stimulate birth-rate and consolidating the family status. The year 2008 is declared in Russia as the Year of the Family.

34. *"Education"*. The Project aims to give a new impetus to the system of education without losing the advantages of the Russian education and, at the same time, consolidating its innovativeness, updating and modernizing the education requirements in order to meet the demands of the labour market. The Project also envisages change of financing mechanisms of education institutions, directing the budget resources towards development programmes in schools, introducing new managerial mechanisms in education sphere in order to make the education system more transparent and responsive to the demands of the society. The new system of remuneration for the teachers is directed to stimulate the quality and result-oriented instruction.

35. *"Affordable and Comfortable Housing for Russian Citizens"*. The project aims to create the conditions providing that until 2010 almost the third of the Russian citizens will be able to obtain flats meeting the contemporary requirements by means of their personal savings and with the help of residential loans. The legislative framework enacted in Russia in the previous years paved the way towards establishing the housing market: the percentage of private property housing in Russia in 2004 was 73,5%; at present 90% of construction companies are private. The mortgage housing loans system is also developing.

36. *"Agricultural Development".* The project implies three directions: accelerating livestock development, stimulating development of small agro-industrial business, and providing the young rural specialists with affordable housing. It is planned to channel substantial resources in the first two years towards supplying cheap long-term credits for construction and modernization of livestock complexes, as well as development of private subsidiary agriculture and farming.

**37. Serbia:** Unemployment is a major problem in Serbia today. Unemployment rate is a direct result of the decrease in production levels during the 90-ies, as well as the use of the labour market to solve social problems by employing far more workers than were really needed. Nevertheless, the restructuring and privatisation, seen in a short period resulted in a further increase in unemployment in the context of transforming the Serbian economy to one which is competitive, market-oriented and knowledge-based. During the process of economic restructuring the substantial scale of "latent" unemployment has started to be revealed, while the process of ownership transformation has led to the faster release of the employees. This implies that in the forthcoming period the overall reduction of unemployment will be highly dependent on achieving a significant increase in investment in the private sector to expand new employment opportunities.

38. In February 2002 the Government adopted the 'Health Policy of Serbia', which identified several aims such as safeguarding and improving the health of the population in Serbia and strengthening its potential for better health, equal access to health care of all the citizens of Serbia, and improvement of the health care for vulnerable population groups, improvement of the efficiency and quality of the health care system, with the development of specialized national programs related to human resources, institutional networks, technology and medical supplies as well as improvement of the human resources for health care. In implementing this policy, the Government has identified a number of immediate priorities such as the increase of the supply of perishable items of medical equipment, which are in short supply and often have to be bought by patients, the rehabilitation of selected health institutions, as well as the reform of health financing mechanism, with procedures to improve the effectiveness and efficiency of the contracting process, including private sector participation. In February 2003 the Ministry of Health prepared a draft Health Strategy for 2003 to 2015. The draft includes specific short, medium and long-term goals for the reform of the health sector and proposes a number of changes to health financing.

39**. Turkey:** Maintaining good health and having an income in retirement are important elements of quality of life; EU Member States provide these services to all citizens through social security and health policies. Under the Turkish system of social security, three major support funds exist, each of which provides both healthcare services and a social security pension to those who are affiliated to the respective schemes. White-collar public employees are affiliated to the Emekli Sandigi (ES) fund; manual workers in the public and private sector are members of the SSK scheme; while self-employed individuals are members of the BAG-KUR scheme. The benefits provided by these funds differ: the ES fund for white-collar public employees offers the best range of benefits. The benefits provided to self-employed and manual workers restrict the health facilities that are accessible to members and offer lower pension entitlements. Non-working spouses of employed people and widows are also entitled to receive social security benefits.

40. Social protection funds in Turkey fall short in guaranteeing coverage for the entire population: for example, 35% of Turkish adults are not members of a scheme that

provides social security and health insurance benefits. The small group of university graduates in the labour force is among those most likely to have social security coverage. Older persons are also more likely to have some form of social security coverage as are rural residents. The two social security funds that together cover the greatest proportion of people in Turkey – that is, the SSK and BAG-KUR – provide a lower level of benefits than the ES fund, which is restricted to white-collar public employees. Moreover, even though the percentage of retirees in Turkey is relatively low compared with EU countries, the proportion is growing in absolute terms. The cost to employers of social security contributions encourages the employment of low-skilled workers in illegal jobs in the informal economy. However, new social security legislation has introduced reforms to the system and provides for the merging of separate pension schemes in 2007. Nevertheless, incentives remain that encourage middle-aged employees covered by social security legislation to collect a small pension and severance pay by retiring from their job and then working in the informal sector.

41. Levels of education in Turkey have been continually rising from the previously low standards, which were reflected in the country's widespread illiteracy half a century ago. Moreover, standards have been rising at all levels of education. Differences in access to education remain significant, for example between the majority of young people and those whose parents can afford to pay for private education, the latter leading to greater opportunities for success in the university entrance examination or for a private university education. Nevertheless, given the increasingly higher rates of participation in education among young people, the education levels of the adult population will continue to rise, provided that the state continues to maintain expenditure to cope with the pressures of demands for education.

42. **Ukraine**: During the 1990s, recession, contraction in real wages, increase in wage differentiation, and the demise of part of the social safety net resulted in an increase in unemployment, poverty and social inequality. Official employment declined by about one third between 1990 and 1999, with reductions of over 40% in agriculture and industry. The overall unemployment rate, grew to 12% of the labour force in 1999 (declining to 9% in January-September 2003). However, the number of long-term unemployed grew almost tenfold. Using the local definition of poverty, about a quarter of the population was below the poverty line in mid-2002. There is also evidence that personal income inequality has increased since independence, although it remains low by international standards. The emergence of a large underground economy has acted as a social buffer. Since growth resumed in 2000, the decline in unemployment and the increase in real wages and pensions (including as a result of the government's decision to eliminate wage and pension arrears) have brought about an improvement in living standards in large urban areas.

43. Ukraine has made progress with reform, particularly in higher education, since 2005, realizing that reforms are necessary to ensure quality and relevance and to retain a high level of human resource development. The country joined the Bologna Process in 2005 and has set up an inter-ministerial group to ensure implementation. A Presidential Decree has established a framework for social dialogue, aimed particularly at education and training. Policy dialogue has intensified between Ukraine and the European Commission on education and training issues. Ukraine makes good use of Tempus to support reforms in higher education and capacity building. Steps have been taken to increase participation in the Tempus programme and the number of Ukrainians participating in Erasmus Mundus has been steadily increasing. Ukraine participates actively in the Youth programme, with 74 multilateral youth projects in 2006.

44. Public health reforms continued and need to be further pursued to ensure, in particular, improvement in quality and more efficient functioning of this sector, including as regards the use of available financial means. In order to combat the rapid spread of HIV/AIDS, a national program 2004-2008 is being implemented and various institutions were established across the country. Ukraine has begun to participate in the Commission's HIV/AIDS think tank.

## III. INTERNATIONAL AND REGIONAL COOPERATION

45. *The European Union* has already made major efforts to stimulate democratic and economic reforms, to project stability and to support development in the Black Sea area through wide ranging cooperation programmes. The moment has therefore come for increased European Union involvement in further defining cooperation priorities and mechanisms at the regional level. Black Sea synergy is a new regional cooperation initiative of the EU that is intended as a flexible framework to ensure greater coherence and policy guidance.

46. *The Organisation for Security and Cooperation in Europe* (OSCE) is a key source for preventive diplomacy and conflict prevention. OSCE missions and other field operations are putting effort for fostering security and cooperation, respect of human right including conflict areas.

47. The Council of Europe is developed into an alliance for the collective guarantee of human rights, common principles of democracy and the rule of law. It takes measures to contribute to European stability and security in accordance with its specific mandate and capabilities.

48. The Council of Europe and the OSCE have set standards on human rights and democracy which apply as well to all Black Sea member states. EU efforts in these regards are principally bilateral. Nevertheless, actions taken at the regional level can play a substantial role in underpinning and invigorating national measures. Black Sea regional organisations have in recent years undertaken commitments to developing effective democratic institutions, promoting good governance and the rule of law.

49. The Neighbourhood and Partnership Instrument (ENPI) is a "sea basin programme" focuses on supporting civil society and local level cooperation in Black Sea coastal areas. This programme facilitates the further development of contacts between Black Sea towns and communities, universities, cultural operators and civil society organisations, including consumer organisations. This can play a particularly important role in conflict areas, where civil society actors are especially useful for the development of cooperation with and among inhabitants.

50. Five countries of the Black Sea region are ENP partners. The strengthening of the European Neighbourhood Policy, including the building of a thematic dimension to the ENP and the gradual development of deep and comprehensive Free Trade Agreements, would enrich Black Sea cooperation. The removal of obstacles to legitimate travel, the new scholarship scheme under the External Cooperation Window of the Erasmus Mundus programme as well as greater cooperation between universities could help facilitating regional contacts. The proposed Neighbourhood Investment Facility, for the countries with ENP Action Plans, could contribute to the preparation and co-financing of infrastructure investments, in particular in the areas of energy, transport and environment and in close co-operation with International Financial Institutions, notably the European Investment Bank (EIB) and the European Bank for Reconstruction and Development (EBRD).

51. Efforts to consolidate the potential of the Black Sea countries and to establish stronger links with the scientific community of the EU were spearheaded by the International Cooperation (INCO) Programme of the 6th Framework Programme for Science, Technology and Development (2002-2006). This programme was aimed at the Bulgaria, Romania and Turkey as well as eastern ENP partners. The Framework Programme included additional and substantial cooperation with the latter, particularly through the International Association (INTAS) Programme which focused on cooperation between the EU and Eastern Europe and Central Asia.

52. *United Nations Development Program* (UNDP) is helping to further economic development in the Black Sea region through a new cooperation agreement with the Organization of the Black Sea Economic Cooperation. The agreement builds on the existing UNDP-BSEC cooperation under the Black Sea Trade and Investment Promotion Programme (BSTIP). BSTIP is expected to promote regional economic development as well as develop trade and investment linkages between the twelve BSEC Member States to help reduce poverty and improve political dialogue. The new agreement will intensify cooperation in common areas of interest, including poverty reduction, regional integration, capacity building, good governance, gender equality, crisis prevention and recovery, information and communication technology for development, and energy and environment. The UNDP Liaison Unit, based in the BSEC Secretariat, and established within the framework of the BSTIP, will play a crucial role in facilitating this process.

53. All BSEC member states participate in the *World Health Organization* which is the directing and coordinating authority for health within the United Nations system. It is responsible for providing leadership on global health matters, shaping the health research agenda, setting norms and standards, articulating evidence-based policy options, providing technical support to countries and monitoring and assessing health trends.

54. According to the *European Foundation for the Improvement of Living and Working Conditions*, challenges arising from low employment rates, ageing population, changing family structures and social exclusion has put quality of life issues at the top of the EU social policy agenda. Lack of comparable data on the issue pushed Eurofound, in 2003, to launch the first comparative study on quality of life in 28 European countries. The pan-European Quality of life survey chose eight core areas for the survey, the first six examining objective circumstances and the last two subjective perception such as: The economic situation; housing and local environment; employment, education and skills; household structure and family relations; work-life balance; health and health care; subjective well-being, and; the perceived quality of society.

55. The report thus found that overall life satisfaction in a Europe of 28 is strongly linked with income levels and low levels of traditional economic indicators in the 12 new member states and Turkey are matched by low scores regarding life satisfaction. The majority of Europeans throughout the EU-27 agree that having a job provides not only income but also social contacts, self-esteem and a better quality of life. Those who have been unemployed for at least two years over the previous five years report lower satisfaction with life in general, with family life, with social life and with health than those who have been in continuous employment.

56. After the pan-European Quality of Life Survey, Eurofound conducted a series of a series of in-depth reports on several individual indicators such as income inequalities,

families, work and social networks, life satisfaction, sense of belonging, social dimensions of housing , urban/rural differences , participation in civil society, quality of work and quality of life .

57. The Non governmental Organisations of the regions country should play an important role to the improvement of the quality of life. Black See NGO Network (BSNGON) was established as a result of Black See Civil Society Organizations 1st Regional Forum held in Yerevan on January 15-17, 2004. Black Sea NGO Network unites efforts of NGOs active in social field from 12 countries of the Region and is called to coordinate the activities of the organizations concerned in economic and social development with special focus on poverty reduction and sustainable development in the Region.

## IV. CONCLUDING REMARKS

58. According to the statistics mentioned above, it is obvious that during the last years the quality of life among the BSEC Member States has gone through various changes but at the same time it starts to become gradually better in terms of prosperity and well-being of the people of the Black Sea region. Economic growth that does not improve the standards of living for everyone is socially and economically unsustainable. Promoting a recovery in living standards by continuing positive macroeconomic trends, accompanied by structural reforms and programs to reduce poverty, is now one of the greatest challenges confronting the governments of the BSEC member states.

59. Each Government should consider its role in social issues not only as an obligation, but also as an effective approach in favor of the economic and social development of the country. At the same time, it should realize that social policies should be proactive rather than passive and, above all, they should focus on strengthening country's social protection.

60. The main priorities among the BSEC member states' governance should be the challenges of increasing employment rates, combating unemployment and enhancing social cohesion, in order to succeed the ultimate goal of improving the conditions of life for all citizens within the Black Sea region.

61. Fighting poverty and social exclusion is highlighted in several ENP Action Plans. Better integration of ethnic minorities and combating discrimination are key concerns for social cohesion in many of the Black Sea member states. Cooperation at regional level on these issues could provide additional value, particularly when it comes to the exchange of information and best practices, as well as awareness-raising initiatives, including training programmes for relevant officials, social partners and civil society organizations.

62. The structure of the Black Sea regional initiative has substantially changed in the past years and will continue to evolve. In these conditions, the presence of the European Union and the Black Sea Region paved the way for new perspectives and opportunities.