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THE CHARACTERISTICS OF POVERTY IN SERBIA

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Abstract: Half of the global population is regarded as poor to the extent that the very lives of a large number of people are endangered. Poverty is a multi-dimensional worldwide problem of modern society. In addition to similarities with other countries in transition, Serbia shows some specific features. The Government of Serbia adopted the Poverty Reduction Strategy Paper in 2003.

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Introduction

Launched as a concept as early as 1983, sustainable development acquired its full significance in Agenda 21, adopted in 1992 at the United Nations Conference on Environment and Development (UNCED) in Rio de Janeiro. At the Summit on Sustainable Development held in Johannesburg (South Africa, 2002) elimination of poverty was adopted as the first of the three main goals.

Poverty refers to the inability to adequately satisfy some of the essential needs, such as food, clothing and accommodation. But it also includes other needs such as employment, adequate healthcare, welfare, education, cultural needs, and other components featured in the contemporary lifestyle.

Half of the global population is regarded as poor to the extent that the very lives of a large number of people are endangered. Poverty is present in developed as well as underdeveloped countries.

At the dawn of the new millennium, poverty is present even in the most developed countries. According to an OECD report, the proportion of the poor in the total population ranges from about 6% in the Netherlands, 7% in Sweden, 10% in Germany, 11% in Canada, to 14% in the USA and nearly 20% in the UK.¹ The poverty threshold in Western Europe amounts to about 400 EUR a month.

As regards countries in transition, the World Bank's 2002 survey states that, with the exception of Slovenia and the Czech Republic (without data for our country), more than half of the population of these countries were poor, i.e. lived off about 2 US dollars per day per person.²

The extent of poverty in the underdeveloped countries of Africa, Asia and Latin America is illustrated by the fact that the annual per capita GDP in 192 countries of the world ranges from 110 to 45,000 USD, the lowest being in some of these countries.

Poverty in Serbia

Poverty did not appear significantly in Serbia before the early 1990s, when the per capita GDP amounted to over USD 3,000. GDP decreased about twofold in the 1990s, combined with high unemployment rates, plummeting salaries, pensions and other personal revenues, and unprecedented hyperinflation. Compounded by economic sanctions, a large number of refugees and the 1999 air raids, this clearly lead to sudden impoverishment of the majority of population, but also to a considerable wealth amassed by a small number of people.

Faced with this problem, the international community adopted documents aimed at reducing the poverty in the world. The Fifth Principle of Agenda 21 states that „cooperation of all countries on detecting poverty is a prerequisite for sustainable development“.³

The implementation of the project entitled „The Sustainable Development of the Republic of Serbia is in progress in Serbia. A special significance is placed on the 2000 Declaration of the General Assembly of the UN on the eight millennium development goals adopted by the leaders of 189 UN member countries, with a primary focus on eliminating extreme poverty and hunger, i.e. halving the proportion of population with income under \$1 a day, as well as the percentage of people affected by starvation.

In October 2003 the Government of Serbia adopted the Poverty Reduction Strategy (PRS), setting a goal to halve the poverty in Serbia by 2010, and every tenth citizen of Serbia (10.5%) is known to have been poor in 2003. The poverty line for this year amounted to 4,970 dinars per consumer unit.⁴

¹ OECD report quoted in *Guardian*, January 12, 2002.

² *Transition, The First Ten Years, Analysis and Lessons for Eastern Europe and the Former Soviet Union, 2002.*, World Bank

³ *Narodi ujedinjenih nacija za bolju životnu sredinu 21. veka (1992), Rezultati svetskog samita u Rio de Žaneru, Brazil* [We the peoples of the United Nations united for a better environment in the 21 century (1992), Outcome of the World Summit in Rio de Janeiro, Brazil], Belgrade: Federal Ministry of Environment.

⁴ Survey of living standards conducted by the Republic Statistical Office, 2003.

TABLE1. THE BASIC INDICATORS OF MACROECONOMIC TRENDS IN SERBIA

	2001	2002	2003	2004	2005	2006	2007*
GDP per capita (EUR)	1748.4	2241.5	2401.4	2629.7	2814.0	3354.0	4058
Real net wage growth (%)	16.5	29.9	13.6	10.1	6.4	11.4	17.4
Real GDP growth rate (%)	4.8	4.2	2.5	8.4	6.2	5.7	7.0

Note: * estimated value

Source: Ministry of Finance of the Republic of Serbia, 2007

The PRS defines poverty as a multidimensional phenomenon which, in addition to inadequate income to satisfy the basic needs, also includes lack of employment opportunities, inadequate accommodation and access to welfare, healthcare, educational and cultural services.

Poverty in Serbia is measured:

- based on the Survey of Living Standards (SLS) carried out in 2002 and 2003. In order to secure data comparability and gain clear insights into trends related to poverty, the Republic Statistical Office (RSO) conducted a new survey of living standards on the territory of Serbia in May and June 2007;
- in addition to the SLS, poverty in Serbia is also measured with the Household Consumption Surveys (HCS) regularly carried out by the Republic Statistical Office. Due to problems in conducting the HCSs in 2004 and 2005, this research cannot be used for calculating poverty trends for the period 2004-06.

It is generally accepted that consumption in transition countries is a better indicator of the living standards.

According to the latest survey, the HCS for 2007, all households with monthly consumption under 8 883 dinars per consumer unit were regarded as poor. The consumption of 6.6% of the population of Serbia lies below this level, meaning that about 490 000 inhabitants of Serbia are poor.

The gap between the richest and the poorest in Serbia is somewhat wider than the average of some Eastern European countries in transitions. One of the gap indicators used for measuring poverty levels is the share of consumption in 25% poorest households in the population's total consumption. Their consumption accounted for 11.1% in 2006.

In comparison with other countries in the region, poverty in Serbia in 2003 was at a level similar to Romania, lower than in Albania, and higher than Bulgaria and Poland.¹

Poverty in Serbia increased dramatically in the 1990s. The middle class disappeared, the number of poor population grew 2.5 times, and an increasing number of people live only slightly above the poverty line. The increase in poverty is mostly due to a sharp decline in the GDP over the past decade. In late 2000, the total GDP amounted to 45%, and the per capita GDP was 40% lower than 1989, which is the greatest decline of GDP in Central and Eastern Europe. Such a situation had negative consequences on all the aspects of life in Serbia.

In 2006, poverty levels in the Republic of Serbia were calculated based on household consumption. Central Serbia is the region with the highest proportion of poor population.

Living standard indicator in Serbia in the transition period

Among others, macroeconomic trends in Serbia in the transition period from 2001 to 2007 are marked by a growth in economic activity and personal revenue, as shown in Table1.

The economy of Serbia achieved a growth of 5.7% in 2006. This growth in GDP is somewhat lower than in 2004 and 2005, when it amounted to 8.4% and 6.2% respectively. Average net wages in the first seven years of transition, especially in the first three-year period, showed real growth, generating a rise in the population's living standards.

The share of expenditure on food in the total household consumption can be used as an indicator of living standard. The structure of personal consumption in Serbia for the period 2003-05 shows that expenditure on food and soft drinks fell from 42.5% to 37.1%, as opposed to costs of accommodation, water, electric power, gas and other fuels (from 15.1% to 17.5%), transportation (from 8.2% to 10.7%).

Such a trend in the structure of personal consumption in households is a characteristic of transition countries. In most countries of the EU, the highest share of personal consumption is accounted by housing or accommodation, water, electric power, gas and other fuels and transport costs, while expenditure on food and soft drinks is on the third place.²

Based on a decile analysis from 2005 (RSO Bulletin 470, Belgrade, 2007, p. 46), it can be concluded that in the households of the first decile (the poorest households), the highest share of total personal consumption is accounted for by expenditure on food and soft drinks (59%). As we move to higher deciles, the share of expenditure on food and soft drinks is reduced (amounting to 28.2% in decile 10).

The household consumption of deciles 9 and 10 (the richest households) accounts for approximately 40% of the total expenditure of all households in the Republic of Serbia.

Conclusion

Although macroeconomic trends in the Republic of Serbia are favourable and the population's living standards show a

¹ ECAPOV II, World Bank, 2005.

² The Republic Statistics Bureau, Bulletin 470, Belgrade, 2007.

growing tendency, our country cannot be content with the fact that 9% of Serbian population are living in poverty, let alone the fact that poverty levels are 2.5 times higher in Central Serbia than in Belgrade.

According to the Sustainable Development Strategy defined in the Second Report on the Implementation of the PRS in August 2007, the strategic guidelines aimed at halving the number of the poor in Serbia by 2010 are:

- dynamic economic growth and development with a focus on generating new jobs in the private sector;
- preventing the emergence of new poverty resulting from restructured economy and rationalised public administration;
- efficient application of the existing and defining new programmes and activities targeted at the poorest and vulnerable social groups.

Sustainable development cannot be viewed isolated from global inequalities. The concept of sustainable development must take into account the specific problems of poor countries, because an excessively wide range of changes is hardly feasible in these countries.

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