



ECA Poverty Team's Quarterly Newsletter with highlights from recent activities and analytical work on poverty/gender issues in the ECA countries.

Fourth Poverty Reduction Strategies Forum for the Western Balkans

The 4th PRSP Forum for the Western Balkans countries was successfully held in Athens, Greece, on June 26-27, 2007. This Forum was co-sponsored by the Greek Government, DfID, IMF and the World Bank. Within the Bank, this Forum's organization was a partnership among WBI, the ECA Region (ECSPE, ECSSD, ECSHD, ECCU4, sub-regional country offices), and the PREM Poverty Anchor.

The Forum brought together about 150 participants from Albania, Bosnia and Herzegovina, Serbia, Montenegro, FYR Macedonia and UNMIK/Kosovo as well as many development partners and civil society representatives.

The Forum provided a rich learning experience for all. A few distinctive features of this Forum were:

- A strong focus on "openness" and "European integration" as drivers for accelerated growth and poverty reduction.
- The discussion of power sector reforms with a broad group of stakeholders, beyond the core power and energy community, to include representatives from ministries of economy, finance, social policy, PRSP teams, parliamentarians, academics, and NGOs.
- Learning from new EU member states, with presentations by ex-prime ministers of Estonia and Latvia, the ex-Energy Minister of Bulgaria, and various other technical experts.
- Strong Greek Government participation, with speeches by the Minister of Economy and Finance, and the Deputy Minister of Foreign Affairs, and various presentations by senior government people including an ex-Minister of Finance and the head of the power regulatory agency.
- Development partner involvement, with representatives from about 10 partners present.

The Forum agenda, participants list, and various materials presented can be accessed from the ECA Poverty web site at www.worldbank.org/eca/Poverty. **For more information contact Gulnara Febres.**

Rising Wages, Remittances, and Public Transfers Propel Poverty Reduction

Stories from Armenia, Albania, Kyrgyz Republic, and Ukraine are illustrative of how broad-based economic growth and associated rising wages, remittances, and social transfers have enabled increases in real household incomes. Conversely, the story of Kosovo shows poignantly how the absence of robust growth has led to a stagnation of living standards.

Armenia. The recent report on a Social Snapshot and Poverty in Armenia, produced jointly by the Government and the World Bank, provides a picture of living conditions in the country. The report concludes that the strong economic growth was "pro-poor". The poverty incidence rate fell from 34.6 percent in 2004 to 29.8 percent in 2005 while that of the very poor fell from 6.4 percent to 4.6 percent. This still leaves about 960,000 people poor and among them, 150,000 very poor. The most important factor behind poverty reduction has been rapid economic growth combined with decreasing inequality. Strong remittances have played a key role in boosting households' real consumption. **For more information contact Aleksandra Posarac.**

Albania. The recently completed Poverty Assessment shows an impressive reduction of poverty over 2002-05. The fraction of the population in poverty fell from 25.4 percent in 2002 to 18.5 percent in 2005, on account of strong economic growth and large inflows of remittances. However the distribution of benefits has been uneven. Real per capita consumption growth in urban areas was twice as high as those in rural areas. As a result, the gap in poverty rates between urban and rural areas widened in absolute and relative terms. The evidence shows that low productivity of small family farms partially explain the slowdown in poverty reduction in rural areas, and without the large inflows of remittances, the living conditions would almost certainly have been worse. Social assistance programs have improved targeting performance, but cover only a small fraction of the poor. **For more information contact Andrew Dabalen.**

Kyrgyz Republic. Notwithstanding only modest economic growth rates of 3.7 percent per annum during 2000-2005, poverty in the Kyrgyz Republic fell from about 63 percent to 43 percent of the population and extreme poverty fell from about 33 percent to 11 percent of the population. This strong responsiveness of poverty to growth reflects improvements in inequality as well as a concentration of the population around the poverty line. Indeed, the mean consumption of the bottom 40 percent rose much faster than the mean. The expansion of private consumption was driven mostly through rising wage incomes (in sectors employing mostly unskilled and low-wage labor), a sharp increase in foreign remittances (from Russia and Kazakhstan), and growth in social transfers and benefits. The rapid poverty reduction has taken place notwithstanding segmented labor markets – with noticeable divides between urban and rural markets, between formal and informal labor markets, and between opportunities available to women and men. **For more information contact Sarosh Sattar.**

Ukraine. The poverty rate is on a steep downward trend falling from a high of 32 percent in 2001 to 8 percent in 2005. Increases in incomes from wages and social transfers boosted household expenditures, lifting many households above the poverty line in 2005. The poverty rate is also expected to have fallen further in 2006 given the 18 percent increase in real wages and the 29 percent increase in real average pensions, which should have more than compensated average households for the real increase in household tariffs for energy. All groups along the distribution of household expenditures benefited from the general rise in incomes, with inequality between the expenditure groups virtually unchanged over 2001-2005. **For more information contact Menahem Prywes.**

Kosovo. Poverty in Kosovo is widespread and has remained persistent in the first half of this decade. About 45 percent of the population in Kosovo is poor, with another 18 percent vulnerable to poverty. As expected, poverty is higher among those who live in families that are large, have many unemployed members, and have low education levels. The poor are also geographically concentrated in rural areas and a few regions. The persistence of high poverty rates is directly attributable to the slow and volatile growth, which limited job and income earning opportunities for the population, and constrained the government's revenue base, making it difficult for the government to provide adequate social protection to poor families or to ensure adequate equitable access for the poor to decent education services. Fortunately, private remittances helped to boost household incomes and protect more families from slipping into poverty. Kosovo faces a huge development challenge of generating high and sustainable growth which is essential for reducing poverty. **For more information contact Andrew Dabalen.**

Russia: National Conference on Social Assistance

An important milestone of the Russia Programmatic Poverty Assessment work was achieved in April 2007 with the successful conduct of the National Conference on “Improving Social Assistance and Employment Assistance Programs to Combat Poverty.” The results of a one-year study of 5 regions (Kalmykiya, Karachayevo-Cherkessiya, Tatarstan, Tomsk, and Tver) were disseminated and a dialogue initiated on the adequacy and effectiveness of social assistance programs. The Conference was attended by about 70 participants, including federal and regional counterparts, local experts, Bank staff and representatives of other international organizations. This conference was organized by the World Bank, with the financial support of DFID, and in cooperation with the Russian Government. Concrete results are already visible. Some regions have started applying many of the recommendations from the study. Tver, Tatarstan, and Kalmykiya announced their intention to continue working with the Bank on a fee-for-service mode. Representatives of the federal authorities expressed their interest to support the dissemination of the results or use the recommendations to revise the legislation on housing allowances **For more information contact Emil Tesliuc.**

“Life in Transition”: A Survey of People’s Experiences and Attitudes

Preliminary findings of the 2006 Life in Transition Survey (LiTS)—a joint initiative of EBRD and the World Bank covering 1,000 individuals each in 29 countries across the ECA region (see October 2006 newsletter)—were published in May. One of the key messages emerging from the survey is the sense of optimism for the future, particularly amongst the youth. Moreover, robust support was expressed by respondents for both democracy and the market economy. However, the survey findings also vividly illustrate the variety of experiences that people in the region have faced over the transition period—i.e. between 1989 and the present. While some people have done very well and are highly satisfied with their lives and optimistic for the future, others have been left behind and believe that things were better under the old regime. In particular, there appears to be general agreement amongst respondents that problems such as corruption and level of distrust in society are significantly worse than before. Additional distributional analysis is underway to better understand how transition has affected different groups in society. **For more details, see <http://www.ebrd.com/pubs/econo/lits.pdf>, or contact Salman Zaidi.**

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