



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

Monitoring the Impact of the Global Economic Crisis in ECA

Most ECA countries have been severely hit by the ongoing global economic crisis. Following the 4.2 percent increase in Gross Domestic Product (GDP) in 2008, ECA's regional GDP is expected to decline by 4.7 percent in 2009, with zero or negative growth forecast in 2010 in many countries.

Poverty and Human Development Outcomes

During the quarter under review, monitoring the social and economic impact of the crisis on the poor dominated the work program of the ECA Poverty Team. Labor market monitoring systems reveal considerable deterioration in labor market conditions in virtually all ECA countries for which regular and timely data are available. For example, compared to pre-crisis levels, registered unemployment has increased by more than 60 percent in Estonia, Lithuania, Latvia, Turkey and Moldova. Shifts in work status also show some worrying patterns. The Russian Labor Market Monitoring Update revealed that year on year (yoy) in April 2009, employment and real wages in Russia dropped by 5 percent and 4 percent respectively, and up to 25 percent of workers employed in the manufacturing sector were forced into shorter working hours.

Automatic stabilizers such as unemployment insurance (UI) have responded effectively during the crisis. Social benefits monitoring activities indicate that large increases in enrollments have not occurred, but increases are expected once UI benefits are exhausted. More information on the impact of the crisis and coping strategies of households is expected from ongoing analysis of the rapid response surveys conducted recently in Montenegro and Turkey.

Micro-simulations of policy responses and reforms have been an important part of ongoing monitoring activities. Such simulations were completed recently in Azerbaijan (employment and remittances), Bulgaria (employment and remittances), Hungary (pension reforms and work requirement in social assistance), Moldova (remittances and energy prices) and Latvia (employment and guaranteed minimum income support program), and which build on work completed earlier in Armenia (exchange rates, employment,

tariff, and remittances), Turkey (employment) and Tajikistan (remittances). For more details see <http://eca/hdfincrisis>. **For more information, contact Mohamed Ihsan Ajwad.**

Recent Micro-Simulation Work in Romania

In contrast to the sharp poverty decline in the country during 2000-2008, Romania is likely to experience an increase in poverty as a consequence of the recent economic downturn: these are the main findings of a recent assessment produced and jointly conducted recently by the World Bank and UNICEF. These poverty projections are based on a simple model that takes into consideration two elements - the economic growth slowdown and the likely adjustments in the labor market. Based on the projected 4 percent decline in GDP and a net increase of 100,000 in the number of unemployed from the formal sector, the national poverty rate is expected to rise from 5.7 percent in 2008 to 7.4 percent in 2009. Poverty will continue to be concentrated in rural areas, but urban poverty is likely to increase faster than rural poverty, as a consequence of increased unemployment, and of the crisis impact on the nonagricultural informal workers. **For more information, contact Lucian Bucur Pop.**

Social Impacts of the Crisis

The World Bank is supporting rapid qualitative assessments of the impacts of the crisis in eight countries, including two in the ECA region (Romania and Turkey). These qualitative assessments are based on interviews with a broad spectrum of people (e.g. farmers, traders, small enterprise and informal sector workers, youth, the unemployed, village and community leaders, etc.), and have sought to identify the groups most likely to be affected by the crisis, as well as the likely mechanisms through which crisis impacts are transmitted.

Employing a range of participatory research techniques commonly used in participatory poverty assessments, including both group-based exercises (such as ranking techniques & trend/change analyses) and semi-structured interviews, these assessments have helped generate quick findings for country and regional level use. Given the rapid roll out, sampling process used and relatively small sample sizes of the interviews, the findings are intended to be illustrative rather than nationally representative *per se*.

In Turkey, the qualitative assessment is designed to complement the rapid response survey conducted. Labor market shocks resulting from falling demand for exports has been the main transmission mechanism studied. Groups covered by the research include migrants in urban areas in unstable, low-income occupations, unemployed men, women and youth and commune and village leaders. In Romania, the main transmission mechanism has also been labor market shocks resulting in contraction in the demand for formal and informal labor. Decline in remittances, return of migrant workers, and diminishing access to credit also emerge as important channels through which people have been adversely impacted. Groups covered by the research include unemployed, workers in low-income sectors, Roma people engaged in the informal economy, remittance-dependent households in rural Romania and farming households, dependent on credit to finance agricultural inputs. **For more information, contact Daniel Owen.**

Facilitating South-South Learning

A World Bank sponsored Learning Forum on Social Protection Responses to the Three Waves of Crisis – Finance, Food and Fuel, took place in Cairo, June 15-18, involving over 200 practitioners and policymakers from around the world. The event provided a useful forum to share best practices in designing social assistance programs and discuss emerging responses to crisis in different country contexts (e.g. public works, cash transfers, active labor market policies and unemployment benefits and insurance extension in crisis situations). Participants from Azerbaijan, Moldova, Serbia, Bulgaria and Turkey also attended the forum, and exchanged valuable information and tips on the wide range of social protection schemes in use across the world, as well as how these mechanisms can be adapted in times of crisis. **For more information, contact Anna Reva.**

Workshop on Migration and Remittances in the CIS Countries

An international “Workshop on Migration and Remittances in the Commonwealth of Independent States (CIS) Countries” was held in Moscow from July 1-3. The event brought together more than 50 participants from Armenia, Kyrgyz Republic, Moldova, Russian Federation, and Tajikistan representing governments, key donor agencies helping migrants in Central Asia, civil society organizations, think-tanks and academia to discuss common interests and challenges faced by migrant workers.

The key objective of the workshop was to catalyze cooperation among CIS-member countries to implement sustainable migration policies. The discussions at the workshop built on a study tour to the Philippines to learn

about some of the best practices on migration policy management.

The Workshop helped finalize a *Protocol of Intentions* that laid out (i) basic rights of migrants as individuals, (ii) labor rights as workers, and (iii) support services to migrants in both hosting and receiving countries. In addition, the *Protocol* highlighted the urgent need to develop a comprehensive migration monitoring and information system. To put meat on their words, a common “Action Plan” guides the reform program for national governments and domestic stakeholders and the donor community, and each county delegation committed to work further to adapt this plan to their specific country circumstances. Further activities at the regional and national levels are planned in the next few months. **For more information, contact Sudharshan Canagarajah.**

Azerbaijan’s Super Performance in Mathematics: Fact or Fiction?

Results from the Program for International Student Assessment (PISA) – a system of international assessments focusing on 15-year-olds’ capabilities in reading, mathematics, and science – show that Azeri students do as well in standardized tests in math as their counterparts in more developed countries (e.g. the United States and Spain), but do much worse in reading literacy. While there are virtually no differences in math scores of rich and poor students, the gap in reading literacy scores between the two groups is much greater. What explains these somewhat puzzling findings? A World Bank team carried out a small follow-up study in June to investigate this issue.

Re-administering parts of the PISA test to a sample of Azeri students confirmed that most students do not have much difficulty in solving and interpreting math tests, but many find the reading tests confusing and hard to answer, particularly among the poor. During interviews with teachers, school principals, and curriculum experts, participants argued that success in math is because the country has very experienced teachers trained under the soviet system, who still use similar curriculum and methods. By contrast, the languages curriculum after transition focused on reading, repeating, and memorizing poems and national writings, which – according to a curriculum expert – were designed to enhance the sense of nationality in children but undermined reading analysis and comprehension. Moreover, the alphabet transition in 1993 from Cyrillic into Latin had a big impact on children’s’ capacity to read, especially among the poor. While better-off students have access to more reading materials in Latin and get more reinforcement from their parents, poorer students do not enjoy the same opportunities, which in turn may help explain why they do worse in reading tests. **For more information, contact Diego Angel-Urdinola**

For future issues, please send your submission to Judy Wiltshire jwiltshire@worldbank.org or Salman Zaidi szaidi5@worldbank.org