

percent of those surveyed knew of no women's organizations.⁵⁵ In Tajikistan, the urban Mahallah (Islamic religious leader) helps connect the local government with local communities, organizes and distributes social assistance to poor families, and rallies people to get involved in public works projects.⁵⁶ In Armenia, respondents complained of lack of information about government and private aid distribution, even blaming power outages in the cities for preventing timely distribution of information. Networks of reciprocity are said to have retracted to include only close family members. However, it is recognized that such kinship networks are becoming less effective and are often not available to the poorest households.⁵⁷ Similarly in Georgia, information about entitlement to assistance from public or private sources was often said to be unavailable and rarely provided by officials, leaving the poor to rely mainly on each other for help.⁵⁸

In Azerbaijan, internally displaced persons (IDP) live mainly in Baku and other urban areas, and they are among the poorest households in the country.⁵⁹ Street children have become a concern in Dushanbe (Tajikistan) since the early 1990s, although they usually live with their families and help support them by begging or other odd jobs.⁶⁰ Prostitution proliferates in Bishkek (Kyrgyzstan) and in Tbilisi (Georgia) among girls and women.⁶¹

Crime is reported to be a growing issue in virtually all the countries. In Bosnia-Herzegovina, survey respondents attribute criminal activity to poverty (although said to be less often an effect of poverty than hunger and illness).⁶² In Ukraine urban residents reported fear of leaving home due to crime and felt that criminals were gaining control of society.⁶³ In Moldova theft of goods from state owned enterprises was widely condoned because of the companies' failure to pay salaries on time. Theft and violent crime, including by youth gangs, is said to be scaring people off the streets and reducing trust especially in urban communities.⁶⁴ In Latvia, respondents say that they no longer rely on the police for protection.⁶⁵

An aspect of poverty in the region which – like in many other countries – is more specific to urban areas relates to youth engagement in risky behaviors like drug taking and delinquency. In ECA, this particular aspect of urban poverty remains little documented, and this is probably because reliable quantitative data on substance abuse and crimes are not available. However, available evidence from qualitative or administrative sources confirms the increasing importance of risky behaviors among youth in the region.

5. Conclusion

The last 15 years have brought profound changes to ECA countries as central planning was replaced by market forces and as large countries fragmented into many parts. Industry, manufacturing and agriculture shrank in nearly all countries and unemployment increased. The increase in services was inadequate to make up for the declines in the primary and secondary sectors.

Against this backdrop, the fortunes of ECA countries, both in terms of output and level of national poverty, have diverged sharply. Countries with the highest poverty incidence have been those in which the progress of structural reform and liberalization has been very incomplete. At the same time, countries

⁵⁵ When Things Fall Apart, p. 41.

⁵⁶ When Things, p. 85.

⁵⁷ When Things, p. 146-152; 189-190.

⁵⁸ When Things, p. 233, 254.

⁵⁹ "An Update of Poverty Assessment and Consultations with the Poor in Azerbaijan, p. 51.

⁶⁰ Tajikistan PA, p. 24

⁶¹ When Things Fall Apart, p. 45, 227

⁶² "Consultations with the Poor" National Synthesis Report, Bosnia and Herzegovina, p. 19.

⁶³ When Things Fall Apart, p. 286.

⁶⁴ When Things, p. 372.

⁶⁵ When Things, p. 397.

where GDP has fallen more sharply are those with higher rates of urban poverty, suggesting that the prolonged economic recession in these countries has had strong impacts on urban households.

The objective of this study is to contribute to a better understanding of the extent and nature of poverty in urban areas of this region, providing particular attention to the disparities within urban areas between capital cities and secondary cities and focusing on dimensions of poverty related to provision of network infrastructure and energy services in cities.

5.1. Summary of results

At the outset, the study proposed four hypotheses to be tested. The first postulated that living standards vary significantly across urban areas (especially between the capital and the secondary cities). The second proposed that secondary cities have poverty indicators equivalent, or worse than, those of rural areas, including in terms of access and quality (reliability) of infrastructure. The third stated that although formal access to infrastructure and energy remains higher in urban areas than rural in most cases, many households, especially in secondary cities suffer because of unreliable and deteriorated services, and are “infrastructure poor.” The fourth surmised that income and infrastructure inequality was generally higher in urban than in rural areas and highest in capital cities.

The analysis found substantial differences in urban areas between the capital and secondary cities with households in secondary cities being worse off (hypothesis 1). At the same time, secondary cities are home to 85 percent of all urban residents. Poverty incidence in secondary cities was higher (and in some cases even higher than in rural areas). In most countries the poverty risk of residents in secondary cities was two to four times greater than for residents in the capital. Among urban areas, the degree of poverty was significantly worse in secondary cities than for the capital, with the sole exception of Armenia. The urban poor were overwhelmingly located in secondary cities in all countries except the Caucasus where a large share of the poor were also found in the capital cities. The finding that poverty incidence and degree is worse in secondary cities likely reflects the relatively weak conditions of employment, limited economic diversification and fewer economic opportunities in these urban settlements.

Household heads in secondary cities were more likely to be unemployed than those in the capital or in rural areas, except in Russia and Belarus. Among the unemployed household heads, the relative poverty rates in other urban areas is only slightly below that of rural areas, but half again as large as that of the capital cities. This finding suggests that (i) unemployment in the secondary cities is of longer duration and so more likely to lead to poverty than in capitals; and (ii) financial safety nets available to the unemployed may be better in the capital cities. In Armenia, the only country for which this kind of data were available, in general residents of the secondary cities showed a wider diversity of income sources than in the capital or rural areas, where households depended more on labor earnings and farm income respectively. Since in Armenia this income diversity results from pensions and remittances, it represents coping effort rather than breadth of opportunity.

The study also found that secondary cities have poverty indicators equivalent to, or worse than, those of rural areas, including in terms of access and quality (reliability) of infrastructure (hypothesis 2).

Throughout the region, household heads who are less educated and large families are consistently associated with poverty. Although the incidence of less educated household heads and the incidence of large families are greater in rural areas, the rate of poverty for each of those groups is higher in secondary cities than in rural. In the case of uneducated heads in secondary cities, the high rate of poverty reflects both lack of access to supplemental income from farm production as well as having less ability to compete for well paying urban employment. In the case of the high poverty rate for large families in secondary cities, the result likely reflects the need for urban families to have cash for essential goods and services. In terms of the reliability of water and electricity, the differences among the settlement types are

not very great, although secondary cities and rural places have less reliable services than do capital cities.⁶⁶

The study results confirmed that many households, especially in secondary cities, are “infrastructure-poor” because of unreliable and deteriorated services (hypothesis 3) and these households are hidden by studies that do not examine actual quality. Despite high connection rates, the reliability of basic services has become a serious challenge in the region. Infrastructure reliability is more of a problem in secondary cities than in capital cities. Even though residents in apartment buildings, the predominate kind of housing in urban areas, are generally better off, this finding is equally true for them. Apartment dwellers have even fewer coping options than do households in single family homes.

Environmental and sanitary conditions are poor for many urban households. More than 40 percent of all urban households report burning, burying or dumping household waste. Households in secondary cities also are much less likely to have access to adequate sanitation (i.e., an inside toilet) and much more likely to use dirty fuels than are capital city residents, both of which are indicators of poor living conditions. Regardless of location, poor households are nearly twice as likely to use dirty fuels and half as likely to have an inside toilet as are better off households.

The final hypothesis examined in this study stated that income and infrastructure inequality are generally higher in urban than in rural areas, and highest in capital cities. The results of the study confirmed the first part of the hypothesis, namely that income and infrastructure inequality are generally higher in urban areas. However, inequality was not consistently highest in capital cities and inequality in secondary cities often was greater than that in the capitals.

Income inequality was higher in urban areas than rural ones for about three-quarters of the countries used. Countries with higher urban inequality are divided about equally between those with the highest inequality in the capital cities and those with the highest inequality in the secondary cities. In terms of infrastructure provision, in capital cities, households in the bottom quintile were less likely to be connected to district heating, running water and telephone than were higher income households. However, the differences between connection rates for low and high income households were greater in secondary cities than in the capitals. A similar picture emerges for per capita housing space. Although the transition countries generally well provided with housing space on a per-capita basis, lower income households have substantially less space than do high income people. The disparity in housing provision for rich and the poor is greater in secondary cities than in capital.

5.2. Issues for policy makers

5.2.1. Strategic questions

The study findings concerning secondary cities, the emergence of slums and mobility have implications for broader strategy formulation in ECA countries.

Problem of secondary cities. The study found urban poverty to be primarily a problem in the secondary cities, where the overwhelming majority of the urban population lives. In general, little attention has been paid to secondary cities either in terms of CASS or in terms of Bank-financed operations to support the

⁶⁶ Comparison of infrastructure access rates in urban and rural areas is deceptive. In rural areas, households may have access to acceptable alternative forms of infrastructure services such as well water instead of piped water. Urban residents, in contrast, have fewer options available to them if water or heat are not provided or if garbage is not collected. For this reason, access rates for different settlement types are not easily compared.

strategy. One reason for overlooking poverty in the secondary cities may be that most poverty analyses fail to differentiate among urban settlement types. As a result, the better off capital cities conceal the degree of poverty in the secondary cities. This study has pointed to the importance of differentiating between the capital and secondary cities in poverty work.

Problem of emerging slums. Development of real estate markets in transition countries has provided a mechanism for increasing the spatial concentration of different groups – i.e. development of slums at peri-urban areas as well as in city housing stocks. At the same time, the erosion of public transportation and other public services has meant that marginal neighborhoods are less likely to be well connected to the city fabric and public services and residents are more likely to face exclusion. In peri-urban areas, ECA countries face a situation found in many other places, where the usual response involves slum upgrading. Preventing the emergence of slums among the existing housing stock is a somewhat different problem and one that is perhaps unique to the region. Policies relating to provision of public services and transport, urban development, social assistance programs and the housing sector will all influence slum development.

Problem of mobility. The study found that poor households were much less likely to have moved during the past five years than better off households, particularly in capital cities. If residential mobility is an adjustment mechanism to enable households to satisfy their housing needs and find jobs, as is true in other countries, then low income people in ECA cities are trapped due to both housing sector conditions and tight labor markets.

5.2.2. Sectoral issues

The study also pointed to the interrelations between income poverty and poor infrastructure coverage, which go hand in hand in urban areas, revealing the multiple and cumulative aspects of urban poverty.

Problem of deteriorating services. The results of this study point to the continuing erosion of infrastructure services and means that for some countries meeting the infrastructure-related MDGs may be a problem in the future. The continued reliance on connection data, instead of reliability figures, serves to conceal the degree of erosion in infrastructure service provision. (As discussed in the data section below, information about reliability needs to be improved.)

As service quality deteriorates, the region faces a major challenge since the poor quality of services provides few incentives for payment. At the same time, housing expenditures remain below 10 percent for most countries, while the average is 20 percent for OECD countries. Low tariffs, widespread exemptions and non-payments explain the low rate of spending. Clearly, in this kind of environment, service providers are not able to invest in the rehabilitation of infrastructure facilities, perpetuating the vicious cycle of widening infrastructure poverty. This suggests the need to review carefully existing tariffs, payment practices and subsidy systems (especially categorical exemptions) with the objective of improving quality and access for the poor.

Problem of deteriorating apartment buildings. In the transition countries, the quantity of housing (measured in terms of space per capita) is better than expected for their level of income. However, the quality of the stock, as measured in terms of access to services, location and maintenance, is becoming more problematic. One illustration is the large number of apartment dwellers, who are generally better off, who do not benefit from any better access to network utilities. At the same time, regardless of privatization status, apartment buildings go largely unmaintained as a result of continued local government involvement in this part of the housing sector. Neither the government, nor the households, however can afford to replace the existing apartment buildings.

5.2.3. Questions related to data and methodology

This study was the first to explore systematically the use of household surveys in ECA countries for investigating urban poverty and infrastructure and energy dimensions of poverty. Here several important problems were identified:

Exclusion of peri-urban areas from the sampling framework. The exclusion of peri-urban areas from the sampling frameworks means peri-urban problems are not well incorporated into otherwise rich poverty analyses as well as contributing to a more general underestimation of the prevalence of urban poverty in countries such as Albania, Kyrgyz and Azerbaijan, where peri-urban areas are growing rapidly.

Quality of infrastructure services. This study has pointed to the deterioration of quality in provision of infrastructure services, however fewer than half of the surveys used included any questions about quality. The survey questionnaires should be improved to allow better coverage of the quality of basic infrastructure services.

Inclusion of vulnerable urban groups in poverty analysis. Qualitative data should be used to complement quantitative diagnosis and provide information on vulnerable groups of urban dwellers who are often under-represented or omitted entirely (slum dwellers, homeless, IDPs/refugees) in quantitative poverty assessment.

Address poverty comparability problems between rural/urban areas.

- In about one-third of the surveys used for this study, income poverty measures were not adjusted for urban/rural price differences. This has the effect of overstating rural poverty and understating urban poverty.
- Tailor infrastructure modules in order to make infrastructure-poverty indicators relevant to the urban/rural context (e.g. network vs. non-network access; the comparison across urban/rural of network connections is meaningless, but most surveys only ask about network connections).

5.2.4. Implications for future empirical research

The results of the study provide some lessons for further empirical work, not only in terms of addressing the identified data deficiencies, but also in terms of on-going and new analytical work.

Survey design. As discussed above, peri-urban areas should be incorporated into the sampling framework. In order to understand infrastructure service quality, additional questions should be included in the survey instrument. A special effort will be needed to collect information about public transportation, which is routinely excluded from on going surveys, but which is important for both urban and rural livelihoods. At the same time, questions should be adjusted so as to be relevant to both the urban and the rural contexts. Income poverty measures should be adjusted for urban/rural price differences.

On-going empirical work. The study results point to several areas where on going poverty and related work would benefit from a more nuanced approach. Analysis based on distinguishing between urban and rural areas would be enhanced by disaggregating urban into the capital and secondary cities. Additionally, when survey data are used to compare urban and rural areas in terms of infrastructure services, care should be taken not to overestimate the importance of access to network services for rural inhabitants.

Future empirical work. This study was a first step in understanding the dimensions of urban poverty by using existing survey data to provide an overview of the current situation. This first step describes the current situation. Subsequent work would be needed in order to provide understanding of the outcomes and to answer questions such as: To what extent do institutional arrangements for service delivery explain the results? How are fiscal and governance issues related to the outcomes? Has the recent improvement in the fiscal situation in some countries resulted in an improvement in service-delivery? If not what are the implications? How have changes in the social safety net contributed to poverty reduction in urban areas? Why are mobility rates low and how does this affect urban poverty? To what extent are slums emerging in ECA cities and how is this linked to country policies?

Annex 1: Measurement and Data Issues



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Annex 2: Country Data Tables



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Annex 3: Payment Rates and Provisions of Different Infrastructure Services by Quintile and be Capital and Other Urban Areas



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