

Economic Growth and Inclusion in the Western Balkans

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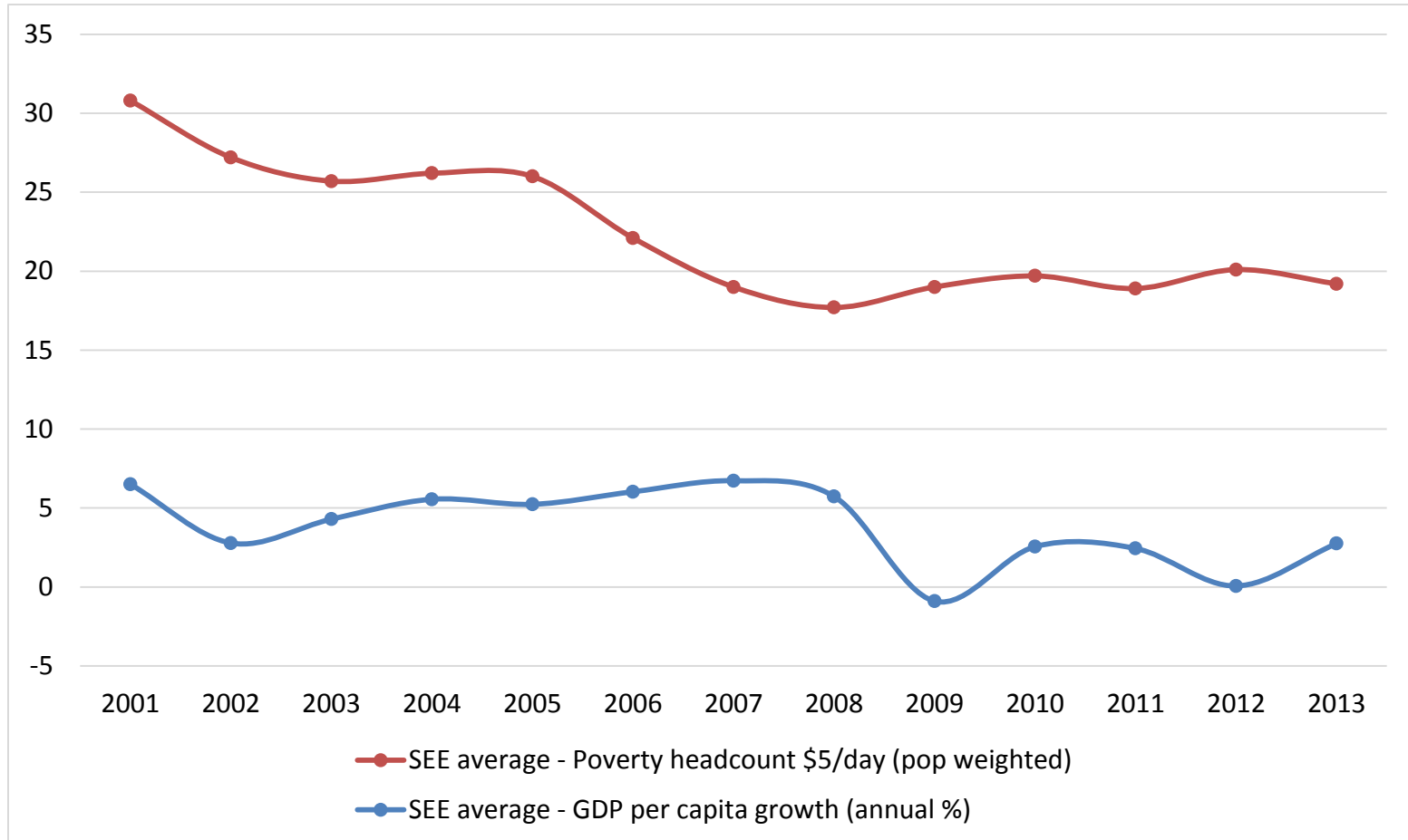
Overview and Key Messages

1. Economic growth key driver of poverty reduction
2. Households with poor labor market attachment and heavy dependence on transfers
3. Sound economic and structural policies needed for strong, inclusive and sustainable economic growth



Strong pre-2008 growth **good** for poverty reduction

Economic Growth and Poverty for SEE6, 2000-2013

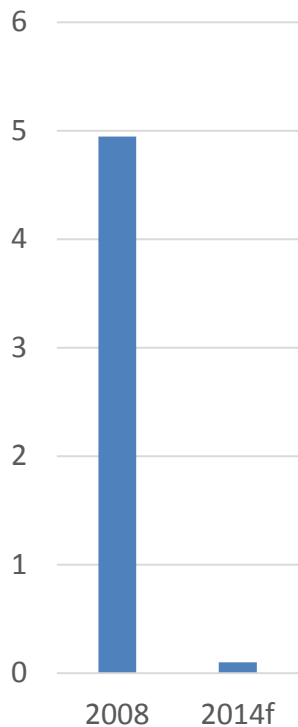


Source: World Bank Staff estimates based on the harmonized ECAPOV dataset, and WDI.

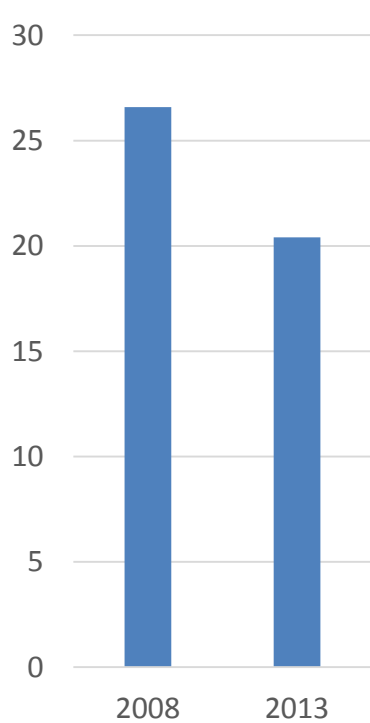


Pre-crisis growth drivers **exhausted**

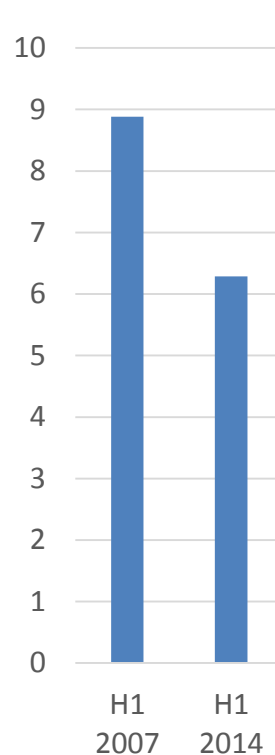
Real GDP Growth,
%



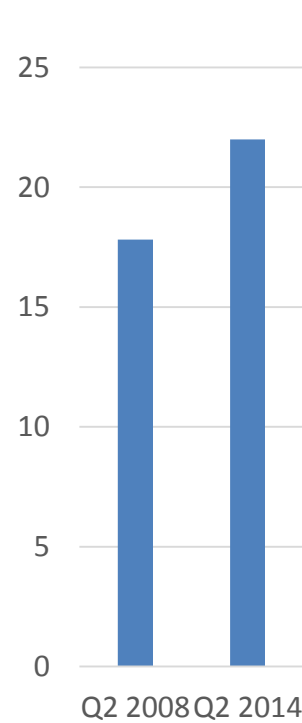
Gross fixed capital
formation, % GDP



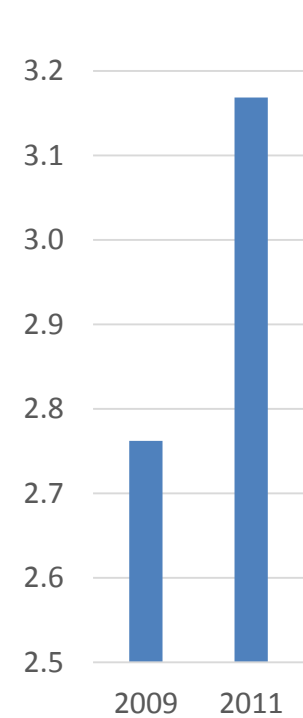
Remittances,
% GDP



Unemployment,
% of labor force



Poverty rate
at US\$2.5, %

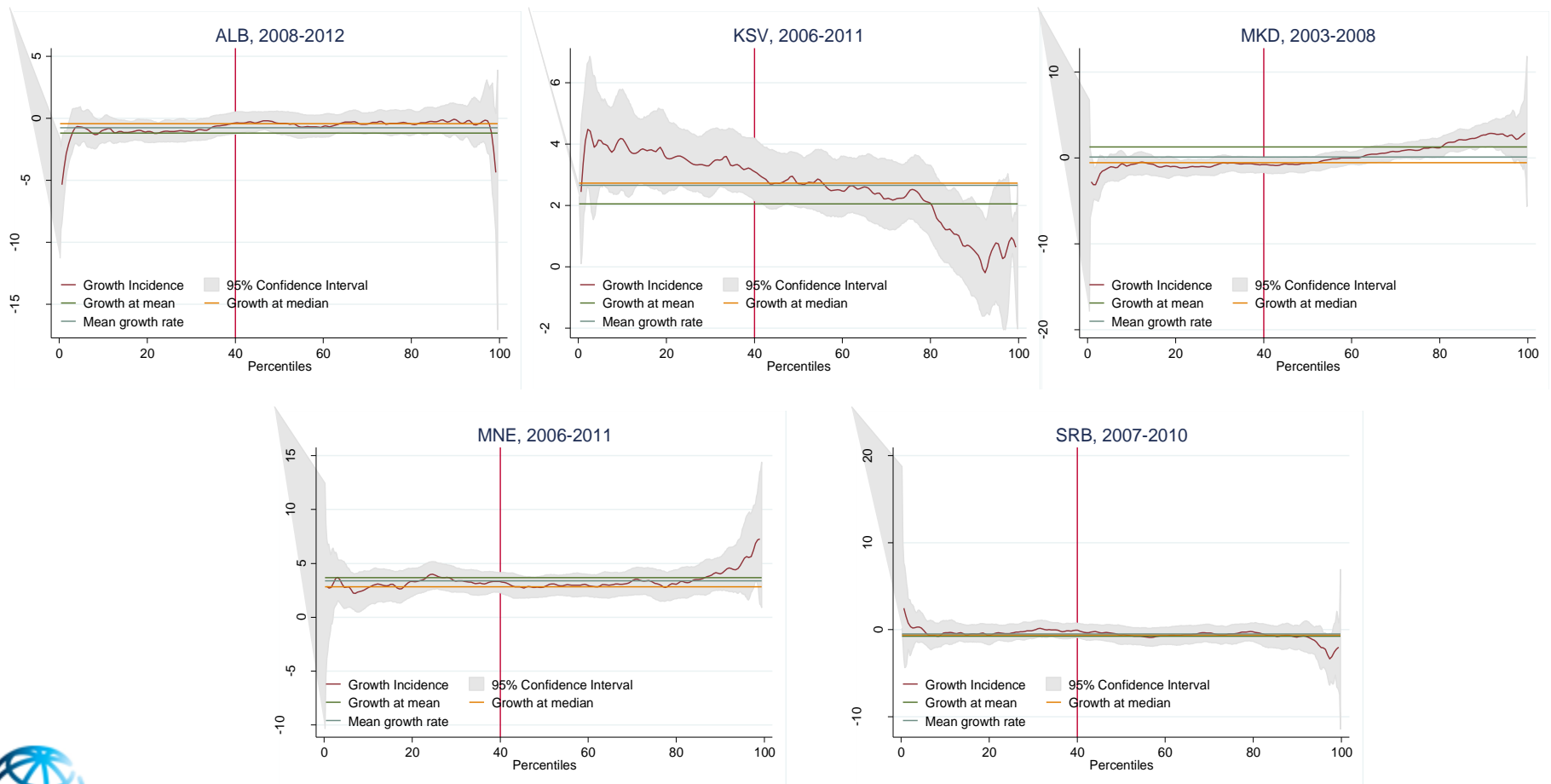


Source: World Bank Staff calculations based on national statistical offices.

Note: Weighted averages throughout. Poverty rates are for 2008 and 2012 for ALB, 2007 for BiH, and 2006 and 2008 for MKD. Poverty rate average excludes KOS.

Growth not necessarily equitable

Growth incidence curves, periods as indicated, annualized growth

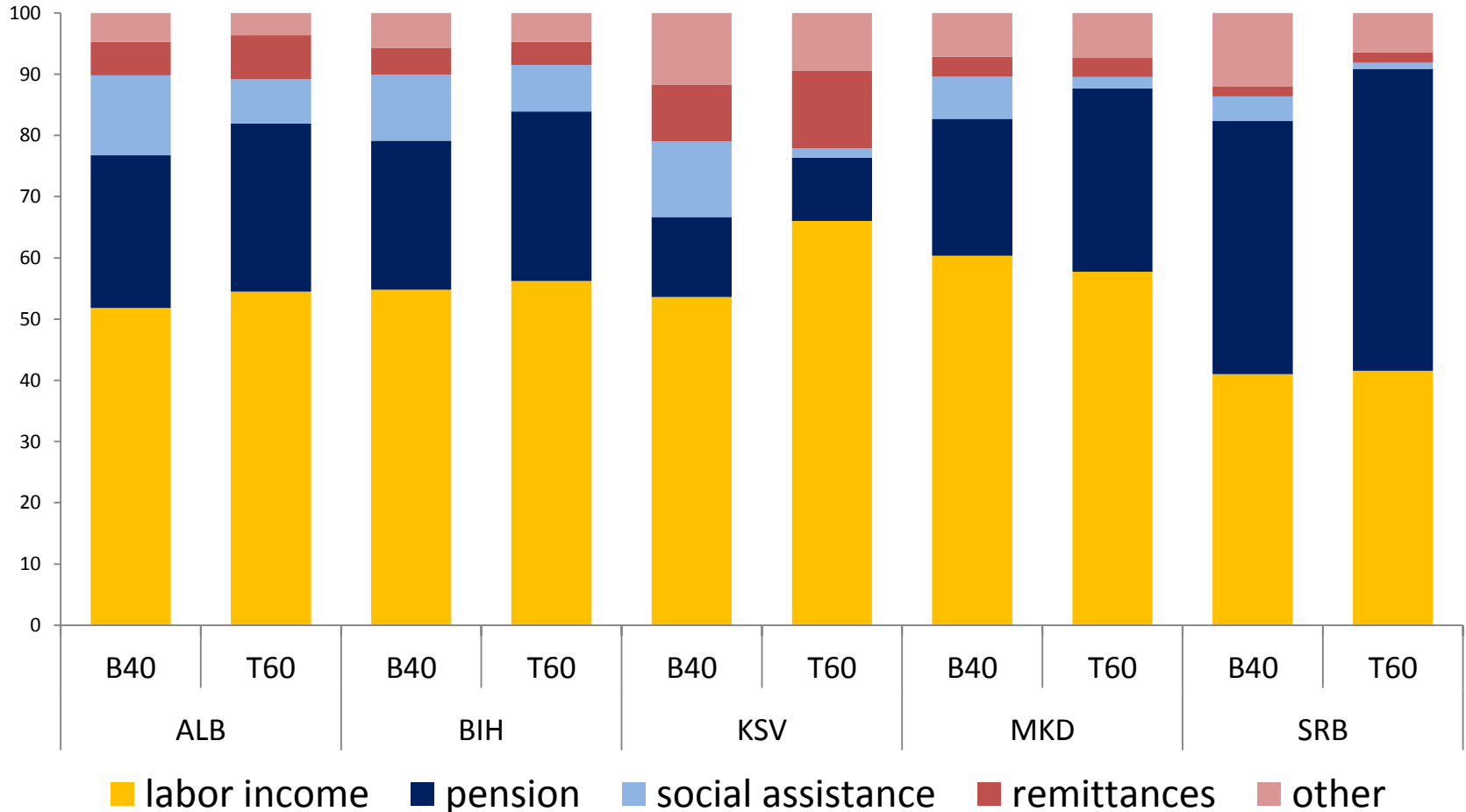


Source: World Bank staff estimates based on the harmonized ECAPOV dataset.



Transfers dependence and weak labor market attachment, especially among the less well-off

Structure of household income by source

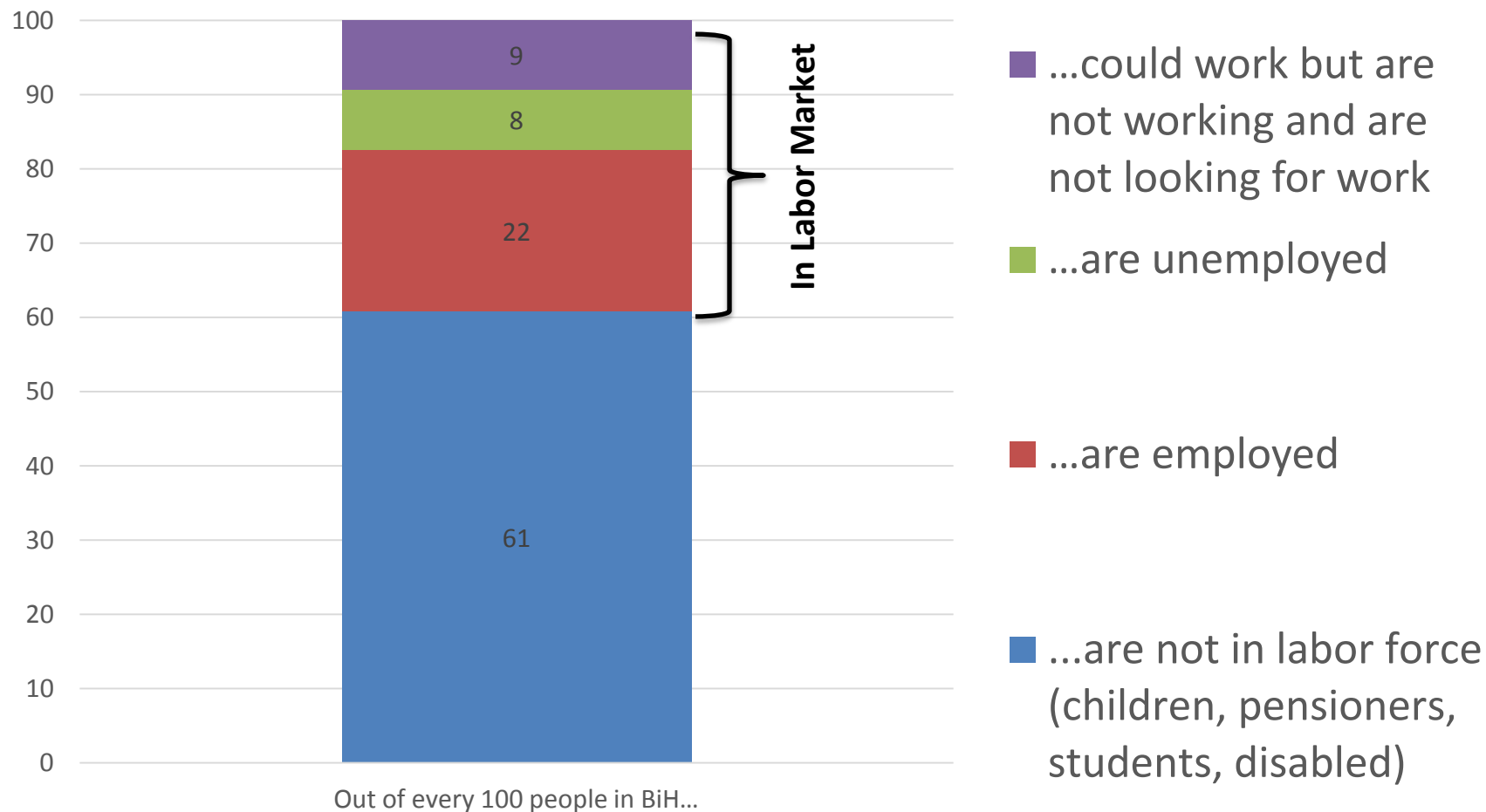


Source: World Bank Staff estimates based on the harmonized ECAPOV dataset
Note: B40 refers to bottom 40 percentile and T60 to top 60 percentile of income distribution



Labor income only about half of HH income due to **low employment**

Only one in five with a job Bosnia and Herzegovina

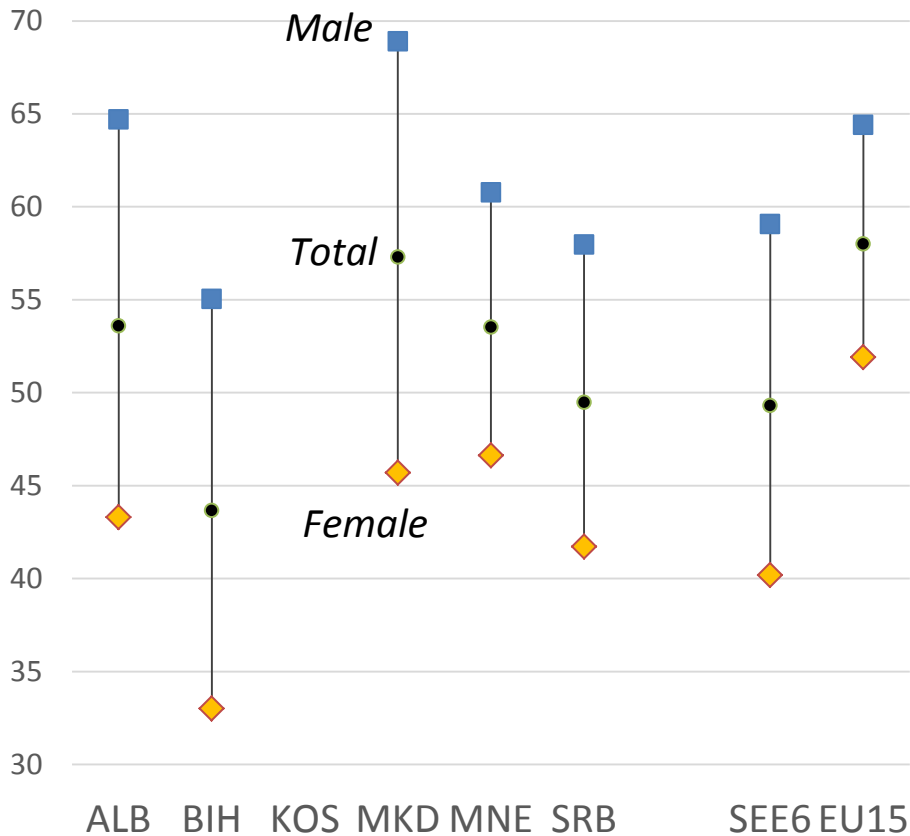


Source: World Bank staff estimates

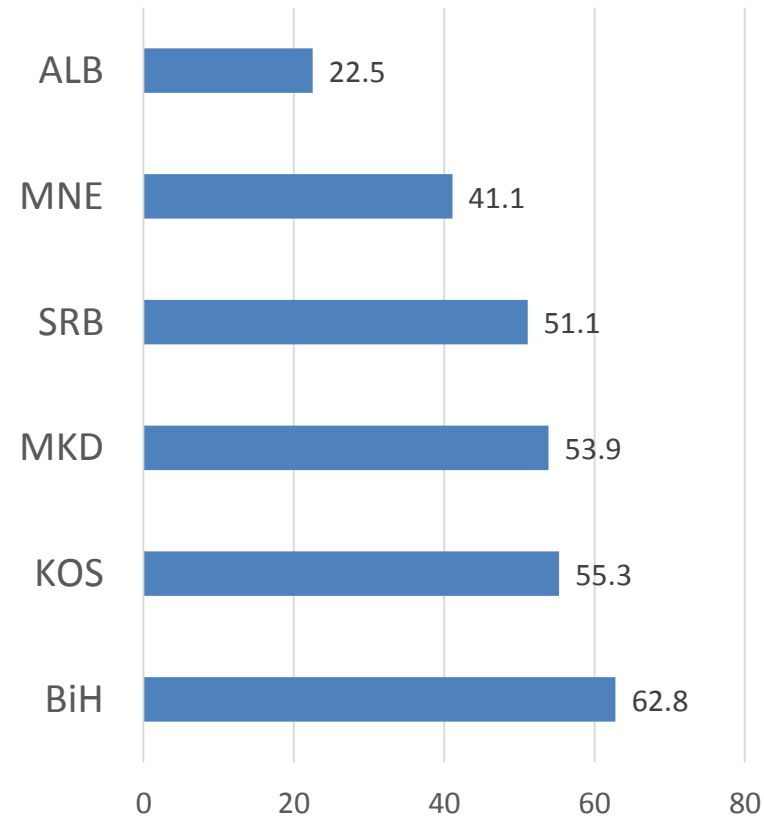


Youth, women, minorities with poor labor market outcomes

Labor force participation (% population aged 15+)



Youth Unemployment Rate, % labor force



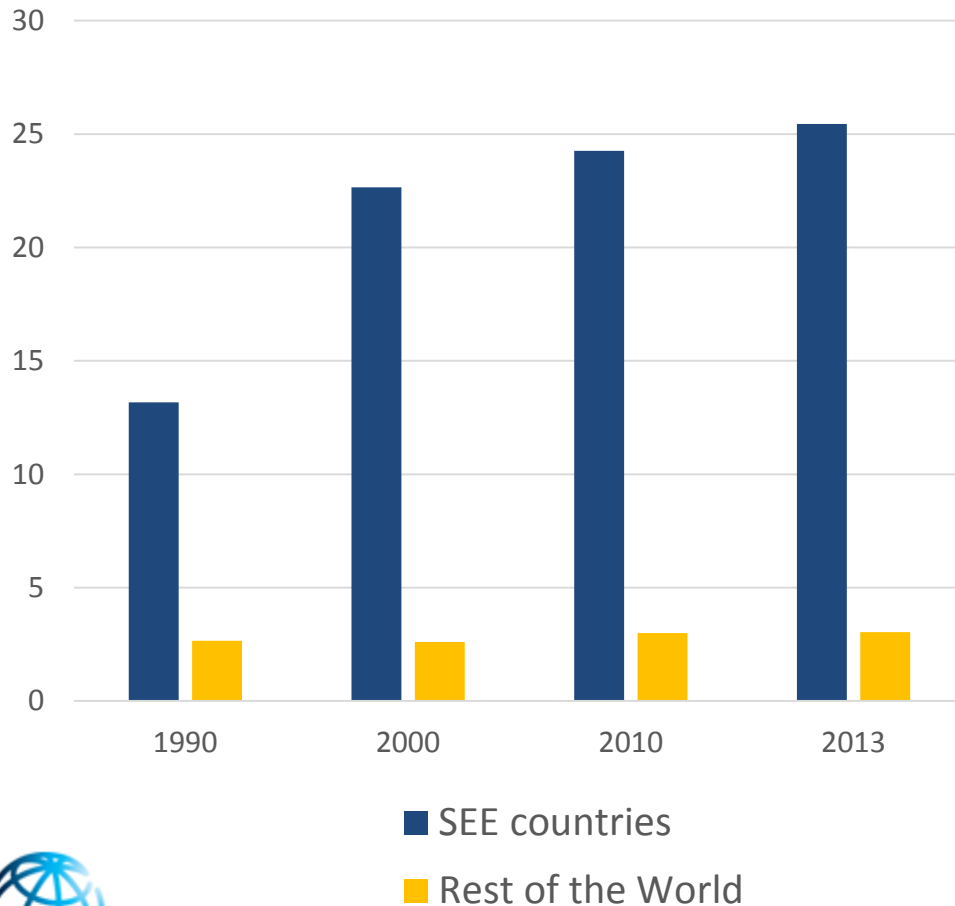
Source: World Bank staff estimates

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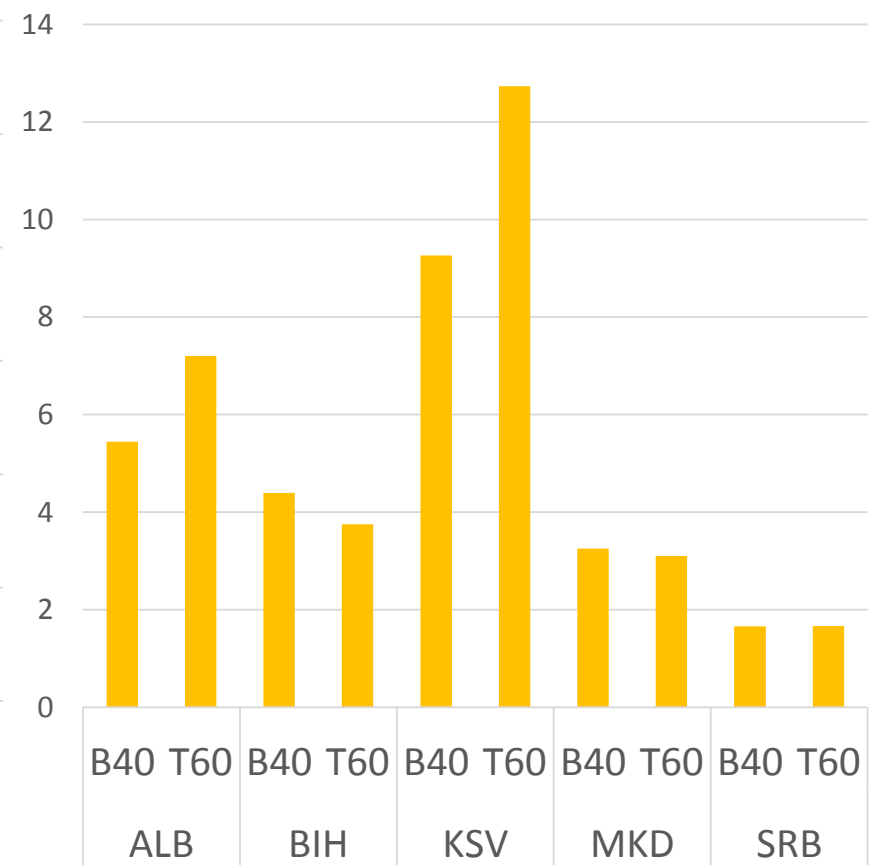


Reliance on **remittances** and **other private transfers**, often regressive

Emigrants, share of source country population



Remittances, percent of household income

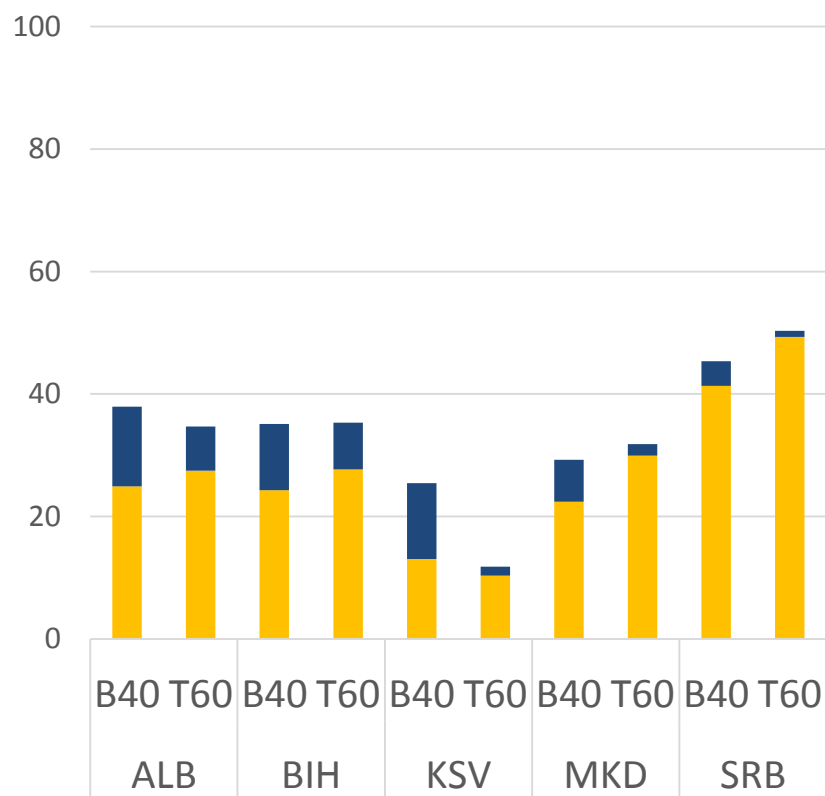


Source: Trends in International Migrant Stock, United Nations

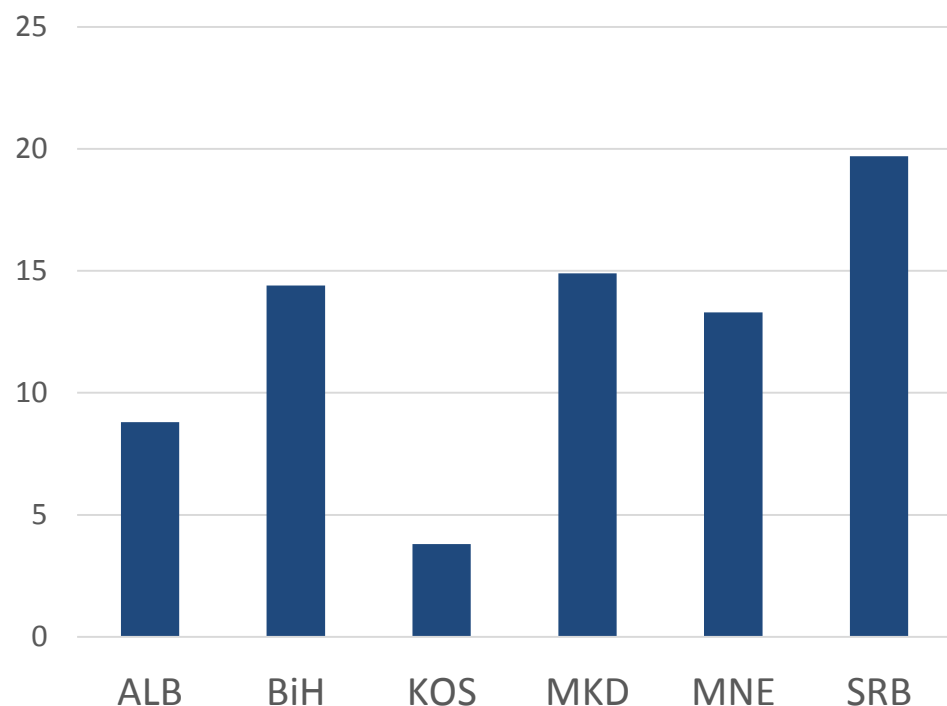
Source: World Bank Staff estimates based on the harmonized ECAPOV dataset
 Note: B40 refers to bottom 40 percentile and T60 to top 60 percentile of income

System of extensive public transfers

Share of income by source, percent of total household income



Size of social benefits, percent of GDP



■ pension ■ social assistance

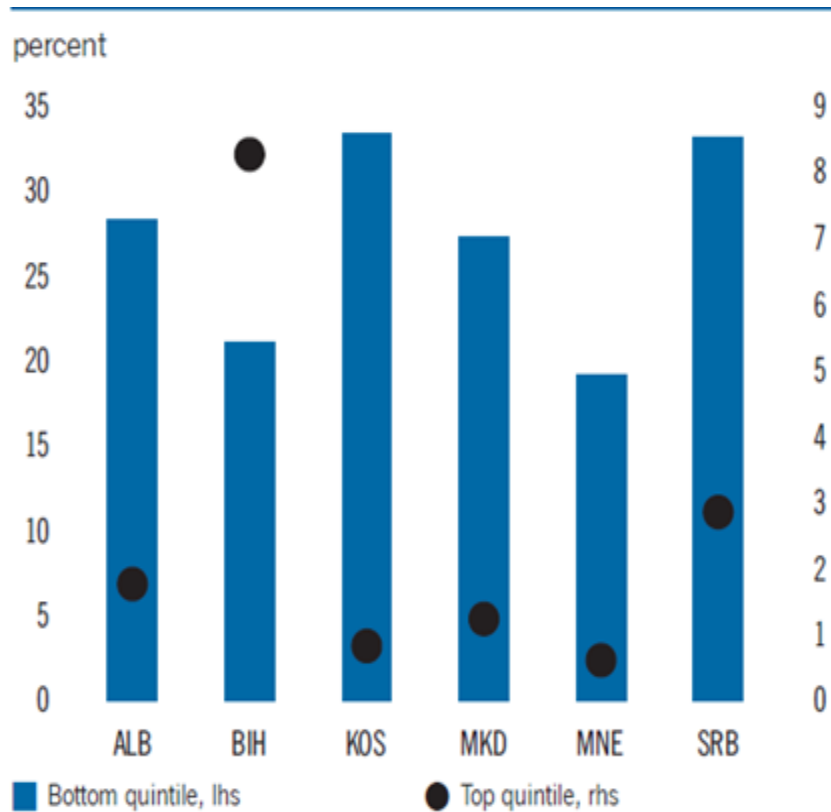
Source: World Bank Staff estimates based on the harmonized ECAPOV dataset

Source: World Bank staff calculations

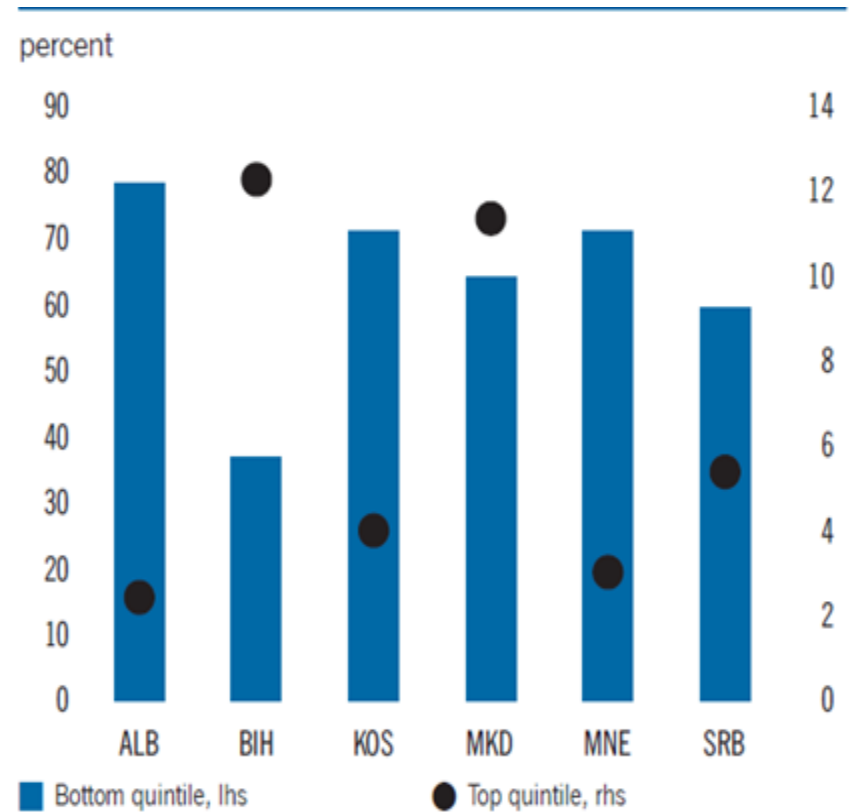


Despite being large, public transfers often **poorly targeted**

Social Benefits Coverage of HHs for Top and Bottom Quintiles



Social Benefits Targeting to Top and Bottom Quintiles HHs



Source: National authorities and Europe and Central Asia Social Protection expenditures and evaluation Database, World Bank.



Sound Economic and Structural Policies for sustainable growth and jobs in the Western Balkans

- ✓ Maintain **macroeconomic stability**
- ✓ Improve quality of the **investment & governance environment**
- ✓ Eliminate disincentives & barriers to (formal) **jobs**
- ✓ Enhance equity & efficiency of **public services & infrastructure**
- ✓ Improve targeting and coverage of **social protection systems**
- ✓ Sustainable use of **natural resources** and stewardship of the **environment**



Thank you!

References

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For questions:

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