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

Source: World Bank Staff estimates based on the harmonized ECAPOV dataset, and WDI.
Pre-crisis growth drivers **exhausted**

### Real GDP Growth, %
- 2008: 5%
- 2014f: 0%

### Gross fixed capital formation, % GDP
- 2008: 30%
- 2013: 20%

### Remittances, % GDP
- H1 2007: 9%
- H1 2014: 25%

### Unemployment, % of labor force
- Q2 2008: 2.5%
- Q2 2014: 3.2%

### Poverty rate at US$2.5, %
- 2009: 3.1%
- 2011: 3.2%

**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

<table>
<thead>
<tr>
<th></th>
<th>ALB</th>
<th>BIH</th>
<th>KSV</th>
<th>MKD</th>
<th>SRB</th>
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<tbody>
<tr>
<td>B40</td>
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<td>T60</td>
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</tbody>
</table>

- **Labor income**
- **Pension**
- **Social assistance**
- **Remittances**
- **Other**

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
Out of every 100 people in BiH…

...could work but are not working and are not looking for work: 9

...are unemployed: 8

...are employed: 22

...are not in labor force (children, pensioners, students, disabled): 61

Source: World Bank staff estimates
Youth, women, minorities with poor labor market outcomes

**Labor force participation (% population aged 15+)**

<table>
<thead>
<tr>
<th>Country</th>
<th>Male</th>
<th>Total</th>
</tr>
</thead>
<tbody>
<tr>
<td>ALB</td>
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<tr>
<td>BIH</td>
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<tr>
<td>KOS</td>
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</tr>
<tr>
<td>MKD</td>
<td>51.1</td>
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<tr>
<td>MNE</td>
<td>41.1</td>
<td></td>
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<tr>
<td>SRB</td>
<td>22.5</td>
<td></td>
</tr>
</tbody>
</table>

**Youth Unemployment Rate, % labor force**

<table>
<thead>
<tr>
<th>Country</th>
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<th>MNE</th>
<th>SRB</th>
<th>MKD</th>
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<td>62.8</td>
</tr>
</tbody>
</table>

Source: World Bank staff estimates
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 distribution.
System of extensive public transfers

Share of income by source, percent of total household income

Size of social benefits, percent of GDP

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

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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