



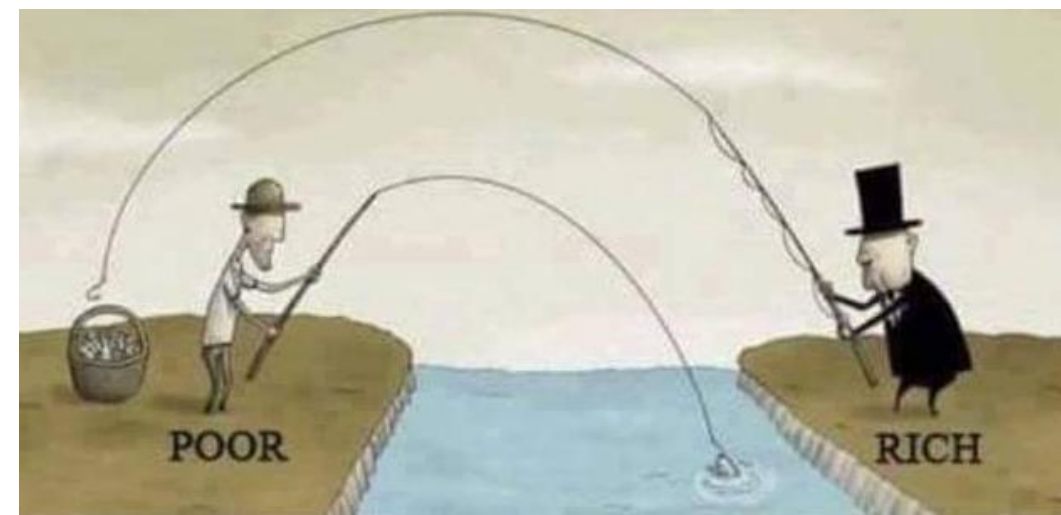
Empowered lives. Resilient nations.

Measuring inequality in the transition and developing economies of Eastern Europe and Central Asia— Progress at Risk

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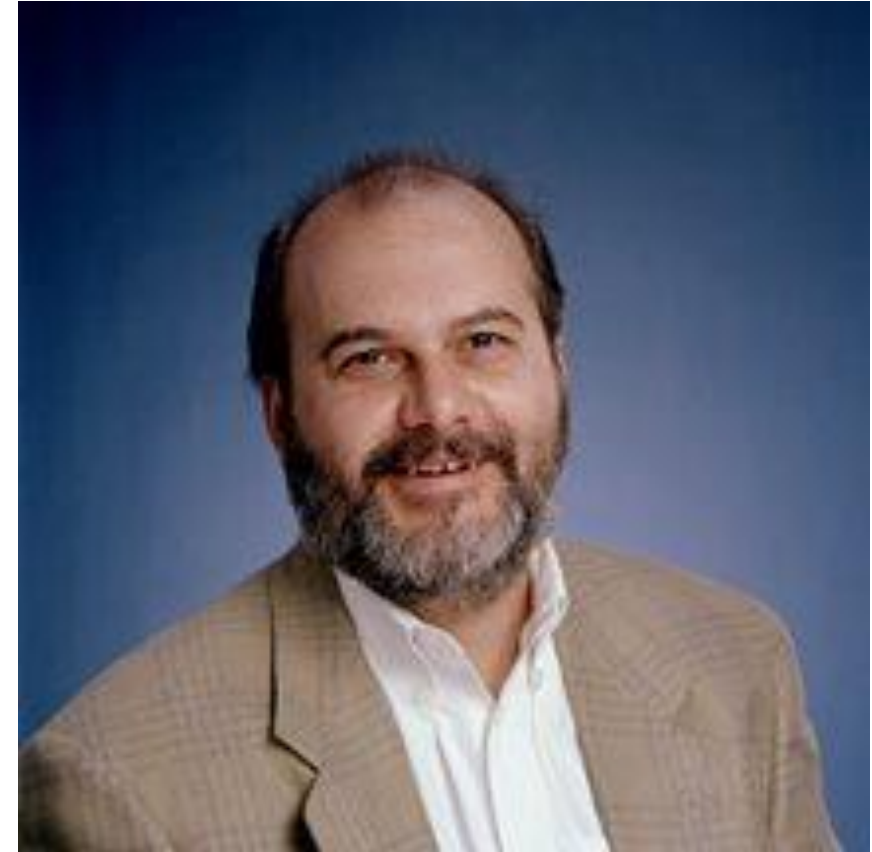


What is this paper about? What is it not about?

It's NOT about:	It IS about:
<ul style="list-style-type: none">• Multidimensional Inequalities	<ul style="list-style-type: none">• Inequalities
<ul style="list-style-type: none">• Absolute poverty• Social exclusion, vulnerabilities	<ul style="list-style-type: none">○ Income
<ul style="list-style-type: none">• Employment, social protection• Gender• Good governance• Environment/natural capital• Etc.	<ul style="list-style-type: none">○ Non-income (Inequality-adjusted HDI, country examples of spatial and regional disparities)
	<ul style="list-style-type: none">• Trends in middle class
	<ul style="list-style-type: none">• Trends in region's richest/wealth
	<ul style="list-style-type: none">• Policy measures to address inequalities (including SDGs 1 and 10)

“Post-communist voice” is missing

- Other than Branko Milanovic, there are few specialists on inequalities in our region
- Inequalities in CIS (+ Georgia), Western Balkans—“stylized facts”
 - Low pre-transition inequality levels
 - ❖ Income
 - ❖ Wealth
 - ❖ Gender
 - Income inequalities rose during the 1990s, but then in many countries stabilized or fell
 - And for many countries they are almost back to pre-transition levels . . .
 - . . . Although there are reasons to doubt these data



Data review

- Many data gaps and uncertainties
 - **National** versus international data?
 - **Income** inequality, or consumption expenditures (as proxy)?
 - ❖ National: National statistical offices
 - Review of these data almost complete
 - Substantial cross-country differences in data availability
 - ❖ International: POVCALNET (World Bank)
 - Based on national household budget survey data
 - Revised to reflect 2011 PPP exchange-rates
 - Distribution of consumption expenditures used as proxies for income distribution
 - Useful for comparing income poverty across countries—but not necessarily for comparing income inequality
- Income inequality:
 - It's still about Gini coefficients . . .
 - ❖ . . . Even though Ginis are not among the proposed SDG indicators
- Wealth inequality: Official data are spotty



Gini Coefficient for Income inequalities — Four groups of countries:

Country	2002	2003	2004	2005	2006	2007	2008	2009	2010	2011	2012	2013	2014
Albania**													
Armenia	45	43	40	36	37	37	34	36	36	37	37	37	37
Azerbaijan**													
Belarus					26	27	27	27	27	28	29	28	28
Georgia					45	46	45	46	46	46	43	42	41
Kazakhstan	33	32	31	30	31	31	29	27	28	29	28	28	28
Kosovo				30				30	29	28			
Kyrgyz Rep.	42	41	42	43	45	42	36	37	37	38	42	46	43
fYRoM									41	39	39	37	35
Moldova					37	37	37	37	35	34	34	33	32
Montenegro				26	24	26	25	26	24	26	27	26	
Serbia					33	32	30	30	33		38	39	38
Tajikistan**													
Turkey	44	42	40	38	43	41	41	42	40	40	40	40	39
Turkmenistan*				29	30	29	28	28	29	28	29	29	29
Ukraine			32	33	33	27	26	26	25	24	23	24	23

Gini coefficients for income inequality

Source: National statistical office websites

*provided by state statistical agencies upon request.

**calculations are underway based on provided data on income distribution

- Low inequality: Belarus, Kazakhstan, Kosovo,* Moldova, Ukraine
- Higher, but falling inequalities: Georgia, former Yugoslav Republic of Macedonia, Turkey
- High, or rising inequalities: Armenia, Kyrgyz Republic, Serbia
- “No openly shared data”: Albania, Bosnia and Herzegovina, Tajikistan, Turkmenistan, Uzbekistan

* As per UNSCR 1244 (1999).

“Bottom 40s”

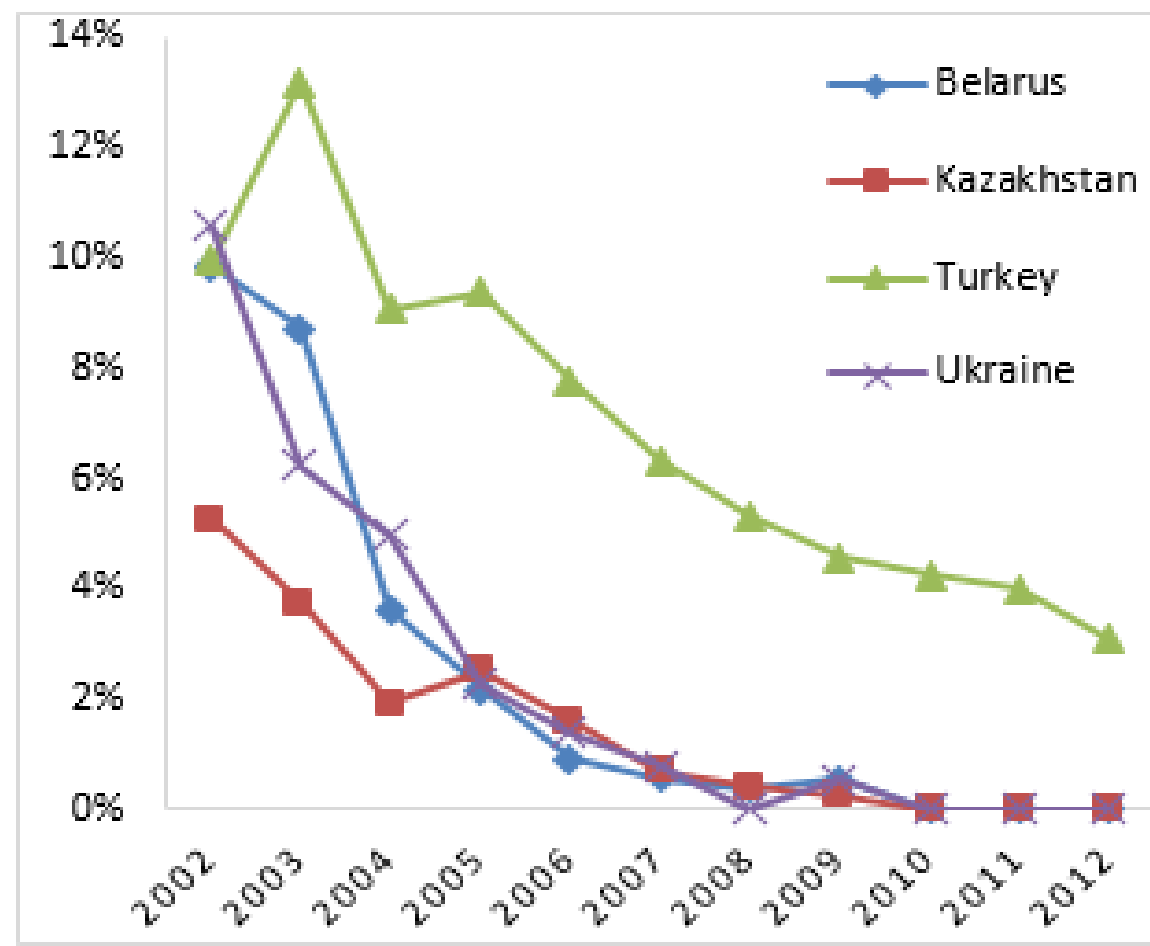
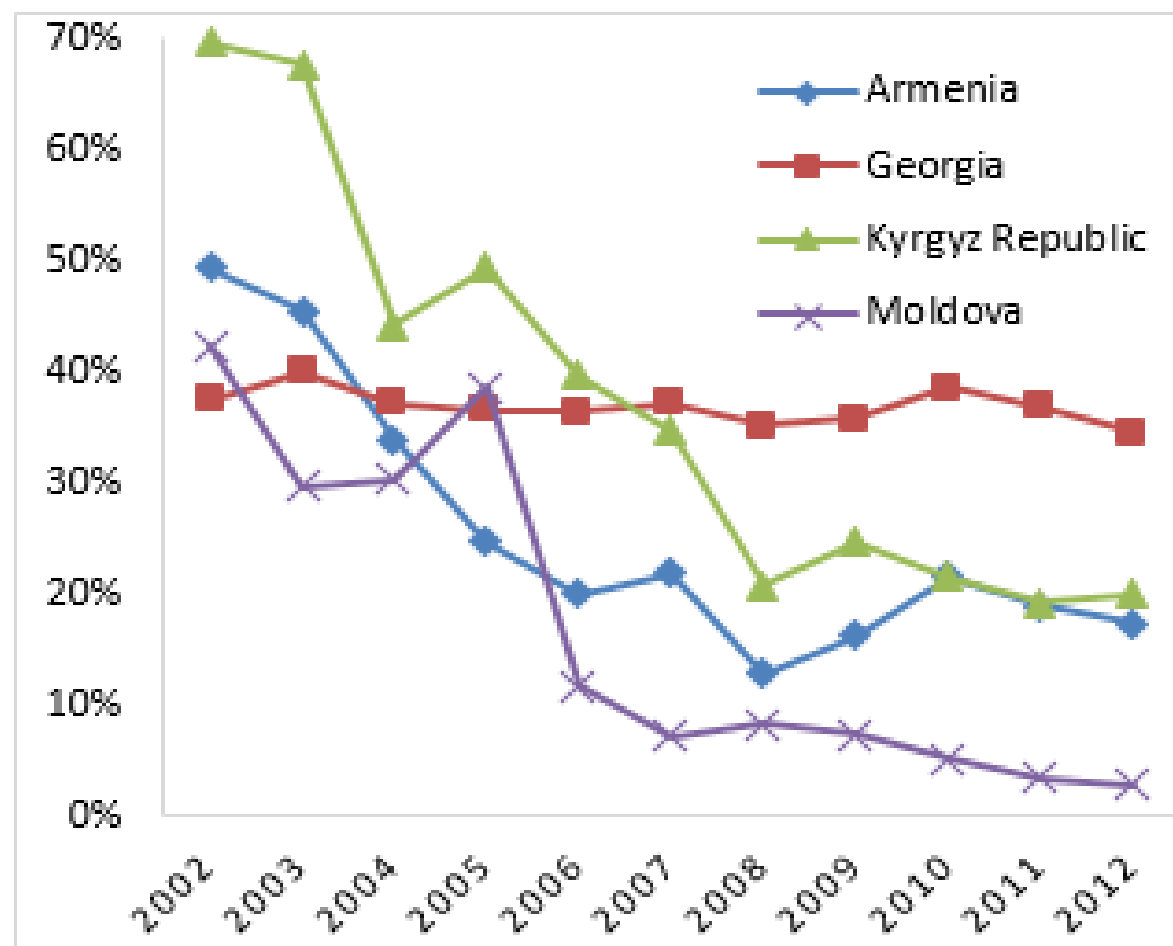
Country	2002	2003	2004	2005	2006	2007	2008	2009	2010	2011	2012	2013	2014
Armenia	100	107	95	101	113	112	112	110	111	111	107	111	107
Azerbaijan				100	93	98	99	97	97	101	104	101	102
Belarus				100	98	96	97	98	97	96	96	97	97
Georgia*	100	99	99	100	98	96	95	95	91	92	94	98	
Kazakhstan						100	105	110	107	104		108	107
Kyrgyz Rep.	100	104	103	96	100	99	122	116	116	112	100	87	103
FYRoM									100	90	91	97	
Moldova					100	102	101	99	105	109	112	111	115
Turkmenistan				100	101	104	105	100	101	101	104	107	108
Turkey					100	107	106	104	109	108	108	107	108
Ukraine*	100	103	99	99	101	105	105	107	109	107	109	110	110

Note: The indicator shown above takes this share as 100 in 2002 (or the first year for which these data are available, if later). Growth above 100 means that the share of national income received by the four poorest quintiles has increased; a decline means that this share has declined.

** Consumption expenditures are used as proxies for income.*

Source: National statistical office websites

Poverty rates 2002-2012

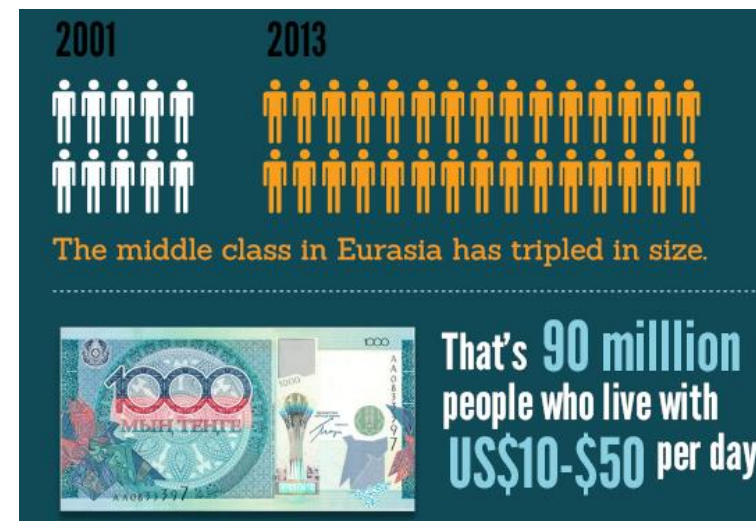


Note: The poverty rates are derived using an international poverty threshold of \$3.10/day—in purchasing-power-parity (PPP) terms, based on the International Comparison Programme's 2011 PPP exchange rates.

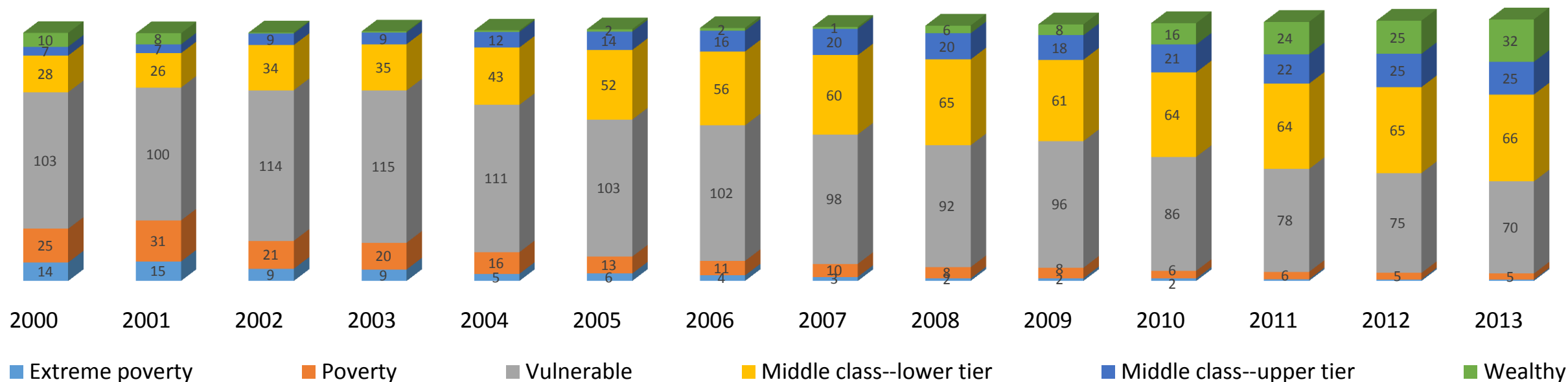
Source: World Bank POVCALNET database.

The region's middle classes stage a comeback

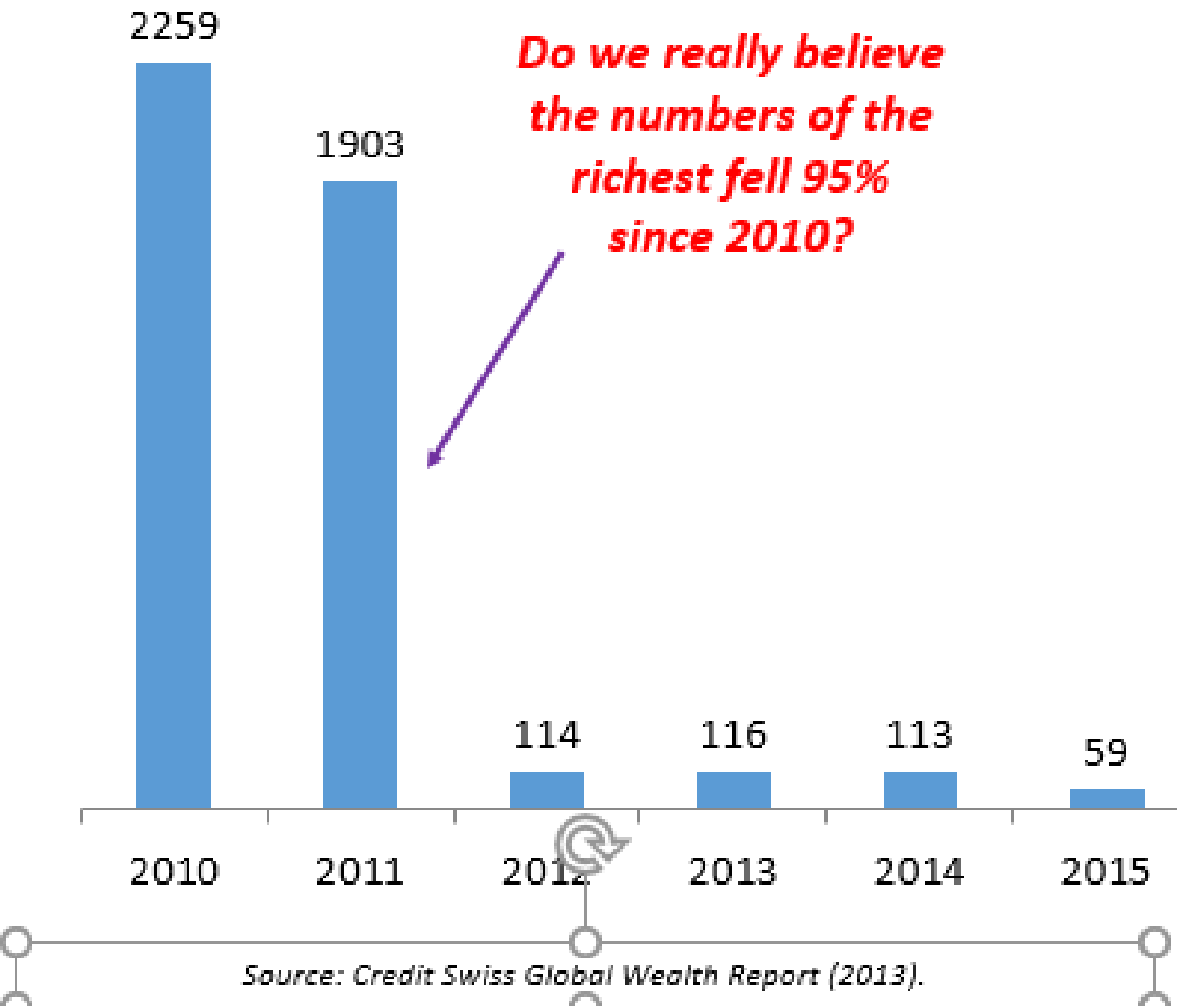
- Those living in poverty (< PPP\$3.10/day) fall from 46 to 5 million (2001-2013)
- Those vulnerable to poverty (PPP\$3.10/day to PPP\$10/day) fall from 115 to 70 million (2003-2013)
- Middle classes (PPP\$10/day to PPP\$50/day) grow from 33 to 90 million (2001-2013)



Numbers of people in various socio-economic classes (millions)



How rich are the region's super rich?



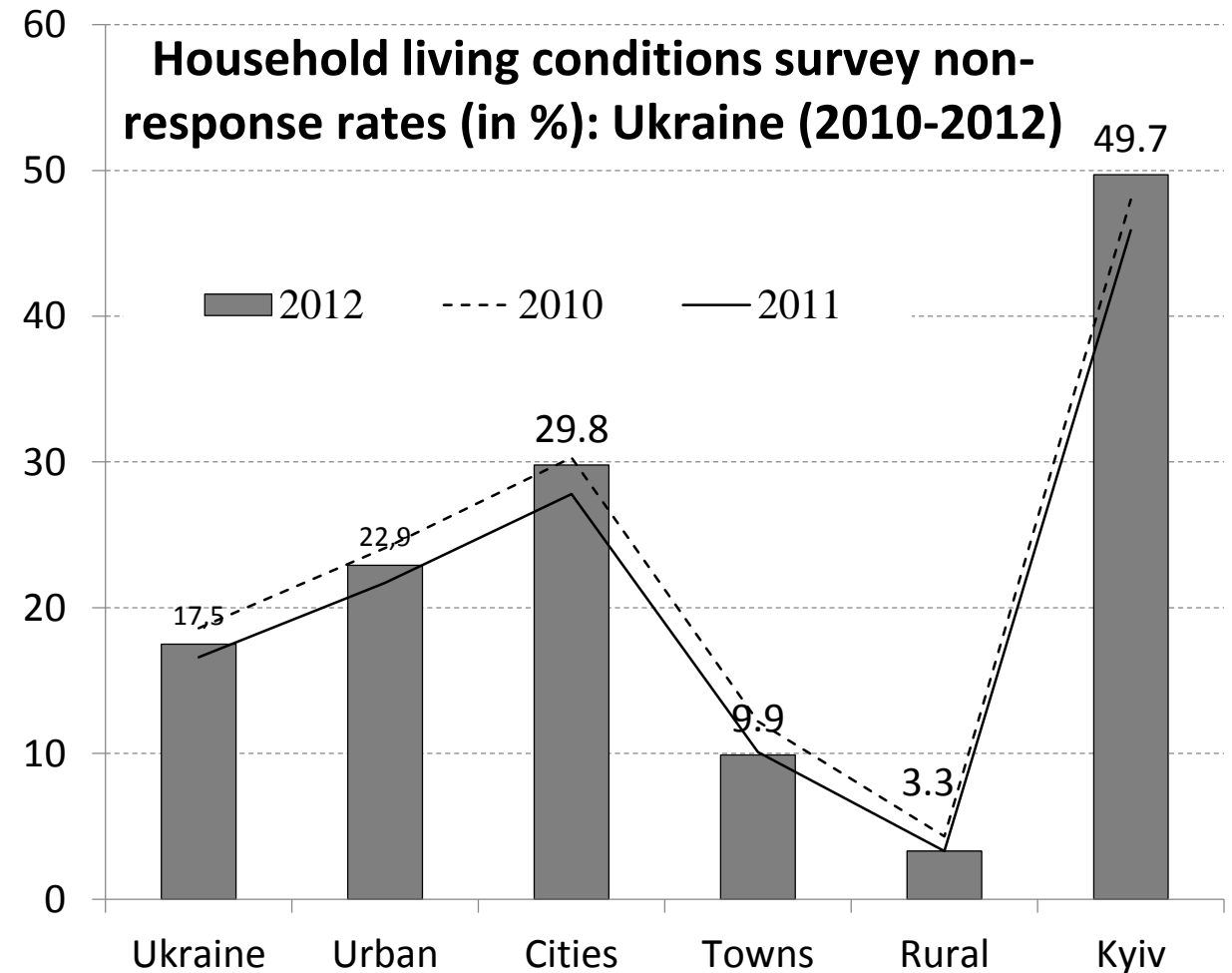
- Forbes' realtime billionaires list shows that only 34 (2%) come from Eastern Europe, Turkey, and Central Asia.
- Turkey is responsible for 23 of these, followed by Ukraine and Kazakhstan (five each) and Georgia (with one). Four of these are women (three from Turkey, one from Kazakhstan).
- Wealth is predominantly accumulated via the natural resources and banking sectors of economy; construction and pharmaceuticals are specific to Turkey. Interestingly, one billionaire in Ukraine makes money in the agricultural sector.

Source: <http://www.forbes.com/billionaires/list/#version:realtime>

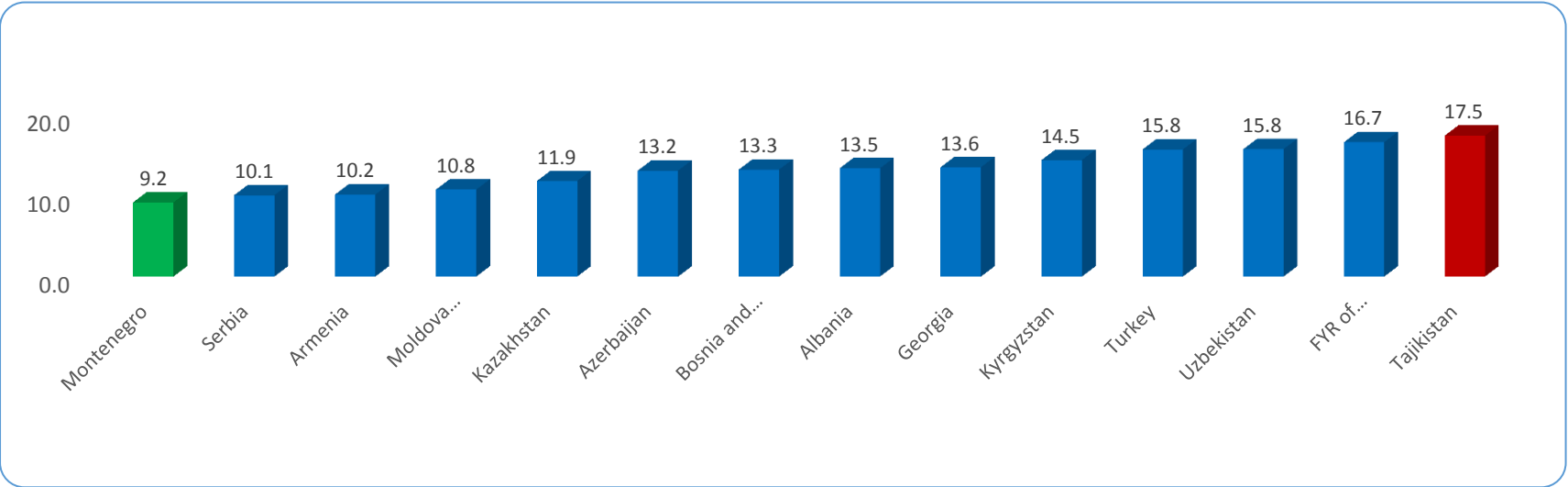
Yet, no one really knows what many of the super-rich are worth at any given moment (including the super-rich themselves 😊)

Equality accomplishments are under threat

- Evidence of systematic downward biases in income, wealth inequality data
 - Richest households income, wealth not well captured
- Needed:
 - Policy reforms, governance solutions
 - Better data, indicators
 - ❖ SDGs: “Go beyond Gini coefficients”

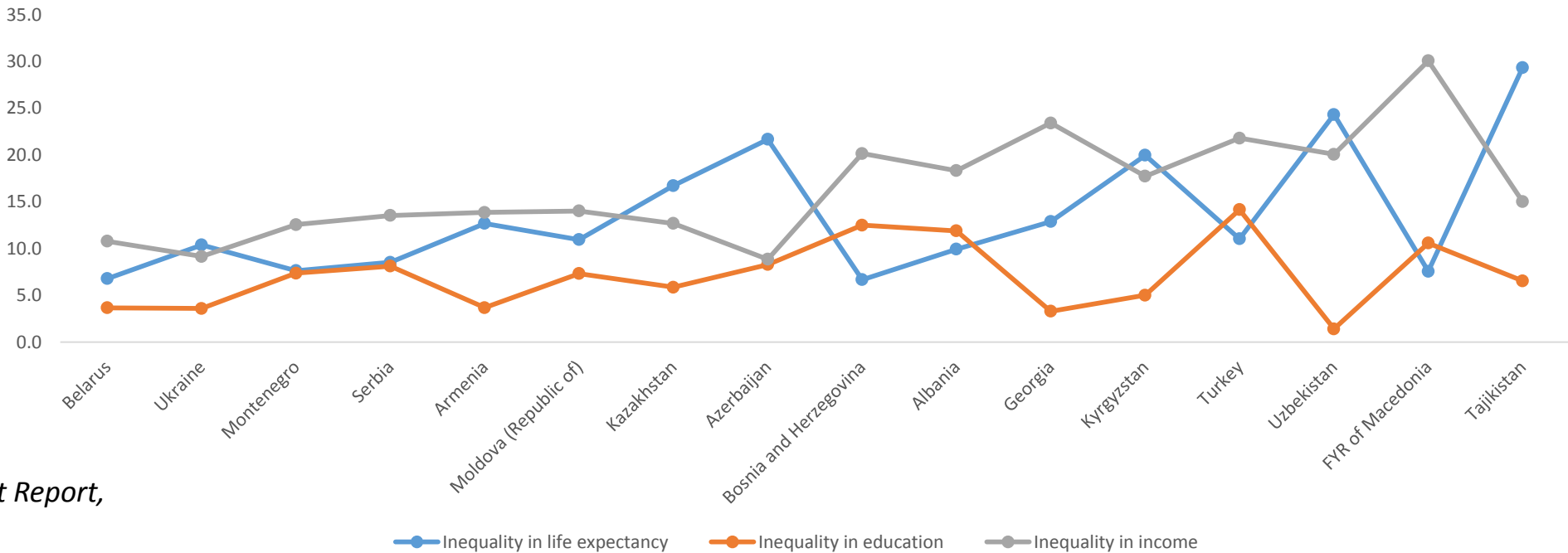


Inequality through the lens of Human Development Index



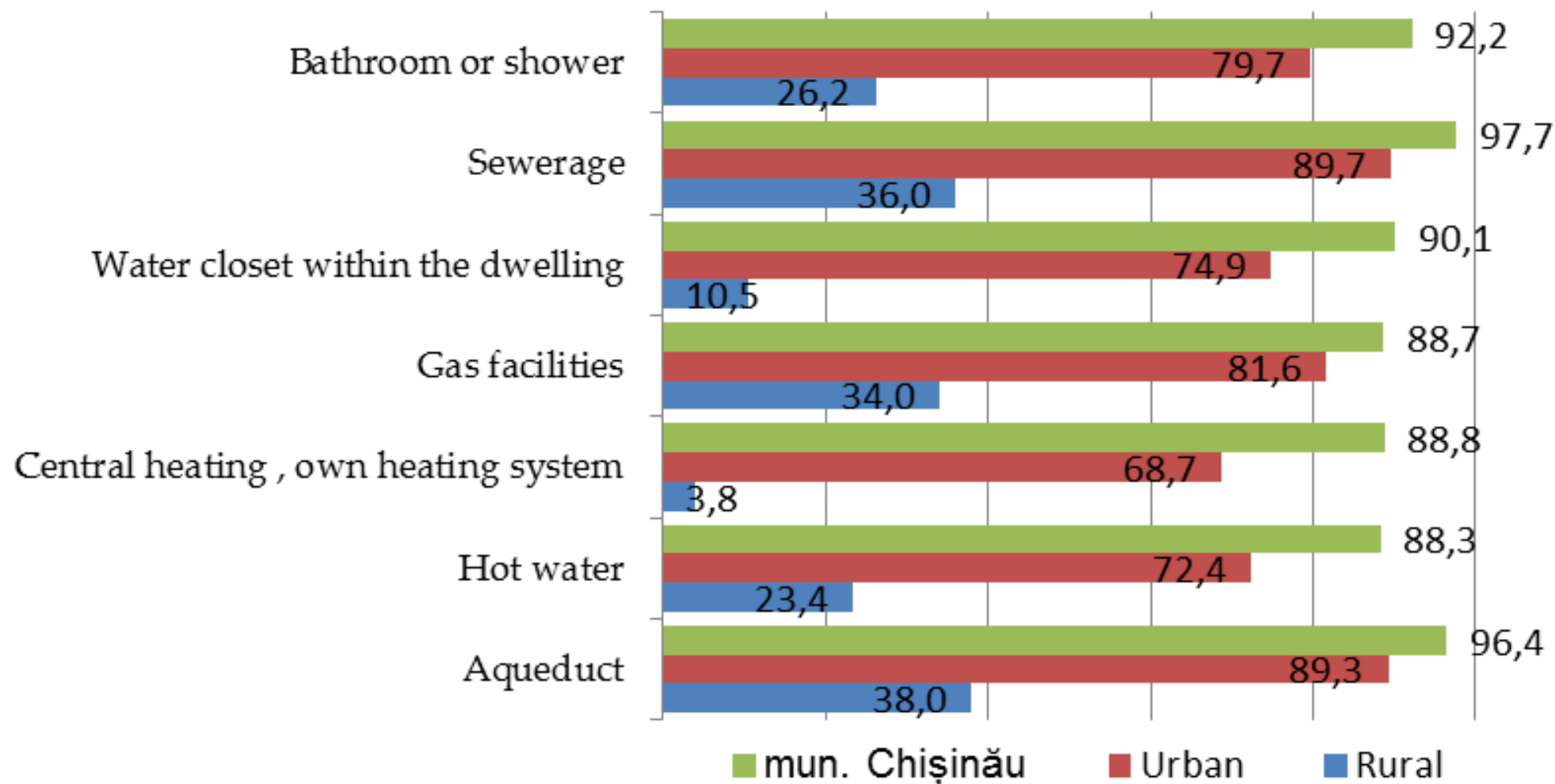
Overall loss in the HDI when adjusted to inequalities, % (2014)

Losses in the inequality-adjusted HDI by components, %



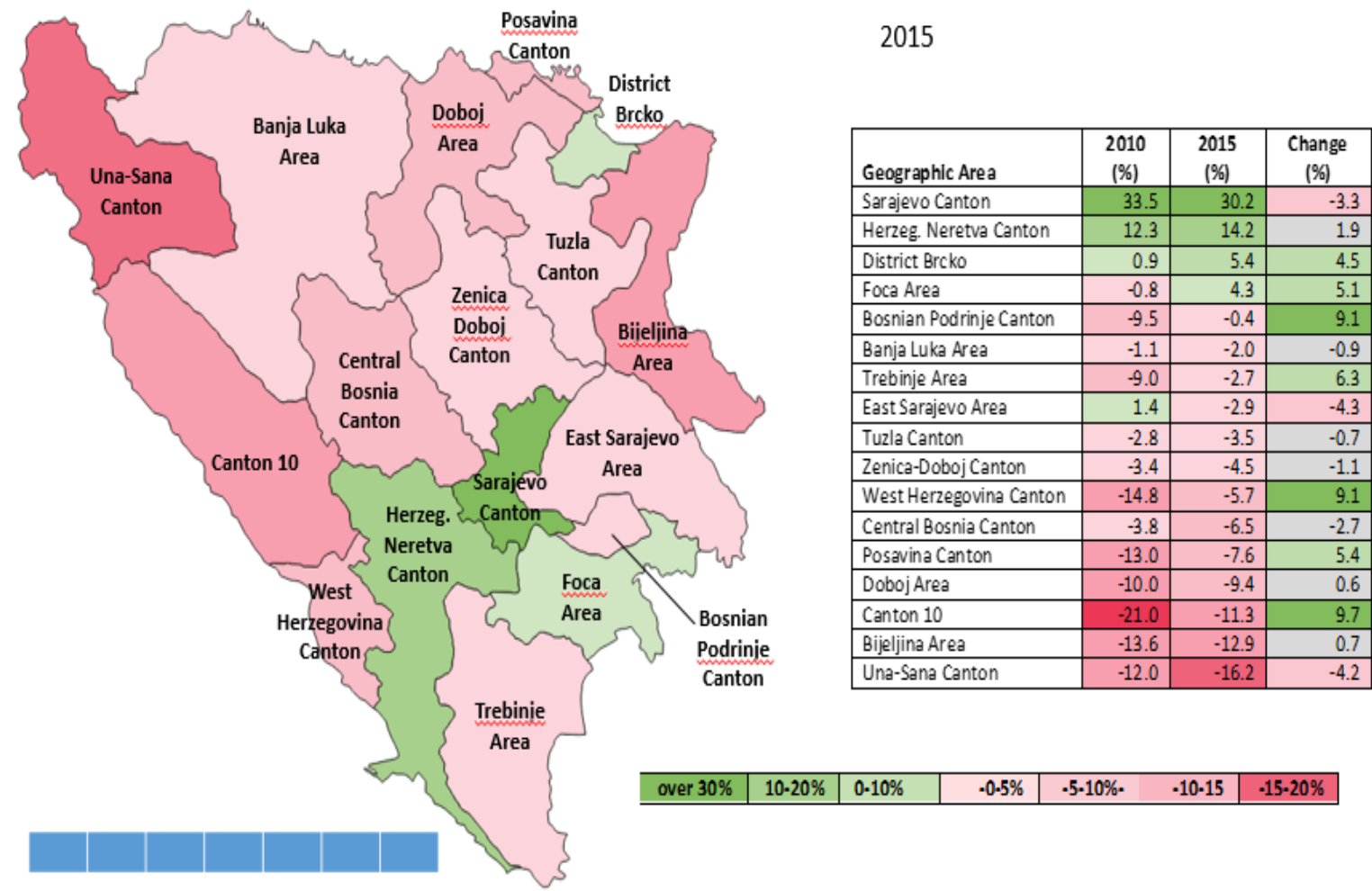
Source: UNDP Human Development Report, 2015

Case study: Unequal access to utilities by areas of residence in Moldova



Source: National country case study on inequalities (unpublished)

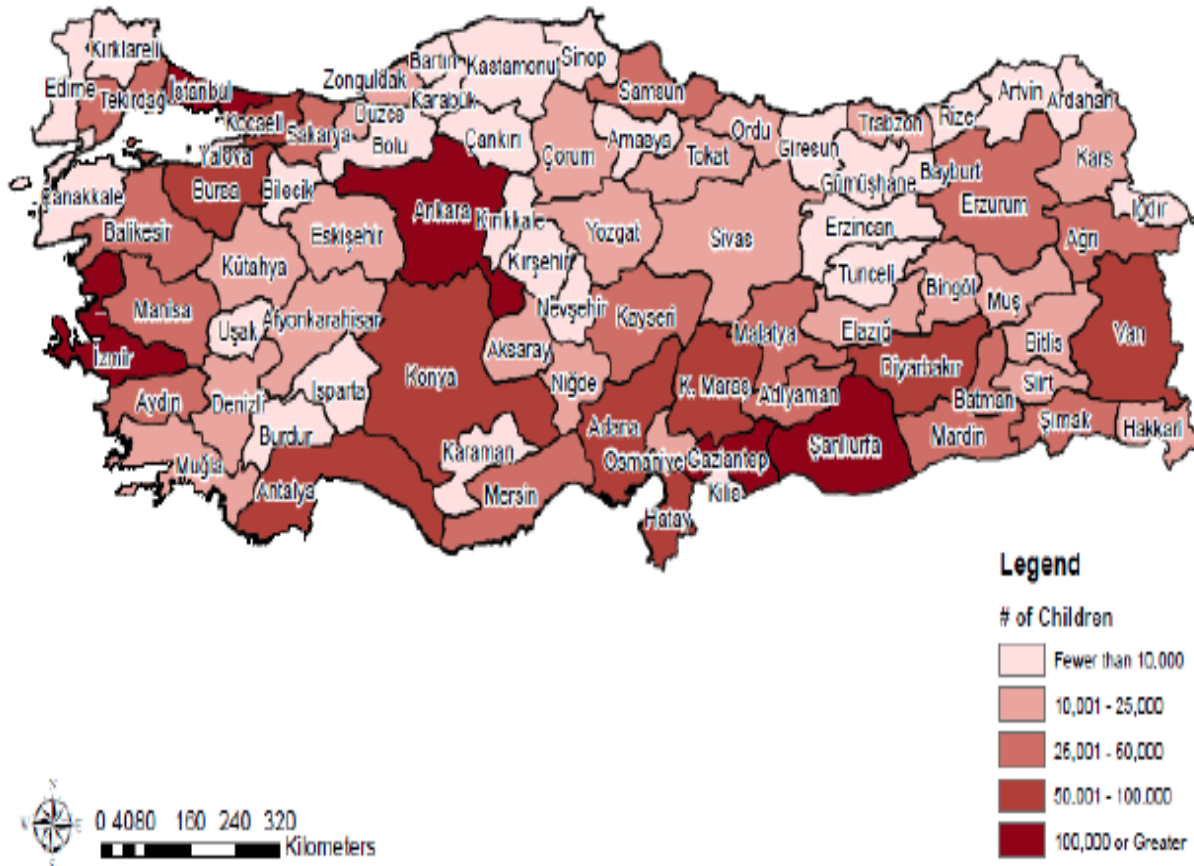
Case study: Spatial development inequalities in Bosnia and Herzegovina



- Development Inequalities Index - three sub-indices, and 15 socio-economic indicators.
- Spatial development inequalities are extensive.
- In the observed 8-year period (2007-2014) at the Entities/Brcko District level inequalities increased by 4.8%.
- At the following spatial geographic tier, looking at 17 geographic areas, inequalities decreased by 8.1%.
- Largest inequalities are evident in terms of access to services, followed by economic wellbeing and social wellbeing.

Case study: Where you live matters in accessing childcare and early education in Turkey

Total number of children ages 3-5 not enrolled in centre-based care, by province, 2015



- The lowest pre-school education enrolment among the OECD countries.
- For the age group 3-5 years, enrolment rates is 30.6% as of 2012.
- Transition to the “4+4+4” system has disrupted the improvements in pre-school education as Ministry of Education has diminished its target for pre-school enrolment.
- unmet early childhood education and child care needs and underline the need for more service providers in early childhood education and child care in the cities including but not limited to İstanbul, Ankara, İzmir, Konya, Şanlıurfa, Gaziantep and Van
- Turkey is the only country in OECD without data for 0-3 age care access.

Source: World Bank, Supply and Demand for Child Care Services in Turkey, 2015, 14.

Source: National case study on inequalities (unpublished)

Key messages

- *Following increases in income inequalities registered during the 1990s, significant reductions have been reported in much of the region.*
- *Low or falling income inequalities have helped economic growth reduce poverty.*
- *The numbers of people in the region living in poverty fell from at least 46 million in 2001 to about 5 million in 2013.*
- *The region's middle classes have made a comeback.*
- *Data and indicator problems with measuring inequalities in the region are significant.*
- *Progress in reducing income inequalities is now being put to the test.*



Istanbul Development Dialogues



50
YEARS

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Thank you!

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