

Rural–Urban Poverty Differences in Transition Countries

KAREN MACOURS

SAIS-Johns Hopkins University, Washington, DC, USA

and

JOHAN F.M. SWINNEN *

K.U. Leuven, Belgium

Summary. — This paper uses new poverty data based on household level surveys to analyze changes in rural poverty and rural–urban poverty differences in 23 transition countries of Central and Eastern Europe and the former Soviet Union. The paper presents a series of hypotheses to explain differences across countries and changes over time.

© 2008 Elsevier Ltd. All rights reserved.

Key words — transition, rural, poverty, Eastern Europe, former Soviet Union

1. INTRODUCTION

Much has been written about the transition process that occurred in the former centrally planned economies of Central and Eastern Europe and the former Soviet Union. The economic collapse, privatization and the transformation processes in industry and services, the effects of EU accession, and the post-1998 recovery, all have received considerable attention (e.g., Blanchard, 1997; Roland, 2000; Svejnar, 2002). A relatively large literature has also emerged on the changes and transformation of the agricultural sector and their consequences for output and productivity (see Rozelle & Swinnen (2004) for a survey of this literature).

Interestingly however, little is known about how all these changes have affected welfare, and in particular poverty, in rural areas. While development scholars and policy makers have long had a strong interest in poverty differences between rural and urban areas, information on transition countries is mostly limited to anecdotal evidence and a few country-specific analyses (e.g., Cord, Lopez, Huppi, & Melo, 2003; Seeth, Chachnov, Surinov, & von Braun, 1998). There is—to our knowledge—no com-

parative analysis that allows broadening our understanding of the effects of transition on rural poverty. Moreover, while the adverse effects of transition on health and social indicators have received considerable attention (see e.g., Brainerd & Cutler, 2005; Jensen & Richter, 2004), little is known about the differences between rural and urban areas, and the relationship of these factors with income poverty.

This gap in attention is striking for two reasons. First, a large share of the population in transition countries lives and works in rural areas and the share is largest in the poorest countries. For example, in Central Asia and

* The authors gratefully acknowledge the World Bank for access to the data. An earlier version of this paper was prepared as background for the *Growth, Poverty, and Inequality in Eastern Europe and the former Soviet Union* World Bank publication, and benefited from comments by Asad Alam, Benoit Blarel, Mamta Murthi, and Ruslan Yemtsov. The current paper benefited from very useful comments by three reviewers. The authors are responsible for all opinions expressed, and any remaining errors. Final revision accepted: November 28, 2007.

part of the Balkan countries, more than 50% of the people live in rural areas (WDI, 2005). In all transition countries more than 25% of the population is rural. An even larger share of the poor lives in rural areas. Rural areas in the region, as in most of the rest of the world, have a disproportionate share of poor households. Only in a few countries is poverty risk less in rural than in urban areas.

Second, and remarkably, the lack of attention to rural poverty is most striking in those countries where transition caused an increase in rural poverty, and often dramatically so. Studies of rural poverty during transition have focused mostly on China and Vietnam where rural poverty declined strongly (Ravallion & Chen, 2004; Ravallion & van de Walle, 2004). Rural poverty in the transition countries in Europe and Central Asia has not received much attention.

The first objective of this paper is to address this gap by taking advantage of a new dataset that allows comparing urban and rural poverty in 23 transition countries of Central and Eastern Europe and the former Soviet Union, henceforth referred to in short as the “transition countries.”¹ The paper analyzes how poverty in rural areas in these transition countries compares to urban poverty and how the rural-urban poverty differences have changed over time.²

Key findings on rural poverty and its relationship with urban poverty are, first, that there are major differences in rural poverty across the transition countries. Second, rural poverty is generally higher than urban poverty. Third, the difference between rural and urban poverty differs strongly across countries. Fourth, rural and urban poverty largely moved in the same direction since 1998. Fifth, while both rural and urban poverty declined significantly after 1998, rural poverty is not catching up and therefore grows in relative importance.

The second objective of this paper is to provide a set of hypotheses to explain the factors and processes underlying rural-urban poverty differences in the transition countries. For this, we use a conceptual framework in which poverty levels depend on households' asset endowment, the returns to those assets, as well as transfers, and discuss how policies, structural conditions, and economic developments have affected these three factors.

In this paper we do not test these hypotheses econometrically because of data constraints. While the available data allow for a rich

description of rural and urban poverty in the region, the relatively short time period covered and the lack of (exogenous) variation because of largely parallel developments do not allow for an insightful or rigorous econometric analysis. Instead, this paper aims to provide a comparative analysis to shed light on a set of hypotheses. Future micro-level studies that take advantage of some of the natural experiments that the transition context offers might allow testing these or related hypotheses, and uncover the possible causal relationships of the observed patterns.³ The contribution of this paper is hence to provide a comparative and dynamic analysis that can help to place and interpret such micro-level findings within a broader framework.

For the same reason, the concluding policy discussion focuses on the structural differences between rural and urban areas that have arisen during the process of transition, and what this implies for policy. The paper also draws attention to the differences among different groups of countries that would need to be accounted for in policy design.

The paper is organized as follows: Section 2 discusses the data and our general approach. Section 3 describes differences between rural and urban poverty and the changes that occurred since 1998. In Section 4, we present a conceptual framework and Section 5 discusses changes in the returns to rural households' asset endowments, in public and private transfers, and in key household assets (land and human capital). It links these changes with the various reforms and developments during the transition years. In Section 6, we then put the different pieces together and identify several patterns in rural and urban poverty dynamics. Section 7 concludes with policy implications.

2. DATA, METHODOLOGY, AND APPROACH

This paper relies on new comparable data of poverty in transition countries that were calculated by the World Bank based on household level surveys (Alam *et al.*, 2005). Income poverty is measured as the number of rural households with income (or more specifically consumption) levels below the international poverty line, that is, the poverty headcount. The calculation of the head count indices (P0) is based on a common absolute poverty line of 2.15\$ a day in 2000PPP for all countries

Download English Version:

<https://daneshyari.com/en/article/989358>

Download Persian Version:

<https://daneshyari.com/article/989358>

[Daneshyari.com](https://daneshyari.com)