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November 2007

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US\$1 =Lei 2.40145

## FISCAL YEAR

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## ACRONYMS AND ABBREVIATIONS

ACOV	Romanian Living Conditions Survey
CEM	Country Economic Memorandum
CPS	Country Partnership Strategy
ECA	Europe and Central Asia
EU	European Union
GDP	Gross Domestic Product
GNI	Gross National Income
HBS	Household Budget Survey
HIS	Integrated Household Survey
JIM	Joint Inclusion Memorandum
LSMS	Living Standard Measurement Survey
MLFEO	Ministry of Labor, Family, and Equal Opportunities
MLSSF	Ministry of Labor, Social Solidarity and Family
NIS	National Institute of Statistics
SILC	Survey of Income and Living Conditions

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## PREFACE

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This is a joint report of the Ministry of Labor, Family, and Equal Opportunities (MLFEO), the National Institute of Statistics (NIS), and The World Bank (WB), which represents the first phase of the three-year Poverty Monitoring Analytical and Advisory Assistance (AAA) Program for Romania. The objective of this joint work is to contribute towards institutional capacity building for regular monitoring and analysis of poverty, as well as other indicators of living conditions and social inclusion.

This report was prepared by a team consisting of Maria Laura Sanchez Puerta, Task Team Leader (Economist, HDNSP), Truman Packard (Sr. Economist, ECSHD), Lucian Pop (Sr. Social Development Specialist, ECSSD), Catalin Pauna (Sr. Economist, ECSPE), Andreea Cambir (Romanian Institute of Statistics), and Richard Florescu (Sr. Social Protection Specialist, ECSHD). Lucian Pop and Andreea Cambir, and Catalin Pauna and Manuela Unguru are, respectively, the primary authors of Chapter I and Chapter II of this report.

The report is the first in a planned series of three poverty updates, and is the output of a joint process of debate, discussion and capacity building between the World Bank, the agencies of the Romanian Government charged with monitoring poverty and social indicators, the statistical authorities, and other key stakeholders. In the first phase of the program, this process has unfolded as a series of analytical workshops on specific topics – during the Bank’s fiscal year 2007, these workshops have focused on impact evaluation and evidence-based policy making and poverty measurement.

The World Bank team wishes to thank the Government of Romania for its excellent collaboration and partnership in this process. The team would like to thank specially The Ministry of Social Solidarity and Family Affairs (MLSSF, now the Ministry of Labor, Family and Equal Opportunity, MLFEO) the former State Secretary Mrs. Maria Muga, Mrs. Adina Dragatoiu, Mrs. Daniela Docsanescu, Mrs. Alina Marinoiu; the National Institute of Statistics (NIS) Vice-President Mr. Dan Ghergut, Director Of Social Statistics Department Mrs. Andreea Cambir and General Director of IT and Statistics Department Mr. Gheorghe Vaida-Muntean for the time they spent with the World Bank team and committed discussions of poverty monitoring issues.

The Poverty Monitoring Program of Analytical and Advisory Assistance, and this first-phase report, were designed and prepared under the overall guidance of Arup Banerji (Sector Manager, Human Development Economics, Europe and Central Asia Region), Tamar Manuelyan Atinc (Sector Director, Human Development Department, Europe and Central Asia Region), Anand Seth (Country Director, Croatia, Bulgaria and Romania) and Benoit Blarel (Country Manager for Romania). Valuable technical guidance was received from Cem Mete (Sr. Economist, ECSHD), Emil Tesliuc (Sr. Economist, HDNSP) and Mark Woodward (Sr. Social Development Specialist, ECSSD) who acted as peer reviewers of the program and who provided specific comments on this first-phase report. Myla Taylor Williams, Bianca Pauna and Lire Ersado provided excellent comments at various stages of the program. The team thanks Zurab Sajaia and Michael Lokshin for the Adept tables and figures provided. The production of this report has been made possible by Cristina Zirimis, Svetlana Raykova, and Marilou Abiera’s patience, and invaluable support.





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# ROMANIA POVERTY MONITORING ANALYTICAL AND ADVISORY ASSISTANCE PROGRAM

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## OVERVIEW

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### MAIN FINDINGS

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1. ***The period of rapid growth in Romania since 2000 has caused a big decline in absolute poverty, from 35.9% in 2000 to 13.8% in 2006.*** Evidence points towards a strong positive correlation between economic growth and poverty reduction in Romania in the last years. In other words, the economic growth in the period 2000 to 2006, at an average of 5 to 6 percent per year, has contributed centrally to the dramatic reduction in absolute poverty.
2. ***Throughout the process, Romania has maintained a moderate level of inequality by international standards.*** In 2005, Romania's level of inequality was lower than that of Poland, Estonia, Lithuania, Ireland and the United Kingdom, and comparable to the average level of inequality of EU-25 and EU-15.<sup>1</sup>
3. ***However, despite this overall successful picture, deep pockets of poverty still remain.*** Rural areas, the North-East, the Roma, the youth, the less educated, the unemployed and the self-employed have much larger incidence of poverty than the rest.
4. ***Economic growth is likely to continue to be the main overall engine of absolute poverty reduction in Romania in the near future, but special attention will need to be paid to the pockets of poverty to continue the steep pace of decline in poverty rates.*** The strong relationship between the level of economic activity and poverty reduction suggests that, assuming constant inequality, the continuation of robust growth over the medium term could further reduce the number of poor in Romania significantly. However, if the same pattern of growth continues, the hard to reach areas and groups will provide a floor to the decrease in absolute poverty.

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### SUCCESSFUL STORY: 2000-2006 ECONOMIC GROWTH, DECREASE IN ABSOLUTE POVERTY AND CONSTANT INEQUALITY

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5. ***Two measures of monetary poverty are currently used in Romania: relative and absolute poverty.*** The relative poverty measure is based on the methodology endorsed by

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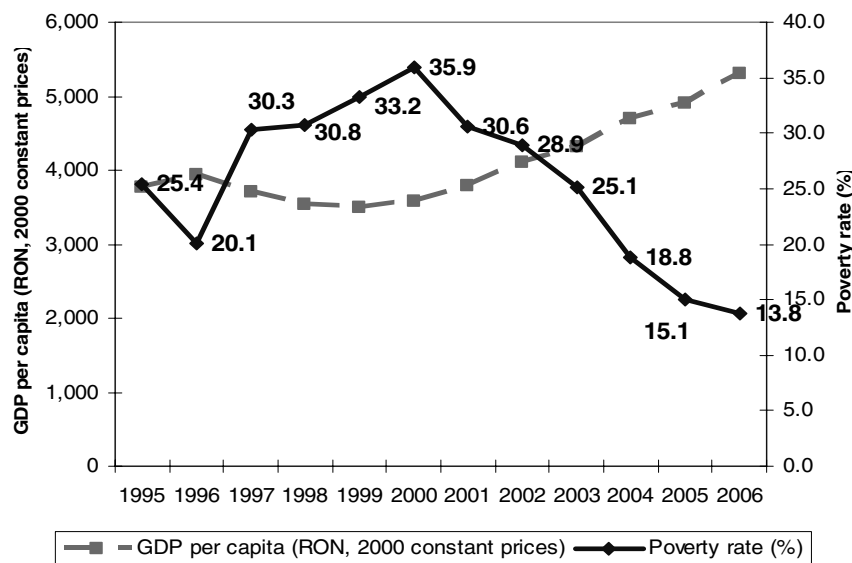
<sup>1</sup> Level of inequality is measured by the Gini coefficient by Eurostat.

the Laeken European Council in December 2001. This methodology was developed to allow monitoring in a comparable way member states' progress towards the agreed EU objectives in the fight against poverty and social exclusion. The absolute poverty measure is based on a national methodology, developed in 2002 by a team including NIS and Government experts, researchers, and World Bank staff, and it is one of the national indicators included in the Poverty and Social Inclusion Monitoring System in Romania.

6. *The relative poverty trend shows a rather small increase when comparing 2006 to 2000. This trend in relative poverty actually means that inequality has changed little since 2000.* The small change in relative poverty over the years suggests that the gains from growth are evenly distributed among income groups.

7. *In contrast to the Laeken measure, absolute consumption poverty has declined significantly in Romania since 2000.* Figure 1 shows the strong association between economic growth and absolute poverty reduction<sup>2</sup>. From 1995 to 1999, the economy contracted and poverty increased. From 2000 to 2006, the economy improved and poverty declined.<sup>3</sup> This trend has continued throughout the period. In 2006 absolute poverty reached the lowest rate since 1995. This report analyzes the poverty trends and profile using the national absolute poverty line, which measures changes in the level of welfare and allows for a more straightforward interpretation of comparisons over time.

**Figure 1: Absolute Poverty Rates and GDP per capita in Romania, 1995-2006**



Source: CASPIS/World Bank calculations

8. *However, while there has been significant progress in absolute poverty reduction, benefits of renewed growth have failed to reach all segments of the population.* The gap between rural and urban living standards, as well as regional disparities, remains wide. Even though rural poverty has been steadily decreasing since 2000, it was still very high at 22.3 percent in 2006.

<sup>2</sup> Absolute poverty is measured using the methodology elaborated jointly by the World Bank, the Anti Poverty Commission (CASPIS) and the National Institute of Statistics.

<sup>3</sup> The change in poverty in 2006 as compared with 2005 is hard to detect with sufficient precision using survey data.

**Table 1: Measures of Absolute Poverty for Urban-Rural areas, 2000-2006**

Year	<i>National Poverty Rate (%)</i>	<i>Rural Poverty Rate (%)</i>	<i>Urban Poverty Rate (%)</i>
2000	35.9	47.8	25.9
2001	30.6	44.7	18.8
2002	28.9	42.4	17.6
2003	25.1	38.0	13.8
2004	18.8	27.3	11.6
2005	15.1	23.5	8.1
<b>2006</b>	<b>13.8</b>	<b>22.3</b>	<b>6.8</b>

Source: World Bank staff calculations based on Household Budget Survey data

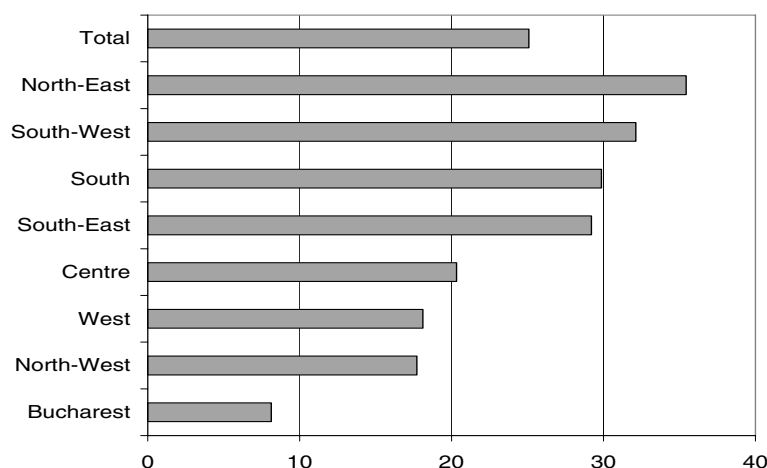
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## THE POVERTY PROFILE: DEEP POCKETS OF POVERTY REMAIN

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9. *Romania has adopted numerous strategies to combat poverty and social exclusion over the last several years* including the National Antipoverty and Social Inclusion Plan (2004) and the Joint Inclusion Memorandum. Despite these initiatives, and impressive progress towards stability and sustained growth over the last several years, the country still faces a large unfinished social agenda. Geographically, significant differences in employment rates and labor productivity can be observed that create deep pockets of poverty and social exclusion.<sup>4</sup> Based on the household survey data, there is significant regional and demographic disparity in living standards. For instance, in 2006, the poorest region of Romania (North-East) was over four times poorer than Bucharest.

**Figure 2: Regional Absolute Poverty Headcount Rate in Romania - 2006**



Source: World Bank staff calculations based on Household Budget Survey data

10. *Furthermore, poverty in Romania is overwhelmingly rural, and sensitive to changes in agricultural policies.* The legacy of past agricultural policies, strong reliance on

<sup>4</sup> Romania's Joint Inclusion Memorandum signed with the European Union in 2005 clearly recognizes the extent and dimension of exclusion.

subsidies, the slow restructuring elsewhere in the economy, and macroeconomic instability, have all taken a heavy toll on Romania's agricultural and food sector. As a result, agricultural productivity is low: the sector includes 36 percent of the labor force, which contributes only 14 percent to GDP. More than 70 percent of poor are living in rural areas, and the poverty risk of rural population is 3 times higher than the risk of urban population. Although the gap between urban and rural seemed to start narrowing during 2002-2004 (mainly due to increases in social protection benefits for farmers, and good years for agriculture), beginning with 2005 the trend is in the opposite direction.

11. ***In addition to the regional differences in living conditions and employment status, another aspect of poverty in Romania is a significant ethnic dimension.*** The three main ethnic minorities that live in Romania are Hungarians (5.9 percent), Roma (2.5 percent<sup>5</sup>) and Germans (0.5 percent). There are no significant differences in the average level of welfare between ethnic Hungarians or Germans and the majority of the population. However, there are very wide disparities in welfare between Roma and all other groups. In 2006, Roma were 4 times more likely to be found among the poor than the rest of the population. The Roma population suffers from higher than average rates of unemployment, poor housing conditions, poor health and a relatively high rate of illiteracy.

12. **The labor market is one of the central channels through which economic growth trickles down and leads to poverty reduction, but in Romania, market distortions and informal employment raise the risk of poverty.** As labor is the most important asset of the poor, improved access to the labor market can significantly reduce poverty and social exclusion. Studies elsewhere show that there is a strong association between poverty and labor market outcomes. The unemployed and the inactive face the highest risk of poverty. In Romania, there is a similar relationship between unemployment and poverty, but unemployment alone is not a reliable predictor of poverty. There is also a relationship between informal employment, especially in agriculture, and poverty. Data from the 2006 HBS suggest that 27 percent of unemployed are poor, compared to a national average of 14 percent. However, the incidence of poverty is even higher among self-employed adults in agriculture (32 percent of them are poor). Poverty in Romania is related both to unemployment and to informal employment, especially in agriculture.

13. ***In the period 2003-2006 pensioners' poverty rate halved and their share in the total number of poor decreased as well.*** If in 2003 one out of five poor people was a pensioner, in 2006 this category represents only one sixth of the total number of poor. Not surprisingly, the elderly, a category that was relatively vulnerable in the nineties, also registered a higher reduction of the poverty risk in the last years (50 percent reduction as compared with 2003), probably as a consequence of the increases in farmers' pensions and ongoing pensions recorelation. However, there is a large gap when compared with employees, and the pensioners households represent around one third of the total number of poor.

14. ***On the other hand, children (0-14 years old) and youth (15-24 years old) face the highest risk of poverty.*** As compared with 2003 their poverty rate decreased by more than 30 percent, but their relative poverty risk continued to increase. About 75 percent of the poor children are located in rural areas, where the poverty risk of a child is three times

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<sup>5</sup> Based on self-identification at Census. Estimates from Romanian Research Institutes show about 7% Roma population.

higher compared with a child living in urban areas. More than one third of the poor children live in households headed by farmers, with a seven times higher poverty risk as compared with an employee's child.

15. *As in the past years, education is one of the most powerful correlates of welfare status.* The risk of poverty drops substantially with more education, being near zero for the adults with higher education.

16. *Vocational school graduates had a much higher incidence of poverty than the graduates from general high school.* This finding seems to confirm the idea that vocational schools might not equip their graduates with flexible skills that are more appropriate in a market economy.

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## ECONOMIC GROWTH AND THE IMPACT ON POVERTY

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17. *The evidence suggests that growth accounts for nearly all the reduction in poverty in the period since 2000.* Changes in poverty can come from increases in average consumption in a stable inequality environment. During the period 2000-2006, most of the change in poverty was attributable to a change in mean consumption (the growth component), while the redistribution component had only a small impact.

18. *Growth incidence curves for the period 2000-2006 are significantly flatter than for the period 1995-2000, both for the main occupational and age groups, suggesting that the surge in economic growth has largely had a uniform impact on households, including on the poor.* Workers in agriculture and farmers appear to have benefited more. Consumption of farmers increased on average by over 55 percent, with the richest quintiles benefiting most, as their consumption expanded by around 70 percent. This means that in agriculture the impact of growth has not been pro-poor. Poor unemployed seemed to have gained less than the average unemployed. The cumulative average consumption of the pensioners, of around 40 percent, and of the self-employed, of around 30 percent, both relatively uniformly distributed over quintiles were lower than the nationwide average.

19. *The bulk of the decline in poverty was attributable to an intra-sector effect within major activities, regions and urban versus rural areas, while the population shift-effect across sectors was negligible.* The robust economic growth during the period 2000-2006 led to a significant decline of around 62 percent in total poverty and around 70 percent in severe poverty. The analysis in Chapter II shows that close to 100 percent of this decline in poverty can be attributed to intra-sector effects, as opposed to inter-sector shifts. Employees and pensioners registered the highest declines in total poverty, while pensioners and the self-employed in agriculture were the categories in severe poverty that benefited most from growth expansion.

20. *Economic growth is likely to continue to be the main engine of poverty reduction in Romania in the near future.* Simulations for the period 2007-2010 (based on the analysis of data from 1995 to 2006), assuming constant inequality, show that poverty could be cut by half from 13.8 percent in 2006 to about 6.6 percent in 2010 if yearly GDP per capita growth attains an average of 5-6 % per annum. Even if growth should weaken to 2 percent by the end of this period, poverty would fall to 8.9 percent by 2010.

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## IMPLICATIONS OF USING RELATIVE AND ABSOLUTE POVERTY MEASURES

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21. ***For policy making purposes, the two poverty measures discussed in this report complement each other.*** The poverty profile built using the relative poverty line provides useful information about the *relative position* of various groups against the national standard of living in a society at a given point in time. Absolute poverty, on the other hand, measures the number of people who cannot afford a minimum consumption basket. The poverty profiles constructed using each of the two methods do not contradict each other. The vulnerable groups identified by the absolute poverty measure are consistent with the ones identified by the relative method. However, *the interpretation of results is different, so the two methods are not substituting, but complementing each other.*

22. ***The complementarities of the two poverty measures constitute a good argument for including them both in the future Poverty and Social Inclusion Monitoring set of indicators.*** As Romania joined the EU on January 1<sup>st</sup> 2007, the new created National Commission for Social Inclusion is aiming to revise the Poverty and Social Inclusion Monitoring System, to better respond to the monitoring needs of social inclusion priorities identified in the Joint Inclusion Memorandum and subsequent policy documents. The forthcoming revision of the Poverty and Social Inclusion Monitoring set of indicators will have to build on the recent recommendations of the European Commission regarding the Portfolio of Overarching Indicators. However, the future Monitoring System should not be restricted only to those indicators, but should comprise also national indicators relevant for policy making and monitoring of living standards.

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## CONCLUSIONS AND POLICY IMPLICATIONS

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23. ***Robust, sustainable and broad-based economic growth should remain a central pillar of the poverty reduction strategy of Romania in the medium term.*** Scenarios suggest that growth would substantially contribute to enhanced household welfare and poverty reduction if it continues at the current levels. Identifying and promptly removing institutional, policy and regulatory obstacles to economic growth will lead to a further considerable improvement in the living standards of households and continue to lift out of poverty large numbers of people.

24. ***It is important to recognize, at the same time, that economic growth by itself is not enough for bringing absolute poverty down to European levels.*** This study has identified a series of categories of households whose welfare is influenced only to a limited extent by the benefits of growth. While the solid economic growth characteristic of the period 2000-06 has pulled out of poverty large categories of households, others have benefited little. This suggests that policies to sustain growth need to be complemented by a clear and effective redistributive social policy and targeted interventions at the deep pockets of poverty that are identified as not benefiting from growth.

25. ***Despite substantial reductions in absolute poverty and moderate levels of inequality, and the remarkable turnaround since 2000, deep pockets of poverty still remain in Romania.*** Rural areas remain at high risk of poverty and are the most affected by increases in regional disparities. Furthermore, the analyses presented in this report show

that specific groups such as children, youth, the Roma population, the less educated, the unemployed and those in the informal sector continue having a significantly higher poverty risk than the rest.

26. ***Thus for Romania to make further gains in reducing poverty, policy makers should promote a policy framework consistent with sustaining strong and equitable growth, together with a well targeted social safety net.*** This is the principal conclusion of the first phase of the AAA program, and is consistent with the 2003 report and other World Bank and GOR analysis conducted since.

27. ***Significant issues were not studied in depth in this report and should be part of a research agenda for the future.*** This report represents an initial attempt to analyze poverty and social inclusion indicators, and the linkages between growth, inequality and poverty in Romania. However, the research agenda for the future should consider the following issues:

- ***A discussion of vulnerability, and movements in and out of poverty***, which could be done using panel data from SILC surveys;
- ***A multidimensional study of poverty*** using multiple deprivation diagrams;
- ***A deeper analysis of regional development/regional disparities***, given EU CAP funds which may reduce these disparities;
- ***A study of migration and remittances***, with an emphasis on the need for better data to analyze migration;
- ***A study of social assistance programs and their effectiveness*** (following up on the Social Assistance Knowledge Note recently produced by the World Bank); and
- ***An analysis of rural poverty***, given the high concentration of poverty in the rural areas and the low progress reducing it.





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# CHAPTER I

## POVERTY AND INEQUALITY UPDATE: TRENDS AND PROFILE<sup>6</sup>

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28. The chapter presents an overview of poverty dynamics using both relative and absolute measures of poverty, and explores the reasons for the observed difference in trends between the two measures. The chapter goes on to update Romania's absolute poverty profile using the same poverty line methodological techniques developed with the Romanian authorities for the World Bank's 2003 Poverty Assessment. Before concluding, the chapter discusses the implications of using the relative and absolute poverty measures for monitoring and evaluation, and policy making.

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### I.1. RELATIVE AND ABSOLUTE POVERTY: METHODOLOGICAL CONSIDERATIONS AND TRENDS

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29. *Two measures of monetary poverty are currently used in Romania: relative and absolute poverty.* The relative poverty measure is based on the methodology endorsed by the Laeken European Council in December 2001. This methodology was developed to allow the monitoring, in a comparable way, of Member States' progress towards the agreed EU objectives in the fight against poverty and social exclusion, and has two specific features: (a) it uses an income-based welfare measure, and (b) the threshold used to measure poverty is a relative threshold, fixed at 60 percent of the national annual median disposable income in each member state. In contrast, the absolute poverty measure is based on national methodology, developed in 2002 by a team including NIS and Government experts, researchers, and World Bank staff. This methodology (presented in detail in the 2003 Poverty Assessment) uses (a) a consumption-based welfare indicator, and (b) an absolute poverty line based on the cost of basic needs method. Table 2 summarizes the main features of each methodology.

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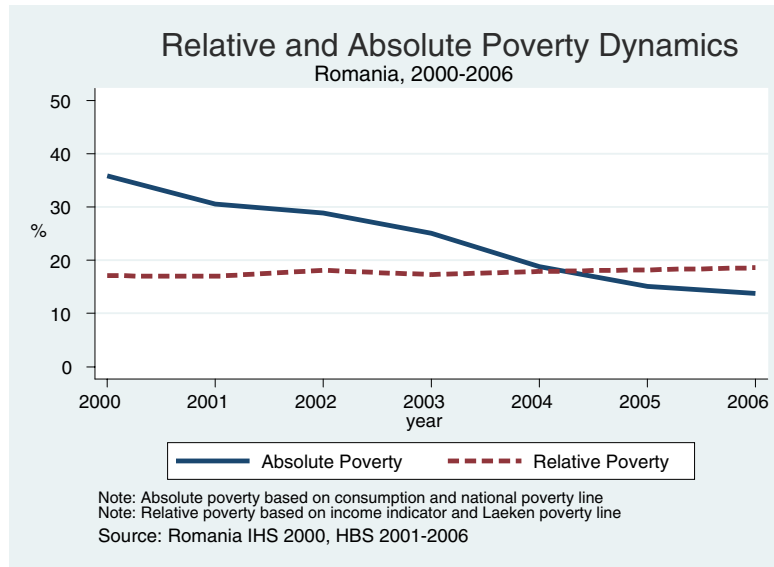
<sup>6</sup> This chapter is the result of cooperation between the World Bank and the Romanian National Institute of Statistics (NIS). Previous joint work on poverty analysis started with a comprehensive Poverty Assessment in 2003. During the preparation of the 2003 report a large team comprising NIS experts, academics, government experts, and World Bank staff elaborated a new methodology to estimate poverty, based on an absolute measure of poverty. Following the completion of that report, Romania implemented a Poverty and Social Exclusion Monitoring System, and the Anti-Poverty Commission jointly with NIS annually produced a poverty profile providing information on many dimensions of social exclusion and disaggregated data on poverty incidence. For the present report the NIS produced the relative poverty profile and trends, prepared the Household Budget Survey data for analysis, and provided invaluable comments and suggestions on the overall poverty profiling analysis.

**Table 2: Relative and Absolute Measures of Poverty in Romania**

	<b>EU methodology (relative measure)</b>	<b>National methodology (absolute measure)</b>
Welfare indicator	Disposable <i>incomes</i> , including consumption of home produced food (self-consumption).	<i>Consumption</i> , including self-consumption. Consumption was preferred because it is a) less affected by seasonality b) not affected by non-reporting of informal income sources
Poverty line	<i>Relative</i> , at 60% of the national annual median disposable income.	<i>Absolute</i> , including a food component plus an allowance for essential non-foods and services. The food component is determined as the cost of a food basket preferred by the individuals from the second and third deciles.
Equivalence scale	<i>OECD modified</i> . <ul style="list-style-type: none"><li>• first adult = 1</li><li>• other adult = 0.5</li><li>• each child = 0.3</li></ul>	<i>Empirical</i> , taking into account economies of scale and relative cost of children over adults. <ul style="list-style-type: none"><li>• each adult = 1</li><li>• each child = 0.5</li><li>• economy of scale parameter = 0.9</li></ul>
Value of the poverty line as of January 2006	<ul style="list-style-type: none"><li>• 300 RON per equivalent adult</li><li>• 450 RON for a family of 2 adults without children</li><li>• 539 RON for a family of 2 adults and one child</li><li>• 629 RON for a family of 2 adults and 2 children</li></ul>	<ul style="list-style-type: none"><li>• 210 RON per equivalent adult</li><li>• 392 RON for a family of 2 adults without children</li><li>• 479 RON for a family of 2 adults and one child</li><li>• 564 RON for a family of 2 adults and 2 children</li></ul>

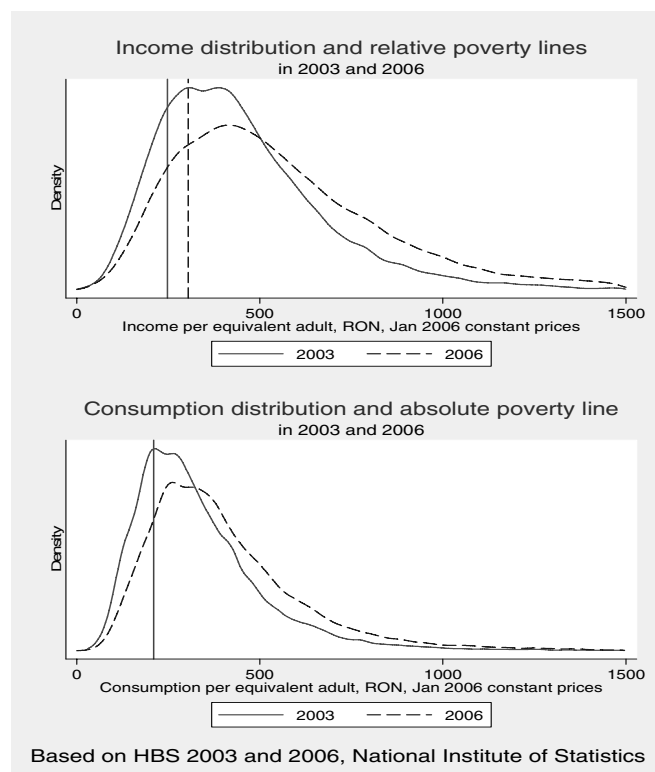
30. ***The two poverty measures show different trends in the period 2000-2006*** (see Figure 3, “Relative and Absolute Poverty Dynamics”). The poverty trend based on the Laeken methodology for the period 2000-2006 shows almost no change in poverty, while the absolute poverty measure shows a considerable decrease in poverty. The trend of the Laeken poverty indicator might seem puzzling, especially since beginning in 2000, after a period of severe recession, economic growth of Romania started to accelerate, reaching an annual average of 5-6 percent. As expected, both the income and consumption of the population experienced growth in real terms. Consequently, one would have expected this growth to be reflected in declining poverty rates. According to the EU poverty indicator, however, the share of population at risk of poverty remained almost unchanged at around 18 percent since 2004.

**Figure 3: Relative and Absolute Poverty Dynamics**



31. *The unchanging trend of the EU indicator is a direct effect of the methodology used.* Since the poverty line is calculated each year as a percentage of the median disposable income, the standard of living (i.e., the threshold) is not necessarily constant over time. The first graph on Figure 4 (“Income distribution and relative poverty lines”) gives an illustration for Romania. From 2003 to 2006 the real income per equivalent adult increased in average with about 27 percent, and the real income distribution shifted to the right. The median income shifted proportionally, and the number of people below the Laeken poverty line remained almost the same.

**Figure 4: Income distribution and relative poverty lines**



32. *The trend in relative poverty in the period 2000-2006 actually means that inequality has changed little since 2000.* The relative poverty measure is sensitive to the shape of the income distribution. If all incomes increase (or decrease) by approximately the same amount, the median income changes proportionally and the percentage of people below the relative poverty line does not change. Thus, if everybody is better off (or worse off) but the income distribution preserves its shape, relative poverty remains unchanged. If all incomes increase, but the incomes of the rich increase more than the incomes of the poor (disproportional increase), the distribution becomes more skewed to the right and the median income, higher than in the case of a proportional increase of incomes. Thus, everybody would be better off but, since the rich experience a higher increase in incomes than the poor, the relative poverty measure would increase. A similar ‘paradox’ can arise if all incomes decrease, but the incomes of rich decrease faster than the ones of the poor. In this case, relative poverty would decrease because the median income would be lower than in the situation of a homogeneous income decrease for all groups. Thus, paradoxically, even if everybody is worse off, the relative poverty numbers could show a reduction in poverty. Concluding, *the changes in the relative poverty measure do not reflect changes in the level of welfare, but changes in inequality.*

33. *In contrast to the relative poverty, absolute poverty decreases continuously from 2000 to 2006* (see Figure 3 and the lower graph on Figure 4 “Consumption distribution and absolute poverty line”) Unlike the Laeken poverty line, the one elaborated by the team of national experts and World Bank staff for the 2003 joint Poverty Assessment is an absolute measure of poverty, not a relative one. The trends of absolute poverty reflect the changes in the level of welfare, against an absolute poverty line anchored in a minimum consumption basket.

34. *The next section will analyze the poverty and inequality trends and profile using the national absolute poverty line,* which allows for a more straightforward interpretation of comparisons over time. Before concluding, we turn back and discuss the implications of using the relative and absolute poverty measures for monitoring and evaluation, and policy making.

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## 1.2. POVERTY AND INEQUALITY: DYNAMICS AND PROFILE UPDATE

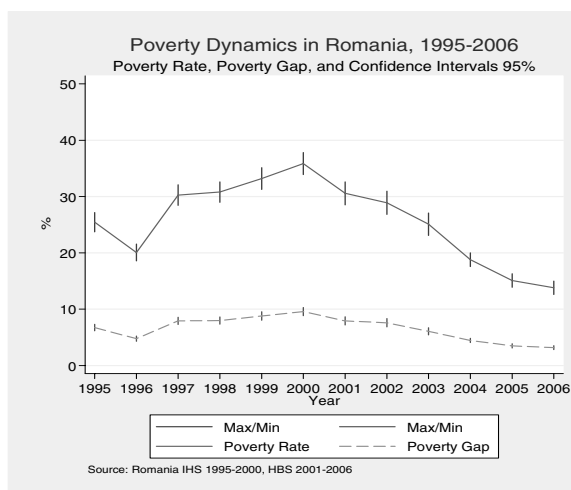
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35. *Absolute poverty in Romania decreased dramatically in recent years, from 35.9 percent in 2000 to 13.8 percent in 2006.* At the same time, the poverty gap<sup>7</sup> decreased from 10 percent in 2000 to 3 percent in 2006. In 2000 the number of poor in Romania reached the peak of the transition period, being estimated at about 8 million people. Using the same methodology, for a fixed poverty line of 210 RON per equivalent adult in January 2006 prices, the estimated number of poor in 2006 fell to approximately 3 million people. As Figure 5 (Poverty dynamics in Romania, 1995 – 2006) shows, the most significant reduction in poverty happened in the period 2002-2005. Regarding the period 2005- 2006, the change in poverty is not sufficiently large to observe a statistically significant difference from one year to the other.

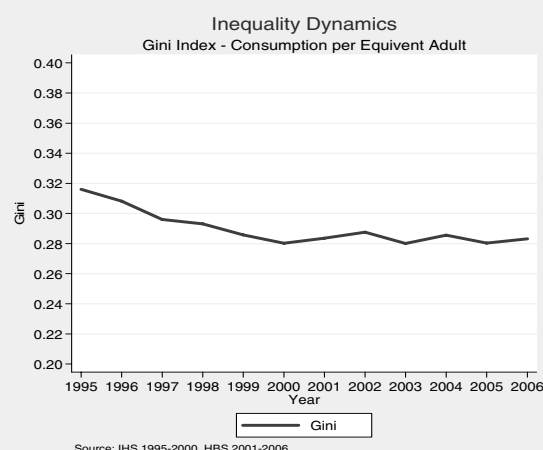
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<sup>7</sup> The poverty gap is a measure of poverty deficit over the entire population – i.e., the percentage of the total household consumption that would be needed to lift all the poor out of poverty.

**Figure 5: Poverty Dynamics in Romania**



**Figure 6: Inequality Dynamics**



Source: World Bank staff estimates based on HBS data

36. *Consumption inequality, on the other hand, has remained fairly constant in the period 2000-2006.* Figure 6 (Inequality dynamics) shows that, during the last four years, the level of inequality measured by the Gini coefficient revolved around 0.285, suggesting that the gains from growth were rather evenly distributed among income groups.

37. *From a comparative perspective, the level of welfare in Romania is converging to the other new EU member states, although the gap is still significant.* Using a comparable welfare indicator (consumption per capita) and a poverty line of \$4.30 at the purchasing power parity, the poverty risk in Romania in 2003 was more than two times higher than in Poland, Lithuania and Estonia, and almost five times higher than in Hungary (Table 3). At the same time, the inequality was relatively moderate, being lower than in the above mentioned countries, except Hungary. The recent decreasing trends in absolute poverty, as well as the strong relationship between growth and poverty (see Chapter II) provide evidence that the gap is narrowing. Poverty in Romania was in 2005 less than two times higher than in Poland or Lithuania, and less than four times higher than in Hungary.

**Table 3: Comparisons of Poverty and Inequality<sup>1</sup>**

Country	2002-2003		2005	Change in poverty rate, 2003-2005
	Poverty rate (%)	Inequality	Poverty rate (%)	
	Poverty line of 4.30 \$PPP /day	Gini (consumption per capita)	Poverty line of 4.30 \$PPP /day	
Bulgaria	33	0.2774	-	-
Estonia	26	0.3301	19	-27%
Hungary	12	0.2496	11	-8%
Lithuania	24	0.3251	22	-8%
Poland	27	0.3197	21	-22%
Romania	58	0.2878	40	-31%

Source: WorldBank staff estimates based on Household Budget Survey data

<sup>1</sup>The consumption aggregate does not correspond to the one used in the rest of the report; it has been standardized to facilitate international comparisons.

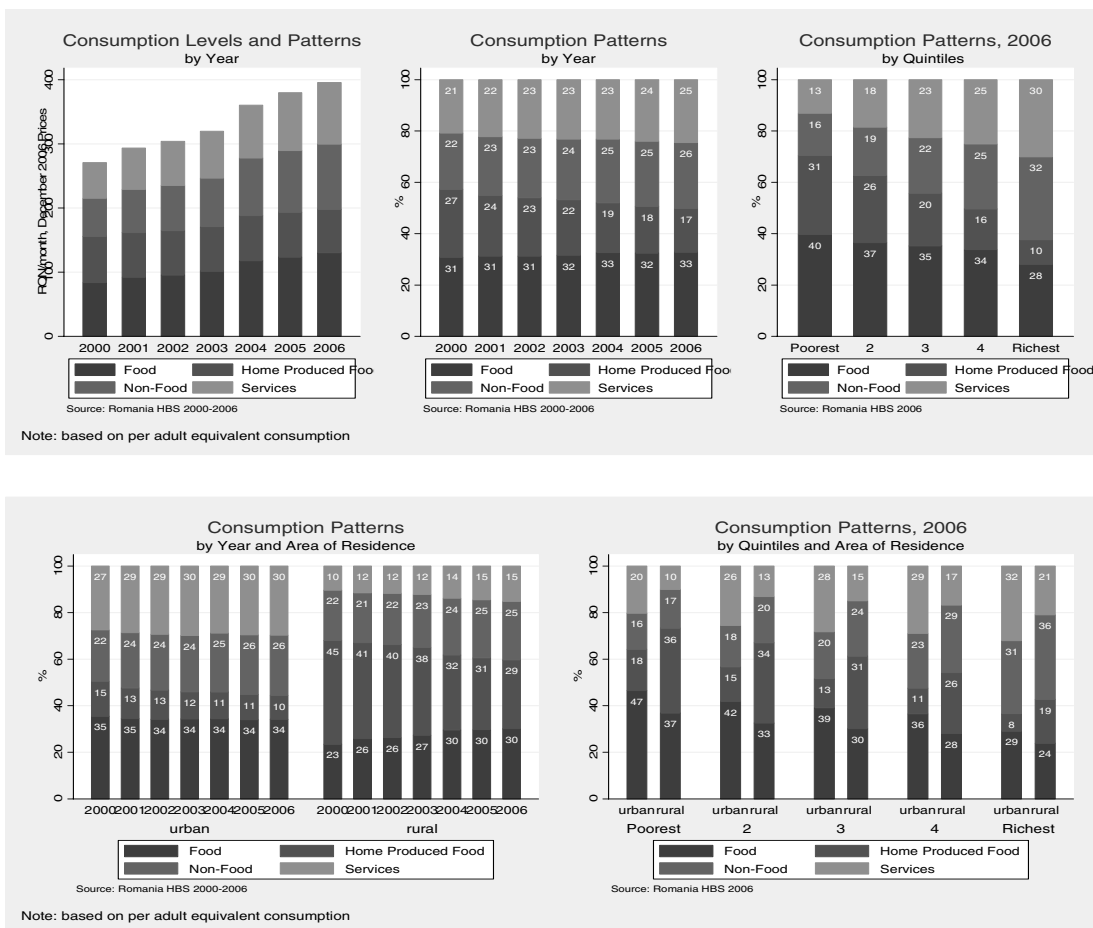
38. *As the population's consumption increased in real terms, their consumption patterns changed too.* The food share in total consumption decreased from almost 60

percent in 2000 to 50 percent in 2006, to the benefit of non-food and services. This trend is consistent with theoretical and empirical findings showing that as the level of income increases, the food share in the households' consumption expenditure is decreasing.

39. *As expected, there are large discrepancies between the consumption patterns of rich and poor.* While the richest quintile spends less than 40 percent on food products, the poorest spend more than 70 percent on these items. The non-food and services consumption of the richest quintiles is two times higher than the one of the poorest quintile.

40. *The change in the consumption patterns in the last years is more evident in rural areas.* The share of home produced food in total consumption dropped in both rural and urban areas. The decrease was more significant in rural areas - from 45 percent in 2000 to 30 percent in 2006, part of it being substituted by purchased food. However, home produced food still represents about half of total food consumption in the rural area, irrespective of welfare level. At the same time, the share of non-food items and services of rural households increased from 32 percent to 40 percent. Still, differences between rural and urban households remained – because rural incomes are lower the share of the rural households' food consumption is still much higher when compared to urban households (59 percent in rural vs. 44 percent in urban), as shown in Figure 7 below.

**Figure 7: Consumption Profiles, Various Groups, 2000 – 2006**



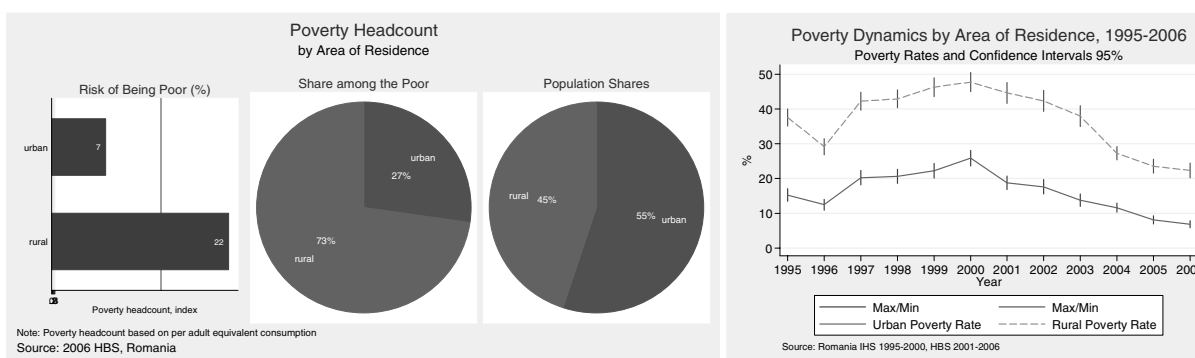
Source: World Bank estimates based on HBS data

41. *The decline in poverty in the most recent years did not remove the substantial differences in welfare and poverty risk between various types of households or regions.* We look next at the main characteristics correlated with poverty. First, we analyze the bivariate relationships between poverty and (a) location (spatial analysis), and (b) household and individuals' characteristics. Then, we use a set of regressions to identify the "pure" effects of each of these characteristics on households' welfare, controlling for other factors.

## 1.2.A. LOCATION/SPATIAL ANALYSIS

42. *As in preceding years, pockets of poverty are concentrated mostly in rural areas.* More than 70 percent of poor are living in rural areas, and the poverty incidence of rural population is 3 times higher than among urban population. Although the gap between urban and rural seemed to start narrowing during 2002-2004 (mainly due to increases in social protection benefits for farmers, and good years for agriculture), beginning with 2005 the trend is in the opposite direction. As compared with 2004, in 2006 the number of poor is 40 percent lower in urban areas and only 18 percent lower in rural areas. The poverty reduction had thus different speeds in urban as compared with rural areas.

**Figure 8: Spatial Analysis of Poverty, 1995 – 2006**



Source: World Bank estimates based on HBS data

43. *As expected, Bucharest city and other major cities have the lowest poverty incidence.* Compared with 2003, the most significant drop in poverty happened in cities and, surprisingly, in small towns<sup>8</sup>. The poverty rate in cities dropped by about two thirds, while in small towns it almost halved. However, if looking at the shares of total population that moved out of poverty in the period 2003-2006, we find the most significant changes happening in the rural areas: almost fourteen percent of the population living in communes with over 5,000 inhabitants, and seventeen percent of the population living in communes with less than 5,000 inhabitants escaped poverty in the period 2003-2006. It is worth mentioning that in Bucharest city the decrease in the number of poor was accompanied by an increase in inequality of about 3 percentage points compared with 2003.

<sup>8</sup> Cities are defined as urban localities with more than 150,000 inhabitants, while small towns are defined as urban localities with less than 50,000 inhabitants.

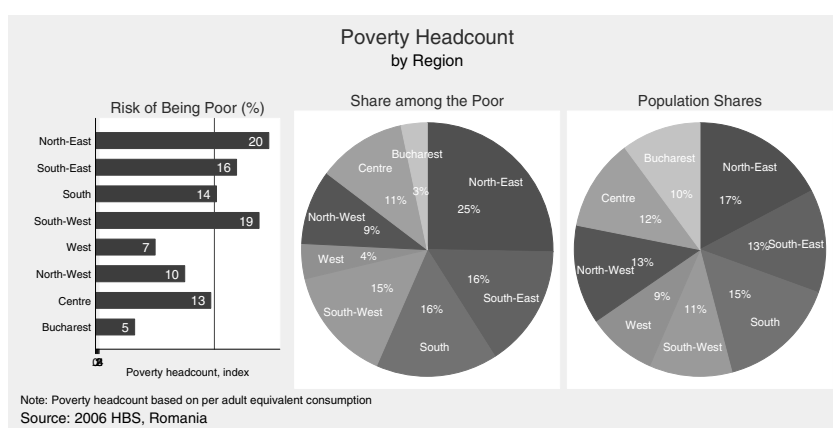
**Table 4: Spatial Analysis of Poverty and Inequality**

Locality type	Poverty rate		Difference (percentage points)	% change in poverty	Gini	
	2003	2006	2006-2003	2006-2003	2003	2006
Bucharest City	7.3%	4.1%	-3.2	-44	0.25	0.28
Cities	11.5%	4.0%	-7.5	-65	0.26	0.25
Towns	13.6%	8.4%	-5.2	-38	0.27	0.27
Small towns	19.4%	10.0%	-9.4	-48	0.25	0.26
Large rural <sup>9</sup>	34.6%	20.8%	-13.8	-40	0.26	0.26
Other rural <sup>10</sup>	40.6%	23.1%	-17.5	-43	0.26	0.25
<i>Total</i>	<i>25.1%</i>	<i>13.8%</i>	<i>-11.3</i>	<i>-45</i>	<i>0.28</i>	<i>0.28</i>

Source: World Bank estimates based on HBS data

44. *As in preceding reports, the 2006 data show substantial differences in the incidence of poverty by regions. Eastern and Southern regions remain the poorest, although according to the 2003 Poverty Map (Annex 2) we note that absolute poverty is not homogeneously distributed across the counties and localities of a single region.*

**Figure 9: Regional Distribution of Poverty, 2006**



45. *In terms of regional trends the most notable changes in absolute poverty in the period 2003-2006 are observed for the West and South-Muntenia regions. The West registered a 62 percent drop in the number of poor, and in the South the number of poor was reduced by more than half. At the same time, in the Center region the decrease was only 34 percent. These differences in the pace of poverty reduction seem to be leading to increasing regional disparities.*

## 1.2B. HOUSEHOLD AND INDIVIDUAL CHARACTERISTICS

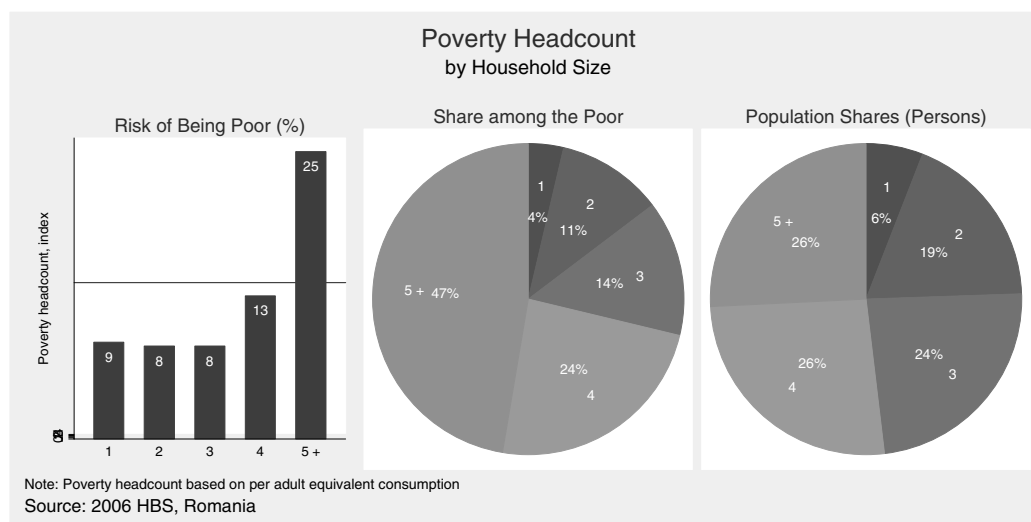
46. *People living in large households of five members or more face a higher poverty risk. About a quarter of Romania's population lives in such households, and their poverty risk is three times higher as compared with households of 2 or 3 members.*

<sup>9</sup> Over 5,000 inhabitants

<sup>10</sup> Less than 5,000 inhabitants

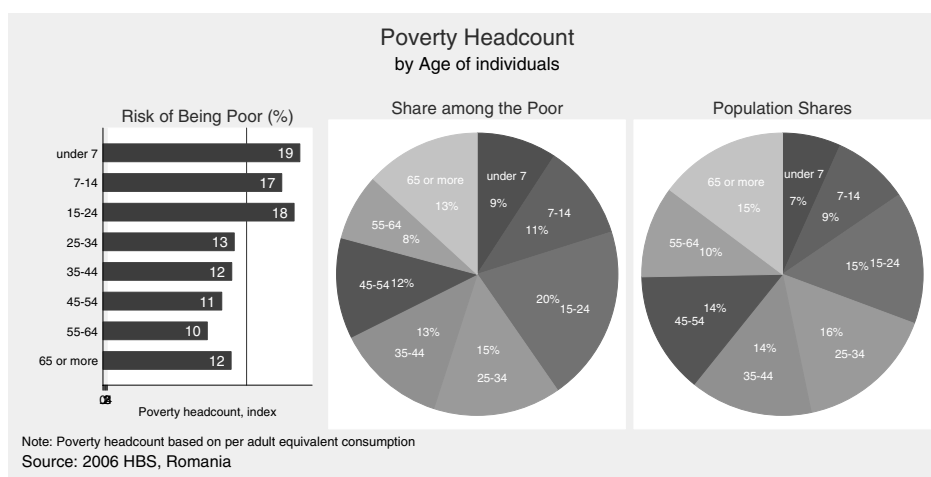


**Figure 10: Poverty by Household Size**



47. **Children (0-14 years old) and youth (15-24 years old) face the highest risk of poverty.** As compared with 2003 their poverty rate decreased by more than 30 percent, but their relative poverty risk continued to increase. About 75 percent of the poor children are located in rural areas, where the poverty risk of a child is three times higher compared with a child living in urban areas. More than one third of the poor children live in households headed by farmers, with a seven times higher poverty risk as compared with an employee's child.

**Figure 11: Age Profile of Poverty**



**Table 5: Occupational Status of Young Poor (15-24) 2006**

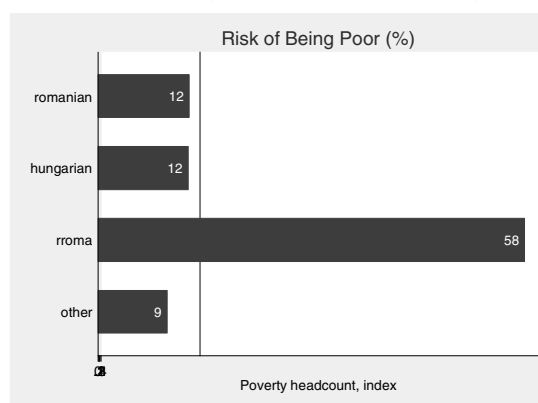
48. *In 2004-2005 only about half of the youngsters 15-18 years old belonging to the poorest income quintile were enrolled in school.* Moreover, only 37 percent of the young poor (15-24 years old) were in school in 2006, while the others were in a vulnerable labor market status, being either in the informal sector (30 percent), or unemployed (15 percent).

Occupational status of young poor (15-24 y.o.), 2006	
Employee	4.3%
self-employed non-agriculture incl. family help	7.4%
self-employed agriculture incl. family help	22.4%
Unemployed	14.6%
pupil, student	37.3%
Housewife	8.7%
other (dependent, military service, etc.)	5.3%
Total	100%

49. *The elderly, a category that was relatively vulnerable in the nineties, registered a higher reduction of the poverty risk in the last years* (50 percent reduction as compared with 2003), probably as a consequence of the increases in farmers' pensions and ongoing pensions recorelation.

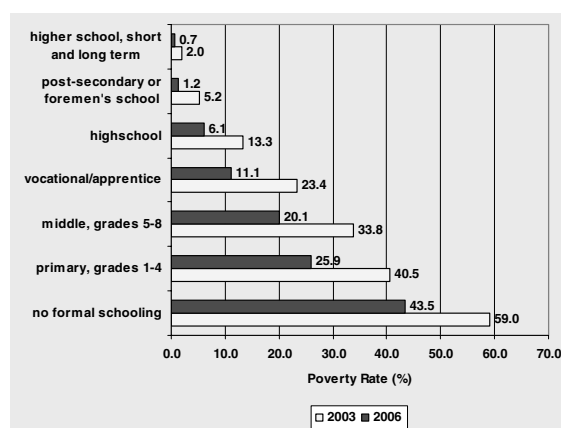
50. *By ethnicity, Roma continue to represent a deep pocket of poverty.* (see Figure 12). Although their poverty rate decreased from 76 percent in 2003 to 58 percent in 2006, the gap between Roma and the average Romanian increased. If in 2003 the Roma poverty risk was 3 times higher than the national average, in 2006 it is more than 4 times higher.

**Figure 12: Risk of Being Poor (%)**



51. *As in the past years, education is one of the most powerful correlates of welfare status* (Figure 13). The risk of poverty drops substantially with more education, being near zero for the adults with higher education. About 70 percent of the total number of poor adults (15 or older) has completed 8 grades or less. As expected, the highest poverty risk is to be found for those with no formal education (59 percent). However, in Romania this category is a very small one, comprising only about 2 percent of the total number of adults.

**Figure 13: Poverty Rate by Education Level**

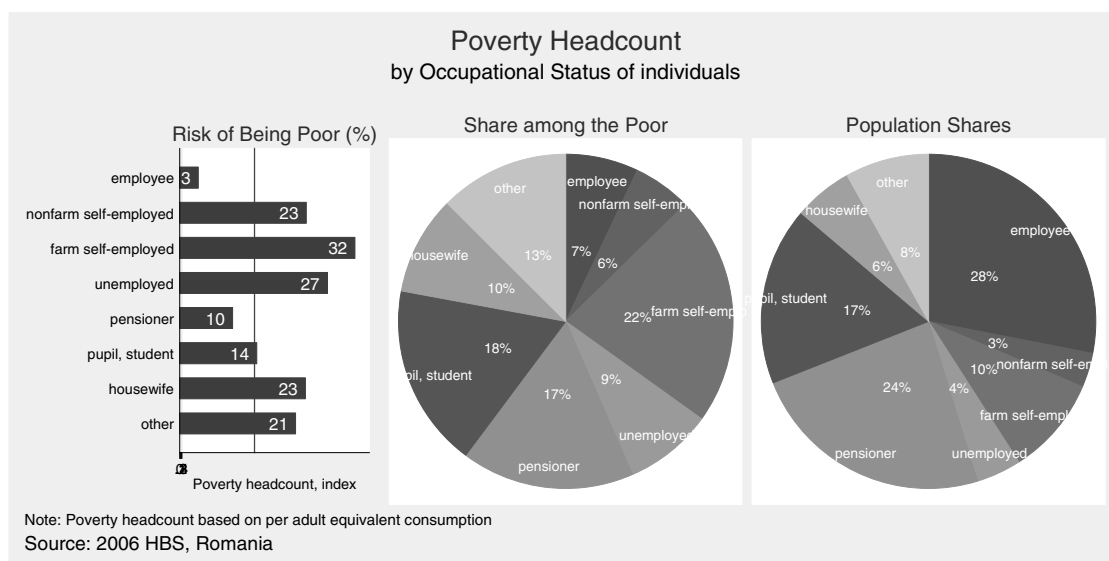


52. *Vocational school graduates had a much higher incidence of poverty than the graduates from general high school (23.4 against 13.3 percent, respectively).* This finding

seems to confirm the idea that vocational schools might not equip their graduates with flexible skills that are more appropriate in a market economy.

53. *Another characteristic strongly associated with the welfare status is the occupation of individuals.* Not surprisingly, the poverty rates differ a lot depending on the work status. The evident winners of the growth period are the employers and the employees, whose poverty risk was significantly reduced (in the case of employers it is near zero). The groups with the higher risk of poverty remain the unemployed and the self-employed, especially the self-employed in agriculture. Regarding the former group (self-employed in agriculture) we note that after experiencing a decreasing trend in poverty until 2005, in 2006 their risk of being poor increased slightly.

**Figure 14: Poverty Rates by Occupational Category<sup>11</sup>**



54. *The poverty risk associated with different occupations, as well as the change in poverty rates in the period 2003-2006, vary substantially across locality types.* Table 6 shows that the highest drop in poverty for employees is to be found in cities and, surprisingly again, in small towns. In the case of pensioners, the most significant decrease in poverty can be observed in cities, where the poverty risk is more than three times lower in 2006 as compared with 2003. We note that the highest shares of population escaping poverty are to be found in rural areas.

**Table 6: Poverty Rates by Occupational Status and Locality**

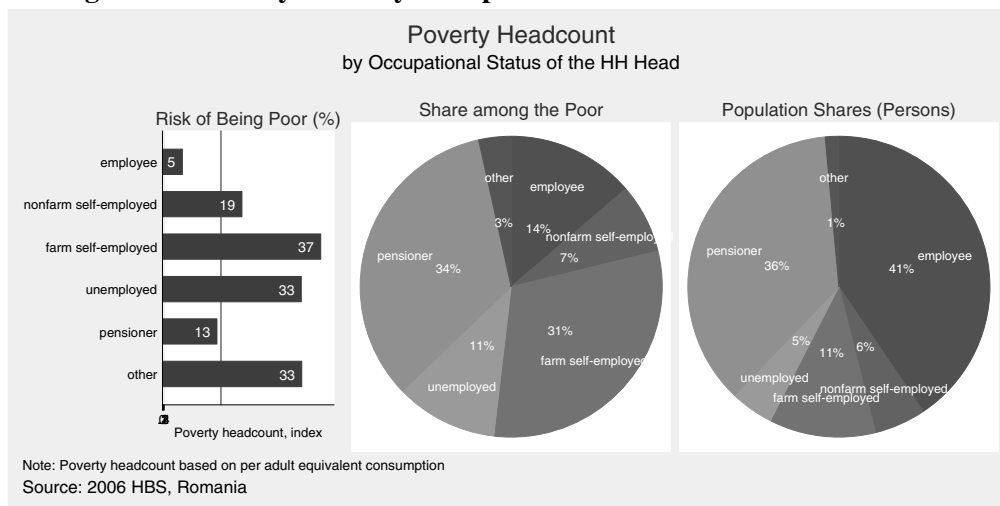
		Bucharest	Cities	Towns	Small towns	Large rural	Other rural	Total
employee	2003	4.3	5.1	8.1	10.0	15.7	16.1	9.0
	2006	2.2	1.5	3.1	3.1	6.0	7.2	3.5
unemployed	2003	20.8	28.1	30.1	40.6	51.6	54.8	39.3
	2006	12.7	16.2	23.0	27.6	33.7	38.9	27.3
pensioner	2003	5.0	10.7	11.0	16.6	27.2	30.9	20.7
	2006	1.8	2.7	5.6	6.9	14.8	15.6	9.8

Source: World Bank estimates based on HBS data

<sup>11</sup> Employers are not included because their poverty rate is near zero

55. *In the period 2003-2006 pensioners' poverty halved and their share in the total number of poor decreased as well.* If in 2003 one out of five poor people was a pensioner, in 2006 this category represents only one sixth of the total number of poor. However, their poverty risk is 3 times higher when compared to the one of an employee. If we look at the poverty data by occupation of the household head, we find out that about one third of the poor live in households headed by a pensioner. The next most important groups as share among the poor are households headed by self-employed and unemployed. Figure 15 below shows that poverty in Romania is related both to unemployment and informal employment, especially in agriculture.

**Figure 15: Poverty Rates by Occupational Status of the Household Head**



## 1.2.C. WHAT INFLUENCES WELFARE LEVELS?

56. *Various factors are correlated to poverty that can be captured in fuller, multivariate analysis.* For example, farming is correlated with being located in the rural area. Thus we cannot know to what extent the location is influencing the welfare status unless we control for occupation. To answer this type of question we analyze the correlates of welfare by running a multiple regression model. The dependent variable in the regressions presented in Table 7 is the (logarithm of) consumption per equivalent adult. A positive value of the coefficients means that the corresponding household characteristic is associated with an increased consumption and thus contributes to reducing the poverty risk. To capture the changes in time, Table 7 shows six regression models, at national, rural, and urban levels, for the years 2003 and 2006.

**Table 7: Multivariate Analysis of Poverty**

<i>Consumption Regressions, Dependent Variable: ln(Consumption Per Equivalent Adult)</i>						
	2006			2003		
	<i>National</i>	<i>Urban</i>	<i>Rural</i>	<i>National</i>	<i>Urban</i>	<i>Rural</i>
<b>Household Characteristics</b>						
<i>Household Size</i>	-0.039***	-0.046***	-0.032***	-0.054***	-0.071***	-0.044***
<i>Share of Primary Income and Pension Earners in the HH</i>	0.480***	0.466***	0.507***	0.487***	0.440***	0.549***
<i>Average Age of Adults</i>						
15-29	-0.067***	-0.045**	-0.098***	-0.083***	-0.093***	-0.078***
40-49	0.051***	0.032*	0.072***	0.065***	0.044***	0.087***
50-59	0.103***	0.097***	0.109***	0.112***	0.085***	0.141***
60-69	0.167***	0.155***	0.184***	0.152***	0.128***	0.180***
70 and over	0.147***	0.178***	0.137***	0.068***	0.071**	0.081**
<i>Rural</i>	-0.063***			-0.014		
<i>Region</i>						
North-East	-0.087***	-0.034	-0.147***	-0.080*	-0.026	-0.122+
South-East	-0.109***	-0.087**	-0.145**	-0.087**	-0.04	-0.141*
South-Muntenia	-0.063**	-0.055+	-0.093*	-0.091**	-0.087*	-0.104+
South-West Oltenia	-0.130***	-0.112**	-0.163***	-0.093*	-0.099*	-0.096
North-West	-0.036	0.004	-0.091*	0.037	0.063+	0.01
Centre	-0.057*	-0.042	-0.082+	0.001	0.001	0.005
Bucharest	0.007	0.021	0.039	0.013	0.026	0.035
<b>Household Head Characteristics</b>						
<i>Female</i>	-0.025**	-0.037**	-0.014	-0.023**	-0.040***	-0.016
<i>Employer</i>	0.262***	0.212***	0.495***	0.283***	0.276***	0.317**
<i>NonFarm Self-employed</i>	-0.060**	-0.053+	-0.082**	-0.041	-0.080**	-0.017
<i>Rroma</i>	-0.201***	-0.161**	-0.221***	-0.177***	-0.190**	-0.186**
<i>Education</i>						
No Formal School, or Primary School (grades 1-4)	-0.216***	-0.239***	-0.203***	-0.208***	-0.164***	-0.226***
Middle School (grades 5-8)	-0.105***	-0.117***	-0.094***	-0.091***	-0.070***	-0.108***
Highschool	0.105***	0.105***	0.098***	0.121***	0.128***	0.109***
Post-Secondary or Foremen's School	0.209***	0.204***	0.222***	0.206***	0.219***	0.182***
Higher School, short and long term	0.428***	0.438***	0.337***	0.414***	0.431***	0.300***
<i>Activity Sector</i>						
Agriculture	-0.111***	-0.100**	-0.123***	-0.110***	-0.066	-0.101***
Constructions	-0.042**	-0.055**	-0.014	-0.080***	-0.067**	-0.112**
Services	0.001	0.008	-0.028	0.050***	0.048***	0.051+
Government (Public Administration)	0.080***	0.086***	0.056	0.079***	0.079***	0.071
Education, Health, Social Assistance	-0.062**	-0.063**	-0.04	-0.032+	-0.035+	-0.013
Other sector	-0.109***	-0.081***	-0.173***	-0.047+	-0.055*	0.018
Unemployed	-0.140***	-0.132***	-0.160***	-0.122***	-0.121***	-0.130***
Pensioner	0.004	0.012	-0.025	0.004	-0.02	0.014
Other inactive/ dependents	-0.107**	-0.042	-0.221***	-0.077+	-0.025	-0.149+
<i>Constant</i>	14.841***	14.848***	14.797***	14.677***	14.742***	14.630***
<i>R squared</i>	0.435	0.401	0.297	0.439	0.409	0.314
<i>N</i>	32,322	16,551	15,771	32,051	15,408	16,643
+ p<0.10, * p<0.05, ** p<0.01, *** p<0.001						
Omitted categories: 30-39 Years Old, Located in West Region, Vocational/ Apprentice School, Industry						

57. *With respect to the spatial dimensions of poverty, we note the deteriorating position of South-East and South-West Oltenia regions, compared with the West region* (which is used as category of reference). Being located in rural South-West Oltenia region is associated with a 16 percent lower consumption per adult equivalent than in West region. On the other hand, the southern region succeeded to partially reduce the differential in consumption, as compared with 2003. The dynamics of the regression coefficients also support the idea of increasing regional disparities, especially regarding rural areas of different regions.

58. *Location continues to be highly significant in determining poverty risk.* We note the important change in the *Rural* coefficient, indicating a worsening of the consumption per equivalent adult in rural areas, even when controlling for occupation, activity sector and other household characteristics. The effect of household size is a negative one (although slightly decreasing over time), while a higher share of permanent income earners<sup>12</sup> is associated with a higher level of welfare.

59. *The gender of the household head also is a significant determinant, along with the composition of the household.* Controlling for other factors (such as occupation, education, and household size) female headed households are worst off, especially in urban areas. The average age of adults is positively correlated with welfare. The regression model is showing that younger households are worst off. Compared with the households aged below 30, the elderly are better off.

60. **Belonging to the Roma population remains a significant determinant of poverty risk.** This aspect noticed earlier is confirmed by the regression model. We observe in 2006 an even stronger negative association between being Roma and welfare: if in 2003 the consumption per equivalent adult of a Roma household was 18 percent lower than that of a non-Roma, in 2006 the corresponding figure is 20 percent. For the Roma households living in rural areas the situation is even worse.

61. *The relationship between education and welfare became stronger in 2006.* Compared to the reference category of vocational school, we observe that the returns of post-secondary school and higher school increased. For example, in 2006 the “premium” for higher school amounted to about 43 percent gain in consumption, compared with vocational school. In the same time, a very low education of the household head leads to a welfare “loss” of about 22 percent.

62. *The employment status and activity sector of the household head are significantly related to welfare.* Compared to the reference category (employed in industry) the households headed by workers in agriculture experience a lower level of welfare (by about 11 percent), controlling for the effect of being located in rural areas. The same relationship is to be found for those employed in education, health, or social assistance. We note also that the differences in welfare between those employed in services and those employed in industry seem to be vanishing, while the situation of the unemployed is worsening.

63. *In summary, the regression analysis helps to identify several factors that significantly influence welfare, as well as some important trends.* Firstly, living in the rural area is associated with lower levels of welfare, even when controlling for other characteristics such as occupation, age, education, and household size. Secondly, these

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<sup>12</sup> Employees, Employers, Pensioners

rural regional discrepancies tend to increase over time. Thirdly, Roma welfare status did not improve, but worsened from 2003 to 2006. And finally, younger families have significantly lower levels of welfare.

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### I.3. IMPLICATIONS OF USING RELATIVE AND ABSOLUTE POVERTY MEASURES

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64. ***The two poverty measures discussed in the first section of this chapter complement each other.*** The poverty profile built using the relative poverty line provides useful information about the *relative position* of various groups against the national standard of living in a society at a given point in time. For example, as Box 1 shows, the relative poverty risk of Romanian rural population has increased since 2000, meaning that the welfare in rural areas worsened as compared with the national standard. In other words, the gap between the standard of living of a rural household and the standard of living of the “average” Romanian household is larger in 2006 than in 2000. On the other hand, the absolute poverty measure suggests that the number of people in the rural areas who cannot afford a minimum consumption basket decreased. The relative poverty rate shows that about 30 percent of the rural population is positioned below the national standard of the year 2006, while in 2000 only 24 percent of the rural population was below the national standard at that time. At the same time, the absolute poverty rate shows that the rural population not able to meet basic needs decreased from 48 percent in 2000 to 22 percent in 2006. Analyzed together, the two measures offer a more complete picture of rural poverty: although the level of welfare in rural areas has increased dramatically in absolute terms (many rural poor were lifted out of absolute poverty), this increase is slower than the national one and thus the relative position of the rural population as compared with the national average is worse now than several years ago. The poverty profiles constructed using each of the two methods do not contradict each other. The vulnerable groups identified by the absolute poverty measure are consistent with the ones identified by the relative method. However, *the interpretation of results is different, so the two methods are not substituting, but complementing each other.*

65. ***The absolute poverty measure is appropriate to monitor and evaluate policies and programs aiming to alleviate the lack of resources to meet basic needs, while the relative poverty measure is appropriate to monitor and evaluate policies aiming at reducing inequality.*** The relative poverty measure can be misleading if used for monitoring and evaluation of policies and programs aiming to increase welfare or to provide support to low income groups, since it is difficult to assess how much of the change in the relative poverty estimates is to be attributed to the intervention, how much to the change in the general level of welfare in the country, and how much to the change in the shape of the income distribution. In contrast, the absolute poverty measure, being constant over space and time, proves to be a very useful tool for decision makers when planning to close the income gap, or to monitor the changes in the welfare levels of assisted/ targeted groups.

## Box 1. Relative Poverty Profile

### EUROSTAT Poverty and Inequality Indicators Levels and Trends in Romania

- According to EUROSTAT and EU documents (list of structural indicators, list of social inclusion indicators), the indicator used to measure (relative) poverty is named “at-risk-of-poverty-rate”, to reflect that the income is only one of the multiple dimensions of poverty (the monetary dimension). The indicator is calculated as the proportion of persons from households with a disposable income less than a threshold representing 60% of the median disposable income by equivalent adult in the total population.
- The change in time of this relative poverty measure expresses only the influence of the income distribution modification on the proportion of poor, but not the evolution (increasing or decreasing) of the welfare level.
- In the period 2000-2006 the evolution of the relative poverty rate in Romania was sinusoidal, taking an ascendant trend in the last four years. In 2006 the level of the poverty rate was the highest – 18.6%, with an increase of 0.4 percentage points as compared with 2005.
- Using the relative poverty measure the following groups were found to be at higher poverty risk in 2006 (see also the Annex):
  - children (0-15 years) and young persons (16-24 years);
  - those in rural areas;
  - self employed (including farmers) and unemployed persons;
  - single person women and old women over 65 years;
  - households with two adults and 3 children and more.

*Relative Poverty: Risk of poverty rate by gender, age, and occupational status  
(including own consumption)*

	- percentage-						
	2000	2001	2002	2003	2004	2005	2006
TOTAL	17.1	17.0	18.1	17.3	17.9	18.2	18.6
Male	16.7	16.7	18.0	16.8	17.7	18.0	18.3
Female	17.6	17.3	18.1	17.7	18.0	18.4	18.9
0 -15 years	22.5	22.1	23.8	22.4	24.7	24.9	25.4
16 – 24 years	20.5	19.9	21.5	19.6	21.2	22.2	21.2
25 – 49 years	15.3	14.8	15.7	15.1	16.0	16.3	16.5
50 – 64 years	11.7	11.8	12.9	12.5	13.0	13.2	14.5
65 years and over	16.9	18.8	19.1	19.6	16.7	17.2	18.7
Urban	11.5	10.1	10.1	8.8	10.7	10.2	9.6
Rural	23.9	25.2	27.6	26.9	26.3	28.0	29.6
Employees	5.0	3.8	3.7	3.3	4.2	4.4	3.9
Self employed*	29.8	32.8	34.4	33.7	32.7	33.4	37.4
Unemployed	29.8	27.6	32.6	30.4	33.8	34.8	36.9
Pensioners	13.1	13.7	14.2	14.7	13.7	14.2	15.1
Others inactive	20.2	19.6	21.5	19.6	22.4	23.3	22.6

\*Including farmers

- The income inequality measured by the Gini coefficient indicates an increase in inequality from 0.294 to 0.326 (see the Annex). In 2005 in the European countries the Gini coefficient varied between 0.23 in Sweden and 0.41 in Portugal. In Romania the value of the indicator was approximately the same as the EU25 average.
- If excluding own consumption from the disposable income the inequality in 2006 is much higher (0.377), but its variation is smaller.

*Source: National Institute of Statistics*



66. *The international comparisons based on the relative poverty measure do not identify differences in the standards of living, but differences in inequality.* One of the most significant caveats about the relative poverty measure refers to its use in international comparisons. As reflected in Table 8, the international comparisons based on the relative poverty are not informative about the “hierarchy” of countries with respect to living standards. The table is showing that Romania has similar values to those in the United Kingdom, and ranks better than Ireland, Spain, or Poland. At the same time, Hungary ranks closer to France and Sweden and has a lower poverty rate than Belgium. This outcome is again a reflection of the fact that the relative poverty accounts actually for the levels of inequality and not for the wellbeing of the population.

**Table 8: International Comparisons using the Relative Poverty measure (%)**

	Relative poverty (At-risk-of-poverty rate)			Inequality of income distribution (Gini Index)		
	2001	2003	2005	2001	2003	2005
EU (25 countries)	16	15	16	29	29	31
EU (15 countries)	15	15	16	29	30	30
Lithuania	17	:	21	31	:	36
Poland	16	:	21	30	:	36
Ireland	21	20	20	29	31	32
Greece	20	21	20	33	35	33
Spain	19	19	20	33	31	32
United Kingdom	18	18	18	35	34	34
Estonia	18	18	18	35	34	34
<b>Romania</b>	<b>17</b>	<b>17</b>	<b>18</b>	<b>30</b>	<b>30</b>	<b>31</b>
Belgium	13	15	15	28	28	28
Bulgaria	16	14	:	26	24	:
France	13	12	13	27	27	28
Hungary	11	12	13	25	27	28
Sweden	9	:	9	24	:	23

Source EUROSTAT (<http://epp.eurostat.ec.europa.eu>)

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## I.4. SUMMARY AND CONCLUSIONS

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67. *Between 2000 and 2006 Romania experienced substantial reduction in absolute poverty.*<sup>13</sup> Still, rural areas remain at high risk of poverty and are the most affected by increases in regional disparities. Furthermore, the analyses presented in this chapter shows

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<sup>13</sup> The change in poverty in 2006 as compared with 2005 is hard to detect with sufficient precision using survey data.

that the specific groups identified in previous reports, such as children, young people, and Roma, continue having a significantly higher poverty risk.

68. ***Both relative and absolute measures of poverty, currently included in the national Poverty and Social Inclusion Monitoring System, are critically useful*** complements in providing relevant information regarding the dynamics of living standards in the country. While the relative measure informs about the position of various population groups against the current national median level of income, the absolute measure provides information on whether these groups are able to meet basic consumption needs that are invariant on medium term.

69. ***The complementarities of the two poverty measures constitute a good argument for including them both in the future Poverty and Social Inclusion Monitoring set of indicators.*** As Romania joined the EU on January 1<sup>st</sup> 2007, the new created National Commission for Social Inclusion is aiming to revise the Poverty and Social Inclusion Monitoring System, to better respond to the monitoring needs of social inclusion priorities identified in the Joint Inclusion Memorandum and subsequent policy documents. The forthcoming revision of the Poverty and Social Inclusion Monitoring set of indicators will have to build on the recent recommendations of the European Commission regarding the Portfolio of Overarching Indicators. However the future Monitoring System should not be restricted only to those indicators, but should comprise also national indicators relevant for policy making and monitoring of living standards.

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# CHAPTER II

## ECONOMIC GROWTH AND POVERTY DYNAMICS IN ROMANIA FROM 1995-2006

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70. ***This chapter investigates the relationship between economic growth, inequality and poverty in Romania during the period 1995<sup>14</sup> and 2006.*** The chapter covers three main areas. It first attempts to quantify the contribution of growth to the reduction in poverty, by performing growth redistribution decomposition. Second, it looks at the distribution of the gains from economic growth, trying to identify the main categories of “winners” and “losers”, by constructing growth incidence curves. Third, it projects the dynamics of poverty for the medium term, based on different assumptions about how economic growth will continue in Romania.

71. ***For the purpose of the analysis, we divide the period of investigation into two sub-intervals, 1995-2000, respectively 2000-2006.*** The reason for the division is that the patterns of economic growth and their impact on poverty are very different for the two intervals. The former, 1995-2000, was characterized by a severe economic recession, where GDP contracted cumulatively by over 12 percentage points during 1997-1999. As a result, standards of living declined substantially and poverty, both absolute and severe<sup>15</sup>, sharply shot up, as described earlier.

72. ***The lackluster economic performance for much of the nineties was partly attributable to the socialist legacy.*** This was characterized by a quasi-autarchic economic system, a distorted, centrally planned allocation of resources and arbitrarily fixed relative prices, which largely isolated Romania from the rest of the world. This legacy weighed heavily in the first years of transition. The socialist inheritance was augmented by a hesitant attitude to the much needed, though painful and unpopular, structural reforms and institutional changes. This stop and go approach to reforms ultimately proved unsustainable and pushed the country into a deep recession in 1997.

73. ***The situation changed dramatically during the second interval of analysis, 2000-2006.*** As a result of timid reforms promoted in the late nineties, positive growth was restored in 2000. Growth accelerated substantially subsequently, to an annual average of 5-6 percent, as Romania embarked upon a broad reform program, focused on economic restructuring, institutional and governance reforms and macroeconomic consolidation. The

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<sup>14</sup> 1995 was the first year when a comprehensive Integrated Household Survey (HIS) was carried out. The HIS, subsequently converted into a Household Budget Survey (HBS), is the main source of information for this analysis.

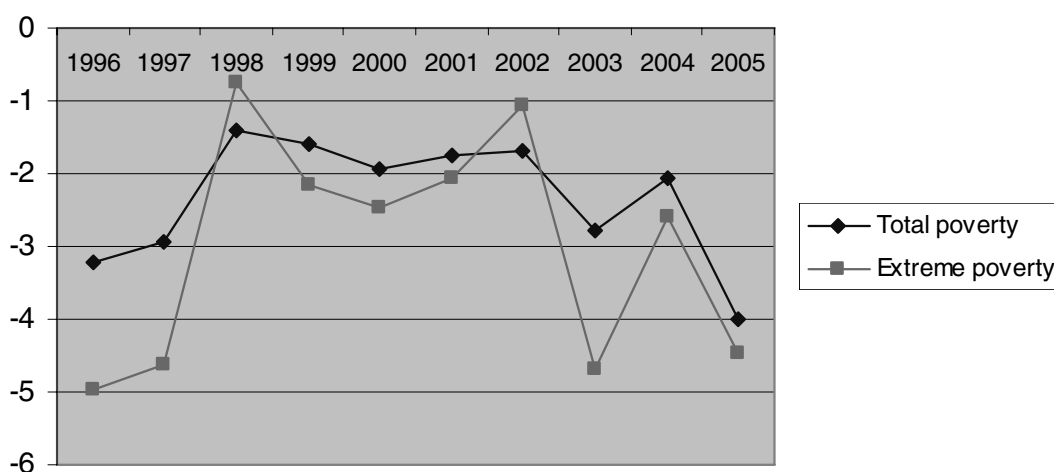
<sup>15</sup> The severely poor are those individuals whose consumption per adult equivalent is below the severe poverty line. The severe poverty line is defined by the sum of food and non-food necessities amounting to around 106 Ron/capita/month, expressed in December 2002 prices. The detailed explanation of the definition can be found in the Romania Poverty Assessment (2003), pages 5-6.

new impetus to reforms coincided with the opening of formal accession negotiations with the EU, in December 1999, and culminated with the signing of the Accession Treaty in 2006 and full membership of the European Union on January 1<sup>st</sup>, 2007. Observers associate the important progress of Romania in addressing its major reform challenges with the process of EU accession and implementation of the *acquis communautaire*, which anchored the reforms to a comprehensive and transparent framework. Other development partners of the country played a key role in helping Romania address these challenges.

74. *While the progress made by Romania in recent years is remarkable, an important and unfinished reform agenda remains*<sup>16</sup>. Meeting the objective of rapid catch-up with the rest of the EU requires policies to further underpin stability, establish a rules-based decision-making environment, and improve the provision of public goods and services. Making sure that the benefits of EU membership, including the large resources that come under the structural and cohesion funds and the Common Agricultural Policy, and those of sustained economic growth reach all the categories of population should remain a policy priority for Romania.

75. *Evidence points towards a strong negative correlation between economic growth and poverty in Romania in the last decade.* In other words, the major economic contraction of the period 1997-1999 was associated with a significant increase in poverty, while the restoration and pick up in growth after 2000 has contributed centrally to its reduction. The elasticity of absolute and severe poverty to growth was relatively sizeable during the periods of large GDP contraction and acceleration, while settling to lower and more stable figures in between, comparable to those noticeable in countries with similar levels of economic development (Figure 16).

**Figure 16: Elasticity of Poverty (Headcount) to Economic Growth**



Source: World Bank estimates based on HBS data

<sup>16</sup> See, for example, the Romania Public and Institutional Review (2006), for a detailed analysis of the challenges associated with improving the efficiency of public spending and upgrading the expenditure management systems. The Romania Country Economic Memorandum (2004) provides an insight into the challenges of the real economy.

76. *But elasticity measures do not tell the whole story.* The measure of elasticity, while informative in capturing the response of poverty to variations in mean consumption, does not tell how various categories of people and their consumption is specifically impacted upon, especially those in poverty. To address this, one needs to look at the relationship between growth, inequality and poverty, as evidence suggests that patterns of growth affect different categories of people differently.

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## II.1. TO WHAT EXTENT DOES ECONOMIC GROWTH EXPLAIN POVERTY DYNAMICS? THE GROWTH REDISTRIBUTION DECOMPOSITION

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77. *This section investigates the relationship between economic growth and changes in absolute poverty*, employing the growth-redistribution decomposition proposed by Ravallion and Datt<sup>17</sup>. The methodology allows analysts to quantify the relative importance of income growth, as opposed to changes in income distribution and other factors in the evolution of poverty (although in the analysis presented here, only consumption measures are used). Changes in poverty between two dates are decomposed into three components: (i) a growth component, which captures the change in poverty attributable to a change in mean consumption, while holding the consumption distribution unchanged; (ii) a redistribution component, which quantifies the change in poverty due to a change in consumption distribution, while holding the mean consumption constant, and (iii) a residual, which measures the interaction between growth and redistribution, as well as the contribution of other factors.

78. *Decomposition shows a movement favorable to poorer groups.* The growth-inequality decomposition of the changes for both absolute and severe poverty is presented in tables 9 and 10. The figures suggest that, during the first period, 1995-2000, the distribution of per-adult equivalent consumption moved favorably for the poor, mitigating to some extent the negative consequences of output contraction for this group. In other words, poverty would have been more widespread in the absence of factors and redistributive policies that compressed the consumption distribution. The role of the redistribution component was more evident (larger) in the case of rural poverty. Severe poverty dynamics were, unsurprisingly, less sensitive to the fluctuations in growth.

**Table 9: Growth-Inequality Decomposition of Absolute Poverty (1995-2006)**

	P(t)	P(t+1)	DP0	DPGR dis	DPDIS gr	Residual
<b>National</b>						
1995-2000	0.254	0.359	0.104	0.144	-0.053	0.014
2000-2006	0.359	0.138	-0.22	-0.217	0.001	-0.004
<b>Urban</b>						
1995-2000	0.152	0.259	0.106	0.135	-0.025	-0.003
2000-2006	0.259	0.068	-0.19	-0.173	-0.012	-0.005

<sup>17</sup> Ravallion, M. and Datt, G. "Growth and redistribution components of changes in poverty measures: a decomposition with applications to Brazil and India in the 1980s", *Journal of Development Economics* no. 38, 1992.

<b>Rural</b>						
1995-2000	0.376	0.478	0.102	0.141	-0.055	0.016
2000-2006	0.478	0.223	-0.254	-0.245	0.003	-0.007

Note: P(t) is poverty at the beginning of the period; P(t+1) is poverty at the end of the period; DP0 is the absolute change in poverty; DPGR|dis represents the change in poverty due to growth, keeping income distribution constant; DPDIS|gr represents the change in poverty due to changes in income distribution, keeping growth constant. All poverty figures are headcount. The welfare measure is per adult equivalent consumption.

Source: Authors computations using IHS and HBS data.

**Table 10: Growth-Inequality Decomposition of Severe Poverty (1995-2006)**

	P(t)	P(t+1)	DP0	DPGR dis	DPDIS gr	Residual
<b>National</b>						
1995-2000	0.094	0.138	0.044	0.087	-0.031	-0.012
2000-2006	0.138	0.041	-0.097	-0.101	-0.003	0.007
<b>Urban</b>						
1995-2000	0.046	0.092	0.046	0.068	-0.009	-0.013
2000-2006	0.092	0.017	-0.075	-0.071	-0.016	0.013
<b>Rural</b>						
1995-2000	0.151	0.193	0.042	0.093	-0.040	-0.01
2000-2006	0.193	0.071	-0.122	-0.124	-0.005	0.007

Source: Authors computations using HIS and HBS data.

79. *The picture is different for the period 2000-2006. During this interval, the growth component had a significant contribution to the reduction in poverty, while the redistribution component had a small impact*, somewhat more pronounced in the case of urban poverty, where the consumption distribution moved slightly pro-poor. The benefits of growth filtered less to the severely poor. One could conclude from the figures that, while economic growth contributed substantially to the increase in household consumption and the important decline in poverty in the interval 2000-2006, its character was not necessarily pro-poor. Large categories of people appear to have benefited uniformly from growth, as we show in the next section.

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## II.2. WHO IS BENEFITING FROM GROWTH? EVIDENCE FROM GROWTH INCIDENCE CURVES

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80. *This section investigates the distribution of economic growth benefits and losses across households.* The purpose of this analysis is to identify if there are certain categories of households that were impacted upon more than others by the fluctuations in economic activity. Concretely, we attempt to isolate who the main losers from the severe economic contraction of 1995 - 2000 and the winners from the strong economic growth of 2000-2006 were. We do this by constructing growth incidence curves for the whole sample, as well as for certain sectors and household categories.

81. *The growth incidence curves plot the growth rate of consumption, cumulatively between the base and the end year, on the vertical axis, against the ranking of individuals, measured by their consumption, on the horizontal axis.* The horizontal line measures the average increase or decline in consumption for the sample, while the two vertical lines capture the shares of severe and absolute poverty in the initial year. A downwards sloping incidence curve indicates that people in the lower quintiles of the population, ordered by consumption per adult equivalent, benefit more from growth, or lose less from output decline. An upwards sloping curve shows the opposite. Figures 17 and 18 contrasts the growth incidence curves for the two periods of analysis.

82. *The curves suggest that the severe output contraction of the period 1995-2000 was associated with a cumulative average decline in per adult equivalent consumption of around 20 percent, relatively uniformly distributed between the urban and rural areas.* However, the consumption distribution was also compressed, with households in the lower quintiles of the consumption distribution affected less than households in the upper ones, who adjusted their consumption most. This dynamics is consistent with the evolution of the Gini coefficient, which decreased during that period from around 31 percent to 28 percent and suggests that social protection policy was relatively effective in alleviating the eventual negative effects associated with the reforms pursued during that period<sup>18</sup>.

83. *By contrast, during the period 2000-06, the cumulative average consumption per adult equivalent recorded a marked turnaround and, in 2006, it was higher by around 44 percent than in 2000.* However, the pattern was different for urban and rural households. The urban population appears to have benefited more from the pick up in economic growth, with the average urban consumption increasing by over 47 percent during the period of analysis.

84. *Over the same interval, the average rural household consumption expanded by around 35 percent.* Moreover, poor and severely poor urban households increased their consumption most, cumulatively by more than 50 percent. This result suggests that increased job opportunities, especially in the services sectors, and declining unemployment rates in the urban areas, associated with sustained growth, have yielded important benefits to the urban poor. By contrast, while the rural poor also benefited from growth, their increase in consumption was relatively uniform across quintiles. The figures even suggest that some of the severely poor have benefited least. These findings are consistent with the early evidence<sup>19</sup> that social protection policy, while clearly helping in alleviating poverty, had limited targeting and coverage. The minimum income guaranteed program would be an example of such policy.

85. *The results advocate that the linkage between the level of economic activity and poverty appears to be strong in the urban areas, where reforms enhanced the functioning of the markets and sustained growth yielded important benefits.* These patterns are in many ways similar to those exhibited by mature market economies over a business cycle. At the same time, the link between growth and poverty seems less strong in the rural areas, where almost 45 percent of Romania's population lives and where most of the poor and severely poor are found. The high and quickly declining share of agriculture in total

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<sup>18</sup> Other factors, such as the heavy reliance on subsistence agriculture in rural areas could have also contributed by partially insulating rural households from the downturn in GDP.

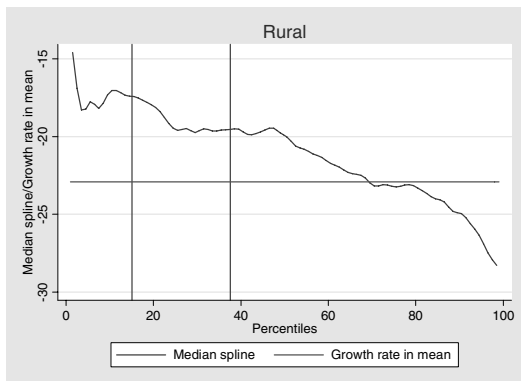
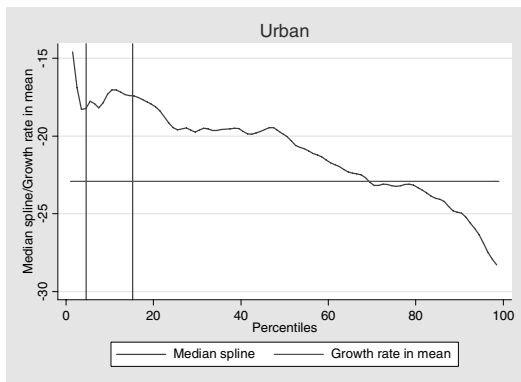
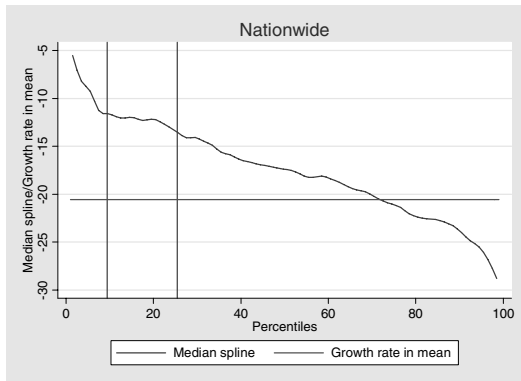
<sup>19</sup> Romania Poverty Assessment (2003). No systematic analysis of social protection policy impact on poverty was conducted in Romania subsequently, according to our knowledge.

employment, pushing people out of the labor force, and the lack of alternative income generating activities in the rural areas is a growing concern requiring the attention of policy makers.



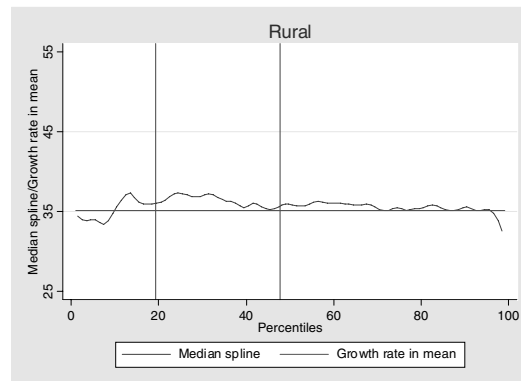
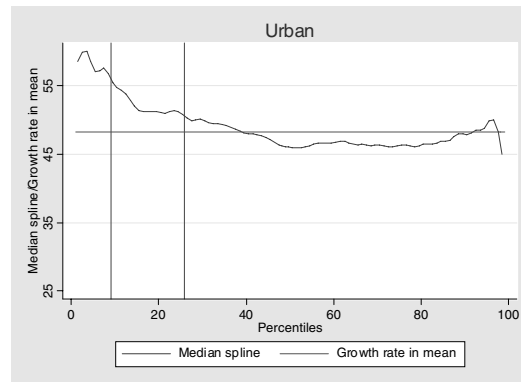
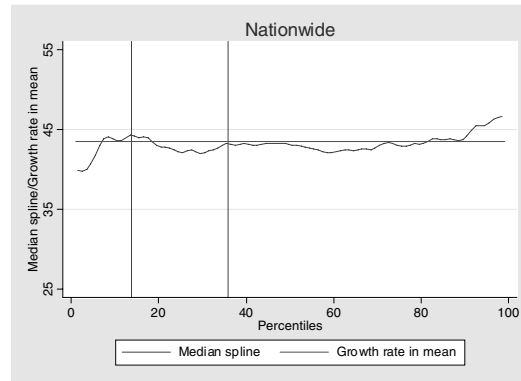
**Figure 17: Growth Incidence Curves 1995 – 2000.**

Cumulative growth in consumption per adult equivalent



**Figure 18: Growth Incidence Curves 2000 – 2006.**

Cumulative growth in consumption per adult equivalent



86. ***An examination of growth distribution across household categories also reveals important insights.*** To gain further insight into the distribution of growth benefits across categories of households, we also compute growth incidence curves by main economic sectors and age groups for the same time intervals. We particularly look at two large categories, traditionally vulnerable to poverty and fluctuations in economic activity, the pensioners and the unemployed. The findings are summarized in Figures 19, 20, 21 and 22.

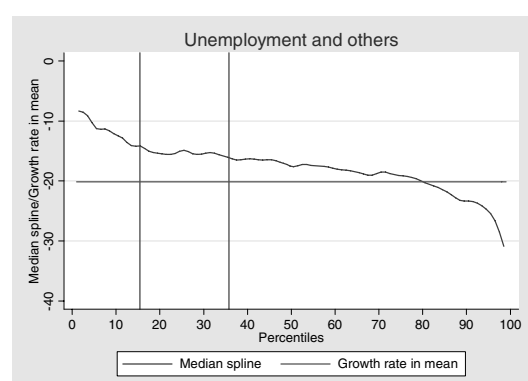
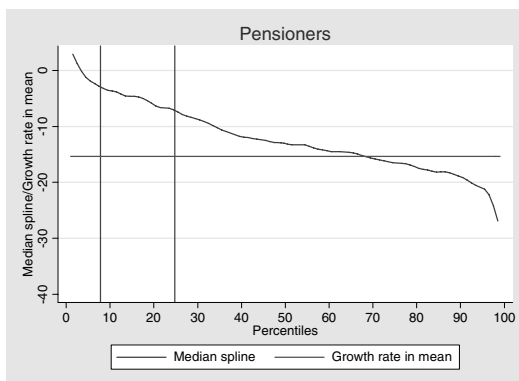
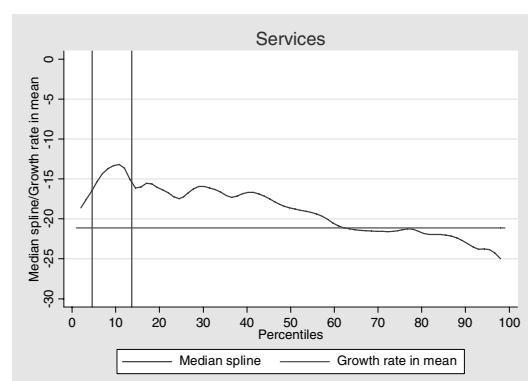
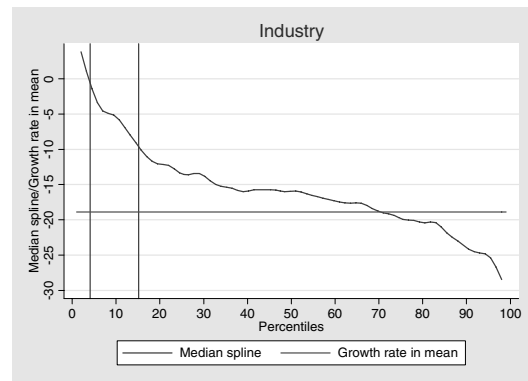
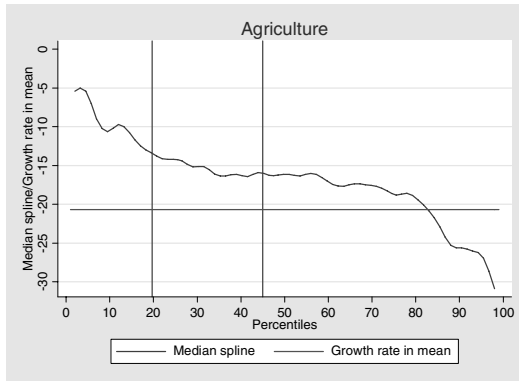
87. ***For the interval 1995-2000, the patterns by sector are largely similar with those nationwide, with the poor losing less than the average household from the economic contraction.*** Some curves are steeper than others, such as for those involved in agriculture and industry, as people in these categories adjusted their consumption less. Agriculture can be associated with subsistence farming, less volatile than overall growth. Poor pensioners and the unemployed appear among the least affected by the downturn in economic activity, suggesting that social spending for these categories, including pensions recorreations and various targeted schemes, such as heating subsidies, as well as have good coverage of the unemployment insurance transfers prevented them from further sliding into poverty. For example, the severely poor pensioners and unemployed, cumulatively adjusted their per-adult equivalent consumption by less than 10 percent.

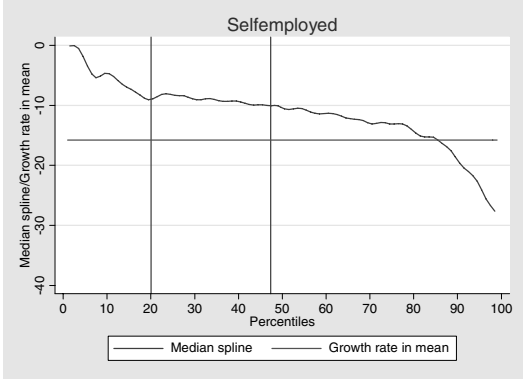
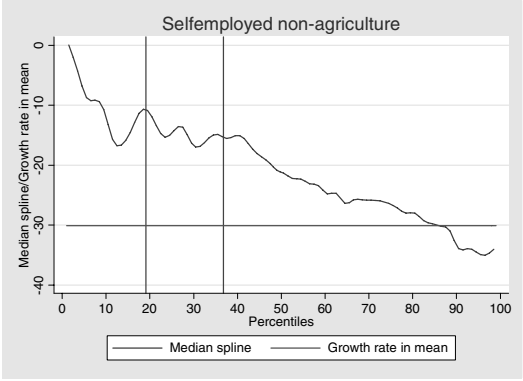
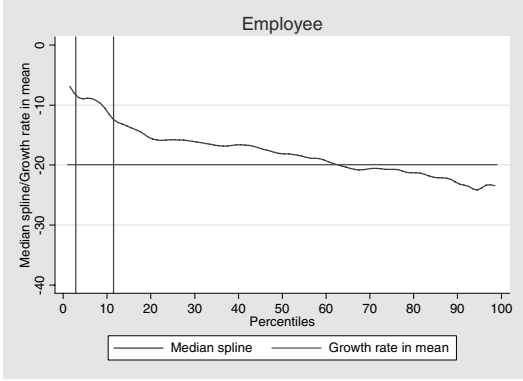
88. ***Relatively generous inter-household transfers, well documented by the 2003 Romania Poverty Assessment, explain the pro-poor character of growth,*** or rather output decline, during the late nineties. Some working age categories, such as the 15-24 and the 40-64, and not always poor seemed to be more affected by the output contraction and adjusted their consumption more.

89. ***Growth incidence curves for the period 2000-2006 are significantly flatter both by sector and for the main occupational and age groups, suggesting that the pick up in economic growth has largely had an uniform impact on households, including on the poor.*** Workers in agriculture and farmers appear to have benefited more. Consumption of farmers increased on average by over 55 percent, with the richest quintiles benefiting most, as their consumption expanded by around 70 percent. Poor unemployed seemed to have gained less than the average unemployed. The cumulative average consumption of the pensioners, of around 40 percent, and of the self-employed in agriculture, of around 30 percent, both relatively uniformly distributed over quintiles were lower than the nationwide average.

**Figure 19: Growth Incidence Curves  
1995 -2000.**

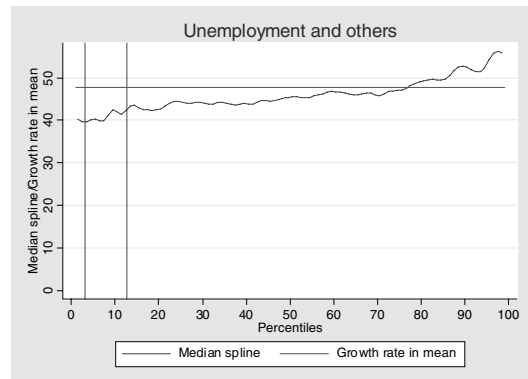
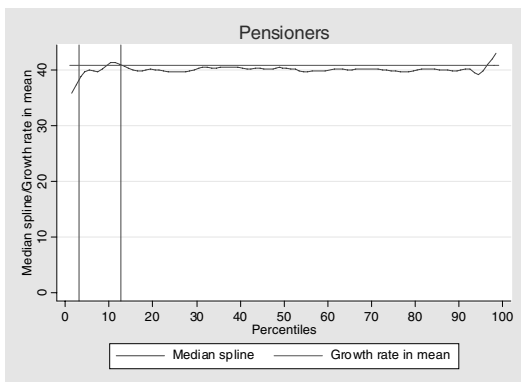
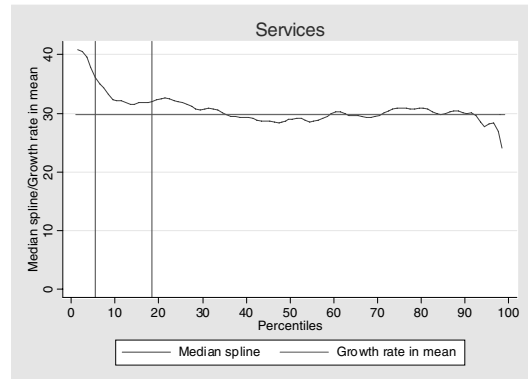
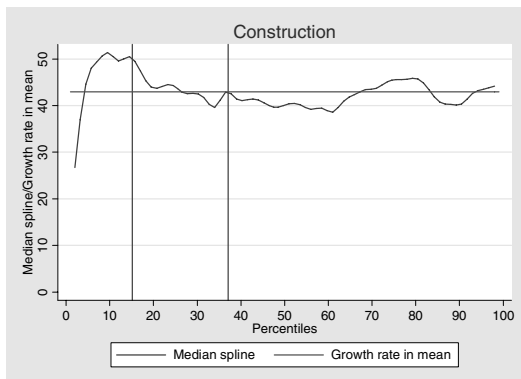
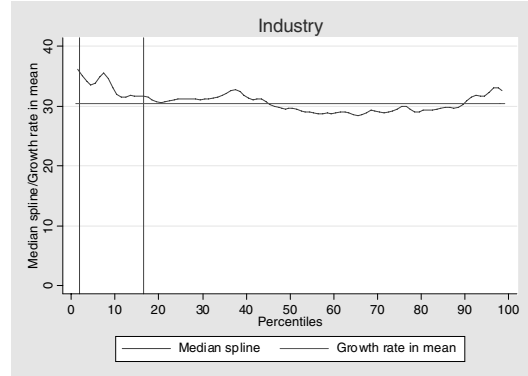
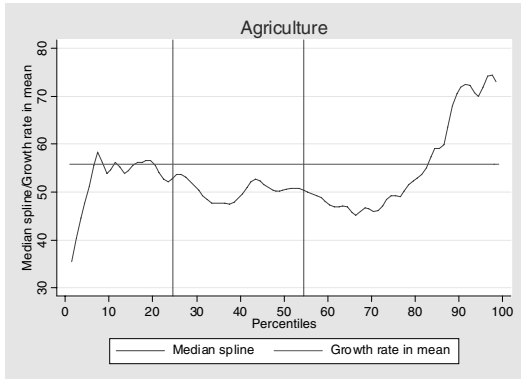
Cumulative growth in consumption per adult equivalent by sector and main occupational groups.

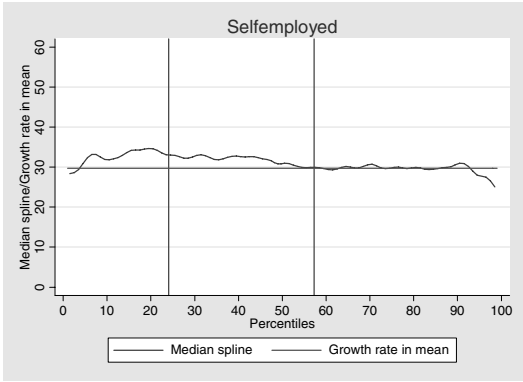
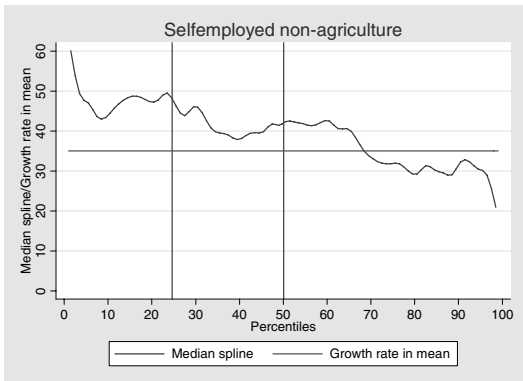
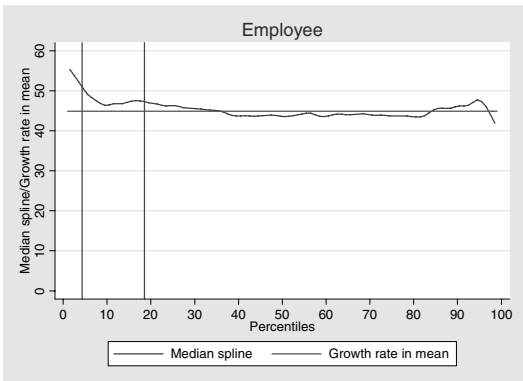




**Figure 20: Growth Incidence Curves  
2000-2006.**

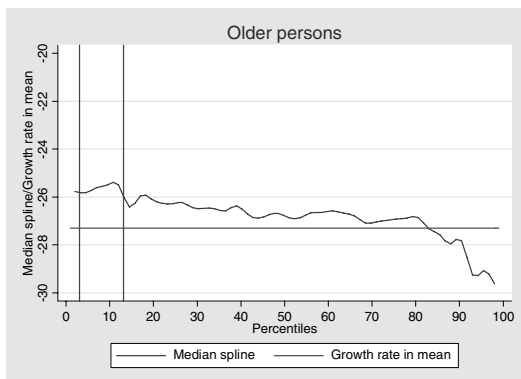
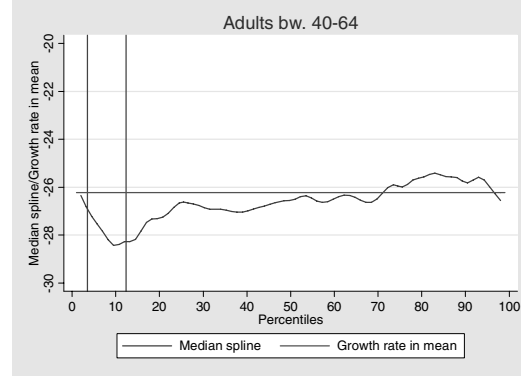
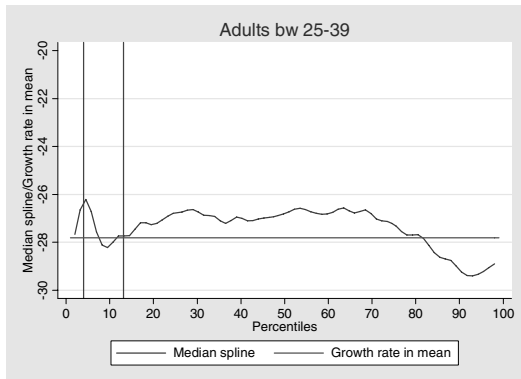
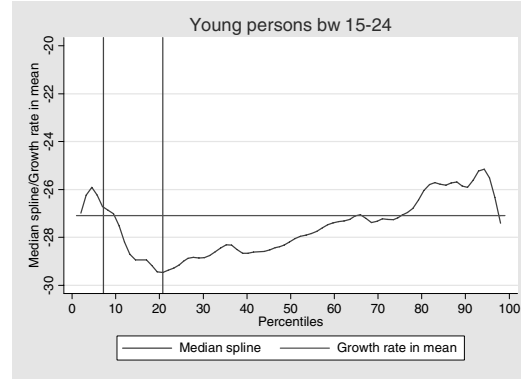
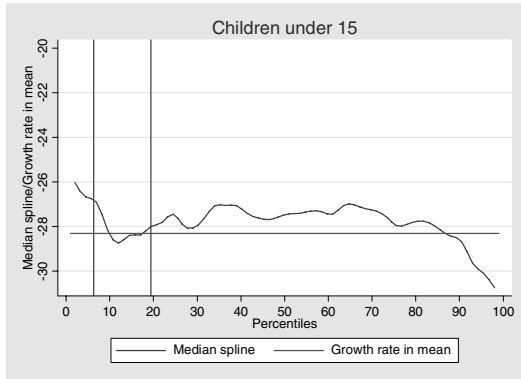
Cumulative growth in consumption per adult equivalent by sector and main occupational groups.





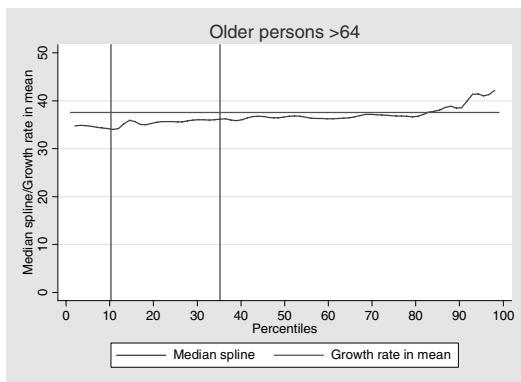
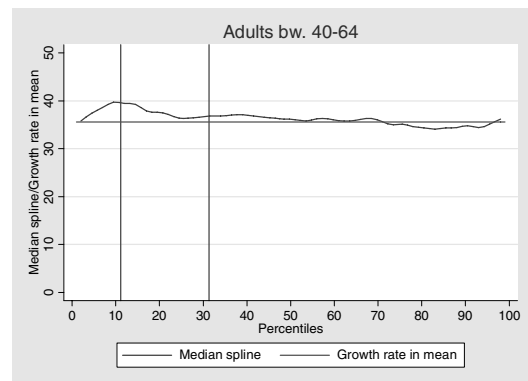
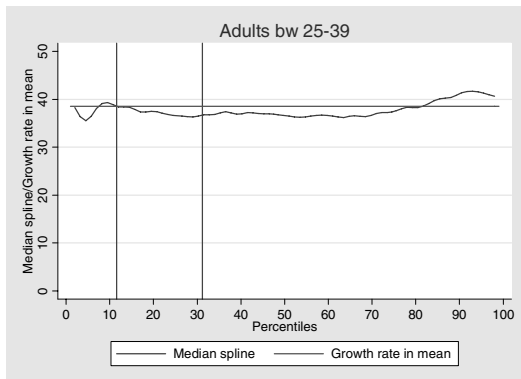
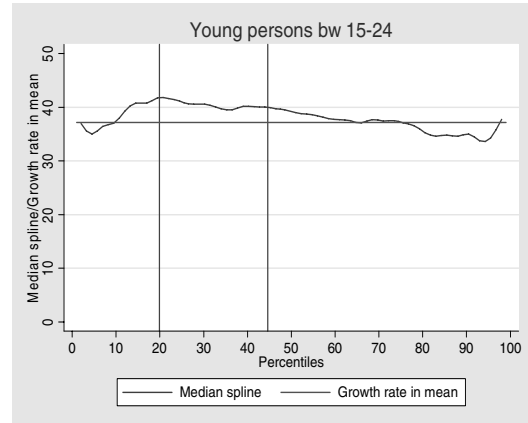
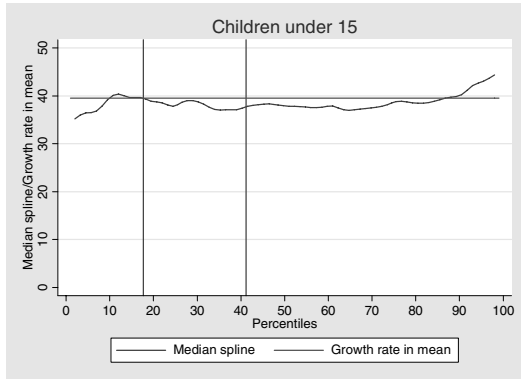
**Figure 21: Growth Incidence Curves 1995 - 2000.**

Cumulative growth in consumption per adult equivalent by age groups



**Figure 22: Growth Incidence Curves 2000 - 2005.**

Cumulative growth in consumption per adult equivalent by age groups





90. ***During period analyzed, the distribution of labor across occupations, sectors and regions changed substantially as a result of the changes in the structure of the Romanian economy.*** Important net labor flows occurred from employment to out of the labor force, from employment to unemployment, from agriculture to out of the labor force, from urban to rural areas. External migration was also important, and casual figures suggest that up to two million Romanians, or around 10 percent of the population, have moved abroad in search of better opportunities.

91. ***In this context, an important question that arises is to what extent these population shifts contributed to the dynamics of poverty.*** Table 11 presents the contribution of intra-sectoral effects, as opposed to inter-sectoral shifts, to changes in poverty across major activities, regions and urban versus rural areas for both severe and absolute poverty.

92. ***During the interval 1995-2000, absolute poverty (headcount) increased by around 40 percent, while severe poverty expanded by around 46 percent.*** Around 72 percent of absolute poverty and 60 percent of the severe poverty was due to increased poverty within sectors, with the rest largely attributable to population shifts across activities. Employees and pensioners were the most affected by the increase in absolute poverty, while the agricultural self-employed and the pensioners were the ones more harshly hit by severe poverty. This partly reflects the decline in the share of employees in population, which led to the increase of the share of the other categories, mostly of the pensioners. The sign of the population shift effect indicates that people moved towards sectors with increased poverty. In other words, early retirement and movements to self-employment in agriculture, for example, worsen the poverty status of those that undertook those moves.

93. ***The robust economic growth during the period 2000-2006 led to a significant decline of around 62 percent in absolute poverty and around 70 percent in severe poverty.*** The bulk of this decline (close to 100 percent) was attributable to an intra-sectoral effect, while the population shift effect was negligible. Employees and pensioners registered the highest declines in absolute poverty, while pensioners and the self-employed in agriculture were the categories in severe poverty that benefited most from growth expansion.

94. ***Intra-regional and urban versus rural effects overwhelmingly contributed to the evolution of poverty in both periods investigated, while the population shift effects were insignificant.*** The increase in absolute and severe poverty in the first interval was somewhat larger in urban areas, while the decline in the second interval was larger in rural areas. The results of the decompositions carried out in this sub-section are consistent with the outcomes of the growth incidence curves and highlight the central role played by economic growth in determining poverty dynamics in Romania.

**Table 11: Sectoral and Regional Decomposition of Changes in Poverty**

Period	SEVERE POVERTY						ABSOLUTE POVERTY					
	1995 – 2000			2000 – 2006			1995 – 2000			2000 – 2006		
Poverty in year 1	0.094			0.1378			0.2544			0.3585		
Poverty in year 2	0.138			0.0413			0.3585			0.1380		
Absolute change	0.044			-0.0965			0.1041			-0.2204		
% change	46.94			-70.032			40.92			-61.491		
	Pop. Share, year 1	Abs. Change	% of change in pov.	Pop. Share, year 1	Abs. Change	% of change in pov.	Pop. Share, year 1	Abs. Change	% of change in pov.	Pop. Share, year 1	Abs. Change	% of change in pov.
<b>Activity</b>												
Employees	49.54	0.00384	8.72	38.33	-0.01733	17.96	49.54	0.02860	27.46	38.33	-0.06385	28.96
Self-employed non-agr	3.35	0.00370	8.39	4.68	-0.00975	10.1	3.35	0.00564	5.41	4.68	-0.01427	6.47
Self-employed agr	8.56	0.00621	14.09	10.23	-0.02202	22.81	8.56	0.00714	6.86	10.23	-0.02745	12.45
Unemployed	5.10	0.00159	3.61	8.63	-0.01007	10.43	5.10	0.00374	3.59	8.63	-0.01947	8.83
Pensioner	31.84	0.00891	20.23	36.83	-0.03121	32.32	31.84	0.02815	27.03	36.83	-0.08613	39.06
Other	1.61	0.00271	6.15	1.31	-0.00314	3.26	1.61	0.00196	1.88	1.31	-0.00331	1.5
<i>Intra-sectoral effect</i>		0.02695	61.18		-0.09354	96.88		0.07522	72.23		-0.21448	97.28
<i>Population-shift effect</i>		0.01331	30.22		-0.00151	1.57		0.02512	24.13		-0.00549	2.49
<i>Interaction effect</i>		0.00379	8.60		-0.00149	1.55		0.00379	3.64		-0.00052	0.23
<b>Region</b>												
North-East	16.86	0.01125	25.54	17.12	-0.02832	29.33	16.86	0.01845	17.72	17.12	-0.04848	21.99
South-East	13.07	0.00925	21.00	13.13	-0.01326	13.73	13.07	0.01585	15.22	13.13	-0.02891	13.11
South-Muntenia	15.60	0.00428	9.71	15.52	-0.01416	14.66	15.60	0.01928	18.51	15.52	-0.04023	18.25
South-West Oltenia	10.80	0.00280	6.36	10.75	-0.00759	7.87	10.80	0.00653	6.27	10.75	-0.01667	7.56
West	9.09	0.00541	12.29	9.02	-0.00863	8.95	9.09	0.01110	10.66	9.02	-0.02089	9.48
North-West	12.71	0.00469	10.65	12.67	-0.01046	10.84	12.71	0.01554	14.92	12.67	-0.03047	13.82
Center	11.75	0.00395	8.96	11.76	-0.01036	10.73	11.75	0.00883	8.48	11.76	-0.02119	9.61
Bucharest	10.12	0.00207	4.70	10.04	-0.00377	3.9	10.12	0.00803	7.71	10.04	-0.0137	6.21
<i>Intra-sectoral effect</i>		0.04369	99.20		-0.09657	100.01		0.10361	99.50		-0.22053	100.02
<i>Population-shift effect</i>		0.00024	0.55		0.000097	-0.1		0.00049	0.47		0.00004	-0.02
<i>Interaction effect</i>		0.00011	0.25		0.000087	0.09		0.00003	0.03		-8E-06	0
<b>Urban/Rural</b>												
Urban Areas	54.40	0.02488	56.49	54.37	-0.04051	41.96	54.40	0.05774	55.45	54.37	-0.10340	46.9
Rural Areas	45.60	0.01914	43.46	45.63	-0.05568	57.67	45.60	0.04634	44.50	45.63	0.11605	52.63
<i>Intra-sectoral effect</i>		0.04402	99.94		-0.09619	99.63		0.10408	99.95		-0.21945	99.53
<i>Population-shift effect</i>		0.00003	0.06		-0.00068	0.7		0.00005	0.05		-0.00147	0.66
<i>Interaction effect</i>		0	0		0.000318	-0.33		0	0		0.00043	-0.19

Source: Authors computations using HIS and HBS data.

## II.3. MEDIUM-TERM POVERTY PROJECTIONS UNDER TWO GROWTH SCENARIOS

95. *The strong relationship between the level of economic activity and poverty suggests that the continuation of robust growth over the medium term could further reduce the number of poor in Romania significantly.* Extending the correlations between growth and poverty resulting from the period 1995-2006, we project poverty dynamics for the horizon 2007-2010 under two alternative scenarios.

96. *The first scenario<sup>20</sup>, a most likely one, assumes that the current high levels of economic growth will extend into the medium term.* Growth will expand at an average of 5-6 percent per annum. The results suggest that poverty, both severe and absolute, can be further reduced substantially if growth continues. This way, by 2010, poverty would be halved relative to 2006, to around 6-7 percent. The drop in poverty would, however, occur at declining marginal rates. These levels would be comparable to those noticeable in other new EU member states.

**Table 12: Growth and poverty projections 2007- 2010.**

	2007	2008	2009	2010
Scenario A.				
<b>Growth</b>	6.5%	6.3%	5.9%	5.0%
<b>Absolute poverty</b>	11.6% (10.6 -12.7)	9.5% (8.6-10.5)	7.8% (7.0-8.6)	6.6% (5.8-7.3)
Scenario B.				
<b>Growth</b>	6.5%	4.0%	2.5%	2.0%
<b>Absolute poverty</b>	11.6% (10.6 -12.7)	10.3% (9.4-11.3)	9.5% (8.6-10.4)	8.9% (1.8-2.6)

Note: The figures in brackets represent the 95% confidence intervals. Source: Authors computations.

97. *In the alternative scenario, a less likely one, we assume that growth would slow down significantly in 2008,* for example due to an exogenous adverse external shock. Under this hypothesis, growth would weaken to around 2 percent by the end of the interval. The projections show that, even in this case, poverty would continue to decline, but at a significantly slower pace. By the end of the interval, absolute poverty would come down to around 9 percent.

98. *These optimistic projections need however to be interpreted with caution.* They are built on the assumption that the nationwide distribution of consumption per adult equivalent will not widen or narrow during the analysis period. In other words,

<sup>20</sup> For the first scenario we use the Romania Convergence Programme growth rates for the interval 2007-2009. The Convergence Programme was submitted to the EC in January 2007.

we assume that the overall inequality will stay relatively constant during the forecasting interval, and the widening of inequality for some categories will be compensated by the reduction of inequality for others. This hypothesis seems reasonable in the view of the findings that inequality did not significantly increase during 2003-06, when the Gini coefficient was stable at around 28 (Table 3, Chapter I) and did not notably contribute to the decline in poverty during 2000-06 (Table 9 and Table 10, Chapter II).

99. ***Nevertheless, an increase in inequality would reduce the impact of growth on poverty decline.*** In the case of increasing inequality, the decline in poverty would be, *ceteris paribus*, slower at the above growth rates. The increase in inequality could happen for example due to the widening of the marginal product of labor between urban and rural areas. As Table 9 and Table 10 suggest, during the interval 2000-06, the redistribution component had a small but positive contribution to the reduction of poverty in urban areas. This was not the case in the rural areas. If this trend continues, urban inequality will be further reduced and the decline in urban poverty will be steeper than that of the rural population.

100. ***The widening of inequality could also happen due to the fact that economic growth does not filter through to some important household categories.*** Chapter I has identified that there are substantial differences in welfare and poverty between households. Despite growth expansion, deep pockets of poverty remain. This suggests that, while growth has recently lifted a large number of people out of poverty, reversing the pattern characteristic of the period 1995-2000, those who are left behind are less likely to be affected by the fluctuations in economic output. It is likely therefore that the income and consumption distribution of these categories could further widen, reducing the poverty impact of growth. The report recommends further research into the welfare status, including into inequality trends, of the household categories most affected by poverty. This would help identify more effective mechanisms to enhance the social safety net of those households.

101. ***The central conclusion that emerges from the findings this chapter is that the sustained and robust economic growth that Romania enjoyed during the period 2000-2006 has led to a substantial decline in the level of poverty in the country.*** During this period, absolute poverty declined by around 62 percent, while severe poverty dropped by 70 percent. Both urban and rural poverty declined significantly, the latter faster, though starting from a higher level, as most of the poor live in rural areas. As the growth incidence curves indicate, the increase in household consumption (and incomes) benefited virtually all main sectors, categories of people and age groups. The largest reductions in poverty are observed among pensioners, employees and the self-employed in agriculture.

102. ***Robust, sustainable and broad-based economic growth should, therefore, remain a central pillar of the poverty reduction strategy of Romania in the medium term.*** Scenarios suggest that growth would substantially contribute to enhanced household welfare and poverty reduction if it continues at the current levels. Identifying and promptly removing institutional, policy and regulatory obstacles to

economic growth will lead to a further considerable improvement in the living standards of households and continue to lift out of poverty large numbers of people.

103. ***It is important to recognize, at the same time, that economic growth by itself is not enough for bringing absolute poverty down to European levels.*** This study has identified a series of categories of households whose welfare is influenced only to a limited extent by the benefits of growth. While the solid economic growth characteristic of the period 2000-06 has pulled out of poverty large categories of households, others have benefited little. This suggests that policies to sustain growth need to be complemented by a clear and effective redistributive social policy and targeted interventions at the deep pockets of poverty that are identified as not benefiting from growth.



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# ANNEXES

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**ANNEX 1- Tables and graphs produced by DECRG Computational Tool**

**ANNEX 2- Poverty Map**

**ANNEX 3- Tables produced by NIS**





# ANNEX 1 - TABLES AND GRAPHS PRODUCED BY DECRG

## COMPUTATIONAL TOOL

**Table 2.1: Overall Poverty**

	Headcount Rate(P0)			Poverty Gap(P1)					
	2003	2004	2005	2003	2004	2005	2006	change	
<i>Poverty Line = 1535370.0</i>									
Urban	13.8	11.6	8.1	6.8	-6.9	3.0	2.6	1.4	-1.6
Rural	38.0	27.3	23.6	22.3	-15.6	9.6	6.7	5.3	-4.3
Total	25.1	18.8	15.1	13.8	-11.3	6.1	4.5	3.2	-2.9
<i>Poverty Line = 1060658.0</i>									
Urban	3.8	3.3	2.1	1.7	-2.1	0.7	0.6	0.3	-0.4
Rural	13.9	8.9	7.5	7.1	-6.8	2.8	1.7	1.3	-1.5
Total	8.6	5.9	4.6	4.1	-4.4	1.7	1.1	0.8	-0.9

Note: Changes shown between years 2003 and 2006

	Squared Poverty Gap(P2)				
	2003	2004	2005	2006	change
1.0	0.9	0.6	0.5	0.5	-0.5
3.6	2.4	2.0	1.9	1.8	-1.8
2.2	1.6	1.2	1.1	1.1	-1.1
0.2	0.2	0.1	0.1	0.1	-0.1
0.9	0.5	0.5	0.4	0.4	-0.5
0.5	0.3	0.3	0.2	0.2	-0.3

**Table 2.2 : Poverty by Geographic Regions**

	Poverty Headcount Rate				Distribution of the Poor					
	2003	2004	2005	2006	change	2003	2004	2005	2006	Change
<i>Poverty Line = 1535370.0</i>										
Urban	13.8	11.6	8.1	6.8	-6.9	29.2	33.3	29.4	27.3	-1.9
Rural	38.0	27.3	23.6	22.3	-15.6	70.8	66.7	70.6	72.7	1.9
<b>Macroregion</b>										
North-East	35.4	25.9	19.6	20.1	-15.3	24.4	23.8	22.5	25.3	0.9
South-East	29.2	23.9	20.9	16.4	-12.8	15.3	16.8	18.3	15.7	0.3
South-Muntenia	29.9	19.8	17.9	14.1	-15.8	18.4	17.5	18.3	15.7	-2.8
South-West Oltenia	32.1	22.7	19.5	19.0	-13.1	13.8	13.0	13.8	14.7	0.9
West	18.1	11.5	8.1	6.9	-11.2	6.4	5.5	4.8	4.5	-2.0
North-West	17.7	14.8	11.7	10.4	-7.3	8.9	9.9	9.7	9.5	0.6
Centre	20.3	17.0	12.6	13.4	-6.9	9.5	10.6	9.8	11.4	1.9
Bucharest	8.1	6.1	4.1	4.5	-3.6	3.3	2.9	2.8	3.3	0.1
Total	25.1	18.8	15.1	13.8	-11.3	100.0	100.0	100.0	100.0	0.0
<i>Poverty Line = 1060658.0</i>										
Urban	3.8	3.3	2.1	1.7	-2.1	23.8	30.4	25.5	22.8	-1.0
Rural	13.9	8.9	7.5	7.1	-6.8	76.2	69.6	74.5	77.2	1.0
<b>Macroregion</b>										
North-East	13.6	8.9	6.5	5.8	-7.8	27.5	26.1	24.5	24.5	-3.0
South-East	10.7	7.8	6.8	5.7	-5.0	16.5	17.5	19.7	18.1	1.6
South-Muntenia	9.2	5.8	4.4	4.0	-5.2	16.6	16.6	14.9	14.8	-1.8
South-West Oltenia	12.1	7.8	6.4	5.3	-6.7	15.2	14.3	15.0	13.8	-1.4
West	5.4	2.7	1.8	2.0	-3.4	5.6	4.1	3.5	4.3	-1.3
North-West	5.2	3.9	3.6	3.6	-1.6	7.7	8.4	9.9	10.9	3.2
Centre	6.3	5.5	4.3	4.1	-2.2	8.6	10.9	11.0	11.5	3.0
Bucharest	2.0	1.3	0.7	0.9	-1.2	2.4	2.1	1.5	2.1	-0.3
Total	8.6	5.9	4.6	4.1	-4.4	100.0	100.0	100.0	100.0	0.0

Note: Changes shown between years 2003 and 2006

Distribution of Population				
2003	2004	2005	2006	change
53.2	54.1	54.8	55.0	1.8
46.8	45.9	45.2	45.0	-1.8
17.3	17.3	17.3	17.3	0.1
13.2	13.2	13.2	13.2	0.0
15.5	16.6	15.4	15.4	-0.1
10.7	10.7	10.7	10.7	-0.1
8.9	8.9	8.9	8.9	-0.0
12.6	12.6	12.6	12.6	-0.0
11.7	11.7	11.7	11.7	0.0
10.1	8.9	10.2	10.2	0.1
100.0	100.0	100.0	100.0	0.0
53.2	54.1	54.8	55.0	1.8
46.8	45.9	45.2	45.0	-1.8
17.3	17.3	17.3	17.3	0.1
13.2	13.2	13.2	13.2	0.0
15.5	16.6	15.4	15.4	-0.1
10.7	10.7	10.7	10.7	-0.1
8.9	8.9	8.9	8.9	-0.0
12.6	12.6	12.6	12.6	-0.0
11.7	11.7	11.7	11.7	0.0
10.1	8.9	10.2	10.2	0.1
100.0	100.0	100.0	100.0	0.0

**Table 3.1 : Mean per-capita expenditure in real terms**  
**Mean Consumption PAE**

	2003	2004	2005	2006	% change
Urban	2,845,519.00	3,118,012.00	3,301,018.00	3,485,859.00	22.50
Rural	1,982,028.00	2,291,591.00	2,355,116.00	2,382,002.00	20.18
<b>Macroregion</b>					
North-East	2,181,369.00	2,521,433.00	2,659,493.00	2,728,226.00	25.07
South-East	2,329,736.00	2,536,749.00	2,638,921.00	2,760,579.00	18.49
South-Muntenia	2,232,467.00	2,576,496.00	2,651,479.00	2,848,971.00	27.62
South-West Oltenia	2,194,969.00	2,505,876.00	2,589,840.00	2,677,358.00	21.98
West	2,574,070.00	2,940,825.00	3,042,933.00	3,239,220.00	25.84
North-West	2,608,532.00	2,884,557.00	2,997,136.00	3,023,964.00	15.93
Centre	2,594,679.00	2,792,132.00	2,952,228.00	3,017,113.00	16.28
Bucharest	3,110,124.00	3,559,505.00	3,783,509.00	3,976,459.00	27.86
Lowest quintile	1,084,074.00	1,194,986.00	1,286,233.00	1,324,614.00	22.19
2	1,657,309.00	1,847,392.00	1,960,067.00	2,025,081.00	22.19
3	2,156,095.00	2,405,068.00	2,526,468.00	2,624,625.00	21.73
4	2,801,034.00	3,131,705.00	3,264,913.00	3,402,428.00	21.47
Highest quintile	4,509,031.00	5,114,744.00	5,330,235.00	5,571,493.00	23.56
Total	2,441,369.00	2,738,599.00	2,873,269.00	2,989,562.00	22.45

**Table 3.2 : Decomposition of inequality by regions**

	GE(0)	GE(1)	GE(2)
Overall inequality			
2003	13.0	13.2	15.8
North-East	14.3	14.6	17.4
South-East	13.8	14.2	17.2
South-Muntenia	11.9	12.4	15.4
South-West Oltenia	12.5	12.5	14.3
West	10.9	10.9	12.5
North-West	11.3	11.5	13.9
Centre	12.4	12.4	14.9
Bucharest	10.6	11.1	13.6
2004	13.6	14.2	19.3
North-East	15.0	15.9	22.0
South-East	13.8	14.3	17.8
South-Muntenia	12.6	13.2	17.2
South-West Oltenia	13.0	14.1	22.7
West	10.6	10.8	12.4
North-West	12.1	12.2	14.4
Centre	13.4	14.3	23.2
Bucharest	12.6	13.7	18.3
2005	13.1	13.6	17.3
North-East	14.3	15.1	19.7
South-East	14.1	14.3	17.2
South-Muntenia	11.6	11.7	13.5
South-West Oltenia	12.1	12.4	15.0
West	9.6	9.9	11.8
North-West	11.5	11.6	13.6
Centre	12.5	13.4	19.1
Bucharest	12.4	13.5	18.6
2006	13.4	14.0	21.4
North-East	14.0	14.3	17.2
South-East	13.0	13.4	17.3
South-Muntenia	13.1	16.1	50.8
South-West Oltenia	12.8	13.2	15.9
West	10.6	10.9	12.8
North-West	11.5	11.5	13.4
Centre	12.4	12.4	14.3
Bucharest	13.0	13.5	16.6
Within group inequality			
2003	12.4	12.6	15.1
2004	13.1	13.7	18.7
2005	12.4	12.9	16.6
2006	12.7	13.3	20.7
Between group inequality			
2003	0.6	0.6	0.7
2004	0.5	0.6	0.6
2005	0.7	0.7	0.7
2006	0.7	0.7	0.8
Between group inequality as % of overall inequality			
2003	4.8	4.9	4.2
2004	4.0	4.0	3.1
2005	5.0	5.1	4.2
2006	5.1	5.1	3.6

**Table 3.2a : Decomposition of inequality by urban and rural areas**

	<b>GE(0)</b>	<b>GE(1)</b>	<b>GE(2)</b>
Overall inequality			
2003	13.0	13.2	15.8
Urban	11.5	11.7	13.8
Rural	11.3	11.6	13.8
2004	13.6	14.2	19.3
Urban	12.6	13.2	18.2
Rural	12.3	12.9	16.7
2005	13.1	13.6	17.3
Urban	11.8	12.4	15.9
Rural	11.6	12.0	14.9
2006	13.4	14.0	21.4
Urban	12.1	13.0	21.4
Rural	11.0	11.1	13.0
Within group inequality			
2003	11.4	11.6	14.2
2004	12.5	13.1	18.1
2005	11.7	12.2	16.0
2006	11.6	12.3	19.7
Between group inequality			
2003	1.6	1.6	1.6
2004	1.2	1.1	1.1
2005	1.4	1.4	1.3
2006	1.8	1.7	1.7
Between group inequality as % of overall inequality			
2003	12.4	11.9	9.9
2004	8.5	8.0	5.9
2005	10.6	10.0	7.7
2006	13.2	12.2	7.9

Table 3.3 : Inequality in per-capita expenditure distribution by urban and rural areas

	bottom Half of the Distribution		Upper Half of the Distribution		Interquartile Range	Tails	Gini
	p25/p10	p50/p25	p75/p50	p90/p50			
<b>Total</b>							
2003	1.37	1.40	1.40	1.89	1.96	3.61	28.01
2004	1.39	1.40	1.40	1.88	1.95	3.67	28.57
2005	1.37	1.38	1.38	1.88	1.90	3.55	28.03
2006	1.37	1.40	1.39	1.88	1.94	3.59	28.31
<b>Urban</b>							
2003	1.36	1.35	1.35	1.81	1.82	3.32	26.28
2004	1.38	1.37	1.37	1.81	1.87	3.41	27.35
2005	1.34	1.35	1.35	1.81	1.82	3.28	26.65
2006	1.36	1.34	1.37	1.83	1.83	3.33	26.87
<b>Rural</b>							
2003	1.38	1.34	1.36	1.79	1.82	3.29	26.17
2004	1.34	1.37	1.38	1.83	1.89	3.36	27.22
2005	1.38	1.33	1.36	1.79	1.81	3.28	26.31
2006	1.37	1.34	1.34	1.78	1.79	3.25	25.75

Table 3.4 : Ratios of Selected Expenditure Percentiles in Urban and Rural Areas

	p10	p25	p50	p75	p90
<b>2003</b>	1.45	1.43	1.44	1.42	1.46
<b>2004</b>	1.34	1.37	1.37	1.36	1.36
<b>2005</b>	1.42	1.38	1.40	1.39	1.42
<b>2006</b>	1.44	1.43	1.43	1.46	1.48

**Table 3.5 : Growth and redistribution decomposition of poverty changes**  
**Change in incidence of poverty**

	2003	2006	actual change	Growth	Redistribution	Interaction
<i>Poverty Line = 1535370.0</i>						
Total	25.09	13.81	-11.28	-11.25	0.10	-0.13
Urban	13.76	6.84	-6.92	-6.84	0.41	-0.49
Rural	37.97	22.34	-15.63	-15.28	-1.35	1.00
<i>Poverty Line = 1060658.0</i>						
Total	8.56	4.13	-4.43	-4.64	-0.32	0.53
Urban	3.83	1.71	-2.12	-2.17	-0.17	0.22
Rural	13.94	7.09	-6.84	-6.94	-0.81	0.91



**Table 3.6 : Regional Poverty Decomposition**

	Absolute change	Percentage change
<b><i>Poverty Line = 1535370.0</i></b>		
Change in poverty (HC)	-11.28	100.00
Total Intra-sectoral effect	-11.27	99.93
Population-shift effect	-0.02	0.16
Interaction effect	0.01	-0.09
Intra-regional effects:		
North-East	-2.64	23.40
South-East	-1.69	14.95
South-Muntenia	-2.45	21.69
South-West Oltenia	-1.41	12.48
West	-1.00	8.84
North-West	-0.93	8.20
Centre	-0.81	7.16
Bucharest	-0.36	3.22
<b><i>Poverty Line = 1060658.0</i></b>		
Change in poverty (HC)	-4.43	100.00
Total Intra-sectoral effect	-4.43	99.95
Population-shift effect	-0.01	0.13
Interaction effect	0.00	-0.08
Intra-regional effects:		
North-East	-1.35	30.43
South-East	-0.66	14.97
South-Muntenia	-0.81	18.19
South-West Oltenia	-0.72	16.37
West	-0.30	6.80
North-West	-0.21	4.69
Centre	-0.26	5.82
Bucharest	-0.12	2.68

**Table 3.6a : Urban-rural Poverty Decomposition**

	<b>Absolute change</b>	<b>Percentage change</b>
<b><i>Poverty Line = 1535370.0</i></b>		
Change in poverty (HC)	-11.28	100.00
Total Intra-sectoral effect	-11.00	97.47
Population-shift effect	-0.45	3.96
Interaction effect	0.16	-1.42
Intra-regional effects:		
Urban	-3.68	32.62
Rural	-7.32	64.84
<b><i>Poverty Line = 1060658.0</i></b>		
Change in poverty (HC)	-4.43	100.00
Total Intra-sectoral effect	-4.33	97.76
Population-shift effect	-0.19	4.21
Interaction effect	0.09	-1.97
Intra-regional effects:		
Urban	-1.13	25.46
Rural	-3.20	72.30

Table 4.1 : Poverty by The Status of Employment

	Poverty Headcount Rate					Distribution of the Poor				
	2003	2004	2005	2006	change	2003	2004	2005	2006	Change
<b>Poverty Line = 1535370.0</b>										
<b>occupational status</b>										
Employee	9.0	6.3	4.3	3.5	-5.5	9.0	8.7	7.6	7.0	-1.9
Employer	1.6	1.0	1.0	0.6	-1.0	0.0	0.0	0.0	0.0	-0.0
self-employed non-agriculture incl. family help	35.6	27.7	25.4	23.4	-12.2	3.2	4.2	5.4	5.6	2.4
self-employed agriculture incl. family help	50.9	36.9	30.6	32.4	-18.6	22.1	18.3	19.6	22.3	0.2
Unemployed	39.3	33.8	28.6	27.3	-12.1	8.3	9.7	9.1	8.6	0.3
Pensioner	20.7	14.2	10.9	9.8	-11.0	20.3	18.1	17.2	16.8	-3.5
pupil, student	24.6	19.4	15.2	14.3	-10.3	17.2	17.9	17.2	17.7	0.5
Housewife	34.8	30.5	26.5	23.2	-11.6	7.8	9.9	10.3	9.5	1.8
other (dependent, military service, etc.)	35.8	28.8	24.0	21.4	-14.4	12.1	13.2	13.6	12.5	0.4
Total	25.1	18.8	15.1	13.8	-11.3	100.0	100.0	100.0	100.0	0.0
<b>Poverty Line = 1060658.0</b>										
<b>occupational status</b>										
Employee	1.7	1.0	0.8	0.5	-1.2	4.9	4.3	4.7	3.1	-1.8
Employer	0.6	0.0	0.0	0.0	-0.6	0.0				
self-employed non-agriculture incl. family help	13.8	10.8	10.3	9.0	-4.8	3.7	5.2	7.3	7.2	3.5
self-employed agriculture incl. family help	20.5	12.7	9.2	9.9	-10.6	26.0	20.2	19.5	22.7	-3.3
Unemployed	16.0	13.5	11.1	9.7	-6.3	9.8	12.4	11.6	10.2	0.3
Pensioner	5.4	3.6	2.5	2.3	-3.0	15.4	14.9	12.8	13.3	-2.1
pupil, student	7.8	5.8	4.2	4.0	-3.8	16.1	17.2	15.7	16.7	0.7
Housewife	13.3	10.3	9.3	8.7	-4.7	8.7	10.8	11.9	11.9	3.2
other (dependent, military service, etc.)	15.5	10.3	8.9	7.7	-7.9	15.4	15.1	16.5	15.0	-0.4
Total	8.6	5.9	4.6	4.1	-4.4	100.0	100.0	100.0	100.0	0.0

Distribution of Population				
2003	2004	2005	2006	Change
25.0	26.0	26.7	28.0	3.0
0.3	0.5	0.3	0.3	0.0
2.3	2.8	3.2	3.3	1.0
10.9	9.3	9.7	9.5	-1.4
5.3	5.4	4.8	4.3	-0.9
24.6	23.9	23.8	23.7	-0.9
17.6	17.4	17.1	17.1	-0.5
5.6	6.1	5.9	5.7	0.1
8.5	8.6	8.5	8.1	-0.4
100.0	100.0	100.0	100.0	0.0
25.0	26.0	26.7	28.0	3.0
0.3	0.5	0.3	0.3	0.0
2.3	2.8	3.2	3.3	1.0
10.9	9.3	9.7	9.5	-1.4
5.3	5.4	4.8	4.3	-0.9
24.6	23.9	23.8	23.7	-0.9
17.6	17.4	17.1	17.1	-0.5
5.6	6.1	5.9	5.7	0.1
8.5	8.6	8.5	8.1	-0.4
100.0	100.0	100.0	100.0	0.0

Table 4.15 : Poverty by Age Groups

	Poverty Headcount Rate					change	Distribution of the Poor				
	2003	2004	2005	2006	2006		2003	2004	2005	2006	Change
<b>Poverty Line = 1535370.0</b>											
0-5	32.7	25.5	20.5	18.3	18.3	-14.4	7.4	7.9	7.8	7.4	-0.0
6-14	28.5	22.5	18.7	17.7	17.7	-10.7	12.5	12.5	12.3	12.7	0.2
15-19	34.2	27.0	22.4	19.5	19.5	-14.8	11.4	12.4	12.8	12.2	0.8
20-24	29.3	23.7	18.9	16.9	16.9	-12.3	8.5	8.7	8.6	8.0	-0.5
25-29	25.2	19.6	14.3	13.1	13.1	-12.1	7.9	8.1	7.4	7.3	-0.6
30-34	21.9	15.1	12.4	12.2	12.2	-9.7	7.4	6.7	6.7	7.4	0.1
35-39	20.4	15.1	12.8	11.9	11.9	-8.5	5.2	5.8	6.6	7.2	2.0
40-44	22.7	17.4	14.2	13.0	13.0	-9.7	6.0	5.7	5.6	5.5	-0.5
45-49	21.5	16.2	13.2	11.9	11.9	-9.6	6.4	6.3	6.2	6.0	-0.4
50-54	21.0	15.2	12.3	10.9	10.9	-10.0	5.7	5.6	5.7	5.5	-0.2
55-59	19.0	14.4	10.7	9.7	9.7	-9.3	3.7	4.0	4.0	4.2	0.6
60-64	19.4	13.2	10.7	10.4	10.4	-9.0	3.9	3.3	3.2	3.4	-0.5
65+	24.9	16.7	13.2	12.3	12.3	-12.5	14.2	12.9	12.8	13.2	-1.0
Total	25.1	18.8	15.1	13.8	13.8	-11.3	100.0	100.0	100.0	100.0	0.0
<b>Poverty Line = 1060658.0</b>											
0-5	13.5	8.7	7.3	6.6	6.6	-6.9	9.0	8.6	9.2	8.9	-0.1
6-14	10.4	7.6	5.8	5.6	5.6	-4.8	13.4	13.5	12.7	13.5	0.1
15-19	13.5	9.6	7.5	6.1	6.1	-7.4	13.2	14.1	14.2	12.7	-0.4
20-24	11.1	8.1	6.8	5.8	5.8	-5.3	9.4	9.6	10.2	9.2	-0.2
25-29	9.2	6.1	4.3	3.9	3.9	-5.3	8.4	8.0	7.4	7.2	-1.2
30-34	7.0	4.6	4.1	3.4	3.4	-3.5	6.9	6.5	7.4	6.9	0.1
35-39	6.6	4.4	3.6	3.6	3.6	-3.1	4.9	5.4	6.1	7.1	2.2
40-44	7.6	5.3	4.2	3.8	3.8	-3.9	5.9	5.6	5.5	5.3	-0.6
45-49	6.7	4.8	4.0	3.4	3.4	-3.3	5.8	6.1	6.2	5.8	-0.1
50-54	6.8	4.3	3.3	3.3	3.3	-3.5	5.4	5.1	5.0	5.5	0.1
55-59	5.2	4.2	2.7	2.4	2.4	-2.8	2.9	3.7	3.3	3.5	0.5
60-64	4.9	3.6	2.9	2.2	2.2	-2.7	2.9	2.9	2.9	2.4	-0.5
65+	7.1	4.4	3.1	3.3	3.3	-3.7	11.8	10.8	9.9	11.8	0.1
Total	8.6	5.9	4.6	4.1	4.1	-4.4	100.0	100.0	100.0	100.0	0.0

**Distribution of Population**

	2003	2004	2005	2006	Change
	5.7	5.8	5.8	5.6	-0.1
	11.0	10.5	10.0	9.9	-1.1
	8.3	8.6	8.6	8.6	0.3
	7.3	6.9	6.9	6.5	-0.7
	7.8	7.7	7.8	7.6	-0.2
	8.4	8.4	8.2	8.4	-0.0
	6.4	7.2	7.8	8.3	1.9
	6.6	6.2	6.0	5.8	-0.8
	7.4	7.3	7.1	7.0	-0.5
	6.8	6.9	6.9	7.0	0.1
	4.8	5.2	5.7	6.0	1.2
	5.1	4.7	4.5	4.5	-0.6
	14.3	14.5	14.7	14.8	0.5
	100.0	100.0	100.0	100.0	0.0
	5.7	5.8	5.8	5.6	-0.1
	11.0	10.5	10.0	9.9	-1.1
	8.3	8.6	8.6	8.6	0.3
	7.3	6.9	6.9	6.5	-0.7
	7.8	7.7	7.8	7.6	-0.2
	8.4	8.4	8.2	8.4	-0.0
	6.4	7.2	7.8	8.3	1.9
	6.6	6.2	6.0	5.8	-0.8
	7.4	7.3	7.1	7.0	-0.5
	6.8	6.9	6.9	7.0	0.1
	4.8	5.2	5.7	6.0	1.2
	5.1	4.7	4.5	4.5	-0.6
	14.3	14.5	14.7	14.8	0.5
	100.0	100.0	100.0	100.0	0.0

**Table 4.16 : Poverty by Household Head's Age**

	Poverty Headcount Rate				Distribution of the Poor					
	2003	2004	2005	2006	change	2003	2004	2005	2006	Change
<b>Poverty Line = 1535370.0</b>										
15-19	17.7	30.3	9.1	8.9	-8.8	0.1	0.1	0.1	0.1	0.0
20-24	23.1	21.5	13.1	16.0	-7.1	0.8	0.9	0.7	0.9	0.1
25-29	21.6	19.9	15.1	14.3	-7.3	3.8	4.5	4.2	4.3	0.4
30-34	21.3	16.1	12.2	12.3	-9.0	8.2	8.2	7.6	8.2	0.0
35-39	21.6	15.3	13.4	12.7	-8.9	8.5	8.6	9.8	11.1	2.6
40-44	25.1	21.5	16.5	14.7	-10.4	12.0	12.7	11.4	10.7	-1.3
45-49	26.1	19.0	18.2	14.6	-11.4	14.3	13.2	15.5	13.0	-1.3
50-54	26.8	20.5	14.8	13.7	-13.2	13.2	13.8	12.3	12.5	-0.7
55-59	24.3	18.4	14.3	12.2	-12.1	8.1	8.8	8.9	8.6	0.5
60-64	25.1	17.8	13.0	14.3	-10.7	8.3	7.1	6.5	7.8	-0.5
65+	28.1	19.4	16.1	14.7	-13.4	22.7	22.1	23.1	22.9	0.1
Total	25.1	18.8	15.1	13.8	-11.3	100.0	100.0	100.0	100.0	0.0
<b>Poverty Line = 1060658.0</b>										
15-19	2.8	11.4	5.8	3.3	0.5	0.0	0.2	0.1	0.1	0.1
20-24	9.9	6.9	6.2	8.6	-1.2	1.0	0.9	1.1	1.6	0.5
25-29	6.6	6.2	5.2	4.2	-2.4	3.4	4.5	4.8	4.2	0.8
30-34	7.0	4.7	4.3	3.8	-3.3	7.9	7.6	8.9	8.4	0.5
35-39	7.3	4.9	4.5	3.6	-3.7	8.4	8.9	10.9	10.6	2.2
40-44	9.4	7.3	5.0	4.6	-4.8	13.2	13.8	11.3	11.2	-2.0
45-49	9.5	6.6	6.3	4.2	-5.3	15.2	14.6	17.7	12.3	-2.9
50-54	10.3	6.3	4.2	4.8	-5.5	14.9	13.6	11.5	14.8	-0.1
55-59	8.2	5.9	4.0	3.6	-4.6	8.0	9.0	8.1	8.4	0.4
60-64	6.6	5.2	3.8	3.3	-3.3	6.4	6.6	6.3	6.1	-0.3
65+	9.1	5.6	4.1	4.3	-4.8	21.5	20.2	19.4	22.4	0.8
Total	8.6	5.9	4.6	4.1	-4.4	100.0	100.0	100.0	100.0	0.0

<b>Distribution of Population</b>				
<b>2003</b>	<b>2004</b>	<b>2005</b>	<b>2006</b>	<b>change</b>
0.1	0.1	0.1	0.1	0.0
0.9	0.8	0.8	0.7	-0.1
4.5	4.2	4.2	4.1	-0.3
9.6	9.6	9.4	9.2	-0.4
9.8	10.6	11.0	12.1	2.2
12.0	11.1	10.4	10.0	-1.9
13.8	13.1	12.8	12.2	-1.5
12.4	12.6	12.6	12.7	0.3
8.4	9.0	9.3	9.7	1.4
8.3	7.5	7.6	7.5	-0.8
20.3	21.4	21.7	21.5	1.2
100.0	100.0	100.0	100.0	0.0
0.1	0.1	0.1	0.1	0.0
0.9	0.8	0.8	0.7	-0.1
4.5	4.2	4.2	4.1	-0.3
9.6	9.6	9.4	9.2	-0.4
9.8	10.6	11.0	12.1	2.2
12.0	11.1	10.4	10.0	-1.9
13.8	13.1	12.8	12.2	-1.5
12.4	12.6	12.6	12.7	0.3
8.4	9.0	9.3	9.7	1.4
8.3	7.5	7.6	7.5	-0.8
20.3	21.4	21.7	21.5	1.2
100.0	100.0	100.0	100.0	0.0



**Table 4.2 : Poverty by Household Head's Status of Employment**

	Poverty Headcount Rate					Distribution of the Poor				
	2003	2004	2005	2006	change	2003	2004	2005	2006	Change
<b>Poverty Line = 1535370.0</b>										
<b>Employment status of the household head</b>										
Employee	10.6	7.8	5.7	4.7	-5.9	15.7	16.0	14.7	13.7	-2.0
Employer	1.2	0.5	2.7	0.8	-0.4	0.0	0.0	0.1	0.0	0.0
self-employed non-agriculture incl. family help	35.6	28.2	23.6	18.8	-16.8	5.7	7.3	8.5	7.5	1.8
self-employed agriculture incl. family help	54.8	41.5	35.9	37.3	-17.5	27.0	24.3	27.0	30.6	3.7
Unemployed	38.8	39.0	32.2	32.8	-6.0	8.9	12.4	10.6	11.0	2.1
Pensioner	25.9	18.4	14.4	12.9	-13.0	39.7	36.6	35.3	33.7	-6.0
pupil, student	5.1	6.2	3.0	1.4	-3.7	0.0	0.1	0.0	0.0	-0.0
Housewife	47.7	42.2	39.0	32.6	-15.1	1.6	2.0	1.9	1.9	0.3
other (dependent, military service, etc.)	57.8	50.3	43.6	49.6	-8.2	1.4	1.5	1.8	1.5	0.1
Total	25.1	18.8	15.1	13.8	-11.3	100.0	100.0	100.0	100.0	0.0
<b>Poverty Line = 1060658.0</b>										
<b>Employment status of the household head</b>										
Employee	2.1	1.3	1.1	0.6	-1.5	9.2	8.7	9.3	6.0	-3.2
Employer	0.0	0.0	0.0	0.0	0.0					
self-employed non-agriculture incl. family help	11.1	10.7	10.3	6.7	-4.4	5.2	8.8	12.2	9.0	3.8
self-employed agriculture incl. family help	24.6	14.9	11.8	12.5	-12.2	35.5	27.9	29.2	34.3	-1.3
Unemployed	15.4	16.5	13.2	13.5	-1.9	10.3	16.9	14.4	15.1	4.8
Pensioner	7.7	5.3	3.6	3.5	-4.3	34.8	33.6	29.0	30.3	-4.5
pupil, student	1.0	3.0	2.8	0.6	-0.4	0.0	0.1	0.1	0.0	0.0
Housewife	27.5	15.2	20.7	14.6	-12.9	2.7	2.3	3.4	2.9	0.1
other (dependent, military service, etc.)	32.2	19.4	18.1	25.2	-7.0	2.3	1.8	2.4	2.6	0.3
Total	8.6	5.9	4.6	4.1	-4.4	100.0	100.0	100.0	100.0	0.0

<b>Distribution of Population</b>				
<b>2003</b>	<b>2004</b>	<b>2005</b>	<b>2006</b>	<b>change</b>
37.1	38.2	39.0	40.3	3.2
0.7	1.0	0.8	0.7	0.0
4.0	4.8	5.4	5.5	1.5
12.3	11.0	11.4	11.3	-1.0
5.7	6.0	5.0	4.6	-1.1
38.5	37.4	36.9	36.1	-2.3
0.2	0.2	0.2	0.2	-0.0
0.9	0.9	0.8	0.8	-0.0
0.6	0.5	0.6	0.4	-0.2
100.0	100.0	100.0	100.0	0.0
37.1	38.2	39.0	40.3	3.2
0.7	1.0	0.8	0.7	0.0
4.0	4.8	5.4	5.5	1.5
12.3	11.0	11.4	11.3	-1.0
5.7	6.0	5.0	4.6	-1.1
38.5	37.4	36.9	36.1	-2.3
0.2	0.2	0.2	0.2	-0.0
0.9	0.9	0.8	0.8	-0.0
0.6	0.5	0.6	0.4	-0.2
100.0	100.0	100.0	100.0	0.0

Table 4.3 : Poverty by Education Level

	Poverty Headcount Rate					Distribution of the Poor				
	2003	2004	2005	2006	change	2003	2004	2005	2006	Change
<b>Poverty Line = 1535370.0</b>										
<b>highest educational level achieved</b>										
no formal schooling	35.7	28.7	24.6	22.3	-13.4	18.2	20.2	21.3	20.2	2.1
primary, grades 1-4	36.0	27.8	23.9	22.7	-13.3	23.0	22.5	22.6	23.1	0.2
middle, grades 5-8	33.6	25.0	20.8	20.1	-13.5	30.1	29.3	29.9	31.8	1.8
vocational/apprentice	23.4	16.9	12.2	11.1	-12.4	15.8	15.2	13.9	14.0	-1.8
highschool, grades 9-12, incl. lower highschool (grades 9-10)	13.3	9.9	7.3	6.1	-7.2	11.8	11.6	11.1	10.1	-1.7
post-secondary or foremen's school	5.2	3.3	2.2	1.2	-4.0	0.8	0.7	0.5	0.3	-0.4
higher school, short and long term	2.0	1.4	1.3	0.7	-1.3	0.5	0.5	0.6	0.4	-0.1
Total	25.1	18.8	15.1	13.8	-11.3	100.0	100.0	100.0	100.0	0.0
<b>Poverty Line = 1060658.0</b>										
<b>highest educational level achieved</b>										
no formal schooling	15.2	10.4	8.6	8.5	-6.6	22.6	23.6	24.6	25.8	3.2
primary, grades 1-4	13.1	10.0	7.8	7.1	-6.0	24.5	26.0	24.2	24.1	-0.3
middle, grades 5-8	11.9	7.8	6.7	5.9	-6.0	31.2	29.2	31.9	31.1	-0.1
vocational/apprentice	6.6	4.3	2.8	2.7	-3.9	13.1	12.3	10.5	11.4	-1.7
highschool, grades 9-12, incl. lower highschool (grades 9-10)	3.1	2.3	1.6	1.3	-1.7	8.0	8.5	8.0	7.4	-0.6
post-secondary or foremen's school	0.9	0.4	0.3	0.2	-0.7	0.4	0.3	0.3	0.2	-0.2
higher school, short and long term	0.4	0.2	0.2	0.0	-0.4	0.3	0.2	0.4	0.1	-0.2
Total	8.6	5.9	4.6	4.1	-4.4	100.0	100.0	100.0	100.0	0.0

<b>Distribution of Population</b>				
<b>2003</b>	<b>2004</b>	<b>2005</b>	<b>2006</b>	<b>change</b>
12.8	13.2	13.1	12.5	-0.3
16.0	15.2	14.3	14.1	-2.0
22.4	22.0	21.7	21.9	-0.5
16.9	16.9	17.2	17.5	0.6
22.3	22.1	22.9	22.8	0.5
3.6	3.9	3.7	3.8	0.2
6.0	6.7	7.2	7.5	1.5
100.0	100.0	100.0	100.0	0.0
12.8	13.2	13.1	12.5	-0.3
16.0	15.2	14.3	14.1	-2.0
22.4	22.0	21.7	21.9	-0.5
16.9	16.9	17.2	17.5	0.6
22.3	22.1	22.9	22.8	0.5
3.6	3.9	3.7	3.8	0.2
6.0	6.7	7.2	7.5	1.5
100.0	100.0	100.0	100.0	0.0

Table 4.4 : Poverty by Household Head's Education Level

	Poverty Headcount Rate					Distribution of the Poor				
	2003	2004	2005	2006	change	2003	2004	2005	2006	Change
<b>Poverty Line = 1535370.0</b>										
<b>Education of the household head</b>										
no formal schooling	62.4	55.2	52.9	47.1	-15.3	5.8	7.9	9.0	7.6	1.8
primary, grades 1-4	44.8	33.8	30.3	30.3	-14.5	25.5	25.3	26.7	28.3	2.8
middle, grades 5-8	36.5	28.2	23.5	22.6	-13.9	29.4	29.2	29.9	30.9	1.4
vocational/apprentice	23.4	17.2	11.9	10.8	-12.6	25.4	25.6	21.8	22.2	-3.3
highschool, grades 9-12, incl.	13.5	9.3	7.6	5.9	-7.6	11.6	10.4	11.1	9.4	-2.2
lower highschool (grades 9-10)	6.4	3.1	1.9	2.0	-4.4	1.5	1.0	0.8	0.9	-0.6
post-secondary or foremen's school	1.9	1.4	1.3	1.0	-0.9	0.6	0.7	0.8	0.7	0.0
higher school, short and long term	25.1	18.8	15.1	13.8	-11.3	100.0	100.0	100.0	100.0	0.0
Total										
<b>Poverty Line = 1060658.0</b>										
<b>Education of the household head</b>										
no formal schooling	31.1	23.1	22.5	23.2	-7.9	8.5	10.6	12.6	12.6	4.1
primary, grades 1-4	17.5	12.8	10.1	10.7	-6.8	29.2	30.6	29.3	33.5	4.3
middle, grades 5-8	13.6	9.2	7.7	6.9	-6.6	32.1	30.5	32.2	31.6	-0.5
vocational/apprentice	6.4	4.2	2.7	2.2	-4.3	20.5	20.1	16.6	14.9	-5.6
highschool, grades 9-12, incl.	3.5	2.1	1.8	1.3	-2.2	8.8	7.4	8.8	6.9	-1.9
lower highschool (grades 9-10)	0.7	0.5	0.3	0.2	-0.5	0.5	0.5	0.4	0.3	-0.2
post-secondary or foremen's school	0.4	0.1	0.1	0.1	-0.3	0.4	0.2	0.2	0.2	-0.2
higher school, short and long term	8.6	5.9	4.6	4.1	-4.4	100.0	100.0	100.0	100.0	0.0
Total										

<b>Distribution of Population</b>				
<b>2003</b>	<b>2004</b>	<b>2005</b>	<b>2006</b>	<b>change</b>
2.3	2.7	2.6	2.2	-0.1
14.3	14.1	13.3	12.9	-1.4
20.3	19.5	19.2	18.8	-1.4
27.3	27.9	27.7	28.4	1.1
21.6	21.0	22.1	21.9	0.3
5.9	6.0	5.9	6.0	0.1
8.4	8.9	9.2	9.8	1.4
100.0	100.0	100.0	100.0	0.0
2.3	2.7	2.6	2.2	-0.1
14.3	14.1	13.3	12.9	-1.4
20.3	19.5	19.2	18.8	-1.4
27.3	27.9	27.7	28.4	1.1
21.6	21.0	22.1	21.9	0.3
5.9	6.0	5.9	6.0	0.1
8.4	8.9	9.2	9.8	1.4
100.0	100.0	100.0	100.0	0.0

**Table 4.5 : Poverty by Household Head's Gender**

	Poverty Headcount Rate				change	Distribution of the Poor				
	2003	2004	2005	2006		2003	2004	2005	2006	Change
<i>Poverty Line = 1535370.0</i>										
<b>Gender of the household head</b>										
Male	24.4	18.1	14.4	13.3	-11.1	79.5	79.3	78.0	78.9	-0.6
Female	28.2	22.0	18.2	16.0	-12.2	20.5	20.7	22.0	21.1	0.6
Total	25.1	18.8	15.1	13.8	-11.3	100.0	100.0	100.0	100.0	0.0
<i>Poverty Line = 1060658.0</i>										
<b>Gender of the household head</b>										
Male	8.2	5.8	4.3	3.9	-4.3	78.1	80.8	77.4	77.1	-1.0
Female	10.3	6.4	5.7	5.2	-5.1	21.9	19.2	22.6	22.9	1.0
Total	8.6	5.9	4.6	4.1	-4.4	100.0	100.0	100.0	100.0	0.0

<b>Distribution of Population</b>				
<b>2003</b>	<b>2004</b>	<b>2005</b>	<b>2006</b>	<b>change</b>
81.8	82.3	81.7	81.8	0.1
18.2	17.7	18.3	18.2	-0.1
100.0	100.0	100.0	100.0	0.0
81.8	82.3	81.7	81.8	0.1
18.2	17.7	18.3	18.2	-0.1
100.0	100.0	100.0	100.0	0.0



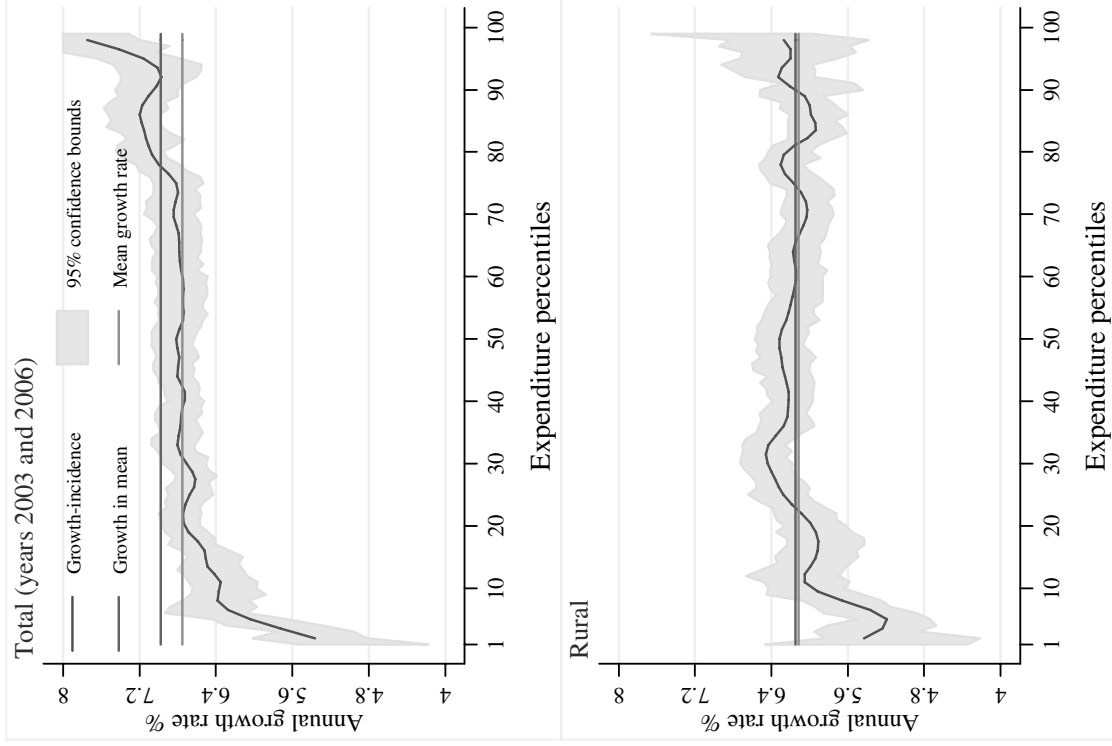
**Table 4.7 : Poverty by Demographic Composition**

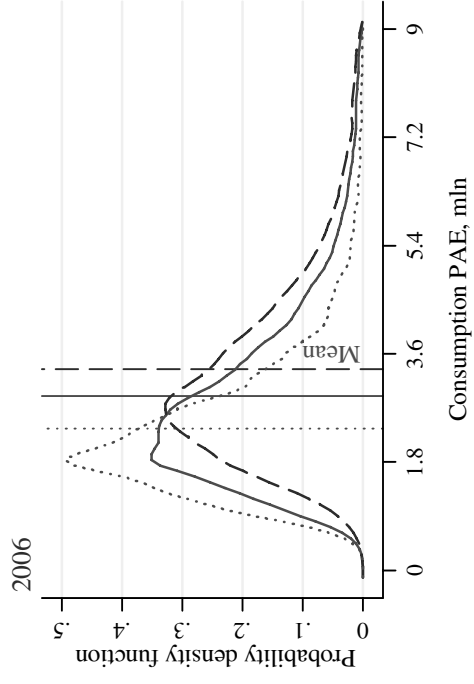
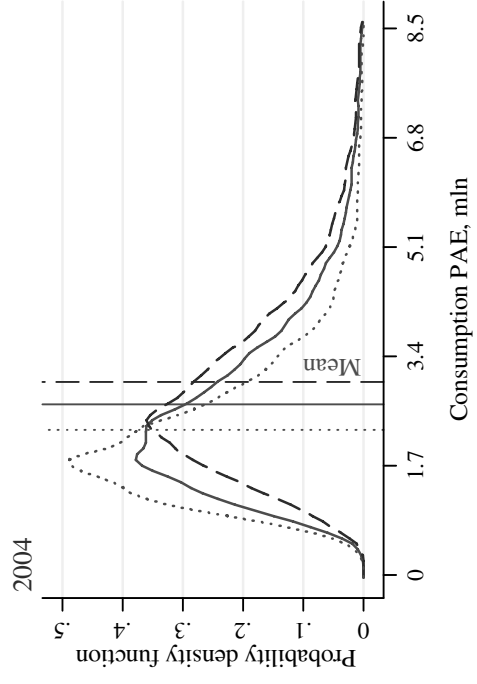
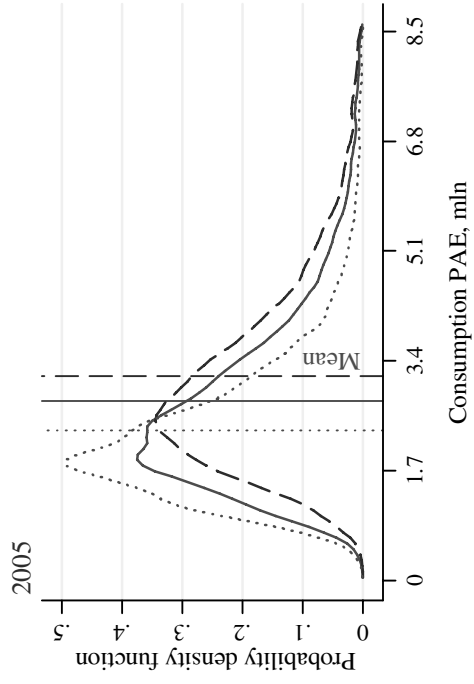
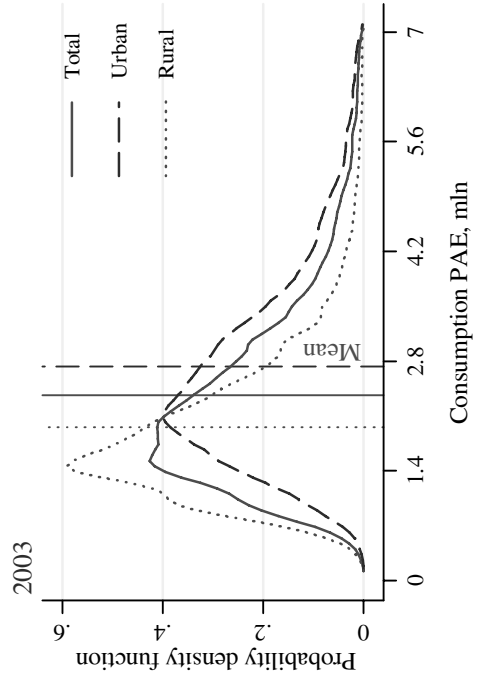
	Poverty Headcount Rate				Distribution of the Poor					
	2003	2004	2005	2006	change	2003	2004	2005	2006	Change
<b>Poverty Line = 1535370.0</b>										
Number of children 0-6 years old										
no children	22.5	16.5	13.1	12.1	-10.4	68.8	66.7	65.7	66.9	-1.9
1	28.3	20.3	16.3	15.2	-13.0	19.1	18.8	19.2	20.0	0.9
2	40.1	36.7	30.0	27.5	-12.6	7.5	10.8	10.6	9.0	1.5
3 or more children	65.1	56.6	56.4	44.2	-21.0	4.6	3.7	4.5	4.2	-0.5
<b>Household size</b>										
1	17.8	11.4	9.2	8.5	-9.3	5.8	3.7	3.7	3.7	-2.1
2	17.5	11.1	8.9	8.2	-9.3	13.1	10.5	10.5	11.0	-2.1
3	16.0	11.5	9.3	8.2	-7.8	14.2	13.9	14.8	14.1	-0.2
4	21.1	15.8	12.4	12.6	-8.5	21.5	22.1	21.7	23.9	2.4
5	34.9	26.1	21.7	20.2	-14.7	17.2	18.8	19.5	19.8	2.5
6	47.4	36.1	28.0	23.1	-24.3	12.8	14.2	12.5	11.6	-1.2
7 or more	62.9	51.6	46.7	41.4	-21.5	15.4	16.8	17.4	16.0	0.6
Total	25.1	18.8	15.1	13.8	-11.3	100.0	100.0	100.0	100.0	0.0
<b>Poverty Line = 1060658.0</b>										
Number of children 0-6 years old										
no children	6.9	4.9	3.8	3.2	-3.7	62.1	63.3	62.4	59.8	-2.3
1	9.6	6.0	4.5	5.4	-4.2	19.1	17.9	17.3	23.9	4.8
2	20.5	13.2	10.3	9.1	-11.4	11.2	12.5	12.0	9.9	-1.3
3 or more children	36.5	30.2	31.6	20.4	-16.1	7.6	6.3	8.3	6.4	-1.2
<b>Household size</b>										
1	5.6	3.4	2.5	2.4	-3.1	5.3	3.5	3.2	3.5	-1.8
2	4.3	2.6	2.1	1.9	-2.4	9.4	8.0	8.2	8.7	-0.7
3	4.2	2.9	2.4	2.1	-2.1	10.9	11.1	12.3	11.8	0.9
4	6.3	4.3	3.2	3.3	-3.0	18.8	19.1	18.4	21.2	2.4
5	10.3	8.1	6.6	5.5	-4.8	14.8	18.6	19.7	18.0	3.1
6	22.5	11.6	11.8	9.2	-13.3	17.8	14.6	17.4	15.3	-2.4
7 or more	32.1	24.0	16.9	16.6	-15.5	23.0	25.0	20.8	21.5	-1.5
Total	8.6	5.9	4.6	4.1	-4.4	100.0	100.0	100.0	100.0	0.0

Distribution of Population				
2003	2004	2005	2006	change
76.6	75.8	75.7	76.1	-0.5
17.0	17.4	17.7	18.1	1.1
4.7	5.5	5.3	4.5	-0.2
1.8	1.2	1.2	1.3	-0.5
8.1	6.1	6.0	5.9	-2.2
18.8	17.8	17.9	18.5	-0.3
22.3	22.8	23.9	23.7	1.4
25.5	26.3	26.3	26.1	0.6
12.4	13.5	13.6	13.5	1.1
6.8	7.4	6.8	6.9	0.1
6.1	6.1	5.6	5.3	-0.8
100.0	100.0	100.0	100.0	0.0
76.6	75.8	75.7	76.1	-0.5
17.0	17.4	17.7	18.1	1.1
4.7	5.5	5.3	4.5	-0.2
1.8	1.2	1.2	1.3	-0.5
8.1	6.1	6.0	5.9	-2.2
18.8	17.8	17.9	18.5	-0.3
22.3	22.8	23.9	23.7	1.4
25.5	26.3	26.3	26.1	0.6
12.4	13.5	13.6	13.5	1.1
6.8	7.4	6.8	6.9	0.1
6.1	6.1	5.6	5.3	-0.8
100.0	100.0	100.0	100.0	0.0

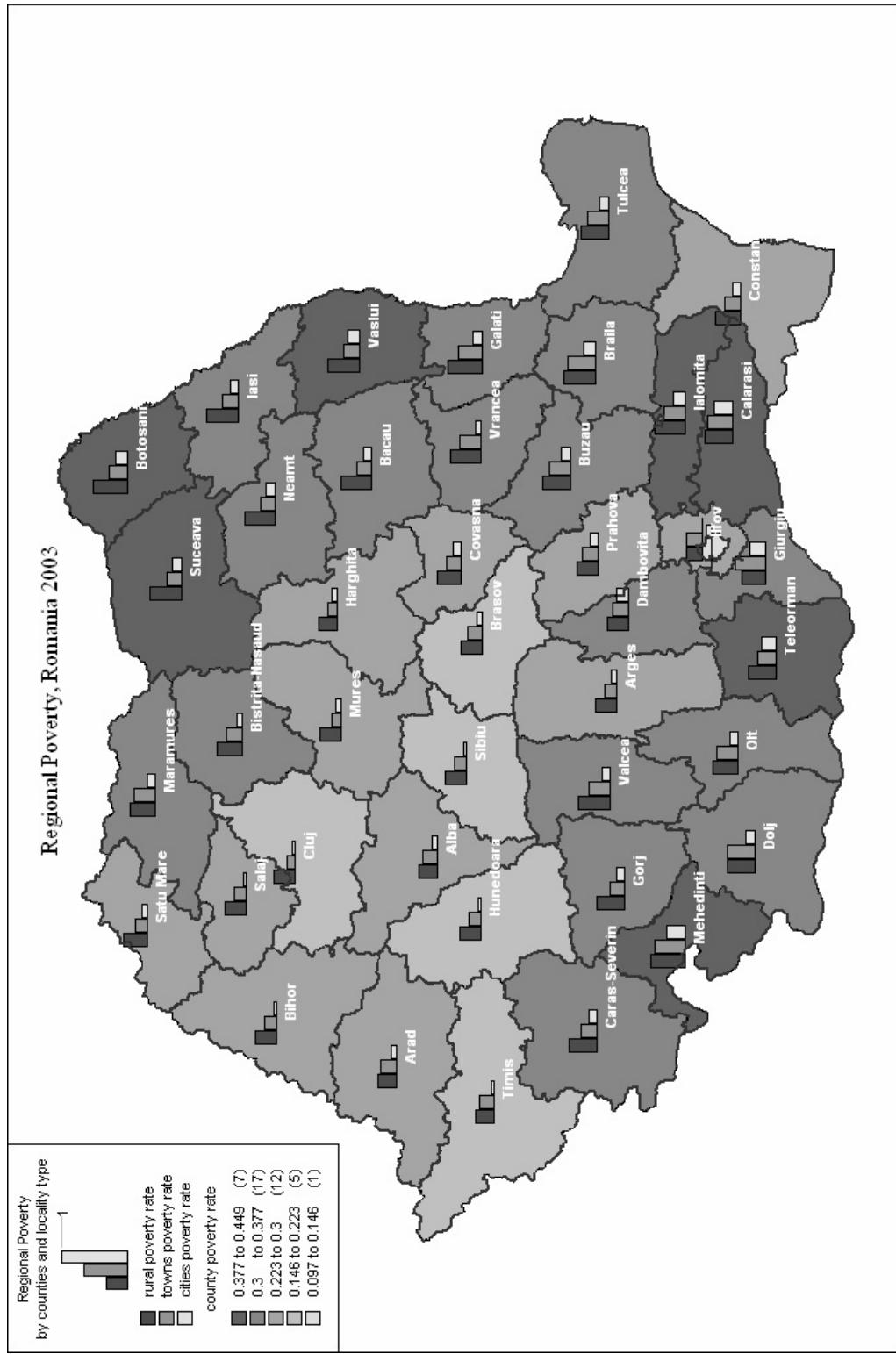
Table 5.1 : Sensitivity of Headcount Poverty Rate with Respect to the Choice of Poverty Line

	2003		2004		2005		2006	
	Poverty Incidence(P0)	Change from actual(%)	Poverty Incidence(P0)	Change from actual(%)	Poverty Incidence(P0)	Change from actual(%)	Poverty Incidence(P0)	Change from actual(%)
<b>Poverty Line = 1535370.0</b>								
Actual	25.1	0.00	18.8	0.00	15.1	0.00	13.8	0.00
+5%	28.2	12.35	21.2	12.69	17.5	16.23	16.0	15.74
+10%	31.4	25.14	23.9	27.34	20.0	32.74	18.4	33.60
+20%	37.5	49.51	30.0	59.72	25.7	70.06	23.7	71.63
-5%	21.7	-13.34	16.3	-13.00	13.1	-13.26	12.0	-12.91
-10%	18.5	-26.20	14.0	-25.63	11.0	-26.96	10.3	-25.67
-20%	13.0	-48.08	9.9	-47.51	7.6	-49.55	6.8	-50.82
<b>Poverty Line = 1060658.0</b>								
Actual	8.6	0.00	5.9	0.00	4.6	0.00	4.1	0.00
+5%	9.8	14.79	6.9	17.03	5.5	19.74	4.9	18.37
+10%	11.3	31.91	8.2	40.52	6.4	40.76	5.7	39.08
+20%	14.3	67.15	11.1	88.90	8.7	89.45	7.6	84.86
-5%	7.2	-15.74	4.8	-18.43	3.7	-20.07	3.4	-16.86
-10%	5.8	-31.76	4.0	-31.80	2.9	-36.29	2.7	-34.70
-20%	3.6	-58.45	2.4	-58.57	1.8	-59.80	1.6	-61.09





# ANNEX 2 - POVERTY MAP



## ANNEX 3 – TABLES PRODUCED BY NIS

### *Relative Poverty: Risk of poverty rate by type of household*

- percentage-

	2000	2001	2002	2003	2004	2005	2006
<b><i>TOTAL</i></b>	17.1	17.0	18.1	17.3	17.9	18.2	18.6
▪ Households without dependent children, total	13.3	14.5	14.4	14.9	13.6	13.7	15.2
Single person	22.5	24.7	24.7	25.1	25.3	25.9	26.8
Male	17.4	17.2	18.8	18.4	18.9	20.1	19.8
Female	25.1	28.2	27.6	28.4	28.2	28.6	30.1
65 years and over	27.0	30.0	30.0	31.4	30.4	30.2	32.8
Under 65 years	16.6	17.3	17.7	16.7	18.3	19.7	18.8
Two adults without dependent children							
Both under 65 years	9.1	9.6	9.2	9.8	9.2	9.7	11.0
At least one 65 years and over	11.2	12.2	13.3	13.0	10.7	11.9	13.2
Other households without dependent children	11.6	12.9	12.4	13.1	12.8	11.9	14.4
▪ Households with dependent children, total	19.1	18.3	20.0	18.7	20.3	20.8	20.7
Single parent families	25.6	26.0	25.3	22.9	29.0	27.2	27.1
Two adults with dependent children							
1 child	10.7	9.0	10.4	9.6	10.2	11.3	10.0
2 children	12.8	13.0	14.4	13.5	17.3	15.8	17.6
3 children and more	33.8	35.0	38.0	37.6	41.7	43.6	45.4
Other households with dependent children	23.0	22.0	24.0	22.4	21.8	23.4	22.1

**Note:** Dependent children are all the persons under 16 years old and those persons aged 16-24 years and which are economic inactive and live with at least one parent.

### *Gini Coefficient*

- percentage-

	2000	2001	2002	2003	2004	2005	2006
Disposable income (including own consumption)	29.4	29.5	30.0	29.6	30.7	31.1	32.6
Disposable income (excluding own consumption)	37.8	37.5	37.4	36.5	36.3	36.5	37.7





MAP SECTION

