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Joint IMF-World Bank Statement on Third Forum on Poverty Reduction Strategies for the Western Balkans

The third Forum on Poverty Reduction Strategies, or PRSPs, for the western Balkans was held in Thessaloniki, Greece from May 27–28. The Forum brought together government and civil society representatives from the countries with active Poverty Reduction Strategies—Albania, Bosnia and Herzegovina, and Serbia and Montenegro—and representatives from UNMIK/Kosovo and FYR Macedonia. The event provided an opportunity for sharing experiences in implementing development strategies for poverty reduction.

This year, the PRSP Forum was preceded by a one-day Conference on Labor Markets, Growth and Poverty Reduction Strategies which focused on the role of labor markets and job creation in reducing poverty. This is a topic high on the policy agenda of all participating countries which face significant difficulties with high and persistent unemployment, and emerging wage and social inequalities, despite steady economic growth.

Fostering employment growth through accelerated economic reforms

Discussions at the Forum focused on the recent trends in growth, labor market reforms, and poverty reduction. The Forum provided a rich learning experience for participants on important issues pertaining to labor market constraints to job creation and economic growth. The participants recognized that—notwithstanding recent progress in reducing poverty and moving towards the Millennium Development Goals goals—these countries need a serious acceleration of their growth effort in order to better address poverty, economic vulnerability, and unemployment. Participants noted that measures to promote competitiveness were critical to promoting job creation and accelerated growth.

There was also general recognition of the substantial convergence of goals and measures embodied in the Millennium Development Goals, the Stabilization and Association process with the European Union, and the PRSP process (Poverty Reduction Strategy Papers are prepared by

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governments through a participatory process involving various stakeholders in society). Forum attendees agreed that these various goals have to be brought together into a single nationally-driven development framework for growth and poverty reduction.

Implementation challenges ahead

Although each country faces specific circumstances in the implementation of its poverty reduction strategies, some of the common challenges include:

- Accelerating growth by improving the business environment, reducing barriers to new firm growth, curbing corruption promoting labor market flexibility, improving infrastructure, expanding trade, further integrating and liberalizing product and factor markets, and strengthening regional cooperation;
- Enhancing human capabilities through improving the quality of public services and well-targeted social protection, while maintaining prudent fiscal policies;
- Managing the political economy of difficult reforms such as privatization and restructuring of state-owned enterprises, and restructuring public finances; and
- Harmonizing foreign aid in the context of a single, country-driven, development framework and ensuring that aid reflects country needs, priorities, and absorptive capacity.

This Forum followed two earlier fora: the First Balkans Forum on Poverty Reduction Strategies held from October 29–November 1, 2002 in Baden, Austria; and the Second Balkans Forum on Poverty Reduction Strategies held from March 29–31, 2004, in Thessaloniki, Greece. This third Forum was sponsored by the Governments of Greece, U.K. Department for International Development, the United Nations Development Program, and the European Union, and organized by the World Bank and the International Monetary Fund.

For more details on PRSPs, visit:

<http://www.worldbank.org/povertynet> or <http://www.imf.org/external/np/prsp/prsp.asp>
<http://www.imf.org/>