



ECA Research Notes

OFFICE OF THE CHIEF ECONOMIST

EUROPE AND CENTRAL ASIA

Econothon: Focus on Europe and Central Asia

September 2019



Welcome back! I hope you had a wonderful, relaxing summer and are ready for an exciting and fast-paced autumn.

In case you missed it, the Bank held its first-ever “[Econothon](#)” in July featuring 24 consecutive hours of online discussion of development issues based on the Bank’s deep expertise and data-driven research. ECA had a very interesting part, including two live segments (see links below).

The first segment was a panel discussion about ECA’s macroeconomic outlook and long-term challenges such as improving weak governance, completing the transition to competitive and inclusive markets, strengthening the environment for private investment and innovation, and mitigating and adapting to climate change. A lot of the conversation focused on Russia, Ukraine, and Turkey.

The second Econothon segment was an informal fireside chat (without the fire) on financial inclusion and our planned work in Central Asia and South Caucuses. This issue of the newsletter highlights recent research touching on all these topics.

As you know, we also launched a research competition during the month of August. I am pleased to report the contest attracted a large number of excellent submissions. We now have the difficult task of reviewing and selecting the winning papers, which I will report back to you in a future newsletter.

Happy reading!

Asli Demirguc-Kunt



From left to right: Sona Panajyan, Asli Demirguc-Kunt, Apurva Sanghi, Faruk Khan

ECA Region Macro Economic Discussion with Asli Demirguc-Kunt, Chief Economist, Europe and Central Asia, World Bank, Faruk Khan, Lead Economist for Ukraine World Bank, and Apurva Sanghi, Lead Economist for the Russian Federation

[Video](#)



From left to right: Sona Panajyan, Asli Demirguc-Kunt

Fireside Chat on Financial Inclusion with Asli Demirguc-Kunt, Chief Economist, Europe and Central Asia, World Bank

[Video](#)

RELATED WORLD BANK RESEARCH

✓ [Technology, Taxation, and Corruption: Evidence from the Introduction of Electronic Tax Filing](#)

May 2018 – Policy Research Working Paper 8452

[Oyebola Okunogbe](#) and [Victor Pouliquen](#)

This is an impact evaluation of the introduction of electronic tax filing in Tajikistan. The study shows that e-filing reduces compliance costs and makes the distribution of tax payments across firms arguably more equitable as extortion opportunities by tax officials are reduced.

✓ [Political Connections and Financial Constraints: Evidence from Transition Countries](#)

August 2019 – Policy Research Working Paper 8956

[Maurizio Bussolo](#), [Francesca de Nicola](#), [Ugo Panizza](#), [Richard Varghese](#)

Using firm-level data from six Central and Eastern European economies, the paper shows how political connections ease financial constraints. It provides evidence that political connections distort capital allocation and may have welfare costs.

✓ [Can Government Intervention Make Firms More Investment-Ready? A Randomized Experiment in the Western Balkans](#)

August 2018 – Policy Research Working Paper 8541

[Ana Paula Cusolito](#), [Ernest Dautovic](#), [David McKenzie](#)

This study carries out an impact evaluation of a program fostering investment-readiness in small and medium-size enterprises in the Western Balkans. The results show that treated firms attained significantly more media attention and were 5 percentage points more likely to have made a deal with an outside investor, although the increase is not statistically significant.

✓ [Fertility and Parental Labor-Force Participation: New Evidence from a Developing Country in the Balkans](#)

July 2019 – Policy Research Working Paper 8931

[Iva Trako](#)

This paper examines the effects of fertility on parental labor force participation in Albania, focusing on the role of childcare provided by grandparents in extended families. It finds evidence that both parents' labor supply increases after childbearing when living in extended families: mothers increase the hours worked and fathers' likelihood of working off-farm and having a second occupation increases.

✓ [Can mothers afford to work in Poland? Labor supply incentives of social benefits and childcare costs](#)

January 2018 – Policy Research Working Paper 8295

Ali Bargu, [Matteo Morgandi](#)

Since the recent introduction of the 500+ benefit in Poland, some households face steep marginal tax rates due to the benefit withdrawal rules. This paper looks at the effect of fertility promotion benefit with the use of tax-benefits microsimulation model. It shows that, although it contributes to radically reduce child poverty, the program creates strong disincentives for job take up.

✓ [Financial Inclusion in the Europe and Central Asia Region](#)

April 2019 – Policy Research Working Paper 8830

[Asli Demirguc-Kunt](#), [Bingjie Hu](#), [Leora Klapper](#)

This paper reviews different indicators of financial inclusion in the ECA region of the last decade and provides an overview of the situation and presents some ideas for a future research and operational agenda.

✓ [Paris Climate Agreement and the Global Economy: Winners and Losers](#)

April 2018 – Policy Research Working Paper 8392

[Muthukumara Mani](#), [Zekarias Hussein](#), [Badri Narayanan Gopalakrishnan](#), [Deepika Wadhwa](#)

This paper estimates the economic impact of the implementation of the Paris Climate Agreement in a CGE framework and shows that welfare losses will be highest in the European Union (double than in the United States) and lowest in China and India.

RELATED BLOGS

Financial inclusion in Europe and Central Asia — the way forward?

[Asli Demirguc-Kunt](#) and [Cyril Muller](#), April 5, 2019

As the Europe and Central Asia region grapples with sluggish economic growth and uncertain prospects in 2019-20, inclusive financial sector development can help boost growth and reduce poverty. Rapid technological advancement and interconnectivity between regions also provide unprecedented opportunities to ensure everyone can benefit from financial inclusion and therefore

participate equally and fully in society.

[Read the blog »](#)

Investing in the people of Europe and Central Asia

Fadia Saadah, July 19, 2019

The Human Capital Project (HCP) is predicated on the conviction that cognitive capital is critical in a world where entrepreneurial and socioemotional skills are required for productive employment. Countries will only build human capital if children survive, are nourished and stimulated, learn skills and live long productive healthy lives. The Human Capital Index (HCI), launched in October 2018 aims to capture these facets for 157 countries where data is available and where efforts are underway to both refine the index, as well as increase the number of participating countries.

[Read the blog »](#)

CALENDAR OF EVENTS

- **September 4, 2019:** [ECA Talk](#) "The Race between Education and Technology: Higher Education in Europe and Central Asia"
- **October 15, 2019:** [ECA Lecture](#) with Beata Javorcik, Professor of Economics, University of Oxford

Check [ECA Lectures](#) and [ECA Talks](#) to learn more about our events.

The ECA Research Notes newsletter is produced by the Europe and Central Asia (ECA) Chief Economist's Office. Please send comments, suggestions, and feedback to ECACEoffice@worldbank.org

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