

A Decade of Transition

**The MONEE Project
CEE/CIS/Baltics**

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'A decade of Transition'.
UNICEF Innocenti Research Centre



United Nations Children's Fund
Innocenti Research Centre
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This Regional Monitoring Report is the eighth in a series produced by the MONEE project, which has formed part of the activities of the UNICEF Innocenti Research Centre since 1992. The project analyses social conditions and public policies affecting children and their families in Central and Eastern Europe and the Commonwealth of Independent States.

Earlier Regional Monitoring Reports are as follows:

1. *Public Policy and Social Conditions*, 1993
2. *Crisis in Mortality, Health and Nutrition*, 1994
3. *Poverty, Children and Policy: Responses for a Brighter Future*, 1995
4. *Children at Risk in Central and Eastern Europe: Perils and Promises*, 1997
5. *Education for All?*, 1998
6. *Women in Transition*, 1999
7. *Young People in Changing Societies*, 2000

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THE UNICEF INNOCENTI RESEARCH CENTRE

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Foreword



A Decade of Transition reviews the momentous changes in the 27 countries of Central and Eastern Europe and the Commonwealth of Independent States since 1989, focusing on the well-being of ordinary people and their children. It builds on years of authoritative research carried out by UNICEF's Innocenti Research Centre, to produce an end-of-decade report on the human face of the transition.

This Report, the eighth from the Centre, is published at a time when the world's commitment to children's survival and development is under close scrutiny. In 1990, world leaders met at the World Summit for Children to pledge their support to a series of goals to improve child well-being by the year 2000. This year, the UN Secretary-General's review of the progress made reveals a mixture of success and failure. Thanks to a decade of strenuous efforts, child mortality rates have fallen in many countries. However, millions of children continue to suffer from poverty, ill health and marginalization.

This global picture certainly reflects the situation in the transition countries, but no other region has experienced such a root and branch transformation of its social structure, its societies, infrastructure and borders. Eight countries splintered into 27. Every one of them experienced some kind of economic crisis. In many, tensions that had been simmering for years erupted into open conflict.

The human impact has been immense. Fundamental freedoms have been recognized in most countries – the right to vote, to express an opinion, to use one's own initiative and enterprise, to travel and so on. But many people have been stranded by a tide of progress that has swept past them.

It is clear that the original goals of the transition – to raise the standard of living for everyone and to develop humane and democratic societies – now need to be re-affirmed. The economic goals of the transition should be seen as tools to achieve these greater human goals. In reality, the ultimate success of the transition will depend on improvements in social conditions and the promotion of human rights, as well as on economic strength.

We hope that *A Decade of Transition* will be a useful tool for decision-makers, economists, child rights campaigners and for children and young people wishing to make a difference. As a record of the progress and setbacks of the 1990s and the lessons learned, this Report acts as a signpost for the way forward.

Carol Bellamy
Executive Director, UNICEF

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1 Changing Societies



This Report reviews the impact of social and economic transformation on human welfare in the 27 countries of Central and Eastern Europe and the Commonwealth of Independent States (CIS). It is the eighth in a series of reports that have been produced by the MONEE project at the UNICEF Innocenti Research Centre to monitor the transition in the region.

Earlier reports have often focused on particular themes or groups in the population, for example, education (1998), women (1999) and young people (2000). However, this year's report is broad-ranging. It exploits the fact that data are now available on many issues that cover the entire 1990s, the first decade in the ongoing transition process. It looks back at what the 1990s brought across a range of subjects, including household incomes, health, education and demography. In each case, the Report summarizes developments up to the end of the decade, discussing both the outcomes measured with statistical data and the policy options.

The fall of the Berlin Wall in 1989 paved the way for changes in every aspect of life in this region. New opportunities and new risks emerged for all members of society. The main drive for change has been bold economic and political reform – the transition from planned systems to market economies and from authoritarian regimes to more participatory societies.

But the 1990s also saw a broader, worldwide transition: a change in thinking about what constitutes social progress.

This change is well illustrated by the advent of the United Nations Development Programme's annual *Human Development Report*, first published in 1990. Building on earlier writers' work on the definition and measurement of human welfare, the report presents a "human development index" that places indicators of health and education outcomes alongside statistics on GDP.¹ This contrasts with a view of health and education as being largely only instruments to further material well-being, a view which was widely held in capitalist and communist countries alike. The new vision is of the healthy, educated and poverty-free individual as the ultimate goal of development, and it is a vision that now has wide acceptance in the international community.

One reflection of this new approach was the World Summit for Children held in New York in 1990. The summit made a global commitment to achieve substantial improvements in child well-being by the year 2000. This was backed by a set of goals to enhance child and maternal

health, primary education and nutrition and to protect children against exploitation, violence and abuse.

An emphasis on a broad conception of human development was paralleled in the 1990s by an increasing acceptance of a broad notion of what constitutes "human rights". It is now widely agreed that human rights include a range of economic, social and cultural rights. On this view, adequate nourishment, housing, health and decent education are not merely desirable goals, but a basic human right. The cause of children has acted as an important catalyst here. The 1989 Convention on the Rights of the Child, drafted in the thawing Cold War era, quickly became the most widely ratified international human rights instrument to date. (Box 1.1 provides more information on the Convention and on the World Summit for Children.)

At first sight, both the human development and human rights approaches might be presumed to put all the emphasis for ensuring progress on action by governments. How else, for example, might the poor gain access to health services and education? Governments certainly have an essential role to play in ensuring social progress, but it is far from the case that either approach views governments as the only positive force for good. Profit-seeking national and international enterprises are key players, too, generating employment, investing in the skills of their workforces and developing new technologies that expand human capabilities.²

The essence of the emerging consensus approach to development at the start of the 21st century is therefore the placement of access to education and health in the context of the right to participate in and contribute to society and the encouragement of national and foreign investors to help create opportunities under the eye of an independent media, civil society and other institutions of a democratic state.

How is the theme of this Report – the changes in human welfare in Central and Eastern Europe and the CIS during the 1990s – related to these global trends and issues?

In a sense, this region has been testing the new development paradigm on the ground. The enhancement of human rights in all senses, broad and narrow, has been one of the main aims of the transition, the communist regimes clearly having denied their citizens some key elements of those rights. On the other hand, there were many achievements in the region prior to 1989 that promoted human development – low poverty and universal access to education and basic health services. Hence there was much on which to build. The development of the private sector and the integration into the global economy have naturally

been central to a reform agenda that aims to push the region's countries to higher levels of human development.

At the same time, it is arguable that attention has been over-focused on the economic reforms and on economic indicators of the transition's progress. The MONEE project's *Regional Monitoring Reports* have aimed to help redress this balance. Social conditions and public policy relating to them are central to the movement from one system of economic and social organization to another, and their monitoring is vital to the transition.

The 1990s represent only the first period in a continuing process of economic and social change. Nevertheless, a decade is sufficient time to see the main trends clearly and to identify both the advances and the setbacks that the transition has entailed for different aspects of human welfare, together with the possibilities for progress in the future.

Each of the chapters of this Report finds much evidence of adversity during the first decade of transition. There can be little doubt that these negative aspects of the region's transformation have exceeded the fears held at the start of the process. In part, the setbacks reflect the decline in the economic strength of the region's economies, which was a good deal larger than foreseen. At its lowest point in each country during the 1990s, measured national income had fallen by from 13 to 75 percent and on average by over 40 percent. By 1993 only four countries were registering some economic growth. By 1996 the economies of 21 countries were growing, and in 2000 all countries but two recorded growth. However, it is still the case that by the start of 2001 only five countries had surpassed their 1989 levels of GDP.

When countries suffer large falls in national income,

conditions are hardly conducive to major advances in broader dimensions of human development. But just as the level of a country's development cannot be judged at one point in time solely by economic output, it would also be quite wrong to see changes in national income as the only determining factor for social progress.

On the positive side, there have been many changes for the better. Some of these are not well measured in a report such as this which relies heavily on available statistical data. Importantly, there has been a healthy shift away from dependency on the state and from top-down approaches that ignore the individual. Initiatives and decisions are no longer made by state planners, but increasingly by local administrators, members of the community, entrepreneurs, consumers, or the users of services, citizens. Hence the way progress has been achieved is promising: it reflects the fact that the new foundations for human development – the market, civil society, democratic institutions – are in place in an increasing number of countries.

This first chapter provides an introduction to the region and to some key economic and social changes that have occurred in the transition to date. These changes set the context for much of the rest of the Report.

Section 1.1 shows the alterations in the political map that have escorted the deconstruction of the former communist bloc. It also places countries' current levels of development in an international perspective. Section 1.2 presents a summary review of the changes in human well-being during the transition, comparing the values of 20 indicators in 1989 and 1999. It documents the large falls in many welfare indicators and finds that, typically, social advances and economic progress have gone hand in hand.

Box 1.1

Goals and commitments for children

Two major international commitments to children were made at the beginning of the 1990s.

The UN *Convention on the Rights of the Child* came into force in September 1990. This international legal instrument spells out the human rights that children everywhere have: civil, political, economic, social and cultural rights. The Convention has four general principles:

1. The right to life, survival and development. Development is interpreted in a broad sense, including the mental, emotional, cognitive, social and cultural senses, as well as a physical one.
2. Non-discrimination. Rights should be enjoyed irrespective of the child's or his or her parents' race, colour, sex, language, religion, political or other opinion, national, ethnic, or social origin, property, disability, birth, or other status.
3. The best interests of the child must be a primary consideration in all decisions or actions that affect children, whether decisions are made by governmental,

administrative, or judicial authorities, or by families.

4. Children should be free to have opinions in all matters affecting their lives, and their opinions should be given due weight in accordance with their age and maturity.

All countries in Central and Eastern Europe and the CIS are signatories to the Convention and hence participate in the process of periodic reporting to the Committee on the Rights of the Child. (See www.crin.org for both official and NGO reports on the Convention's implementation.)

1990 also saw the *World Summit for Children*, at which the world's leaders set concrete development goals for children to be achieved by the end of the decade. During 2001, most countries, including those in Central and Eastern Europe and the CIS, drafted end-decade reports as part of preparations for the forthcoming UN General Assembly Special Session on Children. (More information on the goals, together with the end-decade reviews, can be found at www.unicef.org/specialsession.)³

Sections 1.3 and 1.4 consider in more detail the changing economic and demographic pictures, respectively. Topics covered include changes in national income per head and in government expenditure, the quality of government and trends in fertility, marriage and divorce. Many of the changes have been large. These sections reflect the shifts in the role and nature of institutions – states, markets and families – that constitute a core of the transition.

The main aim of this first chapter is to provide a background for the subsequent analysis in the Report rather than to attempt a verdict on the whole transition process. But some conclusions for the future direction of the region certainly do emerge, and these are given in Section 1.5.

The four chapters that follow bring the reader close to the problems with which individual people and families have had to cope during the transition and which policy-makers have had to confront. These are intended to provide a summary of the changes in well-being for the population as whole, but, as is natural for a report from an organization concerned with child welfare, there is a strong emphasis on the position of children.

Chapter 2 describes shifts in income inequality during the 1990s and analyses poverty at the end of the decade. Transition has brought large changes not only in the overall size of the national cake, but also in the way the cake is divided up. The analysis of poverty in the chapter is focused firmly on poverty among children, as is the discussion of policies to combat poverty.

Chapter 3 looks at health issues. It first documents a variety of disturbing trends in health outcomes, as reflected in adult mortality and the incidence of infectious diseases. Special attention is given to HIV/AIDS. The chapter then

turns to health status over the life cycle, focusing on children, young people and women. Growing inequalities in health access and outcomes are then reviewed. The chapter finishes with a discussion of key issues in policy for health systems in the region.

Chapter 4 considers changes in education. This chapter has a firm focus on children and young people, although the implications of changes in education are of immense relevance for all groups in society. Enrolment rates and outcomes in terms of learning and labour market success are analysed; inequalities in access to education are discussed; shifts in government and households' expenditure on education are explored, and the decentralization of school finance and governance is assessed.

Chapter 5 focuses on a particularly vulnerable group in the population: children deprived of a family upbringing. It documents the phenomenon of the institutionalization of children (a serious problem in the communist period), including the shifts that occurred during the 1990s, which, despite some improvements, were too often for the worse. The reasons why children enter public care are analysed, and alternatives to institutionalization are discussed.

These chapters do not cover all aspects of the social conditions during the transition. However, they offer concrete analyses in several key areas of human well-being and illustrate the complexity and extent of the transformation which the 1990s brought about. Taken together, they aim to force attention on the needs of the region's children and adults and the role of various agents in meeting these needs – issues calling for more discussion and dialogue as the transition continues to unfold. ■

1.1 Political Change and Development Perspectives

In 1989, over 400 million people were living in Central and Eastern Europe, the Baltic countries and the Commonwealth of Independent States. The transition towards market economies and democratic governments during the 1990s took place across a vast geographical area and affected a population of enormous diversity.

Changes in the political map

One of the great promises of the transition has been freedom in terms of thought, self-expression and association. Indeed, one of the major achievements of the 1990s in many countries was the swift and, for the most part, peaceful shift from authoritarian regimes to independent, sovereign, functioning democracies.

The significant alterations in political boundaries in the 1990s are revealed in Figure 1.1, which shows the eight countries that existed in the region in 1989 and the 27 sovereign states in 2001. The latter include five of the original

countries, plus 22 newly independent nations born out of the Soviet Union in 1990-91, Czechoslovakia in 1993 and former socialist Yugoslavia between 1992 and 1995. The positive outcomes of these changes may include the stimulus for different cultures and people having a greater sense of identification with their country. This may mean, for example, the promotion of a child's mother tongue in the classroom and in wider society.

The map for 2001 also indicates the most negative outcome of the transformation of the region. The symbols indicating explosions show where there has been significant armed conflict, generally resulting from ethnic tension. These ethnically focused resentments often predated the communist period. Although open strife was held in check for several decades under communism, little was done to resolve the underlying problems.

Since 1988, armed conflict has claimed thousands of lives. Millions of people have had to flee their homes, and, even though many of them have since returned, as of

Figure 1.1



The region
in 1989
and in 2001

Note: The explosion symbols indicate where armed conflict has occurred. EU applicants are shown in a darker shade. The publication of these maps does not imply on the part of UNICEF the expression of any opinion concerning the legal status of any country, its authorities, or its frontiers.

December 2000 there were 2.2 million people still registered as internally displaced within their countries, and 985,000 people were living as refugees in foreign countries (see Box 1.2).⁴

Refugees and internally displaced persons often experience loss of property and harsh living conditions in collective centres. They risk treatment as second class citizens. Children are particularly hard hit by armed conflict. The

consequences for them include disruption of schooling, poverty, stress and exposure to war trauma and loss of family.

Even when conflict has ended, the devastating effects can continue through poor job prospects and shattered social infrastructure, including housing and schools. Ongoing instability depresses the economy, turns potential investors away and encourages the flight of domestic savings abroad.

Armed conflicts in the southern parts of the region

Armed conflict has broken out in around one-third of the 27 transition countries since 1989.⁵

Armenia and Azerbaijan, 1988-94. Clashes between Armenian and Azerbaijani troops led to a bloody war over the territory of Nagorno-Karabakh, which was still part of the Soviet Union when the unrest first became significant. About one million people were uprooted from their homes.

Central Asia: the Ferghana Valley, 1989-91. Tensions escalated in 1989 in the Ferghana Valley, which straddles the borders of Kyrgyzstan, Tajikistan and Uzbekistan, and a series of violent outbreaks resulted in hundreds of deaths and extensive damage to property. While violent conflict has been rare since that time, continuing tensions are seen as a risk.

Georgia, 1990-94. Fighting began in South Ossetia in the north of the country in late 1990, forcing an estimated 50,000-90,000 people to flee. A short time later, hundreds of thousands of people were uprooted by the conflict in Abkhazia. The situation began to stabilize in 1994, although a political settlement remains elusive.

Moldova, 1992. A short but intense conflict between the government and the self-proclaimed "Dnestr Republic" began and ended in 1992.

Tajikistan, 1992-93. A civil war beginning in 1992 left an estimated 50,000 dead and up to 700,000 people displaced. National reconciliation began in 1994, and by the time of the peace agreement in 1997 most of the displaced had returned to their homes, many of which had been destroyed.

The Russian Federation: Northern Caucasus, 1992-

2001. A brief but intense outburst of violence between North Ossetia and Ingushetia occurred in October 1992. 1994 saw federal troops enter Chechnya, which had declared independence. Following two major periods of fighting, there are now an estimated 160,000 internally displaced people in neighbouring Ingushetia. Those who remain in Chechnya face harsh living conditions and continuing violence.

Former Yugoslavia, 1991-95. In 1991 Slovenia, Croatia and Bosnia-Herzegovina declared independence from the old Socialist Federal Republic of Yugoslavia. Sporadic violence erupted into war, first in Croatia then in Bosnia-Herzegovina, which became the site of the region's bloodiest conflict. The war added a new expression to the international vocabulary: "ethnic cleansing" – the blatant targeting of civilian populations because of their ethnicity.

Federal Republic of Yugoslavia, 1997-99. Tensions in Kosovo led gradually to a guerrilla war and a major military operation in early 1999. Hundreds of thousands of Kosovar refugees fled to Albania, FYR Macedonia and other countries. Following a NATO bombing campaign and the withdrawal of federal troops, many Kosovars returned to the province, and an estimated 150,000 Serbian refugees fled to Yugoslavia.

FYR Macedonia, 2001. The Former Yugoslav Republic of Macedonia managed to avoid bloodshed throughout the turbulent 1990s, but clashes between guerrillas and army troops near its border with the province of Kosovo in early 2001 have spread. According to the Macedonian Red Cross, by the end of June over 35,000 people had been registered as displaced.

As history has unfortunately shown, overcoming age-old distrusts among people and nations takes time. Economic integration among countries, matched with respect for cultural identity and sincere dialogue, can be effective in uprooting the underlying causes of tension. In this light, the other dimension of political change noted in the map for 2001 in Figure 1.1 – the eventual accession of up to 10 countries in the region to the European Union (EU) – has the potential to increase considerably the security and political stability of the whole region (although it is the case that armed conflict has been concentrated outside the EU applicants).

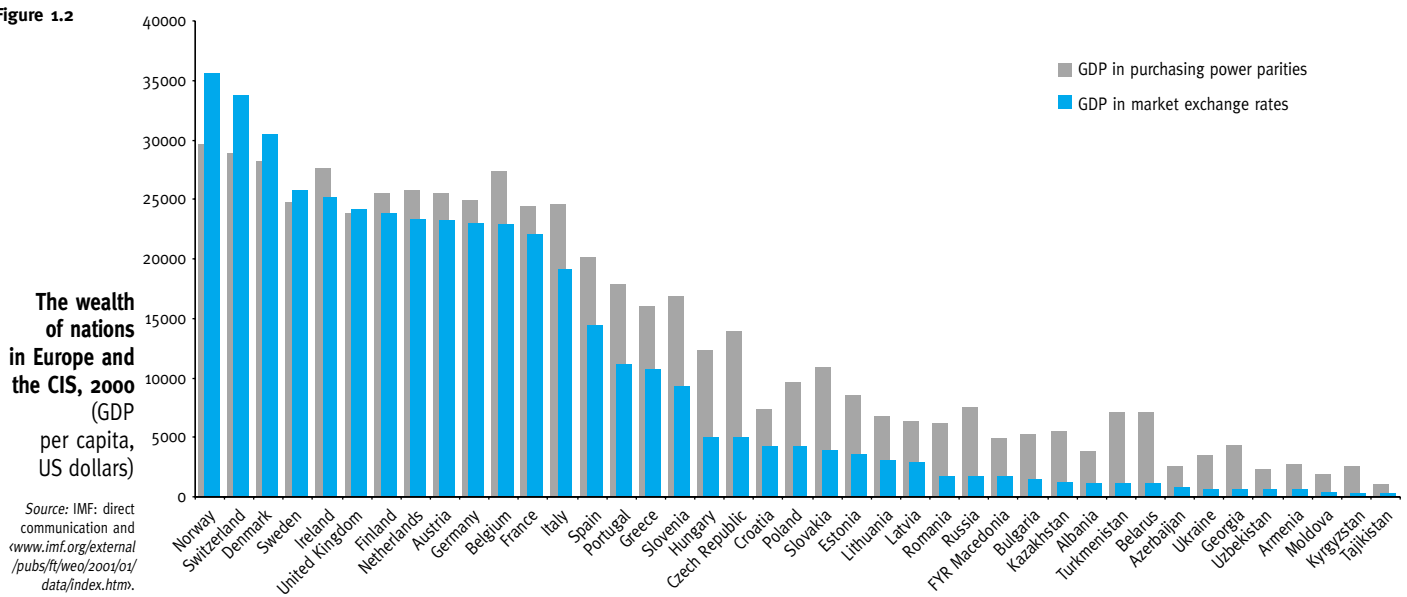
Four of the 10 countries which are official applicants to the EU have joined the Organization for Economic Cooperation and Development (OECD): the Czech Republic (1995), Poland and Hungary (1996) and Slovakia (2000). All the countries in the region, except Belarus and four Central Asian republics, have become members (or "special guests", such as Bosnia-Herzegovina and FR Yugoslavia) of the Council of Europe, which aims to support stability, democracy and legislative reform.⁶

The region in a development perspective

If one considers only economic wealth, the division between East and West seems enormous. Figure 1.2 illustrates the disparity in economic capacity by ranking 41 countries in Western Europe, Central and Eastern Europe and the CIS by national income per capita. The blue columns show GDP per person expressed in US dollars at market exchange rates. This measure represents the countries' economic power when valued using an exchange rate appropriate to international trade. Norway, the richest country shown in the diagram, has a per capita income over 180 times that of Tajikistan, the poorest country.

The grey columns measure GDP expressed in "purchasing power parity" (PPP) dollars. These figures show, on a comparable basis, what national income is worth in terms of what it would buy in the domestic market. This measure reflects differences in the standard of living among countries better than does income at market exchange rates. Its use reduces somewhat the differences between East and West. For example, the difference between German and

Figure 1.2



Russian incomes drops from a factor of almost 14 when a market exchange rate is used to one of only about four.

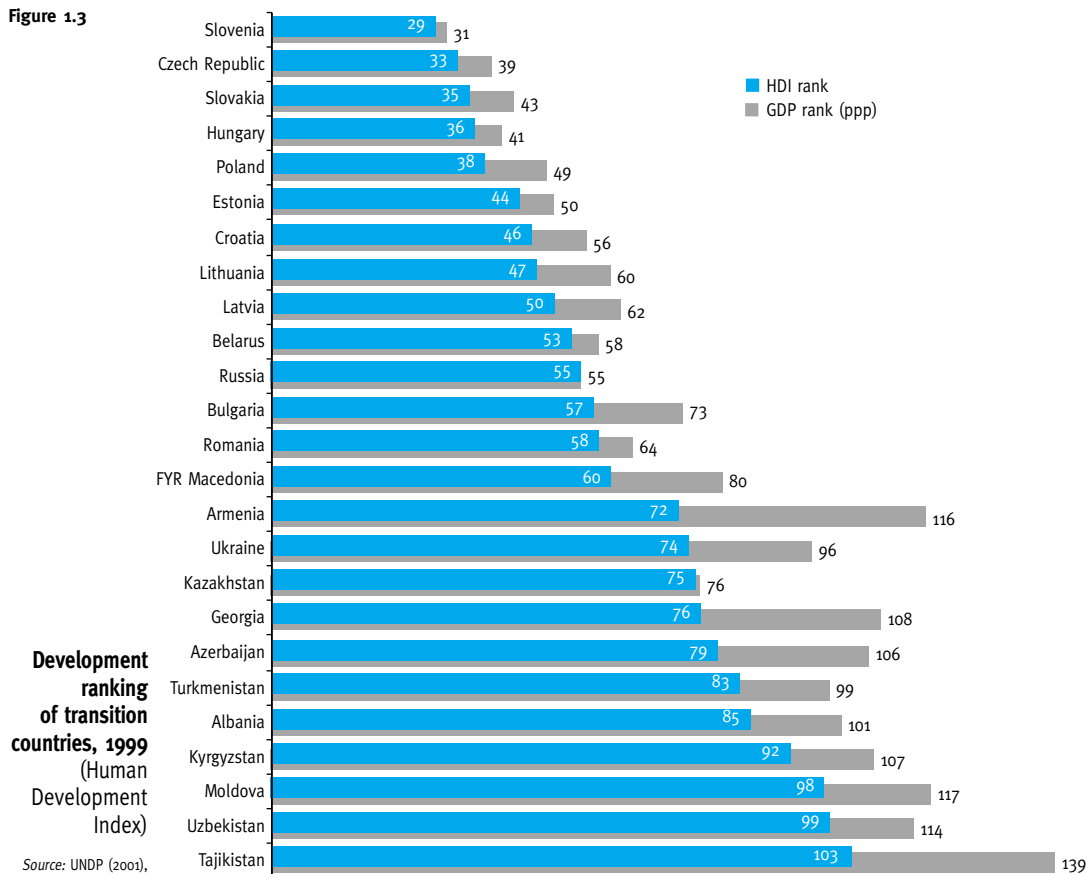
The diagram also highlights significant differences within Western Europe and within the transition countries; average incomes in Portugal and Spain appear to be closer to those in the Czech Republic or Hungary than to those in Norway or Denmark, while, on the PPP basis, Slovenia overtakes EU-member Greece.

Figure 1.3 offers a broader perspective on countries'

levels of development. It shows the 1999 rankings for 25 of the transition countries in an international field of 162 nations, as published in the 2001 *Human Development Report*. The basis of the ranking is the performance of countries according to UNDP's Human Development Index (HDI), which considers development in broader terms than merely the level of national income, as noted in the introduction to this chapter.

The blue bars show how far (in terms of places in the ranking) each country falls behind the best performing country;

Figure 1.3



Source: UNDP (2001), *Human Development Report 2001*, New York: Oxford University Press.

Note: The HDI is an unweighted average of a country's scores by an income indicator (per capita GDP expressed in purchasing power parity terms) and two "human capability" measures: health and education (measured, respectively, by life expectancy and by a composite index of school enrolments and literacy).

rather than being close to each other, countries run from 29th position (Slovenia) to 103rd (Tajikistan). (There are hence 49 countries from other parts of the world mixed in the ranking among the transition countries.)

How much is this disparity in the human development of countries the outcome of the transition, and hence how did the position of countries change during the 1990s? Unfortunately, a comparison of HDI scores over the 1990s is not straightforward because there were considerable changes in the data and the methods of calculation used, rendering changes

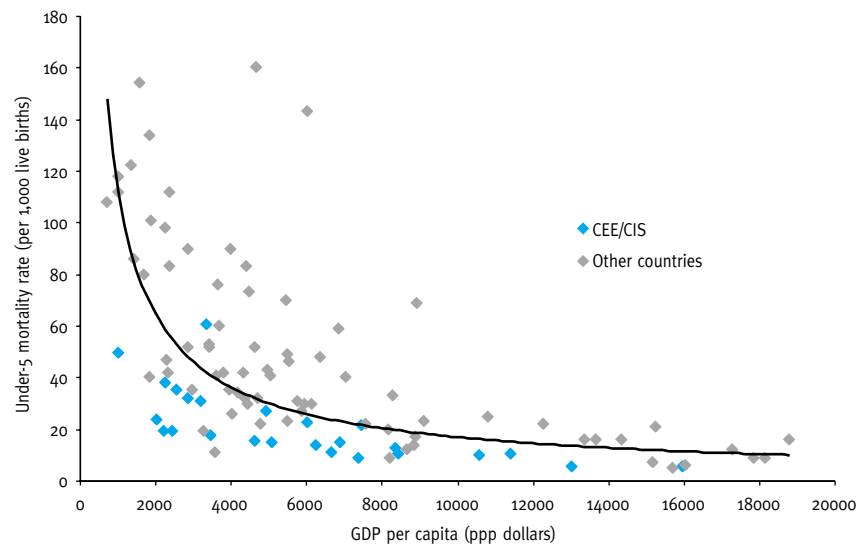
over time ambiguous. The ranking is also affected by shifts in the number of countries included. Using 1985-90 data, the 1991 *Human Development Report* ranked Czechoslovakia 27th, Hungary 30th, the USSR 31st, Yugoslavia 34th, Poland 41st and Romania 58th.

In one sense, therefore, it is clearly difficult to talk about Central and Eastern Europe and the CIS as an homogenous region. However, several other regions also display a wide range of human development rankings. Latin America, for example, shows a similar spread in ranks on the basis of 1999 HDI values: between 34 and 108 (Argentina and Guatemala, respectively). Moreover, the transition countries do indeed have several structural and institutional characteristics in common.

One shared feature is clearly the market and democracy-oriented thrust of reform in the region. Another common feature can be illustrated through Figure 1.3. If one focuses only on the economic component of the HDI, most transition countries drop in the international ranking, as shown by the difference between the blue and the grey bars, the latter giving the ranks for GDP per capita in PPP terms. This implies that the region enjoys a comparative advantage in terms of the development of human capabilities, such as health and education. On the GDP-per-capita measure, 116 countries do better than Armenia, for example. However, if social sector performance is also taken into account by using the HDI ranking, Armenia jumps 44 countries which are richer in income terms (including Morocco, Bolivia, South Africa, Turkey and Peru) to arrive at 72nd place. The diagram also shows that this comparative edge in social terms is more significant among the economically less developed countries in the region.

For two countries, however, the international standing fails to improve in the switch from the ranking by GDP to that by the HDI: Russia and Kazakhstan. One reason for this is that both countries have experienced large rises in adult male mortality during the transition, which reduces life expectancy – one element in the HDI. (Chapter 3 describes how Russia and Kazakhstan now have the lowest values of life expectancy in the region.)

In analysing the issue further, the 1999 *Regional Monitoring Report*, "Women in Transition", concluded that the transition countries also possess a relative advantage in terms of gender equality, which has important implications for child development. The Report found that a ranking using the UNDP's gender-related development index (a refined HDI that considers gender disparities in earned income, life expectancy and schooling) moved all the tran-



Note: The mortality data refer to 1995 for Tajikistan, 1996 for Albania and 1998 for Turkmenistan and Uzbekistan. The line on the diagram represents the regression of log child mortality on log GDP per capita.

Economic development and child survival, 1999

Sources: Statistical Annex, Table 3-3; UNDP (2001), op. cit.: see Figure 1.3.

sition countries up 10-15 places with respect to their HDI ranking in the mid-1990s.

Figure 1.4 offers a similar conclusion using a child-related indicator. For 140 countries, it shows the relationship between economic output and the probability that a child will not survive to age 5, a key summary indicator of child well-being. (Lower rates of under-5 mortality are generally associated with better child and maternal nutrition and better access to basic social services, including health and education.) The higher a country's GDP, the lower its under-5 mortality rate. But as the blue diamonds indicate, the post-communist countries tend to be outliers with lower under-5 mortality rates than those of other countries with comparable levels of income.

This advantage of the transition countries in terms of health, education and gender equity is an important one. It is important both for the development of individuals through childhood and into adulthood and for the future progress of countries. It will be vital to maintain and build on this record as economic recovery continues.

But is the comparative advantage of the transition countries in social terms a real one? Would not a rigorous test scale back the apparent social achievements – similar to the verdict world markets delivered in the 1990s on parts of the region's supposed past economic attainments?

Certainly, some achievements were merely formal. One example is the high share of women in the toothless parliaments that existed prior to 1989, shares that collapsed in the 1990s once parliaments obtained real power (see the 1999 *Regional Monitoring Report*).

In other cases, measurement issues blur the picture. Migration, changes in state borders and weaker vital registration have added confusion to population figures since 1989-90, when, often, the last censuses were taken. The efforts of statistical agencies to carry out new censuses and social surveys have not always received the necessary support. Imprecise population figures affect the accuracy of

many indicators, including per capita GDP and education enrolment rates (both considered in the HDI). A comparison of administrative sources and household survey data on infant mortality suggests that the former may give figures that are too low in some countries (see Chapter 3). (Infant mortality accounts for much of the under-5 mortality shown in Figure 1.4.) Several countries still use a concept of “live birth” that is slightly different from the standard international definition, with the result that infant mortality is underestimated by 10-20 percent. Caution in using data is therefore often justified.

Nevertheless, it does appear that the transition countries have accumulated significant social gains over the last

decades: a large part of the apparent progress is real.

Box 1.3 offers an historical perspective by comparing progress in the reduction of infant mortality in four countries. The evidence shows that much of the early advances of the communist countries relative to other industrialized countries was lost during the 1970s and 80s. This suggests two possible scenarios: one whereby the transition helps countries close the gap with the most advanced nations in the world and one whereby transition-related problems eliminate the remnants of the comparative advantage of the region. This second scenario would be consistent with economic reform taking priority over social issues in the political agenda.

Box 1.3

Maternal and child health: early progress under communism

In the post-war period, the communist countries of Central and Eastern Europe achieved some remarkable progress in reducing poverty, malnutrition, illiteracy and the incidence of infectious diseases. Much of this was reflected in a rise in women's status in society and improvements in the survival chances of children.

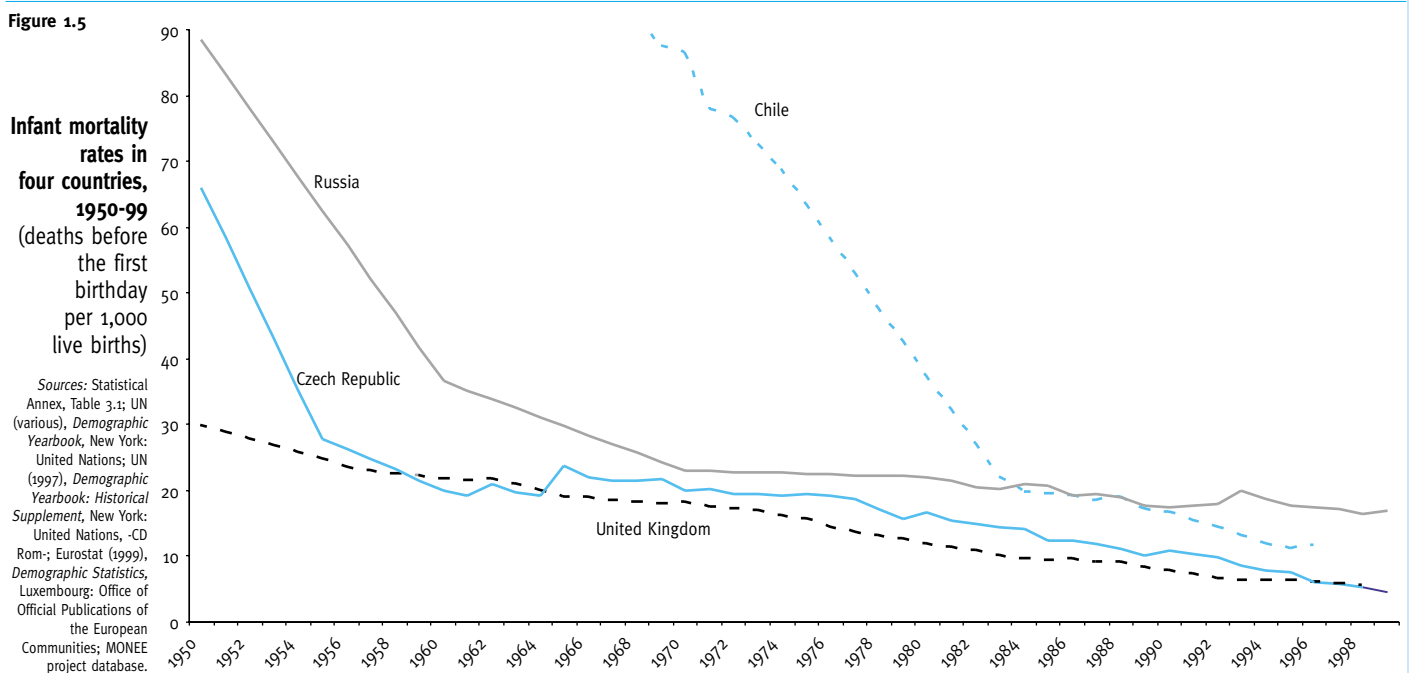
Figure 1.5 illustrates this early progress by comparing the ways in which infant mortality rates fell in four countries: Russia and the Czech Republic on the one hand and the UK and Chile on the other. (Infant mortality rates measure the incidence of death in the first year of life.)

Infant mortality fell rapidly during the 1950s in both Russia and the Czech Republic. In the early 1960s, the Czech infant mortality rate was comparable to that in the UK, and the Russian rate was not far behind. But infant mortality then stagnated both in the Czech

Republic and, during the 1970s, in Russia, while the UK continued to make progress.

In Chile in 1950, almost 160 in every 1,000 children born did not survive to age 1 – a far higher mortality rate than that in Russia or the Czech Republic at the time. Infant mortality in Chile declined slowly in the 1950s and 60s and then very rapidly during the 70s, to the point where it fell below the Russian rate in the mid-80s. As in the other countries, infant mortality in Chile fell as a result of improved living standards and also because of highly targeted investment in maternal and child health.⁷

The story of the two transition countries was very different in the 1990s. After an initial blip, the Czech Republic finally succeeded in closing the gap with the UK, while Russian infant mortality remained higher. Hence the gap between Russia and the other three countries grew.



1.2 Social and Economic Change during the Transition

Where countries stand in international comparisons of living standards at a point in time is certainly of interest, but what matters most to people living in each country is whether there are improvements over time in their conditions of life.

Table 1.1 attempts to summarize shifts in living standards in the region during the 1990s with 20 indicators that reflect different aspects of well-being, including incomes, health, education and child protection. In each case the table shows the change in the indicator between 1989 and 1999. (Changes are shown either in absolute terms, or in percent terms.) The table headings group the countries into the seven geographical sub-regions used in the *Regional Monitoring Reports*: Central Europe, former Yugoslavia, the other countries of South-Eastern Europe, the Baltic states, western CIS, the Caucasus and Central Asia (including Kazakhstan).

As noted in the previous section, by no means all facets of life in the region are quantifiable with statistical data, and several dimensions in which there have been clear improvements are not covered in the table, for example political freedom. Nevertheless, many aspects of living standards can be successfully measured.

Each of the indicators has been chosen on the basis that it can be interpreted as a "welfare indicator" so that a rise or a fall has an unambiguous meaning. Numbers given in blue show where welfare has improved. The criterion that change can be interpreted as a change in welfare leads to the exclusion of several indicators where the implications of rises or falls are unclear. The birth rate is in this category, although the change in the birth rate is included for information as a "memorandum item" at the foot of the table along with the change in population. The percentage of children born outside marriage would be another example. These measures of demographic change are discussed further in Section 1.4.⁸

The actual selection of indicators represents a compromise between relevance to individual well-being and the availability of data. About half the indicators refer to children or young people, including all those for education. Nine of the 20 refer to health or mortality, reflecting in part the relative abundance of information on these subjects. There are only three indicators of economic well-being, GDP per capita, the real wage and employment; a direct measure of poverty is therefore missing. The indicators are listed in descending rank-order according to the *number of countries that show an improvement* over time, the figures for which are given in the final column.

It is important to bear in mind that the table compares two years only, 1989 and 1999, and does not summarize the experience of the 1990s as a whole. A sharp deterioration in an indicator in the early 1990s will not be revealed if there was a recovery by the end of the decade (as was the case for male life expectancy in Lithuania, for

example). And some indicators may show large year-to-year variation in smaller countries, such as maternal mortality, with the result that the values for neither 1989, nor 1999 are a fully reliable guide to conditions at the end of the two decades concerned.

Read horizontally, the table shows how countries differ in their performance on a given indicator. Read vertically, the table offers a review of the achievements of each of the 27 countries, and the last line (above the memorandum items) summarizes country performance in terms of the percentage of indicators (for which there is information) that show improvement.

Of the 507 cells in the table where there are data present, 271 – 53 percent – have numbers in black, implying a deterioration in welfare in 1999 compared to 1989. In most countries, more indicators show a fall in welfare than show a rise.

The achievements of different countries

The variation by country is striking. It is clear that the Central European countries – the Czech Republic, Slovakia, Hungary and Poland – have better records. There, two-thirds to three-quarters of indicators show improvements. Since these countries have been pioneers in implementing economic and political change, the message is that successful reform is associated with social progress. This may represent cause and effect. For example, economic reform that leads to GDP growth will result in higher average incomes and should generate more government resources for spending on health and education systems. Alternatively, progress in education and health may help economic and political reform. Or the association may reflect some common factor that results in progress on all fronts.

The picture for much of former Yugoslavia is also relatively favourable. There are as many improvements for Slovenia and Croatia as there are for the Czech Republic or Hungary. FYR Macedonia, one of the poorest post-Yugoslav states, does surprisingly well. Although FR Yugoslavia (Serbia and Montenegro) posts one of the largest falls in measured GDP, many social indicators appear little affected. (In many ways, FR Yugoslavia started the transition only very recently.) There are not enough data to make a summary comparison for Bosnia-Herzegovina, but the memorandum item on population change (-17 percent) is indicative of the devastating war there in the mid-1990s.

Of the remaining 18 countries, all show fewer improvements in social indicators, including Albania, Bulgaria and Romania in South-Eastern Europe and the three Baltic states, Estonia, Latvia and Lithuania. Albania was and still is the poorest country in Europe and was hit

20 indicators of welfare change, 1989 to 1999

	Unit	Central Europe				Former Yugoslavia				South-Eastern Europe			
		Czech Rep.	Slovakia	Poland	Hungary	Slovenia	Croatia	FYR Macedonia	B-H	FR Yugoslavia	Albania	Bulgaria	Romania
1 IMR (per 1,000 live births) ^a	1	-5.4	-5.2	-10.2	-7.3	-3.6	-4.0	-21.8	-8.3	-15.3	-10.4	0.2	-8.3
2 Teenage birth rate (per 1,000 female population 15-19) ^b	1	-29.6	-21.2	-13.4	-17.0	-19.3	-13.4	-22.2	-15.7	-16.3	0.4	-26.0	-19.5
3 Abortion rate (per 100 births) ^c	1	-40.3	-24.8	-14.5	-2.2	-18.1	-66.4	-53.7		-81.7	1.9	-17.4	58.7
4 Higher education enrolment (% of population 19-24) ^d	1	9.4	9.1	26.7	16.8	27.9	8.6	0.4		4.9	5.7	12.7	16.2
5 Maternal mortality rate (per 100,000 live births) ^e	1	-2.8	1.5	-6.4	-12.9	13.7	6.0	-8.7		-3.5	-18.9	-0.2	-88.8
6 Youth mortality rate (per 100,000 population 15-24) ^f	2	-4.9	-9.4	-16.0	-31.5	-26.1	-11.6	3.8	-19.0	-4.2	23.6	-11.0	-26.6
7 Life expectancy, females (years) ^g	1	2.7	1.8	2.0	1.3	2.1	0.9	0.7		1.0	0.9	-0.3	1.3
8 Life expectancy, males (years) ^g	1	3.3	2.2	2.1	0.9	2.6	0.3	0.3		1.1	2.1	-0.7	-0.5
9 Pre-primary education enrolment (% of relevant population) ^h	1	4.2	-8.3	1.2	1.6	14.6	4.4	1.9		5.3	-14.8	-0.2	4.6
10 Sexually transmitted diseases (per 100,000 population) ⁱ	1	-44.9	-24.0	-22.5	-29.6	4.3	-9.6	-3.6		7.1		-6.1	17.1
11 Adolescent suicide (per 100,000 population 15-19) ^j	1	2.3	-0.9	2.2	-2.9	1.4		-0.9		0.6		-2.8	-0.3
12 Tuberculosis incidence (per 100,000 population) ^k	1	-3.3	-4.8	-11.1	2.9	-10.5	-21.1	-13.9		-15.7	-1.9	19.5	45.8
13 General divorce rate (per 100 marriages) ^l	1	5.6	12.6	0.7	19.0	4.8	-2.9	1.6	2.8	-3.2	-1.7	7.5	4.3
14 Registered juvenile crimes (number) ^m	2	9.0	53.2	31.5	19.4	54.0	-12.1	88.0		-46.0		128.4	374.2
15 Upper secondary education enrolment (% of population 15-18) ⁿ	1	-3.3	1.0	11.0	28.3	12.8	11.4				-37.0	-2.6	-19.7
16 Infant home placement (per 100,000 population 0-3) ^o	2	7.0	44.0	6.7	-23.3	-41.6	23.4	52.1		22.1	11.6	43.1	55.6
17 Graduation from basic education (per 100 population aged 15) ^p	1	0.7	2.4		-0.8	2.0	-2.6			-20.3		-6.2	2.4
18 GDP per capita ^q	2	-3.8	-1.8	19.7	3.4	9.7	-18.7	-31.2		-59.1	-9.2	-27.6	-22.0
19 Real wage ^r	2	7.1	-13.9	9.9	-19.0	-10.6		-47.0			-8.0	-47.8	-37.7
20 Employment ratio (employment per population 15-59) ^s	1	-17.1	-23.5	-10.7	-23.2	-3.1	-13.1	-15.2		-10.1	-21.4	-21.4	-16.3
Share of improvements (%)		65	60	74	70	65	72	61		67	44	35	45
<i>Memorandum items:</i>													
Population ^t	2	-0.7	2.3	1.8	-4.0	-0.7	-4.5	7.1	-16.8	1.6	4.7	-7.5	-3.0
Crude birth rate (per 1,000 population) ^u	2	-29.8	-31.4	-33.5	-20.1	-24.7	-15.0	-29.0	-23.6	-18.0	-29.8	-30.4	-34.6

Sources: Statistical Annex and MONEE project database unless otherwise indicated.

Note: 1. Absolute change. 2. Percent change.

a. As reported by countries, based on registered number of live births and infant deaths. FR Yugoslavia refers to 1989-98; 1998 data for Kosovo: FSOY estimate. Albania refers to 1989-98, B-H to 1990-99. 1999: data for Moldova exclude Transdniestri; data for Georgia exclude Abkhazia and Tskhinvali.

b. FR Yugoslavia refers to 1989-98; 1998 data for Kosovo: FSOY estimate. Tajikistan refers to 1989-95. 1999: data for Moldova exclude Transdniestri; data for Georgia exclude Abkhazia and Tskhinvali.

c. Poland, Albania and Turkmenistan refer to 1989-98, FR Yugoslavia to 1989-97, Croatia and Uzbekistan to 1990-99, Latvia and Lithuania to 1991-99. 1999: data for Moldova exclude Transdniestri; data for Georgia exclude Abkhazia and Tskhinvali.

d. Slovenia refers to 1989-98. 1999: data for FR Yugoslavia exclude Kosovo; data for Moldova exclude Transdniestri.

e. Two-year averages as of beginning and end of the period. Poland and Albania refer to 1989-98, Slovenia to 1989-95, FR Yugoslavia to 1989-97, Tajikistan to 1989-95. 1999: data for Moldova exclude Transdniestri; data for Georgia exclude Abkhazia and Tskhinvali.

f. FR Yugoslavia refers to 1989-98; 1998 data for Kosovo: FSOY estimate. Albania refers to 1989-96, Tajikistan to 1989-95. 1999: data for Moldova exclude Transdniestri; deaths for Georgia exclude Abkhazia and Tskhinvali.

g. Croatia refers to 1989-95, FYR Macedonia and Tajikistan to 1989-97, FR Yugoslavia to 1989-98; 1998 data for Kosovo: FSOY estimate.

h. Tajikistan refers to 1989-99. FR Yugoslavia: 1992-98 excludes Albanian students in Kosovo, 1999 excludes Kosovo. 1999: data for Moldova exclude Transdniestri.

i. Includes syphilis and gonorrhoea; Latvia includes also chlamydial infection, Kyrgyzstan includes also trichomoniasis. Slovenia, FR Yugoslavia and Kazakhstan refer to 1989-98. FR Yugoslavia, 1998 data for Kosovo: FSOY estimate. Lithuania and Kyrgyzstan refer to 1990-99, Uzbekistan to 1991-99. 1999: population for Moldova excludes Transdniestri; cases for Georgia exclude Abkhazia and Tskhinvali.

j. FR Yugoslavia refers to 1989-98; 1998 data for Kosovo: FSOY estimate. Poland refers to 1989-98, FYR Macedonia to 1989-97, Tajikistan to 1989-95, Belarus, Moldova, Azerbaijan and Uzbekistan to 1990-99. 1999: data for Moldova exclude Transdniestri; deaths for Georgia exclude Abkhazia and Tskhinvali.

Table 1.1

Baltic States			Western CIS				Caucasus			Central Asia					Improvements number
Estonia	Latvia	Lithuania	Belarus	Moldova	Russia	Ukraine	Armenia	Azerbaijan	Georgia	Kazakhstan	Kyrgyzstan	Tajikistan	Turkmenistan	Uzbekistan	
-5.3	0.3	-2.1	-0.3	-2.2	-0.9	-0.2	-5.0	-9.7	-2.1	-4.9	-9.5	-23.8	-29.3	-17.8	25
-23.0	-25.9	-11.2	-10.2	-17.3	-22.9	-20.4	-32.9	6.1	-27.9	-16.1	-5.8	12.6	-1.7	-17.0	24
19.6	-19.2	-20.8	-22.8	-24.9	-25.4	-25.8	4.7	-3.7	-30.7	-12.3	-41.5	-1.4	-5.3	-15.7	22
8.9	26.1	11.4	7.1	4.6	6.6	7.5	-3.2	2.6	9.9	5.2	16.6	0.0	-6.3	-8.8	22
-20.4	7.2	-10.8	0.9	-6.4	-4.1	-6.3	-8.4	25.8	13.8	-1.8	-14.7	32.3	-31.5	-26.3	18
-10.9	-9.7	-5.7	26.4	-25.9	51.4	12.3	-38.9	23.7	-40.5	19.6	-7.8	42.8	12.8	3.1	17
1.4	1.0	1.1	-2.5	-0.8	-2.1	-1.3	0.8	0.9		-2.1	-1.3	-0.4	2.0		16
-0.4	-0.4	0.1	-4.6	-1.3	-4.3	-3.0	1.7	1.5		-3.6	-1.2	-1.2	1.6		13
11.3	8.2	-7.5	0.9	-28.6	-10.3	-18.9	-23.6	-7.7	-16.6	-42.6	-23.1	-9.7	-14.8	-20.6	11
3.0	34.5	-2.0	131.5	80.2	163.9	80.9	-5.4	-4.8	5.8	128.7	109.5	0.4	42.5	49.3	10
-5.8	-3.4	10.6	6.3	0.7	9.3	2.0	-1.7	-1.4	-1.0	4.3	0.2	1.1	6.4	1.0	10
18.7	42.0	44.4	23.1	27.2	47.3	20.1	25.1	17.0	58.1	48.7	82.3	-5.5	25.7	18.5	9
34.8	18.0	28.2	29.4	6.8	16.4	11.4	-5.1	-2.5	-7.5	2.2	4.5	-5.6	6.1	-9.1	8
24.2	46.6	107.6	42.1	-11.3	30.2	39.2	142.0	17.9	-17.2	-22.8	14.6	-60.7	-62.2	-32.9	8
14.9	8.0	9.6	-5.5	-28.6	-8.1	-7.7	-23.0	-20.1	-18.4	-18.3	-15.9	-34.6	-37.3	-14.9	8
81.8	79.5	16.1	109.6	49.2	85.0	94.0	80.1	-7.5	10.3	150.1	15.7	-2.2	-6.8	-11.5	6
-8.0	-3.1	-9.1	-7.7	-11.7	-4.6	-5.4	-11.7	-12.0	-21.8	-8.3	-13.7	-26.1	-15.0	-9.2	4
-16.6	-34.6	-37.9	-18.4	-62.8	-42.4	-62.2	-49.0	-58.5	-65.3	-32.0	-44.2	-63.5	-51.7	-22.2	3
-33.8	-35.0	-52.2	-12.6	-64.9	-61.8	-51.6		-49.8	-26.8	-58.5	-50.6	-87.4	-65.3		2
-18.8	-17.5	-11.5	-12.4	-15.0	-13.1	-10.9	-20.1	-9.1	-17.0	-14.2	-9.6	-19.4	-6.0	-5.5	0
45	40	50	25	35	25	25	47	45	44	30	30	30	40	41	
-8.0	-8.9	0.2	-1.5	-16.1	-0.9	-3.6	9.1	12.9	-2.9	-8.1	12.3	19.3	32.6	21.2	
-43.8	-45.3	-34.9	-38.5	-44.2	-43.2	-41.6	-55.5	-42.7	-53.9	-39.5	-29.6	-52.5	-46.9	-32.8	

k. Slovenia refers to 1991-98, Kazakhstan to 1989-98, Albania to 1989-97, Uzbekistan to 1990-99, FR Yugoslavia to 1989-98; 1998 data for Kosovo: FSOY estimate. 1999: population for Moldova excludes Transdnestr; cases for Georgia exclude Abkhazia and Tskhinvali.

l. FR Yugoslavia refers to 1989-98; 1998 data for Kosovo: FSOY estimate. 1999: data for Moldova exclude Transdnestr; data for Georgia exclude Abkhazia and Tskhinvali.

m. Czech Republic refers to 1991-99, Slovenia and FYR Macedonia to 1989-98, Romania to 1990-98, Estonia to 1990-98, Georgia and Tajikistan to 1990-99. 1999: data for FR Yugoslavia exclude Kosovo; data for Moldova exclude Transdnestr.

n. Slovenia refers to 1993-98, Croatia to 1991-99, Romania and Estonia to 1990-99, Lithuania to 1992-99, Ukraine, Turkmenistan and Uzbekistan to 1989-98, Kazakhstan to 1989-97. 1999: data for Moldova exclude Transdnestr; enrolments for Georgia exclude Abkhazia and Tskhinvali.

o. Slovakia refers to 1989-96, Poland to 1989-93, Slovenia to 1989-95, Croatia to 1990-98, Albania to 1994-98, Romania to 1990-97, Estonia to 1989-97 (0-7 year-olds), Ukraine to 1991-99, Kyrgyzstan to 1990-99, Uzbekistan to 1989-98. Armenia: 0-5 year-olds. FR Yugoslavia refers to 1990-98; 1998 excludes Kosovo. 1999: data for Moldova exclude Transdnestr.

p. IRC estimates based on the number of graduates and population aged 15. Hungary, Latvia and Lithuania refer to 1990-98, Croatia and Bulgaria to 1993-97, FR Yugoslavia to 1989-94, Estonia to 1990-99, Armenia and Tajikistan to 1989-97, Turkmenistan to 1989-96.

q. FR Yugoslavia: GDP from UNECE (2000), *Economic Survey of Europe*, No. 1, Geneva: UN Economic Commission for Europe.

r. Albania refers to 1996-99, Belarus, Tajikistan and Turkmenistan to 1993-99, Kazakhstan to 1991-99, Kyrgyzstan to 1990-99.

s. Azerbaijan refers to 1990-99. 1999: data for Moldova exclude Transdnestr.

t. B-H: US Census Bureau (2000), *International Data Base (IDB)*, www.census.gov/ipc/idbnew.htm; International Programs Center, US Bureau of the Census. Moldova: 1999 excludes Transdnestr.

u. IRC estimates based on registered numbers of live births. FR Yugoslavia refers to 1989-98; 1998 data for Kosovo: FSOY estimate. 1999: data for Moldova exclude Transdnestr; births for Georgia exclude Abkhazia and Tskhinvali.

by civil unrest in 1997 following the collapse of pyramid savings schemes that impoverished many households.

The worst outcomes occurred in the western CIS countries of Belarus, Moldova, Russia and Ukraine, where fewer than a third of the indicators show improvements. It is tempting to link this to inconsistent economic reforms, although it is clear that the collapse of the industrial state built in Soviet times has affected urbanized society in these countries particularly badly. Moldova shows a big drop in the memorandum item on population change because of a loss in administrative control over the Transdnistr area. The other three countries also post a negative population change, despite the Slavic homecoming from other parts of the former Soviet Union.

Interestingly, despite war and hostilities and some major economic setbacks, the countries of the Caucasus have tended to register more improvements in welfare than have other CIS countries. In the southern parts of the former Soviet Union, Kazakhstan, Kyrgyzstan and Tajikistan show slightly worse welfare outcomes than do the other two countries of Central Asia, Turkmenistan and Uzbekistan.

The often surprisingly good performance of several countries in the southern belt of the region may reflect their comparative advantage in life styles, including stronger traditional social institutions, particularly the extended family. Cohesive communities offer effective material help, as well as moral support to protect the individual during times of hardship. In this light, the countries which display worse social records may be caught between weak traditional structures and slow progress in social sector reforms, including the strengthening and revival of community and civic networks.

Performance according to social and economic indicators

Since the indicators in Table 1.1 are listed in order accord-

ing to the performance across the region, it is easy to see which indicators show good news the most often and which indicators tend to transmit bad news.

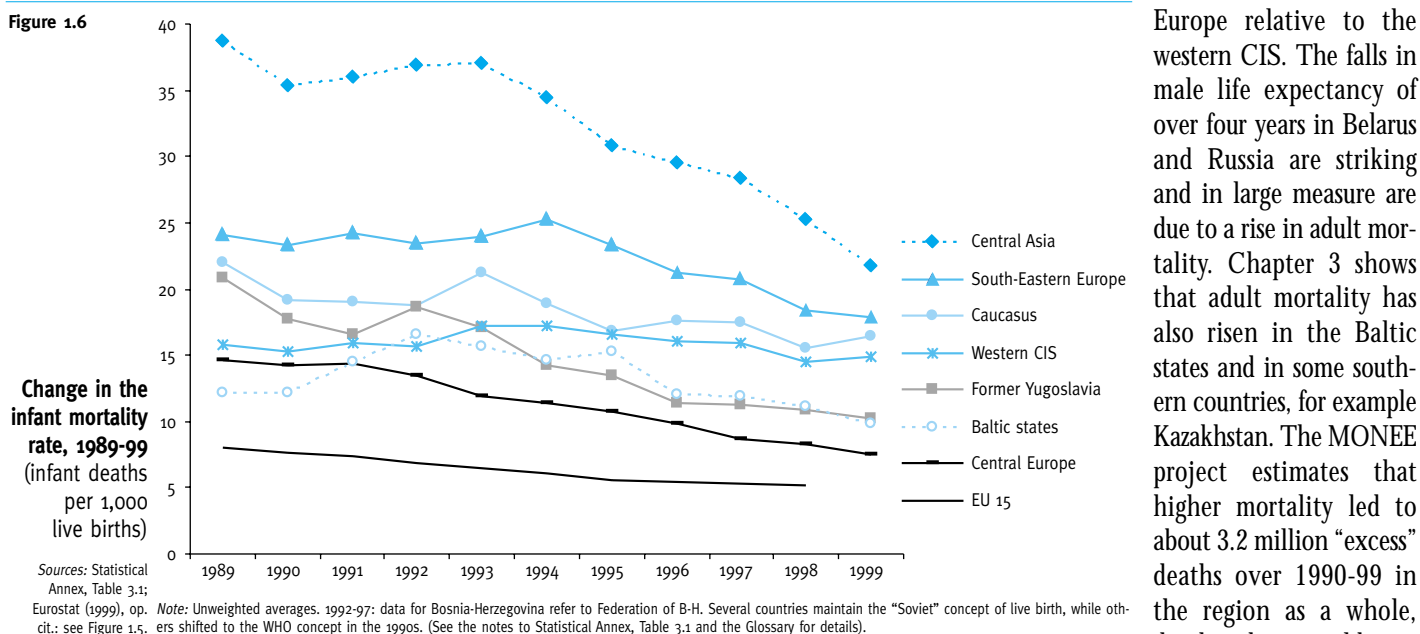
The indicator that heads the table is the infant mortality rate. This key indicator of child (and maternal) welfare shows progress in almost every country; only Bulgaria and Latvia register some small deterioration. Three of the four indicators next in the ranking – the teenage birth rate, the abortion rate and maternal mortality – also reflect aspects of maternal health or child health, making a consistent story with the infant mortality rate.

What factors are behind this striking outcome? To aid the discussion, Figure 1.6 shows the evolution of the infant mortality rate by main sub-regions for the full period between 1989 and 1999. (The diagram also includes the EU average rate.) It is clear that the survival chances of infants mostly deteriorated or stagnated in the first part of the 1990s. Improvements dominated the picture only in the second part of the decade.

In some countries of Central Asia and the Caucasus the reductions in infant mortality may be partly due to under-recording in the administrative figures (see Chapter 3). More home births and fees for birth registration are thought to affect the reporting of infant births and deaths (see Box 1.4 later in the chapter).

However, one driving force behind the lower rates of infant death across the region is likely to be the huge drop in the birth rate – see the memorandum items at the bottom of Table 1.1. Among other things, fewer births mean the existing resources in the health sector for maternity care go further. Past investments in education may also take some of the credit, resulting, for example, in a continued take-up of health services.

By 1999, youth mortality and female life expectancy had improved in more than half of the countries, and male life expectancy in about half. These indicators are markedly



different in Central Europe relative to the western CIS. The falls in male life expectancy of over four years in Belarus and Russia are striking and in large measure are due to a rise in adult mortality. Chapter 3 shows that adult mortality has also risen in the Baltic states and in some southern countries, for example Kazakhstan. The MONEE project estimates that higher mortality led to about 3.2 million "excess" deaths over 1990-99 in the region as a whole, deaths that would not

have occurred if mortality rates had stayed at their 1989 levels (see Chapter 3).

The news from the remaining 12 indicators is more bad than good. Despite the big falls in births noted above, pre-school enrolment rates are down in 15 of the 26 countries for which data are available. Suicide among teenagers, sexually transmitted diseases and tuberculosis hit hard in the western CIS, as well as Central Asia, and none of the other sub-regions are free of these problems. The rise in the incidence of tuberculosis in the Baltic states, for example, is quite striking. Adolescent suicide is up in 14 countries, including the Czech Republic, Poland and Slovenia. The figures for sexually transmitted diseases do not take into account the dramatic rise in HIV infection. Estimates by UNAIDS put the number of infections at the end of 2000 at over 700,000 cases, the great majority of which have occurred in the last few years in Ukraine and Russia (see Chapter 3).

Further down the list, various indicators on family cohesion and child education tell a disheartening story.

More family breakdowns, more juvenile crime, fewer upper secondary education enrolments, higher rates of infants left to public care and fewer graduations from basic schools were all frequent in the region over the 1990s. There is often an interplay in these trends, which in part have common roots in fewer social controls and the emergence of unemployment and greater poverty that hinder people from seizing the new opportunities.

The three economic indicators occupy the last three positions in the table. In Poland, Hungary and Slovenia measured national income per head (GDP per capita) was greater in 1999 than it had been 10 years earlier, with the Czech Republic and Slovakia nearly making it there. Only Poland managed to match full recovery in per capita GDP with a significant rise in real wages. But even there employment fell. The employment rate (measured as total employment divided by the number of persons aged 15-59) fell in every country over 1989-99, on average by 14 percent.

1.3 Economic Reforms and Individual Well-Being

What signs are there now of steady economic growth in the region? And are the institutional conditions for promoting growth now in place? This section first addresses these two questions. Levels of public expenditure are then considered, together with the quality of public sector institutions, including the issue of corruption. The section concludes by looking at evidence on people's perceptions both of inequalities in their country and of what determines individual success.

Economic contraction and rebound

Figure 1.7 shows the degree of contraction of GDP per capita and the pattern of recovery by sub-region for the full period 1989-99 and, using preliminary estimates of the European Bank for Reconstruction and Development (EBRD), extends the investigation up to 2000.

All parts of the region underwent a considerable regression in measured output per head during the 1990s, but the extent of this varied enormously. The decline in Central Europe was by less than a fifth, with growth already setting in during the first half of the decade. At the other extreme, the fall in the Caucasus was as much as two-thirds, with recovery not starting until later in the decade. By 2000, only Central Europe was clearly ahead of the 1989 starting line, while the western CIS, the Caucasus and Central Asia were still back – by 40-55 percent on average.

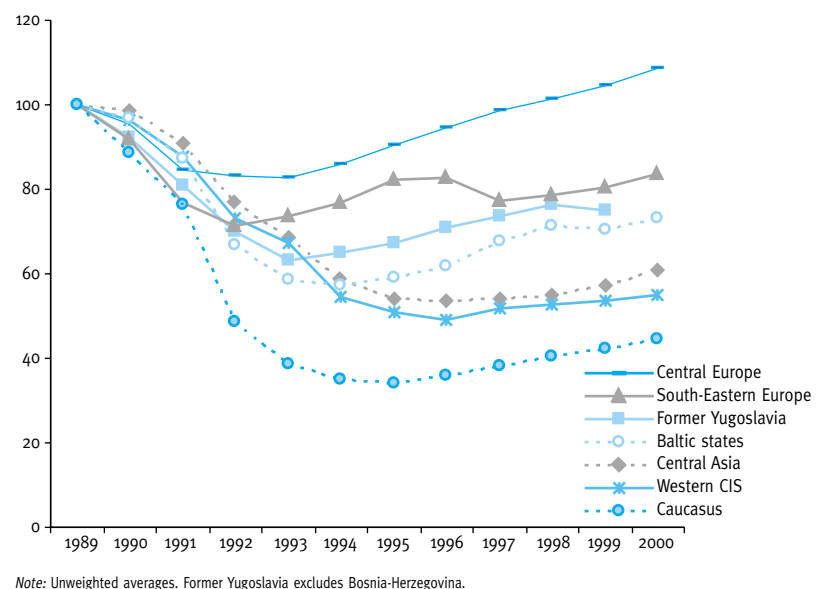


Figure 1.7

Change
in GDP
per capita,
1989-2000

Sources: Statistical Annex, Tables 1.1 and 10.1; UNECE (2000), *Economic Survey of Europe*, Geneva: UN Economic Commission for Europe.

The good news of a general picture of economic recovery in the second half of the 1990s is tempered by the uncertain progress in various countries. This shows up in changes in output per head for South-Eastern Europe, for example, and in the western CIS, where recovery is very weak.⁹

Two aspects of the calculations in Figure 1.7 are important to note. First, the per capita adjustment makes a big difference in few countries where there have been large changes in total population. This affects the figures for Central Asia in particular, where population grew by a fifth in Tajikistan and Uzbekistan over 1989-99 and by a third in Turkmenistan (see the memorandum items at the bottom of Table 1.1). On

average, by 2000 total output had recovered in Central Asia to 70 percent of that in 1989, but total output *per head* was only 60 percent of the original level. Countries with rapidly rising populations need significant economic growth even for average income per head to stay still.

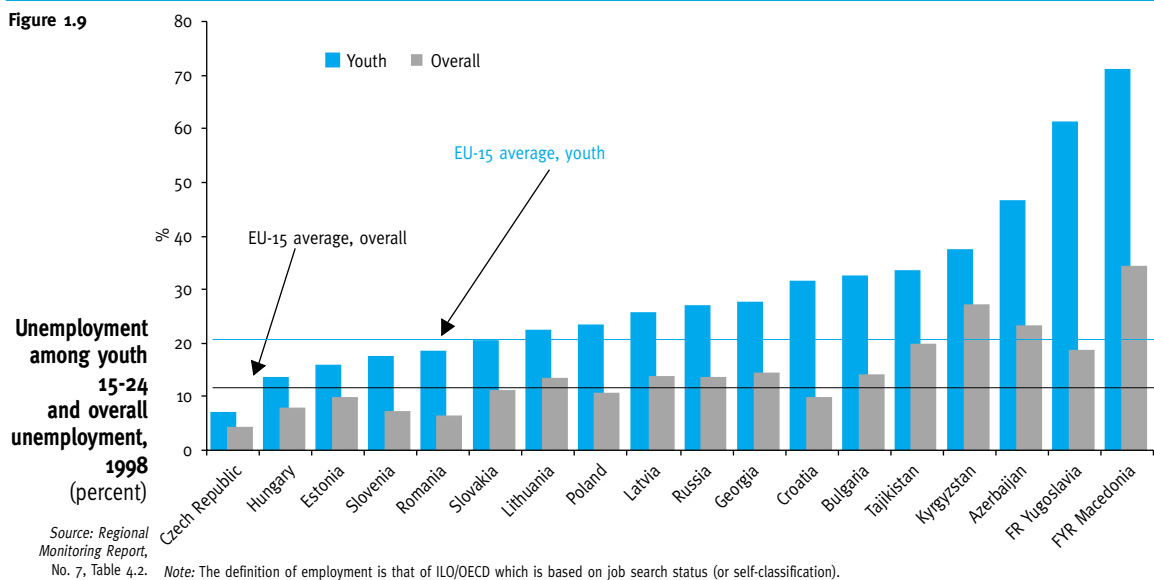
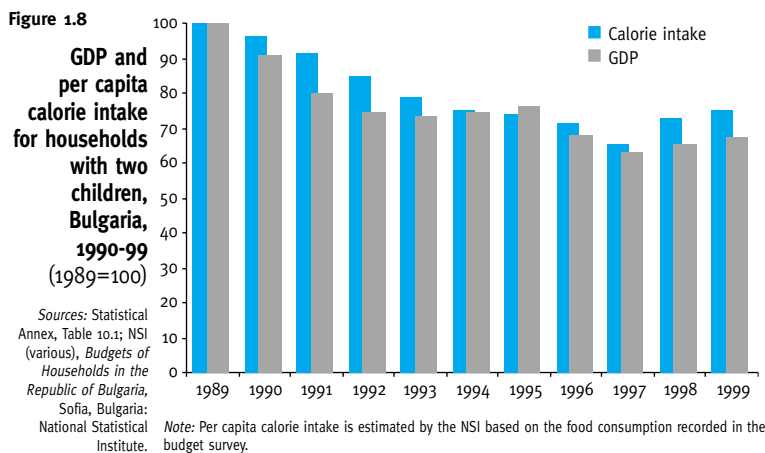
Second, the diagram refers to *measured* output. Although estimates for informal activity may be included in the data for some countries, these estimates are unlikely to be adequate. The graph may therefore overestimate the extent of the contraction in total GDP and underestimate subsequent growth. One attempt to estimate the output of the informal economy in transition countries in the mid-1990s put its size at less than 10 percent of GDP in Uzbekistan, at one extreme, to over 60 percent in Georgia, at the other, with Bulgaria, Hungary, Latvia, Russia and several other countries at around 30-40 percent.¹⁰

What have lower levels of national income meant for peoples' lives? The answer is less money for households to buy food, clothing and other goods and services. It also means, for example, fewer resources in the health and education sectors to pay the wages of doctors, nurses and teachers and to buy medicines, equipment, heating and so on. Figure 1.8 illustrates the impact on households' ability to

consume food, showing changes over 1989-99 in daily per capita calorie intake among two-child families in Bulgaria, alongside the changes in GDP. The two series track each other quite closely.

A recovery in GDP should mean both more resources for households to spend and more revenue for governments to devote to basic social services. However, the experience of the transition countries shows that there may not be quick recovery in employment. Work is important as a source of income, but also because it helps self-esteem and personal development. As Table 1.1 shows, the employment rate among people of active working age was lower in all countries in 1999 than in 1989, including those countries where GDP had recovered to its starting level. The 1999 *Regional Monitoring Report* found that more jobs disappeared in the 1990s among women than among men. The relatively favourable position of women in the labour market, which had made the region comparable to Sweden, the leader in the West in this regard, is now a phenomenon of the past in most transition countries.

Not all job losses translate into unemployment, since some people do not seek further work (the rise in tertiary education shown in Table 1.1 means that in some cases current labour market inactivity may mean higher future wages). However, unemployment has been a notable feature of the transition in many countries. Figure 1.9 shows that unemployment hits young people in the region harder than it does adults: the average rate for 15-24 year-olds is twice that for all people of working age. (The diagram uses measures of unemployment based on surveys rather than administrative registers – the latter severely understate the problem in countries where there is little incentive to register.) The same pattern is typically found in other industrialized countries, but it is notable that in 12 of the 18 countries in the diagram the youth unemployment rate is higher than the EU average of 21 percent. In several countries in the southern belt of the region, young people face huge difficulties in entering the labour market.



Building markets and creating opportunities

Institutional change in the transition context is commonly associated in people's minds with the development of a market economy. The vertical axis of Figure 1.10 shows an index of progress in the creation of markets and trade, private enterprises and financial

institutions. This index is the average values in 2000 of a range of indicators developed by the EBRD. (A value of over "4" for any of these indicators is considered a reasonable one for an established industrialized market economy.)

Central European and Baltic states score the highest on the institutional reform of the economy. The values of this index correlate well with private sector development. For example, the EBRD's estimates of the private sector share of GDP averages about 75 percent in Central Europe and less than 50 percent in Central Asia (with an average for all countries of 58 percent).¹¹

But Figure 1.10 illustrates the correlation of economic reform with something else: democratic reform. The horizontal axis shows the values in 1999 of an index intended to measure the extent of reform in the political process, the development of civil society and of an independent media, and the quality of public administration. The message seems clear: the development of democratic institutions and civil liberties go hand in hand with the creation of a market economy. The graph updates an analysis in the 1999 EBRD *Transition Report* which concluded that economic and democratic reform are mutually reinforcing: each one helps the other.

Progress in the development of markets has implications for the expectation of future economic growth that attracts capital investment, including foreign direct investment – which in turn should improve growth. In the knowledge-based global economy, capacity to absorb effective innovation and transfers of technology is important for growth potential. In 1998-99 foreign direct investment reached 4-5 percent of GDP, on average, in the 26 transition countries monitored by the EBRD. Between 1989 and 1999 the region received \$102 billion in net foreign direct investments, 52 percent of which went to three countries: Poland, Hungary and the Czech Republic.¹² The same countries featured strongly in an international assessment of "economic creativity": of 59 countries, Hungary was ranked 21st – above France and New Zealand; Poland was ranked 25th – above Korea and Austria; the Czech Republic was ranked 41st – close to Italy and above Argentina.¹³

The World Economic Forum's *Global Competitiveness Report* ranks countries according to the Forum's assessment of their "current competitiveness" and their "growth competitiveness" (potential for fast growth), with the latter in part a function of the index of economic creativity referred to above. The 2000 report included seven transition countries, and

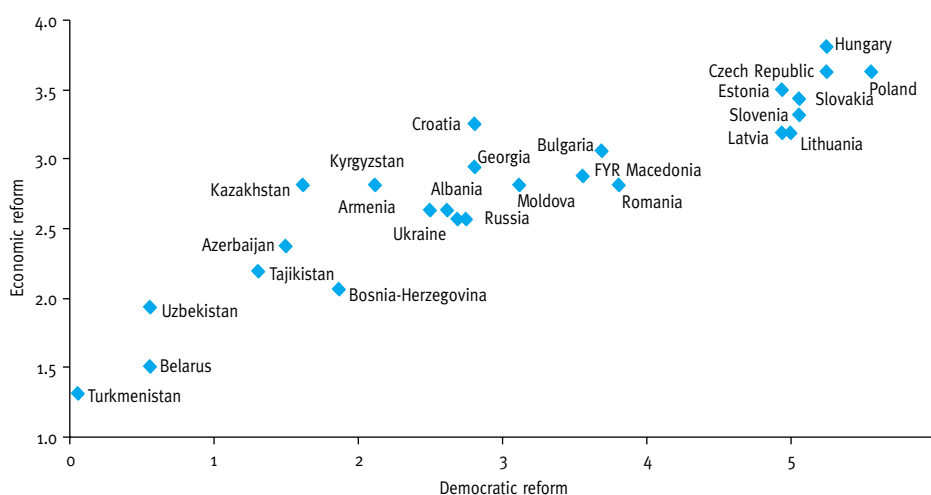


Figure 1.10

Progress in economic and democratic reforms, 2000

Sources: EBRD (2000), *Transition Report 2000*, London: EBRD; Freedom House (2000), *Nations in Transit 1999-2000*, Washington, DC: Freedom House.

Note: The index of economic reform is the unweighted average of the EBRD's scores for eight dimensions of the transition, including privatization, enterprise restructuring, price liberalization and banking reform. The index of democratic reform takes into account the political process, civil society, the independence of the media, and governance and public administration. Ratings from "1" (lowest) to "7" (highest) in each of these four areas are averaged by Freedom House to determine a final "democratization score", which is used here. The report and data are available at <www.freedomhouse.org/research/nitransit/2000/>.

Table 1.2 summarizes their rankings. (The top places in tables based on both criteria are occupied by a predictable selection of North American, European and Asian economies.)

The four Central European economies are relatively well placed on the criterion of current competitiveness. Hungary, for instance, is ranked higher than Greece; all four are higher than Mexico. The other three countries are towards the bottom of the table. In the ranking by growth competitiveness, three of the Central European economies do even better, with Hungary outstripping Spain, Korea and Italy.

These comparisons show that some advanced transition countries have been able to capitalize on their past achievements, in particular their strong education systems. The potential for skill-based, technology-driven economic growth – rather than one based on cheap, unskilled labour or relatively unprocessed raw materials – should be present for other countries as well.¹⁴

Public expenditures, governance and corruption

While private sector development is clearly essential, retaining a strong public sector is important. Figure 1.11

Table 1.2

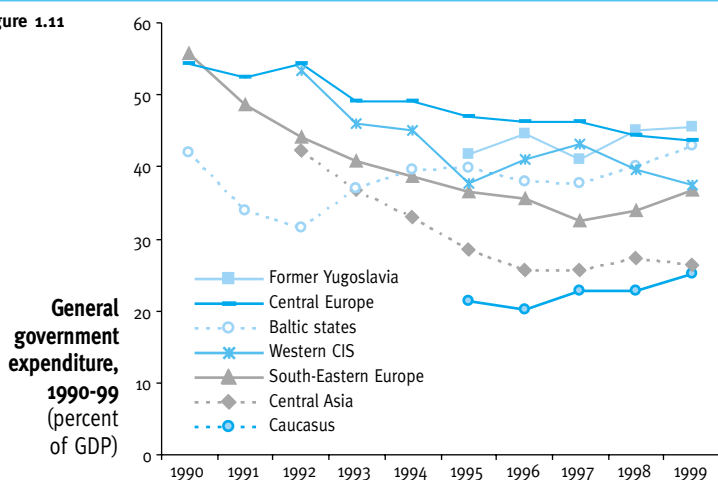
Rankings by current competitiveness and growth competitiveness, 2000

	Current competitiveness (out of 58 countries)	Growth competitiveness (out of 59 countries)
Hungary	32	26
Czech Republic	34	32
Poland	41	35
Slovakia	36	39
Russia	52	55
Ukraine	53	57
Bulgaria	54	58

Source: World Economic Forum (2000), *The Global Competitiveness Report 2000*, New York: Oxford University Press.

shows the change in the share of GDP spent by governments (combining figures for central and local government), one measure of the size of the public sector (although not necessarily of its strength). Since one of the purposes of the transition is to reduce the once pervasive role of the state, a decrease over the 1990s in government revenues and spending as a percentage of GDP is not surprising. However, in a number of countries, typically in the southern parts of the region, government spending shares are now at levels which impair the functioning of vital state institutions, especially if the big falls in GDP are also taken into account. For example, public expenditure on health and education in 1998 totalled less than 4 percent of GDP in both Armenia and Georgia.

Figure 1.11



Source: Statistical Annex, Table 10.4.

Note: Former Yugoslavia excludes FR Yugoslavia. 1999: estimate.

Although there have been rises in the size of the government sector in recent years in the Caucasus and Central Asia, basic social services have not necessarily benefited. Public sector expenditure on health in Kazakhstan, for example, fell from 4.2 percent of GDP in 1995 to 2.2 percent in 1999 despite a significant rise in the share of total government expenditure in GDP (from 20.8 to 24.4 percent). As later chapters make clear, improving the capability of the state to carry out its responsibilities in new ways in the new circumstances takes time, and reforms that promise long-term gains require sound financing.

In most countries, total public expenditures in fact fell less sharply in the 1990s than did tax revenues, highlighting a situation in which the state tries to carry out its functions with too few resources. In some cases a determined effort to raise more revenue is the appropriate response. In others, the solution is, firstly, to limit activity to tasks that the state can carry out more effectively than the private sector and, secondly, to increase efficiency – to do a better job with the available resources.

One aspect of greater efficiency in the state sector is better public “governance”: the way the state exercises its authority. This aspect of public sector performance is receiving growing attention in discussions of economic reform. The 1999 EBRD *Transition Report* devoted a chap-

ter to the topic. The quality of governance is important for both the equity and the efficiency with which the public sector supplies basic social services such as health and education, as well as for the development of the private sector. Measures of good governance appear to correlate well both with foreign direct investment and economic growth in the transition countries and, worldwide, with social progress.¹⁵

Corruption is one aspect of bad governance. The reduction in the size of the public sector has created many opportunities for corruption to flourish. The scale of transfers of public assets to private persons has been unprecedented, a process that has been under the control of officials who on occasion have abused their powers to make use of the opportunities presented. Other aspects of the development of the private sector have also been subject to regulation by public officials, again providing a potential source for corrupt earnings (for example, in return for granting export rights). Corruption can also extend to public education through the “sale” of exam marks or of places in desirable schools and universities. Informal payments for notionally free medical treatment is a corrupt practice in state health systems – Chapter 3 shows this to be a common problem in transition countries, and it is a burden borne with most difficulty by the poor. Educational and health outcomes may suffer as a result.¹⁶

The measurement of good governance, including the lack of corruption, is not straightforward. Assessments rely in part on questionnaires to entrepreneurs and businessmen that cover subjects such as political stability, property rights, the predictability of rules, judiciary reliability and more direct questions on corruption in government.¹⁷

These surveys tend to show the transition countries performing worse than the international average. For example, this is the case with Transparency International’s 2001 Corruption Perceptions Index, which covers 91 countries, including 17 in Central and Eastern Europe and the CIS. Higher values of the index denote less corruption, with 10 the maximum score possible. The 17 transition countries averaged a score of 3.6, compared to the average for all countries of 4.8. Only three – Estonia, Hungary and Slovenia – scored between 5 and 6, still well below the EU average of 8.

Both an absence of corruption and good governance in broader terms can be expected to correlate positively with the level of economic development. Some studies find that the difference in corruption and governance between the transition countries and richer countries tends to disappear once GDP is held constant, implying that the transition countries are no worse than countries at the same level of national income. However, this is only the case for the more economically advanced countries; CIS countries appear still to perform somewhat worse than countries at the same income level.¹⁸

How is corruption linked to overall human development, including education and health? Figure 1.12 plots

values of the 2001 Corruption Perceptions Index against the 1999 UNDP Human Development Index scores (higher values on the former indicate less corruption). In the main, the transition countries do somewhat more poorly than other countries at the same level of development. Given their comparatively strong social records, one would expect corruption to be lower than it is in these countries.

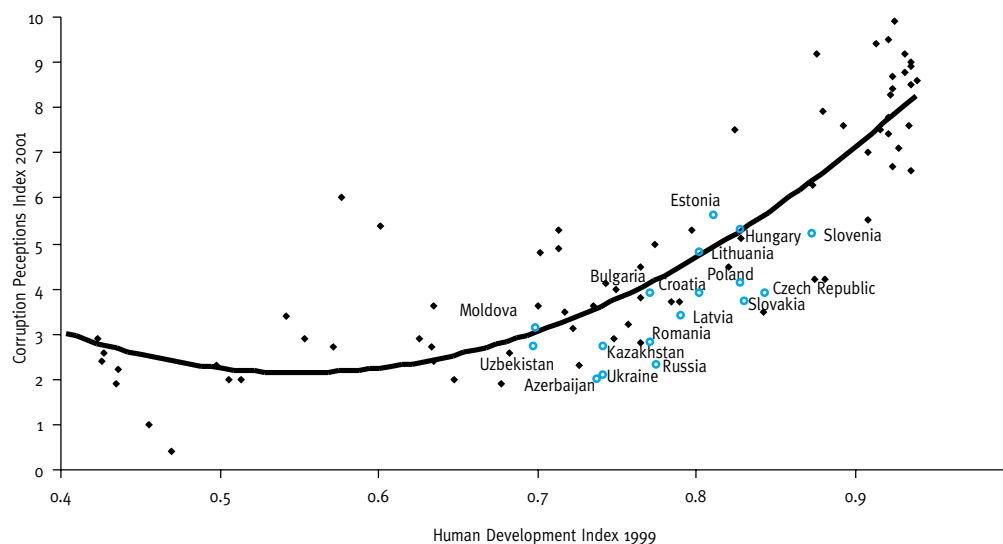


Figure 1.12

Human development and lack of corruption in 91 countries

Sources: www.transparency.org (2001 values); see Figure 1.3.

Note: Higher values of the corruption perceptions index imply lower levels of corruption. The line on the diagram represents the regression of the corruption perceptions index on the HDI and its square.

Perceptions of inequality and of reward

The transition has opened the way for people to contribute to a society of their own making. How do people view the impact of the transition on their lives, and what sort of society do they want the transition to lead to?

Table 1.3 presents evidence on one aspect, people's attitudes to inequality and social justice. It draws on the 1999 round of the International Social Survey Programme, which included seven Central and Eastern European countries: three from Central Europe and one each from South-Eastern Europe, former Yugoslavia, the Baltic states, and

the western CIS. Results are given in the form of the averages for these seven countries and are compared with the averages for 12 advanced OECD countries.

There are striking disparities in the answers given to two questions on income differences. On average, almost two-thirds of the people from Central and Eastern Europe considered the differences between people in income to be too large in their countries, almost double the figure for the Western countries. Likewise, almost twice as many people in the transition countries strongly agreed with the statement that the government should reduce income inequality. The actual levels of income inequality and the

Table 1.3

Attitudes to inequality and justice in transition and market economies

	CEE (%)	OECD (%)	Difference
Income differences			
1. Differences in income are too large in your country? ("strongly agree")	64	35	+29
2. It is the responsibility of government to reduce differences in incomes between people with high and low incomes ("strongly agree")	47	26	+21
What does determine advantage?			
3. In your country people get rewarded for their effort? ("disagree" or "strongly disagree")	69	32	+37
4. In your country people get rewarded for their intelligence and skills? ("disagree" or "strongly disagree")	58	24	+34
5. To get all the way to the top in your country you have to be corrupt? ("agree" or "strongly agree")	51	29	+22
6. How important to getting ahead is coming from a wealthy family? ("essential" or "very important")	40	23	+17
7. How important to getting ahead is knowing the right people? ("essential" or "very important")	59	49	+10
What should determine advantage?			
8. It's just to be able to buy better education for children if you have higher income? ("very unjust")	44	40	+4
9. It's just to be able to buy better health care if you have higher income? ("very unjust")	40	42	-2
10. How well the job is done is important for determining pay? ("essential" or "very important")	80	83	-3
11. Responsibility with the job is important for determining pay? ("essential" or "very important")	75	78	-3
12. Whether job requires supervising others is important for determining pay? ("essential" or "very important")	51	49	+2
13. Whether the person has children to support is important for determining pay? ("essential" or "very important")	46	42	+4
14. Number of years spent in education is important for determining pay? ("essential" or "very important")	56	50	+6

Source: Redmond, G., S. V. Schnepf and M. Suhrcke (2001), "Attitudes to Inequality after Ten Years of Transition", *Innocenti Working Papers*, No. 88.

Note: Central and Eastern European countries (CEE): Bulgaria, Czech Republic, Hungary, Latvia, Poland, Russia and Slovenia. OECD countries: Austria, Canada, France, Germany, UK, Japan, Netherlands, New Zealand, Norway, Portugal, Sweden and Switzerland. Samples included about 1,000 adults in each country. Figures refer to unweighted mean values.

increases that occurred during the 1990s are discussed in Chapter 2.

These large differences typically continue in the answers to the questions on what people believe actually *does* determine income and other aspects of advantage in their country. People in the transition countries regard their societies as much less meritocratic than do citizens of Western countries: the majority believe that individuals are rewarded not for their efforts or their intelligence and skills, but for other attributes, including being corrupt and knowing the right people.

However, the responses to the questions on what people think *should* determine pay and access to education and health services suggest that, on average, people in the transition countries and in the established market economies share the same values. For example, there are only small differences in opinion on whether people with higher income should be able to buy better education for their

children and better health care. In both sets of countries, around half of the people interviewed thought that years spent in education should be important in determining pay, and about three-quarters thought degree of responsibility a very relevant factor. Around 40-45 percent agree that family responsibilities should be an important factor.

The evidence in the table presents policy-makers in these transition countries with a challenge. Broadly speaking, people support the notion that incomes should be determined by factors relevant to the working of market forces – ability to perform on the job, responsibility and education, although the evidence also shows that many people see a person's family needs as important, too, as in Western countries. However, a lot of people in Central and Eastern Europe believe that, in reality, many differences in income do not reflect merit, and they are very concerned about the extent of inequality in their societies. ■

1.4 Demographic Change and Family Formation

In early 2000, there were 410 million people living in the 27 countries of Central and Eastern Europe and the CIS – see Table 1.4. This was the same number as at the beginning of the decade, which might seem to imply that little alteration had occurred in the 1990s in the region's demographic make-up. But nothing could be further from the truth: the decade saw huge changes in various aspects of the transition countries' populations. The discussion of Table 1.1 has already mentioned the large fall in births, for example, and the table also shows the large changes in population in some countries. This section describes in more detail some of the changes that have taken place, focusing on fertility and marriage.

The shifts in demographic behaviour reflect a range of different factors – lower incomes, uncertainty about the future, a more open and permissive society and so on. Several are directly relevant for the discussion of topics in later chapters. Many reflect the changing nature of the fam-

ily – the institution with the greatest and most immediate impact on child development.

Plunging numbers of births

The total number of children at the start of 2000, nearly 108 million, is about 14 million fewer than the number in 1989. The share of children in the region's population has fallen from about 30 percent to 26 percent. The figure is, however, much higher in the Caucasus and in Central Asia. Central Asia continues to be rich in children: over 40 percent of the population there is aged under 18.

The 14 million fewer children represent an average fall of 13 percent, but the picture varies greatly across the region: 18 percent fewer children in Central Europe, but 8 percent more in Central Asia, where, except in Kazakhstan, population numbers have continued to grow. These figures mask far bigger changes in the numbers of children born since 1989. This is brought out by Figure 1.13, which shows the change in each country between 1989 and 2000 in the total child population and in the numbers of young children, defined here as those children below age 5.

The total child population has dropped in all but six countries: Albania, Azerbaijan and four of the Central Asian countries. The young child population, however, has fallen in every country. The average fall is 31 percent – nearly a third. In 10 countries, seven of them in the CIS, the reduction exceeds 40 percent.

Figure 1.14 sheds further light on the issue by showing changes in the total fertility rate: the expected number of births a woman will have in her lifetime given prevailing age-specific birth rates. In the main, fertility was still falling at the end of the decade: only Bulgaria, Estonia,

Table 1.4

Total and child populations, January 2000

	Total population (1,000s)	Child population, aged 0-17 (1,000s)	Children in total population (%)
Central Europe	64,370	15,160	24
Former Yugoslavia	22,960	5,600	24
South-Eastern Europe	34,040	8,020	24
Baltic states	7,560	1,770	23
Western CIS	208,680	48,520	23
Caucasus	16,920	5,460	32
Central Asia	55,260	23,190	42
Total	409,790	107,720	26

Source: Statistical Annex, Tables 1.1 and 1.2.

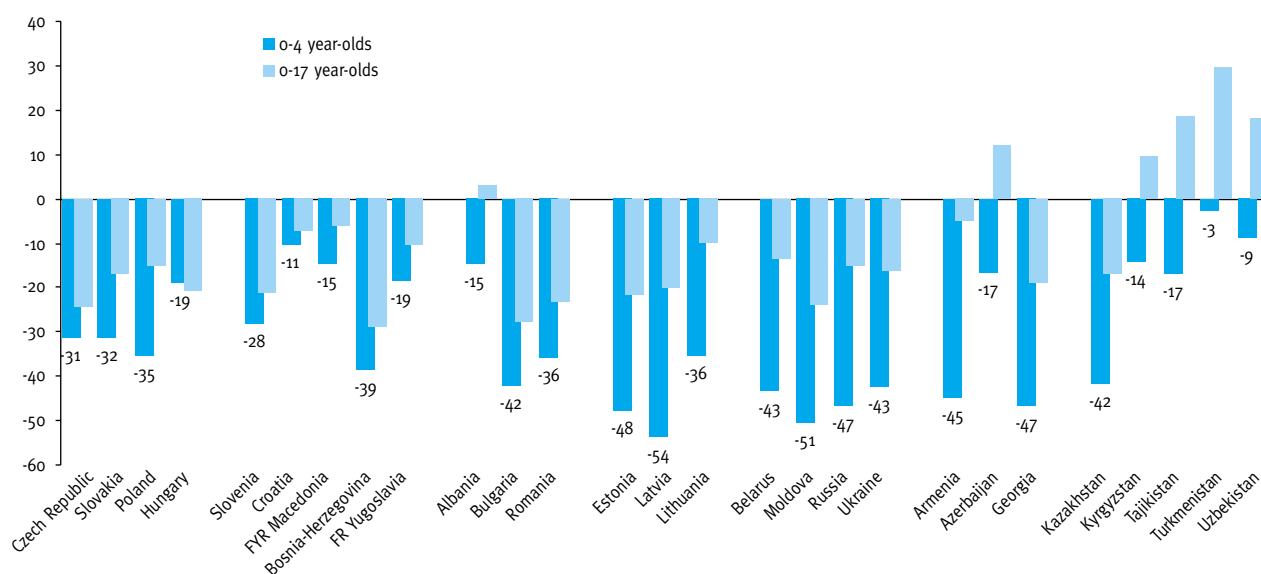


Figure 1.13

Changes in the child population, 1989-2000 (percent)

Source: Statistical Annex, Tables 1.2 and 1.3.

Latvia and Belarus experienced a rise between 1998 and 1999. With the exception of Central Asia, by the end of the 1990s all sub-regions had fertility levels below the value needed to keep the population constant over the long term. (There is no series included for former Yugoslavia.) At the start of the decade, only Central Europe had been clearly in this position.

The decline in fertility in Central Asia is much bigger than is suggested by Figure 1.13. The number of births in the 1990s that lies behind the earlier graph is swollen by the significant increase in the number of young women in Central Asia during the decade. It may also be the case

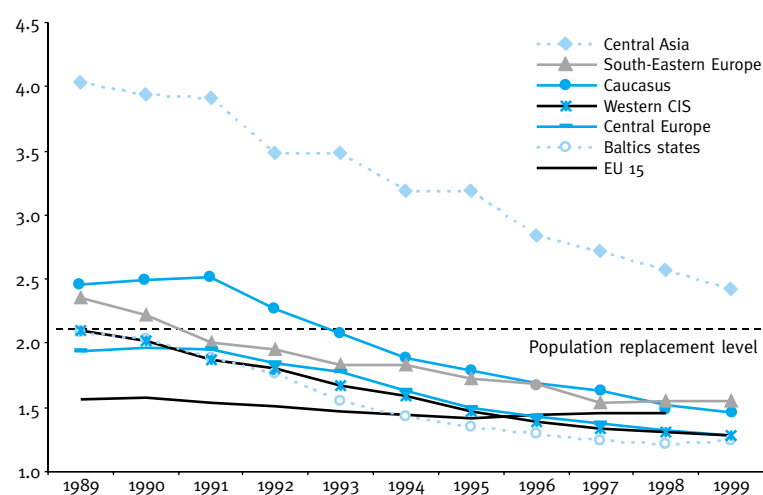


Figure 1.14

Total fertility rates, 1989-99 (births per woman)

Sources: Statistical Annex, Table 2.9; Eurostat (1999), op. cit.: see Figure 1.5.

Note: Unweighted averages (weighted in the case of the EU). 1989 value set to that in 1990 for Uzbekistan. 1999 value set to that in 1998 for Russia. 1993 value for Georgia set to the average of 1992 and 1994 values.

Box 1.4

Birth registration: are all children included on the nation's books?

Registration at birth is confirmed as a human right by Article 7 of the UN Convention on the Rights of the Child. Among other things, birth registration increases the probability that a child will benefit from a range of basic social services that further child development.

Registration systems in the transition countries are considered quite thorough. However, recent surveys have highlighted possible gaps in birth registration in several countries in the southern belt of the region. The problem is linked to poverty, shrinking state revenues and the fact that more births are taking place at home. Fees charged for birth registration may discourage poor families from registering their new children.

Table 1.5 shows the fees parents must pay in some countries of the Caucasus and Central Asia as a percent of the monthly wage. Fees are strikingly high in Tajikistan and significant in Georgia. Costs of registering a birth appear negligible in Kazakhstan, but anecdotal evidence

indicates substantial regional variation (from 200 to 500 tenges, compared to the official fee of 98 tenges).

The results of the high fees relative to wages show up in the available data. In Tajikistan, a UNICEF survey conducted in 2000 found that the births of only 75 percent of children under age 5 had been included in the civil registers. This would imply that about 190,000 children are missing. In Georgia in 2000, the number of births recorded at civil registration offices was only 87 percent of the births in Ministry of Health records, although, as in other countries with this problem, registration may eventually take place.¹⁹

Table 1.5
Birth registration fees as a percent of average monthly wages, 1999

Azerbaijan	3.1
Georgia	10.4
Kazakhstan	0.9
Kyrgyzstan	3.7
Tajikistan	53.2

Sources: CIS Stat (2000), *Official Statistics of the Commonwealth of Independent States*, Moscow: Interstate Statistical Committee of the Commonwealth of Independent States, -CD Rom-; UNICEF field offices.

Note: Figures calculated from information on birth registration fees and monthly wages.

that recording problems contribute to the falling measured fertility rate in this part of the region, although this can only be a very small part of the explanation for the five Central Asian countries as a whole: as Box 1.4 describes, the births of some children may not be registered.

The low levels of fertility in many countries have gained considerable attention in the press and other mass media. This is true in Russia, for example, where, alongside the decline in fertility, there has been a striking fall in life expectancy as well, as noted earlier. The combination has prompted speculation about the future course of the Russian population. Despite immigration from other CIS countries, a continuing fall in total population is anticipated. Figure 1.15 shows three population projections for Russia up to 2015 that have been taken from different sources; the national estimate puts forward the most dramatic scenario, a decline of over 7 percent.

Do the falls in fertility represent a demographic “crisis”, a crisis brought on by the economic and social transition in the 1990s? The falls, after all, are far bigger than those in the EU over the 1990s, as Figure 1.14 also shows. Several points can be made.

First, falling fertility in the region in part merely rep-

resents a continuation of earlier trends in fertility rates being experienced by many industrialized countries (notwithstanding the comment above about the EU's experience in the 1990s). Figure 1.16 shows trends over the last three decades of the 20th century for the Czech Republic and Uzbekistan. The former currently has the lowest fertility rate in the region, together with Georgia, Latvia and Armenia, while the latter has the highest rate. For comparison, data are included for the two countries that represent the extremes of the current range in fertility rates in the OECD: Spain and Turkey.²⁰

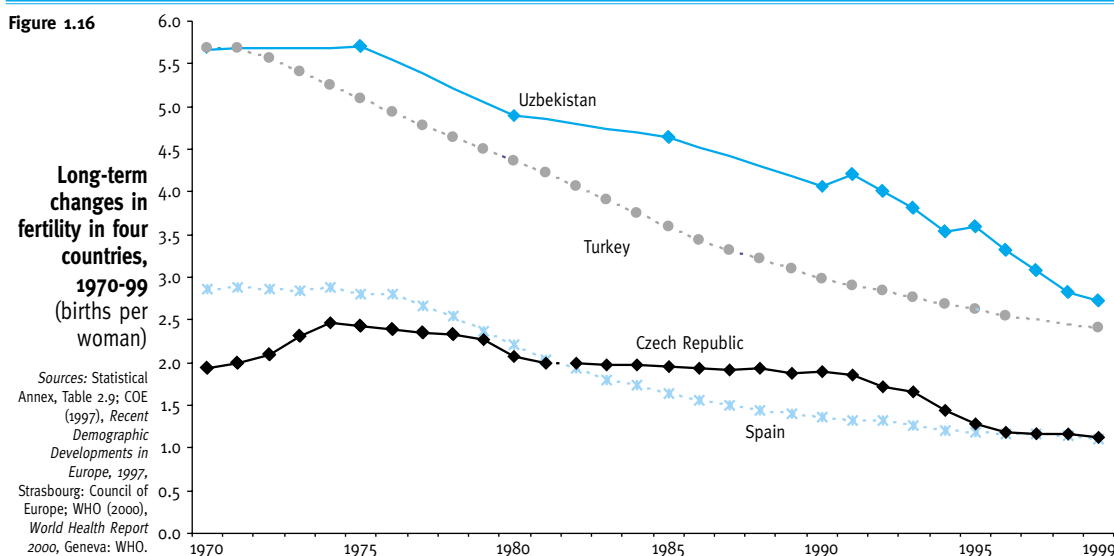
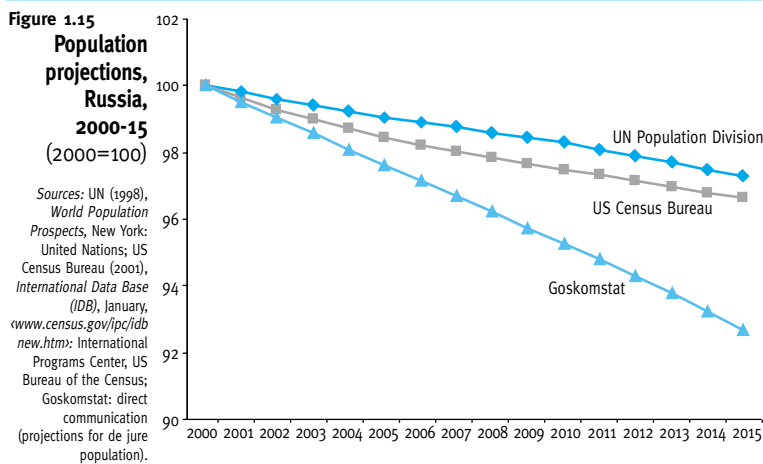
The 1990s do appear to have been a departure from the trend for the two transition countries. Had the average decline over 1970-89 continued into the 1990s, the total fertility rate in Uzbekistan in 1999 would have been about 3.5 rather than 2.7. The Czech Republic had a sharp downwards shift in the first half of the decade at the time the country's economy was going through its worst period since the end of central planning.

On the other hand, the changes over the last quarter-century in the two countries are not that dissimilar to those in Spain and Turkey. This might suggest that the 1990s have merely speeded the long-term reduction to the level of other industrialized countries. However, it is the case that fertility in many transition countries is now quite low compared to a broader international yardstick. The average fertility rate in the 10 EU-applicant countries, for example, was 1.26 in 1999, compared to the figure in 1998 for the EU of 1.45 shown in Figure 1.14.

Second, some researchers have maintained that the changes in the 1990s in Central and Eastern Europe and the CIS in part reflect a decision by many young women to postpone having children, especially a second child, rather than a permanent reduction in fertility level.²¹ On this argument, fertility will recover to some extent, as steady economic growth continues, when those female cohorts who were in their early 20s at the start of the transition approach the end of their childbearing age.

Third, a fall in fertility is not necessarily a bad thing, calling into question the use of the word “crisis” to describe what has taken place. There are arguments both ways, and more research is needed to investigate the implications for the transition countries.

On the one hand, it is true that a lower birth rate will in time lead to an ageing population and that the proportion of people of working age will decline. This has various implications. For example, it makes



harder the financing of pay-as-you-go pension systems in which today's pensions are paid for by today's contributions, as is the case with many social insurance systems. And private savings may fall, to the extent that the elderly save less. The OECD countries have long faced these challenges which the transition countries will have to confront.²²

On the other hand, a fall in fertility is typically seen in a positive light in the discussion of living standards in countries at lower levels of development than most of the transition countries, with theories predicting an increase in economic growth as a result.²³ In all but three of the transition countries, there has been a fall in the teenage birth rate, and it is hard to label this as anything other than a good thing (see the second row in Table 1.1). And if families are smaller, children may benefit more from existing state services, and each child may receive more attention from his or her parents.

The changing notion of the family

In Western industrialized countries, growing rates of female education and labour force participation have been accompanied in recent decades by changing patterns of family formation and reproductive behaviour. Known as the "second demographic transition", the new patterns are characterized by later age at first marriage and childbirth and a diversification in family forms, including more single parents and cohabiting couples.²⁴

As noted earlier, women in the transition countries had good access to education and employment, and, up to 1990, their labour force participation was comparable to or even higher than that of women in most Western economies. But they were entering marriage at a relatively young age. In 1989, the region-wide average age of first marriage, 22.5 years, was closer to that in Greece or Turkey, which exhibited much lower female labour force participation rates, rather than to that in France or Sweden, which showed comparable levels of female education and employment. However, unlike the situation in more traditional societies, not only marriage rates, but also divorce rates were relatively high. The region-wide rate of divorce was 2 per 1,000 persons of all ages in 1989, close to that in France and Sweden and four times that in Greece or Turkey.

What changes have the transition brought since 1989?

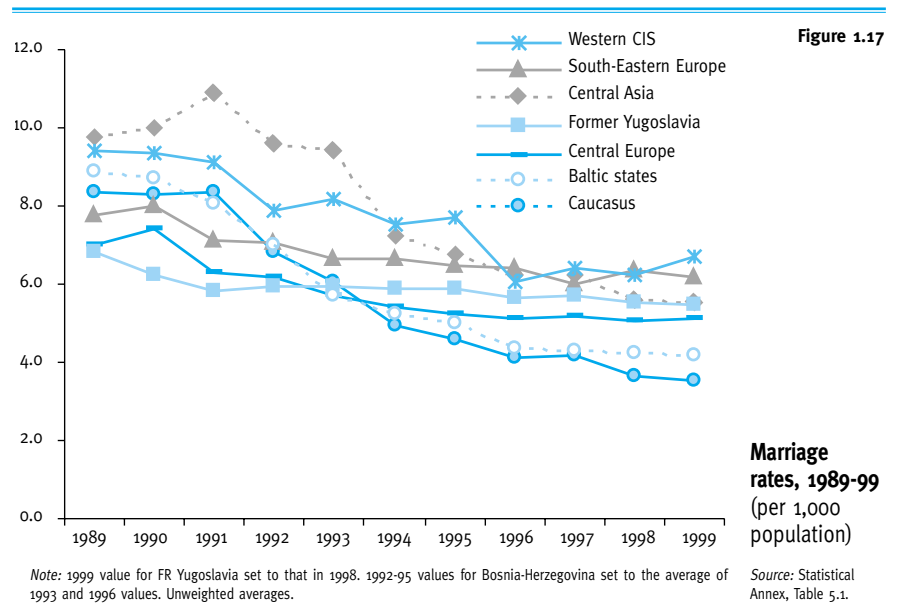
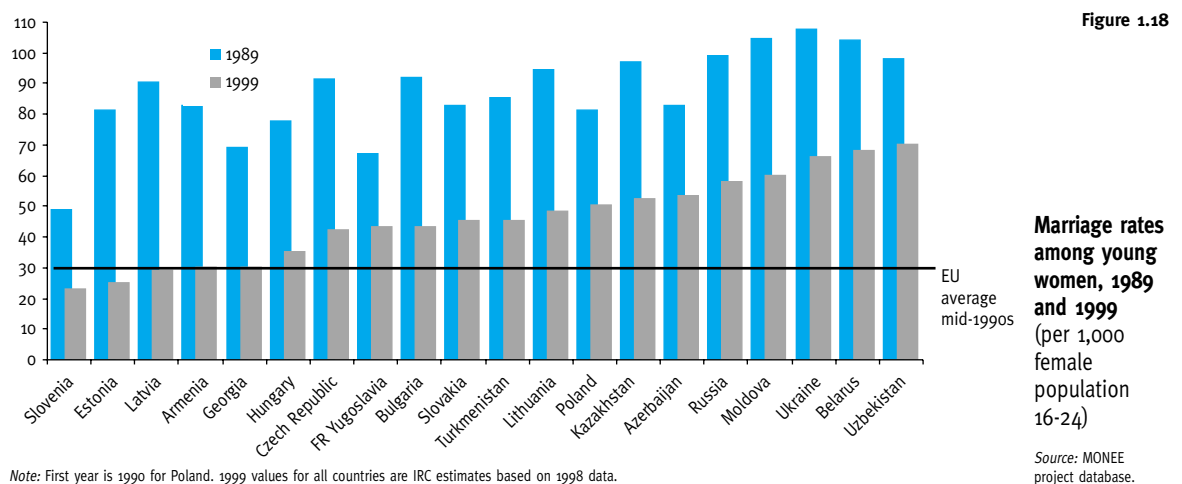


Figure 1.17 shows the massive decline in marriage rates over the 1990s – by 34 percent, on average, and by over 50 percent in the Baltic states and the Caucasus. There is little sign of any recovery at the end of the decade, although all four western CIS countries registered rises in 1999.

These changes were mostly driven by the decisions of young people. Figure 1.18 shows marriage rates among women aged 16-24 in 20 countries in 1989 and 1999, together with the EU average in the mid-1990s of 30 per 1,000. The countries are ranked on the 1999 rate. Despite the sharp fall in marriage among young women during the 1990s, the rates in most countries at the end of the decade were still substantially above the EU average: 14 out of 20 had rates of over 40.

Interestingly, in many countries the sharp fall in marriage has not been accompanied by a significant rise in the average age of marriage among those who do marry. Of the 24 countries for which information on average age at first marriage is available for women for 1999 (or in one case 1998), 14 countries registered a rise after 1989 of less than one year (see Statistical Annex, Table 5.2). No CIS coun-



try saw an increase over the decade; Uzbekistan even recorded a fall, as did all members of the CIS over 1989-95. This combination of much lower marriage rates and little change in average age of marriage suggests either that postponement of marriage is continuing, or that many people are renouncing marriage altogether.²⁵

What are the implications of these changes? For some young people, especially women, postponement of marriage means more opportunities to study and to establish a career. For others, it may merely reflect a desire for a different life in line with a greater feeling of freedom in the new societies since transition. Less marriage means more people choosing to remain single or to form partnerships outside of marriage. However, lower marriage rates may also be due to less positive factors: unemployment and a concern about future prospects. The result may be more years spent living in the parental home.

A fall in marriage has contributed to the changes in birth rates described earlier, but also to a rise in the share of births that take place outside marriage. Figure 1.19 shows the latter. On average, 11 percent of children were born out of marriage in 1989, while by 1999 this had doubled to 22 percent. The graph shows that there has been a region-wide change, with no indication that a peak has been reached. The largest rise has come in the Baltic states. A third or more of children are now born out of wedlock in Slovenia, Bulgaria, Estonia, Latvia and Georgia. The list of countries in which a quarter of children are born to unmarried mothers includes another four nations: Hungary, Russia, Armenia and Kyrgyzstan.

These are huge changes, but the EU trend, also given in the graph, suggests that Central and Eastern Europe and the CIS are, to some extent, simply moving with the times. The rise has been much sharper in most of the transition countries, but much of the region, including Central Europe, is still below the EU level. Even the two highest shares of births out of marriage at the end of the decade, 54 percent in Estonia and 39 percent in Latvia, can be found mirrored around the Baltic Sea: 55 percent in Sweden and 37 percent in Finland. However, the EU does not represent an appropriate demographic benchmark for all of the transition region, and the shares of births out of wedlock in several of the countries in the Caucasus and Central Asia do seem striking.

Many parents of these children born out of wedlock will later marry or will cohabit indefinitely. It would therefore be quite wrong to label the rise in the share of births that are to unmarried mothers as a necessarily negative aspect of the transition. Nevertheless, it is likely that lone parenthood is now more common than before, and in a small minority of cases children born to unmarried mothers will end up in public care (see Chapter 5). This may be more likely when the mother is a teenager. Statistical Annex, Table 2.7 shows that the share of births outside marriage that are to teenagers has climbed to nearly 50 percent, on average, over the region, notwithstanding the fall in overall teen birth rates referred to earlier. (This may be compared to a figure of a third in the EU.) The number of births to unmarried teenage mothers was in fact higher in 1999 than in 1989 in 18 of the 23 countries for which information is available.

At the very least the rise in the share of births outside marriage reflects a loosening of the formal structure of societies in the region. This needs to be reflected in legislation on custody, maintenance, inheritance and family benefits to ensure that children born out of wedlock are ensured equal treatment.

Obviously, people who do not marry do not end up in the divorce statistics if they separate.

Figure 1.19

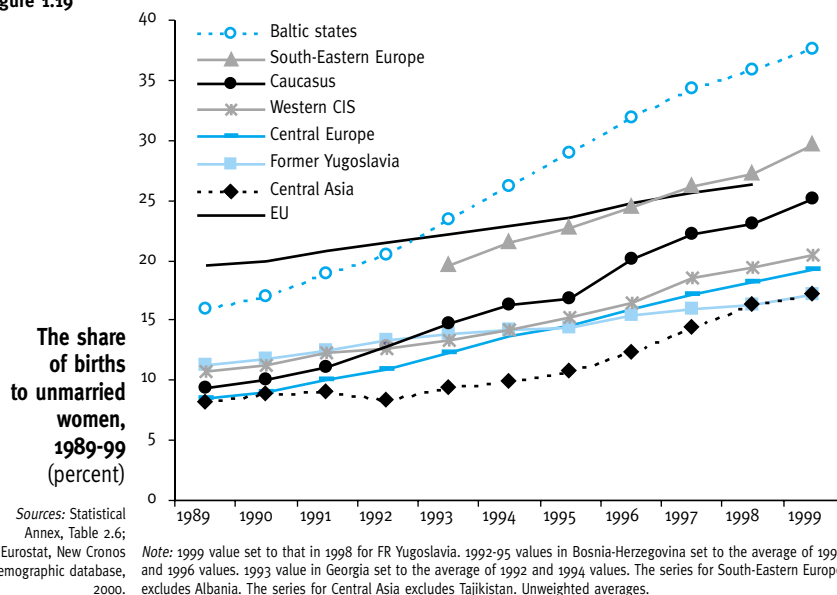
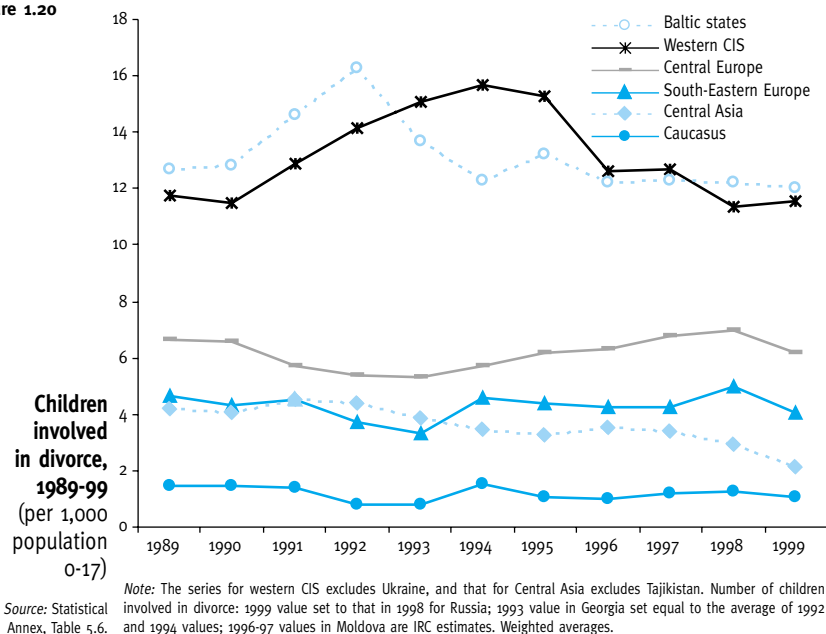


Figure 1.20



Hence when cohabitation increases, the incidence of divorce may fall. However, the ratio of divorces to new marriages has in general increased, suggesting that the probability that a marriage will lead to divorce has typically risen. (The Caucasus and parts of Central Asia are exceptions to this trend – see Statistical Annex, Table 5.5).

Figure 1.20 investigates the number of children newly affected by divorce by showing the percentage of all children who have parents who divorce during the year. Pre-transition, children in the western CIS and the Baltic states faced a much higher risk of their parents divorcing than did children in Central or South-Eastern Europe and a risk some eight to nine times higher than that in Central Asia. An annual rate of 12 per 1,000 implies that one child in every five will see his or her parents divorce by the time he or she reaches adulthood.

The trends in the sub-regions differ over the 1990s.

In the Baltic and western CIS countries, more parents were separating following the outset of economic and political reforms, and this affected an increasing number of children. The initial big rise in family break-up in these countries may have resulted from an interplay of many factors, including social stress, changes in life styles and values and newly streamlined divorce procedures.

The pattern seen in the other sub-regions – an initial fall followed by rises or a steady trend – is perhaps more in line with the behaviour one might expect during periods of falling employment and incomes. One hypothesis is that, by pulling together, families can offset the negative impacts of macroeconomic stabilization, but, because families lack access to adequate services and structures to support themselves, the related stress eventually takes its toll in the form of divorce.

1.5 Conclusions

Most of the findings of this Report are in the chapters that follow. But four main conclusions emerge from the introduction given in this chapter.

First, current economic trends and progress in economic reform imply that the next 10 years should see significant growth in national income in Central and Eastern Europe and the CIS, albeit with marked differences in extent from country to country. This is a much more favourable environment in which to achieve social progress than were the conditions that typified much of the past decade. But harnessing that growth for everyone's benefit is a challenge that will need to be confronted if it is to help reverse the setbacks in many dimensions of living standards that took place in the 1990s.

Second, there is great variation across the region in economic and institutional capacity and hence in what the state can achieve in its contribution to promote human development, alongside that of the private sector. Poorer countries may want to pay particular attention to ensuring access to basic social services. At the other end of the spectrum, many richer countries are making efforts to harmonize their institutions in line with the requirements for entry to

the European Union, but, as the rest of the Report shows, there is also much to do in these countries to make public sectors more efficient and more pro-poor. Promoting good governance seems an important issue in most of the region both for further economic growth and for further social progress.

Third, major shifts in patterns of marriage and fertility illustrate that the nature of the family is changing. This partly reflects coping strategies and partly shows the influence of new opportunities. Public policies need to recognize the growing incidence of diverse family forms and to adjust community support and child protection strategies to the new realities.

Fourth, the large fall in the number of young children right across the region provides a window of opportunity in fiscal terms to secure better prospects for teenagers and young people in the coming years. The costs of investing in younger generations are not directly proportional to these generations' sizes, but a sharp reduction in births means that there is no excuse for inadequate investment in education, health and the other services vital to both individual and societal development.

Notes and references

1. The earlier work includes Streeten, P. and S. Burki (1978), "Basic Needs: Some Issues", *World Development*, No. 6, and Sen, A. (1987), *The Standard of Living*, Cambridge, UK: Cambridge University Press.
2. *Human Development Report 2001* discusses the contribution of new technology to human development. For more on the complementary nature of human development and human rights perspectives, see the discussion in the 2000 report.
3. Of particular interest for the countries discussed in this report is the Berlin Commitment made by 51 countries across Europe and Central Asia in the preparatory process for the UN Special Session. See <www.unicef.org/newsline/01pr47.htm> and <www.unicef.at/commitment.pdf>.
4. *Provisional Statistics on Refugees and Others of Concern to UNHCR for the Year 2000*: see <www.unhcr.ch/statist/2000/provisional/tab01.pdf>.
5. The sources for this box are Zouev, A. (ed.) (1999), *Generation in Jeopardy: Children in Central and Eastern Europe and the Former Soviet Union*, New York: M. E. Sharpe; the UNDP website on the Ferghana Valley Development Programme,

- <www.ferghana.elcat.kg>; the USAID website, <www.usaid.gov/pubs/cp2000/eni/tajikist.html>; UNDP (1999), *Tajikistan Human Development Report, 1999*, Dushanbe, Tajikistan: UN Development Programme; the UNICEF 2000 Annual Reports for Russia, Ukraine and Belarus, the Federal Republic of Yugoslavia; the UNHCR website, <www.unhcr.ch>, 27 June 2001.
6. The Council of Europe is an intergovernmental organization which aims to protect human rights, pluralist democracy and the rule of law and to seek solutions to problems facing European society (discrimination against minorities, xenophobia, intolerance, environmental degradation, Aids, drugs, organized crime and so on). See <www.coe.int/>.
 7. Drèze and Sen note that in Chile, due to the targeted nature of public provision under the Pinochet regime, the positive effect on infant survival cannot be seen as representative of broader socioeconomic development as in other countries. See pages 238-39 in Drèze, J. and A. Sen (1989), *Hunger and Public Action*, Oxford: Clarendon Press.
 8. *Regional Monitoring Reports*, Nos 1 to 4 contained an analogous table in which the interpretation of a welfare indicator was much less strict.
 9. The determinants of the different changes in output are summarized in Falcetti, E., M. Raiser and P. Sanfey (2000), "Defying the Odds: Initial Conditions, Reforms and Growth in the First Decade of Transition", *Working Paper Series*, No. 55, London: EBRD.
 10. See Kaufman, D. and A. Kaliberda (1996), "Integrating the Unofficial Economy into the Dynamics of Post-Socialist Economies: A Framework of Analysis and Evidence", *World Bank Policy Research Working Papers*, No. 1,691.
 11. Table 2.1, EBRD (2000), *Transition Report 2000*, London: EBRD.
 12. Table A.3.9, EBRD (2000), op. cit.
 13. The Economic Creativity Index is described at <www.cid.harvard.edu/cidspecialreports/gcr_2000.htm>.
 14. See the discussion in Annex 9.1, EBRD (1999), *Transition Report 1999*, London: EBRD, and Chapter 6, EBRD (2000), op. cit.
 15. See Brunetti, A., G. Kisunko and B. Weder (1997), "Institutions in Transition: Reliability of Rules and Economic Performance in Former Socialist Countries", *World Bank Policy Research Working Papers*, No. 1,809; Thomas, V. et al. (2000), *The Quality of Growth*, New York: Oxford University Press.
 16. A cross-country analysis of 128 countries found that, holding other factors constant, infant mortality in countries with a high degree of corruption could be twice as high as it is in countries with a low degree of corruption and that dropout rates from schools could be five times as high. See Gupta, S., H. Davoodi and E. Tiongson (2000), "Corruption and the Provision of Health Care and Education Services", *IMF Working Papers*, No. 116, forthcoming in Jain, A. K. (ed.), *The Political Economy of Corruption*, London: Routledge.
 17. See, for example, <www.worldbank.org/wbi/governance>.
 18. See Gros, D. and M. Suhrcke (2000), "Ten Years After: What is Special about Transition Economies?", *EBRD Working Papers*, No. 56 (August); Weder, B. (2001), "Institutional Reform in Transition Economies: How Far have They Come?", Basel, Switzerland: University of Basel.
 19. UNICEF MICS survey for Tajikistan (see <www.childinfo.org/index2.htm>) and MONEE project country report, Georgia.
 20. The rate in Turkey of 2.5 is actually exceeded in the relatively recent OECD member, Mexico (2.8).
 21. See, for example, Philipov, D. and H.-P. Kohler (1999), "Tempo Effects in Fertility Decline in Eastern Europe: Evidence from Bulgaria, the Czech Republic, Hungary, Poland and Russia", Rostock, Germany: Max-Planck Institute for Demographic Research.
 22. See OECD (1996), *Ageing in OECD Countries: A Critical Policy Challenge*, Paris: OECD.
 23. See Erlich, I. and F. T. Lui (1997), "The Problem of Population and Growth: A Review of the Literature from Malthus to Contemporary Models of Endogenous Population and Endogenous Growth", *Journal of Dynamics and Control*, Vol. 21, No. 1, pages 205-42; Ahituv, A. (2001), "Be Fruitful or Multiply: On the Interplay between Fertility and Economic Development", *Journal of Population Economics*, Vol. 14, No. 1, pages 51-71.
 24. By contrast, the "first demographic transition" refers to the simultaneous decline in fertility and infant mortality during the stage of economic development that sees rapid industrialization.
 25. In Kyrgyzstan, the postponement of the civil registration of Muslim-law marriages until childbirth has apparently become common (MONEE project country report, Kyrgyzstan).