

Executive Summary



This Report focuses on the 410 million people who live in the 27 countries of Central and Eastern Europe and the Commonwealth of Independent States (CIS). It looks at trends in their well-being between 1989 and 1999: a decade of transition that closed their countries' prolonged experiment with communism and that opened new perspectives to development. The Report looks at household incomes, health, education and children in public care, in each case analysing the changes in outcomes during the 1990s and the policies affecting these outcomes.

Chapter 1: Changing Societies

The Report starts by considering the twin goals that have shaped the region since 1989: to create democratic societies in which human rights flourish – including economic, social and cultural rights – and to move economic organization from a planned to a market system. These goals have been pursued by many newly independent countries: only five nations from 1989 remain intact today. The birth of most of the 22 new states has been peaceful, but ethnic conflict and war have occurred in more than a third of the region's countries. At the end of 2000, 2.2 million people were registered as internally displaced within their own countries, and almost a million as refugees elsewhere.

- Many countries have made substantial progress in economic reform. By 2000 more than half of the region's output was being produced in the private sector. The great majority of economies were growing. However, at the end of the 1990s the national income per head of only three countries had surpassed its 1989 level; on average, it was still 30 percent down.
- Eight out of 20 key social indicators show progress between 1989 and 1999 in the majority of countries: infant mortality, adolescent birth, abortion, higher education enrolment, maternal mortality, youth mortality and life expectancy for both men and women. But in 17 of the 27 countries the majority of indicators ended the 1990s registering setbacks. Upper secondary enrolment rates rose in only eight countries, and the percentage of 0-3 year-olds in infant homes fell in only six.
- There have been huge demographic shifts. The total number of children in the region – 108 million – is about 13 percent fewer than in 1989. The number of children aged under 5 fell by over a third, from 36 million to 23 million. This was due to a sharp drop in births. Marriage rates also fell by a third on average,

and the average share of children born out of wedlock doubled, from 11 percent to 22 percent.

- Four conclusions are drawn from the economic and demographic trends reviewed in the chapter as a background for the rest of the Report. First, the region's economies have in general turned the corner, and growth in the years ahead will need to be harnessed to the benefit of all. Second, countries across the region can do much to make their public sectors more efficient and “pro-poor”. Third, public policies need to recognize the changing nature of the family. Fourth, the huge fall in births means that there is no excuse for inadequate investment in younger generations.

Chapter 2: Income Inequality and Child Poverty

Transition has led to changes in the distribution of income, as well as in average incomes. In the late 1980s, a rich person had an income that was typically about three to three and a half times that of a poor person (defined, respectively, as someone 10 percent down from the top of the income distribution and someone 10 percent up from the bottom). At the end of the 1990s this ratio was as big as eight to ten in several countries. Chapter 2 looks at the growth in the gap in income between rich and poor, at the extent of poverty among children, at how families cope with economic hardship and at government policy to tackle child poverty.

- Income inequality in the region at the end of the communist period was low compared to that in most of the OECD. By the late 1990s, the average value of a standard inequality index (the Gini coefficient) in Central and Eastern Europe and the Baltic states had risen to about the average OECD level, but in much of the CIS to well above this level. At the end of the 1990s, the extent of income differences in Russia, Moldova, Armenia, Georgia and Tajikistan resembled that found in Latin America.
- Most income inequality originates in the labour market. Unemployment rates in the late 1990s in transition countries were about a third higher on average than those in the OECD, and in every country for which data are available the incidence of low pay – measured as earnings below two-thirds of the national median – exceeded the OECD average of 14 percent, often by a large amount. One consequence of the widespread occurrence of low pay is a high degree of poverty among working families.
- At the end of the 1990s there were nearly 18 million children in the region in households living on less

than \$2.15 per person per day. Most of these poor children – 16 million – were in the CIS, but a further two million were in Central and Eastern Europe. In Moldova, Armenia, Kyrgyzstan and Tajikistan, the majority of children were poor by the \$2.15 yardstick. On average about one child in five was in a household with per capita expenditure beneath an alternative yardstick of half the national median. In most countries a “middle-road” assumption about the relative needs of different family types leads to the conclusion that children are over-represented among the poor.

- A three-pronged attack is needed by governments to address poverty among children: (a) moving child poverty centre-stage in national policy debate, (b) tackling long-term disadvantage that perpetuates child poverty (educational disadvantage, teenage pregnancy, ill health) and (c) supporting family incomes through both economic policy and tax and transfer systems. Family allowance is one element of transfer systems of particular relevance to families with children. The 1990s saw a marked reduction in the generosity of family allowance in many countries in terms of both coverage and benefit levels.

Chapter 3: Health: Outcomes and Policy

Chapter 3 considers health outcomes both among the population as a whole and among children and discusses challenges for policy in the years ahead. There is a growing gap in health status between poorer and richer parts of the region. Of the 22 countries for which data for 1989 and 1999 are available, 15 show an improvement in life expectancy over the 10 years. Central European countries registered the biggest rises. By contrast, life expectancy fell over the decade in the western CIS and Central Asia. Russia registered a renewed fall in 1999 following a partial recovery from her 1994 trough.

- There were 3.2 million “excess” deaths in 1990-99 in the transition countries, deaths that would not have occurred had mortality rates stayed at their 1989 levels. (This total excludes deaths in Bosnia-Herzegovina.) These deaths occurred mostly among adult males.
- There has been a marked rise in infectious diseases. Until the mid-1990s HIV/AIDS was less widespread in the region than it was in Western Europe, but the situation has since reversed. About 90 percent of the 700,000 people estimated to have HIV/AIDS in the transition countries at the end of 2000 were in Russia and Ukraine. Tuberculosis returned to the region with an incidence up by about 50 percent on average over the 1990s, with many poorer countries registering two- or even threefold increases, and the problem still worsening at the end of the decade. Kyrgyzstan, Kazakhstan and Romania are the most affected. Estonia had the highest incidence of drug-resistant tuberculosis in a worldwide study of over 50 countries in the late 1990s.
- Recent surveys have found particularly worrying levels of malnutrition among young children in Albania, Tajikistan and Uzbekistan. Azerbaijan and Kyrgyzstan

are not far behind. Adolescent health appears to be at greater risk now than in 1989 throughout the region. Survey evidence for nine Central and Eastern European countries shows young people there to have caught up with their Western European counterparts as far as smoking is concerned. The same source records, on average, one in five 15-16 year-olds in 1999 having tried illegal drugs, up from one in ten in 1995.

- Health policy needs to address issues of finance, efficiency and equity. The provision of even the most basic level of services is threatened in countries with the lowest shares of public expenditure on health as a percentage of GDP (Azerbaijan, Georgia and Tajikistan). The emerging schemes to finance health systems via social insurance have both pros and cons. The supply of health services appears too firmly focused on hospitals, to the detriment of primary health care. (In Central Europe, the Baltic states and, especially, the western CIS there were significantly more hospital beds per person in 1999 than there were in the EU.) Public health programmes deserve greater attention – surveys show significant slippages in the immunization of children in some poorer countries. Informal payments for supposedly free state health care are widespread throughout the region and highlight the need to ensure access for the poor to adequate health services.

Chapter 4: Education: Access and Opportunities

Education is important for the well-being of individuals, the competitiveness of economies and the cohesion of societies. Chapter 4 starts with an analysis of changes in enrolment rates at pre-school, compulsory and post-compulsory levels of education. It then examines whether access to education has become less equal, looking, for example, at the implication of the rise in income inequality described in Chapter 2. Government and household expenditures on education are analysed, and the outcomes of schooling in terms of both learning and labour market success are discussed.

- Central Europe, former Yugoslavia and the Baltic states saw recovery or growth in pre-school enrolment rates over the 1990s. But despite the big decline in the birth rate, pre-school enrolment rates fell in almost all CIS countries. More than half of all pre-schools closed between 1991 and 1999 in Central Asia. With the exception of Central Europe, enrolment in compulsory schooling appears to have dropped somewhat throughout the region. Graduation from basic level schooling (signifying completion of elementary and lower secondary levels) was down in the CIS, on average, from 96 percent in 1989 to 83 percent in 1997.
- There has been a large rise in the numbers and share of 15-18 year-olds who are not in school – from almost six million, or a quarter of the total number in the age group, in 1989 to nine million, one-third of the age group, in 1999. Falls in upper secondary education have been larger where national income has declined the most, and vice versa. Central Europe finished the

1990s with higher rates than it had 10 years earlier. By contrast, less than half of the 15-18 year-olds in Central Asia were in school in 1998, compared to more than two-thirds in 1989. On the other hand, tertiary education has expanded in all countries but Armenia, Turkmenistan and Uzbekistan.

- Both access to education and quality of schooling have suffered, particularly in rural areas. Parents have to spend more on education than they did before (including on textbooks, clothing, shoes and transport), which hits the poor the hardest. There is widespread anecdotal evidence in parts of the region of bribing for good exam marks and for entry to better schools, a clear source of inequity.
- As is the case with health, equity is one of the issues that educational policy needs to address, along with funding and efficiency. Many countries have succeeded in protecting public expenditure as a share of GDP, although, if funding is decentralized, central government must ensure adequate systems of transfers to local authorities where necessary. The educational budget could often be used more efficiently by reducing the number of teachers (the number of pupils per teacher has tended to fall during the transition) and by paying teachers more. The results of a 1999 international comparison of achievement in mathematics and science among 14 year-olds are quite encouraging: of the 11 countries from the region included among the 38 participating, seven did better than average in mathematics, and eight in science. But progress is still needed on the reform of curricula, examinations and teaching methods to produce a more flexible approach to learning.

Chapter 5: Children Deprived of Family Upbringing

The last chapter in the Report draws attention to a group of the population in a particularly disadvantaged position: children in public care. The higher rates of children in public care reflect the greater risks faced by children that are discussed in earlier chapters: weaker family ties, lower household income, poorer access to health and education, higher rates of adult mortality. The region entered the 1990s with a tradition of being too receptive to "state parenting", and the record of the transition has often been disappointing, with reforms unable to keep pace with a growth in child vulnerability.

- There were 1.5 million children in out-of-home care at the end of the 1990s, about 150,000 more than at the start of the decade. This represents nearly 1.5 percent of the population aged below 18, up from 1.2 percent in 1989. A rise has occurred in most parts of the region (the Caucasus and former Yugoslavia are exceptions), with the sharpest increase in the Baltic states (where rates were low at the start of the decade). Central Europe has the highest rate of all, in marked contrast to other social indicators on which this part of the region often performs the best.
- Although the probability that children in public care will be placed with a guardian or foster family has also risen in many countries, institutions continue to play a major role everywhere. About 900,000 children are currently living in residential care in the region. The evidence shows that the care they receive is often at odds with the rights and development needs of every child. In 20 countries there has been a rise in the proportion of young children aged 0-3 in institutions.
- Contrary to expectations that adoption should reduce the number of children in institutions, rises in adoption and institutionalization have often gone hand in hand. In Belarus, for example, the rate of adoption rose by 160 percent over 1989-99, and the proportion of young children aged 0-3 in infant homes rose by 170 percent. Whenever adoption rates have shot up, this has been due to upturns in international adoptions. In some countries, most spectacularly in Russia, increases in international adoptions have paralleled decreases in national adoptions.
- Radical reforms of child protection systems in the region are no less urgently needed now than they were a decade ago. Progress in offering stronger preventive and better targeted policies to help keep children and their families together has been insufficient. Out-of-home care needs to be used far more selectively in all countries; this would also help ensure better quality care for a smaller group of children for whom there is no alternative. Three tasks stand out: ending infant institutionalization, closing large-scale homes and establishing adequate monitoring of the quality of care. The chapter provides a framework for developing national strategies that safeguard and promote family upbringing.

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