

Twenty Years of Transition and Human Development

The years 2009-2011 are rich with anniversaries in the region. Some—such as the June 1989 anniversary of the Polish elections that brought to power the region’s first non-communist prime minister in 40 years, the August 1989 opening of Hungary’s borders that broke the Iron Curtain, the remarkable scenes at Berlin’s Brandenburg gate in October–November 1989, or the subsequent ‘velvet revolution’ in Czechoslovakia—now elicit almost uniformly positive assessments. Other events—such as the January 1990 introduction of ‘shock therapy’ in Poland, the June 1991 short but ominous war over Slovenia’s secession from Yugoslavia, or the December 1991 Belovezha accords that dissolved the Soviet Union—continue to evoke mixed reactions.

Next year also marks the 20th anniversary of UNDP’s first human development report, and the beginning of the human development paradigm. In light of these anniversaries, this issue of the newsletter is devoted to ‘Twenty Years of Transition and Human Development’.

Giovanni Andrea Cornia argues that, whereas the transition economies with the fastest growth were not those that most reformed their economies and politics, social indicators have improved most in countries that have introduced deeper institutional reforms. A team of authors led by Balázs Horváth predicts that the global economic crisis could push at least 50 million people into poverty during the next 3-4 years. Philippe C. Schmitter follows with an indictment of the democracy promotion paradigm

that informs donor thinking about the politics of transition. Bayarjargal Ariun-Erdene presents data showing a strong positive correlation between good governance and human development in the region. Marina Olshanskaya strikes a more somber note on the region’s transition to low-carbon economies, which is at an early stage. Jeni Klugman and Tim Scott argue that human development trends in the region often compare unfavourably with those of other regions. Andrey Ivanov highlights the historical and linguistic limits on popular and scientific understanding of the human development paradigm.



A fragment of the Berlin Wall stands as a stark reminder of a past epoch.

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What do public opinion data say about popular attitudes concerning transition? Whereas a relatively favourable picture emerges from Richard Rose’s presentation of New European Barometer survey data, Arpine Porsughyan argues that citizens of Armenia, Azerbaijan and Georgia are deeply distrustful both of state institutions and non-governmental organizations. Steve Powell’s interpretation of data from the Global Values Survey and a forthcoming UN study suggests that both ‘bonding’ and ‘bridging’ forms of volunteerism support civil society development in the region. Michael Taylor argues that historical legacies can explain differences in attitudes towards, and outcomes of, transition.

National perspectives on these issues are provided by authors of UNDP’s human development reports for Russia and Ukraine. Ella Libanova describes how UNDP’s human development index has been disaggregated across Ukraine’s 27 regions, to show sub-national development trends—with sometimes surprising results. Mikhail Babenko explores the links between transition and Russia’s worrisome demographics—underscoring transition’s deep and lasting impact on the region’s development trends.

James Hughes and Ben Slay

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Structural divergence in economies in transition¹

Giovanni Andrea Cornia

The 20th anniversary of the events of 1989 is an opportune time to take stock of the major structural changes in the region's economies. Trends and patterns of structural transformation experienced by initially fairly similar countries have received little attention in the debate about transition, which has mainly focused on macroeconomic stabilization, market reforms, and institutional change.

During the socialist era the communist states explicitly attempted to reduce differentials in economic development and human well-being among states, regions within states, and social classes. The transition has led to a new structural differentiation among these countries, cancelling the efforts at 'levelling' made in the socialist era and seemingly paving the way to a 'return to the past'.

Forced structural convergence during the socialist era

The heterogeneity of the transition countries is rooted in dissimilar endowments of natural resources, geographical location, and historical and cultural developments over several centuries. Under socialism an 'equalization of outcomes' agenda was pursued by compressing wage distribution, socializing the profits of state-owned enterprises, subsidizing key consumption items, and providing universal pensions, family benefits, and free *de jure* (if not *de facto*) health care and education. The development pattern was also very similar. While differences in natural endowments affected somewhat the division of labour among the socialist economies (by emphasizing, for instance, manufacturing in Central Europe and cotton farming in Central Asia), everywhere the emphasis was placed on industry (particularly heavy industry), large enterprises, and science and technology. In turn, cross-country differences were reduced by the use of 'socialist prices' (often equal to one tenth of world prices) in trade among the socialist economies, generous transfers from the USSR budget to poorer Soviet republics (equal, for instance, to a third of Uzbekistan's GDP in 1991), and the funding of major infrastructural projects directly from Moscow.

Convergence during the socialist era is evident in key welfare indicators like infant mortality, life expectancy at birth, and the quantity (if not the quality) of schooling, especially in the first 30 years after World War II. There was a (real or apparent) convergence in the planned rates of output till the end of the 1970s, although convergence in per capita incomes remained elusive.

Policy convergence after the mid-1990s ...

In the early years of transition there were important differences in policy approaches and economic outcomes, with

most Central European and Baltic economies recording better results than those of Southeast Europe and the Commonwealth of Independent States (CIS). Yet, from the mid-1990s, the European Bank for Reconstruction and Development's overall liberalization index (which measures the extent to which transition economies are approaching a standard model of market economy) suggests—with the exception of 'neo-Soviet' Belarus and Turkmenistan—a steady convergence in policy approaches as gradualist reformers intensified their efforts, 'catching up' with the fast reformers. As a result, cross-country convergence is evident since the mid-1990s in key macroeconomic indicators, such as the budget deficit/GDP, public debt/GDP and inflation, possibly as a result of the emphasis placed by governments and the IMF on macroeconomic stabilization, and of the convergence requirements to be fulfilled by countries aspiring to enter the EU. Even 'heterodox countries' (like Uzbekistan and Belarus) show today low deficit/GDP, public debt/GDP and (official) inflation rates.

... But persistent divergence in most economic and social outcomes

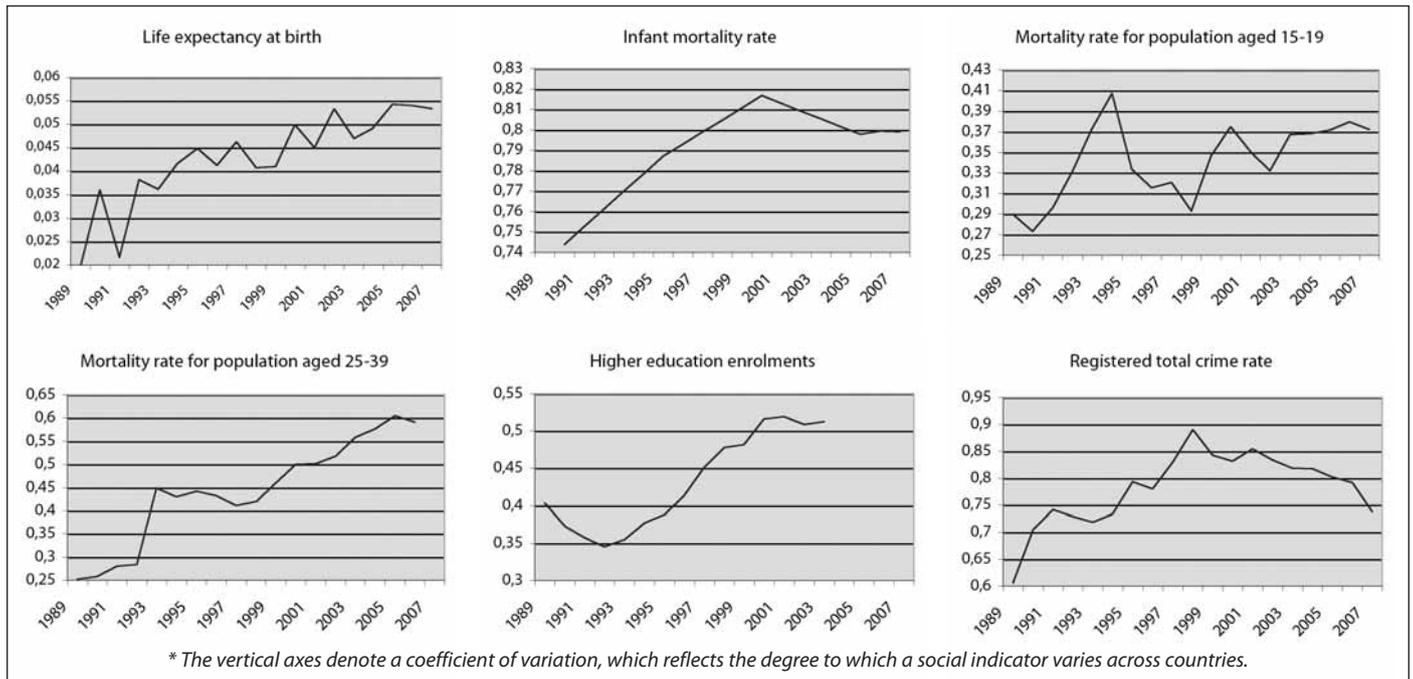
Despite this gradual convergence in policy approaches, the economic performance (measured in terms of per-capita GDP,



Surprisingly, countries that export commodities suffer from lower life expectancies than those that export manufactured goods. This suggests that faster (oil-driven) growth is no guarantee of better welfare.

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Figure 1: Trends in the coefficient of variation of selected social indicators, 25 countries² (1989-2007)



Source: Author's calculation based on the TransMONEE Database and World Development Indicators.

income distribution, and investment rates) of these transition economies diverged sharply during the traumatic transformational recession of the 1990s. The Central European countries and Uzbekistan were less affected, while the countries of the South Caucasus, Ukraine, and Moldova were most affected. Since the late 1990s, the entire region experienced a rapid recovery which was interrupted only by the food-fuel-financial crisis of 2007-2009.

Such convergence in growth rates of per-capita GDP did not, however, lead to overall convergence, and the reduction in differences in per-capita GDP, investment rates and income inequality within the region were modest. Greater divergence was observed also for demographic variables affecting long-term prosperity, such as, fertility, aging, and the death rate of the working-age population. Even more pronounced was the increase in cross-country variation of key welfare indicators, particularly during the years of transformational recession (Figure 1).

In turn, while the 'rule of law index' improved slowly on average for the region as a whole, from 2002 its cross-country variation increased. This suggests that after an initial general improvement, political institutions in the region started to diverge, with strong democratic regimes emerging in Central Europe and the Baltics, while illiberal democracies developed in parts of the former Soviet Union, and 'authoritarian regimes', characterized by a lack of fair and free elections, no rule of law, and recourse to authoritarian measures by the executive, put down (or preserved) deep roots in Turkmenistan, Uzbekistan, and Belarus.

All in all, the data point to divergence in 12 of 13 key economic, social, demographic and welfare indicators during the

recession of the 1990s. This divergence was only partially offset during the recovery of 2000-7, which witnessed further divergence in six of these 13 indicators, hysteresis (i.e., stagnation or only partial return to the 1989 level after the worsening observed of the initial years) in five cases, and convergence in two cases.

The birth of structurally different country clusters

With the transition, all countries of the region underwent radical structural changes such as de-agrarianization, a decline in heavy industry, a large drop in energy consumption per unit of value added, an expansion of transport and telecommunication services and of 'other services' (i.e., finance, real estate, tourism, business and personal services) and a sharp increase in labour mobility across sectors and borders. As a result, in 2007 migrant remittances accounted for 13-25 percent of GDP in seven countries of the region and for a staggering 36 percent of GDP in Tajikistan.

A formal cluster analysis for 2006 (the last year with complete data) revealed four structurally heterogeneous country clusters with dissimilar factor endowments, patterns of specialization, institutions, growth engines and prospects for efficiency-welfare gains. These are:

1. **Countries dependent on the export of manufactured goods**, supported in most cases by large inflows of foreign direct investment and financing by foreign banks, such as the Czech Republic, Hungary, Poland, Slovenia, Slovakia, Belarus, and Ukraine.
2. **Countries with mixed and service oriented economies** (the Baltic States, Bulgaria, Romania, the Former Yugoslav Republic of Macedonia, and Georgia) with an important

share of output and employment in 'other services' in the Baltics, tourism in Croatia, and informal low value-added services in the other countries.

3. **Countries that are commodities exporters** (Russia, Azerbaijan, Turkmenistan, and Kazakhstan), strongly dependent on world commodity prices and demands, and suffering to some extent from the 'Dutch disease'.
4. **Countries for which an initial dependence on official development assistance has given way to a reliance on migrant labour**, relying in this way for their growth on large and steady inflows of remittances (Albania, Armenia, Kyrgyzstan, Moldova, Tajikistan, and Uzbekistan).

Since 1996 more than half of the 25 countries studied witnessed a change in their economic specialization, mainly as a result of a move away from manufacturing towards commodity exports, remittances, and services. This growing structural differentiation is accompanied by fairly consistent differences in economic and social indicators (e.g., levels and trends in per-capita GDP, investment rates, income inequality, state institutions, the rule of law, life expectancy at birth, old-age dependency rates, and so on).

Economic and social performance by country cluster

How did the different clusters perform during the current decade (before the crisis of 2008-2009)? Did the changes in economic specializations affect growth in per-capita GDP? Standard theory suggests that economic performance depends on the stocks of productive factors (physical and human capital), public expenditure/GDP, rule of law, initial per-capita GDP in 1990-1993 (as countries with low income levels can grow *ceteris paribus* faster than wealthier ones), and unused productive capacity. Regression analysis confirms these hypotheses. A most interesting finding is that—after controlling for all these factors—belonging to the group of commodity exporters raised the GDP growth rate by 3-4 percentage points a year in relation to the manufacturing exporters. This (medium-term) result runs contrary to economic theory, which suggests that 'Dutch disease' and distortions in income distribution typical of commodity exporters reduce (long-term) GDP growth. The analysis further shows that belonging to the clusters of 'mixed and service-oriented' and aid-/remittance-dependent economies reduced growth of per-capita GDP in relation to the 'manufacturing exporters',

though this effect is small (between 0.5 and 1.5 percentage points a year) and not robust.

As for social performance (proxied by life expectancy at birth), one might have expected that—with substantially faster GDP growth—commodity exporters would perform better also in this area. Interestingly, after controlling for the usual determinants of life expectancy at birth (per-capita income, inequality, level of education, demographic factors, and public health expenditures), the opposite was found to be true. Belonging to this cluster entailed a loss of life expectancy at birth of 4-4.5 years, in relation to the clusters of manufacturing exporters and mixed, service-oriented economies, while the cluster of aid-/remittance-dependent countries showed small but non-significant better performance of 0.5 to 1.3 years vis-à-vis the manufacturing exporters. Faster (oil-driven) growth, in other words, is no guarantee of better governance and welfare levels—just the opposite.

Concluding remarks

During the last 20 years the economies in transition in Europe and Central Asia experienced considerable divergence in practically all economic, social, demographic and political dimensions. While this trend was particularly marked during the 1990s, very limited re-convergence was observed during the subsequent economic recovery. As a result, the countries of the region are a much more heterogeneous group than at the end of the socialist era. During the 2000-2007 period these countries recorded surprising trends in performance, which run against economic theory. The clusters with the fastest growth were not those which most reformed their economies and political institutions, but commodity exporters and aid-/remittance-dependent countries where, however, social indicators improved less than in other clusters.

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1. Abstracted from the paper 'Transition, structural divergence, and performance: EE-FSU over 2000-2007' presented by the author to the UNU-WIDER Conference 'Reflections on Transition: Twenty Years after the Fall of the Berlin Wall', Helsinki, 18-19 September 2009.

2. The 25 countries are: Albania, Armenia, Azerbaijan, Belarus, Bulgaria, Croatia, Czech Republic, Estonia, Former Yugoslav Republic of Macedonia, Georgia, Hungary, Kazakhstan, Kyrgyz Republic, Latvia, Lithuania, Moldova, Poland, Romania, Russian Federation, Slovakia, Slovenia, Tajikistan, Turkmenistan, Ukraine, and Uzbekistan.

Losing the gains: How the crisis will impact human development in the region

Balázs Horváth, Andrey Ivanov and Mihail Peleah, with Michaela Pospíšilová

While the global economy may be showing signs of recovery, questions about the human development impact of the crisis

in Europe and the Commonwealth of Independent States (CIS) remain. As GDP falls with the economic crisis, what are the effects on poverty, life expectancy, health, and other development outcomes?

We provide answers by analyzing historically observed empirical co-movements in income (per-capita GDP in purchasing-power-parity terms) and selected human development indicators during the past two decades in the region.¹ The resulting estimated income elasticities and the IMF's publicly available GDP projections are combined to produce a foretaste of the likely path of some principal human development indicators in the coming years. This sets the stage for surveying the

development horizon and for discussing possible policy measures.

The results shown below are from a forthcoming paper using a database that integrates annual data covering the 1990-2008 period for 29 countries in Europe and the CIS (including Turkey), albeit with some gaps. We use the growth rate of per-capita GDP (measured in purchasing-power-parity terms) as the income measure, and estimate panel regressions to calculate the income elasticities of selected human development indicators. Whenever statistically feasible, we run regressions for sub-periods to test whether the elasticities are different in periods of falling and rising incomes. We have also calculated—on an individual country basis—peak-to-bottom estimates² of average income elasticities of the various human development indicators by dividing the percentage change in the indicator by the percentage change in the level of PPP GDP per capita during the same period.

The results

Human development indicators underwent large swings during this period, correlating strongly with movements in income. Statistically significant relationships emerge once lags are duly allowed for in the regressions. We have detected significant differences among countries in terms of the human development responses to income shocks. We attribute a good part of this variation to differences in cushions to income (e.g., accumulated wealth, uncorrelated shadow economy income) and the efficiency of the social safety net. This exercise also underscores the importance of good statistical data, and points to areas in which current statistics fall short of this ideal. Income poverty data, in particular, are found to be lacking, in terms of international comparability, the length of available time series, and the timeliness of the latest observations.

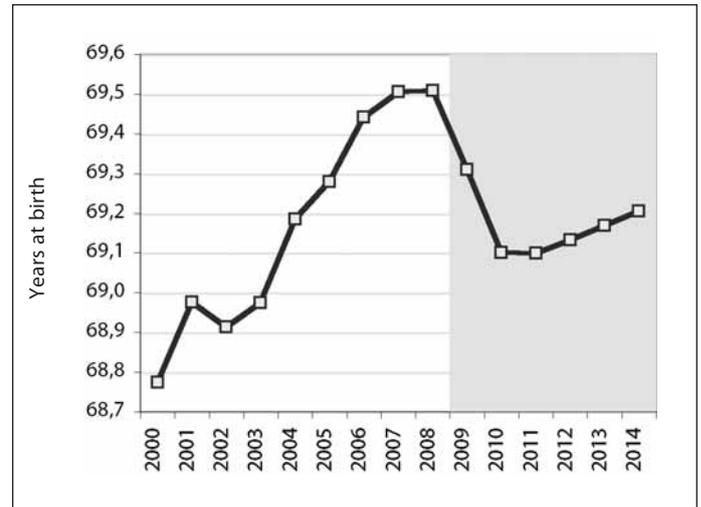
The results suggest that the unfolding impact of the global crisis is shaping up to be substantial, lasting, and particularly adverse for disadvantaged regions and social groups. Thus, the crisis is likely to cause a substantial setback to progress achieved so far towards improving human development indicators.

The results for **life expectancy** indicate that a one percent drop in the growth rate of income is associated with a drop in life expectancy of somewhat under two weeks in total (the loss was over two weeks for men). The peak-to-bottom elasticity estimates were higher, reflecting the longer periods spanned by the upswing and decline episodes than the lag lengths in the econometric estimates. They suggest that the crisis could reduce the average life expectancy for men in the region by nearly six months.

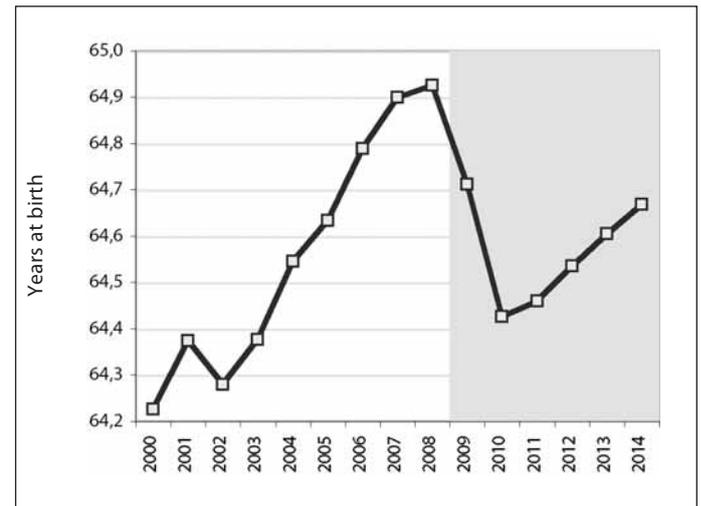
The other human development indicators we considered—mortality, suicide and homicide rates, the unemployment rate, disease incidence rates, poverty indicators

—behave counter-cyclically, i.e., they rise when income falls.

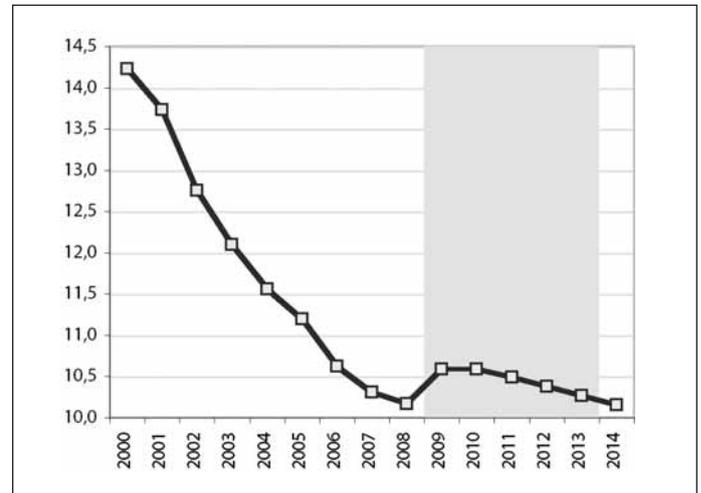
Life expectancy at birth, men and women



Life expectancy at birth, men

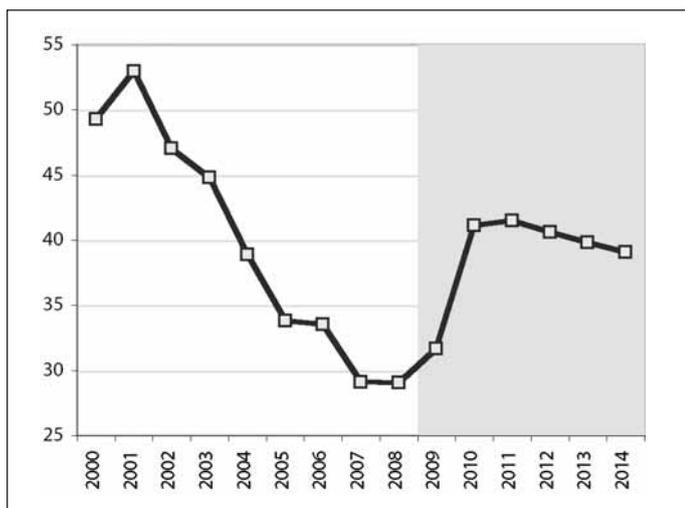


Infant mortality rate (per 1000 live births)

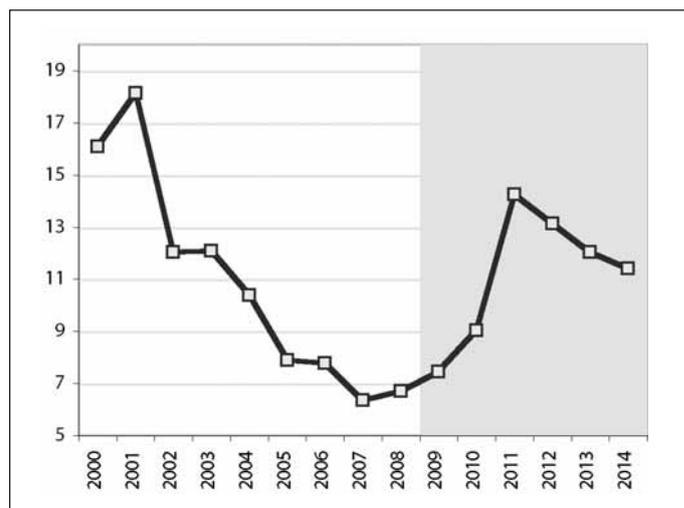


Regional income poverty rates (%)³

At the US\$5/day threshold



At the US\$2.50/day threshold



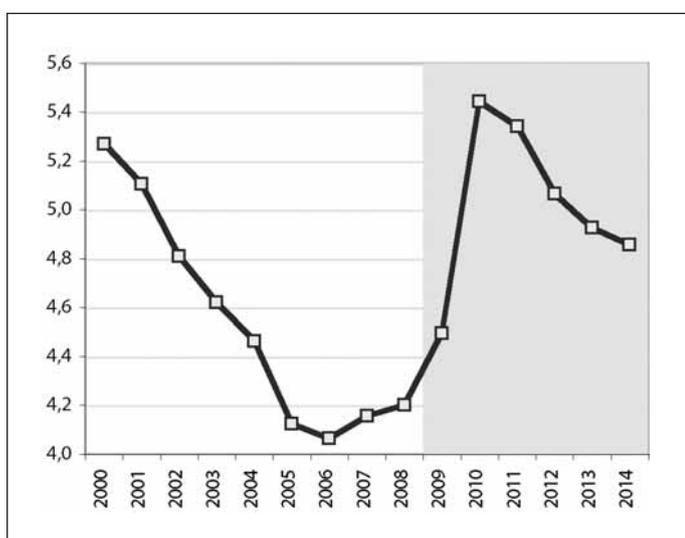
The long-term impact on **income poverty** is particularly significant. When defined as the share of the population living on less than US\$5/day, poverty is likely to worsen markedly across the entire region for at least a few years. These results suggest that the numbers of people living below this level could rise from below 30 percent of the region's total population to some 40 percent between 2010 and 2014—implying that at least 50 million people could be thrown into poverty as a result of the crisis. When defined as the share of the population living on less than US\$2.50/day, these results suggest that the numbers of people living below the poverty line could rise from 7 percent to almost 15 percent. This casts doubt on prospects for meeting the first Millennium Development Goal (which calls for substantial reductions in income poverty by 2015) for several countries in the region, unless double-digit rates of per capita GDP growth quickly return—which does not seem likely at present.

These results convey a sobering message about the effects of the global economic crisis for human development in the region as a whole, and—to differing degrees—in most sub-regions as well. Critically, the impact unfolds over several years; it is likely to be cumulative, substantial, and linger. A significant share of the development progress made since the late 1990s is in danger of being lost.

Policy response

While the diagnosis is more or less clear, appropriate policy responses are less so. Policy makers are confronted with multiple challenges, and often have conflicting objectives. But it is increasingly recognized that delays in policy responses to the crisis are likely to exacerbate its socio-economic consequences. Social and labour-market policies should therefore adjust now, especially given the lags with which the effects of those policies materialize. Given the multiplicity of challenges, the best way to proceed is to identify the optimal policies for each objective individually, then devise an internally consistent 'cocktail' of measures that are fiscally feasible and take into account possible interactions among the various policy tools employed, as well as among the human development indicators.

Homicide rate (per 100,000 population)



At a general level, the global crisis underscores the importance of an issue that has always been central to the transition process: the role of the state as an economic actor. Our results highlight the significance of this role for human development. Striking the appropriate balance between giving the state 'too small' and 'too large' a role is not easy, but critical. Governments at a point in the proximity of this optimum do not neglect their long-term responsibilities for regulating the market lightly but with appropriate focus, and create a fostering environment for social investments and human capacity development. These governments tend to perform well in the area of human development. Experience during the transition process has shown that attempts to find 'savings' in these areas can turn out to be extremely expensive in the long run.

The provision of social services (including the social safety net) is often far from efficient and—with the crisis-induced shrinking of fiscal space—often requires reforms. Governments should therefore design and implement human development-centered public sector reforms, focusing on the better targeting of social assistance and efforts to reduce dependency and poverty traps. In many countries, the immediate policy reaction to the crisis—boosted by public expectations—has been efforts to create jobs. But governments should resist the temptation of ‘taking over’ the task of employment generation from the private sector. While public employment schemes can cushion job losses, their economic impact is mainly short-term unless they are linked to other objectives better suited for the government. One set of such objectives relates to facilitating private sector job creation and overall productivity growth, notably accumulating human capital and improving infrastructure. In addition, public works to limit job losses can be usefully structured so as to improve other aspects of life that affect everyone in society, but often the poor the most, notably pollution and climate change.

A substantial part of the direct anti-crisis interventions should occur at the level of local governments. But in order to discharge this function, local governments need to identify opportunities, formulate responses, and improve their

implementation capacity. This requires the involvement of communities in joint projects, starting from joint discussions on local problems and reaching consensus on urgent priorities. Successful implementation will, of course, take considerable time. It will require policies to enhance rural development, which is critical for reducing poverty. Developing farmer-controlled businesses can help overcome constraints posed by small landholdings, limited sources of inputs, poor competition on wholesale markets, and lack of capital. Lowering barriers to entry to the market for the poor, expanding the supply of public goods (notably agricultural extension services) and enhancing governance through transparency and social accountability can also pay high social dividends.

UNDP can provide essential micro-level projects that are critical to the success of macroeconomic policies and large sectoral projects. This can help central government policies—often supported by the IMF and the World Bank—gain traction in regions away from the capital and large cities. UNDP can also help to reach and involve vulnerable or marginalized population groups. UNDP can coordinate donor activity, to help make the most of scarce development funds. Finally, since governments’ thinking in the crisis may be dominated by immediate concerns, UNDP can help retain a focus on critical long-term issues.



The proportion of those living on less than US\$ 5/day are set to swell to 43 percent of the region's total population by 2011. © UNDP Kyrgyzstan

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1. Our goal is not to provide a model to explain changes in human development indicators. Likewise, we recognize that correlation does not imply causality, and that changes in lag length and in the extent of income inequality add statistical noise to the estimated correlations.
2. i.e., estimates ranging from the peak of the economic cycle to its trough.
3. These income-poverty rates are defined on the basis of household budget survey data, measuring consumption expenditures calculated in purchasing-power-parity terms, based on 2005 exchange rates developed by the International Comparison Project.

Connecting democracy promotion and protection with theories of democratization

Philippe C. Schmitter

The troubled birth of DPP

A novel 'international policy industry' was born in the early 1980s—*democracy promotion and protection*. DPP expanded rapidly for the next 30 years and shows no signs of disappearing. An unprecedented effort has been made on its behalf, in terms of the magnitude of resources expended and the geo-cultural spread of the countries involved. Although these activities represent only a relatively small proportion of the total of public and private transfers from donor to recipient countries (roughly 10 percent), this is still a great deal more than was spent in the past. DPP has become a very prominent theme in public discourse, at times eclipsing previous emphases on economic development, social equity, or political stability. Transfers from the established to the deserving in the name of democracy are justified in terms of their contribution to domestic growth and international peace, rather than vice versa.

Even more surprising than the donors' enthusiastic embrace of these objectives has been the way in which they have been received. Whereas such intrusion by outsiders would have been rejected in the past on the grounds of unwarranted 'interference in the domestic affairs of a sovereign state', DPP has not only been accepted (often willingly, sometimes grudgingly) in contexts of regime liberalization, but has been actively encouraged by elites seeking to consolidate democracy. This is especially puzzling in light of traditional assumptions that attempts to consolidate regimes, and democratic regime consolidation in particular, were uniquely autochthonous affairs, heavily overlaid with national symbols and domestic calculations. As such, manifest intrusions by outsiders could be expected to diminish chances of success.

The principles and practices of political democracy have long been an object of international diffusion. All regimes that claim to be democratic have proclaimed a permanent national interest in having other regimes adopt similar rules and ideals—even if they have done little to promote or protect democratic outcomes explicitly, and have not infrequently supported autocratic regimes when this suited other national interests. While events such as revolutions conducted in the name of democra-

cy and choices of rules to implement democratization in a particular country have often spread from one place to another, this was only rarely the subject of deliberate effort—until recently.

This rather dismal historical record may help to explain why the practice of DPP was so devoid of any theoretical backing when it began in earnest in the early 1980s. In striking contrast to the initiation of foreign economic aid to 'third world' countries in the 1960s and 1970s, which came fully equipped with a (at the time) widely respected set of justifying concepts (remember the 'take-off to self-sustained growth?') and an expanding professional cadre of 'development economists', one looks in vain for serious attempts to ground DDP in existing theories of democracy or democratization.

This was *not* because there were no such theories available or in the making. If practitioners had dared to take seriously what scholars had been writing on well-established democracies, they could only have drawn a negative lesson: i.e., one should not intervene directly in the internal affairs of a fledgling democracy, because such interventions are destined for failure. Not only did the relevant countries lack the elementary democratization 'prerequisites', but the practitioners themselves would not know what to do, because such highly uncertain enterprises depend on contingent power relations within a relatively small subset of actors inside the country.

Practitioners could have taken heart from the emerging literature on democratization that was subsequently labelled 'transitology'. Here, the emphasis shifted from probabilistic analyses of what had been associated with the advent of liberal political democracy in the past, to 'possibilistic speculations' about what actors might do in the present to 'craft' mutually acceptable rules for channelling political conflict into competition between parties, associations and movements. This strategic rather than structural conception of regime change quite explicitly failed to mention the importance of material or cultural requisites, and thus implied that efforts to democratize in 'unfavourable' settings were not *a priori* doomed to failure. But had such advocates of DPP read a little further, they would have learned that this 'possibilism' placed great emphasis on domestic elites, be they incumbent authoritarians or challenging democrats. In the context of the exaggerated uncertainty of transition, only those with 'local knowledge' of rapidly changing interests and with 'credible capacity' to deliver the compliance of key groups stood any chance of making a positive contribution—precisely the qualities that foreign DPP experts are least likely to have.

It was only once the transition was over and reversion to autocracy more or less excluded that politics would begin to settle



Philippe C. Schmitter was awarded the Johan Skytte Prize in Political Science for 2009.

into more predictable behaviours, reflecting (and reproducing) pre-existing patterns of socio-economic inequality and cultural differentiation. During subsequent 'consolidation' or 'institutionalization' phases, foreign democracy assistance programmes might have a more important role to play. But by then, the range of probable outcomes would have narrowed considerably; many, if not most, of the crucial decisions would have already been made. The most that DPP could reasonably have expected would be to make a marginal contribution, more to the type and quality of democracy than to its emergence or persistence.

The roots of DPP's improbable successes

The DPP industry seems to have been blissfully unaware of either of these 'schools' and to have gone ahead on a more practical and immediate basis. The logic it followed seems to have been that if people were (or should have been) trying to democratize their national regimes, then well-established democrats should help them (although other motives may have lurked behind these public proclamations). The fact that such a policy tended to funnel additional resources into donor agencies that already existed to promote economic and (sometimes) military aid certainly made the choice to intervene on behalf of democratization more palatable. The advent of DPP subsequently galvanized into action a wide range of non-governmental organizations, many of which took advantage of the 'sub-contracting' opportunities offered by national and (in the case of Europe) supra-national authorities.

Timing seems to have played an important role. DPP began in earnest in the early 1980s—before, not after the fall of the Wall and the end of the Cold War. While these events at the very end of the 1980s gave an additional impetus to the policy, they cannot be assigned initial responsibility for it. Instead, the very first case of democratization in the most recent wave occurred under very special circumstances: the Portuguese Revolução dos

Cravos in 1974 sent the (in retrospect, erroneous) message that regime change from protracted authoritarian rule was going to be a tumultuous process. In addition to leading to aspirations for radical forms of 'popular power' and the expansion of the role of the state, it might also call into question international alliances and thus endanger the security of existing liberal democracies. Events in Portugal were not only unexpected, but also caught these powers without any *instrumentarium* to deal with such a threat—with the notable exceptions of the German party foundations and national intelligence services.

Ronald Reagan's famous speech before the British House of Commons in 1982 has been widely and rightly regarded as 'the kick-off event' for DPP. The Council of Europe had a long-standing commitment to democratization that it implemented through its own membership requirements and a growing network of treaties. The German party foundations (Friedrich Ebert, Konrad Adenauer and Friedrich Naumann, at the time) were also actively aiding 'sister parties' and sponsoring academic encounters in countries with authoritarian or totalitarian regimes. But it was not until the Americans entered the arena aggressively in the early 1980s that DPP can be said to have begun *in serio*. And when they did so, the Americans were unequivocally motivated by the desire to prevent experiences such as the Portuguese and those just beginning to emerge in Latin America from upsetting the international balance of power and/or producing democracies that would be much less compatible with American economic interests. It is not too much of an exaggeration to claim that US interest in democracy was secondary to concerns about containing the spread of the 'evil empire' and, not coincidentally, with insuring the health and welfare of capitalism.

Had it not been for two quite unexpected developments and one lucky guess, I suspect that DPP would never have attained its subsequent prominence. It would have been (accurately) perceived as just another weapon in the US anti-communist arsenal (and a relatively minor one at that). Europeans at that time were experimenting with various forms of *Ostpolitik* and would certainly have distanced themselves from the endemic excesses that have plagued such policies in the past: the Manichean vision of politics divided into 'good guys' and 'bad guys'; the tendency to support right-wing and sometimes even reactionary political groups; the propensity to confuse 'free politics' with 'free markets'; and the unwillingness to admit that the enemy itself might be changing.

The first development was the discovery that democratization might not be such a tumultuous process, as was implied by the Portuguese Revolution and subsequently reinforced by the Philippine experiment with 'people power'. The spectre of radical popular democracy proved to be a mirage. In case after case, domestic groups struggling against autocracy rather quickly came to realize that, whatever eventual changes might be forthcoming in property relations, income inequality or social justice, the route to attaining them passed through—rather than around or on top of—the limited and prosaic procedures of institutionalizing 'liberal political democracy.' The lessons of Cuba, Nicaragua and other abortive revolutionary or populist break-

throughs had been learned and were not going to be repeated in the post-1974 wave of democratization that began in Southern Europe and then spread to South America and Asia.

The second development was the divine surprise of 1989 in Eastern Europe and the subsequent collapse of the Soviet Union. Not only did this manifestly knock the props out from under the whole edifice of anti-communism—it also vindicated the European strategy of ‘constructive engagement’. Moreover, it virtually doubled the number of potential recipients of DPP overnight. Deprived of their enemy and overwhelmed by the demands of their new friends, the US architects of DPP seized the opportunity to intervene, although interestingly they emphasized the absolute priority of economic over political reform. (Presumably, this reflected their primary underlying goal since it was by dismantling the structure of economic management and state ownership that the communist system would be most irrevocably destroyed, not just by decreeing the end of single party rule and introducing competitive political institutions.) They also prudently ‘off-loaded’ operational responsibilities for many DPP programmes in Eastern Europe to a ‘consortium’ run predominantly by Europeans and channelled through the European Community (later the European Union).

The ‘lucky guess’ was that the more optimistic ‘strategic’ theories of democratization turned out to be better descriptors and predictors of the process of regime change and its outcomes than were the more pessimistic ‘structural’ ones. Country after country that should have been condemned to immediate failure and regression to autocracy somehow managed to ‘craft’ its way through the transition. Many have already made substantial progress towards consolidating a mutually acceptable set of rules for competition between political groups, rotation in power, and some degree of accountability of rulers. Countries as initially unpromising as Bolivia, Mongolia, Nepal and Romania did not succumb to the temptations of ‘heroic leadership’ or ‘populist power’.

Whatever the actual impact of their programmes for organizing and observing elections, civil society development, judicial independence, or the rule of law, these efforts were only rarely associated with manifest regime collapse. Even with the (by now habitual) references to the low quality of the democracies that are being crafted under these conditions, there can be no denying that the strategic choices of actors matter. This leaves open the possibility (but does not prove) that external democracy promoters and protectors have contributed positively to that unprecedented successful outcome.

DPP in theory and practice: Still at odds

Still, DPP seems to be an area in which academic theory and policy practice are unusually difficult to reconcile. With very few exceptions, those who reflect in a generalizing and comparative way about outsider attempts to guide and improve the process of democratization are destined to be sceptical about the effort. With few exceptions, the ‘foreign agents’ involved in designing and implementing policies of

DPP are very likely to complain that ‘abstract theoreticians’ are insensitive to their practical problems and, hence, that their efforts are not properly appreciated. Most of the time, however, the former do not waste much serious research time and effort on what they see as naïve and misguided policies. The latter rarely bother to read attentively such irrelevant ‘scribblings’; and when they do, they complain that the theoreticians adopt contrary perspectives and do not provide clear and compelling guidelines for action.

The author of this essay is a card-carrying theorist and, therefore, a sceptic. I cannot pretend to resolve this intrinsic clash between academics and practitioners, or even to present a balanced view on the issue. The best I can offer is a set of sceptical propositions suggested by the recent literature on democratization that suggests why DPP is bound to be such a difficult and paradoxical activity:

- 1) The net contribution of DPP can be potentially significant (and positive), but it is rarely more than marginal in determining democratization outcomes.
- 2) The existence of DPP is normally voluntary and reciprocal in principle, but is almost always semi- to in-voluntary and asymmetric in practice.
- 3) The presence of DPP in a country usually involves a formal contractual arrangement between public authorities, but its performance is largely contingent upon informal relations between non-governmental organizations and private persons.
- 4) The epistemological basis of DPP is the presumed superiority of well-established liberal democracies. However, democracy in these donor countries is often in serious crisis—precisely in the areas they are most insistent on transferring to recipients (e.g., electoral politics and competitive party systems).
- 5) While the success of DPP is intrinsically problematic and long term (as well as marginal in impact), donors require repeated evidence of immediate, visible, significant accomplishments in order to provide continuous support.
- 6) The success of DPP is likely to be greater where it is least needed and, hence, there will be a tendency for donors to ‘cherry pick’ by concentrating their effort on those countries where democratization would have occurred anyway.
- 7) Inversely, the success of DPP is likely to be greater when the desire of donors to provide it is weakest—when it is not used as a ‘cover’ for the pursuit of other objectives like national security or commercial advantage.
- 8) The institutional transfer inherent in DPP is often the greatest where it leaves the least perceptible traces—where the practices and rules that it encourages look the most remote from those of the foreign donor and the closest to the traditions of recipient countries.

9) The net contribution of DPP is most positive when it is 'self-cancelling'—when its practices and rules are most quickly taken on board by national authorities and politicians and require no further foreign input.

10) The long term probability of a successful transfer of institutions from donor to recipient is greatest when grounded in a generic understanding of what democracy is. However, the short term chance that a given programme will work well depends on specific knowledge of national conditions.

11) DPP works best for recipients when there is a multiplicity of competing donors, allowing them to pick and choose the programmes or projects they prefer.

12) By contrast, DPP works best for donors when they can collude in order to compel recipients to accept the programmes or projects donors think are most effective.

13) Since successful democratization involves 'hitting a moving target' of actors and objectives, DPP must change its programmes or projects correspondingly. This is likely to mean disrupting or abandoning previous exchange relations between donors and recipients.

14) The more that DPP becomes a salient and well-funded component of donor policies, the greater will be its appeal for

ambitious organizations and individuals in these countries and the more they will seek to professionalize and control access to its provision. A similar process of closure is likely to emerge on the recipient side, particularly in those countries with the least 'domestic capacity' to absorb DPP and, hence, the greatest potential need for it. Professionalization becomes a mutually reinforcing process and, accordingly, programmes and projects tend to become less responsive to the country's needs and more attuned to the aspirations of providers on both sides.

It would not be easy to convert all of these 14 propositions into discrete and testable hypotheses, although all of them are, at least in principle, falsifiable. Some are worded in too abstract a manner; others contain 'essentially contested' concepts that would be difficult to measure objectively. Not a few refer to trends whose effects may be too soon to evaluate. However, I am not trying to set out an academic research programme, but rather to stimulate practitioners to reflect on what they have been doing. Their tasks are novel and demanding; the pressures upon them to respond to immediate challenges and dilemmas are great. Nevertheless, I hope that this effort by a card-carrying sceptical theorist will be of some utility.

Philippe C. Schmitter, Professorial Fellow at the European University Institute (Florence), was awarded the Johan Skytte Prize in Political Science for 2009.

Human development and governance: an empirical analysis

Bayarjargal Ariun-Erdene

The mainstream economic literature studying the effects of governance in transition countries has mostly focused on economic performance. A human development approach considers not only income growth but also the non-income dimensions of human development. Promoting governance so that it efficiently supports human development is very important for countries in transition. While all transition economies face difficulties in promoting good governance that respects human dignity and freedom and in building democracy, the speed and success/failures of governance reforms have varied across countries. Generally, the Central and East European and Baltic countries (hereafter the CEE and Baltic region) proved to be more successful reformers and today score better in terms of governance quality than the former Soviet Union (FSU) countries, including Mongolia¹ (hereafter the FSU and Mongolia region).

From a human development perspective, good governance is democratic governance. Governance should support institutions that assure people's freedom and empowerment, distribute benefits equitably, and foster social cohesion and cooperation. A country with good governance structures (or with a high quality of governance) can be expected to display better human devel-

opment performance compared to other countries where such structures are less developed. How does the quality of governance improve decision-making in vitally important human development areas? This issue is investigated here in terms of two questions: (a) do measured differences in governance dimensions, across countries and over time, help explain divergence in human development performance in transition countries? and (b) what is the effect of the various governance dimensions on human development across countries and over time?

Human development and governance in transition countries

These questions can be investigated on the basis of a data set covering 26 transition countries during 1997-2004. According to UNDP's human development index, 11 of these countries were classified as having attained high levels of human development; 15 countries had attained medium levels of human development. Their average HDI value during this time was 0.771,² which exceeded the world average by 0.037 and 0.049 percentage points in 1997 and 2004, respectively.³ Progress was uneven, however: the country showing the largest improvement was Latvia, where the HDI increased by 14 percent. Lithuania, Albania, Estonia, Mongolia, Croatia, Hungary, Slovenia, Bulgaria, and Poland (all CEE and Baltic countries, except Mongolia) also experienced significant improvements in human development. On the other hand, HDI levels deteriorated in Tajikistan during this time.

Many different agencies rank countries on governance metrics. The most comprehensive and easily accessible indicators

have been compiled for transition economies by the Heritage Foundation since 1995, by Freedom House since 1997, by the European Bank for Reconstruction and Development since 1994, by the Polity IV project since 1997, and by the World Bank since 1996.

This article looks at 19 indicators to measure the quality of governance, employing factor analysis (principal component analysis) to reduce the number of variables. Hence, the economic dimension of governance is measured by nine variables: business freedom, trade freedom, monetary freedom, investment freedom, fiscal freedom, regulatory quality, financial freedom, reform, and freedom from government. The political dimension of governance is measured by six variables: freedom from corruption, voice and accountability, political stability, government effectiveness, rule of law, and control of corruption. The civic dimension of governance is measured by four variables: political rights, civil liberties, property rights, and polity type. Through a simple average of variables and division by 100 (the highest possible value), an economic governance index (EGI), political governance index (PGI), and civic governance index (CGI) can be defined⁴—as can an overall governance index (OGI), by averaging these three component indices:

$$OGI = \frac{1}{3} \cdot EGI + \frac{1}{3} \cdot PGI + \frac{1}{3} \cdot CGI \quad (1)$$

Table 1 presents the values of these indices during 1997-2004. The OGI for the CEE and Baltic countries was 0.642 (standard deviation 0.02), while for the FSU countries and Mongolia it was 0.378 (standard deviation of 0.01). The average values of all three component indices for the CEE and Baltic region were nearly double those for the FSU and Mongolia. For the

CEE and Baltic region, the OGI increased by 9.4 percent, with growth in all component indices during this time. The OGI for the FSU and Mongolia region increased by 8.5 percent, as strong growth in the EGI was offset by declines in the PGI and CGI (reflecting political instability and weak support for basic human rights).

Governance and human development indicators

An empirical model on the relationship between human development, governance, the level of development, and macroeconomic stabilization can be defined as follows, where i represents country and t represents year:

$$xy_{it} = \mu + \beta_1 x_{it} + \beta_2 \text{Urban}_{it} + \beta_3 \text{PrGrowth}_{it} + \beta_4 \text{Ave.Inf}_{it} + \beta_5 \text{Ycp}_i + \delta \text{Loc} + \gamma_1 x_{it} \cdot \text{Loc} + \varepsilon_{it} \quad (2)$$

where μ is a grand mean of the model, β_k s ($k=1, 6$) are slope coefficients, γ_m s ($m=1, 2$) are coefficients of interaction terms (or slope dummies), δ is a coefficient for an intercept dummy variable, and ε_{it} is a composite error. β_k s and γ_m s are the fixed effect parameters. The composite error term is specified as: $\varepsilon_{it} = \theta_i + \lambda_t + u_{it}$ where θ_i and λ_t denote unobservable country-specific and year-specific effects, and u_{it} is the remainder stochastic disturbance term. Only year-specific effects are used, and are treated as repeated effects. The results of estimating a mixed model are summarized in Table 2, in which these countries' governance indicators are regressed against their HDIs (controlling for initial conditions and macroeconomic stabilization).

These results indicate that the quality of governance has a significant positive correlation with human development in transition countries. However, the relationship between human development and governance is different for the two regions. The OGI coefficient is 0.202 for the CEE and Baltic region, but

Table 1: Average governance indices for the CEE and Baltic, and FSU and Mongolia regions

	Economic Governance Index		Political Governance Index		Civic Governance Index		Overall Governance Index	
	CEE and Baltic	FSU and Mongolia	CEE and Baltic	FSU and Mongolia	CEE and Baltic	FSU and Mongolia	CEE and Baltic	FSU and Mongolia
1997	0.598	0.358	0.502	0.324	0.730	0.387	0.610	0.356
1998	0.618	0.372	0.517	0.335	0.738	0.406	0.624	0.371
1999	0.620	0.403	0.517	0.335	0.751	0.403	0.629	0.380
2000	0.626	0.428	0.536	0.326	0.760	0.405	0.640	0.386
2001	0.631	0.426	0.533	0.321	0.767	0.390	0.644	0.379
2002	0.652	0.446	0.537	0.316	0.795	0.384	0.661	0.382
2003	0.646	0.456	0.548	0.313	0.778	0.379	0.657	0.382
2004	0.663	0.462	0.552	0.315	0.788	0.384	0.667	0.387
Mean	0.632	0.419	0.530	0.323	0.763	0.392	0.642	0.378
Standard deviation	0.021	0.038	0.017	0.009	0.023	0.011	0.020	0.010
Growth (%)	10.9	29.1	10.0	-2.9	7.9	-0.9	9.4	8.5

Source: Author's calculations.

Table 2: Mixed model estimation

	1	2	3	4
Intercept	0.684 (33.51)*	0.699 (41.20)**	0.696 (40.51)**	0.724 (47.54)**
OGI	0.202 (5.98)**			
OGI×Loc (=0) (-3.72)**	-0.121			
EGI		0.174 (6.00)**		
EGI×Loc (=0)		-0.129 (-4.773)**		
PGI			0.218 (6.35)**	
PGI×Loc (=0)			-0.153 (-4.54)**	
CGI				0.113 (5.16)**
CGI×Loc (=0)				-0.134 (-5.25)**
Prior Growth Rate	0.113 (2.25)**	0.112 (2.19)**	0.107 (2.10)**	0.131 (2.55)**
AR(1) rho	0.931	0.932	0.921	0.929

Note: t-ratios are shown in parentheses.
 ** - Coefficient is significant at the 0.05 level.
 Source: Author's calculation.

only 0.081 for the FSU and Mongolia region—suggesting that governance conditions matter more in the CEE and Baltic region than they do in the FSU and Mongolia region. It seems that CEE and Baltic region countries may have benefitted from well developed governance structures in Western countries, which can support human development better than in the FSU and Mongolia.

The relationship between the governance indicators and the economic growth rate (which can serve as a proxy for human development) is positive and statistically significant at the 0.05 significance level; the coefficient on the prior growth rate variable is 0.113 and its *t*-statistic is 2.25. This suggests that if economic growth during the previous three years was 10 percent, then the HDI will increase by 0.011 points (everything else equal). The results also indicate that unobserved year effects in the error term are positive, implying that there is an increasing trend in human development over years.

Conclusions

These results show that, whereas the CEE and Baltic countries achieved high levels of human development and developed good governance conditions, the FSU countries and Mongolia were more likely to experience declines in

Table A.1 Cumulative growth rates of governance indices across countries

	EGI	PGI	CGI	GI
Albania	2.7	-1.1	15.4	4.7
Armenia	56.3	-6.7	44.4	32.1
Azerbaijan	60.4	3.1	-3.3	23.2
Belarus	-12.9	24.1	-20.3	-4.1
Bulgaria	24.7	19.4	6.9	15.0
Croatia	30.8	19.1	65.1	37.4
Czech Republic	-7.9	1.2	0.0	-2.6
Estonia	13.7	15.6	0.0	9.0
Georgia	37.8	14.3	5.6	17.0
Hungary	10.9	4.3	0.0	4.4
Kazakhstan	19.9	6.8	-9.1	7.6
Kyrgyzstan	13.1	-28.0	-32.9	-13.2
Latvia	8.7	21.6	5.4	10.7
Lithuania	28.8	23.2	0.0	15.2
FYR Macedonia	-1.3	16.1	16.4	8.7
Moldova	6.9	-13.1	2.8	-0.5
Mongolia	23.1	-7.5	5.8	6.3
Poland	9.6	-3.5	-4.2	0.0
Romania	-6.1	7.1	7.9	3.1
Russia	19.5	2.0	-25.4	-4.1
Slovakia	18.6	7.4	21.1	15.9
Slovenia	14.1	7.4	5.3	8.3
Tajikistan	34.2	52.1	108.0	54.1
Turkmenistan	68.3	-20.2	0.0	20.8
Ukraine	33.7	-3.1	-17.5	1.8
Uzbekistan	18.4	-11.0	0.0	1.9

Note: □ Countries of FSU and Mongolia
 □ Countries of CEE and the Baltics
 Source: Author's calculations

either income or non-income dimensions of human development⁵ and in the political and civic dimensions of governance.⁶ This suggests that good governance is positively associated with human development in transition countries. Governance also seems to have a larger impact on human development in the CEE and Baltic countries than in the FSU countries and Mongolia. The economic and political dimensions of governance seem to have a stronger positive influence on human development outcomes, with political governance having the largest impact in both regions.

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1. The 10 CEE countries are: Albania, Bulgaria, Croatia, the Czech Republic, the Former Yugoslav Republic of Macedonia, Hungary, Poland, Romania, Slovakia, and Slovenia. The Baltic States are Estonia, Latvia, and Lithuania. The FSU countries are: Armenia, Azerbaijan, Belarus, Georgia, Kazakhstan, Kyrgyz Republic, Moldova, Russia, Tajikistan, Turkmenistan, Ukraine, and Uzbekistan. In its geographic and economic similarities to the FSU countries, Mongolia is assigned to the latter group.

2. This is the average HDI of these 26 transition countries during the 1997-2004 period.
3. The world average HDI in 1997 and 2004 are 0.706 and 0.741 respectively (UNDP, human development reports 1999 and UNDP, 2006: Table 1).
4. This method was used to calculate the components of the human governance index. (See *Human Development in South Asia 1999: The Crisis of Governance*, Mahbub ul Haq Human Development Centre, 1999, Oxford University Press, p. 157.)

5. Azerbaijan, Georgia, Kazakhstan, Kyrgyz Republic, Mongolia, Russia, Tajikistan, Turkmenistan, Ukraine, and Uzbekistan have experienced declines in either income or non-income dimension of human development.
6. Armenia, Belarus, Kazakhstan, Kyrgyzstan, Moldova, Mongolia, Poland, Russia, Turkmenistan, Ukraine, and Uzbekistan have experienced declines in political or civic governance, or both.

Overheated: two decades of energy transition in the former Soviet Union

Marina Olshanskaya

The last two decades in the former Soviet Union have seen significant changes in energy production and consumption patterns, with far-reaching development consequences.

Energy efficiency has improved, but significant untapped potential savings remain. Wasteful energy use made the Soviet economy one of the most energy-intensive in the world. Although some progress in improving the efficiency of energy use has been made across the region (on average by 30 percent as compared with the early 1990s), significant untapped potential energy savings exist. Only Armenia and Georgia are currently below the global level (in terms of energy use per dollar of GDP); on average it requires two to three times more energy to produce one dollar of GDP in the former USSR than in the world or in the EU-27 countries (See Figure 1). Uzbekistan is the second most energy-intensive economy globally. It is also worth noting that a similar 30 percent reduction has occurred in global energy intensity, albeit from a significantly lower level.

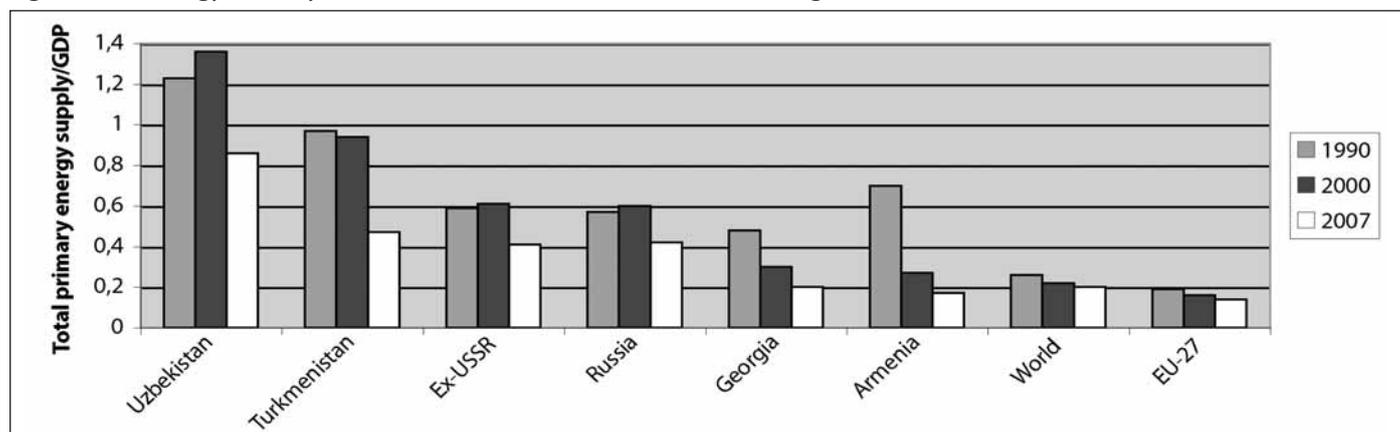
When we look at the efficiency of energy use by sectors, the differences and potential for improvement becomes more apparent.

Energy supply: The case of district heating. After decades of under-investment and neglect, the efficiency of energy sup-

ply (i.e., energy conversion and transmission in the electric power and heating sector) has decreased by 7 percent across the former Soviet Union, with the largest drops occurring in Azerbaijan and Kazakhstan (of 24 percent and 15 percent, respectively). This is in sharp contrast with trends in EU-27 countries, where the efficiency of energy conversion significantly improved during the past 20 years. The situation is arguably most dire in the former Soviet district heating sector¹, where as much as 50 percent of primary energy is lost. (By comparison, overall system losses in modern, well-maintained district heating systems in EU countries typically do not exceed 25-30 percent of primary energy used.) Inefficiencies in district heating systems also mean excessive greenhouse gas emissions. A UNDP-Global Environmental Facility (GEF) project in Kazakhstan estimates that meeting residential heating demand accounts for some 25 percent of Kazakhstan's total greenhouse gas emissions.² By gradually increasing the efficiency of district heating systems from the current 50-60 percent to 70 percent, Kazakhstan's greenhouse gas emissions could be reduced by some 4.6 million tons annually—making this one of (if not) the most effective measures available to reduce Kazakhstan's carbon footprint.

Buildings: The largest energy consumers and sources of greenhouse gas emissions. Buildings in the former USSR account for up to 50 percent of total final energy consumption. Much of the Soviet urban housing stock is now 30-60 years old with poor thermal characteristics, having seen little to no maintenance during past decades. On average, buildings in the former Soviet Union consume two to three times more energy per unit of floor area than buildings in EU countries with similar climatic conditions. The environmental and social costs of these inefficiencies are equally high, in terms of energy bills for households and municipalities, air pollution, and greenhouse gas emissions.

Figure 1 GDP Energy intensity in select FSU countries, EU-27, and world average, TPES/GDP PPP*



Source: International Energy Agency (IEA), 2009. Energy Balances of Non-OECD Countries. OECD/IEA: Paris.

*million tons of oil equivalents per thousand US dollars, measured in year 2000 dollars



The Nিকেleviy Zavod nickel processing plant in Russia hasn't yet overcome the Soviet legacy. Industrial energy intensity levels are higher now than they were before the transition. © Yuri Kozlyev/The World Bank

This sector therefore offers some of the largest and most cost-effective opportunities for improvements in energy efficiency and reductions in greenhouse gas emissions (see Figure 2). For example, 40 percent of Armenia's potential energy savings—the equivalent of 400 million tons of oil equivalents (or 2.3 million tons of carbon dioxide equivalents of greenhouse gas emission reductions) annually—are estimated to be in its buildings. During the past decade, economic growth and aggressive housing construction policies across the former Soviet Union led to a boom in new housing construction. Regrettably, this boom was accompanied by the retention of Soviet construction practices and norms; little or no attention has been paid to the energy performance of the new structures. If not quickly reversed, these practices will lock the former Soviet countries into 'high-carbon' development paths for decades to come. The large subsidies implicit in energy tariffs often make energy efficiency measures uneconomical, and prevent them from being captured. If energy prices in the former Soviet Union were closer to European levels, a 50 percent reduction (as opposed to the current 5-15 percent) in energy use (and the associated declines in greenhouse gas emissions) would be economical.

Industrial energy efficiency: Overcoming the Soviet legacy.

Despite years of gradual improvement, industrial energy intensity levels in the former USSR remain above world averages. Industrial energy intensity levels in Russia and Uzbekistan have not improved, but rather now exceed pre-transition levels. High industrial energy intensity levels are the direct result of inefficient industrial processes (e.g., steel production in Ukraine has the highest levels of blast furnace redundant use per ton of hot metal) and the dominance of heavy industrial structures. In addition to negative local and global environmental consequences, these high industrial energy intensity levels reduce the competitiveness of industrial goods produced in the former Soviet Union.

Box : Energy efficiency and irrigation in Uzbekistan

Agriculture is the largest source of employment in Uzbekistan; it accounts for between a quarter and a third of GDP. Irrigation is of critical importance to the sector: Uzbekistan's 2.3 million hectares of irrigated farmland are serviced by 1,470 electric pumping stations. Reducing energy inefficiency and greenhouse gas emissions

in Uzbekistan therefore requires a transition to more efficient irrigation practices. The majority of the country's irrigation facilities were built in the Soviet period and have since undergone extensive decapitalization: over 65 percent of Uzbekistan's pumps have exceeded their useful lifetime, boosting power consumption by 10-25 percent compared to what would result with the use of more modern, energy efficient pumps. Modernizing this infrastructure could significantly reduce energy efficiency and greenhouse gas emissions in Uzbekistan.

The transport sector: Growing amounts of hot air. The last two decades have seen significant increases in energy use in the transport sector, rising from 15 percent to 20 percent, of the total primary energy supply in CIS countries. Since the global average is 31 percent, this share can be expected to grow further. If not well managed, this growth means the deterioration of public transport infrastructure and growing air pollution (see Box 2 below).

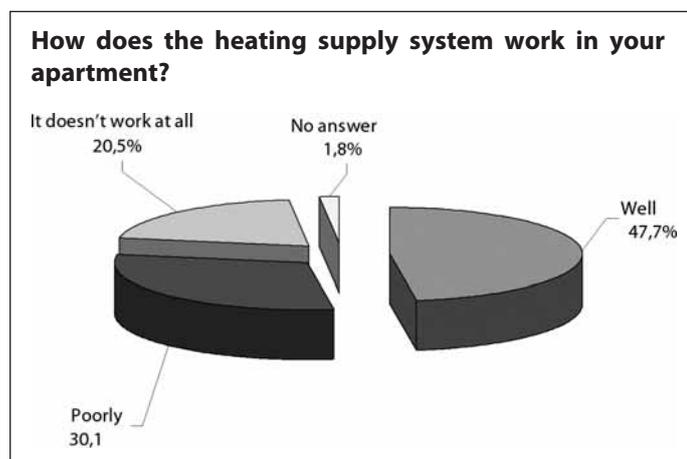
Box : Public transport in Almaty

Since 1992 and especially during the robust economic growth of 2000-2008, radical lifestyle changes and a transition from collective to individual consumption took place—*inter alia* in the transport sector. Like many large cities in the former Soviet Union, Almaty has seen rapid growth in private auto transport alongside the deterioration of the public transport system. The city is no longer able to offer commuters adequate public transit services; they increasingly prefer private cars to unpleasant, unreliable, and unsafe public transport. Financial problems at *Almatyelectrotrans*, the operator of city trolleybuses and trams (the cleanest and most climate- and city-friendly forms of public transport) have led to sharp declines in the quality of vehicles and infrastructure. The number of trolleybuses has dropped to 186 (from 413 in 1991), while the number of trams has fallen to 49 (from 198 in 1991). Trolleybus and tram lines have been shortened by 25 percent and 50 percent respectively; service routes have decreased from 20 to 9 for trolleybuses and from 10 to 2 for trams. If current trends continue, annual greenhouse gas emissions from transport in Almaty are projected to grow from 3.5 million tons of carbon dioxide in 2005 to 9 million tons by 2020.

New trends: The spectre of energy poverty. Energy poverty, defined as 'the absence of sufficient choice in accessing adequate, affordable, reliable, high quality, safe and environmentally benign energy services to support economic and human development',⁴ is a growth threat in a number of CIS countries.⁵ For example, household budget survey⁶ data indicate that the average household in Kazakhstan spent 6 percent of its income in 2007 to cover its heating bills, putting it on the edge of 'fuel poverty'.⁷ A three-person low-income family living in a two-room flat spends 25-30 percent of its monthly income on utilities.⁸

Deterioration in the reliability of energy services is particularly prominent in district heating. A UNDP-GEF project in the Ukrainian city of Rivne reports critically low levels of physical reliability in heat networks and frequent failures (between 0.6 and 4 accidents/km/year) as a result of chronic under-investment in network maintenance.⁹ Everywhere across the CIS, buildings are either overheated or underheated, as tenants often lack control over their heat consumption. More than 50 percent of the respondents in a customers' survey undertaken by a UNDP-GEF project in Turkmenistan are dissatisfied with their district heating systems (See Figure 3). A similar survey in Kazakhstan reveals that for more than half of respondents, average winter temperature in their apartments did not exceed 18 degrees Celsius.¹⁰

Figure 2 Results of a district heating survey in Turkmenistan



Source: UNDP/GEF Energy Efficiency in District Heating project in Turkmenistan¹¹

In Armenia, Moldova, and Georgia, the decapitalization of heat supply systems led to their near collapse in the 1990s. In Armenia, during the Soviet era 90 percent of apartment buildings were heated through district heating systems. In the early 1990s national coverage of district heating systems decreased by over 75 percent; by 2005 only an eighth of the area covered in 1998 was still supplied by district heating.¹² This collapse was partly offset by the rapid expansion of Armenia's gas infrastructure: survey data¹³ indicate that, by the 2006-2007 heating season, gas met more than half (53 percent) of the country's heat needs, followed by electricity (35 percent) and wood biomass (10 percent). However, the level of satisfaction with the quality of heating services remained very low: only 14 percent of households reported

that they were fully satisfied with these services, while 43 percent reported that they were completely dissatisfied.

Similarly, in Kyrgyzstan and Tajikistan, inadequate access to heat and electricity has acquired a chronic character since 2007, as drought and managerial lacunae in these countries' hydroelectricity infrastructures has reduced winter electric heat supplies to a few hours a day. Governments in both countries announced humanitarian emergencies during the winter of 2008-2009.¹⁴

Conclusions

The last two decades have seen only a few signs of successful transition to sustainable, low-carbon energy use in the former USSR. Legacies from the Soviet period remain, particularly in the form of some of the world's highest levels of energy use and greenhouse gas emissions per dollar of GDP. The appalling state of the energy infrastructure in many countries is not improving, generating growing inefficiencies, reducing the quality of energy supply services, and creating serious affordability concerns. Coupled with growing energy demands in the housing and transport sectors, transition to sustainable energy use seems likely to remain an elusive—if not unattainable—goal for the foreseeable future.

As the experience of the new EU member states shows, market reforms and energy sector restructuring are necessary but not sufficient conditions for substantial improvements in energy efficiency in transition economies. *Targeted* energy efficiency policies, legislation and institutions, tailored to individual sectors and country needs, are needed for more reliable, affordable, environmentally benign, low-carbon energy sectors.

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1. District heating refers to a system of heat supply to consumers through a common heat network.
2. For more information about the project please visit www.eep.kz.
3. Full project document is available at http://www.gefweb.org/uploadedfiles/Uzbekistan_07-09-2009_ID3624_Promoting_EE_in_Public_Bldgs.pdf.
4. United Nations Development Programme (2000). *World Energy Assessment*. UNDP: New York.
5. See, for example, Buzar, S. (2007). *Energy Poverty in Eastern Europe: Hidden Geography of Deprivation*. United Kingdom: Ashgate Publishing, Ltd.
6. Agency on Statistics of the Republic of Kazakhstan, 2007.
7. The US Government uses 6 percent as the fuel poverty threshold; the UK Government uses a 10 percent benchmark. Source: Fankhauser and Tepic (2005). *Can Poor Consumers Pay for Energy and Water? An Affordability Analysis for Transition Countries*. Working paper, No. 92. London, UK: European Bank for Reconstruction and Development.
8. Based on UNDP-GEF project document 'Removing Barriers to Energy Efficiency in Municipal Heat and Hot Water Supply in Kazakhstan', available at www.eep.kz.
9. UNDP-GEF project 'Removing Barriers to Greenhouse Gas Emissions Mitigation through Energy Efficiency in the District Heating System in the city of Rivne', project website: www.esco-rivne.com.
10. More information about the ongoing UNDP-GEF project on municipal energy efficiency in Kazakhstan can be obtained at the following website: www.eep.kz. A similar UNDP-GEF project in Turkmenistan has been implemented in 2001-2006. More information and materials are available upon request from UNDP Turkmenistan or the UNDP-GEF Regional Coordination Unit in Bratislava.
11. The project was implemented in 2001-2006. More information and materials are available upon request from UNDP Turkmenistan or the UNDP-GEF Regional Coordination Unit in Bratislava.
12. UNDP-GEF project 'Removing Barriers to Energy Efficiency in Municipal Heat and Hot Water Supply in Armenia'. For more information see www.heating.nature.ic.am.
13. Economic Development and Research Centre (2007), *Assessment of Heat Supply and Heating Options in Urban Areas of Armenia*, Working paper 08(07). Yerevan, Armenia: EDRC.
14. UNDP *Central Asia Regional Risk Assessment* (2009). <http://europeandcis.undp.org/home/show/60B55B69-F203-11E9-B99CA6F9ED93A5B8>.

Twenty years of transition and human development: an appraisal

Jeni Klugman and Tim Scott

Much has changed since the launch of UNDP's first global Human Development Report in 1990, but the fundamental political, economic and social reforms in the transition countries of Europe and Central Asia are among the most important that the world has experienced. In many ways the transition enabled a broadening of people's choices in ways that were never possible under the old regime, but the reforms also brought huge challenges. The picture that has emerged is thus quite mixed, and warrants deeper investigation.

Preliminary trends analysis in 93 countries for which we have data for the period 1970-2007¹ suggests some interesting patterns and relevant findings for the transition countries. Since 1970, human development index (HDI)² levels have converged over time – poorer countries see a faster increase in their HDIs than richer countries, even after controlling for the statistical limits set by the goalposts in the index and the natural limits set by literacy and life expectancy. This contrasts to income³, which diverges in unweighted cross-country analysis. This convergence is driven largely by drops in child mortality rates and increases in literacy. There are regional specificities, which reflect different stages of the demographic transition and exposure to social or political shocks—including political partition, armed conflict, and the rise of HIV prevalence in the 1990s.

This analysis also shows that, controlling for initial HDI levels and access to improved sources of water and sanitation, HDI convergence is closely related to changes in gender status—increases in female literacy, drops in fertility rates and increases in female labour participation. The salience of correlates varies by region, but all regions see a strong impact from the gender variables in the cross-sectional analysis.

The HDI, first calculated in 1990, captures just three dimensions of people's well-being—health, education and purchasing power. In 1990, the region was broadly characterized by good development outcomes relative to incomes, especially in poorer countries. However, throughout the region, the early years of transition saw tremendous socio-economic hardship, with the collapse in economic activity, rollback of the state, and major changes in traditional social roles, values, and definitions of national and ethnic identity.

Since then, some countries have experienced a significant economic bounce-back—which started earlier for countries such as Poland, Slovakia, and Slovenia, than for others, e.g., Albania, Azerbaijan, and Belarus. Some, including Georgia, Kyrgyzstan, Serbia and Ukraine, have not yet reached HDI levels present at the start of transition. Three countries in particular, Moldova, the Russian Federation and Tajikistan, which experienced human development setbacks in the 1990s, are still behind where their HDI was in 1990, even before incorporating data reflecting the impact of the recent economic crisis.⁴

The overall record in the transition countries of Europe and Central Asia has been weak relative to some other parts of the world. Even the best performers in terms of short-term HDI increases—like Armenia, Kazakhstan and Tajikistan between 2000 and 2007—are significantly behind China, which registered average annual increases in its HDI of 1.4 percent between 1980 and 2007; and Indonesia and Viet Nam with 1.3 percent and 1.2 percent increases respectively.⁵ China and Viet Nam are obviously of particular interest since both countries were also engaged in their own transition paths during the period.

Life expectancy at birth reveals perhaps the most worrisome trend in outcomes for men in some transition countries. Kazakhstan has the lowest male life expectancy in the region at 59.1 years, followed by Russia (59.9),⁶ both lower than the 1990 estimate of 64 years.⁷ This compares with male life expectancy of 59.8 years in Timor-Leste and Benin, and 60.4 years in Togo—which are classified as countries at low levels of human development, and which are some 80 places below Kazakhstan in the global HDI rankings, with per-capita GDP levels⁸ at least eight times lower than that of Kazakhstan or Russia.

As highlighted by the 2009 human development report on demographics in Russia,⁹ low life expectancy, combined with low fertility rates (1.4), an aging work-force, and a growing HIV-AIDS epidemic, poses challenges for Russia and some other transition countries. Better targeted, more efficient investment and additional research is needed to improve public health systems and understand underlying social-economic factors influencing health outcomes. Related policies addressing structural challenges linked to employment and social transfers also warrant attention in this context. Countries like Russia with abundant natural resources need to adopt a balanced growth approach so as to generate broad employment during economic booms and help offset problems created during economic downturns. Research also reflects the importance of effective spending in health and other social sectors to sustain development gains over the long-term.¹⁰

How has the emergence of new opportunities for civic participation and democratic activity, including dramatic increases in numbers of NGOs, and the spread of new information and communication technologies, manifested themselves in tran-



Young boys in Russia have a life expectancy today of about 60 years, which is comparable to the life expectancy of males in Timor-Leste and Benin.
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sition countries? What has been their effect on individual and group empowerment? How have gender discrimination and abuse played out in the context of transition? What has been the impact of growing concerns about environmental sustainability and their implications for traditional growth models?

The extent to which communities and policy makers have successfully addressed these new and ongoing challenges has varied as reflected in continuing deprivation, traps and inequality of various forms. The disaggregation of national data can reveal some inequalities in development outcomes in the region that otherwise remain hidden. For example, the value of the HDI for Russia in 2006¹¹ was 0.805. When disaggregated by region, HDI values were as high as 0.896 for Moscow—greater than the HDI for Bahrain, which is roughly 30 places higher in the global HDI ranking than Russia. By contrast the HDI for the Republic of Tyva was 0.671, a value which falls between the HDI for Morocco and South Africa, countries nearly 60 places lower than Russia in the global HDI ranking.

The Gender Empowerment Measure (GEM) seeks to reflect the extent to which women and men are able to participate in economic and political life of their countries. The GEM has been calculated for 109 countries globally and for 24 in Central and Eastern Europe and the CIS¹². Unlike the Gender-related Development Index (GDI)¹³ where women do well in terms of literacy, school enrolment and life expectancy, most countries in the region have relatively low GEM values and ranks. The highest ranked country is Estonia at 30th while the lowest is Azerbaijan at 100th. This data mainly reflects low female representation in parliament and in earned income,

although across the region there are wide variations in GEM values. For example, in Belarus, around one in three parliamentarians are women compared with less than 1 in 10 in Albania and 1 in 15 in Georgia.

Broader issues of gender and inequality not captured by the GDI or GEM, including participation in the informal economy, household decision-making, gender-based violence, and trafficking, also require greater policy attention. As noted by the 2006 regional human development report on Roma and the displaced in Southeast Europe¹⁴ and more recent work by the Innocenti Research Centre,¹⁵ groups for whom official data are not always available and who are at particular risk for social exclusion and deprivation include Roma women and children, the children of migrant workers, and unemployed youth.

Additional research and policy debates are needed to understand the cross-sectoral causes of these development challenges. Several national and regional human development reports have contributed to these efforts by looking at the changing role of the state, the development impact of EU integration, new forms of regional cooperation and (in)security, participatory forms of governance, decentralization, the role of civil society, changing cultural identities, and links to the environment and energy.¹⁶ The 2010 Global Human Development Report aims to assess these challenges more broadly, while underlining that one-size-fits-all approaches are unlikely to work. Given that 20 years after is an opportunity for reflection, the upcoming 2010 report will include reflections about the global HDRs, the extent to which these picked up the most pressing issues, in ways that resonated with pol-

icy makers, how useful are the measures presented, and what sorts of reforms are needed to found a robust approach to human development for the period ahead.

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1. George Gray Molina and Mark Purser (2009) *Human Development Trends since 1970: A Macro Story of Micro Changes*, HDRO Working Paper Paper 01/2010, New York: UNDP.
2. The HDI is a global composite index measuring average achievement in three basic dimensions of human development – a long and healthy life, access to knowledge and a decent standard of living.
3. As measured by per-capita GDP in purchasing-power-parity terms.
4. HDR2009 Statistical Annex, Table G. <http://hdr.undp.org/en/reports/global/hdr2009/>.
5. HDR2009 Statistical Annex.
6. HDR2009 Statistical Annex, based on 2007 data.

7. World Bank World Development Indicators Online Database. (See [www. WorldBank.org](http://www.WorldBank.org)).
8. In purchasing-power-parity terms.
9. Available at <http://europeandcis.undp.org/home/show/F64CE386-F203-1EE9-BD6D78D5790CB695>.
10. Gus Ranis and Frances Stewart, 'Strategies for Success in Human Development', *Journal of Human Development*, February 2000, Vol. 1(1): 49-70.
11. Russia HDR2009: Russia Facing Demographic Challenges. <http://hdr.undp.org/en/reports/nationalreports/eurothecis/russia/name,18666,en.html>.
12. HDR2009 Statistical Annex, Table K. <http://hdr.undp.org/en/reports/global/hdr2009/>.
13. HDR2009 Statistical Annex, Table J.
14. See *At Risk: Roma and the Displaced in Southeast Europe*, UNDP, 2006, available at <http://europeandcis.undp.org/home/show/1F158B1F-F203-1EE9-B8384A4FF5BF9916>.
15. *Innocenti Social Monitor 2009*: Child well-being at a crossroad. Evolving challenges in Central and Eastern Europe and the Commonwealth of Independent States. http://www.unicef-irc.org/article.php?id_article=132.
16. Bosnia and Herzegovina HDR 2007; Bulgaria HDR 2006; Croatia HDR 2009; Georgia HDR2008; Kazakhstan HDR 2009; Kosovo HDR 2007; Serbia HDR 2008; Ukraine HDR 2008; Central Asia Regional HDR2005. To view these reports online, visit <http://hdr.undp.org/en/reports/nhdr/>.

Internalizing the human development paradigm: reflections of a witness

Andrey Ivanov

The emergence of the human development concept coincided with the collapse of the socialist system. This had profound implications for the way human development has been internalized in Europe and Central Asia. Unlike other regions, human development in these countries faced a dual challenge: historical (surmounting the legacies of the past) and conceptual (appropriately translating the human development concept into national languages). This combination of challenges is reflected in some important peculiarities of transition processes in the region.

The shadow of the legacy

The former socialist bloc's public space was littered with 'human' terminology and slogans in all possible variations reflecting some basic building blocs of socialist ideology. The old system was nominally human- and people-centered, (*все во имя человека, все для блага человека*). It sought to promote brotherhood, equity, justice and equal opportunities (*человек человеку – друг, товарищ и брат*) and human dignity was supposed to be at its core (*человек – это звучит гордо*, a phrase from Maksim Gorky elevated to the rank of a slogan). The fact that these ostensibly human-centred objectives were sometimes pursued by non-humane means (including overt repression) was seen as a minor detail. Ideologically and politically, the system claimed to be the 'most human of all possible systems' and prided itself on protecting human values against 'bourgeois exploitation'.

The legacies of this ideology had profound long-term consequences for transition. With the collapse of communism, the rhetorical pendulum swung in the opposite direction, as countries that were disenchanted with egalitarian undemocratic

socialism eagerly embraced individualism, entrepreneurship, self-reliance and increased inequality. Sceptical attitudes towards anything resembling the old ideology also clouded perceptions of human development ('oh, that's the same old ideological stuff!'). Others – nostalgic for the 'glorious' past – favoured more collectivist approaches to development and did not always appreciate the difference between the human development paradigm and *de facto* pre-transition development models ('oh, that's what we have always been doing!'). Human development was perhaps among the few points of the early transition consensus: both groups were sceptical about it, but for different reasons.

It took some years for the euphoria to fade away and emotions to settle. The publication of the first global Human Development Reports (HDRs) in the 1990s contributed to the understanding that both 'camps' were wrong. They showed that human-centered development approaches had been expropriated and exploited by the communist ideology, and that communism's dramatic failure had not been a failure of human development as such. By 1994, the first national human development reports (NHDRs) had been published in the region, introducing the conceptual challenge to post-communist publics.

Translating the message

Words encode messages; translating the message is the primary task of any translation. In introducing the human development paradigm to the countries of Europe and Central Asia, this simple fact was somewhat neglected. Perhaps because of difficulties posed in translating 'human development' into Slavic languages, or because translators were not sufficiently versed in the subject, when the first NHDRs were published in the region in the mid-1990s 'human development' was introduced in a variety of linguistic forms. In the Russian-language literature, for example, four different translations have been in use since then: *развитие человека*, *развитие человеческого потенциала*, *развитие возможностей человека*, and *человеческое развитие*. Although *человеческое развитие* is closest to the real meaning of the concept, it remains the least popular; *'развитие человеческого потенциала'* is the most common translation. *Развитие человеческого потенциала* is however the correct translation for 'human capacity development'; *развитие*



Vladimir Ilyich Lenin: *The most human of humans?*

возможностей человека denotes 'human capabilities development'. While all these concepts are integral to the human development paradigm, none of them reflects its wealth in full. To a certain extent, the same also applies to the term 'development' (*развитие*) itself—this term connoted the 'maturing' of social systems, movement from 'underdeveloped' to 'developed' status (e.g., the concept of 'developed socialism', *развитой социализм*, as an intermediary stage between 'socialism' and 'communism'). As a result, the question of the degree to which 'human development' has been properly understood and adequately internalized in the region remains open.

Beyond linguistics

To a certain extent, this problem reflects a duality in the definition of 'human development'. On the one hand, it denotes a

human-centered pattern of development, whose ultimate objective is improving people's opportunities and capabilities. On the other hand, it also means the level of development reached in the process. In English, the differing dimensions of the term can be distinguished through the context; but in most Slavic languages, the different aspects (the nature of the process and the outcome) should be defined with different words. In Russian, references to the process (human-centered development) should be translated as *человеческое развитие* or *развитие, ориентированное на человека*. In regards to the outcome of the process (as reflected in the human development index—HDI¹), both terms are applicable (*индекс человеческого развития* and *индекс развития человека*). Although even this is not that simple—the HDI is itself a combination of outcome and input indicators (GDP and enrolment rates are clearly input indicators; literacy rate and life expectancy are outcomes²). This duality also contributes to confusion about how to translate what.

'Human development' is not unique in that regard. It is equally difficult to translate terms like 'advocacy' or 'policy' into Russian and other national languages. While language should ideally follow reality, in the post-socialist context this has not always been true.

In the case of human development, the message in the English language is clear: people are the objective rather than a means of development; money is a means and not an end. Meeting basic needs for goods and services is important, but only in the context of other, broader issues (freedom, democracy, gender, environment, community, culture). Freedom of choice and the expansion of people's choices are the priorities in a human development context. But while these are issues that should underpin transition processes in the region, they do not automatically appear on national development agendas. In this respect, problems of internalizing human development may be conceptual and linguistic as well as being about policy.

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1. The Human Development Index was introduced by UNDP in 1990 as an alternative to GDP as a measurement of societies' progress. Apart from material well-being (reflected in the GDP index), it also integrates longevity (measured by life expectancy at birth) and achievements in education (reflected in literacy and enrollment rates).
2. From the perspective of neoclassical economics, GDP is an outcome. But from a human development perspective, in which wealth is a means and not an end in itself, GDP is an input.

From the people: what survey questionnaires reveal about the transition

Richard Rose

The legacy of up to half a century or more of communist rule was mixed. Most of the population had had at least 10 years

of free education and every society had many qualified professionals. However, communist institutions had not only limited free speech and individual choice but also introduced corruption in the provision of health care, education and the allocation of housing. For the great majority of 350 million subjects, the collapse of communist rule was peaceful and international agencies and national governments were ready to provide both money and assistance in developing institutions of a modern state, a modern economy and civil society.

The challenge facing outsiders trying to assist people was to drop ideas based on experience in democratic market economies. The question—How do people cope?—should not be a statement of despair but the start of a search for knowledge. This not only provides a basis for realistic policies; it also shows respect for people who have managed to cope in circumstances that have not been seen in Western Europe since the Second World War.

The obvious way to learn is to ask people who are coping. Within every country new research institutes had been founded by social scientists who were now free to study what their fellow citizens did and thought. The institutes had the technical skills and infrastructure to organize nationwide sample surveys more representative of the population than journalistic anecdotes. In spring, 1991, I created the New Europe Barometer surveys with funding from scientific institutions in Austria, Britain, Germany, Sweden and intergovernmental agencies such as the World Bank and the European Commission. Since then more than 100 surveys have interviewed more than 120,000 people in 16 countries of Central and Eastern Europe and successor states of the Soviet Union, especially Russia. Funders attached no strings to the questions asked.

The starting point in the questionnaire was a simple model of Total Welfare in the Family as the sum of what was obtained from the Household, the Market and the State. The questionnaire asked about nine different forms of economic activity, two official and monetized (a first job or a pension), three cash in hand, and four unofficial, such as growing food. Long before the term 'social capital' came into vogue, subjects in communist regimes had learned the importance of social networks. A big majority of households protected themselves from the vagaries of an economy in transformation by having a portfolio of activities, some on the books and some off the books and some not involving any cash changing hands. If you could not earn enough from your regular job to live on, then you got a second job in the informal economy. If you couldn't earn money there, you could augment your official income with do it yourself household production. The most vulnerable households were those that depended solely on the official economy. NEB surveys gave measured support for such epigrams as 'Better a hundred friends than a hundred roubles' or 'Without friends you are dead'. By turning anecdotes into social science data, it showed that only a small fraction of people could earn money in the cash-in-hand economy but the great majority of urban as well as rural residents could and did grow food to augment what they had to buy in shops.

By creating unofficial data, the New Europe Barometer showed how misleading were official statistics about poverty. The questionnaire did not ask people their income in a currency fluctuating between double and treble-digit inflation. Nor did it try to convert such figures into US dollars at purchasing power parity through complex calculations based on unverifiable assumptions. Instead it asked people how often they had

to do without food, heating or clothes that they needed. It was the rare household that was destitute, that is, doing without necessities on a continuing basis. In societies under stress, most households occasionally had to do without some things, but they were also resilient. Most people coped with temporary adversity by relying on a portfolio of economies rather than waiting months for bureaucrats to process claims for benefits. For example, if money was in short supply, a household could do without meat for a few Sundays or patch worn clothes until cash could be earned or borrowed from friends and relatives.

Whereas a Ministry of Social Security thinks in terms of pensions, a survey focuses on people. Since most pension claimants are women, the World Bank asked me to prepare a report on gender poverty. The NEB evidence found that a pension was often the second or third income in the household, since many widows were living with their daughter or daughter-in-law. The largest social group in economic difficulties were unskilled workers with children. Subsequent survey-based research in European Union countries has confirmed that children in poor families have a better claim on additional public funds than pensioners.

National statistics can be used to make comparisons between countries, for example, reminding us that male life expectancy in Russia was far below the average for the region for decades before transformation as well as remaining low today. However, national averages cannot answer the critical question for policy makers: Why are some Russian men healthier than others? NEB surveys provide answers. For the majority of men, psychological influences, such as being confident of controlling one's life, are more important for health than social class and are independent of class. Moreover, being a Russian man rather than being a male resident of a state that is no longer in the communist bloc but part of the EU, is as bad for health as having an inadequate income.

An unofficial survey can ask questions about politics that international agencies tend to avoid. Where government, whether democratic or undemocratic, was far from satisfactory, the crucial issue was not how one would like to be governed but whether the new regime was an improvement on the old one in terms of giving people more freedom. Consistently, NEB surveys found that three-quarters or more of citizens felt freer to say what they think, make up their own minds about religion or decide whether or not to join an organization compared with life in a communist regime in which there was only freedom from the state within a narrow circle of trusted friends (Table 1).

The unofficial status of the NEB made it possible to ask questions about corruption. The results show a big difference between assessments of elites and experiences of ordinary people. Consistently, large majorities characterize most public officials as corrupt. Yet when asked about their own contacts with teachers, nurses and other public employees delivering services in their community, substantial majorities report not

having had to pay a bribe or give 'gratitude money' to get what they wanted. National officials cannot excuse their behaviour by arguing that breaking rules is a cultural norm as 'everyone is doing it'. The big problem is in decisions about large-scale capital expenditure for roads, public buildings and defence equipment. The need is to monitor high-level, big-bucks procurement contracts and officials allocating them.

The financial crisis facing governments globally is different today, but the need for understanding how people behave when confronted with difficulties remains. Survey studies show that the income of pensioners is more secure than those working in the private sector, and people in what were once communist societies are *less* vulnerable to the housing crisis than in Western Europe since governments there often gave ownership to tenants, thus circumventing the sub-prime mortgages that trouble Western societies. Moreover, in European societies where women have been integrated in the labour force, unemployment does not mean a total loss of income, for many more households have two incomes than one.

Survey data cannot tell policy makers what to do. Their value is in helping policy makers diagnose the problems they confront. At a minimum, this can help avoid adopting policies that make problems worse or are irrelevant, and point toward measures helping people in societies undergoing rapid change.

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Obstacles and opportunities for civil society development in the South Caucasus

Arpine Porsughyan

Since the collapse of the Soviet Union, significant efforts have been invested in civil society' development in the former Soviet bloc. However, in many post-Soviet countries the extent of civil engagement remains limited. In the South Caucasus, while there is a plethora of registered public organizations (over 4,000 in Armenia, 3,000 in Azerbaijan and 10,000 in Georgia) only 10-15 percent of these registered organizations are actively pursuing their missions.² Civil participation in these organizations is low. What, then, are the obstacles to civil society development?

One of the most convincing explanations of the weakness of civil society in post-communist Europe has been given by Marc Howard.³ According to Howard, three factors contribute to the weakness of civil society in the post-communist countries: citizen distrust towards formal institutions; general dis-

Falling Expectation of Parliament Being Suspended

Q. Some people think this country would be better governed if parliament was closed down and all parties were abolished. How likely do you think this is to happen in the next few years?

	1991-93	2004	Change
	(% saying suspension might happen)		
Hungary	25	3	-22
Lithuania	37	9	-28
Czech R.	39	10	-29
Croatia	33	12	-21
Bulgaria	30	13	-17
Estonia	41	13	-28
Slovenia	30	14	-16
Romania	32	14	-18
Slovakia	47	15	-32
Belarus	40	17	-23
Latvia	28	19	-9
Poland	56	19	-37
Ukraine	43	22	-21
Russia	61	25	-36

Source: Centre for the Study of Public Policy, University of Aberdeen.

satisfaction with economic and political conditions; and the persistence of strong pre-transition social networks. By applying Howard's argument to the South Caucasus, this paper shows that serious obstacles to civil engagement remain, that these obstacles pose critical problems, and that quality data are critical for understanding the situation after 20 years of transition.

Distrust of formal institutions

Howard argues that citizens in post-communist countries do not distinguish new voluntary organizations from the mass organizations of the past—both are regarded with distrust. While most of the Soviet citizens were members of one or more formal organizations (women's groups, trade unions sports clubs), these organizations were centrally conceived, and not the result of citizen initiative.⁴ Lacking the impetus of voluntary associations, private engagement in these organizations was limited, and in many cases membership was perfunctory. Today, despite the more democratic setting, citizens of the post-Soviet bloc continue to view public organizations with scepticism.

Survey data from the South Caucasus illustrates Howard's argument about the continuity of popular perceptions of public institutions. NGOs are among the least trusted institutions in the South Caucasus—even in Georgia, despite the drastic changes after the Rose Revolution.

Preferences for political and economic systems (in percent)			
	Armenia	Azerbaijan	Georgia
Democracy and market economy	25	33	33
Democracy and planned economy	10	5	12
Authoritarianism and planned economy	8	2	8
Authoritarianism and market economy	4	3	2
Neither matter	30	39	25
All other combinations	23	18	20

Source: EBRD Life in Transition Survey, 2006

Civil engagement, therefore, remains very low: only 7 percent of Armenians reported involvement in volunteer work in 2007; 8 percent of Georgians contributed to charity; and 1 percent of Azerbaijanis attended meetings of a club or civic organization six months prior to the survey.⁵

General dissatisfaction with economic and political conditions

Discontent with current economic and political conditions is the second factor Howard identifies as hindering civil society development. He argues that unmet hopes for a better life after the collapse of the Soviet Union resulted in citizen alienation.⁶ Data from the European Bank for Reconstruction and

Development's *Life in Transition Survey* (LiT) and the Caucasus Research Resource Centers Data Initiative (CRRC DI) show that, indeed, populations in the South Caucasus are generally dissatisfied with their economic and political conditions. The lowest level of satisfaction is observed in Armenia, where the old and poor tend to be most dissatisfied. Only 20 percent of the population aged over 50 and 15 percent of lower income survey respondents are satisfied with their lives now.⁷ While dissatisfaction with the economic situation is widespread in Georgia, more than 40 percent believe that the political situation has improved since 1989.⁸ Satisfaction with the political and economic situation is relatively stronger in Azerbaijan, particularly among the 50-64 age group.⁹ The LiT survey data also shows popular indifference towards economic and political systems—39 percent of the respondents in Azerbaijan, 30 percent in Armenia, and 25 percent in Georgia have no preference for political and economic institutions, saying that neither matters.¹⁰

Social networks

According to Howard, informal Soviet-era networks that were important for getting goods and services continue to play this role, reducing the need for formal networking.¹¹ Friends and family play a significant role in the South Caucasus in securing personal safety, finding employment, and conveying news. Among the South Caucasus countries, Armenians tend to rely on networks the most. According to CRRC DI, 60 percent of Armenians claim that friends effectively secure personal safety; only 15 percent think police effectively secure personal safety.¹² In Azerbaijan and Georgia, friends are also the first on the list of people/institutions securing personal safety. Connections are also considered one of the most important factors in finding employment: 36 percent of Armenians claim that connections



The exception rather than the rule? Women gather for a capacity-building session in the Armenian city of Vanadzor. © UNDP Armenia

Which of the following factors do you consider most important for getting a good job in your country? (in percent)			
	Armenia	Azerbaijan	Georgia
Education	20	37	37
Work experience	3	5	3
Professional abilities and talent	8	13	5
Hard work	11	3	6
Connections	36	12	16
Money	12	26	14
Luck	9	4	16

Source: CRRC DI, 2006

are the most important factor for getting a job.¹³ Education comes in second (20 percent). In Georgia and Azerbaijan while connections are less significant (12 percent in Azerbaijan and 16 percent in Georgia), Azerbaijan reports surprisingly high numbers of respondents (26 percent) claiming money is the most important factor in getting a job. In a recent survey 33 percent of Georgian respondents identified lack of connections as the major obstacle to finding a job.¹⁴ Furthermore, connections are important not only for finding employment opportunities, but also for receiving news in general. Social networks (family, friends, and colleagues) are the second most popular source of information in the South Caucasus, after television.

Trust in NGOs (in percent)							
	Fully trust	Somewhat trust	Neutral	Somewhat distrust	Fully distrust	Don't know	Refuse to answer
Armenia	5	20	22	11	17	24	0
Azerbaijan	6	22	24	10	9	27	2
Georgia	6	27	24	10	7	21	1

Source: CRRC DI, 2008

Volunteerism: helping one another through the transition

Steve Powell

Many transitologists and social capital theorists have presented a picture of social behaviour in the former Eastern bloc—both under socialism and during transition—as being based on close-knit groups who are only prepared to help themselves: a roadblock to the development of civil society rather than a part of it.

Owing to mistrust and poor social capital, most citizens in post-communist countries establish bonds and trustworthy relationships within private circles and distance themselves from the public

Conclusion

Howard's arguments and public opinion data show that increasing the quantity of civil society organizations and providing them with more assistance will not resolve problems of weak civil societies in the South Caucasus. These countries continue to have sceptical attitudes towards all types of formal organizations and are generally apathetic about the economic and political conditions facing them. Traditional social networks are therefore trusted and valued over state and public institutions. Further analysis of social attitudes and perceptions in the South Caucasus can shed light on the opportunities for a deeper change to support transition.

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1. Marc Howard's definition of *civil society*, which refers to 'the realm of organizations, groups, and associations that are formally established, legally protected, autonomously run, and voluntarily joined by ordinary citizens,' is used here. Howard, M. (2003), *The Weakness of Civil Society in Post-Communist Europe*, Cambridge University Press, p. 34.
2. USAID (June 2009), *2008 NGO Sustainability Index for Central and Eastern Europe and Eurasia*, 12th Edition.
3. Howard, M. (2003).
4. Ibid.
5. Caucasus Research Resource Centers (CRRC) Data Initiative (2007), annual nationwide household survey. Available at www.crrccenters.org.
6. Howard, M. (2003), p. 29.
7. European Bank for Reconstruction and Development (2007), *Life in Transition Survey*.
8. Ibid.
9. Ibid.
10. Ibid.
11. Howard, M. (2003), p. 28.
12. CRRC DI (2008).
13. CRRC DI (2006).
14. Caucasus Research Resource Centers (2009), a nation-wide survey on perceptions of the European Union, Georgia.

dimension of social life, i.e. the arena of civil society. This threatens the very existence of a public sphere of civic engagement and renders the task of promoting citizen participation more difficult for [civil society organizations].¹

In terms of Robert Putnam's distinction (2000) between 'bridging social capital' (in which links are formed across diverse social groups) and 'bonding social capital' that cements only homogeneous groups, this sounds as if bonding social capital can harm the development of civil society in transition. But voluntary work is a key component of social capital. So is volunteering in transition countries also too focussed on 'bonding' and is it therefore a barrier to civil society development?

The concepts of 'bonding volunteering' and 'bridging volunteering' can be quite useful in this context. Whereas the former is carried out by a member of a social group for the benefit of that group, or for the benefit of another member of the same

group, the latter refers to volunteering which is not primarily for the benefit of the same social group. A study recently conducted for United Nations Volunteers (UNV) on volunteering² is directly relevant here: this study combined focus groups and interviews across the countries of Southeast Europe (SEE) and the Commonwealth of Independent States (CIS) with a reanalysis of World Values Survey data (which are generated from representative household surveys primarily on human values, carried out since 1981 all over the world, including in the Europe and CIS region: WVS 2009³).

Bonding volunteering is more frequent in smaller communities in which people adhere to traditional values, which are more common in agricultural communities. The volunteer and beneficiary usually know one another. The volunteer acts from a sense of social obligation to his/her community, which may be so strong that volunteers may not always feel their work to be a result of their free will.

Bridging volunteering is more frequent amongst people who come from backgrounds with higher rates of social mobility and urbanization⁴, and is more likely to be formalized and 'managed' by an organization. Generally speaking, there is more bridging volunteering in Western than in Eastern Europe; while in the East, there is more bridging volunteering in 2009 than there was in 1989. As bridging volunteering also tends to be much more visible in the media and is easier to report, assess and quantify, the extent of bonding volunteering may be under-reported compared to bridging volunteering. The NGO officers throughout the region who were interviewed for the UNV survey almost unanimously shared the sentiment that 'we need to educate people about what volunteering is'; it is probably bridging volunteering they are thinking of. Bonding volunteering is mostly considered to be a virtuous but necessary response to a problem, whereas bridging volunteering is seen (at least in the West) as a virtue in its own right; the virtue is in the lack of necessity.

The tradition of *hashar* or *ashar* (assistance of a village community to any family in need) has been common in rural Central Asia for at least several hundred years⁵. When a community member could not manage to gather the harvest, build a house, or plough the land, the community would organize a *hashar*⁶. In other cases, *hashar* may be organized for the benefit of the whole community or even other communities and thus may take on characteristics of bridging volunteerism.



Community-driven development can also encourage participatory democracy. © The United Nations Volunteers

Does such mutual aid really constitute volunteering? The UNV definition of volunteering explicitly includes unpaid mutual self-help⁷, providing it does not directly benefit the volunteers or their immediate families. The UNV approach also stresses that this kind of work is vital for the survival of many remote communities. Is this kind of aid really given voluntarily? In the *Handbook of Economic Sociology*, voluntary work is defined as work involving 'no contractual, familial or friendship obligations'⁸. Those helping in *hashar* probably feel themselves to be under some form of obligation—but this obligation is usually not contractual, familial or friendship. While accepting that *hashar* probably presents a borderline case for volunteering, one could also ask how much of what is called volunteering in the West could also be seen as carried out to some extent under obligation—whether religious, moral or peer pressure.

Prior to socialism, forms of bridging (as well as bonding) volunteering and charity were quite well developed in the region. The Russian Female Charitable Society of Mutual Help received the gold medal for charities at the 1900 World Fair in Paris, for example (Liborakina, 1996)⁹.

The archetypal form of state-sponsored unpaid work under socialism were the mass organized labour actions which were presented as vital for building and maintaining the infrastructure of the socialist nations. While in most cases participation was not in any real sense *voluntary*, many participants nevertheless took part *willingly*. These activities were sometimes explicitly for the benefit of the local community; at other times they were carried out for the benefit of the whole nation or even, at least in name, international socialism ('bridging volunteering').

Under totalitarian regimes, private, very local and secretive forms of mutual self-help were key for some to maintaining a decent living standard; for others, they were essential for survival. As it was dangerous, participation in such activity was usually limited to those who could be completely trusted, which meant that it was almost by definition a bonding rather than a bridging activity. (To the extent that it benefited the helpers' own families, we would not even call it volunteering.) Related and likewise secretive but wider networks which inspired and channelled significant amounts of volunteer time were key to maintaining opposition to the regimes and later played important roles in precipitating the transition, as represented by *Solidarność* in Poland. These movements had bridging elements because they involved and benefitted people from right across society; at the same time they had nationalistic aspects which emphasized group identity.

These nationalistic aspects took on more tragic forms during the violent break-up of multi-ethnic former Yugoslavia. International efforts to restore stability within and between ethnic groups in the new countries that appeared from that break-up have attempted to increase social capital which bridges ethnic groups. They have also sought to increase bonding social capital, especially amongst minority groups perceived as weakened and disadvantaged. However, amongst the best practice examples of volunteerism examined for the UNV survey, there were surprisingly few which attempted to build bridging social capital between ethnic groups, and almost all of these were primarily financed by international organizations.

Many countries in the region have recently experienced war or natural disasters (or both). Many communities and families responded with massive amounts of both bonding and bridging volunteering, mainly to help refugees. Reanalysis of the World Values Survey data for membership in, and unpaid work done for, a variety of civil society organizations in 10 countries in the region during 1999-2004 shows that overall levels even of formalized volunteering are, particularly in the Western Balkans, not far below those in the West. Volunteering in sport organizations, particularly in the Western Balkans, has remained popular during the transition and at higher levels than in Western Europe. Unfortunately, the available data do not answer the question of whether this is best characterized as bonding or bridging volunteering.¹⁰

Bonding volunteerism at its best puts the principle of subsidiarity into action: local needs are met by direct local action without national or government involvement. Community-driven development, which is seen as a primary development tool by the World Bank and other development agencies, leverages traditions of bonding volunteering in the way it encourages and enables people to make improvements in their local communities. Community-driven development can also encourage participatory democracy. This is difficult to reconcile with the thesis that bonding (volunteering) is anathema to civil society.

Overall, the UNV study shows that both 'bonding' and 'bridging' volunteering have always been present in this region, and that they have made important contributions both to civil society development and to meeting the Millennium Development Goals. The specific role of bonding volunteering in relation to civil

society development remains unclear; evidence of both helpful and detrimental effects is present. Volunteering in this region therefore has a rich tradition and significant potential, with positive and negative associations in different contexts. This tradition, as well as the mix between bonding and bridging volunteering, needs to be taken into account if volunteering is to make the best possible contribution to negotiating the transition.

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10. Paxton, (2002, p. 271) analyzed the World Values Survey data and identified 'well connected' types of membership organizations (such as human rights groups) as those whose members tended to also be members of many other organizations. She then demonstrates that well-connected organizations are a force for democracy, by showing that countries with high levels of membership of less well connected organizations (such as sports clubs and religious organizations) in 1980 were likely to be less democratic in 1991 than countries with high membership levels of well-connected organizations.

Uneven progress: political transition in Europe and Central Asia

Michael Taylor

When we speak of the 'transition states' of Eastern Europe, we are usually thinking of economics, of the transition from 'command' or socially owned economies to free markets. Success in this can be measured, and indeed the EBRD dropped the Czech Republic from its 2008 Transition Report, as having made the market grade. But the transition process was always equally political—the movement from the one-party state to a freer, more 'normal' political environment in which opposition is free, as former Polish dissident Adam Michnik says in his *Letters from Prison and Other Essays*.

As with economic transition, while some states have made progress along the road to 'normality', others seem barely to have started out. The main characteristics of a free society may be defined as: political pluralism, and free and fair elections; governments that are accountable to the people; civil freedoms, including the right to dissent without being harassed by the state; respect for human rights and minorities; a transparent system of justice administered by an independent judiciary; and free media that keep the people well informed. This is perhaps a

minimum; whether a society may only be called truly free if it also ensures 'social justice'—and what that term means—may be set aside for another debate.

Freedom House's 'Map of Freedom 2009' divides the transition states (including the not universally recognized entities) into:

- the 10 East European EU member states, Croatia, Serbia, Ukraine, and Mongolia, which are 'free';
- Albania, Bosnia-Herzegovina, the Former Yugoslav Republic of Macedonia, Montenegro, Moldova, Abkhazia, Armenia, Georgia, and Kyrgyzstan, which are 'partly free'; and
- Kosovo, Transnistria, South Ossetia, Azerbaijan, Belarus, Russia, and Central Asia outside Kyrgyzstan, which are 'not free'.

Without necessarily altogether accepting these judgements, or the rather broad-brush Freedom House methodology and approach, there are elements in each of these states that make it understandable why Freedom House classifies them as it has. To take one country from each of the three groups:

- *Turkmenistan*: The constitution allows political parties, but even now, three years after the death of post-Soviet autocrat Saparmurat Niyazov, it is still in practice a one-party state where the authorities approve in advance who may stand for election. The media are controlled, the courts are used against political dissidents in the old style and there is no freedom of religion, association or movement.
- *The Former Yugoslav Republic of Macedonia*: The June 2008 parliamentary elections were marred by violence, intimidation

and fraud, although most post-1991 elections have been deemed more or less satisfactory by Western observers. According to the last EU pre-accession progress report, the courts are improving their efficiency and independence, but corruption remains a problem. Voters are able to turn out an unpopular government at election time, but because of political clientelism, the changeover usually means an accompanying change of leadership in state-owned corporations, notably in the media.

- *Estonia*: Elections are free and fair, the political scene is open, there is commercial competition and diversity in the media, freedoms of religion, association and assembly are generally observed, the courts are independent and corruption is not perceived to be a problem. However, Russophones suffer social and political exclusion, and according to Amnesty International, in June 2008, the security police attempted to harass an NGO working for minority rights.

But rather than trying to rank countries in a 'Top 30' of winners and losers in the political transition game, we ought to ask why it has clearly been so uneven across Eastern Europe. In Central Asia, political transition has hardly happened at all in any meaningful sense; and in some other former Soviet republics ex-communists are still in power. In Russia, democracy seems more a matter of form than of substance, and there is still a minority who want to turn back the clock. The most successful transition countries appear to be those in Central Europe where there was a pre-communist tradition of political pluralism, judicial and media independence, the right to worship freely and independently of the state, and strong educational institutions.

Democracy seems sickly in Russia. WorldPublicOpinion.org released on 15 September, on 'International Democracy Day', a poll of people in 24 nations carried out in April-June on political tolerance. Russia was the outlier in the two questions that related to the theoretical value people placed on political freedom (most questions related to how people saw political conditions actually obtaining in their country):

- Asked how important it was for people to be free to express unpopular political views, only 19 percent of Russians thought



Voting every which way. Poles go the polls, rather than taking to the streets. © Piotr Malecki/Panos Pictures

it 'very important', the lowest percentage (the 24-country average was 58 percent).

- Asked how important it was for them to live in a country that was democratically governed, just 16 percent of Russians said 'very important' –again, the lowest percentage (average: 67 percent).

On both questions, Russians stood out as being lukewarm, most answering 'somewhat important' for both questions (46 percent and 47 percent respectively), this time well above the world average (28 percent and 23 percent). Sizeable minorities (18 percent and 19 percent respectively) answered 'not very important' to the two questions (average: 8 percent and 6 percent).

Such replies seem to have something to do with Russia's former communist status: similar below-average answers came from respondents in Azerbaijan and Ukraine—similar, but not the same: nearly twice as many Ukrainians (36 percent) saw freedom of expression as 'very important', while more than three times as many Azerbaijanis (56 percent) thought democratic government 'very important'. The Russian answers support results from the 2006 EBRD/World Bank *Life in Transition Survey*, which found that, across all age-groups, about 30 percent of Russians were indifferent to democracy, and that many older people preferred authoritarianism 'under some circumstances'. Only among younger age-groups did most people (about 40 percent) choose democracy.¹

There seem to be two ways of explaining this, one from recent history, and the other reflecting longer-term, underlying characteristics:

- *'Wild East'*: The chaos, decline and weakness of the Yeltsin presidency may have given democracy a bad name in Russia ('If this is democracy, you can keep it'). Certainly, much of Vladimir Putin's enduring popular appeal seems to come from his determination to reverse much of what happened during the Yeltsin years.
- *'Slow modernizer'*: For much of its history, Russia has lagged behind a more developed Western Europe, which it has sometimes tried to copy. The country was still emerging from serfdom and autocracy when it was plunged into the First World War, and in 1917, an incipient liberal democracy was snuffed out and Russia took the wrong turn of communism. Dmitry Trenin, in his 2007 book, *Getting Russia Right*, concedes that Russia today has a 'czarist president', whose subjects show little interest in politics. For Trenin, the key is the slow development in Russia of the concept of private property, 'which equals freedom in a broad sense'; he argues that Russia is still only an 'emerging' capitalist society, which should be allowed more time to develop into a modern polity.

Apart from Ukraine, much of the former Soviet Union, especially Central Asia, follows the Russian pattern, with an added tendency towards dynastic succession. Another shared characteristic is a fear of instability, which regards the political opposition as an enemy within. In some cases, this fear is reasonable:

- Immediately after independence in 1991, Tajikistan fell into civil war, and is still suffering the after-effects.
- Former Soviet Politburo member Heydar Aliyev saved Azerbaijan from a similar fate in 1993, and the country is run by his son today partly because many Azerbaijanis see the rule of the Aliyev clan as a guarantee of stability.

- Armenia and Azerbaijan observe an uneasy ceasefire over Nagorno-Karabakh; in Armenia, the regime has been dominated by the victors in that war who can accuse opponents of weakening the state in the face of the Azeri enemy.

The more 'European' states seem the more successful in making the transition, for historical and cultural reasons:

- For several, the ideals of freedom, democracy and progress remain rooted in the French Revolution and 1848; these countries experienced brief flowerings of parliamentary democracy in the inter-war period. Memories of a better way were not extinguished in Central Europe by the relative shortness of Soviet domination.
- There was a history of dissent and rebellion throughout the Cold War in East Germany, Hungary and in Poland in particular, where anti-communism was seen as patriotic.
- In Czechoslovakia, the 'Prague Spring' was a free-thinking experiment in 'communism with a human face'. Tito's Yugoslavia had an experiment of its own, called 'market socialism', and Yugoslavs could travel and work in the West.

- In several Central European societies, there has been an effective separation of church and state and the acceptance that religion is a private, individual matter of conscience. By contrast, the Orthodox tradition further east made totalitarianism more 'normal' by conflating church and state.
- Central Europe has several ancient universities which kept the values of the Enlightenment alive during the Cold War.

Twenty years on, the transition is incomplete in parts of Eastern Europe. But the tide it seems is going one way only: the younger generation have largely taken to the new dispensation, and the ever-spreading internet, despite its occasional lunacies, is deeply anti-authoritarian.

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1. Young Russians were asked a three-part question about attitudes to democracy: 'For people like me, it does not matter'; 'Under some circumstances, an authoritarian government may be preferable to a democratic one'; 'Democracy is preferable to any other form of political system'. The group of younger people choosing the third reply was the biggest in their age cohorts. Here 'younger' refers to both the 18-34 (over 40 percent) and 35-49 age cohorts (just over 40 percent). The 65+ cohort mostly (about 45 percent) went for option 2, although the apathetic first answer also attracted many (about 40 percent).

Assessing human development in Ukraine's regions

Ella Libanova

Ukraine was among the first Central and East European States to prepare annual human development reports, starting in 1995. In addition to differing levels of economic development, Ukraine's regions exhibit differing demographic profiles, have different historical and cultural traditions, and suffer from varying degrees of environmental pollution.¹ Proposals for measuring human development in Ukraine's regions have therefore been circulating for the past 20 years.

These regional specifics should ideally be reflected in the human development index (HDI)—the tool developed by UNDP to compare countries on the basis of per-capita GDP, education attainment, and life expectancy.² However, a number of methodological issues are presented by attempts to develop HDIs for Ukrainian regions. For one thing, regional GDP data are often biased by the fact that companies' output figures are registered where their headquarters are located, while most employment and production takes place in other regions. Large national statistical databases make possible the inclusion of other variables into development indexes. This can help regional HDIs to capture additional human development information, while avoiding the 'lowest common denominator' constraints sometimes present in low-income countries with limited statistical capacities. Variables that detract from human development, as well as promoting it, can also be included in regional development indexes.

A regional HDI methodology to address these issues in Ukraine received government approval in 2001. Since that

time, the State Statistical Committee has released annual human development data on each of the country's 27 regions. In comparison with the national HDI used by UNDP in its global human development reports,³ Ukraine's regional HDIs offer the following advantages. They:

- use a large number of available national and sub-national statistics, to cover many more aspects of human development;
- include both positive and negative human development indicators;
- capture inter-relationships across various indicators, to better reflect linkages between different aspects of human development; and
- introduce an intermediate stage into the calculation of regional HDIs, allowing for both the calculation of indicators for different (i.e., sectoral) human development aspects and for the comparison of various regions by these intermediate indicators.

Methodology⁴

System of indicators: Regional human development indicators are calculated in Ukraine at three different levels: primary indicators, generalized (composite) indicators for different aspects of human development, and an integrated (overall) index. Under this system 94 primary indicators are integrated into nine roughly equal sets of composite indicators, reflecting demographics, labour market trends, material welfare, living conditions, education levels, health conditions, the social environment, ecological conditions, and financing of human development-related activities. Primary indicators are selected according both to their intrinsic importance and to the linkages between them.

Indicator standardization: Ukraine's regional HDIs are standardized in order to allow them to be ranked and compared with one another. In contrast to the methodology used in UNDP's national HDIs, Ukraine's regional indexes are based on actual national benchmarks rather than theoretical parameters developed for purposes of comparison.

Table 1—Which Ukrainian regions are more developed?

Region	Regional rankings (2008)			
	Material conditions	Ecological situation	Social conditions	Overall
Zakarpattya	13 th	11 th	2 nd	9 th
L'viv	11 th	19 th	5 th	10 th
Luhansk	6 th	23 rd	21 st	26 th
Donetsk	2 nd	27 th	20 th	27 th

Source: State Statistics Committee of Ukraine.

Under Ukraine’s territorial-administrative system, two cities (Kyiv and Sevastopol) have special status as self-governing regions; their residents enjoy much higher levels of education, higher incomes, better living conditions and access to medical care, and so forth. (Other regions have much higher shares of the population living in rural areas and working in agriculture.) During the 10 years of regional human development research in Ukraine, Kyiv and Sevastopol invariably come in first and second in the regional HDI rankings, and well ahead of other regions in most of the composite indicators. Kyiv (as national capital) attracts significant financial flows, and its large tax base offers more opportunities for financing human development.

For these reasons, Kyiv’s indicators are used as the basis for standardizing most of the primary indicators. This also means that most of Ukraine’s rural regions are shown to lag far behind the capital’s development position in the indicator ranking. This convention introduces more variance into the rankings than would be the case if a more ‘average’ region were used to standardize the primary indicators. But while statistical comparability may argue for excluding Kyiv (and Sevastopol) from the regional rankings altogether, such exclusion would fly in the face of the Ukrainian public’s deep interest in how different regions compare vis-à-vis the capital.

Regional HDIs in Ukraine

Ukraine’s regions can be ranked quite differently by human—as opposed to economic—development indicators.

(Of course, if these two measures fully coincided, human development would not need to be measured at all; assessments of progress could be confined to economic, or industrial development indicators.⁵) Thus, while Ukraine’s eastern regions report higher levels of economic development, the regional HDI figures suggest that they lag behind the country’s western regions in terms of overall human development. For example, as Table 1 above shows, the western regions of Zakarpattya and L’viv lag well behind the eastern regions of Luhansk and Donetsk in terms of material welfare (i.e., production, income levels). On the other hand, the western regions score much higher on other indicators, particularly those concerning ecological and social conditions. For a complete review of Ukraine’s 2008 regional human development rankings, please see Table 2 below.

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1. Ukraine is composed of 24 oblasts (regions), one autonomous republic (Crimea), and two cities of special status (Kyiv and Sevastopol).
2. For more on the HDI, see <http://hdr.undp.org/en/statistics/>.
3. For more on UNDP’s human development reports, see <http://hdr.undp.org/en/reports/>.
4. For more information on the methodology behind the recalculation of the human development index, see the longer version of this article at www.developmentandtransition.net.
5. This issue also appears in global comparisons of the HDI. For example, the United States in 2009 reported the world’s ninth highest per-capita GDP levels (in purchasing-power-parity terms), but was only 13th in the overall HDI ranking, due to its 21st and 26th positions in education attainment and life expectancy, respectively. (This ranking is based on 2007 data; see http://hdrstats.undp.org/en/countries/country_fact_sheets/cty_fs_USA.html.)

Table 2—Human development levels in the regions of Ukraine in 2008

Cities	Overall HD level		Demographic level (weight=0.107)		Labour market (weight=0.95)		Material welfare (weight=0.121)		Living conditions (weight=0.122)		Education level (weight=0.129)		Health status (weight=0.114)		Social conditions (weight=0.108)		Ecological situation (weight=0.113)		Financing of HD (weight=0.089)	
	Rating	Index	Rating	Index	Rating	Index	Rating	Index	Rating	Index	Rating	Index	Rating	Index	Rating	Index	Rating	Index		
Kyiv	1	0.693	1	0.958	3	0.690	1	0.760	1	0.790	1	0.813	10	0.699	23	0.417	26	0.368	1	0.720
Sevastopol	2	0.593	6	0.550	1	0.751	3	0.544	2	0.573	2	0.704	5	0.721	27	0.278	20	0.661	7	0.536

	Overall HD level		Demographic level (weight=0.107)		Labour market (weight=0.95)		Material welfare (weight=0.121)		Living conditions (weight=0.122)		Education level (weight=0.129)		Health status (weight=0.114)		Social conditions (weight=0.108)		Ecological situation (weight=0.113)		Financing of HD (weight=0.089)		
	Rating	Index	Rating	Index	Rating	Index	Rating	Index	Rating	Index	Rating	Index	Rating	Index	Rating	Index	Rating	Index	Rating	Index	
Regions																					
Kharkiv	3	0.556	8	0.457	4	0.661	4	0.528	6	0.390	3	0.571	11	0.693	19	0.481	15	0.736	13	0.498	
Kyiv	4	0.547	15	0.347	7	0.628	5	0.528	4	0.418	4	0.565	19	0.613	18	0.502	17	0.728	2	0.622	
Khmelnitsky	5	0.527	7	0.463	18	0.542	21	0.327	17	0.269	8	0.481	4	0.737	8	0.649	5	0.818	14	0.489	
Poltava	6	0.521	12	0.389	10	0.588	8	0.504	11	0.316	10	0.466	20	0.611	17	0.503	8	0.801	5	0.550	
Rivno	7	0.519	11	0.393	2	0.721	19	0.359	20	0.231	16	0.389	2	0.741	4	0.670	10	0.793	21	0.445	
Autonomous Republic of Crimea	8	0.515	17	0.327	6	0.637	10	0.477	3	0.437	14	0.393	23	0.582	15	0.513	18	0.713	3	0.613	
Zakarpattya	9	0.511	21	0.275	5	0.646	13	0.435	18	0.266	19	0.341	1	0.754	2	0.748	11	0.779	24	0.392	
L'viv	10	0.509	5	0.555	15	0.556	11	0.461	13	0.314	18	0.349	17	0.637	5	0.656	19	0.681	23	0.403	
Ternopil'	11	0.501	3	0.577	27	0.458	25	0.286	10	0.325	23	0.314	7	0.708	6	0.655	1	0.835	25	0.385	
Cherkasy	12	0.500	13	0.376	19	0.523	20	0.349	14	0.290	11	0.447	14	0.661	11	0.568	6	0.806	9	0.513	
Ivano-Frankivsk	13	0.494	4	0.575	21	0.515	12	0.445	24	0.214	26	0.290	3	0.737	1	0.755	22	0.624	26	0.323	
Chernovtsy	14	0.489	2	0.608	24	0.482	18	0.380	27	0.194	22	0.316	13	0.674	3	0.676	7	0.805	27	0.292	
Mykolaiv	15	0.489	20	0.278	13	0.564	14	0.402	12	0.315	17	0.384	6	0.710	16	0.510	13	0.767	12	0.506	
Zaporizhzhya	16	0.480	14	0.361	17	0.554	7	0.523	9	0.355	7	0.490	22	0.601	25	0.401	25	0.511	6	0.543	
Dnipropetrovsk	17	0.478	23	0.190	11	0.581	9	0.487	5	0.404	6	0.491	16	0.652	24	0.408	24	0.518	4	0.598	
Kherson	18	0.478	26	0.139	23	0.489	16	0.397	8	0.364	13	0.418	12	0.675	14	0.515	2	0.829	16	0.481	
Odesa	19	0.474	16	0.329	14	0.562	15	0.399	7	0.367	5	0.511	21	0.604	26	0.401	21	0.650	20	0.446	
Volyn'	20	0.469	9	0.450	26	0.458	24	0.300	21	0.224	20	0.335	25	0.572	7	0.652	4	0.823	18	0.465	
Zhytomyr	21	0.469	22	0.266	22	0.497	26	0.277	26	0.209	12	0.422	9	0.699	10	0.590	3	0.827	17	0.475	
Sumy	22	0.465	18	0.292	8	0.622	17	0.388	16	0.276	25	0.293	18	0.627	13	0.517	16	0.735	10	0.507	
Chernigiv	23	0.465	19	0.285	12	0.567	22	0.312	19	0.260	9	0.470	26	0.477	12	0.546	9	0.797	8	0.518	
Vinnitsa	24	0.423	10	0.407	16	0.555	23	0.304	22	0.220	24	0.310	27	0.256	9	0.619	12	0.773	22	0.435	
Kirovograd	25	0.422	27	0.080	25	0.466	27	0.242	15	0.284	15	0.390	8	0.702	22	0.432	14	0.747	15	0.488	
Luhansk	26	0.421	25	0.163	20	0.517	6	0.526	23	0.216	27	0.238	15	0.658	21	0.442	23	0.615	19	0.455	
Donetsk	27	0.401	24	0.183	9	0.618	2	0.580	25	0.213	21	0.317	24	0.574	20	0.460	27	0.213	11	0.507	

Source: State Statistics Committee of Ukraine

Understanding Russia's demographic challenge

Mikhail Babenko

When the human development concept first came to Russia in the mid-1990s, the country was in the early phase of transition from the planned economy. The change in economic model caused significant social problems and shifts in lifestyles. The human development index (HDI) reflects these changes particu-

larly starkly (see Table 1).¹ Whereas the USSR in 1987 occupied 26th place (out of 130 countries) with an HDI of 0.920, by 1995 Russia had dropped to 72nd place among 174 countries, with an HDI of 0.769. Two of the HDI's components were responsible for this decrease: life expectancy (which decreased from 70 to 65.5 years) and per-capita GDP in purchasing-power-parity terms (which dropped from US\$ 6,000 to US\$ 4,531). By contrast, the HDI's education component (the adult literacy rate) remained largely unchanged. (Since the quality of the education system inherited from the Soviet period remains fairly high, the HDI's education component is more difficult to influence than the other two HDI components.)

Table 1: Trends in Russia's human development index (HDI)

Year	HDI	Global rank
1987*	0.920	26
1995	0.769	72
1998	0.771	62
1999	0.775	55
2000	0.781	60
2001	0.779	63
2002	0.795	57
2003	0.795	62
2004	0.797	65
2005	0.802	67
2006	0.806	73

* As the USSR.

Despite the development progress subsequently recorded during 1999-2008 (see Table 1), Russia still has not fully recovered from this decline, which happened in a very short period of time. During the last eight years Russia has experienced significant economic growth, as favourable prices on global commodity markets have increased GDP. However, economic growth does not automatically mean significant improvements in the HDI.

The HDI's per-capita GDP component is determined primarily by macroeconomic conditions, while the inherited Soviet education system has helped prevent deterioration in the HDI's education component. However, the life expectancy component of Russia's HDI reflects demographic trends, which are now among the country's most acute problems. Russia's demographic situation is in many respects unique, combining features of both developed and developing countries. On the one hand, child and maternal health levels are typical of developed countries. First births happen at later ages as women develop their careers, and young mothers prefer to return to work shortly after childbirth—choices that are giving rise to new family models. These low birth rates are causing Russia's society to age, which is also typical of developed countries. On the other hand, Russia's extremely high mortality rates (particularly for younger age cohorts) are much more typical of developing countries. Life expectancy at birth is only 61.7 for men and 74.2 for women (according to figures for 2008 from the State Statistical Agency), and although these figures are now gradually improving, they continue to reflect high mortality rates for working-age individuals, due in particular to external causes (accidents at work, car accidents, etc.) and diseases of the circulatory system, such as from alcohol abuse. These high mortality rates are contributing to Russia's depopulation, and need an urgent response. As argued in UNDP-Russia's 2009 national human development report *Russia Facing Demographic Challenges*,² Russia needs a 'second epidemiological transition', based on preventive healthcare and the proactive adoption of healthy lifestyles.

As in other developed countries, Russia's aging population poses a number of socio-economic problems, particularly in terms of burdens on the workforce and the social security system. Currently, the population cohort under 30 years of age (the

most productive age group) is decreasing, while the 30-39 and 60-72 age cohorts grow. After 2020, this will translate into disproportionate growth in the numbers of people aged 40-72. The Russian economy could need up to 15 million migrant workers (both skilled and unskilled) in order to satisfy labour demand and ensure a balance between workers and pensioners. Such estimates are approximations and do not shed light on the types of migrant skills needed. But it is fair to say that Russia's current labour needs are unlikely to change significantly in the near term. Most in demand will be unskilled labour from Central Asia and China (for work in Russia's Far East). At the same time, skilled labour will be in demand in some sectors.

Human development is about a long and healthy life, but it is also about a productive life, about expanding people's choices. Unemployment is one of the main obstacles to a productive life. At present, Russia's labour market shows a discrepancy between unmet demands for skilled labour and significant numbers of workers whose skills are underutilized. Increasing the number of jobs with flexible working time to better engage the potential of young mothers would therefore be most desirable. These new opportunities, however, would not reduce Russia's reliance on migrants, who would still be in high demand in specific parts of the country and in sectors that are less amenable to flexible work regimes. Engaging young mothers would better utilize the existing labour pool, rather than significantly influencing the labour deficit.

The labour deficit is also illustrated by the (low) employment rates among disabled persons. During 2002-2007 these have been estimated at 11-15 percent, and at 24-32 percent for disabled individuals of working age in Russia. In OECD countries, by contrast, 50-70 percent of disabled persons of working age are employed. The challenges facing young people in Russia are just as critical. They are often passed over for jobs because employers consider them to be inexperienced. Such practices forfeit young people's labour today and reduce their productivity tomorrow. With fewer opportunities to get hired, young people often resort to the shadow economy.

Serious consideration of Russia's demographic challenges and their human development dimensions is most timely, particularly during the current economic downturn. An economic crisis can help to shed illusions that money will solve all development problems. Exogenous trends that cannot be easily influenced by policy (such as demographics) should raise such questions as 'are we at a tipping point in social development? Are our traditional strategies and instruments still effective, or do they need rethinking?' While Russia is not the only country for which these questions are important (demographics and human development are global challenges), it may be easier for a country that has experienced a painful transition (like Russia) to have a fresh look at these challenges. While the threat of social protest in Russia can pose certain constraints on state action, the weakness of organized social interests such as trade unions can make it easier for the state to enact changes in social policy.

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1. Source: <http://hdr.undp.org/en/reports/>.

2. Available at <http://europeandcis.undp.org/home/show/F64CE386-F203-1EE9-BD6D78D5790CB695>.



FORTHCOMING EVENTS

In order to respond to the crisis and support governments in formulating optimal strategies to address employment, social protection and agricultural challenges, the UN system is organizing a **Ministerial Conference on the Impact of the Economic and Financial Crisis on Social Protection, the Labour Market, and Food Security**. The conference takes place in Almaty, Kazakhstan, on 7–8 December 2009. Key participants include the Ministers of Labour and Social Protection with senior representatives from the ministries of finance and economy. The lead organizers are: the International Labour Organization, UNDP, the Food and Agriculture Organization, and the United Nations Children's Fund. Other participants include regional commissions, UN agencies, international financial institutions (The World Bank, International Monetary Fund, Asian Development Bank, and the European Bank for Reconstruction and Development), the European Commission and the CIS Secretariat, as well as several bilateral aid agencies and leading non-governmental organizations. For more information, please contact Balázs Horváth, Poverty Reduction Practice Leader at balazs.horvath@undp.org, or Ms. Gina Lucarelli at gina.lucarelli@undp.org.

The Second UNDP Regional Training on Ex-ante Policy Impact Assessment, with a special focus on social inclusion and vulnerability, will be held on 7–11 December 2009 in Bratislava, Slovakia. The training will advance participants' specialized knowledge on ex-ante policy impact assessment with regard to specific policy fields and vulnerable groups, as well as provide an in-depth look at how to conduct ex-ante policy impact assessments in a way that is sensitive to the concerns and needs of vulnerable groups. Participants will be policy practitioners, representatives of non-governmental organizations, and Country Office staff from Bosnia and Herzegovina, Croatia, Serbia, and Moldova. For more information, please contact Attila Dénes, at attila.denes@undp.org.

The United Nations Climate Change Conference – Copenhagen, Denmark (on 7–18 December 2009) will be the premier climate change meeting of the year, and aims to be the decisive meeting for setting the post-Kyoto Protocol mandate. World leaders have called for a comprehensive, ambitious and fair international climate change deal to be clinched in Copenhagen. The process leading to Copenhagen was launched in Bali, December 2007, when all parties agreed on the Bali Action Plan – a two-year process leading to an

agreed outcome on climate change action in Copenhagen. For more information, please visit: <http://unfccc.int/2860.php>.

The Third Plenary of the OECD Global Forum on Development, 'Domestic Resource Mobilization for Development', will take place in Paris, France on 28 January 2010. The OECD Global Forum on Development invites governments, private-sector and civil-society actors to explore options for a more effective development finance system. For more information, please visit: http://www.oecd.org/document/42/0,3343,en_21571361_37824719_37948138_1_1_1_1,00.html.

An International Workshop on Innovative Financial Mechanisms organized by the Convention on Biological Diversity of the United Nations Environment Programme in collaboration with The Economics of Ecosystems and Biodiversity (TEEB) secretariat, will take place on 27–29 January 2010 in Bonn, Germany. The workshop will consider biodiversity offset mechanisms (where relevant and appropriate) while ensuring that they are not used to undermine unique components of biodiversity. The workshop will also explore opportunities presented by environmental fiscal reforms including innovative taxation models and fiscal incentives for achieving the three objectives of the Convention on Biological Diversity and others. For more information, please visit: <http://www.cbd.int/doc/?meeting=3306>.

The World Economic Forum Annual Meeting 2010 will take place in Davos-Klosters, Switzerland on 27–31 January 2010. The theme is 'Improve the State of the World: Rethink, Redesign, Rebuild'. Global cooperation needs stakeholders from business, government, the media, science, religion, the arts and civil society to collaborate as a true community. To this end, the World Economic Forum Annual Meeting has engaged leaders from all walks of life to shape the global agenda at the start of the year for the last four decades. Next year's programme will focus on the following six areas of inquiry and their global, regional and industry dimensions: how to strengthen economies; how to mitigate global risks; how to ensure sustainability; how to enhance security; how to create a values framework; how to build effective institutions. For more information, please contact: annualmeeting@weforum.org or visit: <http://www.weforum.org/en/events/AnnualMeeting2010/index.htm>.

The next issue of *Development and Transition* will focus on:

Social inclusion (March 2010)

The editors welcome contributions. If you wish to submit an article, please follow the guidelines at www.developmentandtransition.net.

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