

## HUMAN DEVELOPMENT PERFORMANCE OF TRANSITION ECONOMIES IN THE POST-COLD WAR PERIOD

Hakan MIHCI\*

### Abstract

The present study attempts to assess human development performance of the transition economies by dividing the countries into two major categories as Central and Eastern European Countries (CEEC) and Commonwealth of Independent States (CIS) to identify the necessary means for achieving higher levels of development. For this aim, a comparative descriptive analysis is used. The analysis period covers the last two decades.

According to the main finding of the paper, human development performance of the transition economies is not disappointing at the aggregate level. In particular, CEEC performed quite well during the transition period. In comparison with CEEC, Human Development Index values of CIS remained at relatively low levels. However, when the developing countries are concerned, human development performance of CIS is promising in relation to their per capita income levels.

The main factors of human development favor women rather than men in transition economies except income. Furthermore, an improvement is observed towards the eradication of human poverty and maintaining of the equal distribution of income in the case of transition economies. This is particularly true for CEEC.

**Keywords:** Development, human development, human development index, transition economies, commonwealth of independent states, Central and Eastern European Countries.

### Öz

#### Soğuk Savaş Dönemi Sonrasında Geçiş Ekonomilerinin İnsani Gelişme Performansı

Bu çalışma yüksek kalkınma düzeyine erişme doğrultusunda gerekli araçların saptanabilmesi amacıyla geçiş ekonomilerini Merkezi ve Doğu Avrupa

---

\* Assoc.Prof., Hacettepe University, Department of Economics, 06800, ANKARA, hakan@hacettepe.edu.tr

Ülkeleri (MDAÜ) ve Bağımsız Devletler Topluluğu (BDT) olarak iki ana sınıfa bölerek insani kalkınma performanslarını değerlendirmeye kalkışmaktadır. Bu amaca ulaşmak için karşılaştırmalı tasviri bir analiz kullanılmaktadır. Analiz dönemi son yirmi yılı kapsamaktadır.

Çalışmanın temel bulgularına göre, geçiş ekonomilerinin bütüncül düzeydeki insani kalkınma performansı hayal kırıklığı yaratmamaktadır. Özellikle MDAÜ geçiş döneminde oldukça iyi performans göstermişlerdir. Bu ülkelerle karşılaştırıldığında, BDT'nun İnsani Kalkınma Endeksi değerleri görece olarak düşük düzeylerde kalmıştır. Bununla birlikte, gelişmekte olan ülkelerle birlikte ele alındığında, BDT'nun insani kalkınma performansı kendi gelir düzeyine göre umut vericidir.

Geçiş ekonomilerinde insani kalkınmanın temel etkenleri, gelir dışında, erkekten çok kadını kayırmaktadır. Bundan başka, geçiş ekonomilerinde yoksulluğun ortadan kaldırılması ve gelir dağılımındaki eşitliğin sağlanması doğrultusunda bir ilerleme gözlenmektedir. Bu durum özellikle MDAÜ için geçerlidir.

**Anahtar Sözcükler:** Kalkınma, insani kalkınma, insani kalkınma endeksi, geçiş ekonomileri, bağımsız devletler topluluğu, Merkezi ve Doğu Avrupa Ülkeleri.

*“From Stettin in the Baltic to Trieste in the Adriatic an “iron curtain” has descended across the Continent. Behind that line lie all the capitals of the ancient states of Central and Eastern Europe. Warsaw, Berlin, Prague, Vienna, Budapest, Belgrade, Bucharest, and Sofia; all these famous cities and the populations around them lie in what I must call the Soviet sphere, and all are subject, in one form or another, not only to Soviet influence but to a very high and in some cases increasing measure of control from Moscow.”*

Winston CHURCHILL, 5 March 1946,  
Westminster College in Fulton, Missouri

## INTRODUCTION

In the last two decades, development has started to be increasingly identified as human development rather than economic growth, and therefore, human development indicators such as life expectancy at birth, school enrolment ratio, literacy rate, gender discrimination, poverty alleviation, equal distribution of income and so forth have largely been used to determine and measure the level of development.

In the meantime, the end of cold war period characterized by the fall of the Berlin Wall and the collapse of the Soviet Union witnessed to the emergence of a new era, so-called globalism. The same era may also be called as the transition period from socialism to capitalism for the ex-socialist countries. Contrary to early expectations, however, painful economic and social upheavals have been observed in the case of transitional economies. Russian Federation, for instance, has not only lost his hegemonic power over the entire socialist system and became an “ordinary” Commonwealth of Independent States (CIS) but also experienced one of the severe economic crises of its economic history in the turn of the twenty first century.

On the other hand, the ex-socialist countries of the Central and Eastern Europe devoted their efforts to integrate to the world capitalist system through accessing European Union. These countries, too, challenged with blueprints of the capitalist system and forced to implement radical economic and social structural changes.

It can be argued that two different types of incorporation process to the world capitalist system has been working on in the Eastern/Socialist Block. The first type of incorporation can be categorized as relatively more independent and still going on under the leadership of Russia. The second type can be labeled as relatively more dependent and it heavily affected from the enlargement process of the European Union. While the former type practically covers the CIS, the latter includes most of the Central and Eastern European countries (CEEC). From this perspective, the comparison of the development performance of CIS and CEEC may shed light to humanitarian aspects of two different ways of integration for transitional economies. Furthermore, institutional factors necessary to improve human development performance of each category could also be investigated depending on such comparisons.

Under these considerations, the current study attempts to evaluate human development performance of transition economies through comparing their performance by dividing the countries into two major categories as CEEC and CIS to identify necessary means for attaining higher levels of development. To achieve this purpose, a comparative descriptive analysis is performed. To construct a statistical background, various human development reports published by the United Nations Development Program are thoroughly analyzed. Special emphasis is given to human development index values, gender-related development index values, women participation in economic and political life and human poverty profiles. The analysis period covers the last two decades.

## 1. HISTORICAL BACKGROUND AND CURRENT ECONOMIC SITUATION

“*Iron curtain*” was a term invented by Winston Churchill after the end of Second World War in 1946 to describe physical and ideological division of Europe into two spheres, namely Western and Eastern Blocks. The construction of Berlin Wall was a by-product of the iron curtain and a symbol of ideological fighting between capitalism and socialism. This struggle, broadly identified as Cold War, took the form of economic rivalry, permanent political conflicts, rising military tension and quasi-wars between the two blocks. Contrary to early expectations, however, the fall of Berlin Wall in 1989 and the collapse of Soviet system in the early 1990s realized without a single bullet. Rather, transition of the economies from socialism to capitalism emerged as an urgent need.

On the theoretical side, a growing literature under the title of “transition economies” was born to investigate peculiar characteristics of the economies striving to transform from centrally planned to market capitalism. Several aspects of this transformation have been thoroughly investigated. Nonetheless, less emphasis is given to the humanitarian aspect of this turbulent era of changes for the transition economies.

Among the transition economies, CEEC category is used to describe ex-socialist countries in Europe after fall of the Berlin Wall in 1989 (Lerman *et al.*, 2004: 4). CEEC cover all the Eastern block countries, the independent nations in former Yugoslavia and the three Baltic countries (Estonia, Latvia and Lithuania) that prefer not to join CIS unlike to other former Soviet Republics. Furthermore, CEEC are subcategorized according to their accession status to European Union. 10 CEEC are already integrated to EU from the first wave (Estonia, Latvia, Lithuania, Poland, Czech Republic, Slovak Republic, Hungary, and Slovenia) in May 2004 and second wave (Bulgaria and Romania) in January 2007<sup>1</sup>.

On the other side, CIS can be regarded as a regional organization consisting of former Soviet Republics and established at the end of 1991 after the dissolution of the Soviet Union. The founders of the organization were Republic of Belarus, Russian Federation and Ukraine. Other Soviet Republics (Armenia, Azerbaijan, Georgia, Kazakhstan, Kyrgyzstan, Moldova, Tajikistan, Turkmenistan and Uzbekistan) except Baltic countries joined to the organization. Nonetheless, Turkmenistan and Ukraine did not ratify the CIS Charter. Furthermore, Turkmenistan reduced its membership position to associate member in 2005. Additionally, Georgia is withdrawn from the membership after the South Ossetian War in 2008 (Wikipedia, 2010)<sup>2</sup>.

Therefore, the so-called “*transition economies*” in Europe and Central Asia today could be classified under two political and economic organizations: CEEC and CIS (World Bank, 2002). In fact, transition economies can broadly be defined as the economies attempting to transform their structure from overwhelmingly planned economy to capitalist market economy<sup>3</sup>. As to one observer, however, the transition is completed for 10 countries of CEES that joined to EU (World Bank, 2008). Latest economic indicators presented in Table 1 might give some insights to assess the reliability of this argument alongside the determination of their current welfare level.

**Table 1: Main Economic Indicators of Transition Economies, 2008**

Countries	Population (millions)	GNI per capita PPP (Current int. \$)	Gross Capital Formation (% of GDP)	Industry value added (% of GDP)	Services value added (% of GDP)	Exports of goods and services (% of GDP)	Total dept service (% of exports of goods and services) <sup>(1)</sup>	Inflation, GDP Deflator (Annual %)
<b>CEEC</b>								
Albania	3.14	7.950	32	20	59	28	4.1	2.5
Bulgaria	7.62	11.950	37	31	61	61	15.5	11.4
Czech Rep.	10.43	22.790	27 <sup>(1)</sup>	38	60	77	--	1.7
Estonia	1.34	19.280	38 <sup>(1)</sup>	30 <sup>(1)</sup>	67 <sup>(1)</sup>	74 <sup>(1)</sup>	--	7.8
Hungary	10.04	17.790	22	29	66	81	--	4.0
Latvia	2.27	16.740	35 <sup>(1)</sup>	22 <sup>(1)</sup>	75 <sup>(1)</sup>	42 <sup>(1)</sup>	73.3	15.2
Lithuania	3.36	18.210	27	33 <sup>(1)</sup>	63 <sup>(1)</sup>	59	--	10.3
Poland	38.12	17.310	23	30	65	37	25.6	4.0
Romania	21.51	13.500	26	34	58	28	19.1	14.0
Slovak Rep.	5.41	21.200	28	41	55	78	--	2.9
<b>CIS</b>								
Armenia	3.08	6.310	38	45	37	15	7.0	8.4
Azerbaijan	8.68	7.770	23	71	23	68	0.7	20.9
Kazakhstan	15.67	9.690	35	42	52	61	49.6	20.0
Kyrgyz Rep.	5.28	2.140	26 <sup>(1)</sup>	19 <sup>(1)</sup>	47 <sup>(1)</sup>	45 <sup>(1)</sup>	6.7	7.4
Moldova	3.63	3.210	37	15	74	44	9.5	9.7
Rep. Belarus	9.68	12.150	35	39	53	65	3.9	20.5
Russian Fed.	141.80	15.630	25	38 <sup>(1)</sup>	57 <sup>(1)</sup>	33	9.1	15.0
Tajikistan	6.84	1.860	20	23	59	17	2.3	27.7
Ukraine	46.26	7.210	25	37	55	42	16.9	29.1
Uzbekistan	27.31	2.660	19	33	43	42	--	19.9

(1) 2007

Source: World Development Indicator Database (September 2009).

All CEEC with the exception of Albania attained per capita income level of more than 10.000 \$ in 2008. According to World Bank, almost all (again with the exception of Albania) passed 11.906 \$ per capita income level which is considered as a threshold level to classify high income countries (World Bank, 2010). On the other side, only 3 countries (Kazakhstan, Republic of Belarus and Russian Federation) among 10 CIS succeeded to pass the threshold level and became high income country in 2008. The same 3 CIS seem to focus on industrial production, and therefore, the share of industrial value added in total GDP attained to considerably high levels (See Table 1).

Meanwhile, all CEEC completed their industrialization process and started to devote their resources to the services sector. In comparison with the CEEC, however, some of CIS reveal the characteristics of an agrarian economy with relatively high share of agricultural value added in GDP (34 per cent in Kyrgyzstan, 24 per cent in Uzbekistan). Therefore, it can be argued that while a number of CIS failed to realize “*sectoral/structural transformation*” in the economic activities, almost all CEEC with the possible exception of Albania improved their industrialization process and became mature economies<sup>4</sup>. Consequently, the share of exports in national income attained to overwhelmingly high levels. Some of the CIS (Belarus, Azerbaijan and Kazakhstan) also attained high export ratios in 2008. But besides Belarus that is the most industrialized country among CIS, export performance of Azerbaijan and Kazakhstan extensively depend on the natural resources (oil and natural gas). Manufactured exports as a share of total merchandise exports in 2007 remained 13 per cent for Kazakhstan and only 6 per cent for Azerbaijan (World Bank, 2010). One can debate that Azerbaijan and Kazakhstan show signals of the so-called “*Dutch disease*” since both countries have rapidly growing energy sectors that lead inflation and make non-energy exports more expensive<sup>5</sup>. As a result, high export performance of these countries could not be associated with the maturity level of the economies as is the case for most of CEEC.

Additionally, average inflation level in CIS seems to be higher compared to CEEC. Under global economic crisis conditions prevailed in 2008, an average inflation level approaching to 20 per cent could be closely concerned in assessing the stability of the economic activities in CIS<sup>6</sup>.

In short, compared to CIS, CEEC category recently indicates stable and strong economic performance among the transition economies. Furthermore, welfare level of CEEC ameliorated in the last decades and these countries started to show the characteristics of a developed economy rather than the developing one with respect to quantitative indicators like per capita income. Moreover, CEEC experienced rapid transformation in the structure of their economies, and hence, industrial and especially services sectors increasingly dominate economic activities. This is, however, not the case for the majority of the CIS.

Notwithstanding, development and welfare level of a particular country could not be solely evaluated basing on neither the quantitative aspects of economic development nor the trends on the structural change. To put differently, economic growth and structural change are “*necessary but not sufficient conditions*” to concern with the problem of development. *Human factors* should also be included into the investigation.

## **2. HUMAN DEVELOPMENT PERFORMANCE OF THE TRANSITION ECONOMIES**

In this section, human development level of the transition economies is determined depending on the trends in the main human development indicators. From this perspective, the direction and the magnitude of change in the indicators are concerned in the context of a comparative analysis between CEEC and CIS.

As it became more apparent in the last quarter of a century, development has largely been coincided with the human development, and therefore, the problem of measuring development concentrated on human development indicators. *Human Development Index* (HDI) constructed by the United Nations Development Program (UNDP) in 1990 and systematically presented in its annual series of *Human Development Reports* was the most comprehensive composite index with respect to development indicators and country coverage (UNDP, 1990). Consequently, both researchers and policy makers started to widely use it to determine and evaluate development level of the countries.

The HDI ranks all the countries in the world on a scale of 0 (lowest human development) to 1 (highest human development) basing on three final goals of development: *longevity* as measured by life expectancy at birth, *knowledge* as measured by a weighted average of adult literacy (two third) and the combined primary, secondary and tertiary level gross enrolment ratio (one third), and *standard of living* as measured by real GDP per capita income adjusted for different purchasing power parity of each country's currency to reflect cost of living (UNDP, 1998: 107). Depending on these three measures of development and applying a complex formula to current data, a single composite index value is obtained for all the countries. It should be indicated that HDI does not measure absolute levels of human development; but rather it ranks the countries relative to the lowest and highest levels of attainment. At the final stage, the countries are ranked into three groups: *low human development* (0.000 to 0.499), *medium human development* (0.500 to 0.799) and *high human development* (0.800 to 1.000)<sup>7</sup>.

The major advantage of the HDI reveals itself in its perception of development beyond the boundaries of high economic growth. As it is briefly mentioned in the discussion on the problem of Dutch disease above, some resource-rich countries may experience growth without development and fail to achieve end-products of development. Nonetheless, HDI can be considered as an attempt to prevent such drawbacks in concerning development level of the countries.

**Table 2: Human Development Index (HDI) Values of the Transition Economies, 1990-2007**

Countries	HDI Values			Total Change	
	1990	2000	2007	1990-2007	2000-2007
<b>CEEC</b>					
Albania	0.791	0.733	0.818	0.027	0.085
Bulgaria	0.865	0.779	0.840	-0.025	0.061
Czech Rep.	0.872 <sup>(1)</sup>	0.849	0.903	0.031 <sup>(2)</sup>	0.054
Estonia	0.817	0.826	0.883	0.066	0.057
Hungary	0.812	0.835	0.879	0.067	0.044
Latvia	0.803	0.800	0.866	0.063	0.066
Lithuania	0.828	0.808	0.870	0.042	0.062
Poland	0.806	0.833	0.880	0.074	0.047
Romania	0.786	0.775	0.837	0.051	0.052
Slovak Rep.	0.872 <sup>(1)</sup>	0.835	0.880	0.008 <sup>(2)</sup>	0.045
<b>CIS</b>					
Armenia	0.731	0.754	0.798	0.067	0.044
Azerbaijan	0.770	0.741	0.787	0.017	0.046
Kazakhstan	0.778	0.750	0.804	0.026	0.054
Kyrgyz Rep.	0.689	0.712	0.710	0.021	-0.002
Moldova	0.735	0.701	0.720	-0.015	0.019
Rep. Belarus	0.795	0.788	0.826	0.031	0.038
Russian Fed.	0.821	0.781	0.817	-0.004	0.036
Tajikistan	0.707	0.667	0.688	-0.019	0.021
Ukraine	0.844	0.748	0.796	-0.048	0.048
Uzbekistan	0.695	0.727	0.710	0.015	-0.017

(1) 1992

(2) 1992-2007

Source: UNDP (2009; 2002; 1995; 1993).

In Table 2, HDI values of the transition economies are presented roughly for the last two decades. According to these values, transition economies persistently place at higher ranks among all the countries. This is particularly true for CEEC since all CEEC ranked at the high human development group at the final year of the analysis period. Additionally, total changes in the HDI values during the whole analysis period (1990-2007) are positive with the exception of Bulgaria<sup>8</sup>. Furthermore, Czech Republic attained to very high human development level in 2007.

Moreover, in an attempt to determine “*life satisfaction*” of the Eastern European countries during the turbulent years of political transformation at the beginning of the 1990s, Hayo (2007) found empirical results favoring the rise of HDI alongside the lowering of unemployment rate and rising degree of political



freedom rather than increasing GDP per capita. The author further suggests that the most significant variable among others in explaining cross country differences in average “happiness of the citizens” is HDI. Therefore, improvement in HDI has direct impacts not only on the development level of an aggregate economy, but also at the individual level through influencing happiness positively. At least, the experience of CEEC gives some evidence in support of this argument.

Compared to CEEC, however, HDI values of CIS remained relatively low. Only three CIS (Kazakhstan, Russia and Belarus) succeeded to attain high human development level in 2007. What is more alarming for CIS, direction of change for the HDI values during the whole analysis period is negative for four countries (Moldova, Russia, Tajikistan and Ukraine). This reverse trend in the values can also be observed for two countries (Kyrgyzstan and Uzbekistan) in the 2000s.

The origins of this regressive trend for most of the CIS can be detected by analysis of the changes occurred in the main human development indicators. Such an analysis can be done relying on the data presented in Table 3.

First of all, longevity in almost all CIS with the exception of Armenia slowly declined at the terminal year of the analysis period compared to the initial one. This trend indicates worsening of the social security system in general<sup>9</sup> and deterioration in health care in particular. It should be mentioned that health care was primarily financed by general revenues of the state in the former socialist countries. During the transition period, governments continued to spend on health in order to adopt Social Health Insurance. Social Health Insurance, however, does not improve health outcomes (Wagstaff and Moreno-Serra, 2009: 338-339), but rather played an intermediary role for the commercialization of the health services in the majority of the transition economies. Under such perverse health services conditions, crude death rates and mortality rates rapidly rose in CIS mainly due to the suicides, homicides, sexually transmitted diseases, respiratory diseases and diseases of the circulatory system (Stillman, 2006: 116-120). Consequently, life expectancies at birth gradually fell down.

**Table 3: Main Human Development Indicators of the Transition Economies, 1990-2007**

Countries	Life Expectancy at Birth (years)			Adult Literacy Rate (% aged 15 and above)			Combined Primary, Secondary and Tertiary Gross Enrollment Ratio (%) <sup>(1)</sup>			GDP Per Capita (PPP US\$)		
	1990	2000	2007	1990	2000	2007	1990	2000	2007	1990	2000	2007
<b>CEEC</b>												
Albania	72.2	73.2	76.5	85.0	84.7	99.0	6.0	71.0	67.8	3.000	3.506	7.041
Bulgaria	72.6	70.8	73.1	93.0	98.4	98.3	7.0	72.0	82.4	4.700	5.710	11.222
Czech Rep.	71.3 <sup>(2)</sup>	74.9	76.4	99.0 <sup>(2)</sup>	99.0	99.0	68.0 <sup>(2)</sup>	70.0	83.4	7.690 <sup>(2)</sup>	13.991	24.144
Estonia	70.0	70.6	72.9	96.0	99.8	99.8	9.0	86.0	91.2	6.438	10.066	20.361
Hungary	70.9	71.3	73.3	97.0	99.3	98.9	9.6	81.0	90.2	6.116	12.416	18.755
Latvia	69.6	70.4	72.3	96.0	99.8	99.8	9.0	82.0	90.2	6.457	7.045	16.377
Lithuania	71.5	72.1	71.8	96.0	99.6	99.7	9.0	80.0	92.3	4.913	7.106	17.575
Poland	71.8	73.3	75.5	96.0	99.7	99.3	8.0	84.0	87.7	4.237	9.051	15.987
Romania	70.8	69.8	72.5	95.0	98.1	97.6	7.0	69.0	79.2	2.800	6.423	12.369
Slovak Rep.	70.9 <sup>(2)</sup>	73.3	74.6	99.0 <sup>(2)</sup>	100.0	99.0	71.0 <sup>(2)</sup>	76.0	80.5	6.690 <sup>(2)</sup>	11.243	20.076
<b>CIS</b>												
Armenia	71.8	72.9	73.6	93.0	98.4	99.5	5.0	80.0	74.6	4.741	2.559	5.693
Azerbaijan	71.0	71.6	70.0	93.0	97.0	99.5	5.0	71.0	66.2	3.977	2.936	7.851
Kazakhstan	68.8	64.6	64.9	93.0	98.0	99.6	5.0	77.0	91.4	4.716	5.871	10.863
Kyrgyz Rep.	68.8	67.8	67.6	93.0	97.0	99.3	5.0	68.0	77.3	3.114	2.711	2.006
Moldova	68.7	66.6	68.3	95.0	98.9	99.2	6.0	72.0	71.6	3.896	2.109	2.551
Rep. Belarus	71.3	68.5	69.0	95.0	99.6	99.7	7.0	77.0	90.4	5.727	7.544	10.841
Russian Fed.	69.3	66.1	66.2	94.0	99.6	99.5	9.0	78.0	81.9	7.968	8.377	14.690
Tajikistan	69.6	67.6	66.4	93.0	99.2	99.6	5.0	67.0	70.9	2.558	1.152	1.753
Ukraine	70.5	68.1	68.2	95.0	99.6	99.7	6.0	77.0	90.0	5.433	3.816	6.914
Uzbekistan	69.5	69.0	67.6	93.0	99.2	96.9	5.0	76.0	72.7	3.115	2.441	2.425

(1) For the year 1990, mean years of schooling except Czech Rep. and Slovak Rep.

(2) 1992

Source: UNDP (2009; 2002; 1995; 1993).

Secondly, certain CIS (Armenia, Azerbaijan, Moldova and Uzbekistan) suffered from the decrease in their enrollment ratios during the 2000-2007 periods. While other economies generally experiencing an improvement in their gross enrollment ratios (See UNDP 2009 and Table 3), backward trends in the educational attainment of these CIS relatively deteriorated their current position. Some studies particularly emphasize the sharp declines in primary and to some extent secondary enrollments ratios for CIS rather than tertiary one (UNICEF 2001; Micklewright 1999). Nevertheless, it should be indicated that educational achievements in transition countries are generally high “relative” to their per capita income levels (Gros and Suhrcke, 2000)<sup>10</sup>.

Thirdly, per capita income level of a great number of CIS declined in the 1990s. Only Kazakhstan, Belarus and Russia were able to raise their per capita income level in that period. The remaining seven CIS experienced severe declines in this context. What is more important, Kyrgyzstan and Uzbekistan faced with further declines in their per capita income level during 2000-2007. Additionally, income level of Moldova and Tajikistan in 2007 remained well below that of 1990 (See Table 3). To sum up, for various reasons mentioned above, HDI values of CIS remained relatively low in comparison with CEEC. Compared to many developing nations, however, human development

performance of CIS is better compared to their per capita income level (Spagat, 2006). This phenomenon creates an opportunity for further economic growth and the accumulation of human capital for CIS.

Further disparities in human development performance of the transition economies can be detected through referring gender-based indicators. From purely biological reasons, women generally live more than men. As it can be seen from Table 4, this natural law is also valid for the transition economies. However, it should be noted that the gender differences in certain CIS (Kazakhstan, Belarus, Russia and Ukraine) and Baltic countries (Estonia, Latvia and Lithuania) are unusually large. Mortality rates in the post-cold war period were quite high for men in these countries mainly originating from alcohol poisoning and violence (Stillman, 2006; Becker and Urzhumova, 2005; Brainerd and Cutler, 2004; Kalediene and Petrauskiene, 2004; Brainerd, 2001; Shkolnikov *et al.* 1998).

Additionally, average life expectancies for men and women are approximately the same for both CEEC and CIS. Moreover, there is no literacy problem for both males and females in the transition economies. Furthermore, combined enrollment ratios are quite high, and women are better enrolled than men in the transition economies except Albania, Tajikistan and Uzbekistan.

Among human development indicators, the only unfavorable indicator for women is apparently per capita income values. The gender disparity in the income indicator is high which in turn makes women distant to reach high material welfare compared to men in transition economies<sup>11</sup>. This argument is particularly true for CIS where income levels are frequently low relative to CEEC during the analysis period (See Table 3). One should not ignore the fact that gender gap in the income level narrows at very high levels of human development.

**Table 4: Gender-Related Human Development Indicators of the Transition Economies, 2007**

Countries	Life Expectancy at Birth (years)		Adult Literacy Rate (% age 15 and above)		Combined Gross Enrollment Ratio in Education (%)		Estimated Earned Income (PPP US\$)	
	Female	Male	Female	Male	Female	Male	Female	Male
<b>CEEC</b>								
Albania	79.8	73.4	98.8	99.3	67.6	68.0	4.954	9.143
Bulgaria	76.7	69.6	97.9	98.6	82.9	81.8	9.132	13.439
Czech Rep.	79.4	73.2	--	--	85.1	81.9	17.706	30.909
Estonia	78.3	67.3	99.8	99.8	98.2	84.6	16.256	25.169
Hungary	77.3	69.2	98.8	99.0	94.0	86.6	16.143	21.625
Latvia	77.1	67.1	99.8	99.8	97.5	83.2	13.403	19.860
Lithuania	77.7	65.9	99.7	99.7	97.6	87.2	14.633	20.944
Poland	79.7	71.3	99.0	99.6	91.4	84.2	11.957	20.292
Romania	76.1	69.0	96.9	98.3	81.7	76.7	10.053	14.808
Slovak Rep.	78.5	70.7	..	..	83.1	77.9	14.790	25.684
<b>CIS</b>								
Armenia	76.7	70.1	99.3	99.7	77.8	71.6	4.215	7.386
Azerbaijan	72.3	67.6	99.2	99.8	--	--	4.836	11.037
Kazakhstan	71.2	59.1	99.5	99.8	95.1	87.8	8.831	13.080
Kyrgyz Rep.	71.4	63.9	99.1	99.5	79.7	74.9	1.428	2.600
Moldova	72.1	64.5	98.9	99.6	74.6	68.6	2.173	2.964
Rep. Belarus	75.2	63.1	99.7	99.8	93.8	87.1	8.482	13.543
Russian Fed.	72.9	59.9	99.4	99.7	86.1	78.0	11.675	18.171
Tajikistan	69.3	63.7	99.5	99.8	64.6	73.2	1.385	2.126
Ukraine	73.8	62.7	99.6	99.8	93.2	87.0	5.249	8.854
Uzbekistan	70.9	64.5	95.8	98.0	71.4	74.0	1.891	2.964

Source: UNDP (2009).

**Table 5: Recent Position of the Women in Economic and Political Life of Transition Countries**

Countries	Seats in Parliament held by women (% of total)	Female legislators, senior officials and managers (% of total)	Female professional and technical workers (% of total)	Ratio of estimated female to male earned income	Year women received right to vote	Year women received right to stand for election	Year a women became Presiding officer of Parliament or of one of its houses for the first time	Women in ministerial positions (% of total)
<b>CEEC</b>								
Albania	7	..	..	0.54	1920	1920	2005	7
Bulgaria	22	31	61	0.68	1937, 1945	1945	..	24
Czech Rep.	16	29	53	0.57	1920	1920	1998	13
Estonia	21	34	69	0.65	1918	1918	2003	23
Hungary	11	35	60	0.75	1918, 1945	1918, 1945	1963	21
Latvia	20	41	66	0.67	1918	1918	1995	22
Lithuania	18	38	70	0.70	1919	1919	..	23
Poland	18	36	60	0.59	1918	1918	1997	26
Romania	10	28	56	0.68	1929, 1946	1929, 1946	2008	0
Slovak Rep.	19	31	58	0.58	1920	1920	..	13
<b>CIS</b>								
Armenia	8	24	65	0.57	1918	1918	..	6
Azerbaijan	11	5	53	0.44	1918	1918	..	7
Kazakhstan	12	38	67	0.68	1924, 1993	1924, 1993	..	6
Kyrgyz Rep.	26	35	62	0.55	1918	1918	..	19
Moldova	22	40	68	0.73	1914, 1993	1924, 1993	2001	11
Rep. Belarus	33	..	..	0.63	1918	1918	..	6
Russian Fed.	11	39	64	0.64	1918	1918	..	10
Tajikistan	20	..	..	0.65	19124	1924	..	6
Ukraine	8	9	64	0.59	1919	1919	..	4
Uzbekistan	16	..	..	0.64	1938	1938	2008	5

Source: UNDP (2009).

Besides income level, however, human development indicators favor women rather than men in transition economies. Similar optimistic picture can be monitored from the Table 5. Compared to many developing and even developed nations in the world, women actively take part in economic and political life in the transition economies. They received very early the rights to vote and stand for elections. Non-negligible seats in the parliaments were occupied by women. In most of the CEEC and in some CIS, women come at important administrative positions in the Parliaments of their countries. The ratio of women in total professional and technical workers generally exceeds 60 per cent in the transition economies. Therefore, the problem of gender discrimination arrived to a stage of dissolution for most of the transition

economies. It can be suggested that the equality between man and women is ensured to a great extent in the economic and political life of the transition economies. The current position of the women in the transitional societies can be devoted to the heritage of the socialist system where eroding gender disparity was among the primary concerns of the Marxist theorists and policy makers in their attempts to strengthen and transform the inner structure of the communities.

In the same manner, the data on Table 6 constructed to present recent position of the transition economies with respect to human and income poverty indicators broadly confirm the gains of the socialist system fuelled by the competition prevailed between Eastern and Western Blocks after the Second World War for the hegemony of the world economic and political systems.

As underlined before, illiteracy problem practically disappeared for almost all the transition economies. The proportion of underweight children in total aged under 5 decreased to minimum levels for most of the transition countries. Nonetheless, countries like Tajikistan, Albania and Azerbaijan have to make further advancements in this area. In the meantime, the quality of water resources should be improved for most of the CIS and also for Romania among the CEEC.

Different from others, the most problematic area within the human poverty indicators is obviously the indicator defined as the “probability of not surviving to age 40”. The probability of surviving longer is relatively low for CIS compared to CEEC. Furthermore, expected values for CIS are comparable to those of many developing countries in the world. This problem might be related to diminishing trends in life expectancy at birth and gender differences in the longevity as well. Additionally, low per capita income levels in Tajikistan and Uzbekistan should also be taken into account since low material welfare appears to be the primary motive of poverty for these countries.

**Table 6: Recent Human and Income Poverty Indicators of the Transition Economies**

Countries	Probability of not surviving to age 40 <sup>a</sup> (% of cohort) 2005-2010	Adult Illiteracy Rate (% aged 15 and above) 1999-2007	Population not using improved water source (%) 2006	Children under weight for age (% aged under 5) 2000-2006	Share of Poorest 10% in total income or expenditure (%)	Share of Richest 10% in total income or expenditure (%)	Richest 10% to poorest 10%	Gini Index <sup>b</sup>
<b>CEEC</b>								
Albania	3.6	1	3	8	3.2	25.9	8.0	33.0
Bulgaria	3.8	1.7	1	--	3.5	23.8	6.9	29.2
Czech Rep.	2.0	--	0	1	4.3	22.7	5.3	25.8
Estonia	5.2	0.2	0	--	2.7	27.7	10.4	36.0
Hungary	3.1	1.1	0	2	3.5	24.1	6.8	30.0
Latvia	4.8	0.2	1	--	2.7	27.4	10.3	35.7
Lithuania	5.7	0.3	--	--	2.7	27.4	10.3	35.8
Poland	2.9	0.7	0	--	3.0	27.2	9.0	34.9
Romania	4.3	2.4	12	3	3.3	25.3	7.6	31.5
Slovak Rep.	2.7	--	0	--	3.1	20.8	6.8	25.8
<b>CIS</b>								
Armenia	5.0	0.5	2	4	3.7	28.9	7.9	33.8
Azerbaijan	8.6	0.5	22	7	6.1	17.5	2.9	36.5
Kazakhstan	11.2	0.4	4	4	3.1	25.9	8.5	33.9
Kyrgyz Rep.	9.2	0.7	11	3	3.6	25.9	7.3	32.9
Moldova	6.2	0.8	10	4	3.0	28.2	9.4	35.6
Rep. Belarus	6.2	0.3	0	1	3.6	22	6.1	27.9
Russian Fed.	10.6	0.5	3	3	2.6	28.4	11.0	37.5
Tajikistan	12.5	0.4	33	17	3.2	26.4	8.2	33.6
Ukraine	8.4	0.3	3	1	3.8	22.5	6.0	28.2
Uzbekistan	10.7	3.1	12	5	2.9	29.5	10.3	36.7

a. Data refer to the probability at birth of not surviving to age 40, multiplied by 100.

b. Gini index lies between 0 and 100. A value of 0 represents absolute equality and 100 absolute inequality.

Source: UNDP (2009).

Meanwhile, the indicators associated with the income poverty reveal relatively fair and optimistic picture not only for CEEC but also for CIS. The values of Gini coefficient which in fact is the most direct measure of income equality for different countries, social groups and people living in different geographic regions indicate reasonably equal income distribution for transition economies. Most of the transition economies have Gini index values lower than 36. Some of the countries even succeeded to decline their index value below 30. Assuming that reaching absolute equality is almost impossible, and assuring even distribution of income within the society is one of the peculiarities of the later stages of development, relatively low Gini values should be considered as promising for the maturity level of the transition economies. In addition to Gini index value, other indicators related with the equal distribution of income also

show that both CEEC and CIS performed well with respect to maintaining material equality within the society.

Nonetheless, as it is noticed by several researches, in the early recessionary period of 1990s, a number of transition economies faced with an overall rise in income inequality and poverty coupled with the radical upheavals in the composition of the labour markets (Faccini and Segnana, 2003: 853-856; Klugman *et al.* 2002). The findings of Sukiassyan indirectly support such studies. According to him, transition economies had initially similar characteristic, and they especially had low levels of income inequality; but through time they diverged considerably in the sense that they experienced different growth rates and income inequalities (Sukiassyan, 2007: 49-54). Furthermore, empirical results also supported the evidence that inequality has a negative and significant effect on growth depending on the experience of transition economies. This argument is debatable since all the transition economies show approximately similar initial and current levels of income equality. In other words, there is no divergence between CIS and CEEC in the context of the deterioration of income. Therefore, divergence in the per capita income level should be tied to factors other than income inequalities. In any case, there are still rooms for eradicating poverty and ameliorating income distribution in the case of transition economies.

## CONCLUSION

The present paper attempted to understand and evaluate human development performance of the economies in transition. The main findings could be underlined as follows: For one, human development performance of the transition economies is not disappointing at the aggregate level. In particular, CEEC performed quite well during the transition period. It can be argued that the integration process of CEEC to European Union facilitated the process since CEEC had to prepare their institutional background to the prerequisites of the capitalist market economy<sup>12</sup>. And in fact, CEEC leap forward with respect to the quality of institutions, improvement in economic development, accumulation of social capital and last but not the least human development. The gap between Western and Eastern Europe almost disappeared<sup>13</sup>. Even the finalization of the transition period is on the agenda for the Central and Eastern European countries already accessed to the European Union.

Relative to CEEC, human development performance of CIS is not too optimistic. Above all, per capita income level of CIS remained low which jeopardize the improvement in their HDI values. Additionally, the



transformation of the health care system in the post-communist era does not seem so healthy for CIS. By consequence, mortality rates raised to unprecedented levels especially for men which cause a secular decline in life expectancies for the majority of CIS. In short, HDI values of CIS stayed at relatively low levels in comparison with CEEC. However, when the developing world is concerned, human development performance of CIS is much promising in relation to their per capita income levels.

Furthermore, women actively participate to the economic and political life in transitional countries. Also, they easily access to education and health services. To put differently, the main factors of human development favor women rather than men in transition economies. The only exception appears to be in per capita income variable. Although women actively take part in the economic activities, they earn less compared to men in both CEEC and CIS. This situation, in turn, creates an opportunity to advance human development level of the transition economies via equalizing per capita income level of women to that of men.

Moreover, an apparent improvement is observed towards the extermination of human poverty and the maintaining of equal distribution of income in the case of transition economies. This is particularly true for CEEC. For CIS, they should particularly deal with improving water sources, assuring longevity and elevating current income level.

All in all, human development performance of the transition economies in the post-cold war period is satisfactory when the shift of the paradigm in the context of economic, political, cultural and ideological spheres is taken into account for them. CEEC, preferring to join to EU had created an external factor which facilitated painful process of transition for individuals. Meanwhile, CIS tried to construct weakened-type Soviet bloc under the leadership of Russia. They tried to do their best to ameliorate their human development records. But, they have still a non-negligible way to go.

## NOTES

<sup>1</sup> The present study includes all the CEEC accessed to EU except Slovenia. The countries emerged from the former Yugoslavia are totally excluded from CEEC category due to the unavailability of the relatively long-term descriptive statistics. However, Albania is also included to the CEEC category due to its geographical position and ex-socialist political inheritance.

<sup>2</sup> The current study excludes Georgia and Turkmenistan from the CIS category but includes Ukraine since the country is the founder of the organization and *de facto* participates to its activities as well.

<sup>3</sup> For details, see for instance EBRD (2003), Aslund (2002), Svejnar (2002); IMF (2000), Roland (2000) and Milanovic (1998).

<sup>4</sup> Sectoral/Structural transformation is concerned by many pioneer development economists (Colin Clark, Arthur Lewis, Simon Kuznets and Hollis Chenery) in their attempt to determine the development level of the countries. Structural approach concentrates on the ways through which an underdeveloped economy transforms its economic structure from predominantly an agrarian economy to a modern and more industrially diverse manufacturing and services economy. For details, see Todaro and Smith (2006: 116-123).

<sup>5</sup> The concept of Dutch disease also explains the relation between the rise in the exploitation of the natural resources and decline in the manufacturing sector, hence, a process of “*de-industrialization*”. For further information about the concept and its major effects on the structure of the economy, see for instance Barder (2006) and Rosenberg and Saavalainen (1998).

<sup>6</sup> Comparing to the initial stage of the transition period in the early 1990s, however, transition economies succeeded to lower their inflation rates to more moderate levels (Ghosh 1997; Brada and Kutan 1999). Some observers even prefer to point out the problem of *disinflation* rather than inflation in the case of transition economies. See for instance Dabrowski (2003), Cotarelli and Doyle (1999) and Cotarelli and Szapari (1998).

<sup>7</sup> The latest report in 2009 ads fourth group and labels the countries as “*very high human development*” for index values ranging from 0.900 to 1.000 (UNDP 2009).

<sup>8</sup> Meanwhile, Bulgaria showed impressive improvement in its HDI value since the turn of the century.

<sup>9</sup> Economic crises and hyperinflations in CIS together with radical and rapid privatization movements adversely affected individual savings and government expenditures devoted on unemployment insurance and pensions.

<sup>10</sup> For the legacy of the political system, education always occupied higher priority in the development of the planned ex-socialist countries (World Bank 1996).

<sup>11</sup> Gender disparity can be alternatively and more concretely observed from “*the ratio of estimated female to male earned income*” indicator in Table 5.

<sup>12</sup> According to Tihanyi and Roath (2002), the adoption of essential market institutions and various norms of regional integration with European Union can be considered as crucial determinants of technology transfers. Technology transfers, in turn, attracted foreign direct investments and promoted economic growth in these countries.

<sup>13</sup> For a recent research investigating the gap between Eastern and Western European countries, see for example Fidrmuc and Gerxhani (2008). However, there are also

researches comparing Eastern and Western European countries in the context of social and cultural development that determine a gap in favor of Western European countries (Adam *et al.*, 2004; Paldam and Svendsen, 2002)

## REFERENCES

- Adam, F., M. Makarovic, B. Roncevic and M. Tomsic (2004) **The Challenges of Sustained Development: The Role of Socia-Cultural Factors in East Central Europe**, Budapest/New York: Central Euroepan University Press.
- Aslund, A. (2002) **Building Capitalism: The Transformation of the Former Soviet Bloc**, New York: Cambridge University Press.
- Barder, O. (2006) "A Policymaker's Guide to Dutch Disease: What is Dutch Disease, and is it a Problem?", **Center for Global Development Working Paper**, No. 91.
- Becker, C.M. and D.S. Urzhumova (2005) "Mortality Recovery and Stabilization in Kazakhstan 1995-2001, **Economics and Human Biology**, 3, 97-122.
- Brada, J.C. and A.M. Kutan (1999) "The End of Moderate Inflation in Three Transition Economies?" **The Federal Reserve Bank of Saint Louis Working Paper Series**, No.99-003.
- Brainerd, E. (2001) "Economic Reform and Mortality in the Former Soviet Union: a Study of the Suicide Epidemic in the 1990s", **European Economic Review**, 45, 1007-1119.
- Brainerd, E. and D.M. Cutler (2004) "Autopsy on an Empire: Understanding Mortality in Russia and the Former Soviet Union", **NBER Working Paper**, No. 10868.
- Cotarelli, C. and P. Doyle (1999) **Disinflation in Transition, 1993-97**, Washington, DC: IMF.
- Cotarelli, C. and G. Szapary (1998) **Moderate Inflation: The Experience of Transition Economies**, Washington, DC: IMF.
- Dabrowski, M. (2003) **Disinflation in Transition Economies: Experience of the Economies in Transition**, Central European University Press.
- EBRD [European Bank for Reconstruction and Development] (2003) **Transition Report 2003**, London: EBRD.

- Faccini, G. and M.L. Segnana (2003) "Growth at the EU Periphery: the Next Enlargement", **The Quarterly Review of Economics and Finance**, 43, 827-862.
- Fidrmuc, J. and K. Gerxhani (2008) "Mind the Gap! Social Capital, East and West", **Journal of Comparative Economics**, 36, 264-286.
- Ghosh, A.R. (1997) "Inflation in Transition Economies: How Much? And Why?", **IMF Working Paper**, No. 97/80, Washington, DC: IMF.
- Gros, D. and M. Suhrcke (2000) "Ten Years after: What is Special about Transition Countries", **Aussenwirtschaft**, 56, 201-224.
- Hayo, B. (2007) "Happiness in Transition: An Empirical Study on Eastern Europe", **Economic Systems**, 31, 204-221.
- IMF (2000); **Transition Economies: An IMF Perspective on Progress and Prospects**. <http://www.imf.org/external/np/exr/ib/2000/110300.htm>,  
Accession date: 12 August 2010.
- Kalediene, R. and J. Petrauskiene (2004) "Socio-economic Transition, Inequality, and Mortality in Lithuania", **Economics and Human Biology**, 2, 87-95.
- Klugman, J., J. Micklewright and G. Redmond (2002) "Poverty in Transition: Social Expenditures and the Working-age Poor", **CEPR Working Paper**, No. 3389.
- Lerman, Z., C. Csaki, and G. Feder (2004) **Agriculture in Transition: Land Policies and Evolving Farm Structures in Post-Soviet Countries**, Lanham, MD: Lexington Books.
- Micklewright, J. (1999) "Education, Inequality and Transition", **Economics of Transition**, 7, 343-376.
- Milanovic, B. (1998) **Income, Inequality, and Poverty during the Transition from Planned to Market Economy**, Washington, DC: World Bank.
- Paldam, M. and G.T. Svendsen (2002) "An Assay on Social Capital: Looking for the Fire Behind the Smoke", **European Journal of Political Economy**, 16 (2) 339-366.
- Roland, G. (2000) **Transition and Economics: Politics, Markets and Firms**, Cambridge, MA: MIT Press.
- Rosenberg, G.B. and T.O. Saavalainen (1998) "How to Deal with Azerbaijan's Oil Boom? Policy Strategies in a Resource-Rich Transition Economy", **IMF Working Paper**, No. 98/6, Washington: IMF.

- Shkolnikov, V., G.A. Cornia, D.A. Leon and F. Meslé (1998), “Causes of the Russian Mortality Crises: Evidence and Interpretations”, **World Development**, 26, 1195-1201.
- Spagat, M. (2006), “Human Capital and the Future of the Transition Economies”, **Journal of Comparative Economics**, 34, 44-56.
- Stillman, S. (2006), “Health and Nutrition in Eastern Europe and the Former Soviet Union during the Decade of Transition: A Review of the Literature”, **Economics and Human Biology**, 4, 104-146.
- Sukiassyan, G. (2007) “Inequality and Growth: What does the Transition Economy data Say?”, **Journal of Comparative Economics**, 35, 35-56.
- Svejnar, J. (2002) “Transition Economies: Performance and Challenges”, **Journal of Economic Perspectives**, 16, 3-28.
- Tihanyi, L. and A.S. Roath (2002) “Technology Transfer and Institutional Development in Central and Eastern Europe”, **Journal of World Business**, 37, 188-198.
- Todaro, M.P. and S.C. Smith (2006) **Economic Development**, Ninth Edition, Essex: Pearson Education Limited.
- UNDP (2009); **Human Development Report 2009**, New York: Oxford University Press.
- UNDP (2002); **Human Development Report 2002**, New York: Oxford University Press.
- UNDP (1998); **Human Development Report 1998**, New York: Oxford University Press.
- UNDP (1995); **Human Development Report 1995**, New York: Oxford University Press.
- UNDP (1993); **Human Development Report 1993**, New York: Oxford University Press.
- UNDP (1990); **Human Development Report 1990**, New York: Oxford University Press.
- UNICEF (2001) **A Decade of Transition**, Florence: UNICEF.
- Wagstaff, A. and R. Moreno-Serra (2009) “Europe and Central Asia’s Great Post-Communist Social Health Insurance Experiment: Aggregate Impacts on Health Sector Outcomes”, **Journal of Health Economics**, 28, 322-340.

Wikipedia, (2010) "Commonwealth of Independent States",  
[http://en.wikipedia.org/wiki/Commonwealth\\_of\\_Independent\\_States](http://en.wikipedia.org/wiki/Commonwealth_of_Independent_States),  
Accession Date: 15 August 2010.

World Bank (2010) **World Development Report 2010, Development and Climate Change**, Washington, DC: World Bank.

World Bank (2008) **Unleashing Prosperity: Productivity Growth in Eastern Europe and the Former Soviet Union**, Washington, DC: World Bank.

World Bank (2002) **The first ten year: Analysis and Lessons for Eastern Europe and the Former Soviet Union**, Washington, DC: World Bank.

World Bank (1996) **From Plan to Market**, Washington, DC: World Bank.