

CHALLENGES OF THE PATH TOWARDS AN ENLARGED EUROPE: SOUTH EASTERN EUROPE INEQUALITY AND SOCIAL EXCLUSION

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Abstract. *“Challenges of the path towards an enlarged Europe: South Eastern Europe” is a series of articles dedicated to support the improvement of the national strategies for mitigating poverty and promoting social inclusion. It aims to make a better use of existing theories and studies, as well as of the national experiences and to support the co-operation on these topics between the transition countries in the region. This paper opens the series of articles, introducing the inequality and social exclusion problem. An overview of the issue is presented and the challenge of the path towards EU integration is analysed with a strong political focus. The main assistance programmes are identified and the challenge termed: regional learning process on a common social inclusion strategy. Sharing the transition and accession experiences in the region helps countries to strengthen the strategic dimension of their policies. It is a political project that takes into account the density of the developed strategic frameworks and the diversity of social economic trends and traditions in the region. It also considers the proximity of the EU and the transition and accession experience of its member states in the region. General policy guidance and some practical rules of thumb shed some light on policy recommendations.*

I. The context

1.1 Scope of work

“Challenges of the path towards an enlarged Europe: South Eastern Europe” is a series of articles intended for both political and academic audience. Its immediate objectives are to:

- Feed public debates and contribute to the improvement of the national strategies for mitigating poverty and promoting social inclusion,
- Make a better use of existing theories and studies, as well as of national experiences, and support identification of the good practices of transition countries in the region,
- Support the co-operation on these topics between the states in the

South-Eastern Europe and encourage the exchanges.

The policy recommendations aim at originating national papers, designed and fed into the policy debate and decision-making process. The overall aim is to address the issues of inequality and social exclusion with a strong policy focus, to raise debates and discuss policy recommendations, and to advance the social policy reform. The entire work is proposed as a contribution to the European framework strategy on equality and social inclusion.

1.2 Some definitions

“As a multidimensional phenomenon, poverty is defined and measured in a multitude of ways. Given the complexity of

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the issues, the best introduction to poverty is through the multifaceted nature of the phenomenon and the different concepts of it. We need to describe¹ the different concepts of poverty and attempt to distinguish between poverty and other closely related concepts. From the perspective of indicators, these distinctions are important since poverty measurement and subsequent policy/program implications depend on what facets or angles of poverty are being addressed².

The understanding of poverty has evolved over the years. The poverty concept used by the EU defines the poor as those whose “resources (material, cultural and social) are so limited as to exclude them from the minimum acceptable way of life in the Member States in which they live”³. Accordingly, poor have been identified with those whose incomes fall below half of the average income of their respective country. After 1998, the EU has understood as “poor” a person whose net disposable income is below 60% of the median income in their country.

While the economic aspects of a measurable inequality are still dominating and known in a variety of definitions and merely financial and monetary expressions (“less than US \$4 a day”), a human dimension is developing. Deficiencies of human capabilities, lack of social capital, vulnerability, are just a few examples of how the poverty paradigm is enriching. However, strategies and policies insufficiently target a human-centred comprehension of poverty.

Whereas poverty refers to different forms of deprivation that can be expressed in

a variety of terms (i.e., income, basic needs, human capabilities), equity⁴ is concerned with distribution within a population group. Despite the clear distinction between the two concepts, analysis of poverty often employs indicators of equity because of inherent linkages between the two. Equity matters in so far as it influences the degree of poverty reduction generated by growth.

Recent studies have concluded that in certain country contexts it is easier to reduce poverty under relatively egalitarian conditions.

1.3 Regional and sub-regional background

“The fall of the Berlin Wall in November 1989 signalled the beginning of the end of a forty five year social experiment variously termed communism or socialism in Central and Eastern Europe and the Soviet Union. Alongside new freedoms post-1989, however, the expected improvements in people's welfare and security did not occur. On the contrary, for much of the region there was a renewed instability in terms of violent nationalist conflicts or else increased social miseries brought about by a new social experiment sometimes termed 'shock therapy'⁵.”

The region of Central and Eastern Europe and the Soviet Union was made up by nine countries in 1989. One of these, the German Democratic Republic, became part of a unified Germany. The process of fragmentation of Czechoslovakia, Yugoslavia and the Soviet Union transformed the other eight in 28 countries in transition. The establishment of new nation states is still an ongoing process. One of the countries of the region, Republic

¹ Lok-Dessallien, R., UNDP 2000

² UNDP, Human Development Report, 1997, Oxford University Press, New York, 1997, p 16.

³ Council of Ministers of the European Communities, Decision of 19 December 1984.

⁴ Lok-Dessallien, R., UNDP 2000

⁵ Gerovska Mitev and Stubbs, 2004, commissioned by Save the Children (UK)

Montenegro, formerly part of Serbia and Montenegro, gained independence on June 3, 2006. Another state, Bosnia-Herzegovina, has a weak central state structure with most power at the level of sub-state entities. In addition, the status of Kosovo, technically territory of Serbia, looks as a UN protectorate, evolving towards an independent entity.

Twelve countries of the Former Soviet Union, excluding the Baltic States (Belarus, Moldova, Russia, Ukraine, Armenia, Azerbaijan, Georgia, Kazakhstan, Kyrgyzstan, Tajikistan, Turkmenistan and Uzbekistan), have experienced some of the most dramatic and sustained declines in social well-being⁶. They lie beyond the scope of our concern.

Of the initial 28 transition countries, the remaining sixteen form the Central and Eastern Europe (GDR not included here). Ten of them became member states of the European Union in a two stage enlargement process. The first stage was concluded on the 1st of May 2004 and concerned the former Visegrad group (Czech Republic, Hungary, Poland and Slovakia), the Baltic states (Estonia, Latvia and Lithuania) and Slovenia. Bulgaria and Romania completed the enlargement and joined the EU on the 1st of January 2007. The others, the Former Yugoslav states minus Slovenia plus Albania, are collectively known as the Western Balkans. Together they form the core of this paper, as South Eastern Europe.

Croatia (18th June 2004) and the Former Yugoslav Republic of Macedonia (17 December 2005), have secured candidate status with the European Union. "Albania, Bosnia-Herzegovina, Serbia and Montenegro are the laggards in this process,

faced with considerable problems in terms of political stability, sovereignty, as well as economic and social deficits⁷". As noted, the status of Kosovo, formally part of Serbia, currently remains under discussions.

II. Inequality and social exclusion

2.1 Overview of South Eastern Europe

1. The situation in the South Eastern Europe is primarily an outcome of the countries' low overall level of economic performance. The average GDP⁸ per capita of the transition countries in the Central and Eastern Europe with a high human development is rising to 14434 US\$, expressed in PPP US\$, meaning 54.3% of the average of the high human development countries. At the same time, the countries of the SEE, less Croatia and Bulgaria, all with a medium human development, register approximately 6775 US\$ GDP per capita in PPP (25,5% of the average mentioned above, or 46.9% of the ten transition countries with high human development). This shows how low on the economic development scale the countries of the SEE really are. The transition years haven't brought much, from this perspective. Between 1990 and 2004⁹ the average growth rate was largely insignificant for the majority of the countries in the SEE, or even negative in the case of Macedonia. An exception is Albania with an average GDP per capita growth rate of 4.8%.

Only to a lesser extent can the reality be described as a problem of a skewed distribution of the output across households. This result emerges from the analysis of the Gini index (a measure of inequality), which is not particularly high in the SEE. The

⁶ Milanovic, B. (1999), 299-341

⁷ Cerovska Mitev and Stubbs, 2004

⁸ HDR 2006

⁹ HDR 2006

average Gini index varies between 26 and 31, as shown in the Table 1, Inequality in Income or Consumption, according to HDR 2006. Such coefficients fall in the range of 26 to 32 in transition countries and most of the OECD, but they are occasionally higher in for example Latvia (37.7%), Macedonia (39%), Russia (39.9%) and the United States (40.8%). More than most regions, SEE thus presents a combination of low living standards and moderate inequality, which justifies the conclusion that economic growth is a sine qua non for any lasting improvement.

2. Table 2, Human Development Indices and Rankings, provides the latest indices and rankings of Human Development, Gender Development and Gender Empowerment for 15 countries of the CEE, according to the HDR of 2006. The indices reveal a diversity of situations. Croatia is the only SEE country registered with a high HDI and not yet member of the EU, while Bulgaria and Romania, recently joining the EU, are separated by the medium development line.

The most remarkable characteristic of the Table 2 is that, consistently, the countries of Central and South-Eastern Europe are ranked higher on the HDI than their per capita GDP rankings. This shows reserves of a development potential. The differences recorded are ranged between 1 place in the case of Slovenia, to 16 places in the cases of Macedonia and Bosnia and Herzegovina and full 26 places in the case of Albania. The rank order of the countries is the same in relation to each other for GDI indices, while the GEM and GDP per capita indices register periodical fluctuations that modify the ranking order. However the GDI and the GEM indices, ranging between ranks 24 and 59, are compact as compared

to HDI or GDP per capita, which indicates that gender is much less of a problem. Still, gender inequality in economic activity indicates a growing female economic activity rate since 1990 in Macedonia and Albania, while Bosnia and Herzegovina reveals a strong tradition, maintaining a reduced female activity rate (43.1% in 2002) over the same period of time. It must be mentioned that Serbia and Montenegro are countries without HDI value and ranking, in part because of lack of GDP data.

3. Inequalities in education and health between the poor and non-poor modulate from country to country. As the main causes of inequalities, it could be outlined the influences of household resources, community factors and system determinants.

Income and assets, whose inequalities vary widely in the region, are a key component of household resources. Higher income is associated with more frequent and more intensive use of education and health services. The poor households are disadvantaged. The human assets of knowledge, literacy, and education, whose levels tend to be lower among the poor, tend to reproduce and influence household decisions with regard to health and education.

Priorities in public spending¹⁰ reveal that only 2.8% to 4.2% of the GDP have been allocated for education between 2002 and 2004 in the countries of the SEE, Croatia being an exception (4.6%). This is beneath the expenditures of the high human development countries. Other CEE countries go up to 6% (Slovenia and Hungary), or nearby (Poland 5.8%, Estonia 5.7). In health, Croatia has the highest expenditure per capita, at 40% of the European Union average, while Albania has

¹⁰ HDR 2006

the lowest expenditure at per capita. Health spending as a percentage of GDP varies between 2.7% (Albania) and 6.5% (Croatia).

4. Poverty in SEE is an important issue, affecting a large part of the population. Table 3, Human and Income poverty and nutritional status, based on HDR 2006, provides some statistical data. Between 1996 and 1999, 22% and 23% of the populations of Bulgaria and respectively Romania lived with an income below the poverty line of 4 US\$ a day. The poverty is largely situated in rural areas. Unemployment, low education and living in rural areas are the main factors of poverty. Although the situation may have improved over the last years, in Albania 66 percent of the poorest quintile and 61 percent of the second quintile are rural households. Their main source of income (37 %) is small-scale agriculture followed by wage employment (27 %) ¹¹. Bosnia-Herzegovina shows a similar picture. In spite of a low degree of extreme poverty, households in rural areas are especially vulnerable. Moreover, poverty is positively correlated with low educational levels, limited access to health services and unemployment and it is concentrated among internally displaced people and large families. Among households with three and more children below 14, poverty-rate is 56 % or nearly three times higher than the average ¹². In Macedonia two thirds of poor households live in rural areas. Here the headcount index is nearly twice as high as in the capital (25% in comparison to 13.9 % ¹³). Serbia and Montenegro also suffer from a high poverty in rural areas, among the unemployed and

among the poorly educated.

5. In addition to poverty there is an ethnical problem. The Roma are strongly over-represented among the poorest quintile ¹⁴ in Bulgaria. Pockets of poverty which are ethnically determined are also one of the problems of Croatia. Among the poor who mainly live in rural areas the non-Croats are over-represented: Serbs, Albanians, Roma and Bosnian Muslims ¹⁵. As well as in Bulgaria, poverty among the Roma is disproportionately high in Macedonia. The same is true for Romania. Three out of five Roma live in extreme poverty and only one Roma, out of 5, is not poor ¹⁶.

6. The children ¹⁷ in the countries of the SEE are confronted with severe problems, as nutritional status indicates. In Albania 14% of the children under age 5 were under weight for age, between 1996 and 2004. Under height there were 35%. The situation is less dramatic for the other countries but is still a bad one, the percentages varying between 1 and 5 for Croatia and Serbia and Montenegro and between 4% and 10% for the other countries in the region.

2.2 The challenge

South Eastern Europe has earned the attention and has enjoyed the support of all the major international and supranational institutions including the OECD, the European Union and United Nations' agencies, as well as the World Bank and International Monetary Fund. Macroeconomic and structural policy instruments have been developed and complemented by strategies for human

¹¹ World Bank, (2003a), p. XIII

¹² World Bank (2003b), p. III

¹³ Government of the Republic of Macedonia (2000), p. 2

¹⁴ World Bank (2004a), p. 2

¹⁵ World Bank (2001), p. VIII

¹⁶ World Bank (2003d), p. II

¹⁷ HDR 2006

development, employment generation and poverty reduction.

The social-economic difficulties, grown on a common legacy, differentiate the countries' perspectives on the short run. What all countries in the region share, nevertheless, is a European aspiration. It is based on their needs and hopes, but also on the generous promise and reliable commitment of the EU, which undertook to draw South Eastern Europe "closer to the perspective of full integration ... into its structures"¹⁸. Countries wishing to be admitted must, however, first meet the conditions defined by the EU Council in 1993 concerning democratic, economic and institutional reforms (Copenhagen criteria). Euro-Atlantic integration was also promised to the countries in the region.

The fight against poverty and social exclusion is sustained by multiple external assistance programs supported by international and European institutions, of which most of the countries of the SEE benefit. The international organizations and institutions promote two main programs and the European Union one, which are briefly introduced hereupon. The technical assistance and the funds, grants or loans, are vectors of the specific, sometimes contradictory, policy options of their promoters. The result is a sum of fragmented programs, tributary to the distinct policy platforms and frameworks, underpinned by different assumptions, and, to some extent, undeniable national efforts to comprehend and integrate them.

1. The international institutions, especially the International Monetary Fund

and the World Bank, promote a strong policy framework for aid and development, addressed to countries confronted with diverse poverty and exclusion problems, all over the globe, in Asia, Africa, Latin America and Europe. Their universalistic prescriptions are frequently criticized for their controversial reasoning and limited successes. Country driven and nationally owned programs have lately been considered and now are being implemented.

Poverty Reduction Strategy Papers are an attempt to produce a coherent and effective approach to aid and development. They are national plans for poverty reduction and economic growth on medium-term. "PRSPs are based on participatory processes of stakeholder consultation, including the voices of civil society in their formulation, implementation and monitoring"¹⁹. The Washington Consensus principles of the IMF and the World Bank are clearly discernible on the documents and contrasting with the EU line, in the rejection of European social policy models of labour regulation and universal social policies in favour of deregulation and income-based targeting²⁰.

The formulation of Poverty Reduction Strategy Papers has effectively become compulsory for many developing countries if they are to continue to receive loans and credits from the IMF and the World Bank²¹.

There are some critical²² opinions with regard to the philosophy of smaller, more efficient government and public spending austerity, which is advocated by

¹⁸ Stated in the founding document of *The Stability Pact for the South Eastern Europe*, adopted in Cologne on the 10th June 1999, at the EU's initiative

¹⁹ *Gerovska Mitev and Stubbs, 2004*

²⁰ *Redmond, G., 2004*

²¹ "A new form of conditionality imposed by the Bretton Woods Institutions." (*World Health Organisation, 2001*)

²² *The IMF and the Millennium Goals. Failing to deliver for low-income countries. Oxfam Briefing Paper, September 2003, cited by Arandarenko, M., 2005.*

the IMF and the World Bank. Such a philosophy may well represent an in-built constraint to achieving longer term and large-scale advances in poverty reduction. Similar criticism is expressed in the Report of the Millennium Project to the UN Secretary-General²³, which also calls for a scaled up international development assistance to make low-income countries with widespread extreme poverty meet the Goals by 2015.

2. The Millennium Development Goals define specific targets in terms of reducing poverty, gender equality, school enrolments, child mortality, maternal health, disease, and access to water to be met by 2015. Millennium Project Report looks at the PRSPs as the major vehicle to achieve these Goals. It is recommended that the MDG-based poverty reduction strategy should become a detailed, operational document, attached to a medium-term expenditure framework, which translates the strategy into budgetary outlays. Countries already having a PRSP (all in the SEE, less Croatia), should revise it so that it is ambitious enough to meet the Goals. Where the Goals are already within reach and greater progress is sought, countries are recommended to adopt an 'MDG-plus' strategy, with more ambitious targets. In essence, the PRSP is the 'national roadmap' for reaching MDG targets through short/medium term policy reforms and budget restructuring.

3. The European institutions have developed and exercised policies mainly for the benefit of the EU countries, considerably richer as compared to the SEE. An increased awareness and solidarity, sensed over the

last decade, challenged by enlargement complex issues, are directing European policies towards considerable concerns of poverty and exclusion. The 'European Social Model' is based on the threefold commitment preserving generous benefits, relative wage and income equality and coordinated bargaining²⁴. In the efforts to modernize and redesign ESM, following the Lisbon Summit, the EU Member States have completed several rounds of National Plans for Social Inclusion; there have been Joint Reports on Social Inclusion, and the new Member States have drawn up Joint Inclusion Memoranda (JIMs). This process offers considerable scope for mutual learning and for the transfer of the best practice. The aim of JIMs is to prepare candidate countries for their full participation in the open method of co-ordination on social inclusion as of the date of accession. The EC supports the efforts of the candidate countries to translate the EU social objectives into their national policies, taking account of their particular situations²⁵.

The above programs represent three independent approaches, made under different assumptions and having separate targets. The main challenge is how to make these strategies complement and re-enforce each other, rather than compete and crowd out one another. We claim that it is possible and serves the best interests of the countries of the SEE.

And there is another issue that needs to be addressed²⁶ - is there any room for the development of a regional social inclusion strategy, given the density of the already existing or soon to be developed strategic

²³ *Investing in Development. A practical plan to achieve the Millennium Development Goals Overview. Millennium Project, New York, 2005.*

²⁴ *Trubek, D. & Mosher, J., 2003*

²⁵ *Draft outline of the Joint Inclusion Memoranda, EC DG for Employment and Social Affairs, 23 May 2002.*

²⁶ *Arandarenko, M., 2005*

frameworks, and the diversity of social economic trends and traditions in the region? Would such a strategy, if prepared, remain substantiated as soon as Bulgaria and Romania joined the EU in 2007 and Croatia followed the suit a few years afterwards? The answer should be yes, if the term 'strategy' is used loosely enough to mean a more comprehensive, less formal and perhaps more flexible and innovative 'open method of coordination' for the countries in the South Eastern Europe.

III. Policy Recommendations

3.1 General policy guidance

A world-wide learning process on scaling up successful efforts to mitigate poverty and promote social inclusion confirms much of what is already known on how to get politics and economics right. However, it also sheds sufficient light to determine major institutions and governments to reconsider or refine some of their policies.

1. The countries in the SEE are in a profound process of change, transition towards democratization and market economy. Therefore, their core institutions and structures are in continuous motion and flexible and the people are open to change. The change must be systematically pursued. Changing is at the heart of sustained economic growth and flourishing enterprises: modernizing institutions - rules, norms, behaviours and organizations - is very much needed to prepare and conduct a process of change. The international community is called to act as a collective agent of change.

2. Successful change requires a process of experimentation, adaptation and learning. Immediate action is needed to legitimate and exercise these. The transition process is rich in good practices and not so

good ones. However it is rare that some policies experiments and evaluations are carried out in the SEE, or that a systematic regional learning process is embodied. This should be improved. In order to avoid expensive policy mistakes, the governments need to ensure that their decisions are based on a realistic analysis of the likelihood that a proposed policy would be possible to implement as intended and the expected outcome would be secure.

3. Networking is essential in identifying relevant internal and external support. The governments can no longer afford to work in isolation. Strategic partnerships and broad cooperation are looked for to take advantage of the changing international aid architecture. The destinies of present and future generations are at stake. The idea of successful technocratic governments, relying only on external assistance, is not plausible anymore. Policy effectiveness depends on the input of a whole range of agents international and national, including private sector and civil society as well as on the healthy functioning of societal and institutional structures in which they operate²⁷. A lucid anticipation of the region's future would credit a more intensive collaboration within the SEE.

Important resources can be drawn towards each of the countries in South Eastern Europe, both from the inside and from the outside. Most of them do not have sufficient strength and adequate structures to mitigate poverty and promote inclusion on their own. Supportive and stimulating environment is also required to drive political commitment and to challenge good governance.

4. Democratization and empowerment are fundamental to fragile transition economies. A democratic political process, involving the empowered masses, opens

²⁷ Inspired by Klugman, J., 2001, p. 1

political competition and creates conditions for large-scale performances and stability. The system refines itself with each step of the way and positive effects are incorporated.

Civil society can play a major role in articulating the concerns of the poor. Certain mechanisms need to be created to provide special representation to the disenfranchised groups. Particular education is also required to organize the poor and create awareness of issues. Civic organizations and trade unions can be strengthened and encouraged to exercise and support democracy and to play a more active role in representing the interests of the low-paid, insecurely employed and unemployed, who form an important recuperative segment of the poor.

A widespread inclusive consultation process in SEE is an important goal that politicians should continue to aim for, in order to:

- contribute to the formation of new attitudes, shifting from liberty and rights to liberty and responsibilities,
- promote transparency and accountability,
- open up the possibility for stronger civil society participation in future years (itself an act of empowerment).

5. Good governance is essential to reach social-economic performances, and likely to support pro - poor policies. The accent falls on the rule of law, transparency and accountability, decentralization and devolution (de-concentration). Shortages of the reforms are pointing out some serious deficiencies in these fields that need to be dealt with.

a) The rule of law signifies the application of laws, equally and transparently. The state's institutions observe and uphold the law. In the SEE this is

an equivocal process. While inconsistencies and confusions are sometimes unavoidable, due to the overcharged legislative process, unfair laws and inequitable application and enforcement of law are tolerated. There is considerable evidence of weakness and usurpation of power; dissolution of the state is publicly asserted. In the SEE, states are perceived in incapacity to defend their citizens, physically or legally (Transparency International, 2002).

b) Transparency and accountability are new values for the ex-socialists regimes, opposed to discretionary actions of the ruling class, old and new "nomenclature". Excessive opacity and illegal actions are perpetuated in various ways in the SEE. Accessing freely the public information, setting up objective criteria for the decision-making and explaining it are deficient and insufficiently exercised. Equitable and impartial allocation of funds is difficult to observe. The non-involvement of the stakeholders preserves bad habits.

c) Decentralization and devolution (de-concentration) are considered to be most powerful ways of increasing people's participation and empowering the poor. There is sufficient evidence on the positive effects brought about through:

- Promoting genuine fiscal decentralization and true fiscal autonomy,
- Building up the capacity of local governments,
- Specializing services and bringing them closer to people, to where they live and work.

3.2 Some Practical Rules of Thumb

1. A general coherence and consistence of economic and social strategies is imperative. The countries of the SEE have the possibility to re-design the

existing structures and institutions and to set them on sound principles that would constitute solid bases for future requirements, generated by changing conditions and altered objectives. Their strategies should be improved and completed by a system of social-economic predictability (integration with budgeting systems, monitoring and evaluation and so on). The know-how in the field and the computing capacity considerably evolved. Complex econometric models allow a wide variety of exercises and evaluations. Elaboration of various scenarios on both the evolution of the economy and of the social need, would help clarify and found macroeconomic options.

2. The countries are confronted with a trade-off between macroeconomic stabilisation - which favours the poor in the long run, and poverty-reduction, which becomes more difficult in the short run. There is no easy escape. What governments can do is to get as much scope as possible for well targeted income subsidies through a strengthened fiscal revenue- and expenditure-management and to pursue consequently macro-economic stability.

3. The private initiative of the entrepreneurial class is essential to stimulate economic growth. Such a quality is not given forever and to all. It can (and sometimes it must) be learned. The same is true for private responsibility and the willingness to take risks. Individual mentalities like these are prerequisites for growth and they must be trained. The private initiative is the engine of growth, within a competition market with a healthy

functioning of societal and institutional structures. Time is over in which the state was considered the "caretaker" for social welfare. The government still has to take some regulative responsibilities within the framework of a "strong but limited state". But it is well advised not to intervene into markets for private goods and not to dictate what individuals should desire²⁸.

4. A mature attitude of the trade unions, based on information and full-grown perspective, would benefit the entire society. There is a real need to review the trend development of trade unionist movement. While participatory development is strongly advocated and the benefits of the social dialogue in the region are in no way questioned, there is a need of democratization of trade unions, requiring in-depth assistance and development of a specialized expertise.

5. The development of transnational blocks, such as the EU, is an expression of globalization that would lead, sooner or later, to the introduction of supranational standards and regulations. The countries of the SEE have to accept it and prepare to become compatible with EU structures and regulations, in order to facilitate future integration.

6. Strategies and policies, laws and regulations, are predominantly designed by the cities and for the cities. The direct consequence is that the living conditions are largely favourable in cities, while rural areas, accommodating an important part of the population, lack minimal conditions. This is also separating SEE from EU and should change.

²⁸ Sautter, H. 2004

**Table 1. Inequality in Income or Consumption
Central and Eastern Europe, HDR 2006**

Country		Survey Year	Share of income or consumption (%)				Inequality measures		
			Poorest 10%	Poorest 20%	Richest 20%	Richest 10%	Richest 10% to poorest 10% a	Richest 20% to poorest 20% a	Gini index b
High Human Development									
27	Slovenia	1998-99 ^c	3.6	9.1	35.7	21.4	5.9	3.9	28.4
30	Czech Republic	1996 ^c	4.3	10.3	35.9	22.4	5.2	3.5	25.4
35	Hungary	2002 ^d	4.0	9.5	36.5	22.2	5.5	3.8	26.9
37	Poland	2002 ^d	3.1	7.5	42.2	27.0	8.8	5.6	34.5
40	Estonia	2003 ^d	2.5	6.7	42.8	27.6	10.8	6.4	35.8
41	Lithuania	2003 ^d	2.7	6.8	43.2	27.7	10.4	6.3	36.0
42	Slovakia	1996 ^c	3.1	8.8	34.8	20.9	6.7	4.0	25.8
44	Croatia	2001 ^d	3.4	8.3	39.6	24.5	7.3	4.8	29.0
45	Latvia	2003 ^d	2.5	6.6	44.7	29.1	11.6	6.8	37.7
54	Bulgaria	2003 ^d	3.4	8.7	38.3	23.9	7.0	4.4	29.2
Medium Human Development									
60	Romania	2003 ^d	3.3	8.1	39.2	24.4	7.5	4.9	31.0
62	Bosnia and Herzegovina	2001 ^d	3.9	9.5	35.8	21.4	5.4	3.8	26.2
66	Macedonia TFYR	2003 ^d	2.4	6.1	45.5	29.6	12.5	7.5	39.0
73	Albania	2002 ^d	3.8	9.1	37.4	22.4	5.9	4.1	28.2
Without HDI Rank									
	Serbia and Montenegro	..	..	..	..	..	..	..	..

Because the underlying household surveys differ in method and in the type of data collected, the distribution data are not strictly comparable across countries.

Notes:

a. Data show the ratio of the income or expenditure share of the richest group to that of the poorest. Because of rounding, results may differ from ratios calculated using the income or expenditure shares in columns 2-5.

b. A value of 0 represents perfect equality, and a value of 1 00 perfect inequality.

c. Data refer to income shares by percentiles of population, ranked by per capita income.

d. Data refer to expenditure shares by percentiles of population, ranked by per capita expenditure.

Source:

column 1: World Bank. 2006. *World Development Indicators 2006*. CD-ROM. Washington, D.C.

column 2: World Bank. 2006. *World Development Indicators 2006*. CD-ROM. Washington, D.C.

column 3: World Bank. 2006. *World Development Indicators 2006*. CD-ROM. Washington, D.C.

column 4: World Bank. 2006. *World Development Indicators 2006*. CD-ROM. Washington, D.C.

column 5: World Bank. 2006. *World Development Indicators 2006*. CD-ROM. Washington, D.C.

column 6: calculated on the basis of data on income or expenditure from World Bank. 2006. *World Development Indicators 2006*. CD-ROM.

Washington, D.C.

column 7: calculated on the basis of data on income or expenditure from World Bank. 2006. *World Development Indicators 2006*. CD-ROM.

Washington, D.C.

column 8: World Bank. 2006. *World Development Indicators 2006*. CD-ROM. Washington, D.C.

**Table 2. Human Development Indices and Rankings
Central and Eastern Europe, HDR 2006**

Country	Human development index 2004	GDP per capita PPP US\$		Gender-related development index GDI		HDI rank minus GDI rank	Gender Empowerment measure GEM		
		Value	Rank minus HDI rank a	Rank	Value		Rank	Value	
HDI rank									
High Human Development									
27	Slovenia	0.910	20,939	1	24	0.908	1	32	0.603
30	Czech Republic	0.885	19,408	4	28	0.881	0	28	0.615
35	Hungary	0.869	16,814	4	30	0.867	1	41	0.560
37	Poland	0.862	12,974	11	33	0.859	0	30	0.610
40	Estonia	0.858	14,555	4	34	0.856	2	31	0.608
41	Lithuania	0.857	13,107	6	35	0.856	2	25	0.635
42	Slovakia	0.856	14,623	1	36	0.853	2	34	0.599
44	Croatia	0.846	12,191	7	40	0.844	0	33	0.602
45	Latvia	0.845	11,653	9	41	0.843	0	27	0.621
54	Bulgaria	0.816	8,078	12	44	0.814	1	37	0.595
Medium Human Development									
60	Romania	0.805	8,480	3	49	0.804	1	59	0.492
62	Bosnia and Herzegovina	0.800	7,032	16	..	..	..	..	..
66	Macedonia, FYR	0.796	6,610	16	54	0.791	0	43	0.554
73	Albania	0.784	4,978	26	59	0.780	0	..	..
Without HDI Rank									
	Serbia and Montenegro	..	..	..	..	..	..	..	..

Notes:

a. A positive figure indicates that the HDI rank is higher than the GDP per capita (PPP US\$) rank, a negative the opposite.

b. The HDI ranks used in this calculation are recalculated for the 136 countries with a GDI value. A positive figure indicates that the GDI rank is higher than the HDI rank, a negative the opposite.

Source:

column 1: calculated on the basis of data in columns 6-8; see technical note 1 for details. (should be linked)

column 2: World Bank. 2006. *World Development Indicators 2006*. CD-ROM. Washington, D.C., unless otherwise noted;

aggregates calculated for the Human Development Report Office by the World Bank.

column 3: calculated on the basis of data in columns 1 and 5.

column 4: determined on the basis of the GDI values in column 2.

column 5: calculated on the basis of data in columns 3-10; see the technical note 1 for details.

column 6: calculated on the basis of the recalculated HDI ranks on the GDI ranks in column 1.

column 7: determined on the basis of GEM values in column 2.

column 8: calculated on the basis of data in columns 3-6; see the technical note 1 for details.

**Table 3. Human and Income Poverty and Nutritional Status
Central and Eastern Europe, HDR 2006**

Country	Probability at birth of not surviving to age 60 (% of cohort) 2000-05 a	Population living below \$4 a day (1990 PPP US\$) 1996-99 b	Population undernourished (% total) 2001-03 c	Children Under weight for age (% under age 5) 1996-2004 d	Children under height for age (% under age 5) 1996-2004 d
HDI rank					
High Human Development					
27	Slovenia	11.8	<1	3	..
30	Czech Republic	12.1	<1	<2.5	1e
35	Hungary	18.3	<1	<2.5	2f
37	Poland	15.1	10	<2.5	..
40	Estonia	21.7	18	3	..
41	Lithuania	20.6	17	<2.5	..
42	Slovakia	14.9	8	6	..
44	Croatia	13.1	..	7	1
45	Latvia	21.5	28	3	..
54	Bulgaria	16.6	22	9	..
Medium Human Development					
60	Romania	19.0	23	<2.5	6e
62	Bosnia and Herzegovina	13.6	..	9	4
66	Macedonia, TFYR	13.3	..	7	6
73	Albania	11.4	..	6	14
Without HDI Rank					
	Serbia and Montenegro	14.9	..	10	2

This table includes Israel and Malta, which are not Organisation for Economic Co-operation and Development (OECD) member countries, but excludes the Republic of Korea, Mexico and Turkey, which are. For the human poverty index (HPI -2) and related indicators for these countries, see table 3. † Denotes indicator used to calculate HPI-2; for details see Technical Note 1.

Notes:

a. Data refer to the probability at birth of not surviving to age 60, multiplied by 100.

b. Data refer to the most recent year available during the period specified.

c. Data refer to the average for the years specified.

d. Data refer to the most recent year available during the period specified.

e. Data refer to a year or period other than that specified.

f. UNICEF (United Nations Children's Fund). 2005. *State of the World's Children 2006*. New York. , Data refer to a year or period other than that specified, differ from the standard definition or refer to only part of the country.

Source:

column 1: calculated on the basis of survival data from UN (United Nations). 2005b. *World Population Prospects 1950–2050: The 2004 Revision*. Database. Department of Economic and Social Affairs, Population Division. New York.

column 2: Milanovic, Branko. 2002. Correspondence on income, inequality and poverty during the transition from planned to market economy. March. World Bank, Washington, D.C.

column 3: UN (United Nations). 2006c. Millennium Indicators Database. Department of Economic and Social Affairs, Statistics Division, New York.[<http://mdgs.un.org>]. Accessed July 2006. , based on data from the Food and Agriculture Organization (FAO).

column 4: UN (United Nations). 2006c. Millennium Indicators Database. Department of Economic and Social Affairs, Statistics Division, New York.[<http://mdgs.un.org>]. Accessed July 2006. , based on data from the Food and Agriculture Organization (FAO).

column 5: UN (United Nations). 2006c. Millennium Indicators Database. Department of Economic and Social Affairs, Statistics Division, New York.[<http://mdgs.un.org>]. Accessed July 2006. , based on a joint effort by the United Nations Children's Fund (UNICEF) and the World Health Organization (WHO).

column 6: WHO (World Health Organization). 2006a. "Core Health Indicators." Geneva.[http://www3.who.int/whosis/core/core_select.cfm]. June 2006.

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