SOCIAL DEVELOPMENT IN EUROPE AND CENTRAL ASIA REGION:
ISSUES AND DIRECTIONS

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This paper is a contribution to the draft social development strategy for the World Bank. The findings, interpretations, and conclusions are the author’s own and should not be attributed to the World Bank, its management, its Board of Executive Directors, or the countries they represent.
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EXECUTIVE SUMMARY

The fundamental objectives of the World Bank activities in the Europe and Central Asia (ECA) region are to reduce poverty and to increase material prosperity and social well-being of the population. Social development plays a critical role through interventions designed to lay a foundation for growth that is both equitable and sustainable. In ECA, interventions therefore focus on helping governments improve governance, build sound and inclusive institutions, promote vibrant civil societies, combat corruption, develop and implement policies that build social cohesion at local, regional and national levels, and allow fuller participation in development.

Despite the diversity among the 27 ECA countries, they share a legacy of strongly centralized state planning, intrusive state intervention in every domain of life, suppression of private initiative, and policies of divide-and-rule, all of which exacerbated or created serious imbalances and tensions between social and ethnic groups. Because of the unusual fusion of political, economic, and social life, the transformation of political and economic regimes set in motion a chain of events leading to an initial dramatic decline of production and growth, increase in poverty and inequality, and rupture of traditional social relationships and coping mechanisms in most countries. Despite these setbacks, new political, social, and economic opportunities have emerged for broad segments of the population, particularly among the countries slated for European Union (EU) accession that have preserved social stability, laid the basis for efficient and responsive institutions, and increased public participation in governance.

Given the systemic and profound nature of these changes, achieving stability and prosperity depends not only on sound economic policies, but also on accountable, well-functioning institutions that are able to implement policy because they enjoy social support. Social support depends, in turn, on the inclusiveness and responsiveness of institutions that are able to negotiate differences and generate a sense of shared societal goals. Particular attention to social inclusion and social cohesion is important in societies at risk of, or having experienced, civic and/or ethnic conflict, either of which can entirely destroy the benefits of economic growth.

This report has two purposes: (a) to assess the trends, range, and impacts of current and emergent social issues in the ECA region; and (b) to describe current and proposed policy and operational approaches to these problems. This report provides a coherent statement on current World Bank principles and priorities for social development in ECA. It incorporates the results of consultations with social development specialists, as well as sector and country units in ECA. It also draws on existing analytical work of the World Bank, international donors, and academic research institutions worldwide. For World Bank staff, the report provides an analysis of current social development issues in ECA in order to guide future lending, analysis, and policy dialogue. For readers outside the World Bank, it summarizes the Bank position on social development issues in the ECA region and current and proposed activities designed to address these issues.
This report is divided into two major sections. The first section analyzes the nature and magnitude of social issues in the region. This discussion is organized around three mutually overlapping themes: (a) patterns of governance and institutions; (b) processes of inclusion and exclusion; and (c) social conflict and cohesion. The second section presents the key components of a social development program, which addresses these issues and aims to improve the development effectiveness of Bank-supported investments. Although the Bank has introduced social safeguard policies to ensure that interventions do not have adverse social consequences, the final chapters outlines areas in which the Bank can do more to ensure that interventions have positive consequences for the economic and social well-being of people in ECA.

A. **Historical Background of Social Development Issues in ECA**

Since 1990, people living in ECA have experienced radical changes of polity, society, and economy. The speed and magnitude of economic and political changes was much faster and more disruptive in the ECA region than in any other part of the world, in part because socialism was all-embracing, penetrating political, economic, and social life that provided security, but reduced initiative and room for innovation. Despite official Party hegemony, most socialist institutions functioned on both a formal and informal level, where people used “connections” to obtain deficit goods and services, and where practices belied official ideology. The contradictions between ideology and practice contributed to the pervasive cynicism, as well as corruption, that provide such a challenge to current development efforts.

In some countries, introduction of market reforms and more participatory institutions have opened up new opportunities for innovation and growth. Elsewhere, captured or incomplete reforms have hindered positive change. Throughout the region, these profound changes have undermined previous bases of social cohesion. In some countries this has undermined the effectiveness of traditional family- and community-based coping mechanisms. Overall, most EU accession countries have demonstrated encouraging progress, while to varying degrees, deepening poverty and marginalization of some segments of the population characterize most countries in the Commonwealth of Independent States (CIS) and Southeast Europe (SEE).

It is evident that the post-socialist societies are not necessarily, or inevitably, moving in the same direction. In countries that have effected deep changes, the “transition” phase has essentially ended, and new, effective institutions are in place. We therefore propose an alternative model we hope will be helpful for conceptualizing change and designing interventions. This model recognizes that although post-socialist countries resembled one another in terms of economic and political organization, they differ substantially in terms of history, culture, and social organization, natural resources, geopolitical constraints, and the “brand” of socialism each had developed. In 1990, although some regimes had introduced a degree of liberalization, socialism appeared firmly entrenched and the socialist states appeared strong and stable, without extensive poverty, and with robust human development indicators.

Since the collapse of these apparently hegemonic regimes, many countries have introduced electoral democracy; populations now enjoy greater personal and political
freedom, and greater space for economic innovation has also opened. At the same time, collapse of output, disruption of trade, and informalization of economies forced considerable change at the level of institutions and organizations, and in some cases made them obsolete. Captured or partial privatization programs introduced huge inequalities and facilitated the rapid spread of corruption. In weak states, heightened competition for resources exacerbated social tensions and catalyzed destructive civil conflict. However, where older power structures were completely rejected through the electoral process, participatory democracy made progress.

B. RISKS AND OPPORTUNITIES IN ECA

Patterns of Governance and Institutions

*The “return to Europe” and the move toward democratic governance and institutions.* The European Union candidate countries differ in the extent to which the new institutions are responsive and accountable to citizens, or to which informal groups and networks wield control, exert influence, and broker relationships between public and private sectors. For many, prospects of joining the global economy and the EU have proved a powerful catalyst for putting in place institutional reform and strengthening the rule of law. In addition, many of these countries also had the advantage of beginning reform ten years ago with independent institutions already in place. Despite progress toward accession, some EU accession countries lag behind others. The danger remains that EU rejection of aspirant countries that fail to meet its high standards may potentially provoke a nationalist and authoritarian backlash.

*The CIS: Mixed authoritarian and democratic trends.* Given a longer period of state socialism, governance in most CIS incorporates both authoritarian and democratic tendencies. Belarus, Turkmenistan, and Uzbekistan particularly limit citizen participation. In Uzbekistan, confusing legislation, arbitrary enforcement, and broad government restrictions on civil society organizations hinder the ability of citizens to form interest groups or parties. Turkmenistan remains a single-party state with severe restrictions on civil and political rights. In some Central Asian countries, officials are believed to purchase their offices. Despite formal elections, public accountability of officials and institutions remains low, and reform has been hindered by under-funding, contradictory formal and informal roles, fragmentation, and lack of horizontal communication. The inaccessibility and lack of dependability of institutions has encouraged the burgeoning of informal alternatives. In these countries, the introduction of the market has simply increased the opportunity to directly bribe officials to bend rules. At the same time, innovation and more participatory local level governance is occurring in some regions; for example, the city of Obninsk, Russia, recently set up an internet web site to publicize its budget and stimulate public discussion.
**Governance and institutions in unconsolidated states.** Institutions in countries such as Bosnia and Albania remain very fragile. In Albania, since the end of extreme repression in 1991, and the 1997 collapse of the pyramid financial schemes, waves of unrest have challenged the ability of the Albanian state to guarantee public security. Although local communities have become more active and the press is relatively open, polarization and politicization reduce the capacity of public sector institutions to prepare or implement policy. Integration between the Croat-Bosnia Federation and the Republika Srpska have not really taken place, in part due to the parallel political institutions set up by the Dayton Accords. Neither function independently of the international community, which still plays an important governing role.

**The institutional context of enterprise restructuring.** Problems of governance and institutional reform in the restructuring and privatization of industrial and agricultural enterprises seriously hindered transparency and equity in many CIS countries. For many decades, a network of informal relationships and patterns of obligation and reciprocity among management, workers, and suppliers had characterized these enterprises. Even with privatization, many of these patterns have survived, creating a disconnect between the new organizational structure and the behavior and expectation of stakeholders. In many cases, old networks continue to shape the functioning of the enterprises in nontransparent and poorly understood ways.

**The reemergence of civil society.** Although the mobilization of civil society contributed to the collapse of socialism, civil society remains weak and fragmented. In many, though not all CIS countries, the legal framework, complex registration laws conditioned by state distrust of citizen organizations, and pervasive poverty that allows little time for voluntarism have impeded civil society development. Particularly, although not exclusively, in the CIS, most trade unions and business organizations remain under state control, and cannot really be considered part of civil society. In parts of CIS, and more so in Central and East Europe (CEE) and Southeast Europe (SEE), the collapse of socialism found expression in many civil society programs and activities, including religious, political, business, and labor associations, which arose in part as alternatives to inefficient public institutions. In many countries, people are putting increasing energy into non-governmental organizations (NGOs), although this sector also faces difficulties. Many NGOs remain poorly funded, concentrated in urban areas, “under-institutionalized,” and poorly accountable to their members or to the donors who fund them. In most countries, tax regimes are not conducive to local philanthropy. Donor funding as well as specific program demands have also created dependency among local NGOs. In more authoritarian countries of the region, civil society organizations still operate under heavy pressure and are periodically closed down.

**The rebuilding of communities.** The impact of authoritarian rule and centralized command economies left the population in ECA with a cynical disdain for collective action and a profound distrust of national and local level government institutions. Although these institutions are in the process of reform and change, lack of clear lines of responsibility and authority between central and regional, municipal and community level institutions, as well as power struggles within and between levels, has impeded good service delivery or improvements in interaction with citizens. Nevertheless, people have begun to search for ways to address common needs. Even in extremely fragile states such
as Albania, or war-torn countries such as Tajikistan, local collectivities have demonstrated the capacity to take over functions and deliver services previously the responsibility of the state. Thus, village credit associations in Albania continued to function even during the major crisis of 1997. Water users associations have flourished, and the government itself is now transferring irrigation management entirely to a village-based federation.

The Challenge of Creating Inclusive Societies

Economic restructuring is essential if ECA countries are to restore growth and address poverty. Yet the short-run impact of restructuring has contributed to the spread of poverty and to the marginalization of vulnerable individuals and groups. Many forms of current discrimination and social exclusion are related to individual or group characteristics such as age, educational level, gender, family size, social group, and location. While some of these are rooted in pre-socialist and socialist social relations, economic hardship and political turmoil have accelerated their marginalization and set in motion similar processes affecting new groups.

Loss of familiar gender roles and identities. Currently, although unemployment rates do not exhibit strong systematic biases against women in ECA countries, qualitative studies report pervasive discrimination based on age, appearance, and/or maternal status, and an increase in sexual harassment at the workplace. Many women have moved into riskier and poorly paid informal sector work. Others have withdrawn from the labor market because subsidized childcare facilities have closed, and they cannot pay the new fees. Women who are no longer able to contribute to their household’s cash economy have experienced an erosion of authority in the family, as well as their sense of status and “voice” in society, especially as reduction of jobs encourages a return to pre-socialist gender role ideals of female submission. In addition, rising divorce rates and abandonment of families have left some women to bear the entire responsibility for their families.

For many men, the impact of restructuring on gender roles and identities has been devastating. Given gender expectations of men to be breadwinners and decision-makers, male unemployment, combined with greater female activism, has diminished the authority of unemployed men inside and outside the household. Male unemployment has been correlated with increased levels of depression and suicide. Alcohol consumption, already heavy in much of CIS and CEE, has increased, and is implicated in a vicious circle of unemployment and indebtedness, and in the decrease in male life expectancy in Russia and other countries.

The alienation of poor children and youth. Throughout ECA, children and youth have been disproportionately affected by impoverishment, collapse of social services, and reduced opportunities, all of which threaten their ability to compete in society. The number of children placed in residential institutions has increased significantly in the last ten years, and is now estimated at 820,000, with 60 percent labeled as “defective” (disabled). Growing poverty, unemployment, family breakup, war, and displacement have also contributed to the dramatic emergence of “street children” in many cities in ECA countries. Studies suggest that the number of children living on the streets range
from 1 percent to 3 percent of the population; in Russia alone, street children are estimated at one million.

While opportunities for educated or entrepreneurial youth have expanded in many capitals, in countries or regions where growth has been slow, young people have responded to abuse, neglect, and the reduction of opportunities with increased drug and alcohol consumption, teenage pregnancies, and, particularly among young males, suicide. In many rural areas, schools and clubs no longer fund extracurricular activities, and the village bar is often the only available entertainment. Gang activity and crime have also increased. Between 1989 and 1995, the share of crimes committed by juveniles rose, at the same time the level of violence increased, and the average age of the offender decreased. The Organization for Security and Cooperation in Europe has reported that in Kosovo, numerous cases of ethnic violence have been committed by young males under 18, a reminder of the negative potential of youth growing up without social constraints or opportunities.

**Emerging marginalization of the aged and the disabled.** Despite regional and country differences, the quality of life of older people has deteriorated, particularly among the very elderly or those who lack the support of extended families. The most impoverished elderly cut back sharply on consumption of utilities, food, and medical treatment, particularly when their pensions are the only source of cash for an entire household. Some pensioners live in unrelied social isolation, ashamed to visit or ask help of others. Even pensions have become vulnerable to dysfunctional institutions, political maneuvering, and petty corruption.

Given widespread unemployment, the disabled are the least likely to find new employment, and consequently feel that they have lost an important component of social identity. Despite constitutional rights to the disabled in many countries, few have been able to implement these rights. Although many disabled are still unable to participate fully in the political, social, educational, and cultural life of their communities, in countries such as Bulgaria or Georgia, they have formed activist organizations which are vigorously pushing for implementation of formal rights.

**Changing ethnic relations and patterns of marginalization.** New state borders, the creation of new majority-minority relations, and sharper competition for reduced resources, have divided societies along ethnic lines. In the former Soviet Union (FSU), Russians are sizable minorities. In the Baltic countries, post-World War II forcible resettlement of Slavic populations and exile of indigenous Baltic populations created deep tensions. Since independence, these tensions have found expression in exclusionary citizenship laws in Latvia, as well as deepening social and political isolation for the Russian-speaking population living in the depressed northern rust-belt communities of Estonia.

In the countries of Central and East Europe, the Roma, who constitute the region’s most significant minority, have suffered disproportionately from the transition. Their deepening exclusion results from their already socially and economically marginal position under socialism. Many Roma now reside in ghettos on the peripheries of rural or urban settlements with little access to municipal services. Few Roma children go beyond basic education, due to a pervasive discrimination, which often results in their being
labeled “mentally disabled.” Recently, Roma communities received a powerful boost from the European Union, as candidate countries try to improve their human rights record, and NGOs turned attention to issues of improved health and education and promotion of employment opportunities.

**Criminality, violence, and trafficking of drugs and persons.** Along with impoverishment and weakened state controls, street and organized crime has increased throughout the ECA region, even spreading to Western Europe. Mafia cartels – some organized along ethnic lines operating throughout Europe – do billions of dollars of business smuggling goods and trafficking arms, drugs, and persons. Drugs are becoming a major part of local informal economies in different parts of ECA, particularly in the Balkans and in Central Asia. Lack of economic opportunities at home and social dislocation has significantly increased the number of women and children of both sexes involved in the sex industry. According to the International Office of Migration (IOM), as many as 500,000 women are being trafficked to West Europe alone, and Ukraine, Russia, and Belarus have replaced Thailand and the Philippines as the center of the global trafficking of women.

**The widening gap between urban and rural conditions.** As rural enterprises have been closed or privatized, they have transferred social assets to municipalities without funds to maintain them. As a result, both the social and physical infrastructures in rural areas have deteriorated, contributing to the isolation of cash-poor, rural populations. The urban population has greater access to better quality social services, more dependable transportation and means of communication, and importantly, better information about economic opportunities and legal rights. Most international donor, relief, and other non-governmental organizations are concentrated in capital cities. Rural populations remain vulnerable to violation of economic, political, and civil rights by local authorities who continue socialist-era traditions of a top-down, authoritarian government free from the scrutiny that urban counterparts are subject to from the media and international organizations.

**The demise of one-company towns.** Socialist governments constructed enormous enterprises – many built around extractive industries such as mining, or defense production – that functioned as virtual cities. Closure or downsizing has created significant unemployment and pockets of vulnerability. In some mining towns, unemployment has hit women particularly hard, since auxiliary services and clerical workers have been laid off before underground workers. While considerable parts of the younger, more skilled and/or more entrepreneurial population are leaving in search of work, others hesitate due to the difficulty in finding affordable housing, paying to relocate, obtaining information about employment elsewhere, and finally, cutting ties with local support networks.

**The impact of large-scale migration.** These regional inequities and the redrawing of the political map triggered a massive population movement. New diasporas, created when state borders were redrawn, have figured prominently among these migrants. Many of the 25 million Russians who were living outside Russia have moved to Russia, while other “titular nationalities” have returned to their homelands. Peoples deported under Stalin such as the Meskhetian Turks and Crimean Tatars are returning to their homelands.
Their return has been complicated by their movement across new international borders and the economic collapse of receiving communities. Although some of the migration constitutes a positive movement toward more rational population distribution, in the short run, migrants overburden physical and social infrastructure of receiving communities and create problems of cohesion.

**Ethnic Conflict, War, and Displacement**

Twenty-one of the 27 ECA countries are new states confronted with the task of crafting national identities, new bases for legitimacy, and definitions of citizenship. Many conflicts can be traced to the perception (and in some cases, the reality), that power and resources are being distributed unequally between groups differentiated by race, religion, language or other social factors. This has been further complicated by the power vacuum, which followed the emergence of sovereign states from the Soviet Union and Yugoslavia. While fragile new government institutions are in place in Bosnia and Herzegovina, peace in the Balkans remains tentative; in the South Caucasus, ongoing negotiations over Abkhazia and Nagorno-Karabakh have failed to produce a durable settlement and an acceptable resolution for the large populations of internally displaced persons (IDP) in Georgia and Azerbaijan. The conflict in Chechnya threatens to spread to neighboring regions. In Central Asia, the densely populated and ethnically diverse Ferghana Valley remains vulnerable to conflict. The conflicts in ECA have not only destroyed lives, livelihoods, and assets, but also ruptured communities. Large numbers of people remain displaced in their own countries or are refugees, who also face insecurities related to their uncertain legal status in the host country.

**C. CURRENT AND PLANNED ACTIVITIES IN ECA**

The activities are aimed at addressing issues of social development. The first part of this document has been diagnostic, since many social development issues in the region are new or emergent, and as yet, poorly understood. Out of these issues, we have identified those areas that fall within the World Bank mandate, and in which the Bank has a comparative advantage. Social development activities in ECA countries aim to:

- Support the development of equitable and transparent institutions; good governance and reduced corruption; and civil society development.

- Support client governments and institutions to better respond to the needs and priorities of the poor and the vulnerable through active policies of social inclusion.

- Reduce incentives for, and impacts of, conflict, and assist countries emerging from conflict to rebuild social cohesion as well as to restore livelihoods and growth.

The issues underlying these objectives are identified through analytic and advisory activities, social assessments of structural adjustment lending and projects, and assistance in mainstreaming social development issues and complying with World Bank safeguards in Bank interventions. Other tools available for mainstreaming these objectives include specific pilot projects and active policy dialogue with client governments and non-governmental stakeholders in the context of Poverty Reduction Strategy Papers (PRSP),

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In the area of institutional reform, it is suggested that the Bank focus on the following areas. On a macro level, the region needs to (a) gain a better analytic understanding of the institutional impacts of enterprise and government restructuring; and (b) promote an enabling environment for positive institutional change by promoting rule of law and reducing corruption. To help client countries actualize reforms, however, the region should (a) intensify its focus on community driven development and building capacity of local communities and governments to work collectively; and (b) promote the capacity of citizens to participate more actively in formulating policy and projects.

To promote inclusion of marginalized groups, social development efforts for the region can concentrate on (a) developing the commitment and institutional capacity of client governments for addressing systematic employment discrimination against particular groups; protecting the cultural integrity of minorities and ensuring equality and rights of the disabled; developing child- and youth-targeted social policies; and developing information dissemination to deepen awareness of gender-based violence and disability issues; (b) deepening understanding of regional and gender-based forms of exclusion and the impact of sectoral reforms on the vulnerable to identify mechanisms to mitigate adverse impacts; (c) developing specific investments to reach out to and improve the access of the disadvantaged and vulnerable to services; and (d) combining institutional, social, and economic assistance from the state and international organizations and the private sector to facilitate legal, social, and economic development of indigenous communities.

Addressing conflicts in ECA requires recognition of the specific geopolitical, cultural, and historical issues that impinge upon each conflict. These considerations in some cases restrain what the World Bank can do. In other cases, international political dynamics put external pressure on the Bank to act quickly and expeditiously. Since conflict does not respect national boundaries, responding to conflict in ECA requires a regional perspective. A regional approach that expands the Bank’s horizon past the nation-state and explores opportunities for regional analysis and action, multi-national programming, and regional investments is essential. Finding ways to reduce the risk of conflict and its potential impact on societies, institutions, and households should also be an important part of World Bank activity in the ECA region. In situations where conflict is ongoing, the Bank needs to remain engaged, within the parameters of its mandate, through “watching briefs” and other activities. Beyond the reconstruction of physical hardware, Bank involvement in post-conflict countries will focus on the equally critical task of social reconstruction – restoration of livelihoods, a sense of security, and social trust – and the reintegration of those most vulnerable to and affected by conflict – children and youth, war widows, the war disabled, demobilized combatants, and displaced populations – into local economies and societies.
CHAPTER 1: INTRODUCTION

A. WHAT IS SOCIAL DEVELOPMENT?

While the World Bank mandate is to reduce poverty through economic growth, it is now broadly accepted that only good governance, strong and effective institutions, and a vibrant society of informed and empowered citizens can ensure that the economic gains will be equitably distributed and sustained. Social development provides a framework for and complement to economic and human development by focusing on institutions and the relationships that make up society. It has become a priority concern for all sectors and country units, since the success of all Bank interventions ultimately hinges on the extent to which they strengthen institutions and empower communities and individuals.

Box 1.1 A Bank approach to social development

The central mandate of the World Bank is to reduce poverty and achieve sustainable development. A social development approach sharpens the Bank's focus on poverty by:

- promoting effective, responsive, and transparent institutions and good governance
- furthering the equitable access of individuals and communities to opportunities by taking into account the ways that social structure and culture facilitate or constrain access
- promoting inclusive societies that recognize and protect human and civil rights and support the dignity of all social groups and individuals.

B. SOCIAL DEVELOPMENT ISSUES IN ECA

In the last decade, people living in the Europe and Central Asia (ECA) region have experienced thoroughgoing changes of polity, society, and economy. Three federal states – the Soviet Union, Yugoslavia, and Czechoslovakia – have fragmented. Many countries in the Commonwealth of Independent States (CIS) and Southeastern Europe (SEE) have experienced serious armed conflict between social groups. Today, despite their shared socialist past, the ECA countries are moving along distinct trajectories. Some of the countries moving toward European integration have significantly reformed and strengthened the institutions necessary to market economies and participatory democracies. Likewise, greater recognition of civil and political liberties and more openness in public debate in many ECA countries have provided opportunities for promoting stronger civil societies and a wider degree of inclusion in social and economic development. The countries of CIS as well as some Southeast European countries, however, have much further to go in reforming economic and political institutions. They also have lower per capita incomes, worsening social conditions, and increasing levels of poverty than ten years ago.
Table 1.1 Changes in inequality during the transition

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<th>Country</th>
<th>Gini coefficient for income per capita</th>
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<td>1987-90</td>
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<td><strong>Central Europe and Baltics</strong></td>
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<tr>
<td>Czech Republic</td>
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*Source: The World Bank 2000c.*

* a. A consumption Gini was used due to lack of income data.
  b. For 1995 due to problems with 1997 data.

Despite progress, in every ECA country the reforms have created winners and losers. Parts of the population have suffered acutely, whether from violence, armed conflict and regional displacement, or from loss of employment and livelihoods. Many people in the region suffer a sense of acute dislocation from loss of accustomed roles and identities and loss of support from formal and informal social institutions.
C. WHY DO WE NEED A SOCIAL DEVELOPMENT STRATEGY IN ECA?

The speed and magnitude of economic and political changes in the past ten years have been much faster and more disruptive in the ECA region than in any other part of the world. When the Bank and other donors first became involved in ECA, they encountered a region characterized by extensive industrial development and, in some sectors, impressively advanced technology, apparently strong institutions, and highly developed human capital. Initial efforts, therefore, focused on macroeconomic solutions and technical assistance to help institutions become more market-oriented and efficient. But the failure of reforms in many ECA countries has demonstrated that the impact of economic and regime collapse was more profound and pervasive than expected, the degree of support and incentives for change were in many cases insufficient, and the institutions were more fragile and less adaptable than anticipated to a market environment.

These drastic political and economic changes destabilized and disrupted social relations and reduced the effectiveness of traditional individual and community coping mechanisms. The international community and other involved actors responded rapidly, but in some cases without sufficient understanding of what kind of measures would succeed in this internally diverse and rapidly changing environment. Donors have invested heavily in the ECA region since 1992, but with mixed results. While Poland, the Czech Republic, Hungary, and some of the other EU candidates have made encouraging progress, deepening poverty and increasing marginalization of vulnerable segments of the population require a concerted cross-sectoral strategy that can address key social development issues in the diverse sub-regions of ECA. This paper focuses on issues and directions. Given the rapidly evolving conditions in the region, a fully operationalized strategy will emerge only during implementation.

D. ORGANIZATION OF THIS PAPER

The report aims to provide a coherent statement on principles and priorities for social development in ECA that could direct World Bank involvement in the region. To do so, it first analyzes the trends, range, and impacts of current and emergent social issues in the ECA region. It then proposes policy and operational approaches to these problems. The report incorporates the results of consultations with Bank social development specialists, sector and country team staff, as well as academics and practitioners from ECA countries. It also draws on existing analytical work of academic research institutions worldwide, international donors, and the World Bank.

The report is intended for several audiences. For World Bank staff, it provides an analysis of current social development issues in ECA for the purpose of guiding future lending, analysis, and policy dialogue. For readers outside the World Bank, it summarizes the Bank position on social development issues in ECA and suggests a broad direction for addressing these issues.

The main body of the document, which analyzes the nature and magnitude of social issues in the region, is organized around three mutually overlapping themes: (a) patterns of governance and institutions; (b) processes of inclusion and exclusion; and (c) social conflict and cohesion. Chapters Two through Five examine the social development
implications of systemic change in the politics, economies, and societies that have taken place in ECA. The majority of ECA countries are new nation-states, which must now work out new identities and ideologies, develop new state structures, and work out new relationships with their own citizens and their international neighbors. This section examines the important ramifications these changes have for the functioning of institutions and communities, patterns of social and economic inclusion and exclusion, and the extent of citizen participation in governance. Chapter Six focuses on conflict and post-conflict issues in the region, and implications for Bank interventions. Chapter Seven proposes a framework for considering sub-regional differences, and implications for prioritizing different kinds of interventions. Chapter Eight concludes by presenting key elements of a social development strategy for improving the development effectiveness of Bank-supported investments. Although the Bank has introduced social safeguard policies to ensure that interventions do not have adverse social consequences, this report outlines areas in which the Bank can do more to ensure that interventions have positive consequences for the economic and social well-being of people in ECA.
CHAPTER 2: CHANGING PATTERNS OF GOVERNANCE

A. BACKGROUND: NEW STATES, NEW NATIONS

In the last ten years, the formerly socialist countries have experienced profound changes in the organization of their states and the restructuring of government. Most of the Soviet and Yugoslav successor states are facing the daunting challenge of creating statehood for the first time in centuries. Ukraine and Belarus had been part of the Russian Empire for centuries, and the Central Asian countries since the latter part of the 19th century. Meanwhile Armenia, Azerbaijan and Georgia, earlier ruled by Persia, were absorbed by the Russian Empire, enjoying only two years of independence after World War I before they were sovietized. Likewise, for most of their histories, most of the countries created by the breakup of Yugoslavia were provinces of the Hapsburg or Ottoman Empires before absorption into Serbia, and finally, Yugoslavia. Of the ECA countries, only Albania, Bulgaria, Romania, Czechoslovakia, Hungary, Poland, and the Baltics can draw on the traditions of independent development between the two world wars. The countries emerging from the ruins of large multi-ethnic states have undergone a process analogous to decolonization, having to transform what were essentially regional governing bodies into the organs of independent statehood.

These new or reconstituted states have confronted numerous tasks, including forging agreements on long-disputed, shifting borders and establishing new state structures. To support creation of new state and national identities, countries have created new constitutions that in many cases redefine majority-minority relations and mandate new national languages. Although the Soviet and Yugoslav successor states have continued to rely on many of the same administrative structures they used as “union republics,” they have had to reinvent histories to support the creation of new identities. The initially peaceful transition from socialism obscured the reality that nascent democratic mechanisms in these new countries were not ready for the intense political competition for resources and power that accompanied system change. This competition, plus the challenge of recreating social identities, fueled conflicts in many countries between ethnic groups, some of whom – Russians in the “near abroad,” Croats, Serbs, Bosnians, or Albanians – are for the first time being defined as minorities in their “new” countries.

Despite the tendency of "transitologists" to compare the post-socialist transformations to that of the authoritarian countries of southern Europe or Latin America 20 years ago, the tasks facing the ECA countries are more complex. ECA countries differed considerably from other authoritarian regimes. Even the “advanced” countries of Poland, Hungary, and the Czech Republic had fewer liberal democratic traditions to call upon, lacked the legal and institutional framework of capitalism, and had to undergo more structural change, than did the countries of Latin America or southern Europe. They shared a distinctive and hegemonic ideology hostile to capitalism and “capitalist democracy”; a powerful Communist Party leadership, which dominated political, economic, and social life; and weak civil societies.
B. PATTERNS OF GOVERNANCE AND CORRUPTION

Governance, the system of formal and informal institutions and traditions by which authority is exercised in a country, remains an issue throughout ECA. This issue is played out in the following arenas: (a) political rights and civil liberties; (b) the institutions and regulatory frameworks that affect how governments formulate and implement policies, provide goods and services, and regulate markets; and (c) the norms, values, and customary practices, including those of trust and reciprocity, that shape the kind of civic ethos that holds democratic states together.

Ten years ago, it was broadly assumed that the basic institutions in ECA countries were relatively well developed and functional, and that macro reforms would provide adequate incentives for institutional change. Essentially sound institutions and impressive levels of industrial development, technological sophistication, and human capital suggested that macroeconomic stabilization, price and trade liberalization, and privatization would open their economies to the global market and help restore prosperity to the region (Nelson et al 1997). As part of this process, it was thought that privatization, supported by the reform of legal and financial institutions, would stimulate the emergence of a middle class of property owners who would push for further economic and legal reforms to protect their new interests.

By now it is evident that the informal “rules of the game” by which former socialist institutions operated involved considerable uncertainties regarding roles, rights and responsibilities, and resources, which made them inefficient as well as capricious (Bunce 1999). For example, while production and distribution were officially centralized and implemented according to centrally set quotas and plans, in practice, managers negotiated to set and achieve quotas, bartered, and exchanged goods and services informally, and in many cases, to run their own businesses (Verdery 1996). Moreover, informal and formal institutions coexisted in a mutually dependent way. The “second” or “shadow economy” was not an independent, parallel system but completely intertwined and symbiotic with the official economy, although it lacked a legal and social framework. Many post-socialist institutions are still characterized by the duality of official and unofficial functions. The importance of informal relationships within formal institutions can be seen in the continuing preference for informal arrangements, which still characterizes economic activity in many post-socialist countries.

This long tradition of informal rules of the game, non-transparent processes, and arbitrary and capricious institutions, means that “rule of law,” an important institution for functioning democracies, remains fragile in many ECA countries. Many laws are recent and contradictory, and their ambiguities and contradictions permit excessive administrative discretion by public officials and members of the judiciary. Moreover, application of the law remains arbitrary. Where internalization of a “rule of law” is undeveloped, government services continue to offer many opportunities and incentives for corruption, thereby hindering development of trust in officials and public institutions. Lack of a rule of law and a culture of human rights, as well as the prevalence of corruption, appear strongly correlated with authoritarian regimes, with countries experiencing high levels of conflict, and with high levels of inequality. This is confirmed by the recent World Bank study, Anticorruption in Transition: A Contribution to the Policy Debate, which found significant correlation between the level of authoritarianism
and high-level government (“bureaucratic”) corruption. According to the proposed
typology, the relatively authoritarian regimes, mainly in the CIS, also have high levels of
bureaucratic corruption (and thus, poor governance), in contrast to many of the EU
candidate countries of CEE, which show low degrees of state capture and bureaucratic
corruption (and thus, better governance).

As this study demonstrates, corruption is one of the most visible manifestations of
institutional weakness in the ECA countries. Quantitative and qualitative data
demonstrate the pervasiveness of corruption and bribery, the risks of investing in
transition economies, and huge emerging disparities in wealth. Corruption retards growth
and damages the poor: it reduces funds available for social expenditures, forces the poor
to pay for even the most basic administrative and social services, and constrains the
emergence of small-scale enterprises. Corruption of public institutions and authorities
deepens the social exclusion of the poor and increases alienation and disengagement from
civil society and political life. World Bank poverty assessments in ECA suggest that the
poor feel hopeless, voiceless, and powerless, and equate privatization with theft, and
independence, democracy, and marketization with a lack of social justice.

C. IMPLICATIONS FOR GOVERNANCE AND CORRUPTION: REGIONAL VARIATIONS

The CIS: Centralizing tendencies

Since the demise of the socialist systems, formal multi-party electoral democracies
have replaced single party systems in most of the ECA countries. But a majority of the
new countries, particularly in the CIS, have moved toward strong presidential regimes,
systems that limit the ability of parliaments – and thus, that of the citizenry – to shape
policies and laws. Until, and if, stronger party systems and civil societies emerge,
increasingly powerful executives and growing authoritarianism remain dangers,
particularly in the CIS. Countries such as Moldova, Ukraine, Russia, Armenia, Georgia,
and the Kyrgyz Republic reveal a mix of authoritarian and democratic tendencies.
Although these countries are formal electoral democracies, real party systems have
developed slowly, partly because the role of the Communist Party discredited party
membership for many people, who still perceive political parties as corrupt and
politically ineffectual (Holmes 1999).

Although these countries meet the minimum criterion of electoral democracy,
accountability of officials and institutions to the citizenry remains low. In Russia, for
example, the de facto decentralization of property rights to incumbent managers during
perestroika and rent-seeking opportunities in the early stages of transition led to the
creation of highly concentrated economic interests, especially in the natural resource ad
financial sectors. Under their influence, the privatization process increased the
concentration of power and led to the emergence of large financial-industrial groups, who
now resist policy and institutional reforms that would increase competition (World Bank
2000a). In addition, by purchasing the most influential central TV and radio channels,
newspapers, and journals, state authorities have reduced the space for open discussion of
issues, with the risk of slowing down development of grassroots participation in
governance (Pastukhov 1998). Governance in these countries is also characterized by a
sharp rift between urban capitals, where a relatively free and active press and NGOs
continue to develop, and the rural areas, where “feudal” relations of patronage and hierarchical political and social relations characterize local governance.

Anti-corruption initiatives have been initiated in a number of countries, including Georgia, where local activists describe corruption as a way of life rather than an aberration. In some cases, as in Georgia (see box below), these initiatives have drawn in a range of NGOs and citizen groups, although they still confront a daunting task.

**Box 2.1 Georgia’s young lawyers and the “rule of law”**

Rule of law is unquestionably a key element for a sustainable civil society. However, successful legal and political institutions must be preceded by the development of a culture of respect for the law and democratic structures. Jury trials, party systems, commercial and civil codes, and democratic constitutions need a social base to succeed. This tougher route of building a civic culture is being successfully explored in Georgia by informal groups of law students (Georgian Young Lawyers Association - GYLA) who have developed programs to build professional capacity among lawyers and to increase public understanding of the law as Georgia emerges from its Soviet legacy. GYLA was established in 1993 when three groups of law students challenged their elders to improve the draft Georgian constitution. In its first major project, GYLA implemented a multifaceted program to inform citizens about their legal rights and responsibilities. Through this project, GYLA offered *pro bono* legal sessions by telephone, established a law library, provided electronic legal resources, and conducted legal clinics and seminars for students. It also provided legal advice to independent media and NGOs, developed and lobbied for passage of a law giving NGOs tax exempt status, allowing free registration, and expanded into areas outside Tbilisi. GYLA became actively involved in developing legislation, and parliamentary committees now solicit their comments on draft bills. Thus, beginning with efforts to develop an ethical and effective legal profession in Georgia, GYLA’s efforts have grown into something larger – a movement to increase the public’s awareness of legal rights.

By contrast, Belarus, Kazakhstan, Uzbekistan, and Turkmenistan have steadily consolidated the power of the chief executive. In Uzbekistan, confusing legislation, arbitrary enforcement, and restrictive environment for NGOs have constrained the ability of citizens to form interest groups or parties or participate in government. Turkmenistan remains a single-party state with severe restrictions on civil and political rights, where official nation-building efforts focus on the creation of Turkmen nationalism. In Belarus and Kazakhstan, chief executives who steadily concentrated power in their own hands have repressed genuine democratization and civil society development (Fish 1999). Patterns of governance, however, do differ among the Central Asian states. Traditions of “tribal democracy” among nomadic peoples in countries such as the Kyrgyz Republic and Tajikistan contrast with traditions of hierarchy and authority which characterized the settled agricultural society of Uzbekistan (Gleason 1997). In Azerbaijan, the president maintains extensive personal control over government, although the country tolerates opposition parties and a struggling media to a degree. Since 1999, the government has taken steps to improve transparency in administration, increase civil service accountability, and increase the consultative role of NGOs.
In terms of stable judicial and constitutional functioning and the irreversible transition to market economies, the Czech Republic, Poland, Hungary, and Slovenia are often considered the most consolidated “success” stories where participatory processes have really taken root. At the same time, close links between economic interests and political institutions continue in many of these countries. In Poland, for example, cronyism and conflict of interest in appointments to regulatory authorities, boards of privatization commissions, and state-owned enterprises reduce institutional accountability and transparency. Public service appointments are also highly politicized, exposing some appointees to a corruption levy as well as inflicting loss of expertise and institutional memory in the poorly paid administration. The deep distrust of the state that characterized the Soviet period continues to weaken the credibility of anticorruption efforts (Sutch et al 2000).

On the other hand, citizens in many of these countries are taking more initiative in participating in governance. For instance, when the first post-socialist income tax law in Poland obliterated the “hidden taxes” prevalent under socialist rule, it allowed citizens to see their gross salaries. Taxpayers soon became acquainted with every possible deduction and loophole, and although legislation frequently changed, they managed (with new “tax entrepreneurs” and accountants to keep abreast of the changes) in some cases to use the media and ombudsman to force changes through parliament. These first victories taught people that they could influence the framework of the tax code. Thus, the development of participatory democracy “has gone hand in hand with a participatory tax system” (Szczesna 1998).

Estonia, Latvia, and Lithuania have also made considerable gains, although Estonian and Latvian minority policies limit the inclusiveness of these new democracies, and corruption remains a significant problem. Likewise, severe discrimination against Roma throughout Central Europe continues to mar their otherwise improving human rights records. Slovakia, Romania, Bulgaria, and Croatia have experienced more setbacks in consolidating economic and political change. Nevertheless, popular participation, in the form of a reasonably strong party system and dense civil society in Bulgaria, or in the form of the broad-based social movements that brought down former President Vladimir Meciar’s autocratic rule in Slovakia, demonstrate that democratization has contributed to popular empowerment (Fish 1999). Despite greater regime openness, the legacy of extreme state interference is very strong in countries such as Romania. Yet despite the judiciary’s continued fearfulness and lack of independence or neutrality, and the excessive power of police (Macovei 1998), NGOs, media, and political organizations managed to build a coalition to push through a Freedom of Information Act, which has been endorsed by the government and opposition, and which has the potential to transform administrative culture by opening up public access to information.

Post-conflict countries of SEE

In Albania, Bosnia and Herzegovina, and Kosovo (Federal Republic of Yugoslavia), institutions remain fragile and patterns of governance have not fully coalesced. Since the end of the very repressive socialist regime in 1991 and the collapse of the pyramid schemes in 1997, the Albanian state has experienced difficulty in
maintaining security in the face of well-armed and organized criminal gangs. Although communities have become more active and the press is relatively open, polarization and politicization constrain the ability of public sector institutions to effectively prepare or implement policy. In the last two years, however, there have been demonstrable improvements in government stability and effectiveness. Integration between the Muslim-Croat Federation of Bosnia and Herzegovina and the Republika Srpska in the very weak state of Bosnia and Herzegovina has not really taken place, and neither entity functions independently of the international community, which still plays an important governing role. The extensive informalization and insecurity of the post-conflict economy of Bosnia and Herzegovina continues to divert the energy and resources of the population from efforts to participate in governance. In Kosovo, local elections have enabled the gradual transfer of political and administrative power from the United Nations Interim Administration to the Kosovars. However, Kosovo’s ambiguous political status, combined with continued ethnic violence, hinders the development of effective forms of governance.

D. CONCLUSION

A shared recent history of authoritarian one-party rule and centralized economic planning has left a legacy of poor governance in most of the ECA countries. At the same time, different pre-socialist histories, differing degrees of experience with capitalist development and democratic traditions, and finally, differing local and social relationships, have resulted in growing divergence among the post-socialist countries. Yet even where state governments remain authoritarian, non-transparent, and corrupt, lower level administrations have begun to introduce innovative and more responsive procedures. The next chapter focuses on local level institutions, to examine the creation of local government, the reemergence of local communities, and the development of civil society.
CHAPTER 3: THE EMERGENCE OF LOCAL GOVERNMENTS, COMMUNITIES, AND CIVIL SOCIETY

A. BACKGROUND: FROM SOCIAL ENTERPRISE TO POST-SOCIALIST COMMUNITY

The gradual movement from central planning to market economies, and from single-party regimes to multiparty electoral systems, has been accompanied by a fundamental transformation in the institutional relationships between citizen, society, and state at the local level. The transformation derives in large part from the restructuring of state enterprises, and the state’s gradual withdrawal from the economy.

During the socialist period, enterprises, because of their significant role in service provision, formed a kind of “organizing principle” for communities. Involved in every aspect of daily life, many enterprises (particularly those involved in extractive or military industries, or in collective agriculture) functioned as virtual “micro-cities” that took care of most material and social needs of their employees. The enterprises provided housing, as well as nursery school, daycare, and sometimes specialized schools, for employees’ children. Many enterprises owned clinics, health resorts, vacation rental homes, children’s summer camps, dachas, collective farms, sports complexes, musical and theater performance centers, and movie theaters, all of which were free or heavily subsidized for employees’ families. Many had stores that provided otherwise difficult to obtain consumer items. They also provided special payments to employees on the occasion of births, weddings, funerals, illness, or special need. Even in urban areas where municipalities provided services, the enterprises were important for the consolidation of formal as well as informal social ties.

In short, these enterprises simultaneously combined many of the functions filled elsewhere by local government, the private sector, and the community. Local government existed in the form of councils (soviets). Centralized policymaking and budgeting meant these local councils, however, were little more than administrative arms of the state, subordinated to higher-level councils and Party committees. Indeed, local self-government, defined as an elected, representative, and autonomous entity responsible for services, did not really exist in the socialist countries (Bennett 1997). Enterprise restructuring, privatization, and divestiture of these services to new elected local governments have therefore introduced new forms of relationships among local residents.

In principle, decentralization and divestiture of state responsibilities to local levels should give communities more voice, through processes of electing government representatives and then holding them accountable. Yet although new local governments are now owners of land, property, and businesses, they are burdened with obsolete and deteriorated infrastructure, and debts. Thus, even with local taxes, fees, and charges, most local governments still have little control over resources, and have not yet developed the skills and capacities for providing the services that are now their responsibility.

The lack of capacity and resources of local governments to take on their new responsibilities has forced communities to assume some government functions. Even in weak states such as Albania, or authoritarian and war-torn countries such as Tajikistan,
communities, whether defined in terms of shared interest or residence, have demonstrated that they can provide some services previously provided by the state.

The gradually expanding room for and capacity of communities and groups to take initiative and collaborate is an important aspect of the development of civil society in the post-socialist states. An Enlightenment concept, the contemporary definition of civil society is credited to Marxist theorist Antonio Gramsci, who stressed the importance of civic associations and institutions for constraining the modern state. As a sphere of activity and discourse that mediates between individuals and families, civil society is far more than NGOs and advocacy groups. Rather, it includes a broad gamut of formal and informal organizations and associations that exist outside the state – unions, professional and business associations, ethnic associations, religious organizations, student groups, cultural organizations, sports clubs, and community groups.

The post-socialist development of civil society has been uneven, and reflects the experience of people in ECA. People in ECA have needed to rely on informal ways of coping with shortages and other daily problems, which has taught them to survive as individuals; consequently they view collective action with suspicion. As Smolar suggests, “Far from creating ‘a new socialist man’ free of egoism and greed, communism actually bred atomized, amoral cynics good at doubletalk and ‘working the system’…” (Smolar 1996). This atomization, reluctance to act collectively, and state intolerance for autonomous organizations, left people with extremely limited opportunities to create legitimate alternatives outside primary circles of family and friends. Lack of experience with independent organizations was compounded by serious economic hardships. In most ECA countries, citizens have begun to take the first steps to create such autonomous organizations, but the degree of civil society development varies significantly within the region.

B. REGIONAL VARIATION IN LOCAL GOVERNMENTS AND COMMUNITIES

The rebirth of local government and regeneration of civil society in CEE

Differences notably distinguish the Central and Eastern European countries moving toward EU accession and Western European models from the countries of the CIS or parts of SEE. In practice, even in the most “advanced” candidate countries, the path of local government has not been smooth. For one thing, the problem of limited capacity continues to be compounded by continued dependence on regional (often centrally appointed) or central government for resources. In addition, central authorities are still inclined to maintain as much control as possible over resources, while burdening local governments with as many tasks and expenditures as possible. Second, many political elites in central government, sectoral ministries, and even political parties and trade unions, oppose decentralization because it reduces their own control (Regulsky 1977).

After the transition, local government reform was seen as a priority for democratization. EU requirements on institutional reform and the Council of Europe's Charter on Local Government provided incentives and a framework for change. Throughout the region, statutes of local self-government were established and local elections for council members held. In some countries (Czech Republic, Slovakia, Estonia, Latvia, Hungary), excessive fragmentation has catalyzed the development of
voluntary associations among municipalities. Since effectiveness is thought to decline and costs rise when a municipality population dips below 5,000 (Bennett 1997), countries have to devise ways to balance local accountability with economies of scale. Tension also exists between local and regional governments over resources. However, local level civic engagement in CEE, support of local entrepreneurs who welcome diminishing state control, and the increasing number of activists and committed local level political actors all provide a basis for optimism concerning the development of local democracy in this sub-region, despite the lack of local level capacity. (Regulsky 1977).

At the same time, the retreat of the state, the limited capacity of local governments to deal effectively with emergent social problems, and the legalization of non-state activity has opened up spaces for civil society activities, programs, and organizations to flourish. Many citizens have come to view formal and informal non-governmental organizations and groups as mechanisms to reduce the current uncertainties of life, and alternatives to oppressive, inefficient, and narrowly defined public service providers. Some civil society organizations emerged out of deep concern among members over particular issues, while others formed in response to donor encouragement to fulfill their needs for “grassroots” partners. NGOs have expanded in number throughout the entire ECA region, particularly in the countries of CEE, where NGOs had multiplied from the hundreds to the thousands by the late 1990s.

Civil society organizations are often able to mobilize people around issues due to their legitimacy and credibility. Yet many are limited by resources, lack of organization and skills, unwillingness to work with local governments, and finally, the fact that activists still represent a small percentage of the population. While working with donors has increased the capacity of NGOs in many respects, some have become overextended by donor attempts to broaden their constituencies and beneficiaries to the scale required by major projects. Generous funding and specific requirements have also created dependency and oriented NGOs to outside rather than domestic constituencies, thereby undermining sustainability and local accountability. In some cases, generous donor funding (particularly in post-conflict countries), as well as delegation of service delivery in the absence of careful performance monitoring by governments, has led to corruption among NGOs. In addition, tax incentives, exemptions from customs duties, or lack of

Box 3.1 Reaching out to the public: Municipal initiatives in Romania

Romanians have long viewed their local governments as unresponsive and difficult to deal with. In 1995, the elected leadership of Ialomita County (pop. 380,000) decided to establish a citizens’ information center to provide information about country services and to encourage citizen participation in community services. It includes printed brochures about areas of responsibility and functions of local councils and governments, as well as material from local NGOs. The center also boasts the first handicapped accessible facility in a Romanian local government office. The center receives an average of about 25 requests a day for information, and has proved so successful that the mayor of Bucharest has begun to develop a center on similar lines.

Source: Kosztolanyi 2000.
regulation, have produced foundations or NGOs that turned out to be tax shelters for businesses.

**Unstable post-conflict local institutions in SEE**

The shift in power and authority from central to local authorities has proceeded very unevenly in SEE, particularly in countries affected by instability or overt conflict. Although Macedonia has signed the European Charter on Local Government, in terms of fiscal decentralization, with access to only one percent of national revenues, it remains highly centralized; new legislation for increasing decentralization, however, is now under discussion. In Albania, local government reforms have created representative neighborhood councils, in which members are either elected in public meetings or chosen informally. The central government has remained reluctant to adequately devolve resources to local governments, and many people have viewed membership on the councils as serving self-interest. The new government strategy for decentralization, however, recognizes the current misalignment of responsibilities and authority, as well as overlapping national and local government functions. The strategy calls for transferring greater authority to local governments for the administrative, service, investment, and regulatory aspects of a range of local economic and social services and development activities. Moreover, depending on local history and experience, some village councils and village chiefs (*kryeplaks*) have proved responsive to constituents and have demonstrated their ability to effectively represent village interests in the negotiation of resources from the intermediate communes (Saltmarshe 2000). Albanian communities such as water users associations also exemplify how intensive donor involvement, combined with strong self-interest, have enabled farmers to come together to solve their own problems, despite lack of support from a weak state and citizen distrust of the public sector (see box below).

**Box 3.2 Water users associations in Albania**

A Bank-led irrigation project in Albania originally set a modest target of developing small, village-based water users associations (WUAs) to manage tertiary canals. Within a year, the farmers overcame their initial resistance to working across villages and consolidated for greater efficiency into hydraulic-based WUAs. Irrigation management has now shifted from the state water enterprises to the recently formed Federation of WUAs. The WUAs have not only contributed to higher incomes, they have fostered greater community-based cooperation. As in any new community organization, however, there are potentials for capture or exclusion. WUAs large farmers often dominate the WUAs, thereby excluding poorer farmers. Conflicts have arisen regarding equity, since upstream villages are able to receive more water than downstream villages. The project has begun to address these issues, but important challenges remain, including creating responsiveness to common needs, partnership and trust, and sense of ownership.

In Bosnia and Herzegovina, local governments were replaced during the war with self-proclaimed "crisis staffs" and numerous informal centers of power. Elected municipal bodies were reestablished in 1997, but many are still controlled by nationalist parties, while council members representing ethnic minorities have little influence. As a
result, most people voice considerable distrust for their local governments, due to a perceived lack of capacity, transparency, and accountability (World Bank 1999a).

**CIS: A mixed picture**

In the “core” CIS countries of Russia, Ukraine, and Moldova, as well as in the South Caucasus, countries have passed extensive legislation creating new roles and responsibilities for local and regional governments. This shift has entailed profound change in single-company towns and agricultural areas, where a single enterprise dominated the entire economy of the town or village, providing virtually all services, including provision of housing, housing maintenance, heating and utilities, road repair, transportation, childcare, cultural and sports clubs, library facilities, and social assistance. In some cases, enterprise directors have resisted divestiture, or have divested only the least valuable assets.

In Russia, local governments have become more powerful, but increasing centralization to appointed prefects and central organs will constrain their freedom of action (Campbell 2000). Likewise, although Moldova, Armenia, and Georgia have legislation that devolves responsibility for service provision to elected councils and mayors, in practice, local governments remain hampered by lack of resources, as well as lack of capacity, inadequate information about legislation, and citizen alienation. In Armenia, despite progressive decentralization of many responsibilities, local elected leaders can and are dismissed by central government. Most citizens know little about the responsibilities of local authorities or the potential to use referenda and public hearings, although the latter are detailed in the Constitution (Tumanyan 2001).

In the CIS, the development of communities and increase in civic engagement has been subject to much greater pressure than in CEE, particularly in the more authoritarian countries such as Belarus, Uzbekistan, and Turkmenistan. Many factors have impeded this growth such as the legal and legislative framework, complex registration laws conditioned by state distrust of citizen organizations, as well as a pervasive poverty that allows little time for voluntarism. In contrast to most of CEE, many trade unions and business organizations remain under state control, particularly in the most authoritarian countries, and cannot really be considered part of civil society. The more authoritarian governments present even greater challenges to civil society. They allow just enough

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**Box 3.3 Municipal initiatives in Russia**

Obninsk, a city of 110,000 people, located a few hours drive from Moscow, has declared itself an experimental city. With help from Eurasia Foundation grants, Obninsk has sought to improve links between authorities and citizens to increase participation and fight corruption. The city administration now displays the draft budget, along with the previous year’s budget (including taxes, revenues, and expenses) on its internet web site (www.obninsk.ru) to encourage comments from the community. Also, public goods are being procured over the internet on a pilot basis. Community members can use the computer terminals at city hall to inspect such information. A former Obninsk mayor, a champion of governance reform, has been joined by other civic leaders to reform province administration and to provide assistance in governance reform elsewhere in Russia.

In the CIS, the development of communities and increase in civic engagement has been subject to much greater pressure than in CEE, particularly in the more authoritarian countries such as Belarus, Uzbekistan, and Turkmenistan. Many factors have impeded this growth such as the legal and legislative framework, complex registration laws conditioned by state distrust of citizen organizations, as well as a pervasive poverty that allows little time for voluntarism. In contrast to most of CEE, many trade unions and business organizations remain under state control, particularly in the most authoritarian countries, and cannot really be considered part of civil society. The more authoritarian governments present even greater challenges to civil society. They allow just enough
freedom to maintain international legitimacy but not enough to allow their citizens to challenge the hegemony of the leadership.

In Central Asia, Kazakhstan and the Kyrgyz Republic have recognized the need to strengthen local governments, while Turkmenistan and Uzbekistan are “non-decentralizers,” countries in which systems of intergovernmental finance “continue to largely reflect old modes of doing business… where capacity is minimal and civil society and strengthening of social capital is in its infancy” (Wetzel 2001). In the latter countries, a system of dual authority exists, with an administrative branch of central government coexisting with local councils. Thus far, the law tends to favor appointed administrators; overlapping responsibilities continue to exist between national, oblast (Russian, for region or province), district and city levels; and official channels of communication between local and national officials have not yet developed. Lack of authority has been compounded by lack of funds to carry out their mandates, as well as by public distrust. Many donors, including USAID, EU/Tacis, the World Bank, and the European Bank for Reconstruction and Development are actively supporting local government reform, and in some cases such as USAID have facilitated introduction of public hearings on budgets and tariff increases.

In some situations (“some cases” used in previous sentence), donor efforts to promote indigenous communities have had mixed results. In Uzbekistan, indigenous institutions such as the mahalla (literally, “neighborhood”) have become the basic organ of local self-governance, with an elected chairman, although the election usually follows the recommendation of the hokimiyat (mayoralty) and the mayor’s secretary. Among its other responsibilities, the committee allocates and distributes subsidies and social assistance to poor families, and decides, along with village council and collective farm leaders on the allocation of household plots. The committee offers legal advice, settles family disputes, and occasionally provides material aid, in addition to governmental assistance. Although donor organizations have used the mahalla committees in the belief they are close to communities, the amount of government and donor money channeled through them appear to have increased potential for rent-seeking. Allegations of corruption on the part of the mahalla leadership demonstrate the dangers of promoting apparently indigenous but no less exclusionary forms of “community” (World Bank 1999c).

Yet positive examples exist, even in fragile polities such as Tajikistan, where people have managed, either through long-standing institutions such as the mosque, or through shared practical needs (supported by assistance from an international donor) to act effectively on their own behalf despite the absence of a stable or supportive state framework. For example, in Tajikistan, government tolerance of greater religious freedom during the brief period between independence and civil war allowed Islamic institutions to grow. During the war, mosques suffered less damage than other buildings, in part because of their more durable brick construction and because they were spared as symbols sacred to both warring parties. As a result, the mosques were able to serve as shelters in war-affected areas. In addition, Islamic religious and charitable organizations from abroad were able to channel assistance through local Islamic institutions, which thus were able to provide an institutional framework for providing assistance (Schoeberlein-Engel 1997). In some cases, donors have apparently succeeded in helping to empower
local communities to cooperate in their own interests, even against the vested interests of local officials (see box below).

**Box 3.4 The Leninsky District Farmers Association of Tajikistan**

Following land privatization, the Leninsky District Farmers Association (LDFA) of Tajikistan was formed with the assistance of CARE. The local *hakim* (mayor) supported its creation because he saw it as a useful vehicle for enforcing taxation. The *hakim* and other landholders who had acquired very large land holdings during privatization dominated the LDFA board. Poorer farmers received land on lease from them, and $100 worth of seed and inputs on disadvantageous terms. While large landholders, who belonged to the hakim’s inner group, were excused from repayment, small farmers repaid a far greater percentage of their debt than the elite. Nevertheless, due to the provision of quality seeds and fertilizer, yields of most crops dramatically increased. During the second year of operation, the LDFA enlisted more poor and female-headed households, set a 15 hectare maximum landholding for members, and demanded 70 percent repayment in cash, without any exceptions. Thus it disqualified large farmers from receiving further credit due to their previous delinquency. During the third year, CARE helped the growing organization redraft by-laws to favor more membership participation, which in turn helped farmers elect the leaders they wished, even against the *hakim*’s efforts. Due to striking increases in productivity, farmers in adjacent districts have expressed interest in establishing a similar farmers’ association.

*Source: Based on an interview with Charles Gatia, Project Manager, CARE.*

**C. CONCLUSION**

One of the most profound transformations that has taken place in the ECA region since the collapse of the socialist regimes has been the shrinking of the state, the restructuring of enterprises, and the rebirth of local self-government. The process of devolution and decentralization of service provision has significantly altered the boundaries and relationships comprising local communities, and provided impetus for new kinds of civic engagement. The transformation is most advanced in Central Europe and the Baltics, in part due to EU incentives, while in the CIS, the majority of countries have begun to create the appropriate legislation. This inauguration of local self-government, reconstitution of local communities, and development of civil society confront significant challenges. For the advanced ECA countries, empowering local government remains a challenge, since pre-socialist governments were relatively centralized. At the same time, where local government remains weakest, its formal establishment offers an important opportunity to directly engage people as citizens in their own development. The following chapters, however, draw attention to serious forms of exclusion now seen in the ECA region.
CHAPTER 4: EMERGING FORMS OF EXCLUSION AND VULNERABILITY

A. SOCIAL EXCLUSION AND INCLUSION IN ECA

In the last decades, the twin concepts of social exclusion and inclusion have come to dominate the development paradigm. The term “social exclusion” was first used in 1974 in France to describe the process of social disintegration and the rupturing of ties between individuals and society. The European Commission subsequently applied the term to long-term unemployment and the consequent marginalization of people outside the labor market. The concept of social exclusion broadens the poverty paradigm by relating it to social isolation (lack of meaningful ties to the family, local or national community, associations, organizations and so forth), and the lack of legal rights and/or inability to defend them. Most importantly, it focuses attention on the dynamics of poverty and the way different aspects of exclusion amplify and reinforce each other. While different national discourses vary as to which aspect of exclusion – economic, social, and/or political – they emphasize, there is general consensus that the inability of individuals or social groups to participate fully in the economy, in social life, and in political processes reduces social solidarity, augments social tensions, and holds back social development (International Institute for Labour Studies, 1996).

Currently, the restructuring of formal and informal institutions in ECA countries, along with widespread impoverishment, are factors contributing to the marginalization and potential social exclusion of many individuals and social groups. An examination of “winners” and “losers” of the transition process reveals a complex picture in which individual characteristics, age, education, gender, family size, social group, place of residence, and other factors all play roles. Certainly, many forms of current discrimination and social exclusion derive from pre-socialist and socialist era practices. For example, children and adults with serious mental or physical disabilities often spent their lives in large residential institutions, others lost many rights as the result of imprisonment, and ethnic minorities experienced discrimination in numerous domains. However, the serious economic hardships of recent years have further marginalized these groups and set in motion exclusionary processes affecting much larger segments of the population. The following sections look at emerging or deepening forms of exclusion, as well as innovative efforts to address them.

B. CHANGING GENDER ROLES AND IDENTITIES

Systemic changes in ECA have not been gender or age neutral. The economic and social upheaval of the transition has had different, but arguably equally traumatic impacts on both men and women. For men, the psychological impact of prolonged unemployment has been particularly devastating. Given expectations of men as primary breadwinners and decision-makers, their inability to earn adequate incomes has contributed to their feelings of emasculation. These changes have affected the structure of authority and relative bargaining power of men and women within the household, and introduced uncertainties in gender relations that are reflected in declining marriage rates, and
increasing numbers of female-headed households and children living in single-parent families.

There is little doubt that prolonged unemployment and a related sense of helplessness has contributed to increased levels of alcoholism, depression, and suicide (Institute of Philosophy and Sociology 1998). The impact of social change on male mortality has been particularly dramatic—men die around ten years earlier than women in most ECA countries (see Table 4.1) from illnesses related to stress and/or lifestyle. Cardiovascular disease, alcohol-related illness, and a high suicide rate have each contributed to this strikingly gender-differentiated health picture. In addition, alcoholism is implicated in industrial and road accidents, congenital disabilities and fetal alcohol syndrome, premature deaths of working age people, dysfunctional family relations, spousal abuse, and neglect of children.

Table 4.1  Life expectancy at birth

<table>
<thead>
<tr>
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</tr>
</thead>
<tbody>
<tr>
<td>Albania</td>
<td>59.9</td>
<td>75.5</td>
<td>69.3</td>
<td>75.4</td>
<td>68.5</td>
<td>74.3</td>
</tr>
<tr>
<td>Czech Republic</td>
<td>68.1</td>
<td>75.4</td>
<td>68.2</td>
<td>75.7</td>
<td>69.3</td>
<td>76.6</td>
</tr>
<tr>
<td>Kyrgyz Republic</td>
<td>64.3</td>
<td>70.2</td>
<td>64.6</td>
<td>72.7</td>
<td>62.9</td>
<td>71.7</td>
</tr>
<tr>
<td>Latvia</td>
<td>65.3</td>
<td>75.2</td>
<td>63.9</td>
<td>74.8</td>
<td>61.6</td>
<td>73.8</td>
</tr>
<tr>
<td>Romania</td>
<td>66.5</td>
<td>72.4</td>
<td>66.6</td>
<td>73.1</td>
<td>66.1</td>
<td>73.2</td>
</tr>
<tr>
<td>Russia</td>
<td>64.2</td>
<td>74.5</td>
<td>63.5</td>
<td>74.3</td>
<td>58.9</td>
<td>73.0</td>
</tr>
</tbody>
</table>

Source: UNICEF 1999b.

For women, the transition has opened up new opportunities, but also exposed women to new risks, pushing some vulnerable women into destitution. The relative feminization of poverty, gender-based job discrimination, loss of state support for childcare, deteriorating maternal health care, poor political representation, gender-based violence, and the dramatic increase in trafficking of women have all emerged as serious issues that impact gender relations and warrant immediate attention.

Under socialism, women had achieved educational levels comparable to men. Aided by generous maternity benefits and subsidized childcare, they entered the labor force in great numbers. Despite the infamous “double burden” of paid and domestic labor, the uneven quality of support services, and the fact that some women resented the pressure to work outside the home, many women felt empowered by their socially recognized role outside the home, a network of colleagues and friends, and independent incomes. Women who no longer contribute cash to their household have experienced an erosion of their authority in the family, as well as a diminished social status and “voice” in society. In addition, failures in reliable provision of basic municipal services such as running water, electricity, and gas in a number of CIS countries have made household tasks ever more time-consuming.
Although unemployment rates do not exhibit strong systematic gender bias across ECA, case studies from Bulgaria, the Czech Republic, Hungary, Poland, Russia, Slovakia, and Ukraine have found significant levels of labor market discrimination against women based on their age, appearance, and/or maternal status. In addition to explicit references to youth and appearance, newspaper advertisements often specify that female applicants should “be without complexes,” a euphemism for willingness to provide sexual favors in exchange for employment. According to a recent report by the International Helsinki Federation for Human Rights (2000), women are paid less than men working in the same sectors of economic activity in the region, and employers give priority to men in promotions and increases in remuneration, because they are seen as the main “breadwinners.”

Significant variation does exist, however, within the ECA region. For example, Hungary, Poland, the Czech Republic, and Lithuania stand out as countries in which there is a legal definition of the term “discrimination.” The legislation of these countries also makes some mention regarding equal treatment for men and women in access to employment, vocational training and promotion, and working conditions. In Hungary, legislation has changed to provide remedies for victims, although the judiciary remains reluctant to apply these measures. In Slovenia, Poland, and Lithuania, newly established Offices of Ombudspersons have begun to deal with cases of gender-based discrimination as well as general human rights cases. In other countries, however, employers are not held accountable for discrimination. In CIS countries, for example, accountability is reduced to criminal liability; in practice it is impossible to sue an organization for discrimination. But due to what activists describe as the “low level of legal culture within the population,” victims rarely pursue legal strategies for ending discrimination (International Helsinki Federation for Human Rights, 2000).

1 Female unemployment rates in 1997 (based on standard ILO International Labour Organization criteria) were higher than male unemployment rates in some countries – the Czech Republic, Slovakia, Poland, Romania – but not in others – such as Hungary, Slovenia, Bulgaria, Latvia and Russia (UNICEF 1999b).
Rising divorce rates, as well as abandonment of families, have left more women with the entire responsibility for their families (see Table 4.2). Yet many other women have no choice but to live with an ex-husband following divorce, since many women are often unemployed and they are unprotected by the legal system and its agents, particularly since alimony is not enforceable de facto even by court order in most countries in the region. The general levels of poverty and housing shortages exacerbate this problem.

Table 4.2 General divorce rate
(Number of divorces per 100 marriages)

<table>
<thead>
<tr>
<th>COUNTRY</th>
<th>1989</th>
<th>1993</th>
<th>1997</th>
</tr>
</thead>
<tbody>
<tr>
<td>Czech Republic</td>
<td>38.6</td>
<td>45.8</td>
<td>56.2</td>
</tr>
<tr>
<td>Albania</td>
<td>9.5</td>
<td>8.7</td>
<td>-</td>
</tr>
<tr>
<td>Romania</td>
<td>20.2</td>
<td>19.3</td>
<td>23.6</td>
</tr>
<tr>
<td>Latvia</td>
<td>45.9</td>
<td>70.4</td>
<td>63.0</td>
</tr>
<tr>
<td>Russia</td>
<td>42.1</td>
<td>59.9</td>
<td>59.8</td>
</tr>
<tr>
<td>Kyrgyz Rep.</td>
<td>19.7</td>
<td>19.9</td>
<td>24.6</td>
</tr>
</tbody>
</table>

Source: UNICEF 1999b.

In countries such as Tajikistan, Kazakhstan, Uzbekistan, parts of the South Caucasus, and Russia, in a number of cases it has been observed that polygamy has become a de facto reality for some families. Though no country has legalized polygamy, in practice the number of double and multiple marriages has increased (International Helsinki Federation for Human Rights 2000). Its acceptance by society is obviously rooted in the past, but particularly where men are the main breadwinners, many poor women support the system of polygamy to find relief from difficult social and economic situations that include war and widowhood. In Central Asian countries, the crafting of new national identities sometimes takes the form of a struggle against “western” influences and a return to pre-Soviet gender ideals, including traditional forms of female submission and seclusion, as well as polygamy, early marriage, large families, and traditional domestic roles (Tabyshalieva 1999). In Uzbekistan, polygamy, prohibited by law but performed within the statutes of Islamic law, or shariat, has risen in the last ten years, particularly in rural areas and provincial cities (Expert Centre for Social Research 1998). In some Central Asian countries, there have been calls to legalize polygamy as a way to assist unmarried women and war widows, and to help curb prostitution and trafficking of women.

Throughout the region, considerable attention was paid educating both girls and boys. However, in the last ten years, evident differentiation between boys and girls attending secondary and tertiary education has emerged in some countries in response to new religious influences, poverty, conflict, or insecurity. In Tajikistan, for example, in the region of the mountainous Karategin, the influence of the “Islamists,” and demands to “retraditionalize” female dress, have affected girls’ opportunities to continue their studies. In 1999, for instance, only 23 girls from that entire region attended higher education institutions (International Helsinki Federation for Human Rights 2000). In Albania, a new phenomenon emerged after 1997, when parents refused to allow their
girls to continue schooling for fear of kidnapping. A lack of gender awareness in training and teaching methods operates as a considerable obstacle to attacking traditional notions, which are then perpetuated and manifested at different professional and family levels.

Overall, women in households that are struggling or deeply impoverished have less time than ever to participate in the associational or civic life that political freedoms have now made possible. They have lost ground in national legislative bodies, make up a smaller share of party members than men, and have less chance than male colleagues of being elected. Lack of female participation in these important state-building projects may foreshadow women’s further exclusion from participation in governance.

It is instructive to compare trends in East and West Europe. In the mid-1980s, only five West European states could claim that over 20 percent of their parliamentarians were women, compared to at least nine states in the CEE region. By 1999, however, the average proportion of women parliamentarians throughout all EU countries had risen above 20 percent. The opposite trend was at work in CEE. By 1997, the average proportion of women parliamentarians in the ten CEE countries to seek integration with the EU had declined to only 12 percent. Five of these ten countries had no female ministers. The good news is however, that women are relatively better represented in local councils, which may represent a building block for the future.

Women's loss of wages and employment may not only have shifted the relative gender balance of power and decision-making status within the household, it has equally severe implications for the welfare of children and other family members. There is a large body of research that demonstrates women's income significantly affects household consumption patterns, including the relative amount of money spent to meet the needs of children.

Some women, however, have been able to take advantage of greater freedom in civic life to form new NGOs and grassroots groups or participate in different civil society organizations. Women’s NGOs have made many achievements in helping victims of domestic or sexual violence, providing legal assistance to women who are discriminated against, providing shelter and a new chance at life to returned trafficked women, or undertaking efforts to educate women on family planning. There is also substantial variation in the strength and autonomy of the NGOs. For example, while numerous women’s NGOs have stimulated wide-ranging discussions on politics, health care, education, business interests, and domestic violence, activist women acknowledge that a lingering aversion to the socialist version of gender equality has marginalized many of their concerns.

C. THE ALIENATION OF POOR CHILDREN AND YOUTH

As a group, children have been disproportionately affected by the transition in ECA. They are disproportionately at risk of poverty; and many children have also had their lives disrupted by war. Poverty contributes to under-nutrition, potentially stunts physical and cognitive development, and reduces access to quality education; it also diminishes opportunities for positive socializing experiences and threatens the future integration of children into society. War, which has displaced and/or orphaned many children, creates psychological and emotional damage, often providing the basis for
future conflicts when war-traumatized children reach adulthood. There is little debate among sociologists, anthropologists, and psychologists that the experiences of children vastly affect their success as adults. Economists have found that childhood poverty is one of the four most powerful and consistent predictors of social exclusion in adulthood. Robert Coles, the well-known child psychiatrist, argued that a nation’s politics becomes a child’s everyday psychology, and sociologists maintain that national events experienced by an age cohort during adolescence directly shape members’ long-term responses to change (Kuehnast 2000). Hence, the vulnerability of children must be considered a particularly serious social development issue.

Table 4.3 Kindergarten enrollments
(net rate, percent of relevant population)

<table>
<thead>
<tr>
<th></th>
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<th></th>
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</thead>
<tbody>
<tr>
<td>Czech Republic</td>
<td>89.9</td>
<td>84.9</td>
<td>83.0</td>
</tr>
<tr>
<td>Albania</td>
<td>43.1</td>
<td>26.5</td>
<td>-</td>
</tr>
<tr>
<td>Romania</td>
<td>63.3</td>
<td>50.2</td>
<td>52.8</td>
</tr>
<tr>
<td>Latvia</td>
<td>52.8</td>
<td>32.6</td>
<td>52.1</td>
</tr>
<tr>
<td>Russia</td>
<td>69.3</td>
<td>57.4</td>
<td>56.0</td>
</tr>
<tr>
<td>Kyrgyz Republic</td>
<td>31.3</td>
<td>13.4</td>
<td>7.0</td>
</tr>
</tbody>
</table>

Source: UNICEF 1999b.

Children from the most impoverished families suffer from numerous risks. With reduced access to affordable childcare, some parents have been forced to leave small children at home by themselves during working hours (see Table 4.3). Poverty reports document occasions in which small children completing household chores have been involved in serious accidents, particularly when families unable to afford gas or electricity rigged up dangerous alternative heating and cooking fuels (Dudwick 1997a).

Unemployment, family breakup and dysfunction, alcoholism, parental mortality, and war have contributed to the dramatic emergence of “street children” in many cities in ECA (Cornia 1995; Schecter 1999). According to a UNICEF definition, a street child is “any girl or boy for whom the street in the widest sense of the world (including unoccupied dwellings, wasteland, etc.) has become his or her habitual abode and/or source of livelihood, and who is inadequately protected, supervised, or directed by responsible adults.” Although few countries publish reliable statistics, studies suggest that the number of children who fit this definition in ECA range from 1 to 3 percent of the population (Council of Europe 1994). In Russia, street children are estimated at between one (UNICEF 1997) and two million (Rimachevskaya 2000).

While some street children live with their families but work on the streets, others live in train stations or abandoned buildings, and survive by begging, theft, organized crime, or petty trade. A 1999 survey of street children, ages 9-17, in Novgorod, Russia, found that the majority lived with parents or relatives; 16 percent lived in orphanages. For almost half the children, at least one parent was unemployed or imprisoned, or had been deprived of parental rights. The Novgorod survey found that 52 percent of the youngsters stole to live, 30.5 percent earned their living by collecting bottles or doing casual labor for local businesses, 13 percent begged, and 7.4 were actually employed
(Rimachevskaya 2000). Such children are at serious risk of involvement in drugs (as users and dealers), criminal and gang activity, and sexual abuse. In a study in Romania, 27 percent of the street children interviewed said they had been raped (Asquith 1999). Presently, there are only rough estimates of the number of children involved in commercial sexual exploitation. In Lithuania, children as young as ten to 12 years of age are reportedly involved in prostitution (Flowers 1998). Child prostitution, including boys as well as girls, has increased in Almaty, Bishkek, Osh, and Dushanbe (Kuehnast 2000).

Residential institutions provide an alternative to families who cannot afford to keep their children. A deleterious legacy of socialist regimes was the over-reliance on such institutions for disabled children and adults, elderly people unable to live on their own, and children who had been abandoned, orphaned, or removed from their families. As of 1995, nearly 1.3 million people in ECA—820,000 of them children—lived in about 7,400 such institutions. Of the 60 percent of institutionalized children labeled “defective” (whether or not they are, in fact, disabled), a majority spent their lives in these grim residences (Tobis 1999).

Because of worsening economic and social conditions accompanying the transition, families are now turning to these institutions, placing children and or disabled family members in them to ensure a minimum standard of living for them. Many of the institutionalized children have been born to single mothers, others to poor families with multiple problems, including alcoholism. The number of institutionalized persons in different countries has considerably increased. According to UNICEF (1998), the number of children in institutions increased by 25 percent in Bulgaria during the transition. Between 1995 and 1997 in Armenia, the number rose from 8,453 to 10,131 (Bertmar 1999). In Estonia, Belarus, and Kazakhstan, the number of children in infant homes increased by about 75 percent between 1990 and 1997. Bulgaria had the highest percentage of children in infant homes – about 1.2 percent of the population ages 0 to 3 (World Bank 2000c). At the same time, given shrinking budgets and increasing operating costs, living conditions in these institutions have drastically deteriorated.

Table 4.4 Share of births to unmarried mothers
(percent of total live births)

<table>
<thead>
<tr>
<th>COUNTRY</th>
<th>1989</th>
<th>1993</th>
<th>1997</th>
</tr>
</thead>
<tbody>
<tr>
<td>Czech Republic</td>
<td>7.9</td>
<td>12.7</td>
<td>17.8</td>
</tr>
<tr>
<td>Albania</td>
<td>-</td>
<td>-</td>
<td>-</td>
</tr>
<tr>
<td>Romania</td>
<td>-</td>
<td>17.0</td>
<td>22.2</td>
</tr>
<tr>
<td>Latvia</td>
<td>15.9</td>
<td>23.0</td>
<td>34.8</td>
</tr>
<tr>
<td>Russia</td>
<td>13.5</td>
<td>18.2</td>
<td>25.3</td>
</tr>
<tr>
<td>Kyrgyz Republic</td>
<td>12.7</td>
<td>16.7</td>
<td>24.1</td>
</tr>
</tbody>
</table>

Source: UNICEF 1999b.
The prospects of children institutionalized due to physical or mental disabilities are particularly bleak since the label follows them on official documents, creating barriers to employment and housing. Children emerge from orphanages undereducated, physically underdeveloped, inadequately (repetitive)socialized, and unprepared for life outside of the institutions, all the more since they lack the family networks so indispensable for coping with ordinary problems.

The massive problems of these institutions, together with discrediting of residential care in the West, have stimulated innovative pilot projects in some ECA countries. A Bank-assisted Child Welfare project in Romania supports the transition from institutions to community-based alternatives for care, as well as the re-integration of street children into society. Throughout the ECA region, local NGOs, sometimes aided by international donors, are also looking for ways to help street children, often beginning quite modestly with feeding programs and provision of medical care (Dudwick 1997a). A Eurasia Foundation orphan-support organization called Assistance in Destiny is an example of one such innovative pilot project in Russia. According to Russian law, orphans are entitled to state housing when they are old enough to leave the orphanage. The housing, however, has often been uninhabitable and overcrowded. To improve and expand legislation protecting the housing and property of orphans, Assistance in Destiny managed to raise public awareness and won support of Moscow lawmakers within a year of its founding. The organization also helps graduates collect all required documents, represents the cases with city authorities, and helps launch them on a new and independent life.

**Box 4.2 Community-based alternatives to institutionalization in Lithuania**

At independence, Lithuania was typical for the FSU; it had almost no community-based social service programs to assist vulnerable groups. Municipalities faced none of the costs of state-provided institutional care and so had no disincentives to refer individuals. At the same time, impoverished families turned to institutions. Between 1992 and 1994, the number of children placed in institutions rose 34 percent. In 1994, the Lithuanian government, municipalities, NGOs, and other stakeholders agreed to pilot a community-based model of social service with the support of the World Bank and Swedish and Dutch governments. The pilot Lithuania Social Policy and Community Social Services Development Project emphasized local-level capacity building, with extensive training for service providers. Implementation of 14 pilot programs, including day schools for handicapped children and multi-service community centers serving battered women, socially vulnerable children, former prisoners, and alcoholics began in 1996. VILTIS, an NGO representing the interests of the disabled, has played a key role, even organizing a demonstration in support of the project when the Ministry of Finance was deciding whether to borrow for it. Twelve of the 14 pilots now serve more than 1,000 clients a month. The projects have successfully deinstitutionalized severely disabled children, sharply reduced demand for elderly residential care, and provided safe care for battered women and their children.

Many youth are also marginalized by the sharp curtailment of school and extracurricular activities. School clubs now charge fees, and the state no longer supports sports and other cultural events. Rural families in particular, from CEE to Central Asia, complain that villages offer nothing to youth. Often the village bar serves as the only available entertainment for males, contributing to increased alcoholism among youth. Although the accuracy of suicide statistics must be treated with great caution, there
appears to have been a dramatic rise in youth suicide. Suicide among young males increased by 62 percent in the Czech Republic, 56 percent in Lithuania, and 77 percent in Russia (UNICEF 1999b; see Table 4.5). The overwhelming predominance of male suicide suggest that inability to enter the job market and take on expected adult male roles has been particularly destructive to boys’ developing sense of identity and self-worth.

Table 4.5 Age 5-19 male-female suicide rate
(per 100,000 relevant population)

<table>
<thead>
<tr>
<th></th>
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<th></th>
<th></th>
<th></th>
<th></th>
<th></th>
</tr>
</thead>
<tbody>
<tr>
<td>Czech Republic</td>
<td>3.6</td>
<td>0.8</td>
<td>5.1</td>
<td>1.3</td>
<td>5.8</td>
<td>1.0</td>
</tr>
<tr>
<td>Albania</td>
<td>0.6</td>
<td>0.4</td>
<td>2.4</td>
<td>0.6</td>
<td>-</td>
<td>-</td>
</tr>
<tr>
<td>Romania</td>
<td>2.6</td>
<td>1.8</td>
<td>3.2</td>
<td>1.0</td>
<td>3.3</td>
<td>1.0</td>
</tr>
<tr>
<td>Latvia</td>
<td>6.8</td>
<td>4.1</td>
<td>11.5</td>
<td>1.9</td>
<td>7.0</td>
<td>3.0</td>
</tr>
<tr>
<td>Russia</td>
<td>5.0</td>
<td>2.3</td>
<td>11.8</td>
<td>3.0</td>
<td>13.4</td>
<td>3.3</td>
</tr>
<tr>
<td>Kyrgyz Republic</td>
<td>-</td>
<td>3.0</td>
<td>5.8</td>
<td>1.7</td>
<td>4.9</td>
<td>1.6</td>
</tr>
</tbody>
</table>

Source: UNICEF 1999b.

In conflict countries, another alternative to hopelessness and the sense of personal worthlessness remains involvement in militias, which in turn fuel ethnic conflict. Former soldiers in conflict countries are often young, poorly educated, and enjoy the macho identity conferred by a uniform and a machine gun (World Bank & UNOPS 1997). Reports of the Organization for Security and Cooperation in Europe (OSCE) noted that in Kosovo (Federal Republic of Yugoslavia), numerous cases of ethnic violence have been committed by young males under the age of 18, a reminder of the negative potential of a younger generation without social constraints and limitations (Smith 1999).

Crime and gang activity have proved attractive for youth with few skills and or apparent prospects. While data on crime and juvenile crime in particular during the socialist period was limited, and must be handled with caution, observers concur that there has been a sharp increase in the overall crime rate as well as an increase in juvenile delinquency. Between 1989 and 1995, the share of crimes committed by juveniles rose by 7.1 percent in Ukraine, 7.4 percent in Russia, 23.1 percent in Lithuania, 39.1 percent in Azerbaijan, and 50.7 percent in Latvia (UNICEF 1997). At the same time, the average age of the offender declined, and the level of violence increased (Golinowska et al 1996). In Central Asia, recruitment into burgeoning drug production and trafficking has been particularly heavy among young males in impoverished and isolated mountainous regions with few alternative opportunities for survival (World Bank 1999c).
D. IMPOVERISHMENT AND MARGINALIZATION OF THE ELDERLY, DISABLED, AND HOMELESS

According to 1993 U.S. Bureau of the Census projections, in all ECA countries, the relative share of older people has been rising, and this trend is projected to continue over the next 30 years (Kudat and Youssef 1999). The highest share of older persons in the overall population appears in Ukraine, Belarus, Bulgaria, Russia, and Latvia, where between 20 percent and 22 percent are over 60, followed by the countries of CEE. Except for Kazakhstan, with its large Slavic population, Central Asian countries report the lowest share of older persons, with the Caucasus countries and Moldova falling in the lower end of the middle range. The regional variations in age structure are accounted for by differences in fertility and mortality trends.

These types of age structure raise different sets of challenges. The Russian Federation, Ukraine, and the Baltic states, with their high proportion of older people face greater needs for health care, particularly specialized geriatric care, as well as home help and residential care for the elderly. By contrast, in Central Asia and other ECA countries such as Albania, where fertility levels are high, there is a relatively greater need for maternal and child health services, schooling and training, as well as a labor market that can absorb large numbers of youth. High rates of unemployment as well as a burgeoning informal sector have significantly reduced the contribution base for pensions in ECA countries. Although many CEE countries have done a reasonable job of protecting their elderly during the transition pensioners in the FSU, Bulgaria, Croatia and Slovenia remain quite vulnerable (World Bank 2000c). The erosion in the real value of pensions and hyperinflation, which wiped out years of savings, substantially increased the risk of poverty for pensioner households, as well as households with retired heads. Qualitative poverty studies have found that local officials in some countries sometimes divert pensions toward payment of land taxes or other obligations, without permission of the pensioner (Dudwick 1996).

Those over 70 years of age (the majority of whom are women) living alone, are often among the very poorest. While the elderly are largely concentrated in urban areas, their proportion in rural areas is increasing as younger people move to urban areas to find

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Box 4.3 Alienation amongst youth in Armenia

According to the Armenian Ministry of Interior, there are around 20,000 narcotics users in the country, and a majority of surveyed students say they would experiment with drugs given the opportunity. An official from the government’s Youth Department ascribed the pull of narcotics to “the high level of unemployment, the declining quality of education, and the lack of any national ideology and identity among certain sections of youth.” At school, truancy has increased among students who lack the motivation to study, knowing that students from well-off or well-connected families will undoubtedly pass their examinations. Young men fear military service because of serious abuses, documented by human rights organizations, prevalent in the Armenian military. Those from well-off families are able to buy exemptions for $2,000.

Source: Adapted from Krikorian 2000.
work. Some impoverished pensioners live in unrelieved social isolation, ashamed to visit or ask help of others. In extended families with unemployed adult members, pensions sometimes constitute the only cash income, a fact that has made some pensioners the economic mainstay for several generations. Indeed, pensioners living with children and grandchildren are even less likely to spend money on their own health care (Dudwick 1996, 1997a). In Latvia, the pension of an elderly parent often provided a major portion of a household’s cash income, particularly when the adult child was an unemployed alcoholic. Having looked forward to a secure old age, poor pensioners find themselves “standing at a broken trough” (Institute of Philosophy and Sociology 1998). In some countries, however, pensioners have begun to mobilize politically. In Estonia, for example, they have their own party, the “Estonian Pensioners and Families’ Party,” which is represented in parliament by six seats.

During the socialist period, the life experience of the disabled varied. Families were encouraged to surrender seriously disabled children to state institutions, where they spent their lives; less disabled family members were cared for at home. Many of those suffering from blindness, deafness, or less serious disabilities earned salaries in sheltered enterprises, or through home work. Before 1991, for example, disabled people comprised half the personnel, or 30,000 workers at the 43 enterprises controlled by the Moscow city authorities, while other disabled did home work for some 120 enterprises. When the state withdrew their subsidies, the enterprises were forced to lay off workers (Samodorov 1992). Likewise, government-funded clubs and social activities that once linked the disabled throughout the Soviet Union have also collapsed.

Treatment of mental and psychological disorders has changed substantially from the period when the Soviet Union (as well as some other Eastern European countries) used psychiatry and incarceration in psychiatric institutions to control political dissidence. The abuse of psychiatry led to international condemnation and the subsequent isolation of this sector from new developments. The mental health sector is gradually moving toward a less hospital and custodial-centered treatment approach that involves more community-based approaches to psychiatry and greater awareness of patient rights. Reform groups of practitioners, patients, and families have sprung up throughout the region, and a multidisciplinary group called Reformers in Psychiatry, with members in most ECA countries and links to dozens of mental health NGOs, has developed into a research and policy body devoted to reform in the CIS and CEE countries (van Voren and Whiteford, 1999).

Nevertheless, those with physical or psychological disabilities remain least likely to find new employment; those who once worked consequently feel that they have lost an important component of social identity. Their economic exclusion reinforces the stigma accompanying disability in most ECA countries. Notably, despite their numbers, many disabled earthquake survivors in Armenia reported feeling ghettoized and isolated despite extensive material aid. They explicitly described themselves as “poor” because they were unable to earn money or see prospects for employment or integration into the larger society (Dudwick 1996).

Difficulties of access to public facilities continue to exclude the wheelchair-bound from shops, public transportation, and other public facilities. Although many countries in the region provide constitutional rights to the disabled to support their ability to provide for themselves and pursue professional training (U.S. Dept. of State 1999b), they have
not implemented these rights in practice, and the disabled remain excluded from fully participating in the political, social, educational, and cultural life of their communities. Disabled people in Bulgaria, for example, complained that difficulties of entering polling places had effectively disenfranchised them.

Nevertheless, particularly in the EU accession countries, increasing attention to social inclusion is affecting legislation and policy. International donors have also introduced or encouraged new approaches to integrating formerly excluded groups, including disabled children and adults. For example, many EU candidate countries are making great efforts to improve access to buildings and public transportation. In the Czech Republic, 1994 regulations require adequate access for the disabled in all new buildings (U.S. Dept. of State 1999a). In Prague, 19 metro stations (nearly 50 percent of the total) and two bus lines are now wheelchair accessible. Businesses in which 60 percent or more of the employees are disabled qualify for special tax breaks. NGOs in the region are working to broaden public awareness and understanding of issues concerning the disabled, and the integration of the disabled into society is gradually becoming the subject of meaningful public debate.

While homeless people who begged, scavenged, or engaged in theft have long existed on the margins of society, their numbers appear to have increased in ECA countries. For the most part, they are blamed for their own condition, and viewed with a mixture of pity and disgust. Many are in poor health; a Moscow survey found that 50 percent had tuberculosis. Studies carried out in Russia suggest their numbers are increasing, with the majority having become homeless in the last few years. Sixty percent are said to have become homeless through imprisonment, through which they lost their registration and the right to occupy state-owned housing (World Bank 2000c).

E. Changing Ethnic Relations

During the socialist period, states severely oppressed the nationalist and territorial aspirations of their ethnic minorities. The breakup of the Soviet Union, Yugoslavia, and Czechoslovakia, all multiethnic states, dramatically affected long-established majority-minority relationships. Many peoples found themselves living outside the borders of their “titular” homeland. In all the new states except Bosnia and Herzegovina and Kazakhstan, the titular nationality now constitutes a majority of the population (Roeder 1999). Some of these new states have used new constitutions and language policies to make state and nation more consistent, often with greatly exaggerated or conflicting claims that have excluded other ethnic groups. For example, the Croatian constitution refers to Croatia as “the national state of the Croatian people”; the Macedonian constitution likewise defines Macedonia as “the national state of the Macedonian people, which guarantees the complete civic equality and the permanent cohabitation of the Macedonian people with the Albanians, the Turks, the Roma and other nationalities living there.” Although such constitutions recognize the rights of minorities, the fact that national symbols are those of the “titular” nation easily fosters resentment and fuels separatism (Tindemans et al 1996).
Table 4.6 Poverty rates by ethnic groups

<table>
<thead>
<tr>
<th>Bulgaria, Poverty by Ethnicity, 2001</th>
<th>% of households</th>
<th>Percentage of Poverty Rate</th>
<th>Share of the Poor</th>
</tr>
</thead>
<tbody>
<tr>
<td>Bulgarians</td>
<td>82.3</td>
<td>12.9</td>
<td>50.6</td>
</tr>
<tr>
<td>Bulgarian Turks</td>
<td>7.1</td>
<td>44.6</td>
<td>15.2</td>
</tr>
<tr>
<td>Roma</td>
<td>8.8</td>
<td>75.6</td>
<td>31.6</td>
</tr>
<tr>
<td>Other</td>
<td>1.8</td>
<td>30.5</td>
<td>2.6</td>
</tr>
<tr>
<td>Bulgaria</td>
<td>100</td>
<td>21.0</td>
<td>100</td>
</tr>
</tbody>
</table>

<table>
<thead>
<tr>
<th>Romania, Poverty by Ethnicity, 1998</th>
<th>% of population</th>
<th>Percentage of Poverty Rate</th>
<th>Share of the Poor</th>
</tr>
</thead>
<tbody>
<tr>
<td>Romanians</td>
<td>89.8</td>
<td>32.5</td>
<td>86.3</td>
</tr>
<tr>
<td>Hungarians</td>
<td>6.6</td>
<td>30.3</td>
<td>5.9</td>
</tr>
<tr>
<td>Roma</td>
<td>2.6</td>
<td>87</td>
<td>6.8</td>
</tr>
<tr>
<td>Other</td>
<td>1.0</td>
<td>36</td>
<td>1.1</td>
</tr>
<tr>
<td>Romania</td>
<td>100</td>
<td>33.8</td>
<td>100</td>
</tr>
</tbody>
</table>

**Sources:** Bulgaria Integrated Household Survey, conducted by Gallup; Romania Integrated Household Survey, conducted by the Romanian Statistics Institute.

**Note:** For Bulgaria, the poverty line is two-thirds mean per capita consumption. The “poverty rate” refers to the % of the population that is below the poverty line; “poverty depth” is the average shortfall from the poverty line and measures the intensity of poverty. For Romania, the poverty line is 60 percent adult equivalent consumption. For definitions refer to Table 1 notes.

The response of many people belonging to minorities has been to migrate to countries perceived to be ethnic homelands (See migration map attached). Russians, long accustomed to feeling at home anywhere in the Soviet Union, suddenly found themselves to be minorities, and sometimes unwelcome minorities, in new, sovereign states. Even the relatively peaceful Baltic states, Latvia and Estonia, have been under pressure from the international community, and particularly the EU, over excluding their large Russian-speaking populations by means of restrictive citizenship and language laws. While Russians have not been the explicit target of ethnic-related violence in their new countries, many have nevertheless chosen to move to Russia, in part for economic reasons. On the other hand, the Russian Federation – which has avoided claims to constituting a “nation” – remains ethnically very diverse, with some ethnic groups retaining a degree of political control in former “autonomous republics” such as Tatarstan or Buryatia. See Annex 1 for the ethnic makeup of ECA countries.

The creation of new states and ethnic unmixing (and cleansing) has been painful issues in Southeastern Europe. In many of the former Yugoslav states, ethnic relations remain strained as governments craft new minority policies. Some political scientists argue that ethnic diversity and ethnic power-sharing, particularly in countries with weak and unconsolidated democratic traditions, increase the risk of violent civic conflict. Perhaps not coincidentally, in four of the stable “success stories” of the post-socialist transformation – the Czech Republic, Hungary, Poland, and Slovenia – 92 percent or more of the population identify themselves as part of the ethnic majority (Roeder 1999).

Although the countries of Central Europe have indeed avoided violent conflict, ethnic relations between Roma and majority populations has reportedly deteriorated to a significant extent in the last decade. Unlike other minorities, who benefit from
psychological, and sometimes material and political assistance from their “homelands,”
the estimated seven to nine million Roma who live dispersed throughout Europe and the
former Soviet Union, with the largest concentrations in Macedonia, Bulgaria, Slovakia,
and Romania, lack this support (Liegeois 1994). Roma are now strikingly over-
represented among the long-term poor. Their deepening poverty and social exclusion
results from the already socially and economically marginal position they occupied under
socialism. As post-socialist enterprises downsized, Roma were the first to be laid off.
And, given their lack of skills and education, as well as severe discrimination against
them, they are most likely to remain unemployed (Wheeler 1999). Indeed, Roma
unemployment in CEE is now estimated to be between 50 to 90 percent in some
communities. Roma also lost out when collective farms throughout Central and
Southeastern Europe were restituted to original owners, because although they had
worked on agricultural collectives, they had never owned land (Tomova 2000).

Table 4.7  Distribution of Roma population 1991-94 (thousands)

<table>
<thead>
<tr>
<th>Country</th>
<th>Roma Population</th>
<th>Total Population</th>
<th>% of Roma</th>
</tr>
</thead>
<tbody>
<tr>
<td>Albania</td>
<td>95</td>
<td>3,421</td>
<td>2.0</td>
</tr>
<tr>
<td>Bosnia &amp; Herzegov.</td>
<td>45</td>
<td>4,383</td>
<td>1.0</td>
</tr>
<tr>
<td>Bulgaria</td>
<td>750</td>
<td>8,459</td>
<td>8.9</td>
</tr>
<tr>
<td>Croatia</td>
<td>35</td>
<td>4,788</td>
<td>0.7</td>
</tr>
<tr>
<td>Czech Republic</td>
<td>275</td>
<td>10,323</td>
<td>2.7</td>
</tr>
<tr>
<td>Hungary</td>
<td>575</td>
<td>10,280</td>
<td>5.6</td>
</tr>
<tr>
<td>FYR Macedonia</td>
<td>240</td>
<td>2,191</td>
<td>10.9</td>
</tr>
<tr>
<td>Poland</td>
<td>45</td>
<td>38,446</td>
<td>0.1</td>
</tr>
<tr>
<td>Romania</td>
<td>2,150</td>
<td>22,761</td>
<td>9.4</td>
</tr>
<tr>
<td>Slovak Republic</td>
<td>480</td>
<td>5,345</td>
<td>9.4</td>
</tr>
<tr>
<td>Slovenia</td>
<td>10</td>
<td>1,993</td>
<td>0.4</td>
</tr>
<tr>
<td>Yugoslavia</td>
<td>425</td>
<td>10,675</td>
<td>4.0</td>
</tr>
</tbody>
</table>

Notes: Roma population estimates are midpoints of ranges.

Many rural Roma have migrated to towns and cities where integration has been
impeded because they are not registered as permanent residents and therefore do not
qualify for unemployment compensation or social assistance. Roma also face exclusion
at the official and national level. The Czech Republic requires documents proving
permanent residence or the absence of a criminal record for five years; Roma activists
suggest these requirements were deliberately devised to exclude them. These complex
requirements have prevented many Roma, who are semi-literate and unable to satisfy
complicated administrative procedures, from meeting legal conditions for citizenship
(Miklusakova 1998). Throughout Central Europe, Roma have been subject to overt and
covert racist attacks, including conflicts with skinheads. In post-conflict Kosovo, they
have suffered from displacement and violence, largely because of their alleged
collaboration with the Serbs during the conflict.

In many countries of CEE, Roma cluster in ghettoized neighborhoods that are
located on the peripheries of rural or urban settlements, and frequently unconnected to
water supply, sewage systems, gas networks, electricity, or transport facilities. Roma
have much poorer health than surrounding populations; on average, they live 10-15 years
less than non-Roma. Relatively few Roma children move beyond elementary school
education, due to a combination of poverty, low cultural valuation on education, and often severe discrimination at school, where inability to fit into the mainstream has caused many to be labeled as mentally disabled.

Box 4.4 Czech Gypsies begin test-case for pupils classed as retarded

On April 18, 2000, the parents of 18 Gypsy children living in the northeastern city of Ostrava, in the Czech Republic, lodged an application with the European Court of Human Rights in Strasbourg accusing the Czech state of practicing racial discrimination and segregation in the education system. In what could prove to be a landmark case for Europe’s most deprived and fastest growing ethnic group, the parents of the nine to 15 year-olds claim that their offspring face a lifetime of under-achievement because they were placed in schools for those with learning difficulties. The parents are demanding compensatory education for their children, as well as financial recompense and an official apology from the government, acknowledging that Gypsies are systematically under-educated in the Czech Republic because of their ethnic origin. In the district of Ostrava, Gypsy children out number non-Gypsies in special schools by more than 27 to one. Although they represent less than 5 percent of all primary school age students in the city, they constitute 50 percent of the special school population. Human rights organizations have long argued that the education system is linguistically and culturally biased against Gypsies and that standard procedures give free rein to "conscious and unconscious racial prejudice." Gypsy children often start school with little or no knowledge of Czech or speaking a mix of languages. That, plus the fact that their culture stresses oral rather than written skills gets them off to a bad start. Tests which children take on starting school fail to take into account cultural and linguistic barriers. Not surprisingly, many children fail, and are subsequently evaluated as mentally handicapped.

Source: Adapted from Connolly 2000.

To date, Roma communities, even within countries, have remained very fragmented. Yet they have received a powerful boost from the European Union, which has put the issue on the agenda and increased its visibility. To what extent, however, national programs and strategies are intended primarily to appease the EU, and to what extent they reflect real political will to meaningfully address the issues remains to be seen. However, non-governmental organizations are playing an increasingly important role. At present, the 16-person European Roma Rights Center (http://www.errc.org), funded largely by George Soros, is the largest of the anti-discrimination groups working with Roma. It provides legal defense to victims of human rights violations. The predominant focus of international organizations’ attention to Roma issues has been on the human rights aspects of their predicament (discrimination and legal rights representation), but some NGOs are also concerned with development issues such as improved health and education and promotion of employment opportunities.

F. PATHOLOGICAL FORMS OF EXCLUSION: CRIME AND VIOLENCE

Violence, in the form of street crimes and organized crime, has risen throughout ECA. The increased level of violence and crime derives from severe impoverishment of some sectors of the community, the enormous difficulties faced by poor unskilled youth in entering the labor market, together with the weakening and corruption of governments and law enforcement agencies, particularly toward gang activity and organized crime.
Gangs have proliferated throughout the ECA region. Mafia cartels operating throughout the ECA region – some organized along ethnic lines – do billions of dollars of business trafficking arms, drugs, and persons (as illegal immigrants or prostitutes).

People are increasingly concerned about their personal safety and security, and often find themselves at the mercy of organized criminal forces that have arisen on the basis of collusion with corrupt government officials. The pervasiveness of crime not only threatens human security, it also undermines the efficient functioning of the economy and corrodes and corrupts public administration. The National Human Development Reports (UNHDRs) for the Russian Federation, the Kyrgyz Republic, and Tajikistan note the changing nature of crime, “with criminals graduating from committing theft, forgery and other petty crimes into murderers for hire, hostage-taking and other violent crimes,” and the “politicization of crime and criminalization of politics” (UNDP 1997). Since 1997, however, the government of Tajikistan has clamped down on organized criminal groups, with a significant improvement in the security situation.

Organized crime has become widespread, with “the network of criminals forming a state-within-a state and seizing certain sectors of the economy” (UNDP 1997). The public has little confidence in the police who exploit their position in many ways; some governments classify crime statistics as state secrets for fear they will be used against the government for political purposes. In North Albania, in the vacuum created by the ineffectual state system, customary law has come to provide the basis for regulating disputes, with gang leaders playing an important role in the mediation of justice and its enforcement, through blood feuds and extra-judicial killings. In many cases, criminal groups have gained as a result of through war or civil conflict, which increased their access to weapons, and consequently, the level of violence. In many of the conflict countries of ECA, the gains to be had through war have also given rise to warlords closely involved in criminal circles. The molesting and kidnapping of young women is part of this story of lawlessness (Lawson and Saltmarshe 2000).

Drugs are becoming a major part of local informal economies in different parts of ECA, particularly Central Asia and the Balkans. Geography and history make Kazakhstan, the Kyrgyz Republic, Tajikistan, Turkmenistan, and Uzbekistan attractive areas, because they are situated between some of the world’s largest opium producers (Pakistan, Iran, Burma, Laos, and Thailand) and the most lucrative markets in Western Europe (Olcott and Udalova 2000). The Central Asian states inherited many of the preconditions for successful cross-border trade activities, such as a common Soviet identity, common language, and kin or associational ties outside their own republic. The sale of drugs is more than just an economic livelihood; it provides entire groups with means to advance political causes and finance military campaigns. Drugs contribute to the criminalization of the area; between 1991 and 1993, detected opium cultivation and drug-related crime increased, respectively, by 300 and 65 percent (UNODC web page). The incidence of registered drug-related crimes in Kazakhstan in 1994 was 564; in just the first three months of 1999, it rose to 5,247 (UNODCCP 1999). Drugs also contribute to the increasing problem of corruption among police and other security forces. The profile of the drug trafficker has also changed, further exacerbating the work of unprepared law enforcement officials. Trafficking involves considerable numbers of youth, as well as women whom customs officials tend to treat less suspiciously, due to local gender practices (World Bank 1999b).
Refugee smuggling has also turned into big business, as illustrated by a recent conflict between Kosovar Albanian and Roma smuggling groups in the Czech border town of Varnsdorf. According to the Czech Minister of the Interior, in the first nine months of 1999, over 31,000 illegal immigrants, including many from Afghanistan, have been detained, crossing into Germany from Varnsdorf, now a major illegal transit point. The struggle between Roma and Kosovar gangs who have become wealthy from the trade in illegal transit migrants, including those from Kosovo (Federal Republic of Yugoslavia), made the news during a September 1999 shootout between suspected gang rivals (Jakl 1999).

Another manifestation of the relationship between impoverishment, lack of economic opportunities at home, and criminality, is the significant increase in the number of women and children (both boys and girls) involved in the sex industry in their own countries and in Western Europe, Israel, and the Persian Gulf. Many are trafficked, often recruited through advertisements from ostensible modeling, tourist, or housekeeping agencies run by organized crime, or through offers to work abroad as waitresses or bartenders. Traffickers often seize the women’s passports, forcing the women, without documents or means, to work their way out of servitude. According to the IOM, as many as 500,000 women are being trafficked to Western Europe alone. Ukraine, Russia, and Belarus have replaced Thailand and the Philippines as the center of global trafficking of women; Moldova is also an important sending country. In Belgium, the number of migrant sex workers from these countries reportedly doubled during transition, while a study in the Netherlands reported that three-quarters of the women working there came from CEE countries as compared to very few before 1989 (see Limanowska 2000; International Helsinki Federation for Human Rights and IHF Research Foundation 2000). In Latvia, authorities estimated that juveniles constituted 12 percent of those involved in prostitution. In a survey in Riga in 1995, 60 percent of the prostitutes felt that unemployment had caused them to enter the trade (Stukuls 1999).

While officials and law enforcement agencies acknowledge that a trafficking problem exists, the belief that women are aware of the risks involved is still pervasive. Law enforcement agencies in countries of destination often treat trafficked women as illegal migrants. Public debate in the region has not focused on economic solutions for this problem – rather, the debate has emerged over its legality and as rights to “sexual freedom.” In many countries, the sex industry has flourished also because of the legal, political, and discursive context. In Latvia, for example, the “morality police” (assigned responsibility for policing the sex industry) has few resources and operates in a legal context where prostitution is neither illegal, which would allow it to be controlled by force of law, nor legal, which would allow it to be regulated, taxed, or limited to particular zones (Stukuls 1999).

Women’s organizations have taken the lead in combating trafficking. In Ukraine, USAID and IOM have worked with women’s NGOs to investigate the scope of the problem and disseminate information to women throughout the country. La Strada, an NGO with branches in several FSU and CEE countries, focuses on information, lobbying, prevention, and direct assistance to victims.
G. CONCLUSION

While forms of exclusion existed in the socialist countries, the commitment to full employment, provision of basic social services, and maintenance of often harsh social order, minimized the more extreme forms of exclusion now visible in the ECA region. As governments, civil society actors, and donors learn more about and focus their efforts on reversing processes of exclusion, the greatest challenge will be preventing the emergence of severe and entrenched pockets of poverty and exclusion. This chapter has discussed the exclusion of particular segments of the population, on the basis of gender, age, ethnicity, and other social characteristics. Vulnerability based on membership in a particular social group is strongly affected by other factors, as well, such as where people live. The following chapter therefore looks at the emerging regional patterns of exclusion.
CHAPTER 5: REGIONAL PATTERNS OF EXCLUSION

A. THE IMPACT OF CHANGE AND DISLOCATION

Many ECA countries were notable for the high degree of centralization and striking differences that separated urban and rural areas. In the Soviet Union, Moscow, followed by Leningrad, received the lion's share of resources for the development of intellectual, academic, and cultural life; this pattern was replicated within the union republics. As part of the centrally planned economies, state enterprises, rather than the market, were the hub of service provision. Many of the large industrial and agricultural enterprises that dominated many ECA countries were complete communities, the center of social life, and important providers of goods, services, and social assistance. Their demise has profoundly altered community relationships, particularly in secondary cities, “company towns” that consisted of a single large enterprise and support services, and isolated rural areas where villages were coterminous with agricultural collectives. In some countries, armed conflict and displacement of populations have shattered communities. Elsewhere, massive labor migration – along with war-related displacement – is altering the composition and dynamics of sending and receiving communities. The partial or complete rupture of innumerable political, economic, social, and cultural ties that formerly bound people to their communities and states has changed the bases of social cohesion and contributed to disintegration at the level of individuals, households, communities, and states.

B. THE WIDENING GAP BETWEEN URBAN AND RURAL WELFARE

Since political factors often prevailed over economic considerations, governments in the ECA countries heavily subsidized rural areas. By contrast, the current decline of agricultural and off-farm production is a situation where neither state nor municipal governments can maintain rural infrastructure. From the Balkans to Central Asia, young, skilled and entrepreneurial people are migrating to urban areas for work, abandoning villages to an increasingly destitute elderly population, many of whom can no longer cultivate their own garden plots. Those staying behind in rural regions report a dismal existence. In the Kyrgyz Republic, Latvia, Moldova, and Kazakhstan, respondents report a dramatic increase in youth alcoholism and a rise in petty and violent crimes committed by young males (Kuehnast 2000).

The atomization of rural life in ECA presents a formidable social development challenge. Many rural residents are extremely isolated by a combination of poor roads, the sharp reduction of subsidized municipal transportation to nearby towns and cities, and the gradual demise in most villages of community institutions such as the “Houses of Culture,” which formerly hosted lectures, films, and theater groups. Institutional reforms have been inadequate to meet the needs of the rural economy. The breakdown of the former centralized institutions and the lack of capable institutions to replace the old have added to the fragmentation and lack of coordination in rural communities. As a result, coordinated agricultural efforts that were once collectivized are now primarily family subsistence farming, and what new entities that have sprung up are poorly capitalized and thus face an uncertain future. With the lack of funds from the state, local governments
cannot maintain infrastructural supports, such as roads and communication systems, which in turn limit economic opportunities and constrains growth. Further, the loss of the former collective farms has created a vacuum of social services, once handled by the farm, which leaves communities lacking in critical development tools, including schools, health services, and social protection mechanisms.

**Box 5.1 Physical, social, and cultural isolation in Georgia**

Rural "Houses of Culture,” where touring theater and music groups one performed and films were screened, now hardly function. In Kazbegi, in highland Georgia, in 1997, when the poverty study was conducted, only one film had been screened that year. Without affordable or regular transportation to large towns, villagers must rely on television for entertainment and information. Unfortunately, some villages do not even receive television broadcasts because local relay stations have broken down and municipalities cannot afford to repair them. Even in many district centers, current national newspapers rarely appear; from Kazbegi to Marneuli, in southeast Georgia, local papers have not appeared for months.

*Source: Adapted from Dudwick 1997a.*

Given fluid and inconsistent privatization policies, many farm workers have encountered erratic, non-transparent procedures for obtaining land, property, and titles. For newly independent farmers, the difficulty in obtaining accurate, complete, and timely information on agricultural techniques, marketing, customs, and taxation, has sometimes been nearly insurmountable (Dudwick 1997b). While some former farm managers and technical specialists have prospered as new private farmers, small farmers often remain fearful and unprotected from risk. Even in countries such as Armenia, the first of the FSU countries to implement radical land reform, many new landowners have been unable to cultivate their land because they cannot afford inputs and/or lacked able-bodied adults. Some destitute Armenian farmers have been returning their land to the state because they cannot pay land taxes. In countries such as Bulgaria and Moldova, privatization policies resulted in some village residents being denied land, with few options other than emigrating or working as day laborers, which conflicts with decades of ideology about exploitation. While a small stratum of successful small farms has emerged, many rural farmers practice subsistence farming and remain cash-poor. In Albania, despite legal entitlements to land, a number of new landowners were forced off their land by threats of violence from “old landowners” who had possessed the land before it had been collectivized.

An emerging problem is the weakening of rural social networks, due to both isolation and poverty. Since many of the transactions among people living in the rural regions concern fundamental issues of survival, such as securing food, fuel and water, or obtaining access to health care, the demise of these networks are steadily reducing the ability of the poor to cope with risk (Kuehnast and Dudwick 2001). In countries of Central Asia and the South Caucasus, many rural poor have become clients of local “patrons” from whom they have borrowed goods, food, or cash, effectively “indenturing” themselves as a means of paying off their debts (Dudwick 1996).
C. PRIMARY AND SECONDARY CITIES

In most countries, the stratification between urban and rural areas represents a significant problem for addressing poverty issues. Significant differences in standards of living also mark capital cities in contrast to secondary cities. In every ECA country with sufficiently detailed data, and strikingly so in Hungary, Poland, Russia, and Tajikistan, poverty rates were lower in capital cities than in other urban or rural areas. In general, urban populations, particularly of capital cities, have greater access to better quality social, health, and educational services, and more affordable and dependable transportation and means of communication. In contrast to the “information blockade” that exists in rural areas, information about employment opportunities, state and private assistance, and legal rights is more accessible in urban areas. Most international donor, relief, and other non-governmental organizations, for example, are concentrated in capital cities.

Box 5.2 Emerging patronage relationships in rural FSU

Agricultural workers have not always found it easy to accommodate to changing labor relations in rural areas, both for psychological and material reasons. Given ideological attitudes that accompanied collectivization, it is therefore not surprising if some rural workers even refer to the reappearance of “slavery” (Georgia, Kyrgyz Republic, Armenia) and “medieval work conditions” (Georgia) in privatized agriculture. A wealthy Armenian farmer, speaking of a married couple he hired to work on his farm, explained, "They looked after my cattle and their own. I worked their land[just to confirm, this initial phrase is accurate?], gave them the whole harvest, and paid them a salary. They never complained. But village people began to tease them; they called them wage laborers who worked for a 'lord.'" As a result, he said, the couple had left his employ.


Box 5.3 Capital cities and the rest of the country

"Don’t let anyone tell me that prosperity in Latvia is developing; maybe a deputy or someone who makes large investments says that. We feel that there are two states in Latvia – Riga and the rest of the country,” says the Director of the Daugavpils Social Assistance Center. In Latvia, the liquidation of former agricultural collectives has left a decaying infrastructure and vandalized facilities in many rural communities. According to Social Services staff in the Latgale district, one of Latvia’s poorest regions, many agricultural workers suffered serious health consequences from the nature of their work and poor environmental conditions. Alcoholism is reportedly a leading cause of death among men; mental illness is high among women. By contrast, Riga and Ventspils are relatively prosperous urban conglomerations, where opportunities to find work are greater than in other towns and certainly greater than in rural areas. Complaints in these cities focus mainly on the difficulties of finding well-paid jobs or work in their specialty.

Source: Adapted from Institute of Philosophy and Sociology 1998.
Poor economic opportunities in rural areas are compounded by greater vulnerability to the violation of economic, political, and civil rights. These violations take place because local authorities have more latitude to continue socialist-era practices of top-down, authoritarian governance, whereas urban officials are more open to scrutiny and pressure from the media and international organizations.

D. THE DEMISE OF ONE-COMPANY TOWNS

Socialist governments constructed enormous enterprises – many built around extractive industries such as mining, or defense production – that functioned as virtual cities. Historically, the settlements that grew up around these industries did so primarily to serve their labor needs. These enterprises were not simple economic units but also provided much of the housing and social services to their workers. In the mining sector, recent advances in technology, such as a greater degree of mechanization, together with exhaustion of the non-renewable reserves that can be economically recovered, have led to the closure of unsustainable mines and large-scale downsizing of the labor force. In addition to workers laid-off directly through mine closure and downsizing, jobs have been lost in the auxiliary industries that served the mines and the local service industries that served households. Mine closures have also impacted the local tax base, reducing the budgetary capacity of local municipalities to provide services. In ECA, the restructuring of the mining sector has taken place in the context of an economic transition that makes it that much more difficult for ex-miners and their spouses to find jobs, and limits the ability of coal-consuming industries to pay the mines that supply coal.

In the Russian coal mining areas of Vorkuta and Kiselovsk (Kudat et al 1998), as well as in Madan, Bulgaria, unemployment has hit women particularly hard, since auxiliary services and clerical workers were laid off before underground workers (Kabakchieva 1998). The social impacts of large-scale redundancies and continuing uncertainty about the future have taken a serious social toll on mining communities. In Romania, for example, interviewed respondents considered alcoholism one of the major problems resulting from mine closures. According to data from the local police station, crime had risen significantly; 16 percent of crimes were attributed to redundant mineworkers, and 38 percent of the crimes to youth with a parent who was a redundant mineworker (Lamaraso Group 1998). In many such towns, downsizing or privatizing enterprises have formally transferred social assets they once operated to insolvent municipalities incapable of maintaining them. In Madan, Bulgaria, the negative impact on children included reduced access to schooling, food, and clothing in these dying towns (Kabakchieva 1998).

Policies aimed at mitigating the social impact of the mining sector (particularly, coal) restructuring have so far focused on the need to ameliorate the short-term adverse impacts on laid-off miners. The measures have included provision of temporary income support through severance and other payments, some level of counseling and retraining, and in some cases funds for temporary public works. Given the historical role of the enterprises in providing social services and utilities, there is the pressing need to examine the longer-term poverty impacts. These include questions of the role of municipal and regional governments in developing alternative economic bases in these regions, coping strategies of former miners and their families, changes in the quality of services, and conditions of eligibility for social and municipal services now provided by the local
governments, etc. It appears that the ability of these towns to withstand the restructuring depends on whether investments are being made to build on the diversification opportunities in the local economy, and whether the miners have access to other resources, including farmland.

In Russia, the downsizing of the armed forces poses acute problems to retiring military and their families, since the majority live in towns in which the army once provided almost all employment. A recent study sponsored by the Eurasia Foundation and Soros Foundation found that more than 20 percent of demobilized servicemen in Smolensk oblast had been offered “employment” by organized crime groups. In the Russian context, these families are at serious risk of poverty, since these towns are particularly isolated, and offer few employment opportunities to men or women.

Why do people remain in regions that are so isolated, which provide few economic opportunities, and where access to health care, education, and other social services are expensive or simply unavailable? Despite fewer limitations on movement such as the Soviet era propiska (Russian, residence registration), which severely restricted migration to cities, current obstacles include the difficulty of finding affordable housing, the cost of relocating, and the lack of information about job prospects elsewhere or confidence of finding work. In other cases, people worry about abandoning elderly parents for whom they are responsible. In Russia, although the Constitutional Court has declared the propiska unconstitutional, it still exists in one form or another in Moscow, St. Petersburg, and many other cities.

### Box 5.4 Aiding demobilized servicemen in Russia

Under the aegis of the recently established Program of Social Adaptation of Retired Military Servicemen, some servicemen and family members have received training to prepare them for new jobs, particularly in the small business sector. The Eurasia Foundation and Open Society Institute have provided some support for relocation of families, small enterprises, credit unions, and social and psychological support. They have also created a web site (www.exmilitary.ru) to disseminate information about the program.

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### E. THE IMPACT OF LARGE-SCALE MIGRATION

The breakup of the Soviet Union, Yugoslavia, and Czechoslovakia and the onset of economic, social, and political reforms triggered a massive movement of peoples within and among the ECA countries, and between them and the rest of the world. The scale and scope of these population movements even exceed those following World War II, when an estimated 1.2 million persons were displaced (see migration map attached). Except for conflict zones, migration has slowed considerably since its mid-decade peak. The migration has many causes, including the search for employment, often fueled by regional economic inequities, conflict-related economic collapse, or the transformation of minority-majority relationships (Heleniak 1999).

The redrawing of borders in the ECA region resulted in large populations suddenly becoming diasporas. Estimates of people who found themselves living outside their
“homeland” range from 54 to 65 million. The countries that have faced the largest challenges in integrating these populations are Russia, Kazakhstan, and Ukraine. For example, 25 million Russians found themselves living outside Russia, although only 10 percent (two-thirds of whom came from Central Asia, mainly Kazakhstan) have chosen to return to Russia. Immediately following the breakup of the Soviet Union, there was a migration of “titular nationalities” to their homelands. Some three million Russians and Russian-speakers from non-Slavic states, in response to unemployment, growing nationalism, and in some cases, an official return to the local language, encouraged a mass exodus to Russia. This movement of people, which was greatest from Central Asia and the Southern Caucasus, slowed down since peaking in 1994. The resulting 2 percent increase in Russia’s population due to migration has nevertheless been insufficient to halt an overall population decline there caused by a larger number of deaths than births. Given the high education level of emigrating Russians and ethnic Germans from Kazakhstan and the Kyrgyz Republic, their departure is said to have created a noticeable short-term impact on the economy and social development of these countries.

In addition, the temporary or permanent migration of large segments of young, educated, and skilled populations has depleted the human capital of many countries. During the past decade, Bosnia and Herzegovina experienced an almost 20 percent decline in population due to war-related migration, while Tajikistan, Georgia, and Azerbaijan each lost 5 to 6 percent as the result of ethnic conflict. Macedonia has lost 12.5 percent of its population; Croatia and Bulgaria each lost 5.3 percent; and 12 percent of the Albanian population have fled poverty, mainly to Italy and Greece, where many work illegally to send home remittances. Over two million people left the countries of the CIS between 1989 and 1995, the bulk migrating to Germany (50 percent), Israel (25 percent), and the USA (10 percent). Armenia is estimated to have lost one-third of its pre-transition population of 3.6 million since 1991. Only Russia, Ukraine, Belarus, and the Czech Republic experienced positive net migration, which in some cases is perceived as an unwelcome burden. Central Asian and Caucasian migrants, many of whom fled war or extreme poverty for the greater economic opportunities of Moscow, now experience extortion, harassment, and brutality by local police (World Bank 1999b).

Huge internal population shifts have also taken place in ECA countries. For example, the large-scale migration out of the Northern periphery of Russia can be seen as a move toward a more sustainable and rational distribution of the population. There have also been notable rural-urban migration flows in many countries, particularly in the Kyrgyz Republic, Bosnia and Herzegovina, and Albania, where internal movements were forbidden under the previous regime. In Albania, large numbers of migrants from desperately poor northeast mountain villages, who settled in the outskirts of Tirana and other cities, live inadequately housed and underemployed. New to the demands of urban life, they have evoked some hostility from the settled urban population for overburdening the physical and social infrastructure. Studies from both Macedonia and Albania demonstrate the extent to which their migration also negatively affects “sending” villages, increasingly abandoned to the elderly and infirm, who suffer from lack of day-to-day support from younger, able-bodied kin (Institute for Sociological and Political-Legal Research 1998; Dudwick and Shahriari 2000).

The return of the “punished peoples” forms a particularly poignant chapter in the saga of post-socialist population movements. Under Stalin, the Volga Germans,
Meskhetian Turks, and Crimean Tatars were forcibly deported to Siberia and Central Asia. Some began to return under Gorbachev. Large-scale movements, however, accelerated after the breakup of the Soviet Union. The return of these peoples (to the South Caucasus and to Crimea) has been complicated by the fact that the migration now involves movement across international borders, and by the drastic economic collapse, which rendered assimilation into receiving communities more difficult.

Box 5.5 The return of people deported under Stalin

- 200,000 Meskhetian Turks from Georgia were deported to Uzbekistan. At the end of the Soviet period, an estimated 300,000 Meskhetian Turks fled ethnic violence in Ferghana Valley in Uzbekistan, and settled largely in Azerbaijan, Russia, and Ukraine. Most of the 75,000 to 100,000 Meskhetians in Azerbaijan are unable to return to Georgia. The estimated 72,000 Meskhetians in southern Russia are the objects of considerable resentment because they are concentrated in an area that has already received large numbers of migrants. Georgia has agreed to the gradual repatriation of some Meskhetian Turks, but considerable opposition to their return remains in Georgia, particularly since Meskhetia, their homeland is now occupied primarily by Armenians.

- Stalin deported 183,000 Crimean Tatars, mainly to Uzbekistan. By the end of 1999, nearly 250,000 of the 271,000 Crimean Tatars then in Uzbekistan had returned to Crimea. Many converted assets to cash for the move just as hyperinflation robbed their savings of any value. As a result, much of the Crimean Tatar population remains ill-housed, unemployed, and marginalized. Tens of thousands of Crimean Tatars remain outside Crimea, mainly in Uzbekistan.


Ecological disasters have also forced hundreds of thousands of CIS citizens from their homes, although much of this migration took place before the actual breakup. The largest scale migration took place in response to the Chernobyl nuclear disaster of 1986, which forced 375,000 persons from their homes, and continues to affect the health of people, and particularly children, living in Ukraine, Belarus, and Russia (International Office of Migration 1999).

All ECA countries now face the task of strengthening their migration institutions, given the multitude of problems due to large population movements and displacements. Illegal and transit migration is of particular concern to Lithuania, Latvia, Russia, Ukraine, Belarus, Poland, Hungary, and the Czech and Slovak Republics, as a result of their geographic location and inadequate migration controls. Russia is estimated to have up to two million illegal transit migrants, many of whom come with the help of illegal networks that traffic in persons. In many cases, people who have been refused entry or expelled from Western European states have been stranded in these countries without a legal status, and end up engaging in criminal activities. Moreover, the EU candidate countries now have the additional task of EU migration standards before being accepted to the EU.
F.  CONCLUSION

This recent and ongoing episode of population displacement has had a negative impact on social development in the region. These include the fragmentation of social relationships, the loss of livelihood and savings, increased poverty, necessary adjustment to new surroundings and new formal and informal social institutions, and increased uncertainty among those affected. Many, such as urban Russians from the non-Russian states who have been directed to live in rural areas, have been forced to make difficult adjustments. Many of the displaced remain in limbo, wanting to return to their places of residence or integrate into the societies they are in, but being barred from doing so. In some cases, poorly defined property rights hinder access to housing or land, in other cases, fears for personal security prevent people from returning to their homes. Countries with large minorities whose legal status remains uncertain risk destabilization as conflicts erupt between minority and majority groups, or when anger at perceived exclusion catalyzes extremist movements that threaten state borders.
CHAPTER 6: THE SOCIAL COSTS OF CONFLICT

A. POST-CONFLICT DEVELOPMENT – A LONG-TERM ENDEAVOR

The World Bank was founded more than fifty years ago to support the reconstruction of war-torn Europe. The success of that endeavor laid the foundations for the Bank’s work in development assistance throughout the world. With the collapse of multi-ethnic states in the former Yugoslavia and the USSR, the task of addressing the impacts of conflict has again become an important part of the Bank’s work in the ECA region. Eight of the nine poorest countries in the region have undergone major internal wars since 1990. While some progress has been made, none of these conflicts have, as yet, been sustainably resolved. Unlike World War II, today’s conflicts are, for the most part, civil wars within states rather than between them. Peace Accords represent an important stage in transitions, but they do not, of themselves, end the potential for conflict in situations where warring parties must live together within the same country even after years of violent conflict.

The costs of conflict range from destruction of the economy and impoverishment, to destruction of the social fabric and long-term instability. Direct impacts include the loss of human capital – from death, external migration, and neglected education of children during periods of combat; the destruction of assets; displacement of persons; and importantly, the destruction of social ties and trust within and between communities. Indirect but equally devastating impacts include political instability, weakened institutions, and poor governance; increased criminality and corruption; and decline in foreign and domestic investments and economic growth. The longer-term effects include the social costs of lost generations de-skilled in civilian pursuits and educated only in violence and hatred. (See conflict map attached.)

B. THE COMPLEX BASES OF CONFLICT

Journalistic myths of “age-old ethnic hatreds” notwithstanding, conflicts in ECA largely derive from more recent government policies that caused or exacerbated unequal distribution of power and resources between groups differentiated by race, religion, language or other social factors. Historical social relations and ethnic tension are factors that have contributed to conflict, but only in the context of manipulation and distortion by state leaders and other elites. The demise of strong centralized state authority, which had kept competition and conflict in check, and the collapse of economies, which sharpened competition for resources, in some cases catalyzed armed conflict, in other cases, proved unable to contain it. The most recent roots of these conflicts are enmeshed in the historical strategies of control practiced by nationality policies of the multiethnic Soviet and Yugoslav states and authoritarian patterns of governance.

The roots of conflict in the former Soviet Union

Sovietization in the former Soviet Union, for example, created 15 national republics based on majority ethnic groups (the so-called “titular nationalities”) with delimited cultural and linguistic rights. In turn, many national republics contained ethnically distinct enclaves. In all, the Soviet Union contained 53 ethnic homelands (Heleniak
Although these smaller administrative units (the so-called autonomous republics, oblasts, and okrugs) such as Nagorno-Karabakh, Abkhazia, South Ossetia, Dagestan, and Chechnya-Ingushetia ostensibly had some cultural and administrative rights, they often felt oppressed by the titular nationalities, and tended to look for protection to Soviet authorities in Moscow (Bremmer 1997). Many minorities felt threatened by what they perceived as efforts of the Soviet successor states to carve out new nation-state identities at their expense. At the same time, the power vacuum stimulated competition for power and valuable resources among rival elites, who garnered support by appealing to ethnic grievances and fears of being further marginalized. Not surprisingly, most conflicts have taken place in the poorest countries (as in the South Caucasus or Moldova) or in peripheral areas (such as Chechnya, Dagestan, or Ingushetia), with significant ethnic, linguistic, and/or religious differences and memories of localized conflict.

**Divide and rule in former Yugoslavia**

In the former Yugoslavia, Josip Broz Tito used a policy of divide and rule to keep Serbia and Croatia in check, while encouraging nation-building among Macedonians, Slovenians, and Bosnians to balance competing claims within the federation. Over time, he shifted more power from the federal center to the republics and to Kosovo and Vojvodina, ethnically distinct autonomous regions in Serbia. By the end of Tito’s rule, the Yugoslav state was, in reality, a loose confederation of six republics in which state-level political processes were virtually paralyzed. Slobodan Milosevic, who came to power in 1987, seven years after Tito’s death, consolidated an authoritarian regime by appealing to Serbian nationalism. Canceling the autonomous status of Kosovo and Vojvodina in 1989, he further exacerbated serious ethnic tensions and laid the grounds for conflict in Kosovo between Serbs and Albanians, who felt physically and economically threatened by a Serb-dominated state. His attempts to tighten control eventually led to the growth of nationalist parties, the breakup of the Federation, and finally, war between Croats, Serbs, and Bosnians (Tindemans et al 1996).

**C. FRAGILE PEACE, STALEMATED CONFLICT**

**Fragile peace in SEE**

Today, peace in SEE remains tentative. War-related atrocities and continued widespread displacement have contributed to deep hostility between ethnic and national groups. Five years after Dayton, massive international investments have rebuilt key infrastructure. Fragile new government institutions are in place in Bosnia and Herzegovina. But the continued presence of tens of thousands of peacekeeping troops and an international administration established under the Dayton Peace Accords erects an artificial framework around the country with no clear, sustainable transition in sight. In Kosovo, renewed conflict is similarly frozen not by a resolution of underlying conflicts but due to the installation of a temporary UN administration and more peacekeeping troops. In FYR Macedonia, a “Framework Agreement” to end the eight-month conflict between ethnic Macedonians and the ethnic Albanian minority, signed August 13, 2001, by major political parties, is in place, but tensions and fear of renewed fighting remain high.
Compared to similar situations in Africa, these countries are fortunate in that the international community, for a variety of reasons, is willing to maintain a security umbrella around them, which permits development investment of the World Bank and other agencies to take place. This allows valuable space for transition to be achieved but it does not, in and of itself, resolve the problems that led to war. Despite international presence in Kosovo, hostilities have continued between Kosovo Albanians, Serbs, and Roma. Conversely, recent changes in Croatia have offered some hope of a resolution of the interconnected situation of hundreds of thousands of war-displaced populations in Bosnia and Herzegovina, the Federal Republic of Yugoslavia, and Croatia. In SEE, the sustainable resolution of conflict has become the priority issue.

Stalemated conflict in the South and North Caucasus

In the countries of the South Caucasus states, ongoing negotiations over the status of Abkhazia and Nagorno-Karabakh have yet to produce durable settlements or an acceptable resolution of the problems of large internally displaced persons (IDP) populations in Georgia and Azerbaijan. Economic development in Armenia remains dependent in part on the resolution of the Nagorno-Karabakh conflict, most notably through the continuing closed border with neighboring Turkey. In the North Caucasus, although Russian forces claim victory in Chechnya, the continuance of large groups of displaced persons in Ingushetia, as well as bitterness provoked by the Russian destruction of Chechnya’s capital city of Grozny, suggest that this costly and destructive conflict could still spread to surrounding districts as well as to neighboring Georgia.

Fault lines in Central Asia

Central Asia also merits close attention. In addition to the extremely destructive civil war in Tajikistan, the densely populated and ethnically diverse Fergana Valley has been the site of conflicts, the first between Uzbeks and Meskhetian Turks in Uzbekistan in 1989, and the second between Kyrgyz and Uzbeks in Osh, Kyrgyz Republic, in 1990. Fergana continues to be a site with considerable risk of potential conflict. Tajikistan, Uzbekistan, and the Kyrgyz Republic share this fertile agricultural valley, where permeable borders with Afghanistan facilitate easy movement of drugs, arms, and radical Islam. The larger political context further decreases regional stability. Border and trade disputes, as well as issues of access to gas, oil, and water, which is becoming an ever-scarcer resource, have further strained relations among Central Asian countries. Interventions in this region should be based on a thorough understanding of these local issues, in order to avoid exacerbating tensions.

D. Conflict-Induced Displacement of Persons

In just over a decade, conflicts in ECA have displaced millions of people, either inside their own country as “internally displaced persons” or outside their countries, as refugees. Thus, although the transition states of the ECA region contain only 7 percent of the world’s population, they are now home to 15 percent of the world’s refugees and IDPs (see migration map attached). Some estimates place the region’s share as high as 30 percent, and the affected persons remain in a state of permanent migration or displacement (Heleniak 1999). In addition, many people formally generally considered “migrants” have in fact left their homes due to fear of violence.
Vulnerability of displaced persons

In some places, such as Kosovo, refugees have returned home in a matter of months. In most cases, however, displacement lasts long enough to create pervasive effects on an entire generation. Displaced populations suffer multiple losses – of family members, homes, assets, livelihoods, and social networks – and cope with high levels of physical, economic, and legal insecurity, particularly when the situations that caused their displacement have not been resolved. Experience of post-conflict transitions around the world has demonstrated that the impacts of long-term displacement linger far beyond the formal cessation of hostilities.

Some of those displaced by war are able to integrate successfully to varying degrees. The common desire of concerned governments to avoid policies that might inhibit “sustainable return” and weaken their claim on disputed territories, however, has retarded the process of local integration, frequently putting displaced populations in an extended state of limbo and limiting their access to property and employment. Not surprisingly, most displaced persons represent significant percentages of the vulnerable groups in affected societies. While safety net programs attempt to adapt to meet the needs of these groups, in many countries, the numbers are so large that, despite international humanitarian assistance, public budgets are overwhelmed. In Georgia, for example, as much as 20 percent of the development budget of the government in the late 1990s was allocated to entitlements for IDPs. In such cases, the displacement problem becomes not merely a matter of vulnerability, but also an issue with significant impacts on the overall social and economic situation of a country.

Displaced populations represent the human and social capital of conflict-impacted areas, and investments that support their self-reliance target a key vulnerable group in the short to medium term, as well as facilitating their capacity to take advantage of eventual settlement and a return home. And peace accords alone cannot guarantee that refugees will be immediately reintegrated. Five years after the Dayton Peace Accords, there are still hundreds of thousands of refugees and IDPs in the Balkans who remain displaced without access to their properties. In the South Caucasus, IDPs in Azerbaijan and Georgia have been displaced for nearly a decade. Their situations differ somewhat from those of other vulnerable groups impacted by post-socialist economic transitions and structural poverty.

Populations displaced by conflict in Central Asia

Since the late 1980s, conflicts in Central Asia alone have led to some of the largest population movements within the CIS, including more than a half million people displaced during the Tajik civil war; up to 100,000 Meskhetian Turks who fled or migrated as a result of fighting in Ferghana; and two million people (including those who moved from one Central Asian state to another) who returned to their ethnic homelands because of economic and ethnic fears. An additional 250,000 have left because of ecological disaster (UNHCR 1997). While most of the almost 800,000 people originally displaced by the Tajik civil war have returned home, many Tajik refugees continue to live in Russia, to support families made destitute by the war. Lacking registration, large
numbers work at local markets, where they are subject to frequent persecution and extortion by the police (World Bank 2000b).

**Displaced persons in the South Caucasus**

Internally displaced persons in the South Caucasus continue to live in collective centers, camps, makeshift shelters, or public buildings, dependent to varying degrees on different forms of humanitarian assistance and government-provided social services. The burden IDPs place on local structures is a frequent cause of resentment on the part of impoverished host communities. By the end of 1999, for example, 75 percent of displaced Azeris continued to live in temporary and substandard accommodations, overburdening already overtaxed and under-funded local services. International humanitarian assistance to both the South Caucasus and Azerbaijan has diminished significantly over the last few years as donors have grown impatient with the extended burden of support, and global attention has turned to other conflict zones in Kosovo and countries in other regions. In Armenia, despite a new law on citizenship, the UNHCR estimates that some 90 percent of refugees displaced from Azerbaijan 12 years ago have been unable/unwilling to naturalize due in part to concern about how a change in legal status would affect their access to assistance and their future property rights in the event of a resolution of the conflict. (UNHCR 2000).

**Obstacles to "return"**

A number of ECA governments, and in many cases, portions of the displaced populations, continue to place hope in a return to their places of origin. In some countries, reaching political agreement on return has retarded assimilation of displaced persons or refugees, who remain in political limbo waiting for political circumstances to change. Elsewhere, war atrocities have contributed to high levels of mistrust and hostility. Thus, Bosnian Muslims, ethnic Serbs, and ethnic Croats returning to their former communities in Republika Srpska and the Federation of Bosnia and Herzegovina, or South Ossetians returning to Georgia, have been physically prevented by local populations or nationalist groups from returning, or pressured to leave by terrorist acts, sometimes with the complicit support from local or national governments. In Bosnia and Herzegovina, return has been further hindered by unclear property rights, or the fact that local authorities have transferred property belonging to original owners to the new occupants; in Croatia, contradictory laws deliberately discourage the return of displaced ethnic Serbs.

**E. CONCLUSION**

Despite the obstacles facing them, displaced populations have shown great determination to develop coping strategies based on self-reliance and to retain elements of their social structure and communities even in displacement. Humanitarian assistance, while critical in the short term, may undermine these efforts and increase feelings of dependency. In recognition of this dynamic, many governments and humanitarian agencies, including the United Nations High Commissioner on Refugees (UNHCR), have in the last few years requested World Bank assistance and partnership. The collective goal is to devise more sustainable approaches to support the efforts of IDPs and refugees to improve their lives and maintain human and social capital to the degree possible. Sustainable interventions to assist displaced populations is a relatively new area of Bank
activity. While it is universally recognized that the Bank’s role, and that of other
development agencies, in this endeavor is critical, the design of development assistance
for such populations must be carefully considered to reflect the special circumstances
under which they exist. The situation of conflict-displaced populations is an issue that is
eventually linked to the sustainable resolution of the intra-state and inter-state conflicts,
which led to their flight. But it is also a development issue of increasing concern, and one
that cannot be left in abeyance until conflicts are resolved.
CHAPTER 7: FRAMEWORK FOR A SUB-REGIONAL APPROACH

A. PATTERNS OF SUB-REGIONAL VARIATION

It is evident from the earlier chapters that the post-socialist societies are not necessarily or inevitably moving in the same direction. In some countries, the “transition” phase has essentially ended, and new, effective institutions are in place. Indeed, most regional experts now concur that the “transition” paradigm, because it implies a known end point, no longer adequately conceptualizes social change in the ECA region. This section synthesizes the analysis in earlier chapters regarding the complexities of change in the region, and proposes an alternative framework for a sub-regional approach to social development.

According to this framework, the rapid changes, uncertainties, and the mutability of identities, institutions, and behaviors during the past ten years can be seen as the inevitable accompaniment of a major paradigm shift with economic, political, and social ramifications. In developing strategies, it will be important to assess the relative influence of outside actors and citizens in ECA over emerging patterns of governance, institutions, and social cohesion.

The first column in Table 7.1 summarizes political, economic, and social life in socialist regimes, ignoring sub-regional diversity in order to highlight distinctive shared aspects of socialism. The second column characterizes the volatile years following regime collapse, which were accompanied by mass mobilization, introduction of competitive elections, new regional and power alliances, increased freedoms, a flourishing press, and innovation and experimentation, as well as economic and political disruption and impoverishment. Columns three and four represent the range of trajectories ECA countries have demonstrated in the past decade. In reality, change in each of the ECA countries has proceeded unevenly and at different rates, and depending on many factors and contingent events, trajectories can and do change direction. Based on their particular material, social, and cultural resources, some countries have become more open, inclusive, and better functioning. Other countries have moved on a “downward” trajectory of instability, conflict, increasing authoritarianism, and impoverishment. Within countries, several trajectories may coexist, for although governance, institutions, and social integration and inclusion affect each other, they do not necessarily change at the same rate or in the same direction.
## Table 7.1 Trajectories of Transition

<table>
<thead>
<tr>
<th>The socialist period: Fused politics and economics; authoritarian, ideologically hegemonic, economically egalitarian</th>
<th>The post-socialist decade: A period of potential innovation and opportunity as well as risk</th>
<th>A positive trajectory: Toward a more equitable and democratic society</th>
<th>A negative trajectory: Continuing instability and deterioration</th>
</tr>
</thead>
</table>
| **Governance**  
- Authoritarian, stable  
- Ideologically antithetical to market democracies  
- Stable regional alliances  
- Severely constrained civil society  
- Human rights abuses  
**Institutions**  
- Hegemonic and intrusive  
- Arbitrary and often governed by personalistic relations  
- Arbitrary and personalized administrative and legal environment  
**Social integration**  
- Little overt conflict  
- Stable population  
- Extensive subsidies to uneconomic regions  
- State support to vulnerable  
- Equitable income distribution and access to basic social services | **Governance**  
- Ideological confusion and uncertainty  
- Shifting regional alliances  
- Emergence of new groups and alliances  
**Institutions**  
- Weak or dysfunctional formal institutions  
- Informalization of institutions  
- Capricious and chaotic legal and administrative environment  
**Social integration**  
- Heightened social and national conflict  
- Population movements  
- Isolation of regions and rural areas  
- Questioning of identities  
- Erosion of social cohesion in and between communities  
- Heightened social stress  
- Appearance of new vulnerable groups | **Governance**  
- Democratic governance, more participation  
- Civil society development  
**Institutions**  
- New institutions more transparent and accountable  
- Administrative and legal environment stable, neutral and predictable  
- More grass-roots activity  
- More room for civil society development  
**Social integration**  
- Inclusive identities  
- Increased social integration, cohesion and inclusion  
- Reduced conflict, reconciliation  
- Equitable access to opportunities and services  
- Moderate increases in socio-economic stratification | **Governance**  
- Authoritarianism  
- Citizen alienation and passivity  
- Serious human rights abuses  
**Institutions**  
- Dysfunctional or weak institutions  
- Hierarchical, rigid, arbitrary and non-transparent and legal and administrative environment  
- Little civil society development  
**Social integration**  
- Ethnic and nationalist conflict  
- Further state fragmentation and social atomization  
- Ongoing marginalization of groups and regions  
- Drastically increased socio-economic stratification  
- Decreasing access to opportunities and services |
Improvement

1989: Abrupt political, economic and social disruption caused severe dislocation and economic impoverishment

Deterioration

1989-2000: Social conditions improved, leveled off or worsened depending on:
• depth and extent of institutional reform
• ability to contain social and civil conflict
• maintenance of security,
• creation of new basis for social cohesion

Development efforts should focus on supporting and strengthening developing democratic market institutions

Development efforts to support institutional reform, greater inclusion and cohesion must continue in tandem with assistance for better economic conditions and poverty reduction

Development focus on improving governance, reforming institutions, reducing risk of conflict and/or rebuilding social cohesion in conflict societies pre-requisite to effective poverty reduction programs

Figure 7.1 Trajectories of Social Change in ECA Countries
B. IMPLICATIONS FOR A SOCIAL DEVELOPMENT AGENDA

The model proposed above has several implications for developing an effective strategy in the region. Its emphasis on the flux and volatility of the post-socialist period reminds us that periods of instability can also be periods of innovation and creativity, when new approaches can be piloted. The model stresses the differences between the developmental paths of the countries as they emerge from the first post-socialist decade. Conditions in some countries have spiraled downward in a succession of war, physical and social destruction, and impoverishment. In others, there has been limited improvement in social conditions, and poverty has leveled off. Still other countries have developed societies that are more pluralistic, open, and vibrant, but still have significant problems of exclusion or poor institutional functioning.

By representing these different developmental paths along three different curves, we want to emphasize that the nature of the World Bank interventions must differ significantly depending on the shape and direction of this path. For countries caught in a downward spiral, potential interventions must focus on improving the institutional and social context as a prerequisite for economic development. For countries where institutions are still functioning, where civil society development has made some inroads, and where there is some commitment on the part of government and population to policies favoring inclusion and cohesion, Bank interventions should focus simultaneously on fostering growth and enhancing social development, to ensure that the benefits of growth are accessible to everyone. However, the remaining weaknesses of governance, institutions and economies in all ECA countries, represented in the graph by dips and peaks that interrupt the curves, serve as a caution against complacency. Thus, even in the best performing countries, the Bank has an important role in helping citizens entrench positive change, expand inclusion of populations still outside the mainstream, and furthering processes of citizen participation in governance.

Sensitivity to cultural, social, and historical differences among countries, however, must also underlie Bank activities. An understanding of how individuals and groups in a given society react to, resist, or accommodate to social change must be factored into any program of interventions. Social incentives for change include desire for prestige, obligations of kinship and friendship, and local patterns of authority and competition, all of which can differ quite dramatically from society to society. Just as these factors may reinforce change, they can also act as barriers, if individuals fear loss of power, wealth, security or prestige. In the ECA region, it is also important to note that people may resist certain innovations on ideological grounds, or “out of principle.” Finally, a social development strategy must take into account that any intervention will result in winners and losers, and that different groups may support or resist change, depending on their perception of what is to be gained or lost. The next chapter incorporates this attention to regional variation and diversity into a specific program of suggested activities.
CHAPTER 8: DIRECTIONS FOR SOCIAL DEVELOPMENT

The central mandate of the World Bank is to reduce poverty and promote sustainable development. The activities described below therefore draw on the latest thinking about poverty proposed by the World Development Report 2000/01, which highlights the importance of providing opportunities, empowering individuals and communities, and ensuring sufficient security so that people pursue livelihoods. The strategy also draws on the parallel study, Poverty and Inequality in ECA: Making Transition Work for Everyone, which demonstrated that poverty in ECA is deeper and more persistent than expected, in part because inadequate institutional environments undermined reforms. The ECA region therefore seeks to further the overall development objectives of sustainable poverty reduction by promoting institutions and relationships in society that can best support equitable growth.

The first part of this document has been diagnostic, since many social development issues in the region are new or emergent, and still poorly understood. This section focuses on those issues that fall within the World Bank mandate, and where the Bank has a comparative advantage. In addition, we consider it important that issues such as security, or domestic violence, where the Bank will not intervene directly, nevertheless inform Bank policy dialogue and projects. To promote social development in the ECA region, this strategy proposes that the Bank:

- Support the development of equitable and transparent institutions, good governance and reduced corruption, inclusive and effective communities, and vibrant civil societies.
- Support client governments to respond actively to the needs and priorities of the poor, particularly to those who have been marginalized because of social and/or cultural reasons, through policies of social inclusion.
- Reduce the risk of conflict, and assist countries emerging from conflict to rebuild social cohesion as well as to restore livelihoods and growth.

This chapter outlines a social development agenda for the region, to be integrated into the work of all sectors and country departments as appropriate. It outlines the integral elements of a strategy, supported by examples of existing or planned operations, to illustrate how the elements are already being incorporated and identify further opportunities. As we operationalize the objectives described above, our challenge is to better exploit the potential for synergies that come through multi-sectoral development efforts. The issues underlying these objectives will be identified through analytic and advisory activities and social reviews of structural adjustment lending and projects. Other tools available for mainstreaming these objectives include specific innovative pilot projects and active policy dialogue with client governments and non-governmental
stakeholders in the context of the Poverty Reduction Strategy Papers, the Comprehensive Development Framework, and participatory Country Assistance Strategies.

In the next sections, key social development issues are discussed under three broad headings: (a) promoting fair and effective institutions; (b) promoting social inclusion and cohesion; and (c) reducing the risk of conflict and promoting post-conflict reintegration. Within each section, we identify important issues to be addressed by policy dialogue with client governments; knowledge gaps regarding these issues that require more analysis; and finally, current, planned, or potential investment operations.

A. PROMOTE FAIR AND EFFECTIVE INSTITUTIONS

Extensive changes in the organization of economic and political life have profoundly altered the nature of governance and the functioning of institutions in ECA. National governments, now shorn of previous functions such as production and redistribution of national income, guarantor of employment, and provider of cradle-to-grave security, are confronting the task of establishing new nation-state identities and new forms of governance, and working out new social contracts with their populations. Relations between states and citizens have fundamentally changed, with states now divesting themselves of powers and functions to new local governments or the emerging private sector. Given their reduced mandate and budgets, public sector organizations and institutions are being reorganized and new rules of the game are evolving. People who were previously subjects of powerful and centralized states are being transformed into citizens who must learn how to work with local governments. In most ECA countries, new communities and grass roots organizations are developing, albeit to varying degrees, and civil society is gradually reemerging through a multitude of forms. Given widespread poverty, long-standing state suppression of civil society (especially in CIS), and resulting inexperience, however, many civil society organizations remain weak, poorly organized, and concentrated in urban areas. As yet, countries have made limited steps toward establishing open, transparent, and responsive institutions that encourage citizen participation.

The ECA region supports the incipient efforts of client governments to move from centralized decision-making to decentralized participatory decision-making, and to strengthen the capacity of communities to plan and implement development projects. Thus, a major thrust of the social development strategy is to help client governments adopt a community-based development approach that promotes collective action and improved local governance. The Poverty Reduction Strategy Paper (PRSP) is an additional instrument that is available to the Bank to promote policy dialogue with some governments. The basic principle underlying the PRSP approach is the recognition that participation of civil society is integral to the development process, and that such participation will ultimately strengthen accountability of government institutions. In the PRSP process, civil society becomes involved in the understanding of the country-specific determinants of poverty, defining the medium- and long-term outcome-oriented targets for the country’s poverty reduction strategy, implementing the designed development interventions, and monitoring implementation and outcomes. Despite
recognition in the Bank that the quality of governance and institutions is critically important for development, much more careful analysis and understanding of these complex changes is necessary to ensure that policy recommendations and lending operations address all the hidden incentives and disincentives to positive change.

Based on the foregoing considerations, we suggest that in the area of institutional reform, social development efforts for the region be concentrated on the following four areas. On a macro level, the region needs to (a) gain a better analytic understanding of the institutional impacts of enterprise and government restructuring; and (b) promote an enabling environment for positive institutional change by promoting rule of law and reducing corruption. To help client countries actualize reforms, the region should (c) intensify its focus on community-driven development, building-capacity of local communities, and governments to work collectively; and (d) promote the capacity of citizens to participate more actively in formulating policy and projects.

As a basis for sound policy advice, increase the knowledge base regarding enterprise restructuring and public sector reform.

As adjustment lending increases and policy dialogue takes on additional importance in Bank work, such analysis of restructuring sectors will be critical for informing policy advice. Although recent analysis of restructuring and privatization of industry and agriculture recognizes the importance of institutional frameworks, it is increasingly clear that old values and behaviors can undermine the functioning of new institutions, particularly when incentives for change are inadequate or contradictory. Research into agricultural sector reforms in CIS, for example, have demonstrated that those in power often have incentives to block change, while, given the uncertainties and perceived risks entailed by change, those without power may prefer to maintain old, dependable relationships, even when they are exploitive. In addition, long-established relations of patronage or local concepts of status and prestige can also undermine efforts to transform institutions and economic practices. Better analysis of informal rural relationships and institutions will also provide the necessary basis for interventions that shift previous state responsibilities (as managers, suppliers, and marketers) to emergent user groups.

Accompanying the divestiture by enterprises of social services, public sector organizations are also in various stages of transformation. In many countries, particularly of the CIS, policy making and service delivery have become very erratic, not only due to new demands on institutions and organizations and severe under-funding, but also because the informal relationships and incentives subvert or reduce real motivations for reform. Institutional analysis of public sector organizations is important for examining changes in the formal and informal rules of the game that govern their functioning, and for exploring the degree of legitimacy and trust they hold among the population. Such analysis should also examine the interrelationships among institutions, as well as local level relationships between them and local governments, to understand the hidden constraints to reform.
In the social sectors, for example, rapid socioeconomic stratification has increased the differentiation in access of different groups to health care, quality education, and social assistance. Analysis will be important for understanding the implicit institutional barriers that exclude certain groups of the poor who are also marginalized due to social and cultural reasons. As the restructuring of public utilities (electricity, district heating, water, and sanitation) progresses, as new public-private mixes are designed, and as measures for full cost recovery are put in place, institutional analysis will be important for understanding the ways in which informal relations between public sector and emerging private sector providers subvert attempts to introduce greater accountability and transparency. In transport, institutional analysis on the patterns of operation of informal public transport providers, their role of the informal sector in smuggling, as well as their relationship with formal providers, will be important for restructuring the legal and regulatory framework of the sector.

**Promote the rule of law, protection of human and civil rights, and reduction in corruption.**

In response to serious concerns in ECA client countries, as well as among donors, concerning corruption as a hindrance to reform, the Bank recently carried out an extensive analysis of governance and corruption in ECA. The Poverty Reduction and Economic Management department is currently operationalizing the report’s recommendations, with a particular focus on helping client countries institutionalize procedures for enhancing government accountability. In addition, several projects under implementation – reform of the tax (Russia) and customs administration (Latvia), judicial reform (Georgia), and anti-corruption initiatives (Russia, Albania) – focus on reducing the incentives for and possibilities of corruption, increasing rule of law, and increasing citizen access to information about rights and legal protection. It will be important, however, to undergird these interventions with analyses of informal as well as formal institutions, as well as country and culture-specific dynamics that contribute to corruption in different organizational settings. While further guidance may emerge out of the governance and anti-corruption strategy now in preparation, the following interventions benefit from the synergy between different sectors in ECA.

*Judicial and legal reform is a key aspect of empowering individuals and promoting rule of law.* Judicial reform projects will include special components that facilitate access of the poor and/or marginalized groups, particularly those in isolated rural regions, to legal information and counsel, and incorporate outreach programs to disseminate the same. Such efforts are particularly important given the fundamental shift in legislative and legal frameworks underway that affects access to opportunities and livelihoods. The region will also continue to work with and support local NGOs such as Coalition 2000 (Bulgaria), or established NGOs such as Transparency International, which has branches in many ECA countries, to monitor and provide feedback on specific reforms underway. The Global Distance Learning and the Global Gateway initiatives may contribute to these efforts by providing information on issues of rights.
Promote community-based development by building local government and community capacity to work together.

The rebirth of local governments in most ECA countries has changed the context for Bank efforts to intensify its engagement with communities. In the ECA region, it will be important to contextualize community-based development (CDD) in the processes of decentralization now underway. CDD can potentially strengthen and improve the capacity of local governments, as well as making them more accountable to their constituencies.

It will be important to ground CDD in analyses of local level institutions, including power relations at the community level and informal social networks, as well as of community social capital. Analysis should help identify how CDD can more effectively build on informal traditions of cooperation and dispute resolution, create an enabling environment for inclusive community-based organizations, and establish partnerships between community organizations and local or municipal governments. Studies on local level formal and informal institutions and on social capital have been completed or are still underway in Central Asia, Kosovo, and Bosnia and Herzegovina.

To make the approach to CDD more systematic, Albania, Armenia, Romania, and a cluster of Central Asian countries have been identified as pilot countries in which CDD issues will be taken up in the dialogue on decentralization and public sector reforms, and where careful attention will be given to innovation and impact monitoring. In these and other ECA countries, sector-specific interventions will focus on working with communities to build their capacity to participate in decision-making, operating, and maintenance of housing, transport (road maintenance), energy and other local services, and to help develop a framework for community participation, where people address issues of change.

Efforts will build on successful CDD projects in the rural sector, such as irrigation projects with water users association components. At present, in many countries where agricultural enterprises have been privatized, there is a great need for the development of user groups, including water users associations (around irrigation schemes) and purchasing and marketing groups. Thus far, many new farmers are reluctant or inexperienced at working cooperatively. An important part of CDD, therefore, will be exploring ways to mobilize rural producers to cooperate more effectively.

In both rural and urban areas, limited access to credit is a severe obstacle for small farmers and entrepreneurs. CDD efforts will also concentrate on building on successful examples of community-based micro-credit schemes such as the Albania Rural Development Project. This project innovatively set up a micro-credit scheme in which village solidarity provided an alternative to collateral. Like many micro-credit projects, however, it had to balance objectives of focusing on the most economically viable (rather than poorest) villages, to create a sound institutional basis for sustainability, with a poverty outreach objective of extending the program to provide cash to rural households.
in as many villages as possible. The Kyrgyz Rural Finance II project has similar elements. It will be important to explore ways to balance these objectives, such as intensifying outreach and training components.

In urban areas, viable housing associations are increasingly seen as important to support reforms in energy, heat, water, and sanitation sectors, as well as to maintain the value of housing, as one of the few remaining assets of importance for many people. Working with condominium associations will involve analysis to address the gap in our knowledge about how to support the variety of organizational forms through which people can potentially manage privatized housing. Questions to be explored include how diverse groups of people can organize themselves so they feel they indeed share a common interest in the maintenance/improvement of their buildings; what incentives or legal frameworks need to be in place to make them work; and what other social or cultural issues play a role. Pilots are already planned or underway for Armenia, Latvia, and other countries to link development of condominium associations with reforms in utility provision.

A number of projects involving the enhancement of cultural assets now underway (in Armenia, Azerbaijan, Bosnia and Herzegovina, Georgia, Kosovo, FYR of Macedonia, Romania, and Turkey), catalyzing community support around culture by piloting community-based approaches to cultural tourism. The Community Development and Culture Project in Macedonia is a recently launched and innovative project aimed at catalyzing community and local government collaboration. The Armenia Cultural Heritage Initiative is in close cooperation with the Trans-Caucasus Tourism Initiative and Armenia Natural Resources Management and Poverty Alleviation Project, because their shared focus on CDD, creating revenue-generating opportunities for poor communities, and improving the management of cultural and natural assets, should allow for the pooling and more efficient use of resources. In Prizren (Kosovo), the Culture and Civil Society Project will pilot the use of a small grant fund and a community center to support social cohesion and collaboration between the municipality’s diverse communities and the local government. Particularly in the South Caucasus and Southeastern Europe sub-regions of ECA, projects involving cultural assets can potentially play an important role by supporting shared aspects of cultural identity.

**Build the capacity of citizens to participate in formulating policy and monitoring projects and policies.**

The World Bank and other donors are working to support and strengthen civil society, by encouraging governments to build an enabling environment, and by facilitating information sharing and active stakeholder participation in all aspects of development. In the ECA region, the Comprehensive Development Framework, (CDF), participatory Country Assessment Strategies (CAS), and PRSP² are now providing

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² Country Assistance Strategies, jointly prepared by the Bank’s country team and the client country, outline lending and non-lending activities planned for the coming few years. The CDF, formulated in 1998, calls for a holistic approach to development, and emphasizes partnerships among governments, donors, civil society, private sector, and other development actors. PRSPs, prepared by countries
additional impetus to devise or adapt specific mechanisms through which citizens can participate in policy making, public expenditure management, and monitoring and evaluation.

“Citizen report cards,” for example, whereby citizens periodically rate public organizations on their provision of public services, have proved effective in other Regions for increasing transparency and improving services. By systematically gathering and disseminating public feedback, report cards may serve as a “surrogate for competition” for monopolies – usually government-owned – that lack the incentive to be as responsive as the private enterprises to their clients’ needs. Report cards were first put into practice in Bangalore by a small NGO, which initiated the exercise in 1993 to collect feedback from users of the city’s deteriorating public services. User perceptions on the quality, efficiency, and adequacy of services were aggregated to create a ‘report card’ that rated the performance of all major service providers in the city. The findings presented a quantitative measure of satisfaction and perceived levels of corruption, which, following coverage in the media, not only mobilized citizen and government support for reform, but also prompted the rated agencies themselves to respond positively to civic calls for improvement in services. Report cards have recently been launched in Ukraine by the Bank-supported People’s Voice Project, and are now being planned for Albania. This approach will be supported by and complement ongoing civil service and public sector reforms. In addition, it will be important for the region to open the Public Expenditure Reviews being planned in several ECA countries.

Participation in budgeting, through analyzing budget impacts on different groups, particularly the poor and vulnerable, or preparation of alternative budgets could also serve as tools for more active citizen engagement in policy. Participation could involve monitoring national and regional budgets and budgetary processes; research and analysis; and dissemination of materials through budgetary training and media. The Institute for Democratic Alternative in South Africa (IDASA) Budget Information Service (BIS) provides a good example of how to disseminate its material to civil society and legislatures to enhance citizen participation in the budget process. BIS tracks how money is spent on the poor, and produces critical, accessible analysis on budgetary and socio-economic issues. Their priorities are enhancing the advocacy and policy-making efforts of civil society and legislatures, and fostering participation as a way of increasing consensus around the economic choices government has to make. In the region, the Russian municipality of Obninsk has begun to post budgetary information on their web to encourage public discussion of economic priorities; this local initiative should be followed closely as a potentially useful example of adapting participatory budgeting to ECA.

Another example of inclusive budgeting comes from Gujarat, India, where the Development Initiatives for Social and Human Action (DISHA) began analyzing budgets in 1992 to learn what was happening to funds allocated to tribals under the Tribal Area

through a participatory process involving domestic stakeholders and external development partners, lay out the country’s macroeconomic, structural and social policies and programs, as well as external financing needs, for promoting growth and reducing poverty over the coming three years.
B. PROMOTE SOCIAL INCLUSION AND COHESION

In the last decade, concepts of social exclusion and inclusion have come to dominate the development paradigm. Different national discourses emphasize different aspects of exclusion, such as economic, social, and/or political. Yet there is general consensus that the inability of individuals or segments of the population to participate fully in the economy, in social life, and in political processes reduces social solidarity, augments social rifts and tensions, and slows social development. Many forms of social exclusion and discrimination are rooted in pre-socialist as well as socialist-era relations. However, economic hardship and political turmoil have increased the marginalization of groups already excluded for social and/or cultural reasons.

Given mounting evidence that high levels of exclusion and inequality can reduce growth and undermine poverty alleviation, promoting inclusion must be central to social development activities in ECA. To date, even in the “advanced reformers” of CEE, not all segments of the population have equal opportunities to participate in their societies. The reasons include patterns of ethnic tensions dating to the socialist or pre-socialist period, or long-standing social patterns that traditionally denied the voice of certain groups and limited their participation in public life.

This focus on marginalized groups seeks to improve the fit between Bank-assisted investments and the needs and priorities of our ultimate clients – the poor, particularly those with social or cultural attributes that further exclusion. The first step in this process is to increase our knowledge of marginalized groups and of the processes and consequences of social exclusion. This knowledge will provide the basis for engaging in intensive policy dialogue with client governments and operationalizing these findings to promote social inclusion. The following paragraphs discuss Bank initiatives underway to promote inclusive societies, and suggest potential directions for furthering the inclusion of individuals and/or social groups (defined according to age, gender, disability, ethnicity, or other relevant characteristics) as full-fledged participants in economic, political, social, and cultural life.

Develop the commitment and institutional capacity of client governments for implementing policies of inclusion.

Here, the Bank will contribute by engaging in intensive policy dialogue with the political and administrative levels of client governments. For example, in the context of reviews of public expenditures, regulatory frameworks, and programs of state reforms,
but varying according to the specific country context, the Bank will discuss programs for:
(a) influencing the enabling environment and regulatory framework for addressing
systematic employment discrimination against particular groups; (b) protecting the
cultural integrity of minorities and ensuring equality and rights of the disabled; (c)
developing child and youth targeted social policies to protect access to services and
develop outreach; and (d) developing information dissemination to deepen awareness of
gender-based violence and disability issues.

**Deepen understanding of regional and gender-based forms of exclusion and identify specific interventions to address them.**

Addressing regional imbalances due to increased rural isolation, migration from economically depressed or conflict regions is a significant social development issue in ECA. The decline of collective agriculture, impoverishment of the countryside, mass unemployment in dying one-company towns, armed conflict and displacement of populations, and massive labor migration have led to significant regional imbalances and isolation. In such regions, the rupture of political, economic, social, and cultural ties, which bound people to their communities has fundamentally changed the bases for social cohesion. It will also be important to learn more about isolated or small towns in the rural economy, to identify the actual or potential role they do or could play in providing services to rural areas in absorbing excess agricultural labor, and alleviating problems of rural poverty. Such analysis should provide the basis for identifying specific investment projects aimed at both small town development and alleviation of rural poverty.

In this connection, analysis of the impact of large-scale migration on sending and receiving communities, either related to closure of mining communities or to rural migration into urban centers, is important. Such analysis is contributing to projects such as the Russian Northern Restructuring Project, where ways are being explored to assist people wishing to relocate from economically depressed or environmentally degraded communities. Social assessments will continue to be of importance for designing or improving mitigation programs for directly affected individuals. In Albania, the Urban Land Management Project seeks to provide essential urban infrastructure to recently settled outskirts areas populated by rural migrants to Tirana, involving beneficiaries in prioritizing services, planning and financing the project as part of the project’s cost recovery method through user associations.

**Gender issues have so far received limited attention in the ECA region.** Part of the reason is that the focus of attention so far has been on developing the macroeconomic institutions seen as vital for surviving the transition. The economic and social upheaval of the transition has had different, but arguably equally traumatic impacts on both men and women. Wide-scale male unemployment has undermined the traditional role of men as principal family breadwinners. This change has affected the structure of authority and relative bargaining power of men and women within the household, and introduced uncertainties in gender relations that are reflected in declining marriage rates, and increasing numbers of female-headed households and children living in single-parent families. Inability to live up to role expectations and the related decline in self-esteem
appear to be related to the recorded sharp increases in alcoholism, suicide and mortality rates among men, as well as increased levels of domestic violence. For women, the feminization of poverty, gender-based job discrimination, loss of state support for childcare, poor maternal health care, poor political representation, gender-based violence, and the dramatic increase in trafficking of women have also emerged as serious issues that impact gender relations and warrant immediate attention.

A first step in this direction is a regional gender strategy, currently under preparation in the Human Development Department. Another significant activity underway is a Country Gender Review for Ukraine. The Ukraine Gender Review will provide support for gender mainstreaming in Bank operations in the country, including the Country Assistance Strategy, policy dialogue, adjustment lending, and sector-wide assistance to investment lending at project level, as well as help in building an institutional culture that is more responsive to gender issues. The activities in this exercise include a review of activities that have been carried out by the World Bank, donors, and national and international NGOs active in the country; consultations with different stakeholders in Ukraine to identify national gender priorities; and internal planning meetings with sectoral staff and management to draw up an action plan to guide gender-related lending and non-lending activities within each programmatic sector in the country. It is expected that the Ukraine Gender Review will also help to determine areas for training and capacity building on gender for Bank management and staff in operations.

**Deepen understanding of the impact of sectoral reforms on the vulnerable, and identify mechanisms to mitigate adverse impacts.**

Improving the regulatory regimes in different sectors in ECA entails strengthening payment discipline (cutting off non-paying consumers if necessary), as well as eliminating production subsidies and closing down uneconomic production facilities. There are inherent contradictions, however, between the objectives of: (a) restructuring utilities and industries to promote efficiency; and (b) safeguarding livelihoods and protecting the poor against the adverse economic and social impacts of job loss and increased utility costs. Working with sectors to address these concerns can take different forms. Dialogues with client governments must be informed by analytical work that gives insight into the differential impact of these reforms on different individuals or groups.

Social Assessments of coal restructuring in Bulgaria, Poland, Romania, Russia, and Ukraine, along with an ongoing comparative study, have explored the social consequences of enterprise restructuring and the related divestiture of social assets. These assessments analyze the impact of layoffs on redundant workers, opportunities to find new livelihoods, and the adequacy of policy measures and support services, in order to improve social mitigation policies and design interventions to promote job creation. The insights gained from these analyses will inform CAS and CDF in client countries.
It will also be important to undertake work to better understand the impact of agricultural restructuring and asset divestiture. In the Energy sector, more information is needed on how households are likely to respond to tariff increases. Even if targeting is used to reduce inequities that arise from the extra burden on the poor, if prices are set for maximum cost-recovery and efficiency, the poor may sharply reduce consumption (with resulting health and safety problems), or resort to illegal cutting of trees for fuel (resulting in deforestation). Similarly, in the Social Protection sector, sector work to identify vulnerable individuals or groups (such as street children or ethnic minorities) and their special needs, and to isolate barriers that prevent people from accessing social assistance (active discrimination; ignorance of rights; difficult registration procedures; lack of service orientation), will be useful for tailoring programs and forms of outreach. In the Urban sector, sector work is needed to better understand the impacts of current or potential price increases on the urban poor; and the social implications/costs of the emerging spatial reorganization of cities according to income levels that accompanies the market-induced development of the housing market.

**Develop specific investments to reach out to and improve the access of the disadvantaged and vulnerable to services.**

The region is already giving attention to improving the *access of vulnerable groups to social services*. Interventions are already underway, for example, the innovative Lithuania Social Policy and Community Social Services Development Project piloted deinstitutionalization of disabled children and provision of community-based services to diverse groups such as the elderly, battered women, alcoholics, and former prisoners. The Romania Child Welfare Services Project and an initiative in Armenia are exploring alternatives to the institutionalization of children. Social Investment Funds (SIFs) will also be used to fund social services to vulnerable groups. Such a SIF is now under preparation for Ukraine. The Street Children Initiative, now underway, is using findings from a ten-country study to formulate programs to tackle the complex problem of abandoned or neglected children. The Moldova SIF is piloting social services delivery to vulnerable groups. The reduction of gang and drug-related violence among youth is also emerging as a serious social development issue for the Bank. These forms of violence disempower large segments of the population and impede economic growth. Although the Bank does not directly tackle problems of crime and violence, it already factors in these issues through the restructuring of social assistance programs and improvement of outreach to vulnerable groups. The Macedonia Youth project has identified new outreach approaches, including community-based schemes with private sector involvement to target at-risk children and youth. This project will also engage youth in designing programs on their behalf.

*Many ECA countries contain minority populations that experienced some form of discrimination and or exclusion long before the transition.* Inclusion of the Roma, for example, is a long-standing problem in the CEE and SEE, where they constitute a large and severely marginalized ethnic group. The requirements of acceptance into the EU have provided considerable impetus to tackle this issue. Yet despite numerous programs managed by governments and NGOs, evaluation and assessment has been neglected. In
partnership with the EU, the World Bank can make an important contribution by evaluating programs targeting the Roma, with reference to the extent to which these programs respect language needs, cultural integrity, and preferences. The Bank has recently completed a large study investigating the exclusion of Roma from economic opportunities and access to social services in five CEE countries; the findings will be reflected in policy discussions relating to the Roma with client governments. Additionally, several Institutional Development Fund grants support government capacity building. The Macedonia Post-Conflict grant, for example, focuses on increasing preschool enrollments of Roma children, and the Social Development Fund in Romania will incorporate special outreach mechanisms for Roma. Additionally, the Bank will identify projects that can incorporate specific outreach and targeting mechanisms for addressing Roma exclusion.

In other countries, greater attention should be paid to the development interests of indigenous people. In Russia, for example, interventions that impact the northern and far eastern regions must take into account the damage caused during the industrial development of traditional territories, acknowledge the rights of indigenous people to continue or return to traditional life styles, and incorporate greater commitment to support habitat protection necessary for ensuring their livelihoods. The approach should combine institutional, social and economic assistance from the state and international organizations, in cooperation with the private sector, particularly local extractive enterprises, to facilitate legal, social, and economic development of communities.

C. REDUCE RISK OF CONFLICT AND SUPPORT SUSTAINABLE TRANSITIONS IN COUNTRIES WHERE CONFLICT HAS EMERGED

The direct impacts of violent conflict include casualties, displaced populations, destruction of physical capital, heavy military expenditures, and remaining dangers such as landmines, which reduce the ability of rural populations to practice agriculture. These impacts frame the context for social development, not only in conflict countries, but also in neighboring countries that may suffer damage or be forced to receive displaced populations. Conflicts can set back social and economic development in affected countries by decades. Major social impacts include polarization between warring groups, the rupturing of long-standing ties of trust and reciprocity, and weakening of governance, including the functioning of public sector organizations responsible for service delivery. Addressing conflicts in ECA requires recognition of the specific geopolitical, cultural, and historical issues that impinge upon each conflict. These considerations in some cases restrain what the Bank can do. In other cases, international political dynamics put external pressure on the Bank to act quickly and expeditiously.

The World Bank faces a range of challenges in its response to conflict. It must integrate a concern for conflict into its vision of sustainable development. Where conflict has emerged, the Bank cannot fully disengage from societies at war but should do what it can, based on its comparative advantage and its mandate, to ameliorate the impacts of conflict on affected populations. Finally, the Bank must work to ensure that its investments in post-conflict reconstruction take account of the key social issues in
transitions, in order to lay the foundations for sustainable development and facilitate the transformation of post-conflict societies into areas of peace and the rule of law.

Since conflict does not adhere to national boundaries, responding to conflict in ECA requires a regional perspective. While the individual dynamics of conflict in specific countries are critical, the links between conflicts in neighboring countries represent an important piece of the puzzle. In the former Yugoslavia and Soviet Union, previously internal conflicts have become inter-state simply by virtue of state breakup. The conflict in Tajikistan has at times been linked to the conflict in neighboring Afghanistan. The Caucasus, Dagestan and Chechnya, located in Russia, and Abkhazia and South Ossetia, in Georgia, have influenced each other. The conflict in Kosovo carries dangers of altering the potentially volatile dynamics between Macedonians and Albanians in the FYR of Macedonia.

Understand the country and region-specific roots of conflict, and identify ways to reduce risk.

Finding ways to reduce the risk of conflict and its potential impact on societies, institutions and households should be an important part of World Bank activity in the ECA region. Analysis must identify and take into account the existence of significant social groups (whether identified by ethnicity, religion, language, region or other “markers”) and measure development trends for each group, as well as by household, to identify potential fault lines or sources of tension. The traditional realm of economic analysis should expand to include members of society outside the borders of the state, such as illegal migrants, illegal and legal guest workers, diasporas, or ethnic groups, which straddle national boundaries.

A regional approach that expands the Bank’s horizon past the nation-state and explores opportunities for regional analysis and action, multi-national programming, and regional investments is essential. A beginning has been made in locating Azerbaijan, Georgia, and Armenia in one country unit in the Bank; similarly, Albania, Macedonia, and Bosnia and Herzegovina have also been grouped together. This approach also takes into account the fact that country policies and programs are not neutral. Interventions can increase the likelihood of conflict, while others can help reduce or minimize it. The Ferghana Valley Assessment is an example of a potential approach to reduce tensions in the area by carefully exploring the impact of potential Bank interventions in Uzbekistan, the Kyrgyz Republic, and Tajikistan on a region with a history of and potential for further conflict.

The work of the Bank can benefit from integrating analysis of conflict and conflict potential more fully into Country Assistance Strategies and Poverty Reduction Strategy Papers, to ensure that interventions ameliorate rather than exacerbate tensions. Thus, interventions must be designed by balancing concerns of efficiency with those of equity among competing social groups, as part of a larger strategy for maintaining social stability.
Maximize the ability to maintain appropriate levels of engagement in countries with ongoing conflict.

The World Bank needs to remain engaged, within the parameters of its mandate, through “watching briefs” and other activities, in situations where conflict is ongoing. In Kosovo, the Bank was involved for several months in analytical work to ensure its ability to respond quickly and appropriately when peace eventually came. Without this early preparation, the task of reconstruction would have been much more difficult. Similar work is ongoing in the South Caucasus to prepare needs assessments in the event that the Nagorno-Karabakh conflict is decisively resolved. Where security concerns or legal mandate limits the Bank’s early preparation, as for Kosovo during the early phase of conflict, analytical work can still continue. Where conflict-affected areas are accessible and the Bank maintains an active portfolio, as in Georgia and Azerbaijan, Bank assisted activities can be initiated at an early stage such as the pilot reconstruction program under implementation in Azerbaijan and the Social Fund for Development of Internally Displaced Persons, now beginning to invest in community-based micro-projects among IDPs.

Through investments, rebuild social cohesion and promote reintegration in countries emerging from conflict.

Programs are necessary to assess: (a) the impact of conflict reduction programs and humanitarian assistance on processes of reconciliation and reintegration, particularly in the South Caucasus and in the Balkans; and (b) the socioeconomic impact of conflicts on neighboring regions or countries. Beyond the reconstruction of physical hardware, Bank involvement in post-conflict countries will focus on the equally critical task of social reconstruction – restoration of livelihoods, a sense of security, and social trust – and the reintegration of those most vulnerable to and affected by conflict – children and youth, war widows, the war disabled, demobilized combatants, and displaced populations – into local economies and societies. In conflict areas, young people whose education has been disrupted by war and who are now facing bleak employment prospects are searching for an identity and a positive future. It will be important to provide economic, social, and cultural opportunities as an alternative to nationalism, criminal activity, or socially deviant behavior.

Further efforts will be made along the lines of the Kosovo Community Development Fund Project, which supports conflict-affected and other vulnerable groups through community level micro-projects. In Croatia, a project to support the reintegration of returnees is to be launched in several communities with the support of a post-conflict grant. A similar effort is beginning in Azerbaijan through a social fund designed to target currently displaced populations from the Nagorno-Karabakh conflict. The Bank is also working with the government of Georgia, UNHCR, and other partners to develop a “new approach” to enhance self-reliance of IDPs from the Abkhazia and South Ossetia conflicts.
D. CONCLUSION

To carry out this strategy, the region must continue to work on improving and strengthening internal processes. Cultural sensitivity on the part of region staff, more systematic training to introduce staff to country-specific cultural and social concerns, and more vigilant attempts to broaden genuine stakeholder participation at every level, will benefit both analytical work and successful project interventions.

Analytical work can benefit from greater collaboration with academic and intellectual communities in the ECA countries, but this collaboration depends on greater sensitivity to local concerns, as well as greater openness among ECA staff to the methodologies and forms of presentation preferred by ECA social scientists. Building on already established (Central Asia) or planned (Southeast Europe) social science networks can help revitalize formerly existing ties among the social science community within the ECA region, as well as enhance mutual learning between Bank staff and ECA counterparts.

The region can improve the impact of projects by more effective mainstreaming of social development concerns. One way will be to draft sectoral guidelines which highlight potential opportunities (or risks) posed by interventions in a given sector to contribute to better governance and institutions, to increase inclusion of marginalized groups, and to reduce risk of conflict and promote social cohesion. These guidelines should also suggest monitoring and evaluation indicators for examining the social development impact of projects.

The proposed strategy is clearly general; while it provides an overall framework, local decisions about priorities and types of interventions must emerge over time. This is a process that must work within real institutional and resource constraints and therefore must be continuously reviewed and updated as constraints change. The World Bank’s role is to assist ECA governments and their populations to determine social priorities, identify sustainable socio-economic policies, and increase local capacity for implementing the agreed upon policies and projects. As emphasized above, the Bank’s strategy is to support a process for achieving sustainability – a process that must involve all key actors in the region. This document is only one element in a broader set of Bank activities designed to contribute to equitable social development in the region.
# ANNEX 1: POPULATION BY NATIONALITY

<table>
<thead>
<tr>
<th>Country</th>
<th>Ethnic group</th>
<th>Percent in Population</th>
<th>Country</th>
<th>Ethnic group</th>
<th>Percent in Population</th>
</tr>
</thead>
<tbody>
<tr>
<td>Armenia</td>
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<td>Belarussians</td>
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<td></td>
<td>Germans</td>
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<td>Other</td>
<td>6.4</td>
<td></td>
<td>Kazakhs</td>
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<td>Ukraine</td>
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<td>Other</td>
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<td></td>
<td>Other</td>
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<td>Ukrainians</td>
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<td>Russians</td>
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<td>Kyrgyz Republic</td>
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<td></td>
<td>Germans</td>
<td>2.4</td>
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<td></td>
<td></td>
</tr>
<tr>
<td></td>
<td>Other</td>
<td>7.3</td>
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<td>Tajikistan</td>
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<td>62.1</td>
<td>Estonia</td>
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<td>Uzbeks</td>
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<td>Russians</td>
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<td>Russians</td>
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<td></td>
<td>Other</td>
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<tr>
<td></td>
<td>Other</td>
<td>6.9</td>
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<tr>
<td>Turkmenistan</td>
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<td>Uzbekistan</td>
<td>Uzbeks</td>
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<td>Russians</td>
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<tr>
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<td>Uzbeks</td>
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<td>Tajiks</td>
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<tr>
<td></td>
<td>Other</td>
<td>11.4</td>
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<td>Kazakhs</td>
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Source: Heleniak, forthcoming.

Note: Figures for Turkmenistan are a 1999 estimate provided by Timothy Heleniak.
## ANNEX 2: RECOMMENDED ACTIVITIES AND SECTOR UNIT ROLES

<table>
<thead>
<tr>
<th>Recommended Activities</th>
<th>Primary Responsibility</th>
<th>Role of Social Development Unit</th>
</tr>
</thead>
<tbody>
<tr>
<td><strong>Promote fair and effective institutions</strong></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Analysis of formal/informal institutional relationships and corruption</td>
<td>SD and PREM</td>
<td>Carry out analyses as part of Social assessments and as self-standing AAA.</td>
</tr>
<tr>
<td>Judicial reform with focus on access and outreach to marginalized groups</td>
<td>PREM and LEG</td>
<td>Help with Social Assessments and identification of specific mechanisms to reach marginalized groups</td>
</tr>
<tr>
<td>Support for government and NGO anti-corruption activities</td>
<td>PREM and SD</td>
<td>Help with civil society involvement and design of specific community-based mechanisms.</td>
</tr>
<tr>
<td>Institutional analysis of public sector organizations with a focus on informal relationships; legitimacy among population</td>
<td>PREM/SD Joint Assessments</td>
<td></td>
</tr>
<tr>
<td>Social assessments of restructuring and privatizing large-scale industrial and financial enterprises</td>
<td>SD with support from PREM and relevant Sector Units and IFC</td>
<td></td>
</tr>
<tr>
<td>Analysis of social impacts of agricultural privatization on rural communities</td>
<td>SD with ECSSD and Rural Sector</td>
<td></td>
</tr>
<tr>
<td>Incorporate findings from institutional analyses into PRSP, CAS and CDF</td>
<td>SD with Country Units and PREM</td>
<td></td>
</tr>
<tr>
<td>Promote government-NGO partnerships as alternatives, where appropriate, to government provision of services</td>
<td>HD/ECSSD/PREM/ ECSIN</td>
<td>Support in design of mechanisms for collaboration and consultation processes.</td>
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<tr>
<td>Train Bank staff as mediators and facilitators to nurture productive government-civil society partnerships</td>
<td>WBI</td>
<td>Provide support to WBI in design of mechanisms.</td>
</tr>
<tr>
<td>Promote an enabling environment for civil society through legal reform and improved tax and civil codes</td>
<td>PREM with strong involvement of SD</td>
<td>Help in arranging consultation process and identification of main issues.</td>
</tr>
<tr>
<td>Social analysis of informal social and political networks and to identify ways to scale up CDD</td>
<td>SD</td>
<td></td>
</tr>
<tr>
<td>Expand projects with CDD</td>
<td>All Sector Units</td>
<td>Support for the design of participatory and impact monitoring mechanisms. SD will also pilot new approaches with self-standing projects.</td>
</tr>
<tr>
<td><strong>Recommended Activities</strong></td>
<td><strong>Primary Responsibility</strong></td>
<td><strong>Role of Social Development Unit</strong></td>
</tr>
<tr>
<td>---------------------------</td>
<td>---------------------------</td>
<td>-----------------------------------</td>
</tr>
<tr>
<td><strong>Promote social inclusion and cohesion</strong></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Identify marginalized groups, analyze processes and consequences of their exclusion, including discrimination in formal and informal economies</td>
<td>HD/ PREM/ SD</td>
<td>Organize qualitative assessments.</td>
</tr>
<tr>
<td>Develop innovative, community-driven models of social service provision</td>
<td>HD</td>
<td>Support of SD in design of participatory mechanisms.</td>
</tr>
<tr>
<td>Evaluate programs targeting Roma</td>
<td>HD/ SD</td>
<td></td>
</tr>
<tr>
<td>Develop projects for mobilizing Roma cultural assets for community building and poverty reduction</td>
<td>HD/ SD and other Sector Units</td>
<td></td>
</tr>
<tr>
<td>Through intense policy dialogue, encourage client governments to improve regulatory frameworks to better address issues of: labor market discrimination; human rights issues; cultural integrity of minorities; gender equality; rights of disabled; youth policies</td>
<td>CU and all sector units</td>
<td>SD will help in developing the information base through social assessments or other mechanisms.</td>
</tr>
<tr>
<td>Develop clear mechanisms for stakeholder involvement, including revitalizing ties with social science communities</td>
<td>SD</td>
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<tr>
<td>Bring together information and data on gender-based violence, street crime, and gang and drug-related violence</td>
<td>PREM/ HD in poverty assessments or other initiatives</td>
<td>Social assessments and pilot projects.</td>
</tr>
<tr>
<td>Analyze causes, forms, and incidence of gender-based violence, including domestic violence, harassment at workplace, violence during conflicts and wars, and sexual trafficking of women and girls</td>
<td>HD and SD</td>
<td></td>
</tr>
<tr>
<td>Analyze youth-related problems (drug/ alcohol abuse, narcotics trafficking, gangs/ militias, prostitution)</td>
<td>HD, ECSIN, and SD</td>
<td>Social assessments and pilot projects.</td>
</tr>
<tr>
<td>Target at-risk youth on a community-based approach with private sector involvement</td>
<td>SD and HD</td>
<td>Social assessments and pilot projects.</td>
</tr>
<tr>
<td>Analyze impact of large-scale migration</td>
<td>PREM</td>
<td></td>
</tr>
<tr>
<td>Investment projects to assist relocation of people from economically/ environmentally depressed communities</td>
<td>HD/ SD</td>
<td></td>
</tr>
<tr>
<td><strong>Recommended Activities</strong></td>
<td><strong>Primary Responsibility</strong></td>
<td><strong>Role of Social Development Unit</strong></td>
</tr>
<tr>
<td>----------------------------</td>
<td>----------------------------</td>
<td>-----------------------------------</td>
</tr>
<tr>
<td><strong>Reduce the risk of conflict</strong></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Expand traditional economic analyses to include members of society outside state borders (illegal migrants, guest workers, diasporas)</td>
<td>PREM</td>
<td>SD can help with social analysis of these groups.</td>
</tr>
<tr>
<td>Assess development trends and differential impact of development activities on social groups to identify potential sources of tension</td>
<td>SD</td>
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<tr>
<td>Develop a regional approach to analyze the potential for development interventions to increase or reduce risk of conflict, as in Ferghana Valley</td>
<td>SD</td>
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<tr>
<td>Integrate analysis of conflict and conflict potential into CASs, PRSPs, and CDFs</td>
<td>SD</td>
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<tr>
<td>Assess impact of conflict reduction programs on reconciliation, re-integration, and social reconstruction of communities</td>
<td>SD with HD</td>
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</tr>
<tr>
<td>Assess impact of conflict on vulnerable groups, particularly women and children</td>
<td>SD</td>
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</tbody>
</table>
REFERENCES


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**STUDIES COMMISSIONED FOR THIS REPORT**

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