



THE STATUS OF THE MILLENNIUM DEVELOPMENT GOALS IN THE UNECE REGION

Patrice Robineau

DIVERSITY WITHIN THE UNECE REGION

Covering the whole European continent, North America, and Central Asia, the UNECE region is characterized by a tremendous diversity in its levels of economic development. Most countries of North America and Western Europe belong to the group of high-income countries, with levels of GDP per capita well above \$20,000³⁷. A number of other European countries, including many of those who joined the EU after 2004, have an intermediate level of GDP per capita, usually between 10,000 and 20,000. Finally, the countries of Eastern Europe, Caucasus and Central Asia (EECCA) and South Eastern Europe (SEE) have reached a lower level of economic development and their GDP per capita are below \$10,000.

Overall, the GDP per capita of the EECCA and SEE region is very close to the corresponding average of Latin American countries, with a few countries in Central Asia and Eastern Europe showing very low levels of available income. Countries such as Tajikistan and Uzbekistan have a GDP per capita well below \$2,000 and Moldova is slightly above \$2,000; many African economies rank higher in terms of income: for example Morocco and Egypt are well above \$4,000, Cameroon and Ghana are above \$2,000 and Rwanda is at the same level as Tajikistan (about \$1,200).

This situation is reflected in the degree of achievement of the Millennium Development Goals (MDGs) within the UNECE region: while the MDG targets have largely been reached in the countries of North America, Western and Central Europe, a significant number of them are still a challenge for most of the EECCA/SEE countries. Overall, following the collapse of central planning and dissolution of the USSR and Yugoslavia, these countries recorded a decade long transitional recession which can be seen from the fall in GDP by: 20 per cent in central Europe; 30 per cent in South-East Europe; and 50 per cent in much of the former Soviet Union. In addition to the fall in income, much of the institutional structure supporting social services fell apart as well, resulting in rising unemployment, poverty, and inequality.

³⁷ GDP per capita refers to 2005 and is expressed in US Dollars, at prices and PPPs of 2000

POVERTY REDUCTION (MDG 1)

According to recent data, the EECCA/SEE countries have overall recovered from this economic recession thanks to sustained economic growth between 2000 and 2005. This growth was largely due to a favourable global environment, including low interest rates and high commodity prices and to a much lesser degree to institutional reforms and modernizing the economy to compete on global markets. However, the pace of economic growth was very diverse and, in terms of GDP per capita, it varied between 80 per cent increase in Armenia and Azerbaijan to less than 10 per cent in The former Yugoslav Republic of Macedonia.

This economic performance has substantially reduced the level of poverty (MDG 1), however in an uneven manner. Spectacular economic growth has not always gone in parallel with falling poverty levels. This clearly shows that economic growth, while often being an important requirement, should be accompanied by specific policies designed to improve living conditions of the entire population; more generally, pro-poor policies are needed to combat poverty.

In the resource rich countries, the benefits of growth resulting from commodity exports have not trickled down to the poorest population, this being due in particular to a lack of investment in new job generating activities and an insufficient redistribution of the surplus through income transfers or targeted social programmes. For the low income countries, the significantly lower growth rate has not been mitigated so far by an official development assistance (ODA) level commensurate with the financing needs of these countries for a substantial poverty reduction. Another major reason for the persistence of poverty is the employment situation: with a very few exceptions such as Armenia, Moldova and Ukraine, the activity rate between 2000 and 2005 in EECCA countries has stagnated, and even declined in some cases. Overall, it stayed within the range of 45 to 55 per cent, except for the Russian Federation where it is stable at 66 per cent.

Regional and ethnic dimensions of poverty

The need for specific measures to improve the living conditions of some disadvantaged groups within the population is also highlighted by the territorial and ethnic dimensions of poverty. The pace of economic and social development can be very different within countries and it may happen that some regions lag behind. For example, even in a country like Kazakhstan, which has experienced impressive economic growth since 2000, some important regional differences remain. Thus, the proportion of the population living under the national poverty line varies between less than 3 per cent (Almaty, Astana) to more than 25 per cent in some regions of the west and the south. Different reasons explain the high incidence of poverty in these regions: if long-standing problems of the agriculture sector, deteriorated by environmental disasters (Aral Sea desiccation) and emigration of young labour force, can explain the poverty incidence in Kyzylorda oblast, other causes are behind the high poverty levels in the Atyrau oblast, where workers of the oil and gas sectors enjoy very high wages but the access of the local population to such jobs is clearly difficult.

Other examples, such as the case of the Roma population in Eastern and South-Eastern Europe, show that specific population groups can remain excluded from economic and social development if not accompanied by specific inclusion measures. For example, in the years around 2000, in Serbia, Romania and Albania the percentage of the population living on under \$2 per day was between 20 and 40 per cent among Roma communities, while the same indicator was below 5 per cent for the rest of the population, according to data of the United Nations Development Programme.

In summary, while a trend towards poverty reduction can be observed in the EECCA/SEE countries, there is still a large proportion of the population in a situation of relative poverty, with part of it still living in absolute poverty (under 2\$ a day). Such a situation affects, in particular, rural areas, the unemployed and unskilled labour, ethnic minorities, retired and elderly persons, single parent households and persons with health problems.

GENDER DIMENSION (MDG 3)

Much progress is still needed to achieve full equality in the opportunities for men and women. Growth has not diminished inequalities in economic opportunities among men and women. In EECCA and SEE, the recent return to high levels of women's participation in the labour market usually reflects their flexibility in accepting low paid jobs. So women's jobs are increasingly concentrated at the lower-end of the labour market and this is combined with a moderate share of women in managerial and decision-making positions despite high levels of women's education. Such "mismatch" is clearly a loss in terms of efficient use of resources. This form of segregation in the labour market could be illustrated by a persistent wage gap where women earn on average

much less than men, the most disadvantaged female workers being those living in the Russian Federation, Kazakhstan, Armenia and Georgia, where the wage difference between male and female employees has floated around 40 per cent over the last years. Moreover, data from recent years show that even in periods of economic growth the pay gap has not fallen, with the exception of a few countries such as Armenia and Ukraine.

Lower wages combined with cuts and a deterioration of public services, including in child care (kindergartens) and a move towards market based pension system, has made women more prone to poverty. The feminization of poverty is especially seen among young women (including single mothers), those living in large families and older women. This pattern is typical for EECCA and SEE but also in other UNECE member countries as it is rooted in a male bread-winner bias in labour market institutions and welfare provisions, which leave unaccounted women's unpaid work.

Women face also important obstacles in getting positions in public decision-making bodies: the share of women in national parliaments is still marginal and only three countries of EECCA and SEE show a percentage higher than 20 per cent: Moldova (22 per cent), The former Yugoslav Republic of Macedonia (28 per cent) and Belarus (29 per cent), while in eight countries the same share remains well below 10 per cent. The picture is even worse when considering the composition by sex of national governments: the share of women among ministers is in fact below 10 per cent in 13 countries of the region.



CHILD MORTALITY (MDG 4)

If the general trend of child mortality is positive and many countries of the region show a declining pattern, international estimates of child mortality suggest that, for a number of countries, the pace of decrease is not fast enough to achieve the MDG target by 2015 (i.e. reducing child mortality by two-thirds). In particular, in the countries of Central Asia and Azerbaijan the child mortality is estimated to be between 60 and 100 deaths per 1,000 live births: this means that, depending on the country, 6 to 10 children out of 100 do not achieve 5 years of age. From a policy perspective there's a need to maintain or even increase the focus of health expenditure on primary health care and structures.

HIV AIDS AND TUBERCULOSIS (MDG 6)

According to recently released estimates by UNAIDS, the number of people living with HIV in EECCA is about 1.6 million³⁸, compared to 630,000 in 2001. The Russian Federation and Ukraine are two countries highly affected by HIV and they accounted for almost 90 per cent of newly reported HIV diagnoses in 2006. Drug injecting remains the most frequent mode of transmission, but it appears that the percentage of HIV transmission due to unprotected sexual intercourse is growing and in some countries there is evidence that HIV prevalence among female sex workers is increasing. Countries in the region are putting in place systems to monitor the spread of the epidemics and, in some cases, the increasing number of newly reported HIV cases can also be seen as a progressive improvement of the sentinel system. However, it appears that the epidemic is not yet under full control: for example, the Russian Federation had promising results between 2001 and 2003 (with a decline of new HIV reported cases from 87,000 to 34,000) but recent data have shown an upward trend over the last years (39,000 reported cases in 2006).

Another health problem affecting both EECCA and SSE countries is represented by the re-emergence of tuberculosis. This disease had long been considered as being under control in all of these countries; however, the situation deteriorated in the second half of the 1990s and, despite measures put in place to control tuberculosis, recent data show that it is spreading and is far from being stopped. Incidence rates of tuberculosis (number of new cases per 10,000 population, per year) are particularly high in Central Asia, where they are usually between 120 and 140, but in Tajikistan almost 200 new cases per 10,000 were recorded in 2005. Moreover, tuberculosis still affects countries such as the Russian Federation (119), Romania (134) and Moldova (138). The spreading of this disease in such countries can be better appreciated when considering that its incidence rate in countries of the EU25 is around 20.

³⁸ According to UNAIDS, the estimate is included in the interval between 1.2 and 2.1 million.

PIPED WATER (MDG 7)

Access to safe water (MDG 7) remains a problem in a number of EECCA/SEE countries. The most recent data on the percentage of households reached by piped water show that good infrastructures exist in urban areas (usually more than 80 per cent of urban dwellings have piped water), while the percentage of dwellings connected to water pipes is still very low in rural areas (in ten countries of the region less than 30 per cent of rural dwellings have piped water). The need to invest substantially in primary infrastructures is therefore essential for the provision of water for domestic use in rural areas, which is a critical factor to preserve public health and carefully manage natural resources.

NET OFFICIAL AID (MDG 8)

A critical factor to support countries in their efforts to achieve the MDGs is financial aid from developed countries. In the UNECE region, 17 countries have received sustained financial assistance over the last decade, especially from member states of the Organisation for Economic Cooperation and Development: all EECCA countries, except the Russian Federation, and all non-EU SEE countries, except Turkey. They received \$5.7 billion in 2005 or 5.4 per cent of worldwide ODA (3.4 per cent to SEE, 2.0 per cent to CIS). Serbia and Montenegro received the largest amount in the SEE region (\$1.1 billion), and Ukraine in the EECCA region (\$410 million).

An important portion of such aid has been channelled to countries of South East Europe: Bosnia and Herzegovina, Serbia, The former Yugoslav Republic of Macedonia and Albania have often received more than \$100 per capita over the last decade. In the most recent years, Armenia and Georgia have also been supported significantly (between \$60 and \$80 per capita), while the three poorest countries of the region (Tajikistan, Kyrgyzstan and Moldova) usually received less than \$40 per capita, even if data for 2005 show an encouraging increase especially for Kyrgyzstan and Moldova (respectively \$52 and \$40 per capita). Some re-thinking of the distribution of international aid among EECCA and SEE countries is probably necessary, even if international support always needs to be directly correlated to countries' capacities to absorb it. For example, the high ratio of net official aid to GDP in countries like Tajikistan and Kyrgyzstan (about 11 per cent) should also be taken into account in future allocations of financial assistance.

This brief review of trends suggests the following conclusions:

- Achievement of the MDGs is still problematic in Central Asia, the Caucasus, and to a lesser degree in South-East Europe. The most challenging ones relate to poverty, gender equality, child mortality, HIV/AIDs, tuberculosis, and access to water.
- These challenges for the achievement of the MDGs are particularly acute in rural areas, for women as well as for some ethnic minorities.
- The MDGs are a global partnership; the advanced economies need to do more in terms of ODA and other forms of cooperation and support.

The United Nations plays a crucial role in sensitising Governments, other international organizations, civil society and the private sector on the MDGs, mobilizing them for joining efforts in reaching these goals by the set deadline of 2015, and closely measuring and monitoring progress in this perspective. But the role of the United Nations does not stop there. It also analyses the ways and means to overcome obstacles and accelerate progress by bringing forward suggestions for action in policy terms. The major challenge, therefore, is to consider the set of policy options which can best accelerate progress toward achieving the MDGs in the region.

A crucial issue in this respect is the countries' overall approach to economic and social policies. While growth is a key factor for poverty eradication, it is unlikely to prove sufficient for attaining a number of the targets. This is especially true of those goals that relate to non-income aspects of poverty, e.g. regional, ethnic and gender disparities, and weaknesses in the education and health systems. In other words, economic growth should be sustained while taking a pro-poor path, and should be accompanied by specific policies for improving the living conditions of the entire population.



Central to this objective of making the growth process more inclusive is the need to direct more investment into activities that have a more direct impact on the lives of the poor while also providing increased growth prospects. The conventional approach of promoting macro-economic stabilization policies, as a basis for sustained growth, combined with specific measures targeted to the poorest segment of the population, may need to be refined towards a more holistic approach. This includes not only revisiting macroeconomic policies but engaging in structural policies which would aim at maximizing job creation and put more emphasis on investment in human capital in such areas as improved primary education and basic health care.

Along this line, an important issue at stake is the use of the growth dividend. In some of the EECCA and SEE the current growth dividend and the resources being made available by high commodity prices are not being directed sufficiently towards human capital investment. Access to quality education and health services is now increasingly determined by income levels due to government cuts in public spending and the privatization of many of these services. In addition, even access to public (free of charge) health services often requires direct payments (“bribes”) to medical personnel. If not countered, this deterioration in the access to and quality of health and education services may not only reduce longer-term growth but may further increase inequalities and de facto discrimination, thus making achievement of the MDGs for the poorest part of the population even more unlikely.

The low income countries of the UNECE region are confronted with an additional challenge as they have not benefited from a substantial growth dividend because they lack commodities to export. They subsequently rely on significant resource transfers in the form of ODA. Not only is there a need for these aid levels to be increased but they need to be better targeted to humanitarian objectives and investments in human capital.

In summary, an inclusive development process in the region requires a policy mix which combines macroeconomic policies enabling a sustained growth process; structural policies to maximize job creation through geographical and sectoral diversification of activities; and social policies geared towards combating gender and ethnic discrimination and ensuring universal access to education and health. In other words, not only do more resources need to be targeted to the specific MDG goals but the overall development strategy needs to be holistic by giving equal emphasis to:

1. Social Policies

- Non-income aspects of poverty in EECCA and SEE need more attention to prevent the erosion of their main asset in a global economy – that being their high quality human resources both of men and women.
- Access to education and health resources needs to improve. In this respect, a key policy issue is how to redefine the responsibilities of the state, private sector and individuals for the delivery of universal social services in the context of a market economy.
- Ethnic and gender discrimination need to be addressed through legal and economic means. Discrimination creates not only inequality but economic inefficiency. There is a need for inclusion measures. This “mismatch” is clearly a loss in terms of the efficient use of resources.

2. Structural Policies

- A number of legal and economic policies can be implemented to further encourage the creation of small and medium-sized enterprises and self-employment; extra resources should be provided for geographical areas with the highest levels of poverty; more investment is needed in labour intensive activities and funding for active labour market policies; the large informal sector with no social benefits needs to be reduced.
- The access to finance for the poor needs to be improved by developing the banking and financial systems. Policies or extra resources may need to be devoted to improving credit access for female entrepreneurs.
- Environmental policies need to ensure that the population has access to safe drinking water, proper sanitation, and healthy working conditions.

3. Macroeconomic Policies

- Given that the poor are particularly negatively impacted by economic downturns, fiscal policy needs to be more counter-cyclical so that cyclical fluctuations can be reduced.
- Social safety nets need to be effectively designed so that they provide needed assistance while also promoting a flexible and efficient economy.
- The resource-rich economies need to diversify out of resource-intensive sectors in order to stimulate employment and long-run productivity growth.
- The region's economies are small and can greatly benefit from increased trade and migration; thus borders need to be kept open.
- The reform process of converting from planned to market economies needs to be intensified instead of reversed.

4. Political Policies

- The unresolved political conflicts in some parts of the UNECE region need to be addressed as the lack of stability is a major factor limiting investment and growth.
- The political process needs to be made more inclusive so that the disenfranchised have a voice; increased political influence for the poor can be important in ensuring that government policies and resources address their needs. Civil society has played a key role in a number of countries in this regard and their involvement needs to be encouraged.

The external environment should not be omitted in such policymaking. In this respect, fostering subregional and regional economic integration is a key – although often underestimated or even sometimes forgotten – aspect of an holistic and pro-MDGs development approach because opening borders and facilitating trade are powerful factors for growth and poverty reduction. The UNECE contributes to this objective of economic cooperation and integration, in particular through its activities in the areas of trade facilitation, border crossing, and pan-European and Euro-Asian transport links. In addition, its activities in the fields of the environment, forestry and sustainable energy contribute to the goal of achieving environmental sustainability (MDG 7) while its activities for empowering women in the economic life serve the goal of promoting gender equality (MDG 3).

Furthermore, like the other regional commissions and as stated in its 2005 reform, the UNECE ensures the regional monitoring of MDG trends through statistical information and offers a platform for all stakeholders to share their views and experience in the implementation of the goals which are still a challenge for a significant number of its member States.