

Foreword

Poverty was not a central issue confronting policymakers a decade ago when Europe and Central Asian countries started embarking on the transition from plan to market. The general expectation was that poverty was limited, and that where it existed, it was very shallow. The presumption was that growth would come quickly as countries moved forward with the transition process, and that, with good labor mobility and high levels of education, it would reduce the incidence of poverty rapidly. Poverty was believed to be largely transitory in nature, and best addressed through the provision of adequate safety nets.

A decade or so later, it is clear that many of these suppositions have not materialized. The collapse in output was more severe than anticipated and the recovery in growth was much slower to come, especially in the CIS countries. The increase in inequality that occurred in many countries was also much larger than anticipated. Narrow sets of private interests, rather than the broader public good, have dominated the policy agenda in many countries and have derailed the reform process. Together these factors have given rise to a virtually unprecedented increase in poverty in the region. Moreover, there is a core group of very poor—notably the long-term unemployed and socially excluded—that is likely to be bypassed even by strong economic growth. And despite notable achievements in the education and health sectors in the past, both systems are under strain and are increasingly working to the detriment of poor families and the long-term economic mobility of their children.

Making Transition Work for Everyone: Poverty and Inequality in Europe and Central Asia offers a detailed look at the nature of poverty in transition countries, the factors that have contributed to the diverse outcomes across the region, and the institutional and policy issues involved in raising living standards and reducing social exclusion. Drawing heavily on the framework of promoting opportunities, facilitating empowerment, and enhancing security on which the *World Development Report 2000/01: Attacking Poverty* is based, *Making Transition Work* focuses on the specific challenges facing the transition countries. It is an important contribution to our ongoing reflections about how we at the World Bank can work most productively with our clients and partners to reduce poverty. It is meant to stimulate debate. I hope it will be useful in forging a broad consensus on the actions needed to bring about better lives for the poor during a period of unparalleled economic, social, and political change.

Johannes F. Linn
Vice President
Europe and Central Asia Region