4. A Social Development Strategy for the ECA Region

Introduction

This chapter assesses the trends and the range and impacts of current and emergent social issues in the ECA region, and describes the current and proposed policy and operational approaches to these problems. It aims to provide a coherent statement on World Bank principles and priorities for social development in ECA, and incorporates the results of consultations with social development specialists and sector and country units in the Region. It also draws on existing analytical work by the World Bank, by international donors, and by academic research institutions worldwide.

For World Bank staff, it aims to provide 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’s position on social development issues in the ECA Region and its current and proposed activities designed to address these issues.

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

The 27 ECA countries, while diverse, 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 that 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 the Region’s political and economic regimes set in motion a chain of events that led to an initial dramatic decline of production and growth, an increase in poverty and inequality, and the rupturing of traditional social relationships and coping mechanisms. New political, social, and economic opportunities have since emerged for broad segments of the population, particularly in the countries seeking 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 and on their ability to see beyond their differences and to generate a sense of shared societal goals. We must pay particular attention to the social inclusion and cohesion of societies at risk of or having experienced civic or ethnic conflict, either of which can entirely destroy the benefits of economic growth. It should be stressed that in the ECA Region, economic and social development are intrinsically interdependent and therefore demand an integrated cross-sectoral approach.

This chapter is divided into two major sections. The first section analyzes the nature and magnitude of social issues in the Region. The discussion is organized around three mutually overlapping themes: (a) patterns of gover-
nance 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 that seeks to address these issues and to thereby improve the development effectiveness of Bank-supported investments. The Bank has social safeguard policies to ensure that its interventions do not have adverse social consequences, but this chapter additionally outlines areas in which the Bank can do more to ensure that its interventions have positive consequences for the economic and social well-being of people in the ECA Region.

Historical Background of Social Development Issues in ECA

Since 1990, people living in ECA countries have experienced radical changes of polity, society, and economy. The speed and magnitude of economic and political change was much faster and more disruptive in this region than in any other part of the world, in part because socialism was all-embracing, penetrating the political, economic, and social life of the region; while socialism provided security, it also discouraged initiative and limited the room for innovation. Despite official Party hegemony, most socialist institutions functioned on both a formal and an informal level, where-in people used their personal connections to obtain scarce goods and services and wherein practice belied official ideology. The contradictions between ideology and practice contributed to the pervasive cynicism, as well as the 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, the depth of change has altered the basis that previously existed of social cohesion. In some countries this has undermined the effectiveness of traditional family- and community-based coping mechanisms. Generally, most EU-accession countries have demonstrated encouraging progress; most countries in the CIS and in Southeast Europe (SEE) are in contrast characterized by varying degrees of deepening poverty and the marginalization of some segments of the population (table 4.1).

It is evident that the post-socialist societies are neither necessarily nor 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 that we hope will be helpful for conceptualizing change and designing interventions. This model recognizes that although the post-socialist countries resemble 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 that each had developed. In 1990, although some regimes had introduced a degree of liberalization, socialism appeared to be 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, and their populations now enjoy greater personal and political freedom. Greater space has also opened up for economic innovation. At the same time, collapse of output, disruption of trade, and the informalization of economies has forced considerable change at the level of institutions and organizations, and in some cases has made them obsolete. Captured or partial privatization programs have introduced huge inequalities and facilitated the rapid spread of corruption. In some weaker states, heightened competition for resources has exacerbated social tensions and catalyzed destructive civil conflict.

### Risks and Opportunities in ECA

#### Patterns of Governance and Institutions

The “Return to Europe” and the Move toward Democratic Governance and Institutions. The EU candidate countries differ in the extent to which the new institutions are responsive and accountable to citizens and in the extent to which informal groups and networks wield control, exert influence, and broker relationships between public and private sectors. For many, the prospects of joining the global economy and the EU have proven a powerful catalyst for putting in place institutional reform and strengthening the

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### Table 4.1. Absolute Poverty Rates of ECA Transition Economies

<table>
<thead>
<tr>
<th>Country</th>
<th>Survey date</th>
<th>Headcount Index at $2.15/day</th>
<th>Headcount Index at $4.30/day</th>
<th>1998 GNP ($ per capita)</th>
</tr>
</thead>
<tbody>
<tr>
<td>Kyrgyz Republic</td>
<td>1998</td>
<td>49.1</td>
<td>84.1</td>
<td>380</td>
</tr>
<tr>
<td>Russia</td>
<td>1998</td>
<td>18.8</td>
<td>50.3</td>
<td>2,260</td>
</tr>
<tr>
<td>Albania</td>
<td>1998</td>
<td>11.5</td>
<td>58.6</td>
<td>810</td>
</tr>
<tr>
<td>Latvia</td>
<td>1998</td>
<td>6.6</td>
<td>34.8</td>
<td>2,420</td>
</tr>
<tr>
<td>Poland</td>
<td>1998</td>
<td>1.2</td>
<td>18.4</td>
<td>3,910</td>
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</tbody>
</table>

Note: The poverty headcount numbers are based on the international poverty lines of $2.15 and $4.30 per person per day.

rule of law. In addition, many of these countries had the advantage of beginning reform 10 years ago, and had independent institutions already in place. Some EU-accession countries naturally lag behind others, however—the danger remains that EU rejection of aspirant countries that fail to meet its standards may potentially provoke a nationalist and authoritarian backlash.

The CIS: Mixed Authoritarian and Democratic Trends. Given their longer history of state socialism, most CIS countries incorporate in their governance both authoritarian and democratic tendencies. Belarus, Turkmenistan, and Uzbekistan in particular limit citizen participation. In Uzbekistan, confusing and arbitrarily enforced legislation 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 underfunding, contradictory formal and informal roles, fragmentation, and lack of horizontal communication. The inaccessibility and lack of dependable of institutions has encouraged the burgeoning of informal alternatives—in some countries, the introduction of the market has simply increased the opportunity to directly bribe officials. Innovation and more participatory local-level governance are nonetheless emerging in some regions: the city of Obninsk in Russia, for example, recently set up an Internet site to publicize its budget and to 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 collapse in 1997 of 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 have reduced the capacity of public sector institutions to prepare or implement policy. Integration of the Croat–Bosnia Federation and the Republika Srpska has not really taken place, in part due to the parallel political institutions set up by the Dayton Accords. Neither group functions 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 have seriously hindered transparency and equity in many CIS countries. For many decades, these enterprises were characterized by a network of informal relationships and patterns of obligation and reciprocity among management, workers, and suppliers. Even with privatization, much of this pattern has survived, creating a disconnect between the new organizational structure and the behavior and expectation of stakeholders. In many cases, the old networks continue to shape the functioning of the enterprises in nontransparent and poorly understood ways.

The Reemergence of Civil Society. Although its mobilization contributed to the collapse of socialism, civil society remains weak and fragmented. In part, although 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 volunteerism have impeded civil society development. In the CIS in particular, most trade unions and business organizations remain under state control and cannot really be considered part of civil society. In parts of the CIS, but more so in CEE and SEE, the collapse of socialism nonetheless 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 also putting increasing energy into NGOs, although this sector faces difficulties—many NGOs are poorly funded, they are concentrated in urban areas, they are “underinstitutionalized,” and they are poorly accountable to their members or to the donors who fund them. The tax regimes of most countries are furthermore not conducive to local philanthropy, and donor funding and specific program demands have created some interdependency among local NGOs. Finally, in the 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 populations of ECA with a cynical disdain for collective action and a profound distrust of national and local government institutions. Although these institutions are in the process of reform and change, lack of clear lines of responsibility and authority between the central and the regional, municipal, and community-level institutions, as well as power struggles within and between levels, has impeded the attainment of better service delivery and better interaction with citizens. People have nevertheless begun to search
for ways to address their 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 to deliver services that were previously the responsibility of the state. 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 successfully 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 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 presocialist and socialist social relations, economic hardship and political turmoil have accelerated the marginalization of some groups and set in motion the marginalization of new ones.

Loss of Familiar Gender Roles and Identities. Although unemployment rates do not exhibit any strong systematic bias against women in ECA countries, qualitative studies report pervasive discrimination based on age, appearance, and maternal status; they also report 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 afford the new fees. Women who are no longer able to contribute to their household’s cash earnings have experienced an erosion of their authority in the family and a diminishment of their sense of status and voice in society; the falling availability of jobs has also encouraged a return to the presocialist gender role of female submission. In addition, a rise in the number of divorces and of male desertions has left some women to bear the sole responsibility for their families (table 4.2).

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

The Alienation of Poor Children and Young People. Throughout ECA, children and young people have been disproportionately affected by impoverishment, the collapse of social services, and reduced opportunities, all of which threaten their ability to compete in society. The number of children in residential institutions has increased significantly in the last 10 years and is now estimated at 820,000, 60 percent of whom are labeled as “defective” (disabled). Rising poverty, unemployment, family breakups, war, and displacement have also contributed to the dramatic emergence of street children in many cities in ECA. Studies suggest that the number of children living on the streets ranges from 1 percent to 3 percent of the population; in Russia alone, the number of street children is estimated at 1 million (table 4.3).

While the 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 diminishing opportunities with increased drug and alcohol consumption and, particularly among young males, suicide. Teenage pregnancies are also increasing. In many rural areas, schools and clubs no longer fund extracurricular activities and the village bar is often the only available entertainment. Gang

| TABLE 4.2. GENERAL DIVORCE RATE  
(Number of divorces per 100 marriages) |
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<tbody>
<tr>
<td><strong>Country</strong></td>
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<tr>
<td>Czech Republic</td>
</tr>
<tr>
<td>Hungary</td>
</tr>
<tr>
<td>Latvia</td>
</tr>
<tr>
<td>Russia</td>
</tr>
<tr>
<td>Kyrgyz Republic</td>
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</tbody>
</table>


<table>
<thead>
<tr>
<th>TABLE 4.3. CHILDREN IN INFANT HOMES</th>
</tr>
</thead>
<tbody>
<tr>
<td><strong>Country</strong></td>
</tr>
<tr>
<td>Czech Republic</td>
</tr>
<tr>
<td>Estonia</td>
</tr>
<tr>
<td>Russia</td>
</tr>
<tr>
<td>Moldova</td>
</tr>
<tr>
<td>Kazakhstan</td>
</tr>
</tbody>
</table>

activity and crime have also increased. Between 1989 and 1995, the share of crimes committed by juveniles rose and the level of violent crime increased; in the same period, 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 (table 4.4).

Emerging Marginalization of the Aged and the Disabled. The quality of life of older people has generally deteriorated, particularly among the very elderly and those who lack the support of extended families. The most badly impoverished typically cut back sharply on their consumption of utilities, food, and medical treatment, particularly when their pensions may be their only source of cash. Some pensioners live in unrelieved social isolation, ashamed to seek the help or company of others. Compoundind these problems, pensions have become vulnerable to dysfunctional institutions, political maneuvering, and petty corruption.

In an environment of widespread unemployment, it is the disabled who are the least likely to find new employment, and many consequently feel that they have lost an important component of their social identity. Despite the constitutional protection in many countries of the rights of the disabled, few countries are able to enforce these rights, with the result that many disabled people are unable to fully participate in the political, social, educational and cultural life of their communities. In countries including Bulgaria and Georgia, however, activist organizations have formed that are vigorously pushing for the implementation of formal rights for the disabled.

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 countries of the former Soviet Union, for example, Russians are a sizable minority. In the Baltic countries, the forcible resettlement of Slavic populations in the aftermath of the Second World War and the exile of indigenous Baltic populations created deep tensions. Since independence, these tensions have found expression in exclusionary citizenship laws in Latvia and in the deepening social and political isolation of the Russian-speaking population living in the depressed northern rust-belt communities of Estonia.

In the countries of Central and Eastern Europe, the Roma, who constitute the Region’s most significant minority, have suffered disproportionately from the transition. Their deepening exclusion is an extension of their socially and economically marginal position under socialism. As enterprises downsized, Roma were among the first to be laid off; discrimination against them and their general lack of skills means they are additionally the most likely to remain unemployed. With the privatization of land being based on the principle of restitution, Roma who formerly worked in collective agriculture have no access to land. Many now reside in ghettos on the periphery of rural or urban settlements, and have little access to municipal services. Few Roma children progress beyond basic education, due to a pervasive discrimination that often results in their being labeled mentally disabled. In a recent positive development, however, Roma communities have received a powerful boost from the European Union, as EU-accession countries try to improve their human rights record and as NGOs have turned their attention to improving health, education, and employment opportunities.

Criminality, Violence, and the Trafficking of Drugs and Persons. Impoverishment and weakened state controls have facilitated the growth of street and organized crime throughout the ECA Region. The problem is also extending into Western Europe. Criminal cartels, some organized along ethnic lines and operating throughout Europe, do billions of dollars of business smuggling goods and trafficking arms, drugs, and persons. Drugs are becoming a major part of the informal local economy in different parts of ECA, particularly in the Balkans and in Central Asia. The lack of economic opportunities at home and social dislocation have significantly increased the number of children, of both sexes, and women involved in the sex industry. According to the International Organization for Migration (IOM), as many as 500,000 women have been trafficked to Western Europe alone, and Ukraine, Russia, and Belarus have replaced Thailand and the Philippines as the center of the global trafficking of women.

### TABLE 4.4. MALE AND FEMALE SUICIDE RATES, AGES 5–19
(Per 100,000 relevant population)

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<tbody>
<tr>
<td></td>
<td>M</td>
<td>F</td>
<td>M</td>
</tr>
<tr>
<td>Czech Rep</td>
<td>3.6</td>
<td>0.8</td>
<td>5.1</td>
</tr>
<tr>
<td>Slovenia</td>
<td>4.5</td>
<td>2.3</td>
<td>11.5</td>
</tr>
<tr>
<td>Estonia</td>
<td>13.2</td>
<td>2.4</td>
<td>13.1</td>
</tr>
<tr>
<td>Russia</td>
<td>5.0</td>
<td>2.3</td>
<td>11.8</td>
</tr>
<tr>
<td>Kazakhstan</td>
<td>6.1</td>
<td>3.8</td>
<td>13.5</td>
</tr>
</tbody>
</table>

The Widening Gap between Urban and Rural Conditions.
As rural enterprises have been closed or privatized, they have transferred their social assets to municipalities that typically lack the funds to maintain them. As a result, the social and physical infrastructure in rural areas has 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 better means of communication—and importantly, to better information about economic opportunities and legal rights. Most international donor and relief agencies and other NGOs are concentrated in capital cities. Free from the scrutiny of the media and international organizations, local authorities are able to persist with socialist-style top-down, authoritarian government, and rural populations thus remain vulnerable to the violation of their economic, political, and civil rights.

The Demise of One-Company Towns. Socialist governments constructed enormous enterprises, many built around defense production or extractive industries such as mining, that functioned as virtual cities. Closures and downsizing have created significant unemployment and pockets of vulnerability. In some mining towns, unemployment has hit women particularly hard, since auxiliary services and clerical workers have typically been laid off before underground workers. Large numbers of younger, skilled, and entrepreneurial people are leaving in search of work, but the difficulties of finding affordable housing, paying to relocate, and obtaining information about alternative employment, as well as the fear of cutting ties with local support networks, mean that most are reluctant to move.

The Impact of Large-Scale Migration. Regional inequities and the redrawing of the political map have triggered a massive population movement. New diasporas, created when state borders were redrawn, have prominently emerged. Many of the 25 million Russians living outside the country have migrated to Russia, and other titular nationalities have returned to their homelands. Peoples deported under Stalin, such as the Meshkhetian Turks and Crimean Tatars, are returning to their homelands. Their return has been complicated by the difficulties of movement across the new international borders and by the economic collapse of receiving communities. Although some migration constitutes a positive shift toward a more rational population distribution, in the short run, migrants overburden the physical and social infrastructure of receiving communities and typically create problems of cohesion.

Ethnic Conflict, War, and Displacement
Twenty-one of the 27 ECA countries are new states that must craft national identities, new bases for legitimacy, and definitions of citizenship. Armed conflicts have broken out, affecting—with the exceptions of Russia and Bosnia—mainly the poorest countries. These 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 that followed the emergence from the Soviet Union and Yugoslavia of new sovereign states. Fragile new government institutions are in place in Bosnia-Herzegovina, but peace in the Balkans otherwise remains tentative; in the South Caucasus, ongoing negotiations have failed to produce a durable settlement over Abkhazia and Nagorno-Karabagh or an acceptable resolution for the large indigenous displaced persons (IDP) populations 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 also remains vulnerable to conflict, and through slowing economic recovery any conflict in the Central Asian countries would provide more opportunity for the illegal trade of drugs and arms from Afghanistan. The conflicts in ECA have destroyed lives, livelihoods, and assets and they have torn communities apart. Large numbers of people today are displaced in their own countries or as refugees, many of them uncertain as to their legal status in their host country.

Current and Planned Activities in ECA
World Bank activities in this area 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. We have identified those issues that fall within the Bank mandate and in which the Bank has a comparative advantage. Our social development activities in ECA countries aim to achieve the following:

• Support the development of equitable and transparent institutions, good governance, and reduced corruption, and thereby to support civil society development.
• Support client governments and institutions to better respond to the needs and priorities of the poor and vulnerable through active policies of social inclusion.
• Reduce incentives for and the impacts of conflict, and assist countries emerging from conflict to
rebuild social cohesion and 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 in complying with Bank safeguards in Bank interventions. Other tools available for mainstreaming these objectives include specific pilot projects and active policy dialogue with client governments and nongovernmental stakeholders in the context of Poverty Reduction Strategy Programs (PRSPs), Comprehensive Development Frameworks (CDFs), and participatory CASs.

Promote Transparent, Accountable, and Effective Institutions and Organizations

New patterns of governance and institutional functioning are emerging in ECA, albeit in a limited fashion. In many countries of the CIS (less so in CEE), the privatization process has remained partial or has been captured by vested interests. Given their reduced mandate, public sector organizations are also being reorganized and new rules of the game are evolving. In many cases, however, these informal rules subvert the development of more open, transparent, and accountable institutions and of more participatory forms of governance.

Grass roots and other civil society organizations have also emerged throughout the ECA Region. Important strides toward development of this sector have taken place in all but the more authoritarian and repressive states of the CIS and SEE. While they now operate throughout the entire ECA Region more freely and independently of the state, civil society organizations remain weak, poorly organized, and concentrated in urban areas. Civil society is central to a development agenda of empowering people to act on their own behalf, and to participate effectively in governance. In the area of governance and institutions, the objectives listed below therefore guide World Bank interventions.

The Bank’s Agenda Stresses the Importance of Promoting Good Governance, Including the Rule of Law and Reduction in Corruption

The Bank has recently completed an extensive analysis of governance and corruption in ECA. Several projects have directly addressed issues of corruption, rights, and the rule of law—for example, reform of the tax and customs administration in Latvia, judicial reform in Georgia, and anticorruption initiatives in Albania. The ECA Region will continue to support local NGOs working to deal with corruption, including Coalition 2000 in Bulgaria and other established NGOs such as Transparency International. It is anticipated that recently introduced activities such as the Global Distance Learning and the Global Gateway initiatives can contribute to these efforts by providing information on issues of rights.

The Bank Is Working with Countries to Help Mitigate the Adverse Social Impacts of Programs for Privatization and Restructuring of Large Enterprises and Land

Social Assessments are already underway to explore the social consequences of the restructuring of financial and industrial sectors and of the enterprise divestiture of social assets in Romania, Bulgaria, and Poland. These assessments analyze the impact of layoffs on redundant workers, the opportunities to find new livelihoods, and the adequacy of policy measures and support services in order to improve social mitigation policies and to design interventions to promote job creation. Another study is underway in Kazakhstan that will revisit 30 farms five years after privatization to identify the patterns of privatization and their impacts on households and communities. The insights gained from these analyses will inform the CASs and PRSPs and set the CDF agenda in client countries.

An Important Part of Improving the Fit between Bank-Assisted Investments and the Needs and Priorities of the Excluded is Developing Clear Mechanisms for Stakeholder Involvement at All Levels

The Bank contributes by listening to the diverse stakeholder groups and engaging them constructively with government in the development of policies and mechanisms for more equitable distribution of the costs and benefits of Bank-supported investments. We achieve this by building partnerships with NGOs, by engaging academic and intellectual communities, and by building upon ongoing work with social science networks to help revitalize former ties among the social science community within the ECA Region. The Bank is scaling up a current initiative, the Central Asian Social Scientist Network, to include more social science networks to help social science networks to help revitalize former ties among the social science community within the ECA Region. The Bank is working with governments, local-level institutions, and NGOs to develop participatory mechanisms for the PRSPs.

The Bank Works to Actively Support and Strengthen Civil Society by Helping Governments Build an Enabling Environment for the Growth of Civil Society Organizations and by Facilitating Sharing of Information, Ideas, and Technical Expertise between Governments and Civil Society

The Bank, in coordination with other donors, promotes an enabling environment for civil society organizations through its activities in promoting legal reform. The recently estab-
lished ECA NGO Working Group provides a forum for discussing these relationships and the impact of Bank interventions. A challenge for ECA countries is to create adequate incentives and screening procedures so that NGOs involved in public policy and service delivery are authentic, accountable, and adequately representative of their members’ interests. By promoting partnerships between government and NGOs, the Bank assists governments to work out alternatives to state provision of services. The Albania Social Services Delivery Project, for example, is helping the government fulfill its former functions of service delivery through developing partner-ships at central and local levels that will fill gaps in that delivery.

In Line with the Bank Agenda, the ECA Region Promotes the Development of Communities That Are Cohesive and That Can Act on Their Own Behalf

In the ECA Region, the focus on community-driven development (CDD) has already proven successful in many sectors; for example, in irrigation projects with water users association components, in rural credit and micro-finance projects, in social investment funds, in condominium associations, and in community-based natural resource management. In order to adopt a more systematic approach to CDD, Romania, Armenia, the Kyrgyz Republic, and Albania have been identified as pilot countries in which CDD issues will be taken up in the dialogue on state reforms and in which careful attention will be given to innovation and impact monitoring. As indicated in the Rural Development and Environment strategies, emphasis will be given to cross-sectoral projects that concentrate on building local-level capacity, with the goal of scaling up CDD. For example, CDD approaches will be more explicitly included in projects that work with parent–teacher associations to take over aspects of school management, or that help local communities manage primary health care and develop local health insurance schemes. In some cases, this work will involve support for community management of cultural assets. Beginning these projects with a social analysis of power relations, informal social networks, and social capital at the community level will help identify ways that CDD can build on informal traditions of collaboration, create an environment conducive to the growth of community-based organizations that are culturally sensitive, and introduce mechanisms that ensure maximum inclusion as well as equitable distribution of benefits.

New Directions for Action

Judicial reform is a key aspect of empowering individuals and promoting rule of law. In order to help identify coun-

try- and culture-specific dynamics of corruption in different organizational settings, current Bank efforts at tackling issues of corruption and rule of law will be accompanied by analysis taking into account formal and informal institutions. These 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 will help formulate effective outreach programs for these groups. This is particularly important given the fundamental shift underway in legislative and legal frameworks that threatens to affect access to such legal information and counsel.

The mixed success of privatization programs suggests that the Bank should provide more thorough analysis of the privatization process in the CIS and SEE to better identify the official and unofficial functions that states and restructured enterprises still perform, and how continuation of these functions affects privatization. Such institutional analysis of public sector organizations will examine the formal and informal relationships within and between institutions, and the degree of legitimacy and trust that the population confers upon these institutions.

Promote Social Inclusion and Cohesion

Promoting inclusion is important to ensure that everyone can participate in society and benefit equitably from the available economic opportunities. Throughout ECA, and even in the advanced reformers of CEE, certain segments of the population are being excluded from these opportunities because of individual or group attributes such as age, gender, disability, minority status, or location. Increasing levels of personal and social violence have contributed to these processes of exclusion. The following paragraphs discuss existing Bank initiatives to promote inclusive societies, as well as areas within which work by the Bank and other donor agencies might assist the inclusion of individuals and/or social groups as full-fledged participants in economic, political, social, and cultural life.

Special Attention Is Given to Community-Driven and Community-Based Models of Social Service Provision to Improve the Access of Vulnerable Groups to Social Services

Interventions include the innovative Lithuania Social Policy and Community Social Services Development Project, which has piloted the deinstitutionalization of disabled children and the 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 community alternatives to the institutionalization of
children. Social Investment Funds (SIFs) will also be used to fund social services to vulnerable groups—one such SIF is now under preparation for Ukraine. The Street Children Initiative, now underway, is using findings from a 10-country study to formulate programs to tackle the complex problem of abandoned or neglected children. The Moldova Social Investment Project is piloting the delivery of social services to vulnerable groups. A project is being prepared in Albania to pilot approaches to building social capital in three Albanian towns, and the Macedonia Community Development and Culture Project will pilot development of community-based socioeconomic development activities around five cultural sites.

Inclusion of the Roma, Particularly Where They Constitute a Large and Severely Marginalized Ethnic Group, Is a Serious Challenge for CEE

The requirements of acceptance into the EU have provided considerable impetus to tackle this issue. Despite numerous programs managed by governments and NGOs, however, evaluation and assessment of this problem has been neglected. In partnership with the EU, the Bank can make an important contribution by evaluating programs targeting the Roma, with reference to the extent to which these programs respect cultural integrity and preferences. The Bank has recently completed a large study investigating the exclusion of Roma from economic opportunities and from access to social services in five CEE countries. Additionally, several IDF 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.

Addressing Regional Imbalances due to Increased Rural Isolation, Migration from Economically Depressed, or Conflict Regions Is a Significant Social Development Issue in ECA

Analysis of the impact on sending and receiving communities of large-scale migration—for example, of migration related to closure of mining communities, or of rural migration into urban centers—is important. Such analysis is contributing to projects such as the Russian Northern Restructuring Project, which is exploring ways to assist people wishing to relocate from economically depressed or environmentally degraded communities.

New Directions for Action

Thus far, sector- and country-specific data on issues such as discrimination in the labor market based on gender, age, and ethnicity remain incomplete and therefore inconclusive. Analytic work on the forms of discrimination in both formal and informal economies must be undertaken prior to the formulation of more effective and realistic antidiscrimination policies and of the development of appropriate training or targeted income-generation interventions. Such work should help identify specific components that can address issues of access for projects across sectors.

Efforts to promote inclusion will not be limited to projects. We need to build the commitment of client governments, and they must develop the institutional capacity for implementing appropriate policies. Here, the Bank will contribute by engaging in intensive policy dialogue at 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, and varying according to country, the Bank will discuss: (a) programs for influencing the enabling environment and regulatory framework that would address systematic employment discrimination against particular groups; (b) the protection of the cultural integrity of minorities, ensuring equality and rights of the disabled; (c) the development of child- and youth-targeted social policies that would protect access and develop outreach; and (d) the development of information dissemination to create awareness of gender-based violence and disability issues.

The reduction of gang- and drug-related youth violence and gender-based violence are emerging as serious social development issues 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 indirectly addresses these issues through the restructuring of social assistance programs and the improvement of outreach to vulnerable groups.

Reduce the Risk of Conflict and Rebuild Social Cohesion

The major social impacts of violent conflict include polarization between warring groups, destruction of trust and reciprocity, and the weakening of governance. The lack of stability and the lack of property security also seriously hinder development. Addressing conflict requires recognition of the specific geopolitical issues that impinge upon each conflict and a response based on a Regional perspective.

Consistent with Bank Operational Policy Regarding Sensitivity to Country- and Region-Specific Roots of Conflict, the ECA Region Identifies Ways to Avoid Exacerbating Conflict

Bank analysis takes into account the ethnic or religious groups within a society, including members of that society
that exist outside the borders of the state, such as illegal migrants, legal and illegal guest workers, populations subject to diaspora, and ethnic groups that straddle national boundaries. It is essential that our approach goes beyond the state and that it explores the opportunities for regional analysis and action, multinational programming, and regional investment. The ECA Region has made an important beginning in this direction by clustering conflict countries in the Caucasus, in Central Asia, and in the Balkans into single Country Units. The Ferghana Valley Assessment is an example of a Bank program and dialogue that seeks to avoid exacerbating tensions in the subject area, in this case by adopting a regional perspective that includes Uzbekistan, the Kyrgyz Republic, and Tajikistan. Refugee impact studies, such as the one completed in Albania after the Kosovo crisis, additionally aim to identify ways to encourage spontaneous community initiatives for responding to the refugee crisis.

In order to promote reconciliation and rebuild social cohesion in countries emerging from conflict, programs are necessary to assess: (a) the impact of humanitarian assistance on the processes of reintegration, particularly in the South Caucasus and in the Balkans; and (b) the socioeconomic impact of conflicts on neighboring regions or countries. Beyond physical reconstruction, Bank involvement in post-conflict countries also increasingly focuses on social reconstruction, including the restoration of livelihoods and of social trust, and on the social and economic reintegration of those most affected by conflict, including children and young people, war widows, the war disabled, demobilized combatants, and displaced populations. Future Bank efforts will be made along the lines of the planned Kosovo Community Development and Culture Project, which aims to improve living standards and to reduce tensions by fostering civil society initiatives that will build social networks in the context of activities celebrating the shared history and culture of multiethnic Prizren.

New Directions for Action
The Bank will in future integrate analysis of conflict and conflict risk more fully into its project work and into strategy documents such as CASs and PRSPs. Our goal is to ensure that interventions ameliorate rather than exacerbate tensions, for example, by balancing concerns of efficiency with those of equity among competing social groups.

Conclusion
While this program can provide an overall framework, it must be understood that local decisions about priorities and types of interventions will change over time. As a process that must work within real institutional and resource constraints, our activities must also be continuously reviewed and updated. The World Bank’s role is to assist ECA governments and their populations in determining social priorities, identifying sustainable socioeconomic policies, and increasing local capacity for implementing the agreed policies and projects. The Bank’s key role is to support a process for achieving sustainability—a process that must involve all key actors. This document is only one element in a broader set of Bank activities designed to contribute to equitable social development in the region.

Given our budgetary constraints, we have been obliged to exercise considerable selectivity in determining new areas for Bank intervention. For instance, under the broad objective of promoting rule of law, Bank activities will be limited to promoting judicial and legal reform within which the private sector, civil society, and human rights organizations can all flourish. The Bank has no comparative advantage over other international organizations working on the legal foundations for democratic electoral processes. Likewise, to support the objective of improving governance, the Bank will concentrate on promoting institutional reform, effective policy implementation, and appropriate decentralization, rather than on directly tackling the maintenance of law and order or security. We must similarly be selective when promoting social inclusion and cohesion, and in this area have chosen to focus on the inclusion of vulnerable groups rather than on dealing directly with the symptoms of exclusion, such as gang- and drug-related violence.

The Bank program in ECA will be shaped through an ongoing process of learning-by-doing. Innovative pilot projects and experiments that incorporate continuous social impact monitoring, or that are combined with action research, will provide an important basis for this learning. The Bank can also learn from the activities of its partners, including international and local NGOs, governments, and other donors, and we will disseminate this learning as part of our emerging role as a knowledge Bank. In our analytical work, we can benefit from greater collaboration with the academic and intellectual communities of the ECA countries, but this collaboration will require greater sensitivity to local concerns and greater openness among ECA staff to the methodologies and forms of presentation preferred by ECA social scientists. By building on established social science networks, we can additionally help revitalize former ties within the social science community of the ECA region and thereby enhance the mutual learning experience between Bank staff and our ECA counterparts.