Eastern Europe and the Former Soviet Union: Economic Change, Social Welfare and Aid

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odi SPECIAL REPORT

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Contents

List of Tables

Appendix Tables

List of Figures

OUTLINE OF THE STUDY

There is a considerable diversity in social conditions amongst the Eastern European and former Soviet republics. Prior to the reform period, some of the states were among the poorer middle income countries and they are now experiencing further declines in their economic conditions. This study seeks to consider if the income levels in some states are so low and the effects of reform likely to be so severe that some groups of the population are potentially vulnerable to changes in their food and health status and so may require particular measures of support. It also examines total aid to the region to consider the extent to which aid addresses these social impact issues.

The study is organised as follows: Chapter 1 presents profiles of basic socio-economic and other indicators of social welfare for the four lower middle income Eastern European countries (Albania, Bulgaria, Poland and Romania) and the former Soviet republics. These indicators are compared with those for Portugal, the poorest EC economy; Turkey, which borders some of the Caucasian republics of the former Soviet Union; and overall statistics for Sub-Saharan Africa.

Chapters 2 and 3 concentrates on two key sectors whose performance is of particular importance in determining the status of food security in Eastern Europe and the former Soviet republics: agriculture and trade. Chapter 2 presents a discussion of the agricultural sector, focusing particularly on the former Soviet Union and examining the past structure of the country's agro-food industry, including the role played by individual republics. The Albanian and Romanian agricultural sectors are also examined since these two countries are currently facing problems in the production and availability of food. Chapter 3 briefly considers the impact of the dissolution of the Council of Mutual Economic Assistance (CMEA) and the disintegration of intra-Soviet trade for Eastern European countries and the former Soviet republics.

Chapter 4 analyses the effect of two factors - the economic changes, brought about by the disintegration of the Soviet Union, and the implementation of economic stabilisation measures - on food security and the nutritional and health status of vulnerable groups. The word 'vulnerable' is used in the context of this report in terms of vulnerability to changes in food and health security. Those social groups which are potentially most vulnerable to the process of rapid economic reform, particularly in the former Soviet Union, are identified. The experience of developing countries in implementing structural and stabilisation programmes during the 1970s and 1980s is also drawn upon as an indication of the possible social impact effects of the current reforms in Eastern Europe and the former Soviet republics. However, consideration of broader macro-economic policy issues is limited and no attempt is made to analyse whether the sets of reforms being adopted are the most appropriate in terms of minimising the social costs of adjustment whilst at the same time achieving the overall economic and political goals of governments. Instead, the reforms are only analysed in terms of their more immediate effects on vulnerable groups.

Chapter 5 reviews the grant and financial assistance to Eastern Europe and the former Soviet Union during the period 1989-91. Future aid flows are also discussed.

Finally, Chapter 6 assesses the adequacy and appropriateness of recent and future aid to the region. The authors' own speculative conclusions on the possible implications for NGO involvement in Eastern Europe and the former Soviet republics are also presented.

ACRONYMS

CIS	Commonwealth of Independent States
CMEA	Council for Mutual Economic Assistance
DAC	Development Assistance Committee
EBRD	European Bank for Reconstruction and Development
EC	European Community
ECE	Economic Commission for Europe
ECSC	European Coal and Steel Community
EEP	(US) Export Enhancement Programme
EIB	European Investment Bank
FY	financial year
G-7	Group of 7 (countries)(Canada, France, Germany, Italy, Japan, UK and USA)
G-10	Group of 10 (countries)(G7 plus Belgium, the Netherlands, Sweden and Switzerland)
G-24	Group of 24 (countries)
GDP	gross domestic product
GNP	gross national product
GSP	Generalised System of Preferences
IBRD	International Bank for Reconstruction and Development
IDA	International Development Association
IFC	International Finance Corporation
IFI	international financial institution
ILO	International Labour Organisation
IMF	International Monetary Fund
KHF	(British government) Know-How Fund
LDC	less developed country/countries
MSF	Médecins Sans Frontières
NGOs	non-governmental organisations
NMP	net material product
ODA	Official Development Assistance
OECD	Organisation for Economic Co-operation and Development
PHARE	Pologne/Hongrie, Assistance à la Reconstruction Économique
PVO	private voluntary organisation
SDR	Special Drawing Right
SSA	sub-Saharan Africa
UN	United Nations
UNDP	United Nations Development Programme
UNFPA	United Nations Fund for Population Activities
UNICEF	United Nations Children's Fund
UNIDO	United Nations Industrial Development Organisation
USDA	United States Department of Agriculture
VSO	Voluntary Services Overseas
WFC	World Food Council
WFP	World Food Programme
WHO	World Health Organisation

Units of Measure: All units of measurement are metric.

KEY POINTS

Prior to the recent economic and political reforms

- *all Eastern European countries and the former USSR were middle income economies in the late 1980s, although conditions had declined since the mid-1980s;*

- *substantive social welfare programmes coupled with relative equality of income protected potentially vulnerable groups in most countries;*

- *conditions in Albania and some former Soviet republics, particularly those in Central Asia, were probably less favourable, although these countries are some of the most poorly documented, making an accurate assessment of their status rather difficult;*

- *the whole population of working age was guaranteed a job in most countries, but there were high rates of disguised unemployment in some sectors, as reflected in extremely low rates of labour productivity;*

- *retirement ages were low, implying a relatively large group of pensioners;*

- *despite a tradition of food self-sufficiency, the agricultural and food sectors in several countries, particularly the former Soviet Union and Albania, became increasingly unable to meet the food requirements of their populations during the late 1980s;*

- *the structure of Soviet production was highly centralised and most republics were dependent on inter-republic trade for a large part of their basic supplies, including food, medicine and fuel.*

The effects of the reforms on vulnerable groups

- *due to the customary relatively equitable distribution of income coupled with fairly low average income levels prior to the reform period, economic adjustment is affecting a very large segment of the population, especially through its inflationary effects on prices;*

- *in the context of current economic and political change in Eastern Europe and the CIS republics, the following sectors of the population are particularly vulnerable, in terms of food and health security:*

  - *newly redundant workers, including the demobilised military;*

  - *those on incomes which are likely to lag behind inflation, such as:*
    - *pensioners*
    - *disabled and long-term ill*
    - *large families with many dependents*

  - *minority groups who were already economically disadvantaged in the pre-reform period;*

- *refugees from civil conflicts, the numbers of which could rise considerably*;

- *national levels of open unemployment have risen in some countries, notably Poland and, more recently, Albania, to levels not witnessed in middle and high income industrial economies since the 1930s. In some areas local unemployment levels are also expected to increase substantially, as, for example, in parts of the former Soviet Union where heavy industry is concentrated*;

- *the level of funds made available for the retraining of the labour force will be a critical factor determining the speed of adjustment and whether a substantial body of long-term unemployed emerges*;

- *the food, nutrition and health situation is believed to have deteriorated severely in Albania since early 1991*;

- *those former Soviet republics with food deficits, which previously relied on trade and supplies from other republics and Eastern European countries are potentially more food insecure than other republics, due to increasing inter-republic barriers to trade and hard currency shortages*;

- *the highly integrated structure of the former Soviet republics, with a strong emphasis on specialisation in production and high levels of inter-republican trade, leaves several of the smaller republics highly vulnerable in the areas of energy, food supply and health*;

- *internal civil conflict or, as in the Bosnian and Armenian cases currently, continuing blockade could lead to severe, if localised, crisis situations*;

- *the stresses of adjustment are so widespread that broadly based, rather than narrowly targeted programmes are necessary to cushion the impacts on very large segments of the population, such as pensioners, infants, school-age children and their families*;

- *if the existing welfare programmes, such as pensions, school meals etc., are sustained through adequate funding, some of the severest impacts of reform on vulnerable groups will be substantially avoided.*

Aid flows

- *Eastern Europe, particularly Poland, has received substantial financial assistance over the past few years*;

- *CIS republics have received relatively little financial assistance to date as they have only recently gained membership of international financial institutions such as the IMF, the IBRD and the EBRD. However, such flows look set to increase substantially over the next year*;

- *a large proportion of the apparently large bilateral commitments to the region, particularly the former Soviet republics, involve trade credits which do not automatically convert into quick disbursing balance-of-payments support*;

- *grant aid has been mostly in the form of food aid, for sale in shops at pre-determined prices*;

- *little of the financial aid provided or committed so far is intended to enable Eastern Europe or the former Soviet Union to cope with the social consequences of stabilisation*;

- *most further aid commitments are expected to be in the form of loans from the IFIs, mostly at near commercial rates but considerable humanitarian assistance could be mobilised if the situation in food-deficit republics deteriorates due to civil unrest or disputes with other republics, as for example in beleaguered Armenia*;

- *the food, nutrition and health situation in Albania requires a special programme of assistance.*

Impact on the Third World

- *the impact of events in Eastern Europe and the former Soviet republics on the Third World is being felt most immediately through the impact of the dissolution of the CMEA*;

- *donors have generally sought to provide (and have declared they were providing) assistance to Eastern Europe and the former Soviet republics in addition to their normal programmes to developing countries, but the recent growth in assistance to the region has been a possible contributory factor in the current stagnation in aid to developing countries*;

- *the former USSR and Eastern Europe's own aid programmes have been cut dramatically, with adverse effects on traditional recipients of their aid*;

- *trade preferences which were formerly the exclusive preserve of developing countries are now being allocated as a priority to Eastern Europe and the former Soviet republics as a means of strengthening the political resolve to reform*;

- *as the privatisation process speeds up and economies begin to show signs of positive growth, the region could also attract private investment which might otherwise have been directed at developing countries.*

1. SOCIO-ECONOMIC INDICATORS

The basis for an analysis of the social welfare and external assistance implications of the current reforms in four Eastern European countries - Albania, Bulgaria, Poland and Romania - and in the former Soviet republics is established in this chapter through the presentation of basic socio-economic indicators in these states prior to the period of reform. Within Eastern Europe, particular attention is paid to Albania and Romania since these two countries are currently facing particularly severe hardships. Indicators for Portugal, the poorest EC country, Turkey and sub-Saharan Africa are also provided as a benchmark for comparison of the region with other parts of the world. With the exception of Albania and a few former Soviet republics, most countries were relatively well off in comparison to Third World countries. Also, with the relatively equal distribution of incomes and universal entitlements, potentially vulnerable social groups such as the elderly and children, were in a favourable situation, even compared with some OECD member states.

Statistical caveat: Economic and social statistics for Eastern Europe, particularly Albania and Romania, and the former Soviet Union present many problems, both in terms of availability and reliability. The recent breaking up of the USSR makes it difficult to compare the status of the former republics with other already independent states, and so Eastern Europe and the former Soviet republics are considered separately, inevitably entailing some repetition of subject matter.

Prior to *glasnost*, Soviet statistics were also shrouded in secrecy and only limited data were published. The former Soviet statistical system, Goskomstat, withheld information, utilised erroneous methodologies and provided inaccurate and misleading data. However, Goskomstat has been under reform since 1987 and an attempt has been made to disseminate social and economic statistical data on a wider scale. As a result, a number of new statistical series, particularly social and demographic data, are gradually becoming available. These series often include historical, as well as current, data, as for example, in the case of grain production. Nevertheless, despite the fact that each union republic, region and large city had a statistical office under the Goskomstat system, the availability of disaggregated data by republic and for smaller geographical divisions is still limited.

There has been a dearth of Albanian statistics over the past fifteen years and, prior to the fall of the Communist government, data were only generally released when developments could be presented as positive. In the case of Romania, definitions, categories and methods of estimation have altered between years, and data have often been of doubtful accuracy. Virtually all Romanian data for 1985 and 1986 are considered to be highly misleading.

Population

Eastern Europe: During the 1980s, Poland, Romania and, particularly, Bulgaria experienced low average population growth rates, comparable to the EC average of 0.6% per annum over the same period (Table 1.1). However, there was a significant increase in Romania's birth rate towards the end of the decade, rising from only 3.9 per thousand, the lowest ever recorded, in 1983 to 16.5 per thousand in 1988. This was the direct result of a deliberate policy by the Ceausescu regime to increase the population, enforced through the imposition of harsh penalties for abortion and additional taxes on single people and childless couples[1]. Albania had a higher average rate of population growth of 2% during the 1980s, close to the average rate in low and middle-income developing countries of

1. This policy also resulted in many unwanted or unaffordable births and so in a large increase of children in orphanages.

2.1%. This, too, reflected a deliberate policy to expand the population and thus the limited availability of contraceptives.

Table 1.1: Basic Population Indicators

	Estimated Population (millions) 1990	*Per cent in urban areas* 1990	*Total Population Average Annual Growth Rate* 1980-89	*Urban Population Average Annual Growth Rate* 1980-89	*Dependency Rate* 1989
Albania	3.2	35.0	2.0	2.4	0.63
Bulgaria	9.0	68.0	0.2	1.2	0.55
Poland	38.4	62.0	0.8	1.4	0.54
Romania	23.3	52.0[a]	0.5	1.2	0.51
USSR	288.6	66.0	0.8	1.3	0.55
Portugal	10.3	34.0	0.6	1.9	0.52
Turkey	55.9	61.0	2.3	5.8	0.65
SSA	500.0	31.0	3.2	6.0	0.98

Sources: UNICEF (1991), World Bank (1991b) and World Bank (1991c).
a 1989 figure

Urban population growth rates exceeded rural ones owing to rural to urban migration, although annual urban growth rates were generally considerably lower in the 1980s than in the preceding fifteen years (Table 1.1). By 1990, the proportion of the population living in urban areas, with the striking exception of Albania, was comparable with that in other middle-income countries.

The age structure of the population, again with the exception of Albania, was similar to that in developed industrial countries during the 1980s. More specifically, a relatively high proportion of the population, around 10-16%, was aged 65 and over, whilst only some 20-25% of the population was under 14. There was also a slowly ageing population. Furthermore, retirement ages in a number of Eastern European countries were lower than 65 years, implying that a relatively large segment of the population was dependent on pensions. The Albanian population was more comparable in its age structure to that of a low to low middle-income developing country, with almost 40% of the population under 15 years and only 5% over 64 in 1988.

The former USSR: In 1988, it had a total population of some 285m, 5.5% of the world population (Table 1.1). During the 1980s, there was a low rate of population growth of 0.8%, similar to the EC average. However, population growth rates varied among republics (Table 1.2). Growth rates in the Baltic and Slavic republics were well under 1%. Meanwhile, the Central Asian republics, particularly Tadjikistan, had considerably higher average growth rates, owing to birth rates higher and death rates slightly lower than the Soviet average. Indeed, Tadjikistan's annual rate of population growth for the period 1980-87 of 3.2% was similar to the sub-Saharan African average over the period 1980-89.

Table 1.2: Population and Health Indicators for the Former Soviet Republics

Republic	*Total Population 1987*	*Average annual population growth rate 1980-1987*	*Per cent urban 1987*	*Life expectancy 1985-86*	*Infant mortality (per 1,000 births) 1986*
RSFSR	145,311	0.6	74	69.3	19.3
Ukraine	51,201	0.4	67	70.5	14.8
Belarus	10,078	0.7	64	71.4	13.4
Kazakhstan	16,244	1.7	58	68.9	29.0
Central Asia					
Kirgizstan	4,143	2.4	40	67.9	38.2
Tadjikistan	4,807	3.2	33	69.7	46.7
Turkmenistan	3,361	2.7	48	64.8	58.2
Uzbekistan	19,026	2.9	42	68.2	46.2
Caucasus					
Armenia	3,412	1.8	68	73.3	23.6
Azerbaidjan	6,811	2.0	54	69.9	30.5
Georgia	5,266	1.0	55	71.6	25.5
Moldova	4,185	1.1	47	66.4	26.4
Baltic					
Estonia	1,556	0.3	72	70.4	16.0
Latvia	2,647	0.3	71	70.2	13.0
Lithuania	3,641	0.6	67	71.5	11.6
USSR	281,689	0.9	66	69.0	25.4

Source: Narodnoye Khozyaystvo (various).

There has also been a gradual rise in birth rates, and consequently in population growth rates of the Central Asian republics between 1980 and 1987.

Some two-thirds of the Soviet population lived in urban areas in 1990 but there was considerable variation in the urban:rural population split among republics (Table 1.2). In particular, in the Central Asian republics, which are some of the least industrialised regions, over half of the population lived in rural areas. Kazakhstan, for this and other indicators, has a profile intermediate between the rest of Central Asia and the other more developed republics.

As in Eastern European, the overall age structure of the Soviet population was similar to that of a developed market economy in the late 1980s, although the age structure varied considerably between republics. Some 25% of the population was under 15 while 10% was over 65. However, the numbers eligible for, and in most cases dependent on, retirement pensions was about twice that level, although a significant proportion also continued to work.[2]

The Labour force

Eastern Europe: The active labour force in Eastern European countries was around 50% of the total population in the late 1980s, somewhat higher than the global average (Table 1.3). These high activity rates reflect the higher reported rate of participation of women in the labour force and the relatively low dependency ratios. There was a relatively high proportion of the labour force in agriculture, with a relatively low proportion in services, as compared to developed (OECD) countries (Table A1), owing to the labour intensive practices of Eastern European agriculture and the underdevelopment of the service sector typical of these, and the Soviet, command economies. This unemployment pattern underscores the importance of the agricultural sector as a source of employment.

The very high rates of female participation in the organised labour force, as compared to both developing and developed countries, were 'a function both of the strong ideological commitment of governments to equal economic and social rights for men and women, and the high demand for labour in the economy' (V.Moghadam, 1990).[3] Women were involved in virtually all occupations, excepting mining and heavy transport, although the top positions in most occupations were predominantly held by men. To facilitate women's participation in the organised workforce, pre-school facilities were widely available.

Unemployment did not officially exist under the old regimes. However, there were high levels of disguised unemployment, reflected in extremely low rates of labour productivity in some sectors. The prime concern of the central planners was to provide jobs rather than to use labour effectively. Thus, for example, disguised unemployment accounted for an estimated one-quarter of the Polish workforce in 1987. There are also indications of relatively high levels of disguised or hidden unemployment in Albania, with the average yearly labour force increasing in recent years by 3.5% compared to growth rates for value added production or NMP of only 1.7%, and thus implying a declining rate of labour

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2. Under the old Soviet system, women were entitled to a full pension at age 55, if they had a total length of employment of at least 20 years, whilst men were eligible at age 60 if they had worked for 25 years. Thus, in 1986, 40.5 million Soviet citizens, representing 14.5% of the population, were eligible for pensions by virtue of their age. In addition, 16.3 million in certain groups, including miners and others engaged in physically arduous work, were entitled to pensions 10 to 15 years early, implying a total number of 56.8 million pensioners or 20.3% of the population.

3. In interpreting these figures it must be borne in mind that in developing countries there is a tendency to under-report the participation of women for cultural and religious reasons and because of the nature of the work they undertake, which is often in the informal sectors.

productivity of 1.7% per annum.

Open unemployment grew rapidly during the late 1980s, and is continuing to increase, as hidden

Table 1.3: Labour Force and National Income Measures

	Total Population (millions) 1989	*of which labour force (%) 1988-89*	*GDP ($bn) 1989*	*GDP Per capita ($) 1989*
Albania	3.2	48.3	4	1,250
Bulgaria	9.0	49.8	16	1,778
Poland	38.2	51.4	68	1,780
Romania	23.2	50.6	60	2,586
USSR	286.5	51.2	1,433	5,000
Portugal	10.3	45.6	45	4,369
Turkey	54.8	38.5	72	1,314
SSA	480.4	38.8	220	458

Sources: UNDP (1991), World Bank (1991c), IMF (1992) and EBRD (1992).

unemployment is converted by redundancies and declining recruitment into open unemployment. For example, some 2m of the Polish workforce were officially unemployed in September 1991, 10.4% of the economically active population. Unemployment in Albania may currently be as high as 35% of the working population (EIU, 1991). These levels of unemployment are perhaps the most severe indicator of a possible economic crisis of proportions not experienced in industrial societies since the 1930s.

The former USSR: Although the labour force constituted slightly over half of the working population in 1988-9, there were significant differences between republics, suggesting much higher dependent populations, and/or higher unemployment rates in Azerbaidjan and the Central Asian republics (Table 1.4). The industrial and services sectors each accounted for around 40% of the working population while approximately 20% was employed in agriculture (Table A1). However, as in Eastern Europe, this structure of employment is significantly out of line with that which could be sustained in a market economy, and it is estimated that some 35m Soviet workers, representing about 23% of the labour force, could have to change jobs over the next two years (EIU, 1991).

An estimated 90% of Soviet women of working age were actively involved in the labour force. However, female participation rates were much lower in the Central Asian and Transcaucasian republics owing to difficulties in the recruitment of native women into industry. Thus, outside the agricultural sector, a high proportion of women workers and employees in Central Asia were Russian and Ukrainian. The lower female participation rates also probably reflect higher overall unemployment in these republics.

Table 1.4: Population, Labour Force, Output and Trade Balance Indicators for the Former Soviet Republics

Republic	*Total Population* 1987	*Labour Force as % of total* 1984	*Net Output per Head USSR = 100* 1988	*Internal Trade Balance % NMP* 1988	*External Trade Balance % NMP* 1988
RSFSR	145,311	50.5	119	18.0	8.6
Ukraine	51,201	48.5	90	39.1	6.7
Belarus	10,078	50.4	117	69.6	6.5
Kazakhstan	16,244	42.8	74	30.9	3.0
Central Asia					
Kirgizstan	4,143	36.4	53	50.2	1.2
Tadjikistan	4,807	29.9	43	41.8	6.9
Turkmenistan	3,361	36.3	61	50.7	4.2
Uzbekistan	19,026	33.2	47	43.2	7.4
Caucasus					
Armenia	3,412	42.6	80	63.7	1.4
Azerbaidjan	6,811	35.6	70	58.7	3.7
Georgia	5,266	47.2	86	53.7	3.9
Moldova	4,185	47.3	81	62.1	3.4
Baltic					
Estonia	1,556	50.5	117	66.5	7.4
Latvia	2,647	52.3	119	64.1	5.7
Lithuania	3,641	50.1	110	60.9	5.9
USSR	281,689	47.2	100	n.a.	n.a.

Source: Narodnoye Khozyaystvo (various) and IMF et al (1991).

Officially, as in Eastern Europe, there was no unemployment in the past and under the Soviet constitution, everyone had a guaranteed job. Frictional unemployment was announced for the first time in 1989, at around 4m people, or 0.3% of the labour force. In reality, longer-term unemployment almost certainly existed, particularly in the Central Asian republics. In April 1992, Russia had officially reported unemployment of 100,000, or 0.07%, of the labour force, but the true level of unemployment in terms of a meaningful economic definition, must have been considerably higher.

National Income measures[4]

Eastern Europe: All four East European countries are classified by the World Bank as lower middle-income economies. However, per capita income figures probably underestimate the pre-reform standards of living as they do not fully reflect the wide array of subsidies on basic necessities. The industrial sector had the largest share of GDP in the four Eastern European countries in the 1980s; and was far more important, in relative terms, as a source of GDP than as a source of employment, reflecting higher labour productivity than in the agricultural sector (Table A1).

Officially, Eastern European countries had relatively equal income distribution. Formal sector wages were centrally determined in most countries and relative wage equality was one of the most important factors taken into account in determining wage levels. For example, in Albania, the ratio of the lowest to the highest salary was established by law as 1:2. Comprehensive social benefit systems also existed, maintaining incomes for all citizens above a certain level. However, the privileges of the managerial/political elite or *nomenklatura* were not reflected in any official statistics. Access to goods also varied between groups depending upon a number of additional factors, including a person's place of employment, the region/town in which s/he lived and his/her access to housing subsidies. Informal earnings also probably widened wage differentials; and in some countries urban:rural inequalities may also have existed[5]. Nevertheless, taking all these factors into account, there was a relatively more equal distribution of income in these countries than in most market economies.

The former USSR: The former USSR is classified by the World Bank as an upper middle-income economy. In the late 1980s, the industrial sector generated the largest proportion of GDP (Table A1). However, per capita levels of output are far lower in the Central Asian republics than elsewhere (Table 1.4). Consequently, as GDP estimates emerge for the members of the CIS, where there have been sharp falls in GDP since 1989, it is likely that the GDP of the poorest states such as Tadjikistan and

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4. There are a number of difficulties entailed in calculating GNP and GDP figures for former socialist countries. First, socialist countries have traditionally reported Net Material Product (NMP) rather than GNP in their national accounts. NMP is a measure of physical output and excludes the services sectors except transport and distribution of products. Thus, NMP is, by definition, lower than GNP. Most available GDP and GNP figures are imputed from NMP figures rather than calculated directly by the country concerned. Second, levels of output were often over-reported in the 1980s in order to satisfy plan requirements or to gain bonuses, thus inflating output figures. However, the true value of more recent figures could be higher than their reported levels as there is now some incentive to under-report production, profits and sales to avoid taxes. For example, this has been observed in Poland. Moreover, as a result of the breakdown in the monetary system, particularly in the CIS Republics, there is now a burgeoning petty barter trade which is bypassing the formal channels on which statistics are based.

5. In Albania the government channelled considerable effort into urban:rural equalisation measures through, for example, wage policy and the allocation of welfare benefits, education and health services, as part of its efforts to prevent a reduction in the rural population and so to ensure food self sufficiency of the country. There was also a high degree of commuting by the rural population to urban jobs, and thus to urban wages. As a result, the urban:rural income differential was probably relatively less than in most middle income market economies.

Uzbekistan will be below US$1,000 per capita, compared to, for example, over US$1,300 in Turkey.

In the late 1980s, there was a relatively equal distribution of officially reported income, as in Eastern Europe. Maximum and minimum wages were set centrally and, although wage differentials were allowed to increase under Gorbachev to reflect differences in skills, the spread of wages remained relatively narrow. Thus, for example, in 1988, some 80% of the population had reported incomes of between 50 and 200 roubles per month. In the same year, the official poverty line was estimated at 78 roubles per month, with 14.5% of the population lying below that level (Ellman, 1990). However, as in Eastern Europe, these data exclude relative access to goods, second economy wages and rural:urban disparities. There were also probably large income disparities between regions, with, possibly, at one extreme, the Baltic republics and, at the other, relatively underdeveloped Central Asian republics and even underdeveloped regions within Russia.

Economic performance

Eastern Europe: At least since the mid-1980s, Eastern European economies have experienced economic stagnation, and even decline, following a general weakening over the previous decade. Under the old regimes, both governments and enterprises were primarily concerned with meeting production targets and, since enterprises were unaware of the costs of production inputs, little attention was paid to reducing costs of production. Enterprises were also guaranteed markets for their products and faced no competition. By the mid-to-late 1980s, some economists have suggested that some industries were 'value-subtractors' rather than value-adders, with the cost of material inputs exceeding the price obtainable for the finished product (McKinnon, 1991).

Over the past twenty years, the Albanian economy has apparently experienced a particularly severe stagnation and Albania's NMP per capita may even have been constant since 1975 (Sandstrom and Sjoberg, 1991). Recently, the economy went into sharp decline, with, for example, industrial production falling by over 50% during the second half of 1991. Large industrial concerns are now operating at only about 20% capacity. Albania has faced some protracted difficulties with its four major exports - oil, chromate, copper and electricity - as well as difficulties in certain other sectors, particularly agriculture and food processing. Its reform process is considerably behind that in the rest of Eastern Europe, and many commentators do not expect the economy to recover significantly until the next century. However, as a very small country, Albania could recover rapidly, given political stability and an inflow of foreign investment.

The Romanian economy also performed poorly during the 1980s. Although official Romanian statistics indicate that the economy began to grow in 1982, after five years of decline, these data are probably misleading. The economy deteriorated severely in 1990, when national income fell by 10%, industrial production by nearly 20% and inflation stood at 27%. Technologically, Romanian industry is estimated to lag behind Western European equivalents by 15-20 years; and equipment at many plants is some forty years old.

The former USSR: The Soviet economy grew by an average of only 1.7% per annum in real terms during 1980-87, less than 1% per capita, according to CIA estimates. In 1991, GNP of the overall USSR is estimated to have fallen by around 15% (EIU, 1991), with particularly severe declines in the energy and metallurgy industries.

Foreign debt

Eastern Europe: Bulgaria and Poland had far higher levels of debt than other Eastern European countries in 1990 (Table 1.5). However, even Bulgarian and Polish debt indicators such as debt as

Table 1.5: Foreign Debt, 1990 (in US$ million)

	Total Foreign Debt	*Of Which: Long Term*	*Debt as % GNP*	*Debt Service Ratio*
Albania	n.a.	n.a.	n.a.	n.a.
Bulgaria	10,927	9,564	136.0	16.7
Poland	49,386	39,282	82.4	4.9
Romania	369	19	1.1	0.4
USSR[a]	60,000	n.a.	10.0	25.0-30.0
Portugal	20,413	15,180	36.5	17.8
Turkey	49,149	39,649	46.3	28.2
SSA	173,700	152,800	94.0	n.a.

Source: World Bank (1991d).
a IMF estimates

a percentage of GNP, the debt service ratio (total debt service to exports of goods and services) and the interest service ratio (total interest payments to exports of goods and services) compared very favourably with equivalent indicators for debt-burdened Latin American economies in the mid-1980s. The composition of Eastern European, and Soviet debt, was also somewhat different from that of developing countries. According to the OECD (1991c), at the end of 1990 developing countries owed 27% of their debt to multilateral agencies, mainly on concessional terms, and to bilateral official creditors on ODA account; and least developed countries had 59% of their debt with these two groups. In contrast, export credits and financial markets together accounted for about 90% of total Eastern European (excluding Albanian) and Soviet debt. However, the composition of debt in the latter group has begun to change since 1991, with an increase in both official lending and export credits (see Chapter 5). Indeed, absolute levels of Eastern European debt could increase sharply over the next few years as such loans increase, although these increases could be counterbalanced by possible cancellation of debt.

Poland has already benefited from a substantial cancellation of its debt. In April 1991, the Paris Club, agreed to an unprecedented debt forgiveness package, cancelling up to 50% of the US$33bn owed to Western governments. This deal was conditional on Poland agreeing a three-year adjustment programme with the IMF, which was also signed in April. The initial debt forgiveness programme cancels 30% of Poland's debt with the Paris Club over a period of three years; and, if Polish economic performance is successful, a second programme will be set in motion cancelling a further 20% of

debt[6].

Romania earlier managed to eliminate its foreign debt through its own initiative. In 1981, the former Ceausescu government embarked on a strict austerity programme to repay all of its foreign debt. Gross debt was reduced from US$10.5bn in 1981 to US$6.7bn in 1987. Repayments were then accelerated in 1988 and 1989; and by the time of Ceausescu's overthrow Romania had net assets with Western banks of around US$1.4bn. However, this repayment was achieved at the cost of hardships. Food and energy exports resulted in domestic shortages and imports were also restricted. Furthermore, little investment in industrial modernisation and restructuring was made in this period, with long term repercussions. Under the new Romanian government, headed by President Iliescu, however, exports were reduced and imports increased substantially due to the urgent need to improve standards of living. Despite several setbacks to relationships with potential lenders following government suppression of opposition demonstrations in June 1990 and, again, in September 1991, Romania is also now increasing its foreign borrowings to finance imports. The country also claims that it is owed nearly US$3bn by developing countries.

The former USSR: According to IMF estimates, at the end of 1990 the former USSR had a level of foreign debt of some US$55-56bn plus US$5bn arrears, with a debt service ratio of about 25 to 30%, implying that the former USSR was a moderately indebted country[7]. Media sources put the current Soviet debt at some US$60-70bn. In the past the USSR was also a large creditor: the IMF estimates that at the end of 1989 the USSR had hard currency claims of US$28.6bn, mostly on Third World allies, and non-currency claims of around US$109.6bn, although only about a quarter of these claims may ever be collected.

Prior to the period of *perestroika*, the USSR was considered very credit-worthy by virtue of its considerable political stability; its impeccable debt repayment record; its low level of indebtedness; its mineral wealth, especially oil and gas; and its substantial gold reserves. From the mid-1980s, poor trade performance coupled with increasingly lax fiscal policies led to a rapid increase in commercial borrowing. Short-term loans alone accounted for nearly half of all new unguaranteed commercial debt and by 1989 short-term debt accounted for 30% of total debt. Partly due to this rapid increase in short-term debts, there was a bunching of repayments in the period 1990-93, leading to a liquidity squeeze. This was exacerbated by the extension of authorities to Soviet enterprises to negotiate overseas trade contracts in 1990. As a result, debt arrears of an estimated US$7bn had accumulated by mid-1990, although these had been reduced to some US$3.5-4bn by mid-1991. There has also been a recent shift towards official borrowing as commercial banks have become increasingly concerned about the deteriorating political and economic conditions, as well as about the former USSR's ability to repay loans.

The issue of the division of the former Soviet debt between the individual republics, together with discussions on the division of the armed forces and military hardware, have dominated inter-republic relations in the first quarter of 1992. In mid-March an agreement was finally reached that the CIS

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6. At the time the agreement was signed, it was generally assumed that the commercial banks would follow suit and offer to cancel a similar proportion of their Polish debt. However, talks with the commercial banks have been stalled since mid-1991. The main areas of contention appear to be the interest arrears on the Polish debt. Commercial banks are insisting that Poland settles its arrears, before they will consider a reduction in debt. Poland stopped servicing its US$12bn commercial debt in autumn 1989. Until progress is made on this issue, Poland will find it increasingly difficult to attract additional foreign investors into the country.

7. The level of debt as a proportion of GDP is highly sensitive to the estimate of GDP and the exchange rate used to convert GDP figures and so does not necessarily provide a good indication of the Soviet debt position.

states would take 'joint and several responsibility' for the debt.[8] Vnesheconombank, the bank through which foreign debt is serviced, is to be governed by an inter-state council with three co-chairs, occupied by Russia, Ukraine and one of the other ten republics on a rotating basis.

Nutrition and food policy

Historically, reported levels of food intake in Eastern Europe and the former USSR have been considerably higher than those in most middle-income countries. As Brooks et al (1991) explain, their previous governments attached high priority to ensuring good and cheap food supplies for all: 'citizens of Eastern Europe and the USSR were for decades offered stable, subsidised food prices and a steadily improving diet as an indicator of the superiority of communism over capitalism, and compensation for deficiencies in other aspects of material life.'

Table 1.6: Food Supply: Calories and Protein per Caput Per Day (provisional 1987-89)

	Calories		
	Total Number	*Total as % of WHO requirement* [a]	*Protein Total Grams*
Albania	3,000	128%	n.a.
Bulgaria	3,683	157%	110
Poland	3,464	147%	102
Romania	3,252	138%	99
USSR	3,380	144%	106
Portugal	3,414	145%	101
Turkey	3,170	137%	85
SSA	2,011[b]	101%	n.a.

Source: FAO (1988) and UNFPA (1989).

a Based on WHO recommended levels for developed/developing countries

b 1988

8. Until early March 1992, both the Paris Club and the Russian government were adamant that the republics should maintain a centralised system to repay the debt but Ukraine, Azerbaidjan, Georgia and Uzbekistan refused to accept responsibility. However, in mid-March, Ukraine, Azerbaidjan, Georgia and Uzbekistan back-tracked and indicated that they were willing to take 'joint and several responsibility for the debt', as specified in the critical G7 memorandum, the signing of which opened the way to IMF and other multilateral and bilateral loans and credits. Ukraine has agreed to pay 16.3% of the debt under the new agreement. Meanwhile, the three Baltic states have rejected responsibility for a share of the debt apart from that related to projects in the Baltic states.

Eastern Europe: Levels of per capita calorie intake were in excess of recommended WHO levels in Bulgaria and Poland and were broadly comparable with levels of intake in Western Europe in the pre-reform period (Table 1.6)[9]. Levels of protein intake also exceeded earlier, but discontinued, WHO recommended levels. Furthermore, given the relative equality of income distribution and general subsidies on food staples, it would seem reasonable to assume that levels of food intake by nearly all sectors of the population substantially exceeded these levels.

Data on Romania and Albania also indicate relatively high levels of calorie and protein intake. However, the true levels of intake in Romania were probably somewhat lower, with the country experiencing food shortages in the late 1980s. In Albania, recent levels of intake have also almost certainly been lower, and over the past twelve months there have been reports of widespread malnutrition amongst children, particularly in the countryside. For example, in mid-1991, some 30% of children under the age of three were reported as showing varying degrees of wasting and in some areas, particularly the south-east, the figures were as high as 40%. This apparently widespread problem is probably associated with a significant decline in per capita food production over the past three years, resulting from a combination of lower aggregate production and a continuing high population growth rate which the country has been unable to counteract with increased imports. There has also been periodic food rationing during the 1980s, particularly in urban areas; and, since early 1992, the whole population has been almost entirely dependent on food aid for the supply of bread.

The former USSR: Historically, reported levels of per capita calorie and protein intake in the USSR were in excess of recommended WHO levels and broadly comparable with levels of intake in Western Europe (Table 1.6).[10] However, there were some imbalances in the Soviet diet, with vegetable, except potato, and fruit supplies limiting urban consumption.[11]

The Soviet Union set its own 'scientific consumption standards for optimal nutrition' and recommended per capita consumption levels of certain basic goods for each republic[12]. However, these standards bore little relationship to WHO levels. For example, protein intake levels were set at levels about three-times the old WHO reference levels and it was considered that vegetable protein sources could not be substituted for animal ones. Thus, although, as already indicated, protein intake levels exceeded WHO recommended levels, they did not meet Soviet recommended levels (Table A2). Intake of fruit and vegetables was also very low according to Soviet recommended levels but Soviet recommended levels of carbohydrates were generally exceeded.

Imbalances in the Soviet diet are borne out by nutritionally related health problems. For example, some 30% of the Soviet population are estimated to be over-weight due to excessive consumption of

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9. Since 1985, the WHO has ceased to provide a single set of requirements for all countries for energy (calorie) and protein intake. Therefore, statements on requirements should be taken as only approximate comparisons to earlier or current WHO standards which would have to be determined on an individual country basis.

10. Although various parts of the USSR have experienced food rationing at certain times, particularly in recent years, this does not probably imply declining nutritional standards so much as increasing shortages of certain items. Household incomes have risen faster than state food prices. This, combined with poor productivity growth in the agro-industrial complex, led to a large rise in excess demand for food products. Shortages of certain food products have been increasingly felt since 1989, particularly for sugar, fish, confectionary, tea, potatoes, fruit and vegetables.

11. Actual intake levels were probably lower, but still in excess of recommended levels, since official figures were based on total production of foodstuffs plus imports and did not take account of large losses in processing, storage and trade.

12. Recommended levels of per capita consumption were set for meat and meat products, milk and dairy products, eggs, cereal products, sugar, vegetable oils and fats, potatoes, vegetables and melons, and fresh fruit. Varying consumption levels were set for different republics, depending, presumably, on factors such as age structure, occupational profile and climate.

starchy and fatty foods. Vitamin deficiencies in children have also led to poor vision, rickets and other diseases (Sizov, 1991). Moreover, there is some evidence of a decline in the quality and basic nutritional content of Soviet food supplies during the past thirty years. The residues of harmful chemicals have also probably increased.

Levels of consumption and the relative mix of different foodstuffs in the diet also varied substantially among republics (Table A2). Levels of per capita food intake appear to have been particularly low in Uzbekistan and, presumably, other Central Asian republics. There are alleged to be widespread micro-nutrient problems in some of the Central Asian republics, reflected in high rates of anaemia in children. These phenomena need more thorough monitoring.

Urban:rural differentials may also have been substantial, although information is not available. Traditionally, Moscow, Leningrad (St. Petersburg) and other major administrative and industrial centres were better supplied with food through the state-run trade system. Offlcial outlets accounted for about 75% of urban food supplies but there were few state retail trade outlets in the rural areas and some of the population bought food at the higher open market prices. This may have had an adverse effect on urban:rural food intake differentials in regions with low per capita food production. However, in other regions, depending on the extent and productivity of private plots, many rural households benefited significantly from their own food production.

Health

Eastern Europe: The health profiles of the four Eastern European countries are mixed. For example, in 1989, the Bulgarian and Polish under-5 mortality rates compared relatively favourably with those in Western Europe but rates in Romania and Albania were higher (Table 1.7).

Furthermore, the health profiles of Albania and Romania have probably deteriorated in recent years. For example, in Romania the banning of abortion and contraception between 1966 and 1989 resulted in around a million illegal abortions in the late 1980s. This in turn led to an extremely high rate of maternal mortality of 150 per 1,000 births in 1989. AIDS is also apparently widespread in Romania, in part as a direct result of the inadequacies of the health system. Well over half of the children with AIDS acquired the disease through school mass vaccination programmes whilst most of the remainder contracted it through blood transfusions given to improve their nutritional status.

The former USSR: Overall health indicators present a slightly confused health profile but the underlying reality is probably relatively unfavourable as compared to OECD countries. For example, although there were 242 persons per doctor in the USSR compared to an average of 330 in EC member states in 1984, there are some claims that the basic standard of Soviet medical training is much lower than in the EC and so that this figure is a poor indication of the level of health care in the USSR. Similarly, although there is a relatively high number of medical institutions, according to some reports, only half of all Soviet medical institutions have hot water or drainage facilities. Amenities are apparently particularly bad at rural district hospitals; and in the Central Asian republics. There are also shortages and quality problems in the area of medical equipment and medicines.

The poor health profile of the former USSR, as compared to OECD countries, is borne out by its relatively high reported infant mortality rate (Table 1.7).[13] There was also a significant variation in

13. 'The actual situation may be worse still. Soviet statistical procedures only count infants weighing more than 1,000 grammes or 35 cm in body height as live births. Smaller babies are deemed miscarriages and do not enter the statistics on infant deaths. The World Health Organisation criteria is 500 grammes' (Bater, J.H. 1989).

Table 1.7: Health and Education Indicators				
	Life Expectancy *1989*	*Under-5 Mortality Rate per 1,000 births* *1989*	*Total Years of Schooling* *1980*	*Adult Literacy (%)* *1985*
Albania	72	30	5.0	85
Bulgaria	72	17	7.0	93
Poland	72	18	7.3	98
Romania	70	34	6.6	96
USSR	71	35	7.6	99
Portugal	74	16	3.8	84
Turkey	65	90	2.8	74
SSA	51	179	1.5	48
Source: UNICEF (1991), UNDP (1991), World Bank (1991b and 1991c).				

the rates among republics, with particularly high levels of infant mortality in Turkmenistan and the other Central Asian republics (Table 1.8). Indeed infant mortality apparently increased in some of the Central Asian republics between 1970 and 1986 whilst average life expectancy fell.

Environmental problems of agro-chemical pollution have been identified as a possible contributory factor to some medical complaints, especially in Central Asian republics.

Housing

Eastern Europe: The quality of housing in Eastern Europe is generally rather poor compared to Western Europe and there is a shortage of accommodation in most countries. The situation is particularly acute in Poland. In Albania, the former communist government effectively admitted its failure to meet the demand for housing by permitting private construction. The colder climate also makes provision of certain amenities such as hot water and some form of heating particularly important in the more northern Eastern European states but access to such facilities is far from universal.

The former USSR: Soviet housing also compares rather unfavourably with Western European standards. The Soviet constitution guaranteed equal rights to housing for all citizens, but in practice there were extreme inequalities in the distribution of housing between social groups. Some commentators consider that housing was the worst social problem facing the former USSR. Housing also ranked high in the list of grievances of Soviet citizens (Andrusz, 1990).

The availability and condition of the Soviet housing stock is illustrated by a number of statistics. In

1987, some 15% of the urban population lived in communal apartments (with shared bath and kitchen), in dormitories or in rented rooms. In 1990, some 22% of all Soviet households were on housing lists waiting to be rehoused. In 1986, in urban state and cooperative housing, only 92% of inhabitants had running water, 72% had hot water, 90% had drainage and 89% had central heating. In 1991, in some Soviet cities only 55% of the heating plants were in operation. Rural housing is even less well serviced with utilities (Andrusz, 1990; Chapman, 1991).

There is also evidence of considerable disparities in housing stock between republics. For example, in 1984, average housing space ranged between 10.6m^2 per capita in the Central Asian republics and 16m^2 per capita in the Baltic states. The quality of housing is also reported to be particularly poor in the Central Asian republics. For example, in some Uzbek towns in the late 1980s, only 10% of the population had access to sewage systems and in some less than 30% had running water. Conditions in rural areas, where some 60% of the Uzbek population live, were reported to be even worse (Rumer, 1989).

Education

Eastern Europe: Eastern Europe has a good education record, again with the exception of Albania. In terms of literacy rates and pupil-teacher ratios, most countries were about on a par with OECD countries although mean years of schooling were slightly below the OECD average of 9.9 years in 1988 (Table 1.7). Albanian education indicators suggest a standard similar to that of Portugal.

The former USSR: The former USSR has an even better education record than Eastern Europe, although data are not available for individual republics.

The almost universal enrolment in education in both Eastern Europe and the former USSR, with very high female as well as male attendance, implies that school meal programmes could be an effective way of reaching one potentially food insecure and nutritionally vulnerable group, namely school-aged children of unemployed/single parent and/or large low income families; and, indirectly, of transferring income to such families. Since some form of food has traditionally been provided in some schools, for example in most of the former Soviet republics, the infrastructure through which to implement such programmes already exists in some cases. The high literacy rates also suggest potentially high returns from training programmes.

Concluding remarks

The overall picture provided by this brief review of basic socio-economic and health indicators is one of a complex and differentiated situation. The more favourably placed Eastern European countries and former Soviet republics have population structures and average levels of well-being not substantially less favourable than the high income industrialised countries of Western Europe. There is, however, evidence of at least a 'stalling' and even a reversal in some indicators before the crises that led to rapid political change and economic reform. Moreover, some states had considerably poorer provision of basic needs and indicators of social well-being even prior to this period, particularly Albania and, to a lesser extent, Romania and the former Soviet Central Asian republics of Kirgizstan, Tadjikistan, Turkmenistan and Uzbekistan. The available indicators for these four republics are similar to those of many lower middle-income market economies.

2. AGRICULTURE

The performance of the agricultural sectors of the former USSR, Albania and Romania, which have all faced serious agricultural problems in recent years, are reviewed in this chapter. The analysis focuses on the production of food crops, livestock and dairy produce. In the case of the former Soviet Union the food processing industry is also considered, as its structure and performance are critical to the food security of individual republics.

The former Soviet Union

The former USSR had a large and diverse regional economy. Approximately 50% of agricultural land is devoted to grain crops, particularly wheat, some 30% is for fodder and the remaining 20% is planted with industrial crops, fruits and vegetables. Although agriculture is most intensive to the west of the Urals, every republic has a substantial agricultural sector which is a major source of employment. The major grain producing republics are Russia, Ukraine and Kazakhstan[1]. The livestock sector is also important.

The relative importance of collective farm, state farm and private sectors varied between agricultural products. In the late 1980s, the private sector played virtually no part in the production of grains, cotton, sugar beet and sunflower seed, but was important in potatoes, meat, dairy products, vegetables and wool. Indeed, although private plots accounted for under 4% of arable land, they produced significant proportions of fresh vegetables and livestock produce for the urban market, and were also the mainstay of peasants' own food supply, except cereals. Some republics have now embarked upon programmes of privatisation, although these are still at an early stage.

Under the old Soviet system, collective and state farms depended on the state supply network for fertiliser, machinery, seeds and other inputs and services; and, in return, they supplied their output to the state under pre-specified production plans. The unorganised private sector was, in effect, parasitic on the state controlled sector.

The former Soviet Union is a potentially rich agricultural region of sub-continental proportion, but due to a combination of policy and technical factors, agriculture has been characterised by stagnating output and there have been substantial food imports since the early 1970s.

Grains:[2] Total grain production increased by 130% (70% in per capita terms) between 1950 and 1970, but only by 5% (a fall of 12% per capita) between 1971 and 1989. There have also been substantial weather related inter-year variations in production, as only a small proportion of cultivated area is irrigated.[3] There is still some uncertainty surrounding the level of production in 1991 due to difficulties in assessing the quantities in local storage and to transitional problems in the statistical system. Estimates of the total grain harvest of the former Soviet Union for 1991 range between 156m

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1. Before the mid-1950s, the major grain growing areas of the USSR were Ukraine and the central black earth and the northern part of Russia only. However, as part of Khrushchev's 'New Lands' campaign, 36 m ha of grain were planted in the semi-arid 'virgin land' of Siberia and Kazakhstan in an effort to increase food production.

2. Data are only available on aggregate grain production.

3. In 1981-85 only 6.6% of grain harvest output came from irrigated land, with a further 4.4% from land benefiting from drainage improvements.

tonnes (Economist Intelligence Unit), making this the lowest since 1975, and 178m tonnes (International Wheat Council). In Kazakhstan, the grain harvest was reported as only 12.5m tonnes, 50% lower than in 1990, as the result of a prolonged drought exacerbated by input supply and farm power problems.

Yields vary considerably between republics, as well as between years, reflecting differences in soil fertility and precipitation, in capitalisation and in the efficiency of enterprises (Tables A3 and A4). Although Kazakhstan is one of the three major grain growing republics, it has by far the lowest average yields of all of the former Soviet republics.

Livestock: The livestock sector has performed far more strongly than the grains sector over the past twenty years, but is highly inefficient. Between 1950 and 1971, meat production increased by 151% and between 1971 and 1988 by 60%. In per capita terms, output rose by 85% and by 36% in the two periods respectively. These production gains reflect the strong emphasis that Soviet food policy attached to high levels of animal protein in the diet. Nevertheless, 'the inefficiency of animal production has long been the biggest problem in Soviet agriculture' OECD (1991b). Almost twice as many feed units are required to produce one unit of livestock in the USSR and Eastern Europe, as in Western Europe, largely due to unbalanced, protein-deficient feeding ratios. As a result, livestock feeding accounts for about two-thirds of the former USSR's grain requirements.

The recent decline in inter-republic trade in grains has adversely affected livestock production in some republics. For example, Estonia, which specialises in the production of meat and dairy produce, is reported as reducing its production due to difficulties in obtaining feed which in the past was provided by other republics as well as through imports. There are also reports of distress slaughtering of livestock in Kazakhstan due to shortages of animal feed following the poor grain harvest of 1991.

Policy and technical factors underlying the poor agricultural performance: Although substantial investments have been made in the sector, aimed at resolving the crisis of stagnant arable production, these investments have sustained inefficient practices[4]. There has been 'a lack of incentives at the level of the individual farm or region to control costs or to increase efficiency. The failure to recognise equity/efficiency tradeoffs has been an essential aspect of the worsening situation in agriculture. High cost and inefficient producers have been regularly baled out by the state, and wage policies have responded little, if at all, to labour productivity' (OECD, 1991b).

These inefficiencies are illustrated by comparisons with United States agriculture. In 1990, the USA produced 313m tonnes of cereals, with an average yield of 4.7 t/ha, whereas Soviet production was 229m tonnes, with an average yield 2.2 t/ha. In 1991 the Soviet agricultural labour force was five times the size of that in the United States. The USSR also had about twice the level of capital investment of the US agricultural sector, yet labour productivity was only one-eighth the US level.

Other factors have also contributed to the deteriorating agricultural sector. The excessive size of farms has been an obstacle to efficient management. Output has also been adversely affected, in the absence of effective soil conservation policies, by a long-term decline in soil fertility and increasing erosion. Large tracts of countryside in Ukraine and Belarus are also uncultivable as a result of the 1986 Chernobyl nuclear accident. The maintenance of lower food prices, despite some rises in agricultural procurement prices, has been an increasing financial drain on the sector.

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4. The flow of investment into agricultural production has been at the expense of investment in other related sectors such as food processing and rural infrastructure, particularly roads.

Agricultural imports: There has been increasing reliance on agricultural and food imports since the mid-1970s. These imports accounted for between 15 and 20% of total Soviet imports in the late 1980s. A high proportion of cereals, which represented 30% of total agricultural imports in the late 1980s, were purchased in hard currency while other categories of imports mostly came from other CMEA countries as non-convertible currency bilateral trade. The volume of grain imports has also been relatively insensitive to price movements. The USA has been the most important supplier, particularly of coarse grains, partly under a series of multi-year Grain Agreements beginning in 1976. During the 1980s the USSR also accounted for some 15 to 20% of global cereal imports.

The rise in grain imports has largely been due to the livestock sector's strong dependence on foreign feed grain and protein concentrates. Imported grains have also been used in the production of bread. Indeed, with growing reliance on grain imports, there was a parallel decline in the attention paid to the quality of domestically procured food grains, which in turn has made imports of bread making quality wheat increasingly essential. A sharp decline in import of such grains would immediately threaten the supply of bread, particularly to the urban areas (Sizov, 1991).

Food processing, transport and distribution: The former Soviet food industry is characterised by huge processing plants and storage capacity located in areas of consumption rather than production, although some processing of, for example, butter, meat products, fruit, vegetable and flour products and alcohol occurs within households. Agricultural raw materials are transported sometimes over vast distances to processing plants. This locational structure reflects the past orientation of food policy towards ensuring stable food supplies to the large industrial areas. As a result, a large proportion of the food processing industry is located in Russia and Ukraine, with these two sectors accounting for 72% of meat, 73% of butter, 84% of sugar and 68% of vegetable oil processing. Flour milling capacity and bakeries are also concentrated predominantly in these two republics.

The former Soviet government considered the food processing industry to be the weakest link in the country's agro-industrial complex. The major criticisms have been that:

- increases in the capacity of most branches of the food industry have not kept pace with trends in agricultural production and market demand;
- food industry techniques and technologies are obsolescent;
- productivity is low and costs are high, with raw materials inefficiently used, considerable waste, and low quality (OECD, 1991b).

Physical losses are also incurred during transportation and distribution. Total losses during the three stages combined are estimated at some 20 to 30% of harvested products, and even higher for some crops. However, if such losses were reduced to Western Europe levels, then the former Soviet republics together could be close to food self-sufficiency. An EBRD (1991) study attributed these losses to factors including:

- inefficiency of channels to market;
- over-centralisation of food storage and processing;
- unhygienic quality of food; and
- absence of private property.

The packaging sector is a further source of losses. The food industry is very poorly equipped with packaging lines and materials. A large proportion of packaging is done manually, if at all, resulting in considerable physical losses, reduction in product quality and wastage of packaging materials. A higher proportion of packaged products would imply reduced losses during transport, storage and marketing.

Inter-republic movements of agricultural produce and food supplies: In the past, food deficit republics were heavily dependent on the Union Fund for their supply. The metropolitan areas of the Russian Federation, Moscow, St. Petersburg and the cities in the Urals, also relied on this source for food supplies. However, in recent years, planned state procurement targets have not been met because republic governments have given greater priority to meeting local food requirements instead. As a result, there were shortfalls in planned state purchases of 27.3m tonnes in 1989, 18m tonnes in 1990 and 37m tonnes, or 51% of planned purchases, in 1991.

Some states introduced formal measures to prevent the export of food even prior to the dissolution of the USSR. For instance, by mid-1991 Russia was already suffering from Ukraine's decision to prohibit exports of food to other republics. Since December 1991, controls on inter-republic trade in food and agricultural products have burgeoned. For example, in December, the Belarussian authorities prohibited shops from selling to customers lacking certain documents, effectively preventing non-residents from purchasing food. Georgia also imposed limitations on the export of foodstuffs and non-food commodities in December, after non-Georgians were reported to be taking consumer goods out of the republic. In January 1992, Russia banned the export of meat, cheese, butter, vegetable oil, fish and industrial goods.

The reduction in inter-republic trade has contributed to the recent food shortages experienced in some republics, including Russia which has been forced to increase purchases from abroad. In January 1992, Russia was reported as facing an overall grain shortfall of around 30m tonnes of grain, 58% of 52m tonnes needed to maintain supplies for the year.

The current and future level and forms of involvement by the state in food procurement and logistics vary between republics. In Russia, farmers will still be obliged to make minimum mandatory deliveries to the state, but at free market prices. In return, the state will supply farmers with agricultural machinery.

Food self-sufficiency of former Soviet republics: The process of rapid political and economic change may involve disruption to established trade, both between republics and with outside economies. Republics have to negotiate new trade agreements with each other and other countries on a bilateral basis. In the meantime, low levels of self-sufficiency or import dependency in major food commodity groups could result in short-term problems of food insecurity, discussed further in Chapter 4. Therefore, it is useful to have some broad indication of the levels of food self-sufficiency of each of the former Soviet republics.

An inevitably simplistic analysis of food self-sufficiency has been undertaken using published data for the purposes of this study. Output of five major commodity groups - grains, potatoes, meat, vegetables, milk and sunflower seeds - were computed by republics on a per capita basis for 1989. These per capita surpluses were then compared with either average Soviet availability, if net import data was available, or otherwise with average Soviet production as a simple measure of self-sufficiency.[5]

For cereals, only two republics - Kazakhstan and Ukraine - had per capita production levels above the Soviet average level (Table 2.1); and these two republics were the only reported grain surplus producers during the late 1980s. Looking at all five commodity groups (Tables A5(a) and A5(b)), the ranking of republics by per capita production varied significantly among the commodity groups in terms of the largest producers.

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5. Stocks are not included due to lack of data. Production of 'raw' or unprocessed commodities is considered, *not* the production of processed products, such as flour or bread.

Table 2.1: Ranking of Former Soviet Republics by Their Deviation in Per Capita Production of Grains from Average Soviet Per Capita Availability, 1988 (a)

Grains	*Total Production*	*Per capita Production*	*Deviation from average per capita availability*
	million t	*kg/p.c.*	*kg/p.c.*
Kazakhstan	21.0	1271.2	528.8
Ukraine	45.4	883.2	140.8
Lithuania	2.7	737.1	-5.2
Moldova	3.0	709.0	-33.3
RSFSR	93.7	641.0	-101.4
Belarus	5.9	581.4	-161.0
Lativa	1.1	414.3	-328.0
Kirgizstan	1.7	400.7	-341.7
Estonia	0.4	256.3	-486.1
Azerbaidjan	1.4	201.5	-540.9
Georgia	0.7	131.6	-610.8
Turkmenistan	0.4	115.9	-626.5
Uzbekistan	2.1	107.3	-635.1
Armenia	0.3	86.4	-656.0
Tadjikistan	0.4	80.6	-661.7
Total	180.2	634.0	
Net Imports(b)	30.8	108.4	
Total supply	211.0	742.4	

Source: Narodnoye Khozyaystvo (1990).
a Excluding stocks
b Average imports, 1986/7-1988/9

In contrast, three of the Central Asian republics - Uzbekistan, Tadjikistan and Turkmenistan - were amongst the five lowest per capita producers for all commodity groups, except vegetables. Beleaguered Armenia is also particularly vulnerable in terms of per capita cereal production. Meanwhile, although the Baltic states are amongst the highest per capita producers of high value milk products, they depend on grain imports for annual feed.

There is also a strong regional concentration of sunflower, the most important edible vegetable oil produced in the former Soviet republics. Some 90% of production of output occurs in just two republics, Russia and the Ukraine. There is also some minor production in Moldova, Kazakhstan and Ukraine, but insignificant levels of output in other republics.

These cross-sectional variations in supply must be interpreted with extreme caution[6], but they do indicate the republics with very low levels of self-sufficiency. They also underscore the extent to which food security will continue to be closely linked to the maintenance of a relatively large trade in agricultural commodities and processed foods, until large scale investments in processing capacity occur outside Russia and Ukraine. As discussed below, this reliance on trade makes several of the smaller republics highly vulnerable to short-term problems of food insecurity should food trade with Russia and Ukraine or economies outside the former Soviet Union be severely curtailed. A currently conspicuous example is Armenia. The Baltic states have also faced severe difficulties in 1992 in maintaining livestock herds and production levels, but are being partially cushioned by aid and concessional trade with the West.

Albania

Official agricultural statistics for Albania provide an indication of the main structural features of the agricultural economy and broad sectoral trends but should be interpreted with considerable caution. Albania became self-sufficient in wheat in 1970 and, until recently, also claimed to have attained 85% overall food self sufficiency although it continued to rely on imports to meet a sizeable part of its meat, sugar and edible oil requirements (Table A6). The agricultural sector also accounted for 25% of total exports.

During the 1980s, a number of factors seriously undermined Albania's self-sufficiency, necessitating sizeable food imports of a range of commodities including wheat over the past three years. Part of the difficulties have stemmed from the emphasis on the production of wheat, rather than on other crops better suited to the climate and livestock production. The agricultural sector has also been weakened by a succession of serious droughts in 1983-5 and 1987-8; and by inefficiencies in production. Meanwhile high population growth rates have implied rising food requirements.

In 1991, agricultural production dropped substantially as a direct result of the government's land reform programme, exacerbated by input and farm power shortages in a rapidly deteriorating overall economic situation. In the first half of the year, agricultural operations were disrupted by the considerable uncertainty surrounding the likely outcome of the land reform programme, leading to an estimated 55% decline in output. Despite the law of 22 July on the privatisation of land, there were further disruptions to production due to delays in the distribution of land, in part because of efforts by former landowners to repossess their property. By early December, only 45,000 ha had been sown to wheat, less than 50% of the planned 100,000ha. Consequently, the prospects for 1992 are also very poor. The land redistribution programme has now become so fraught with difficulties that it has been halted; and land is being illegally occupied. Reports suggest that seed is also in short supply. The

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6. There are also regional differences in consumption patterns and dietary needs, which in turn depend on the age structure, health and occupation of the population and on climatic factors. Nor do surpluses necessarily guarantee food supplies to all households in a republic, particularly to urban areas or spatially remote regions. Food surplus republics do not necessarily have the capacity to process the food (see above). The data are also based on gross harvest figures which, because of losses, give an inflated indication of availability. Furthermore, it has not been possible to differentiate between different grain types. It should be also noted that per capita meat consumption refers to the consumption of 'deadweight' meat, and includes all categories of meat - cattle, pigs, sheep, goats and poultry as well as fat products.

previous government also admitted that there are shortages of fuel and transport, although it asserted that there is adequate supply of machinery and fertilisers. Meanwhile, some 3m Albanians, virtually the whole population, are now dependent on food aid.

Agricultural output could continue to be adversely affected by the land reform programme for several years. Under the reform programme, some 40% of state farms, which accounted for 30% of agricultural output in 1989, and nearly all cooperatives, which accounted for 60% of agricultural production in 1989, have been broken up. Every family has been granted a plot of land, of average size of only 1.5 ha and, in some areas, of a mere 0.6 ha. The sale of land has also been prohibited for three years. Although small holders are extremely productive in many countries, most Albanians are inexperienced in small-scale semi-commercial farming. Land-holding households will require time to adjust to the required new farming methods and to build up an appropriate capital stock. Indeed, were constraints on land sales to be lifted by the new government, it is probable that there would be a rapid rationalisation and consolidation into larger units. However, the land reform may, at least, have widened the group that will obtain some windfall benefit from the privatisation of the land.

Romania

Romania has the potential for an intensive, mixed agricultural economy. In 1989, some 40% of land was arable, 22% permanent crop or pasture and 27% was forest; and the country had a total cultivated area of 14.8m ha in 1987. During the 1920s and 1930s, the agricultural sector was a net exporter. More recently, particularly in the 1980s, the country has experienced food shortages. However, agricultural and food problems are likely to be only transitional, assuming political stability and an economic environment favourable to agricultural growth and to the re-establishment of external markets. Thus, in the longer term Romania could again become a substantial agricultural exporter, whilst also satisfying domestic requirements.

The Communist regime of 1948-89 progressively reorganised land in collective and state farms, leaving only 9% of land under private ownership and reversing the country-wide redistributive reforms which had occurred at the end of the First World War. The private sector nevertheless still accounted for a higher proportion of agricultural output than in most other countries with a system of collectivised agriculture, Poland excepted.

Until the 1980s, the Communist regime heavily favoured industrialisation rather than agricultural growth. Then, in the face of declining food supplies and exports, the government was forced to give higher priority to the agricultural sector. Nevertheless, the country continued to experience food shortages and severe rationing. The situation was made more acute because Romania remained one of the main exporters of foodstuffs within the CMEA, despite domestic shortages, as part of the regime's policy of eliminating the country's international debt. In 1985 the country was a net exporter of cereals, beef and sunflower oil (see Table A7). Even in 1989, when the country experienced a bumper harvest with favourable weather, the coverage of food rationing was extended.

The revolution of December 1989 and subsequent beginnings of economic reform have been associated with severe short-term economic disruption, resulting in input and farm power shortages and marketing and processing difficulties. Consequently, although exports were halted in 1990, the domestic food supplies are still inadequate and the country is currently heavily dependent on commercial imports and aid to meet its food requirements. The new government is also committed to private agriculture and so has embarked on the third sweeping land reform programme in the country this century, with possible further disruptions to production.

3. TRADE

The implications for former member countries of the dissolution of the Council of Mutual Economic Assistance (CMEA), with its complex set of bilateral trade relationships, are examined in this chapter. Future trading links with the west, which will be shaped strongly by the establishment of new relationships with the EEC and neighbouring EFTA states and by the agreements made under GATT rules by the USA, are also considered. The chapter concludes with a discussion of the particularly acute problems which the breaking up of the former Soviet economy will pose for the former Soviet republics, especially some of the smaller ones, in reorganising trade on a basis of mutual self interest.

The CMEA and its dissolution

The Council of Mutual Economic Assistance (CMEA) was founded in 1949 as part of Soviet policy to attain Eastern bloc self-sufficiency. In 1990, its last year, the CMEA comprised the USSR and all Eastern European countries, with the exception of Albania which left in 1960/61, together with the former East Germany, China, Cuba, Mongolia, North Korea and Vietnam. Although the dissolution of the CMEA has had major economic impacts on the economies of countries such as Cuba and Mongolia, attention here will be focused on Eastern European members and the former USSR.

Trading links were strongest between the USSR and individual Eastern European countries, whilst intra-Eastern European trading links were generally much weaker, reflecting the bilateral character of the CMEA. Almost 60% of Soviet trade was with the CMEA in 1988, in comparison with 23% with non-CMEA developed countries and 17% with non-CMEA developing countries (Table 3.1)[7]. Romania was more loosely integrated into the CMEA regime than other Eastern European member states.

Intra-CMEA trade basically consisted of the exchange of Soviet raw materials, particularly oil, for Eastern European manufactured goods, which generally fell below international competitive market standards or specification. For example, in the late 1980s about half of Soviet imports from Poland comprised engineering and capital goods, whilst oil and gas products accounted for 40-50% of Soviet exports to Poland. Oil and gas constituted a similar proportion of Czechoslovakian imports from the USSR, whilst engineering and capital goods accounted for 50-60% of exports. The structure of Eastern European exports to western markets reflected the fact that only certain goods could compete in western markets.

Most intra-CMEA trade was conducted on a bilateral settlement basis with no exchange of currency. Goods were valued at the average world price prevailing over the preceding five years. In reality, Soviet imports were generally over-valued in relation to internationally competitive prices, as their sub-standard quality was not taken into account, whilst Soviet exports, particularly oil, were mostly under-valued. This pricing system effectively cushioned CMEA countries against the two world oil price shocks of 1973/4 and 1979; and, as a result, Eastern European industries are now far more energy intensive than their western counterparts. However, it is impossible to measure the exact magnitude of these implicit Soviet subsidies, as the goods involved were not directly comparable with their equivalents traded on the international market. The inefficiencies resulting from CMEA pricing

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7. It should be noted that there are two major problems with Soviet trade statistics. Firstly, values of foreign trade are those established by the Soviet banking and foreign trade authorities rather than in the world's currency markets as the rouble is a non-convertible currency. Secondly, several important export items, including gold and military equipment, are excluded from the trade statistics.

Table 3.1: Proportions of USSR Foreign Trade with Main Trading Partners, 1988.	
	Total Trade Turnover
Centrally Planned Economies	65.3%
of which CMEA	59.7%
East Germany	10.8%
Czechoslovakia	10.0%
Poland	10.1%
Hungary	7.1%
Bulgaria	9.8%
Romania	3.6%
Yugoslavia	2.9%
Developed Capitalist Countries	23.4%
Developing Countries	11.3%
Total	100.0%
Source: Pockney (1991).	

practices are now amongst the factors obliging Eastern European economies and the former Soviet republics to radically restructure their economies if they are to be internationally competitive in global markets.

Since 1970 there has been a gradual decline in the importance of intra-CMEA trade as a proportion of total trade of CMEA states, and this process has accelerated with the CMEA's dissolution. In 1990, CMEA member trade with the USSR declined by 20% year-on-year, with Soviet oil exports particularly reduced. Then, from the beginning of 1991, hard currency accounting came into effect. Some trade has continued on a barter basis; and such trade will continue as long as a significant part of the existing capital stock remains in use, requiring the import of spare parts only produced in former CMEA countries. However, due to shortages of hard currency, there has already been a significant decline in trade between former CMEA members in commodities which can compete on the world market, and this trend is likely to continue. Thus, the break-up of the CMEA has constituted a considerable external shock to member states, in addition to the demand and supply adjustments occurring domestically.

Eastern European industries have been particularly badly hit by large reductions in bartered Soviet oil exports, which have occurred as a result of declining production[8] as well as the dissolution of the CMEA. Due to lower output, Russia, which accounts for 80% of total Soviet oil production, is expected to export only 100m tonnes of oil globally in 1992 as compared with 200m tonnes in 1991 and so very little is likely to be traded on a barter basis. Eastern Europe's export opportunities for manufactured goods are also restricted due to the poor quality of products. The shift to pricing of production inputs at levels nearer to world prices will also make whole branches of industry obsolete.

8. Nevertheless, the former USSR is still the largest producer of crude oil in the world.

Trading links with the West

Even prior to the dissolution of the CMEA, Eastern European countries were looking increasingly to the outside world to develop new trading links. The examples of such links cited below are by no means exhaustive but just illustrative of the burgeoning trading relationships, particularly since 1989.

Some Eastern European countries had EC Generalised System of Preference (GSP) beneficiary status prior to the recent period of reforms. However, several Eastern European countries now eventually hope to gain full EC membership and 'only those countries which fail even to make the effort to reform will be consigned to GSP beneficiary status alone' (Hewitt, 1991). As a first step towards the creation of a free trade area at least, the EC signed Association agreements with Poland, Hungary and Czechoslovakia in December 1991. These agreements came into effect in March 1992, abolishing most quotas and removing most tariffs over the next two to five years. Although liberalisation in certain sectors will be slower and agricultural exports have been excluded totally from these agreements, the agreements represent a major departure in EC trade policy in that previously only poor, developing countries were favoured in this way. The EC also concluded ten-year trade and cooperation agreements with Bulgaria in 1990 and with Albania and the Baltic states in May 1992.

Trade agreements, conferring mutual Most Favoured Nation (MFN) status, have also been signed by the USA with a number of countries including Hungary (originally dating back to 1974), Bulgaria (1991) and Czechoslovakia (1990). The USA is also considering restoring MFN status to Romania. In March 1991 the US also launched a Trade Enhancement Initiative for Central and Eastern Europe to expand US trade in the region. Several countries in the region are also beneficiaries under the US GSP.

These EC and US initiatives are paralleled by actions of individual EC member states and by growing Japanese trade interests and trade credits.[9]

A 10-nation Council of Baltic Sea States was also created in early March 1992 to revive historic trading and cultural links in the Baltics. Member states comprise all states bordering the Baltic Sea: Germany, Russia, Poland, the four Scandinavian states and the three Baltic republics. The aim of this Council is to identify common projects to help transform Russia, the Eastern European states and the Baltic republics into free-market societies and to prepare them for closer economic relations with the EC[10].

Inter-republic trade in the former Soviet Union

In the past, inter-republic trade was approximately four times that between the USSR and the rest of the world. This contrast reflected the long-term effects of centralised investment policies derived from the ideological drive for 'Socialism in one country' that have encouraged, even obliged, individual republics to specialise in certain sectors of production. Internal trade accounted for a particularly large proportion of GNP of the smaller republics, which, by implication, produced a smaller number of items and so were particularly heavily dependent on the internal Soviet market for the supply of certain basic items. The trading relationship between Russia, by far the largest republic, and the other republics was similar to that between the USSR and other CMEA countries. Russia sold cheap energy

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9. Export credits are discussed further in Chapter 5.

10. The Council will not be given a separate aid budget: instead, aid will continue to be given bilaterally or channelled through existing international bodies.

in exchange for consumer goods at inflated prices. As a result, Russia was estimated to subsidise the other republics by around 67bn roubles per annum in 1989 (*The Guardian*, 21.2.92). Only three other, but, significantly, amongst the poorest, republics - Uzbekistan, Turkmenistan and Kirgizstan - made transfers under this system.

Inter-republic trade was regulated and supervised by contracts imposed by Gosplan. Official government procurements accounted for a large part of the trade. However, during the late 1980s the trade system slowly disintegrated, accelerating in 1991 as individual republics gained their independence. Republics have increasingly held back supplies to meet their own requirements. As restrictions on international trade have been lifted, they have also preferred to earn hard currency, rather than unstable roubles, with their exports. Fears of economic retaliation between republics, resulting from disagreements about the division of former Soviet assets, military hardware and debt, has further fuelled the rush to sever trading links with other republics and to seek outside trading partners instead. An example of such new links is the deal between Ukraine and Iran in February 1992 to purchase some 4-5m tonnes of Iranian crude oil per annum, representing about 10% of Ukraine's recent annual oil consumption.

Russia is trying to establish a trade, banking and currency union with the other CIS republics which would maintain some traditional trading links. This effort partly reflects Russia's desperate need for a clearly defined currency and banking zone to strengthen the rouble. Russia agreed to set up a single economic space and rouble zone with Belarus and Kazakhstan in January 1992. However, relationships between Russia and Ukraine, probably the most other economically important of the former Soviet republics, remain particularly tense.

Some republics will face logistical problems in developing new trading links, since the existing transport network was constructed to facilitate inter-republic trade, particularly between the individual states and western Russia.[11] To some extent, attempts by producers to build up new trade links are also being hampered by the imposition of export taxes, as part of republican government attempts to reduce budget deficits. For example, in early February 1992, the Ukraine parliament created a special debt repayment fund by taxing the hard currency profits of exporters. Exporters will pay between 15% and 70% of hard currency profits to the fund; and a further 5% will go to local governments.

Given the past structure of the Soviet economy and the importance of inter-republic trade, the recent trade disruptions have potentially serious implications for some republics, particularly those which were most dependent on inter-republic trade for the supply of food, medicine and other essential supplies. Republics which currently lack products which can compete in international markets could be particularly severely affected.

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11. The existing transport network, particularly the railway system, continues to reflect patterns of trade and military and civil administrative movements by the nineteenth century Russian empire during its political and economic expansion, radiating out from western Russia.

4. IMPACTS OF ECONOMIC REFORM ON FOOD SECURITY, NUTRITION AND HEALTH

The task of even chronicling recent economic developments is extremely difficult since the process of change is now so rapid. The precise timing and severity of the process of political and economic reform also differs from state to state, and is partly dependent on the pre-reform structure of the economy. However, the patterns of impact are likely to involve similar elements in all states, and so an attempt is made in this chapter to provide at least a qualitative assessment of the process of economic reform and to consider its implications for the welfare and entitlements of the poorer and more vulnerable elements within society. The discussion focuses particularly on the former Soviet republics with some attention to developments in Albania, Romania and Poland as well.

The concept of 'entitlements' is useful in analysing changes in economic and social conditions because under the former socialist system there were legal and quasi legal rights to food security, housing, health, education and jobs. With the change to a market system, the issue is becoming more complex, causing 'poverty' in the sense of socially unacceptable levels of real income or welfare, and even relative deprivation. Initially, these changes represent loss of well-established entitlements not readily translatable into declines in real income, health and nutritional status.

Much more analysis is required to understand these complex relationships. This analysis therefore focuses on the direct loss of entitlements with implied erosion of well-being amongst non-specific groups of the population. As the process of adjustment began so recently even in Poland, the first Eastern European economy to embark on the process of rapid economic transformation, it is difficult to make inferences about the medium (over the next four to five years), and longer (to the end of the century and beyond) term implications for vulnerable groups. However, the structural adjustment experiences of developing countries offer some indication of the likely impact and so these are also briefly considered.

The chapter concludes with a highly tentative analysis of the groups and regions which are most likely to be vulnerable during the early phase of rapid economic change. The effects on highly vulnerable groups could be severe, but possible losses of entitlements and shortages may only be short-term.

Rapid economic change and individual entitlements

Privatisation and sectoral re-structuring: The most significant social impact of privatisation and sectoral restructuring of the economies of Eastern Europe and the former Soviet Union[1] will occur through rising unemployment. The labour force will be streamlined as technologies with higher levels of overall factor efficiency replace capital wasteful techniques and as the opening of markets force greater cost-competitiveness. In addition, the privatisation of state industries, the switch to hard rather than soft budgeting by managers, the removal of subsidies and a shift towards world market prices for inputs and outputs will also lead to the closure of many loss making firms and thus to further redundancies.

The level of unemployment at any point in time will depend in part on the pace of economic

1. The restructuring process in the former Soviet republics is further complicated by the division of state assets between the republics as the first step towards privatisation. Formerly centrally controlled industries organised with component plants spread across the USSR are being broken up, with each republic retaining operations within its own borders.

restructuring. Jackman et al (1991) note that in some Eastern European countries, employment has actually fallen less than output. They attribute this to falling real wages combined with increasing energy prices limiting the scope for substitution between factors of production. But, in the longer term, substitution out of labour in some sectors will create unemployment. The past concentration of different industries in certain areas implies that local labour markets will also be heavily dependent on the future of just a few enterprises. Thus, there are likely to be heavy regional concentrations of unemployment, for example, in some of the former major centres of heavy industry of Russia and Ukraine. But, experience in Poland suggests that these job losses may occur more slowly than anticipated as the management and labour force in loss making enterprises can also exert political pressure to maintain bank credit, thus delaying the process of restructuring.

Past experience in OECD countries indicates that a high proportion of new jobs will be in the service and light manufacturing sectors, but that the movement of labour from heavy industry and agriculture into these sectors may be a lengthy and difficult process (Jackman and Layard, 1990). As in OECD countries, active labour market policies, including retraining, could play a very important role facilitating structural economic change. Retraining will also be of vital importance in preventing the emergence of a large body of long-term unemployed, suggesting that technical assistance could play a crucial part in the reform process. Housing shortages are expected to inhibit the movement of labour to new areas of employment.

The restructuring process will also result in a decline in output in some sectors and is already happening, reducing the availability of consumer items, with potential inflationary consequences, and of intermediate inputs of production. Declining output of some goods obviously has knock-on effects on the production of others, with possible repercussions on job security. For example, in Russia, a shortfall in steel output is expected to lead to a 30% fall in production of tractors and other agricultural equipment.

Defence cuts: The end of the Cold War is being accompanied by large scale cuts in military spending and demobilisation of the military, potentially resulting in great hardships. The ex-military will face loss of income and will need to seek new accommodation, placing additional pressures on the already severely under-supplied housing market. The demobilisation problem will be particularly severe in the former Soviet republics, which supported the enormous Red Army. In mid-1991, there were an estimated 5m people in the Red Army and associated security forces, 1.7% of the population and 3.3% of the labour force. At least 20% of all young males in the former Soviet Union were involved in the armed forces; and the Central Asia republics alone provided 50% of the army's new recruits in 1991. Falling discipline and living standards in the armed forces have already resulted, for example, in a three-fold increase in thefts of military hardware within the Red Army in 1991.

The defence industries are largely concentrated in Russia and Ukraine. The industrial workforce directly involved in supplying and equipping the Soviet armed forces was estimated at anywhere between 5 and 25m in mid-1991, depending on the definitions of direct and indirect involvement. Precise estimates are also complicated by the fact that the so-called defence sector also produced over 3,000 consumer goods, including, for example, 100% of televisions and 50% of motorcycles, as well as military equipment.

All three sources of demand for the Soviet defence industries - internal, CMEA and developing country[2] - are also now sharply in decline, threatening the livelihoods of the vast workforce. For

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2. Eastern European and other CMEA countries were supplied with a large proportion of their defence equipment from the USSR in the past; and a large component of bilateral trade with developing countries, such as India, also involved export of military hardware.

example, in 1992 Russian military procurement of hardware has been cut to only 13% of last year's level. The dissolution of the CMEA and military retrenchment in Eastern Europe, the substantial decrease in Soviet aid and the collapse of many bilateral trade agreements have also sharply curtailed export sales.

Large-scale transfer of defence manufacturing into civil production is now planned. This may entail only short-term disruptions to job opportunities in some factories; and in those which already largely produce consumer goods, even retooling may not be necessary. However, some delays are being encountered in the process of conversion due, in part, to a breakdown in sources of supplies of raw materials for production of consumer goods. Furthermore, enterprises are beginning to have to compete for markets in a depressed domestic market and a global economy in recession. The short-term prospects are not good, and considerable unemployment in the large defence-related sector, including aerospace and nuclear industries, is possible.[3]

Disruptions to trade flows: Disruptions to traditional trading links, including those between former Soviet republics has resulted in the loss of export markets for some goods, including military equipment, and rising prices of some essential inputs, particularly oil. It has also necessitated purchases of some goods in hard currency. Trade disruptions could reduce levels of employment in industries producing for export and/or dependent on imported materials; and decrease the availability of consumer products, including food.

Restructuring and reductions in public expenditure: There is considerable pressure on governments to reduce budgetary deficits under economic restructuring programmes entered into with the IFIs. Such massive cuts in budgets may impact on entitlements via a number of possible channels:

- retrenchment of civil servants;
- tightening of benefit regulations;
- reduction in real state benefits and pensions due either to reductions in nominal terms or the failure to increase them in line with inflation (see below);
- cuts in social services (health, education, child-care facilities, public housing);
- cuts in food and other consumer subsidies (see below);
- cuts in transport subsides; and
- increases in direct and indirect taxation.

Almost all these measures are being, or are likely to be, attempted to some degree in Eastern Europe and the former Soviet republics, and so only illustrative examples of these effects will be considered.

Government attempts to reduce budget deficits can meet opposition from a number of sources, particularly during periods of high inflation, when real incomes are being eroded, and of rising unemployment. There is strong popular pressure on governments to maintain certain standards of living via the provision of benefits and other social programmes. These difficulties are reflected in the failure by a number of governments in the region to meet planned budget targets.

The design of unemployment benefit schemes is particularly problematical. Governments basically have a choice between schemes which restrict the period of entitlement to long-term employment benefits and confine assistance to those with an employment record; and schemes which are more broad-based. The former can help prevent the emergence of a large body of long-term unemployed and are less costly. Eastern European countries - including, Romania, Poland and Hungary - have

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3. The EBRD, anticipating a difficult restructuring for the defence industry, sought unsuccessfully in April 1992 to persuade its governing body to introduce concessional lending to finance this process (see Section 5).

generally adopted such schemes. However, unless accompanied by active labour market policies, these schemes can also lead to severe suffering. In addition, they do not provide assistance to new entrants to the labour market, that is, school leavers, who form a significant part of the body of unemployed in some Eastern European countries, such as Romania. Thus, some safety net mechanisms are needed to protect both new entrants into the labour force and, also, the longer term unemployed where jobs simply do not exist. More broad-based schemes already effectively provide a safety net, but they also entail high government budget costs, running counter to government policies to reduce budget deficits (Jackman and Layard, 1991).

Unemployment benefits are less likely to be cut in Eastern Europe and former Soviet republics simply because there was officially virtually full employment in the past, and such benefit systems are only just being established. But, where they have been introduced, benefit reductions cannot be ruled out. For example, in January 1992, the Polish government proposed a reduction in nominal unemployment benefits, as part of efforts to reduce public spending.

Public sector and nationalised industry employees are also unlikely to accept reductions in real wages as part of government efforts to cut the budget deficit. For example, in late January 1992, the Russian government conceded large pay rises for miners, following a series of strikes, and thus abandoned the target of a balanced budget in the first quarter of the year.[4]

Another area of tension in government spending decisions which arises during periods of austerity is that of apportioning cuts between different areas of expenditure. At the broadest level, there is considerable temptation to concentrate cuts on capital rather than current expenditure, particularly in the face of widespread public discontent with severe economic hardship. For example, Bourguignon et al (1991) found that in a sample number of countries which have undergone stabilisation or structural adjustment packages, cuts in public expenditure fell disproportionately on capital expenditures. However, in the longer term, such cuts can potentially have more far-reaching effects on economic and social well-being than shorter term cuts in current expenditure.

All the reforming economies also face the urgent prospect of reconstituting the tax base. In the place of deductions from public enterprise surpluses and turnover taxes, both direct and indirect personal taxes and taxes on private sector profits are required. But, during periods of inflation, tax increases, which place additional pressure on real income, are also less politically acceptable and tax payments may be widely evaded. For example, again in Russia, value added tax (VAT) was introduced on 23 January 1992 at 28% but the government was forced to reduce it to 15% on a range of foodstuffs in February. The new VAT had been intended to raise over half of government revenues and these reductions implied a loss in revenue, equivalent to 2 to 3% of GNP.

Reduction and removal of food and other price subsidies and controls: The liberalisation of markets and the removal of subsidies is an intrinsic part of the economic reform process. Such subsidies constituted an enormous economic drain in the past and are an obvious target for reducing government budget deficits. For example, in 1989 food subsidies in the former USSR were projected at some 14% of NMP (EIU, 1991). A further objective of price liberalisation is to improve the availability of foodstuffs which in the past, because of low prices, were retained by farmers or not even produced. However the removal of substantial subsidies necessarily implies significant price rises. In addition, their removal generally goes hand-in-hand with the abolition of state controlled consumer prices. This results in spiralling inflation (see below), fuelled by severe shortages of most

4. In the first quarter of 1992, the Russian government originally planned a balanced budget. Although this was revised to a deficit of 2.5% of planned expenditure in January, even this was far exceeded by the actual deficit of around 25% of total planned budget expenditure.

goods, which in turn erodes real income.

The earlier experience of Poland in this process provides some insight into the possible effects of price reforms on consumer food purchasing power, food intake and the availability of marketed food in more recently reforming economies. Retail prices were liberalised in Poland in October 1989. In the following quarter, household real income fell by an average of 30 to 40%; and food consumption fell by 10 to 15%. Meanwhile, producers initially withheld their produce from the markets because of the uncertainty created by high inflation rates, resulting as a consequence of the price liberalisation. However, supplies improved as inflation subsided; and indeed led to a situation of over-supply, partly due to the untimely arrival of food aid (see Section 5).

Experience to date in the former Soviet republics, where major price reform programmes are currently underway, is that the price reform process is having an even greater upward effect on food prices than in Poland, and that household food security is being seriously undermined in some cases. Most republics introduced price liberalisation programmes in January 1992. At the same time most of them specified 'coefficients' limiting the amounts by which the state prices of certain staples could increase, but no such restrictions were placed on prices in the non-state shops. As a result, there were dramatic increases in the prices of basic foods, spurred by endemic shortages, particularly in the urban areas. For example, food prices increased by as much as six-fold in Ukraine, while Moldova is reported to have been particularly badly hit by rises in food prices. In Russia, food prices rose four to five times on average, but with substantially higher price increases for some goods[5].

Despite these price rises, there is as yet little evidence of any improvement in the supply of food in the former Soviet republics. Farmers have continued to withhold their produce from the state supply system on the grounds that the payment offered is worthless. Indeed, the situation is so critical in Ukraine, for example, that the government has offered to pay farmers in convertible currency for produce in 1992 and 1993 to try to ensure the supply of food to its urban areas.

Loss of access to services traditionally supplied through place of work: In most of Eastern Europe and the former Soviet Union, access to certain welfare entitlements, such as housing and child care facilities, have traditionally been linked to the workplace. But, as the incidence of unemployment grows, access of affected groups to such services will be reduced. The processes of dismantling large vertically integrated industrial empires coupled with privatisation are also likely to lead to the abandonment by many enterprises of their role in the provision of such entitlements to retained employees.

Hyper-inflation and declines in real incomes: The causes of hyper-inflation should not be seen just in terms of the removal of price subsidies and controls, but also of loss of control over public expenditure and of problems of revenue generation. For example, the former USSR experienced growing budget deficits during the 1980s. These were covered by borrowings from the central bank, in effect constituting money creation. This process culminated in the near uncontrolled printing of money to meet state obligations in 1990-1991, prior to the current reform process. The continuation of subsidies and price controls in the meantime created a massive problem of repressed inflation, reflected in ever lengthening queues and rampant parallel market activity.

Problems of hyper-inflation have been, or are now being, experienced in several countries in the region in a dramatic and extreme form, as price subsidies on certain goods are removed and markets

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5. General fuel price increases were also scheduled to occur in Russia in April 1992 but were delayed at least until the summer following complaints by farmers that they would not be able to sow their spring crops if the price of fuel increased substantially. However, petrol prices were increased, leading to a five-fold increase in price overnight.

liberalised. Uncontrolled market prices are rising rapidly to levels reflecting the availability of goods. Given the relatively equal distribution of income distribution in the former Soviet republics and most Eastern European countries combined with low average income levels, price increases on this sort of scale are affecting large segments of the population. But, those on fixed nominal incomes - such as pensioners, the unemployed and students - are particularly severely hit. For example, in Albania, in mid-February 1992, the rate of unemployment benefit stood at 750 Lek (about US$18) per month whilst a family's bread ration alone cost 600 Lek. In Russia prices for all commodities, not just food, rose by an average 3.5 times in January. As a result, the wage needed to sustain a basic standard of living increased to Rbs550/month, according to government figures, compared to a minimum pension of Rbs342/month (*The Financial Times*, 6/2/92).

Furthermore, in most countries the recent falls in the real value of wages, benefits and pensions are part of a declining trend over the past few years. Thus, in some instances pensions and benefits may already have been insufficient to maintain households above the poverty line, even prior to recent price increases and/or cuts in benefits. For example, in Romania there was an estimated inflation rate of 30% in 1990 compared to an increase in nominal wages of only 8%. Romanian pensions were also not fully adjusted to take account of the rise in prices.

Exchange rate instability: Balance of payments difficulties, combined with high domestic rates of inflation are being, or have been, reflected in substantial depreciations in the value of the rouble and some Eastern European currencies. For example, in early May 1992 the inter-bank market rate for the rouble stood at 120 to the US dollar compared to 32 in April 1991, despite a general appreciation since mid-January 1992 due to a domestic shortage of roubles. Many countries are also facing difficulties in earning sufficient hard currency to pay for essential imports.

In terms of the entitlements of different sections of the population, exchange rate fluctuations impact, in theory, most heavily on those segments of the population which consume relatively more imported goods and on those which are employed in industries either dependent on imported supplies and/or orientated towards the export market. However, in the present context, the effect of exchange rate movements within a country on the cost of household consumption baskets probably does not differ significantly between households since, given the relative equality of income, imported goods probably have similar relative importance in most consumer baskets.

Currency shortages: Some countries are experiencing currency shortages as a result of tight monetary policies, which are partly being implemented by reducing the printing of money, combined with high rates of inflation. In particular, in Russia, only 19bn roubles were printed in January 1992, compared to 23bn in December 1991, despite the huge price increases. The resulting shortage of roubles has made it difficult for employers' to pay wages, with obvious repercussions on entitlements. *The Economist* (29 February 1991) reported that the Russian government had revealed that some 19bn roubles' worth of unpaid wages, representing some 20% of the wage bill, had accumulated since December; and that to prevent delays, some enterprises were using dollars to buy roubles. Some other former Soviet republics are also facing a critical shortage of roubles, again leading to enforced savings and difficulties in paying salaries. In Ukraine, this has added impetus to the move towards introducing its own currency, and some other former Soviet republics also favour the introduction of their own currencies.

Disruptions to agricultural production and food processing: Agricultural production is currently being disrupted in several Eastern European and former Soviet economies due to a combination of land reform, shortages of essential inputs and the removal of government input subsidies. Land reform programmes are an important component of the reform process, and in many cases entail a major redistribution of land, almost inevitably disrupting production. Agricultural output is also likely to be

affected by the removal of government input subsidies. For example, the Albanian government has ceased to provide fertilisers free of charge or to provide families with tractors and technical services, which were previously provided by cooperative farms. Meanwhile, the food processing industry is being disrupted by shortages of raw materials, due to problems of inflation and a break-down in trade, including inter-republic trade. Thus, for example, in 1991 output in the Russian food sector fell by 9% year-on-year and further falls are expected.

Transport difficulties: The transport infrastructure in Eastern Europe and the former Soviet republics is generally in a very poor condition, due to persistent under-investment and failure to carry out routine maintenance. Problems have been compounded by shortages of fuel, as a result of the break-up of the CMEA and the shift to world pricing. This has led to the introduction of petrol rationing in a number of countries. For example, in Estonia, most long distance buses are off the road and petrol is rationed to a gallon a month. Fuel shortages are also restricting the use of tractors and other agricultural equipment.

In some countries, these transport difficulties have potentially serious implications for the ability of the labour force to travel to places of work. For example, in Romania, rural commuters are estimated to have accounted for around one-third of urban employment and so are dependent on a well functioning transport system. Transport problems are also impacting on the ability to transport supplies, including agricultural produce, to areas of processing and consumption.

Energy shortages: Most Eastern European countries and the former Soviet Union have faced energy shortages in recent years, particularly of electricity. Shortages of primary energy and electricity affect households' ability to light and heat their homes and to cook, with implications for food and health security, particularly of the young and elderly and of populations in more extreme climatic regions. Shortages also impact indirectly on households via their effect on industrial production and thus on the availability of goods. Both domestic and industrial users are also facing gradual increases in the price of power supplies. However, domestic users are likely to face bigger increases, since in the past they often paid lower prices than industrial users, in contrast to western countries where industrial users typically enjoy lower tariffs.

Over the past five years, Romania has had a significant deficit both of electricity and of primary energy. During the winters of 1984/5 to 1988/9, domestic energy consumption was severely rationed although the country continued to export energy. Availability improved under the new government, partly due to a cut in energy exports and the free supply of some 300 MW of electricity from Germany as humanitarian aid. But some rationing has continued for both domestic and industrial users; and industry is being urged to reduce electricity consumption. There have also been reports of children, whose resistance has already been weakened by inadequate diet, dying of hypothermia. Albania has also suffered from power cuts for a number of years although it is largely self-sufficient in energy. Around 80% of Albania's electricity is hydro-generated and so the droughts of 1983-5 and 1987-8 severely curtailed electricity generation. Drought also reduced electricity output in 1990.

Further electricity shortages, and thus even greater price increases, could result from environmental pressures. A significant proportion of Eastern European production is generated from relatively old coal and lignite powered plants making the electricity industry a major polluter. There is mounting environmental pressure, both domestically and from neighbouring countries, to reduce levels of emission. Limits are already beginning to be introduced as, for example, in Hungary where new legislation is expected this year. These pressures have already led to the closure of some power stations and additional shutdowns are expected as further pollution control measures are enforced.

There is also considerable pressure to close down nuclear power stations due to concerns about their

safety, especially after Chernobyl and the recent scare at a nuclear reactor near St. Petersburg. But, large scale closure of nuclear and coal-fired power stations would create more acute electricity shortages, resulting in further economic disruption and higher energy price rises, at least until new power stations were built either conforming to higher pollution standards or using alternative sources of power. For example, an Armenian nuclear power station, which supplied 40% of the republic's electricity needs, has recently been closed, leading to acute electricity shortages. Thus, most former Soviet republics, at least, are currently concentrating on improving the safety and efficiency of nuclear plants rather than on shutting them down.

Erosion of the economic position of women: Prior to reform women constituted nearly half of the labour force in most Eastern European countries and the former USSR. Their earnings, and the benefits accrued through their places of work, were an important part of household earnings, in both female and male headed households.

As observed the world over, women's job security is particularly threatened in times of recession. Thus, for example, women are reported to be bearing the brunt of the first waves of redundancies in Russia in industries and enterprises which are laying off parts of their work forces and, as a result, there are already four times more unemployed women than men in Russia. Women are also being forced out of the labour force as the cost of child care facilities rises substantially as, for example, in Poland and, currently, Russia.

Governments are also likely to promote a return to family values, in part to reduce the involvement of women in the labour force and so, indirectly, to reduce levels of unemployment. For example, Moghadam (1990) reports that 'Soviet women are confronting a powerful backlash against its emancipation of women. *Glasnost* is allowing Soviet citizens to voice patriarchal prejudices once banned as bourgeois or counterrevolutionary. The news media, for example, frequently blame "over-emancipated masculinised women" for social ills from juvenile delinquency to divorce (van den Heuvel, 1990)'. The resurgence of traditional religious influences, particularly of Islam in Central Asia, is also likely to reinforce the trend of a decline in female participation in the labour force.

Another development debasing the position of women is a reported increase in sex tourism. All these developments not only reduce women's economic conditions, but also undermine their rights as equal partners with men in society and the economic sphere.

Ethnic tensions and discrimination against minorities: Some Eastern European countries and most former Soviet republics have a complex ethnic mix with large minority groups; and some of these ethnic groupings are now declaring their own sovereignty. Ethnic tensions and discrimination against minority groups are not a new phenomenon in the region. For example, in Romania minority groups, which comprise over 10% of the population, were subjected to forced cultural assimilation and job discrimination under the Ceausescu regime. However, the scale of such problems appears to be increasing, with more extreme manifestations of nationalism.

Refugees are an obvious vulnerable group, having left behind their jobs, houses, household plots and most of their possessions. Worsening ethnic tensions have resulted in a number of civil conflicts, creating a rising tide of Bosnian refugees as well as, for example, Armenians and Azeris, within the former Soviet Union. Increasing ethnic tensions are also believed to be resulting in an increased out-migration of, for example, ethnic Germans from Central Asia republics and Russians from the Baltic States. By mid-1991, there were a estimated one million internal refugees within the former USSR, and the number is now undoubtedly higher.

Even in instances where ethnic tensions do not result in a flow of refugees, they can still lead to a

redistribution of entitlements. There is some evidence that new citizenship laws being drawn up individually by the former Soviet republics are favouring indigenous groups over others. For example, under the draft Estonian citizenship law, citizenship will be given to anyone who has lived in Estonia for over two years, provided they speak Estonian. This discriminates heavily against the almost 40% of the Russian population who mostly speak Russian. In the Central Asian republics, reductions in welfare provision disproportionately affect ethnic Russians who represent a higher proportion of those in retirement homes or pensioners receiving assistance in the *intermats* or *stolavayas* (state operated canteens).[6]

Comparisons with experiences of developing countries undergoing major adjustment programmes

Certain parallels can be drawn between the current economic reforms in Eastern Europe and the former Soviet republics and those imposed under structural adjustment programmes, which have been widely adopted in developing countries since the 1980s. Structural adjustment programmes have typically included the following measures, which have also recently been adopted in the Eastern European and former Soviet republic context:

- cuts in government expenditure;
- reductions in food and other subsidies;
- privatisation or closure of state enterprises;
- removal of state controls on domestic markets;
- liberalisation of trade in basic commodities;
- increases in interest rates; and
- devaluation of the currency.

Furthermore, such reforms entail not just a reversal of policies, but a fundamental sectoral restructuring of the economy. It is, therefore, potentially instructive to consider the welfare implications of structural adjustment programmes in developing countries as an indication of the likely impact on vulnerable groups of the current reforms in Eastern Europe and former Soviet republics.

Structural adjustment programmes have been shown to have possible negative repercussions on certain sections of the population, particularly via increased unemployment, higher prices for food and other basic commodities and declines in government provision of services. They have also often resulted in a widening of income disparities in developing countries. However, evidence on the severity of impact of such programmes is mixed. In particular, it depends on conditions prevailing prior to the period of reform, on institutional characteristics, on the types and extent of reforms undertaken and the impact of extraneous factors (such as drought/bumper harvests, movements in world prices for key exports and imports etc) during the adjustment period.

The economies of several Eastern European countries and the former Soviet Union had reached a crisis state before the recent reforms process began, with stagnating or even declining GDP, increasing shortages and falling standards of living. The collapse of the CMEA barter trading system and, to some extent, of inter-republic trade within the former USSR has exacerbated the economic situation. The process of economic and political transformation is being further complicated by the fact that new legal and institutional frameworks need to be set in place and property rights established. The overall consequence is that economic reform and adjustment has to be carried through extremely quickly and

6. The indigenous populations take care of their elderly largely through extended family structures.

on a massive scale. Thus, effects of rising unemployment, hyper-inflation and cuts in public expenditure on benefits and services could be even more extreme than those observed in developing countries during periods of structural adjustment. On the positive side, Eastern Europe and the former Soviet republics started the reform process from a position of relative income equality, at least according to official figures. Thus the effects on absolute income disparities are expected to be less extreme, although relative disparities will widen. Nevertheless, average incomes were generally not greatly in excess of the accepted poverty lines in recent years. Thus moderate declines in average real income could result in large population groups dropping below previously accepted poverty thresholds.

Economic reform and vulnerability

Identification of vulnerable groups: The above analysis suggests that many sub-segments of the population are potentially vulnerable to changes in food and health security during the process of economic and political change in Eastern Europe and the former USSR:

Sectoral/Occupational Groupings

- the newly unemployed from technically obsolete and internationally uncompetitive industries;
- ex-military and defence industry workers;
- those on fixed incomes, such as:
    - pensioners
    - the disabled and long-term ill
    - large low income families;
- new entrants into the labour force;
- women;
- minority groups, some of whom were already economically disadvantaged in the pre-reform period;
- refugees from civil conflicts; and
- ex-prisoners.

Geographical Groupings

- states and regions with relatively high food deficits, that previously relied on trade and supplies from other republics and Eastern European countries;
- regions of major civil unrest, such as Bosnia and Armenia currently;
- areas where there is a concentration of particularly adjustment vulnerable industries; and
- areas where environmental pollution exacerbates health problems.

The impact of pressures on entitlements will vary between different groups of the population, with potential net gainers as well as net losers. The effects of the changes may be contradictory even within the same household. For example, an urban household may lose one source of income through the retrenchment of a household member formerly employed in the public sector, but gain another source of income from either the same or another member working in, perhaps, the urban 'informal' sector. Although a household may be adversely affected economically, it may remain food secure (RDI, 1991).

With the exception of Albania and some mono-crop areas of Central Asian republics, the agricultural and rural population of Eastern Europe and the former Soviet republics is not thought to be especially vulnerable to food insecurity. Instead, as demonstrated by food security crises in certain Western European blockaded countries during the Second World War, (Netherlands (1944-5), Greece (1941-2)),

vulnerable groups within the urban population may bear the brunt of any food insecurity.[7] For example, there has been wide media coverage of the severe shortage of food in St. Petersburg; and older inhabitants of the city have compared the current situation to that during the siege of St. Petersburg, then known as Leningrad, between 1941-43.

Experience from both developing countries and the Dutch famine also reveal the importance of strong urban-rural linkages in maintaining food security of urban groups.[8] However, with notable exceptions such as the 'indigenous' peoples of the Central Asian republics, rural-urban linkages are very weak in Eastern Europe and the former Soviet republics. Instead, the main coping mechanism appears to be hoarding of food by households. Such practices are not new, particularly amongst the urban population. But households cannot live off hoarded supplies indefinitely.

A cautionary note on problems in defining food security: The preceding analysis is necessarily and justifiably presented in terms of a crisis situation involving acute problems of personal distress. In some cases, this crisis could be life threatening and damaging to the future development of children within vulnerable segments of the population. These problems would be most likely to occur where there is a breakdown of normal trade and administrative provisioning which large segments of populations depend upon, as in Albania and currently war-affected Armenia.

However, in a global context, Eastern Europe and the former Soviet republics entered the current period of reform with relatively high levels of welfare and basic needs provision, through quasi-legally guaranteed entitlements covering food consumption, nutritional status and health. Historically a very wide range of foodstuffs have been heavily subsidised and subject to rationing. The importance of certain items, such as meat, tea and sugar, meant that these were assured within a socially, rather than nutritionally, defined 'desirable' diet. As a result, the politically sensitive basket of commodities which are 'insecure' in the current process of rapid change is far wider than that which is of practical concern in food security policy in low income countries. Thus, discussions of aid ought to be more generally couched in terms of facilitating a process of necessary or unavoidable economic transformation in conditions of political stability than of preventing famine and mass malnutrition.

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7. For example, during the Dutch famine of 1944-5 - which affected only the west of the country behind the German front - whilst towns such as the Hague and Leiden were starving, villages only a few miles away were much better off.

8. For example, again in the Dutch famine, ability of the urban population to obtain food additional to the far from adequate rations depended on occupational and family connections with those in rural areas. Particularly vulnerable groups included the elderly, who could not forage for food; the very poor, who could not buy or barter for food; and those in institutions, who only received legal rations (Stein et al, 1975).

5. AID FLOWS

Firstly the origins and magnitude of assistance to Eastern Europe and the former Soviet republics are considered in this chapter. Food aid, which has been the most important type of grant emergency assistance provided to date, is then examined in more detail. This is followed by an analysis of individual multilateral and bilateral assistance, including export credits. The chapter concludes with a review of the difficulties encountered in implementing assistance programmes and an examination of the implications of assistance to Eastern Europe and the former Soviet republics for developing countries.

Overall assistance

The provision of economic assistance to East European countries and the CIS is both a relatively new phenomenon and, in the case of some donors, is occurring outside the normal aid channels. Consequently, there is a lack of detailed and readily interpretable information. Food aid flows to the region are reported by the World Food Programme, (WFP); but data on other grant and concessional financial assistance are disparate as reporting procedures are still being established. It is, therefore, difficult to provide an overall assessment of economic transfers to the region. Assessment is further complicated by the fact that some pledges are for immediate disbursement, whilst others, such as for technical cooperation, may be spread over a number of years[1].

In addition, a large proportion of recent 'aid' pledges, particularly food, also involve trade credits whose degree of concessionality is not explicit. Furthermore, such credits are not a new phenomenon since a large proportion of previous trade was also covered by them, although imports in the early 1990s may entail softer credit terms. A comparison of the real value of 'aid' would require a comparison of the volume of past and present flows and the element of concessionality in aid and credit financed trade.

Despite these caveats, some overall characteristics of the recent aid flows can be commented upon.

Sources of assistance: Three international financial institutions (IFI), the IMF, the World Bank, and the EBRD, as well as the EC, are involved in providing concessional loans, linked technical assistance and economic advice to Eastern Europe and the CIS republics. A number of bilateral donors, (members of the so-called Group of 24) and some UN organisations have also provided assistance to the region, largely in the form of export credits, concessional sales, grants and technical assistance. However, in contrast to the IFIs, other United Nations institutions have played a relatively insignificant role even in the provision of emergency assistance. The IFIs have tended to co-finance projects, in conjunction with each other, the PHARE programme, recipient governments and private financiers.

Beneficiaries: It is useful to distinguish between flows of aid to Eastern Europe and to the former Soviet republics since, excluding trade credits, assistance from the IFIs has been an important component of aid to the former whilst the latter, to date, has mostly received bilateral assistance.

Eastern Europe[2]: All Eastern European countries are now members of the IMF, the IBRD and the

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1. In the case of food aid, figures for actual shipments are given in this report whereas most other aid data concern commitments or authorisations.

2. This discussion excludes export credits.

EBRD. Poland has been by far most important recipient of financial assistance from the IFIs over the past three years, partly because it was one of the first countries in the region to embark on a major economic and political reform programme. For example, it received 47% of the US$4.8bn new IBRD loans granted to the region in July 1989-June 1991 and has entered into a US$1.6bn extended facility arrangement with the IMF, although this has been suspended since September 1991. It has also negotiated a major debt cancellation programme; and has received some 2.1m tonnes of food aid, some 62% of total food aid granted to the region in 1989-91.

Hungary has negotiated a US$1.5bn three year IMF Extended Fund Facility arrangement with the IMF. Hungary and Yugoslavia have also been relatively important recipients of IBRD loans. Yugoslavia, Bulgaria, Czechoslovakia and Romania, have all availed themselves of IMF stand-by arrangements over the past few years. Romania was actively reducing its foreign debt until the end of 1989, and so total official borrowing received in recent years has been low compared with Poland and Hungary. However, Romania is beginning to emerge as a more important borrower, reflected in it being one of the three main recipients, together with Poland and Hungary, of the US$836m EBRD loans and equity approved to date.

Albania has received relatively little assistance so far, apart from recent grant assistance, mostly of food aid. This reflects the fact that it only very recently joined the IFIs.

The Former Soviet Republics: An estimated US$60bn in western assistance was pledged to the former USSR between 1990 and the end of January 1992, including US$40bn export credits and US$10bn for the withdrawal of the German Red Army. Virtually all of this assistance was bilateral, with Germany accounting for some 55% of total commitments. Following a series of IMF missions, most republics are now members of the IFIs. Reform programmes are being drawn up with the IMF which will open the doors to substantial assistance from the IFIs, as well as further bilateral assistance. The first such new assistance package was announced for Russia by the G7 on April 1 1992, involving a US$24bn package of assistance this year. This package includes a US$4bn IMF standby loan, a US$6bn rouble stabilisation fund and substantial export credits. Disbursement is dependent on an agreement between the Russian government and the IMF on an economic adjustment programme.

Food aid[3]

Flows of food aid: Prior to 1989, food aid flows to Eastern Europe were negligible, although the region benefited from large scale credit funded agricultural imports, often at generous surplus disposal prices. Then between 1989 and 1991, Eastern Europe and the former Soviet republics received 3.4m tonnes of food aid, 9.6% of total world receipts (Table 5.1). In 1989, Poland was the only country in the region to receive food aid with coverage extended to Romania as well in 1990. In 1991, food aid was received by Albania, Bulgaria, Romania and the USSR. The largest recipient during the period 1989-91 overall was Poland, accounting for 63% of total receipts, even though its food aid receipts were discontinued in 1990 (see below).

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3. This review of food aid is based on statistics collated by the World Food Programme (1991) on world food aid shipments, covering the period up to December 1 1991. More recent flows are referred to in the text, but no attempt has been made to include these flows in aggregate figures since the coverage is far from complete. In addition, data presented on an annual basis for 1991 relate to actual and scheduled shipments and exclude food pledged but for which delivery dates were not yet available. Food export credits, which are playing an important part in financing former Soviet republic food imports, are considered below.

Table 5.1: Total Food Aid Receipts, 1989-91 (thousand tonnes)					
	1989	*1990*	*1991*	*Total*	*% of Total*
Albania	-	-	7	7	0.2%
Bulgaria	-	-	123	123	3.6%
Poland	359	1,774	-	2,133	63.3%
Romania	-	628	384	1,012	30.0%
USSR	-	-	95	95	2.8%
Total	-	2,401	609	3,370	100.0%
SSA	2,824	3,158	3,346	9,328	
World Total	11,088	13,738	10,624	35,450	
of which Eastern Europe & USSR	0.0%	17.5%	5.7%	9.6%	
Sub-Saharan Africa	25.5%	23.0%	31.5%	20.7%	
Source: WFP INTERFAIS (various).					

In the first quarter of 1992, food aid operations in Albania and the former Soviet republics dominated media coverage of western aid to the region. In terms of the importance of food aid in total food supply, food aid is currently playing by far its biggest role yet in Albania, although since the country only has a population of some 3.2m, the quantities of commodities involved are relatively small. Albania has been receiving emergency shipments of food aid since September 1991, particularly from Italy and the EC. In recent months, apparently virtually the whole population of Albania has been dependent on food aid, and this situation is likely to continue for some time.

Donors: Most food aid is being granted bilaterally to governments, by the EC and the USA (Table A8). EC food aid accounted for 52% of total food aid in 1989-91, representing 36% of global EC food actions over the same period. This aid is organised by Directorate General I (External Relations) and is funded from the Agricultural Budget (FEOGA), outside the regulatory framework for EC food aid to developing countries. US food aid to Eastern Europe and the former Soviet republics amounted to some 1.4m tonnes, or 40% of total food aid to the region in 1988-91, although for only 7.6% of global US food aid actions during 1989-91. Substantial quantities of US food aid, which is managed by the US Department of Agriculture (USDA), are being provided through US based private voluntary agencies (PVOs). Other donors have included Germany, Japan and Switzerland.

Commodities: A wide range of food types have been supplied as food aid to the region, leading to a greater diversity in the composition of global food aid (Table A9). The shipment of animal feed as

food aid is also apparently being organised, at least for the Baltic republics, despite the fact that feed aid is not allowed in conventional food aid programmes to developing countries.

Uses: All food aid received since 1989 has been provided as either emergency or programme (non-project) aid[4]. The latter has been intended for sale to the public, in turn both to promote a market distribution system and to stabilise prices. For example, in Moscow and St. Petersburg, food aid has been sold at prices below the open market rate in an attempt to hold down the prices.[5] However, in practice the major effect of such pricing practices has been to deter producers from selling to the Moscow and St. Petersburg shops. Instead, producers are concluding long term contracts elsewhere in Russia and other republics, which could lead to problems after food aid supplies are exhausted and the cities return to relying on domestic supplies. Furthermore, to some extent, food aid to Russia could be removing the impetus to overhaul the transportation network, the improvement of which is essential for the recovery of the food distribution system. The EC also considered, but at least temporarily shelved, the idea of auctioning the emergency food aid currently being sent to Russia.

Proceeds from the sale of food aid are placed in counterpart funds. In Poland the establishment and management of these funds has been problematic, and far more serious problems are possible in the case of the former Soviet republics, where there has been a partial collapse of the monetary system and public finances are in disarray. Counterpart funds are being used in a variety of ways. In Poland they are being used to finance projects for the structural improvement of agriculture. In Moscow and St. Petersburg, counterpart funds are being used to provide financial support to the elderly and other groups dependent on state benefits[6].

Disincentives: Polish experience of hoarding in a parallel economy, with sudden unwinding of stocks, points to problems that may be expected in conditions of high, and even hyper inflation and a rapid shift to a market distribution mechanism in some of the former Soviet republics[7]. It also underscores the need for the most careful assessment of the levels and timing of import requirements. These problems are all too familiar in the experience of food aid to developing countries.

The Group of 24 (G-24): PHARE Programme

The PHARE (Pologne/Hongrie, Assistance à la reconstruction économique) Programme is a joint action set up by the G-24, the EIB, the IBRD, the IMF and members of the OECD in July 1989 which commenced activities in January 1990 as the first international initiative to support economic reform.

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4. Programme food aid is provided bilaterally directly to recipient governments, mostly for sale but also to provide rations or wages in kind to public employees.

5. For example, in March 1992 EC butter food aid was being sold at Rbs56/kilo, considerably lower than the prevailing price at some non-state outlets of as much as Rbs130/kilo, although much higher than the pre-liberalisation price of Rbs2.6/kilo.

6. For example the EC indicated in March that about 33,000 St. Petersburg students and a large number of pensioners would each receive Rbs150 out of funds from the sale of EC food aid delivered to the city (*The Financial Times*, 21-22.3.92.). This represents about 27% of the monthly wage which was estimated to sustain a basic standard of living at the end of January; and even less now after adjusting for inflation (see Chapter 4).

7. Some 300,000 tonnes of EC wheat were delivered in May 1990, coinciding with the unloading of hoarded quantities of foodstuffs onto the market by Polish farmers, prior to the forthcoming new harvest. According to evidence provided by the EC Court of Auditors (1991), Poland had stocks of grain amounting to 2 million tonnes in July 1990. Some of the foodstocks delivered by the EC had still not been used by the beginning of 1991. Other reports indicate Polish attempts to re-export some European food aid.

It was originally intended to encourage the process of transformation in just two countries, Poland and Hungary, through the provision of subsidies to finance imports. However, it was subsequently extended to cover Albania, Bulgaria, Czechoslovakia, Romania, the former East Germany (until German reunification in October 1990) and Yugoslavia as well. The USSR became a member prior to its break-up; and the CIS and Baltic States are now included. The EC Commission was originally given responsibility for coordinating the PHARE programme. However, its precise role has become less clear as the programme has been expanded from covering just two to about twenty states. With the break-up of the USSR, the centre of gravity has increasingly shifted to the organisation of assistance to the CIS and Baltic republics in the context of agreements with the IMF on monetary stabilisation and economic reform, and there has been a parallel decline in the role of PHARE.

To prevent the support provided by PHARE programmes effectively permitting delays to the process of economic reform, countries must satisfy certain conditions in order to receive assistance. These include indications that a country is trying to ensure a state of law; respect human rights; establish a multi-party system; ensure free elections; and institute a market economy.

The PHARE actions, in conjunction with IMF facilities and import credits, are, in practical terms, the main arrangements for providing crucial short-term balance of payments support for economic stabilisation measures in the initial phase of reform. PHARE funds have also been used for various other activities including: modernisation of the financial system; support of small and medium enterprises; energy projects, including environmental aspects; environmental protection; infrastructure projects (transport, telecommunications); agriculture; food distribution; food aid; medical aid; technical assistance; and research in EC countries. PHARE actions commonly include a cofinancing element, for example with the World Bank. It is often envisaged that PHARE projects will be sustained, possibly on a larger scale, by the recipient government after PHARE funding has been exhausted. The PHARE initiative is also intended to negotiate the removal of trade restrictions and the improvement of Eastern European trading conditions.

The European Community (EC) [8]

The EC has provided assistance in a number of forms to Eastern Europe and the former Soviet republics, in support of the process of reform and democratisation. Food aid grants and subsidies have been provided under the PHARE programme whilst loans have been provided through the European Investment Bank (EIB), the European Economic Commission (EEC) and the European Coal and Steel Community (ECSC). In February 1992 the EC also announced that it was planning to raise Ecu 490m (US$618m) on the international bond market to fund a series of loans to Eastern European countries to cover balance of payments deficits. Some technical assistance has also been provided and the EC has also initiated a trade policy to improve access by Eastern Europe states to Western markets.

EC activities under PHARE: In FY 1990, the EC committed Ecu 500m (US$637m) under the PHARE for use in some 37 projects, largely in the areas of agriculture (27%), environment (21%), privatisation/finance (22%), education/social (7%) and humanitarian aid (13%). Poland was by far the largest recipient, followed by Hungary. However, the EC felt that the range of programmes covered was too diverse, reflecting the pressures to commit all funds before the end of 1990. Also, the rate of disbursement was rather slow, with only Ecu 190m actually disbursed in 1990.

To ensure greater coherence, the EC therefore identified a limited number of 'core activities' which would form the basis of programming in FY 1991, including: restructuring of public enterprises,

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8. Excluding member country bilateral actions.

modernisation of financial services, promotion of the private sector and the development of the labour market and the social sector. Core areas would be complemented by support in related sectors such as energy, environment, telecommunications, transport, health, housing and education. In 1991, the EC also adopted a two-year programming approach, 'allowing more pragmatic and flexible use of PHARE assistance, including improved coordination with other instruments and sources of aid' (EC Court of Auditors, 1991). The budget allocation for FY 1991 was Ecu 850m (US$1.1bn) and Ecu 1bn (US$1.2bn) for FY 1992. Overall disbursement levels were expected to be higher in 1991 and 1992 than in 1990 although disbursements on some grants, particularly those for technical assistance, are designed to be spread over a period of seven to eight years.

Loans: In 1990, 2.1bn Ecu (US$2.7bn) of loans were authorised to the region by the EIB (48.3%), the EEC (42.0%) and the ECSC (9.7%) Eastern Europe and the former Soviet republics. Of these 28.3% were disbursed to two Eastern European countries, Hungary (23.7%) and Poland (4.6%), for use in investment projects and, in the case of Hungary, as balance of payments support. The remaining 71.7% of loans were not disbursed.

Technical assistance: The EC initiated a Ecu 400m (US$496m) Technical Assistance programme for the former USSR in 1991, which it was still endeavouring to get under way in March 1992. The Ecu 450m Technical Assistance programme for 1992 was to be the subject of programming with the 12 CIS states by April.

International Monetary Fund (IMF)

The IMF is playing an increasingly important role in Eastern Europe, and most recently, the former Soviet republics as each state has embarked on the process of economic reform. It is involved both in extending financial support under its facilities and in advising governments on programmes of economic reforms.

Fund operations during 1990 and 1991 indicate that Eastern European states are now amongst the most active in availing themselves of IMF facilities. At the end of 1991, Eastern European countries accounted for 23.5% of current Stand-By arrangements and 24.2% of Extended arrangements (Table 5.2). Indeed, Hungary and Poland also entered into the only fresh Extended Fund Facility arrangements made during 1990/91[9]. Further standby negotiations credits have been agreed in 1992 including, provisionally, a US$4bn arrangement for Russia and a US$500m arrangement for Romania.

The G10 has also activated the General Agreement to Borrow (GAB) facility for the first time since 1978 to provide the IMF with finance for a US$6bn stabilisation fund for Russia for an indefinite period[10] This fund, which is dependent on Russia and the IMF agreeing to an economic reform programme, will exist in reserve to support rouble parity and will come into operation once the rouble finds a rate at which it can stabilise[11].

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9. Although these figures are slightly misleading when considering the implications for developing countries, since low income countries largely avail themselves of arrangements under the more concessional Structural Adjustment Facility and the Enhanced Structural Adjustment Facility arrangements, even when these arrangements are taken into consideration lending to Eastern Europe is still very significant, accounting for 20.4% of total arrangements.

10. The GAB is a facility by which the G10 countries can lend currency reserves to the IMF to, in turn, finance IMF loans. Following changes to the GAB in 1983, there are SDR 17bn (US$24bn) total reserve funds in the GAB.

11. Russia plans to move to a unified exchange rate on 1 July 1992 and to introduce a fixed rate, including a 7.5% margin either side of the central fixed rate, in the autumn.

Table 5.2: IMF Stand-By and Extended Arrangement as of 31 December 1991 (million SDRs)

Member	*Date of Arrangement*	*Expiration Date*	*Amount Agreed*	*Undrawn Balance*
Stand-by arrangements				
Bulgaria	March 15 1991	March 14 1992	279.00	50.38
Czechoslovakia	January 7 1991	March 6 1992	619.50	99.56
Romania	April 11 1991	April 10 1992	380.50	62.40
World total			5,449.47	3,502.67
of which the above			23.5%	6.1%
Extended arrangements				
Hungary	February 20 1991	February 19 1994	1,114.00	636.37
Poland	April 18 1991	April 17 1994	1,224.00	1,147.50
World total			9,665.80	3,920.30
of which the above			24.2%	45.5%

Source: IMF (1991).

The IMF anticipates further loans of US$25 to US$30bn to the former Soviet republics over the next four years; and the IMF may have to resort to the GAB again to meet the increasing demands placed on it by both these and other Eastern European republics.

The IMF has also emerged as an adviser on economic issues to Eastern Europe and the former Soviet republics. Broadly speaking, the IMF has made similar policy prescriptions for all economies in the region, namely: restoration of financial stability; large scale liberalisation of prices; ownership reform; and substantial short-term tightening of fiscal and monetary policy. Access to IMF facilities is contingent on the adoption of economic reform programmes along these lines, agreed between governments and the IMF; and other assistance packages, such as from the IBRD and bilateral donors, have also been made conditional on these agreements.

The short-run stabilisation measures included in these packages have entailed sometimes large reductions in real public sector expenditure, liberalisation of prices and privatisation measures, potentially giving rise to or exacerbating economic pressures on vulnerable social groups, as discussed above in Chapter 4. In the Polish case, such pressures forced a relaxation of policies which, in turn, led to a suspension of IMF facilities. Due to failures to meet IMF targets on the size of its budget deficit, partly because of difficulties in cutting expenditure on education, health and welfare, the IMF suspended a three year US$1.6bn extended facility to Poland in September 1991. Subsequently, the

Polish government gained assurances from the IMF in mid-March 1992 that its planned budget, which foresees a deficit amounting to 5% of GDP, would be sufficient to renegotiate the terms of the credit facility. Then in May the Polish Parliament failed to overturn a 1991 constitutional court ruling obliging the government to pay inflation-indexed public sector pensions, seriously jeopardising the government's planned budget deficit and so making access to the IMF facility uncertain. The Russian government, which is currently drawing up a programme of reform, is also coming under increasing domestic pressure to soften its reform programme, and could face a delay in access to the proposed US$4bn standby loan and US$6bn stabilisation fund.

The World Bank

The World Bank's lending strategy for the region aims at 'supporting structural and institutional measures critical for the success of reform programs through structural adjustment loans, as well as through technical assistance loans that provide external expertise in priority areas and support needed institutional development' (World Bank, 1991). In line with its strategy in other parts of the world, the Bank also intends to make co-financing a key element of its lending programme to Eastern Europe.

Prior to 1989, the World Bank had lent to only Yugoslavia, Hungary and Romania. Over the last three years, the Bank's new lending to Central and Eastern Europe has increased from US$500m in FY 1989 (July 1988-June 1989) to US$1.8bn in FY 1990 and US$2.9bn in FY 1991, with coverage expanded to include Bulgaria, Czechoslovakia and Poland. Some US$809m was disbursed during the course of FY 1991.

The volume of lending is expected to increase substantially again in the next two years, following the entry of thirteen of the former Soviet republics in to the Bank in late April 1992, with the remaining two, Azerbaidjan and Turkmenistan, due to join in May.[12] The Bank estimates that by 1993 it will be lending US$4 to US$5bn annually to the former Soviet republics, of which about half will be to Russia, and a further US$3bn to Eastern Europe, together accounting for around a quarter of global Bank loans. However, this lending is contingent on the implementation by individual governments of economic reform programmes agreed with the IMF.

To date, all lending has been by the IBRD, i.e. at near commercial rates obtained from money markets and not from the IDA, the World Bank soft loan facility contributed by members.[13] Eastern Europe accounted for 6.9% of total cumulative lending operations as at June 30 1991; and for 5.3% of total cumulative IBRD and IDA lending combined. However, the region received 11.2% of new IBRD loans in FY 1990 and 19.3% of new loans in FY 1991; and 8.1% and 14.2% of total new IBRD loans and IDA credits in the two periods respectively. In nominal terms, annual new loans to Eastern Europe increased by 59.7% year-on-year in FY 1991, whilst globally new IBRD loans and IDA credits rose by 9.6%.

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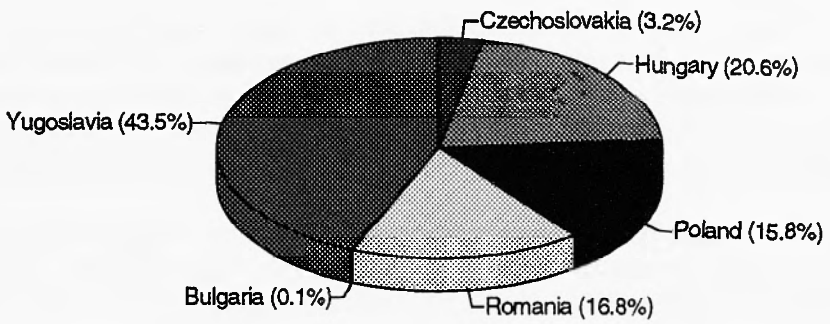
12. A US$500m import smoothing package for Russia will be made available after the IMF approves its US$4bn standby loan and the US$6bn stabilisation fund is in place. A further US$1.5bn will be made available for the former Soviet republics overall in FY 1993.

13. IDA credits are currently restricted to countries with per capita GNP of US$740 or less. Although none of the Eastern European economies would qualify under this criteria, there have been unofficial reports that some CIS republics may be eligible for IDA credits. In the absence of past per capita GNP data for individual CIS republics. This is presumably an issue to be investigated in the first round of IMF/World Bank missions to the members of the CIS.

Figure 5.1

Regional Distribution of IBRD Loans (cumulative loans as of June 30 1991)



Source: World Bank (1991)

At the end of FY 1991, Yugoslavia accounted for 44% of total cumulative lending to the region (Figure 5.2, Table A12)[14]. However, Poland was by far the largest recipient of new loans in FY 1990 and FY 1991. Hungary and Yugoslavia were also relatively important new recipients of loans. In the short-term, these countries, particularly Poland, are expected to remain as the largest Eastern European recipients of new loans, partly because it takes time to build-up a portfolio of new projects from scratch.

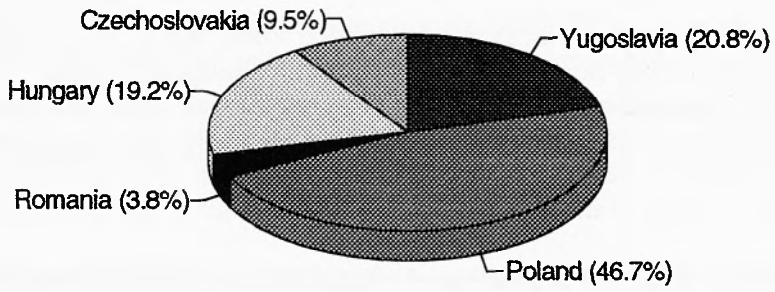
The typical pattern of IBRD lending in each country has been for the Bank to provide a technical assistance loan, followed by a structural adjustment loan and then sectoral loans. Structural adjustment loans, classified as 'non-project', have accounted for about a third of total new loans to the region in FY 1990 and FY 1991 (Figure 5.4). Loans to Development Finance Companies and to the energy sector have also been relatively important. Some support for social policy reform is included within the structural adjustment loans, but to date only three such sectoral loans have been approved, including two education loans in Hungary and Poland, approved in FY 1991, and a US$150m health sector loan for Romania in FY 1992. Loans to the Polish housing and health sectors are also in the pipeline.

The World Bank operations have a relatively greater technical assistance component than they typically do in a developing country context, reflecting the Bank's belief that substantial technical assistance is required to support economic restructuring. In developing countries the World Bank expects UNDP

14. The World Bank is currently investigating how the loans approved for the Yugoslav federation can be divided amongst the republics, following the recognition by the Bank of Croatia and Slovenia as separate states.

Figure 5.2

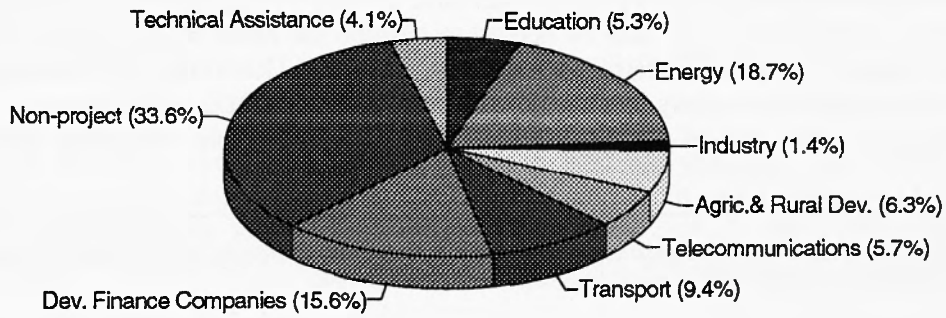
New IBRD Loans to Eastern Europe FY 1990 - 1991



Source: World Bank (1990, 1991)

Figure 5.3

Sectoral Distribution of IBRD Loans (new loans made in FY 1990 and FY 1991)



Source: World Bank (1990, 1991)

as well as the EC and bilateral donors to undertake technical assistance programmes. In order to facilitate technical assistance to the former USSR, which was not then eligible to borrow, the World Bank also approved a US$30m grant from its Trust Fund in August 1991.

Central and Eastern European countries also borrowed some US$185m from the International Finance Corporation (IFC) in FY 1991. In its 1991 Annual Report, the IFC anticipated investment in this region at some US$350m per annum during the 1990s, 8.8% of its total lending. This figure, too, is likely to increase with additional lending to the former Soviet republics.

The European Bank for Reconstruction and Development (EBRD)[15]

The EBRD was founded in 1990 specifically to provide loans, equity and technical assistance to Eastern Europe and the former Soviet Union. All Eastern European countries and former Soviet republics, excluding Georgia, are now members[16]. The EBRD was set up with capital of Ecu 10bn (US$13bn), of which 30% was to be paid straightaway with the remainder acting mainly as a guarantee to cover projects[17]. The EC and the EIB alone provided 51% of this capital; and so have a 51% vote majority. Loans are made at near-commercial terms.

The EBRD incorporates many of the features of other multilateral banks, particularly in its role of channelling funds from international capital markets to borrowers. However, 'it is distinctive in its private sector focus, its commitment to environmental protection and its overtly political commitment' (ODI, 1990). The political commitment is set out in the Bank's charter '... to foster the transition towards open-market orientated economies and to promote private and entrepreneurial initiative in the Central and Eastern European countries committed to and applying the principles of multiparty democracy, pluralism and market economies'. Although other multilateral development banks are increasingly taking account of environmental concerns in selecting projects, the EBRD is the first to make a formal commitment in its Articles to 'promote in the full range of its activities environmentally sound and sustainable development'.

The private sector focus of the EBRD is made explicit in its mandate that at least 60% of its funding must be directed to private sector enterprises; and at least 60% of its exposure in any one country over the first five years must be in the private sector or in state-owned enterprises implementing a programme to achieve private ownership and control. But 'provision for up to 40% exposure in public sector projects was included for two main reasons. First, the private sector in the region is so small that it was feared the Bank would have had a hard time finding clients. More fundamentally, it was argued that Eastern Europe's new governments have a major role to play in the transition of market economies... Public money will also be needed to cushion the harsh social impact of the transition, including unemployment and a sharply increased cost of living. Governments will also have to assume major responsibility for urgently needed environmental reforms' (ODI, 1990). Indeed, even with this provision, in its first year of operation the Bank faced considerable difficulties finding bankable

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15. The discussion of the EBRD's mandate presented in this section draws heavily on an ODI Briefing Paper, 'The European Bank for Reconstruction and Development', published in September 1990.

16. The former USSR was a founder member of the EBRD but individual members have had to reapply for membership of the Bank. The 60,000 shares originally held by the USSR, representing 6% of the total, have now been redistributed among the republics, with Russia alone holding 40,000 shares.

17. 'The 30% of EBRD's paid-in-capital is high compared to other development banks. The World Bank's ratio, for example, averages only 7.5%. The main reason for this is the high proportion which the EBRD will be investing in private enterprise, without government guarantees.' (ODI, 1990)

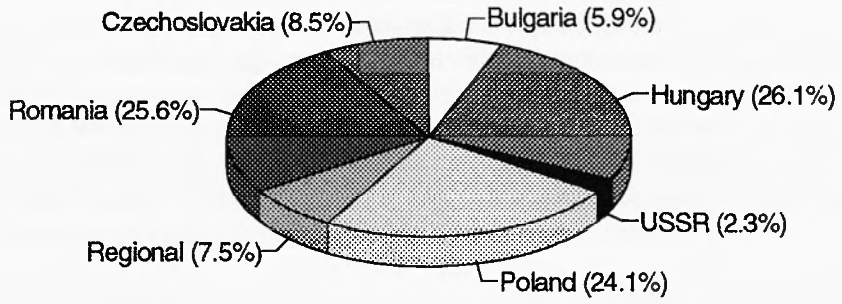
projects. As a result, in April 1992 the Bank's secretariat, proposed that a subsidiary soft-loan facility within the EBRD should be created to finance the conversion of the defence industries to non-military purposes and to restructure the Soviet nuclear industry. But this proposal was rejected by its governing body.

Sectors identified for priority in the EBRD country action plans include: the financial and banking sectors, private-sector development, transport, telecommunications, agriculture, energy and the environment. The Bank is not allowed to participate in programme lending and is also excluded from investing in health, education and other social projects. The EBRD also currently lacks the types of resources which could be used to address short-run problems of economic stabilisation.

EBRD operations commenced in April 1991 and the first loans were approved the following June. By the end of April 1992, the Bank had committed some US$836m in loans and equity, covering 22 projects in five countries plus two regional project (Tables A10 and A11). The Bank intends to

Figure 5.4

Regional Distribution of EBRD Loans (cumulative to 28 April 1992)



Source: EBRD

commit a total of about Ecu 1bn (US$1.2) to the region in 1992 and about Ecu 2bn (US$2.5bn) in 1992. Loans have constituted some 90% of the total funding; and about 50% of approved loans have been in the telecommunications sector[18]. In terms of the regional distribution of funds, Romania, Poland and Hungary have received 83% of loans whilst some 88% of total equity approved has been

18. The priority for strengthening telecommunications reflects a new consensus in Western economic analysis that the rapid upgrading of infrastructure is a necessary condition to facilitate liberalisation within former CMEA economies (UNECE Annual Report 1990). The OECD estimates the cost of raising telephone penetration to western levels in Bulgaria, Czechoslovakia, Hungary, Poland, Romania and Yugoslavia alone at some $50bn, although only some of this will be covered by private investment (*The Economist* 8-14 February 1992).

for Czechoslovakian projects (Figure 5.4). However, this pattern should alter gradually as further funds are committed to reflect a decision taken in late February 1992 to earmark 60% of the Bank's loans for Eastern Europe and the three Baltic republics; and the remaining 40% for the other CIS republics.

The EBRD had also mobilised Ecu 68m of grant funding from external sources by the end of 1991 to fund technical assistance, training and advisory services. The Bank considers the provision of such services an important part of its functions but since its own capitalisation does not provide for non-reimbursable funding and Eastern Europe and the former Soviet republics currently lack the hard currency to pay for it, the EBRD decided to seek funding from external sources. By the end of 1991, Cooperation Fund Agreements had been signed with the EC and ten countries; and the EC alone had contributed Ecu 40m of the total mobilised. Several technical cooperation programmes have already been set up in some Eastern European countries and the former Soviet republics, sometimes prior to their gaining membership of the EBRD, as in the case of Albania.

United Nations agencies

So far, UN involvement in support of political and economic transformation in Eastern Europe and the CIS republics has been on a relatively small scale. Members of the G7 and G-24 have chosen to work within a special framework involving only the IFIs. In the case of emergency assistance, there has been a preference for bilateral action involving the use of western NGOs and the Red Cross rather than the UN specialist agencies.

The UNDP, which is the largest provider of technical assistance within the UN, has been one of the more active UN agencies in the region. It has opened offices in Yugoslavia, Romania and Poland, and Albania; and its indicative planning budget for Eastern Europe over the programming cycle 1992-96 totals some US$22.7m. The breakdown of this budget by country is as follows:-

Albania	- US$6.0m	Poland	- US$3.5m
Bulgaria	- US$2.8m	Romania	- US$3.5m
Czechoslovakia	- US$1.5m	Yugoslavia	- US$3.5m
Hungary	- US$1.8m		

UNIDO, the ECE, the ILO, UNFPA, UNICEF and the WHO are becoming more actively involved with Eastern European countries. All United Nations agencies are also beginning to extend their activities to the states of the former Soviet Union.

Bilateral actions

A number of donors have provided bilateral assistance to the region. This assistance has been provided in a mixture of grants, concessional loans and export credits. However, the precise scale of bilateral aid is obscured by the fact that, although these different types of assistance entail varying degrees of concessionality, they are usually reported in total rather than separately. This problem arises particularly with regard to food imports and also, more generally, with the large German and Japanese programmes of assistance.

There are a number of differences in the bilateral programmes of the various bilateral donors. Firstly, different donors have placed varying emphasis on the relative mix of the types of assistance provided. Secondly, the countries covered differ significantly among donors, apparently reflecting historical links

existing prior to the Communist era. For example, Romania has received a relatively large part of its assistance from France, whilst Italy has been particularly active in Albania. Thirdly, there are differences in the channels through which such bilateral assistance is disbursed. For example, Japan, the US and, to some extent, Germany are using existing government agencies to channel aid to Eastern Europe and the former Soviet Union. However, Canada, France, the US and Italy have all established new sections to deal with assistance to the region. The US has also made particularly great use of NGOs. Fourthly, donors also differ in their mix of grant assistance, technical assistance, soft loans and export credit.

The large and complex set of bilateral aid activities in Eastern Europe and the CIS republics are supposed to be coordinated under PHARE. However, in the case of the CIS and Baltic states, the situation is still chaotic; and it is too early to know whether, for example, the Washington meeting in January will have major practical consequences for coordination.

British bilateral assistance is described in more detail as an example of bilateral actions.

British Know How Funds: The British government has been contributing assistance to Eastern Europe in a number of ways. These include the provision of assistance through several Know How Funds; contributions to EC actions; and *ad hoc* grants of emergency assistance both directly and to NGOs. It contributes to EC policy on Eastern Europe and the former Soviet Union through the Council of Ministers.

The British government originally established a Know How Fund in 1989 of up to £25m (US$43.3m) to finance technical assistance projects in Poland. This Fund was later doubled to £50m (US$86.6m) over 5 years. A similar Fund of £25m (US$43.3m) was subsequently established for Hungary and then extended to Czechoslovakia, Bulgaria and Romania. In 1990, £15m (US$24.0m) worth of assistance was provided through the overall Fund, with £30m (US$51.7m) worth of assistance planned in 1991. The Fund covers training projects in management, finance, banking, accounting, commercial law, economics, the functioning of democratic institutions and policy for declining industries. A separate Fund for the Soviet Union was established in 1990 and £50m (US$86.6m) has been allocated to the Fund over 2 years. The Know How Funds are carried, but separately identified, on the Aid Vote and are administered by a special joint Foreign and Commonwealth Office/Overseas Development Administration unit located in the Foreign Office.

Trade credits

Eastern Europe and the former Soviet republics are benefiting from access to a large number of export credits and concessional sales arrangements, from developing as well as OECD countries. For example, between January 1990 to January 1992, the former Soviet republics alone are estimated to have received some US$30bn in export credits and guarantees. These credit arrangements are frequently lumped together with official development assistance (aid) in total aid flows quoted in the media. But great care is needed in analysing these arrangements since they entail varying terms and conditions and are often far more limited in their concessionality than ODA.

First, it must be borne in mind that these credit sales are not just a product of the 'post Cold War' era, but have been an important feature of CMEA trade with the rest of the global economy for some years. For example, a number of countries in the region have imported grains under the semi-

concessional US Export Enhancement Programme (EEP) in recent years[19]. The USSR alone imported over 28m tonnes of wheat under the scheme between 1987, when it was first awarded eligibility, and January 1992; and has had special bilateral arrangements for grain imports from the US since the early 1970s, temporarily halted in 1979. Bulgaria, Poland, Romania and Yugoslavia have also been awarded semi-concessional sales under the EEP.

Second, there have also been considerable delays between initial commitments and disbursements of export credits recently made available to the region. In particular, some credits granted to the former Soviet Union have been delayed awaiting decisions on their allocation between individual republics. For example, the USSR was approved an Ecu 500m (US$684m) food credit guarantee and payment from the EC in December 1990, but disbursement was delayed by subsequent political developments in the region until mid-February 1992, when the EC finally decided that the credit would be advanced to Russia. At that time, a decision was still pending on how a separate Ecu 1.25bn (US$1.5bn) loan to supply food and medicine would be shared out [20].

Non-Governmental Organisations (NGOs)

A number of international NGOs (PVOs in the United States) are providing small-scale assistance to certain Eastern Europe countries and the former Soviet republics from public appeals; and some international, as well as local, NGOs have been formed specifically for this purpose. For example, the Catholic and World Council of Churches networks are playing an important role in channelling funds to churches on the ground. Some 36 US NGOs are involved in the region according to InterAction, the American Council for Voluntary International Action[21]. Of these some 28 are currently, or about to become, operationally active in various former Soviet republics, with 11 in Poland, 8 in Romania, 7 in Czechoslovakia, 6 in Hungary, 6 in the former Yugoslav republics, 4 in Bulgaria and 4 in Albania. Information on the precise activities of Western European NGOs is fragmentary.

NGO assistance has mainly been in the form of medical, food and other in-kind donations but some technical and other forms of assistance have also been provided. In addition, a number of NGOs are acting as channels for bilateral assistance, such as US food assistance under the US Department of Agriculture's budget and emergency aid from the Office of Foreign Disaster Assistance. Another important role which some international NGOs have been undertaking is that of supporting the development of local NGOs. Indeed, the lack of existing local NGOs, with the exception of some church groups, as potential working partners in most counties in the region has hampered the activities of some international NGOs. Efforts are still being made in some countries to develop the necessary legal frameworks for the formation and operation of NGOs.

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19. The EEP is a targeted subsidy programme which was set up in 1985 to provide bonuses to US exporters to assist in making sales of US agricultural products competitive with subsidised exports from other countries, particularly the EC. The guidelines for use in selecting the countries targeted include the criteria that such countries have to have been those where US sales were non-existent, displaced, reduced or threatened in the past because of competition from subsidised exports.

20. The main area of contention concerning this credit is that the EC is insisting that CIS borrowers must agree to submit to court action in the event of default on repayment. The EC has indicated that if Russia continues to object to this term then the loan would go ahead only to other republics such as Ukraine, Belarus, Kazakhstan, Uzbekistan and Kirgizia who have already agreed to this.

21. InterAction produces a bi-monthly update on the activities of North American NGOs. The information presented here is based on their report of 27 April 1992.

Islamic states

Various Islamic governments and organisations are reported in the press as becoming active in the Central Asian republics. These developments reflect geographical, ethnic and linguistic ties. The Iranian government is reported to be particularly active, especially in Turkmenistan and Persian speaking Tadjikistan. Indeed, Iran's efforts to establish links with Central Asia long predate the dissolution of the USSR. Iran is currently building up religious and political ties with the region backed up by offers of oil and economic aid. Saudi Arabia is also reported to have donated considerable religious aid to Central Asia, including over am copies of the Koran. Pakistan has indicated that it would be willing to support the central Asian republics in applying for membership of international organisations. Turkey is developing ties with Azerbaidjan and Turkmenistan, and to a lesser extent with other Central Asian republics. Four out of the five Central Asian states are Turkish speaking; and only Tadjikistan has a majority of Persian speakers. Turkey has also provided some emergency food aid to traditionally Muslim Albania.

Difficulties in implementing assistance programmes

The evidence available on assistance to date suggests significant implementation problems, raising questions about the ways in which aid is being provided and about how it is being utilised. A few examples, indicate the types of problem being encountered.

The EC Court of Auditors Report (1991) identified difficulties which have adversely affected the disbursement and effectiveness of aid in Eastern Europe and the former USSR including:-

- an incomplete legal framework;
- in the case of food aid, difficulties in assessing the domestic food supply situation because substantial hoarding at both the farm and household level, in turn making the timing of the delivery of food aid particularly critical, as illustrated by the Polish example;
- changes in ministerial responsibilities for aid coordination, particularly in the aftermath of changes of government;
- government delays in drawing up overall and sectoral plans of priorities; and
- rudimentary financial and banking structures.

Movements of aid supplies have also been hampered by inadequacies in the transport system and security problems. For example, most of the railway network in the former USSR is broad gauge and so goods imported by rail have had to be transferred between wagons, delaying the movement of goods and exposing them to potentially high leakage. The former Soviet railway network is also heavily over-used and badly in need of modernisation. Consequently, although the road network is underdeveloped, the EC has resorted to trucking food aid across land, sending an EC official with each load.

The experience of targeting emergency assistance in the Soviet Union in 1991 through the Inter-Republican Commission on Humanitarian Grant Aid was also apparently less than positive. This experience contributed, in turn, to the decision in December 1991 to link food aid sales to the provision of social assistance through the modality of transferring counterpart funds to municipalities

and other bodies responsible for aspects of social welfare provision.

The initial food aid assessment by the EC for Albania in August 1991 highlighted serious logistical constraints. Subsequently, Oxfam expressed concern about the ability of the Albanian port of Durres to handle the volume of aid needed, even if it were pledged.

Difficulties have also been encountered in the acquisition of food aid through 'triangular' transactions where food aid has been purchased in one Eastern European country for use in another. Press reports indicate that the EC mobilisation of wheat in Hungary for food use as food aid in Albania was poorly handled. Initially grain only fit for animal feed was acquired. It is likely that closer review will reveal the familiar combination of problems often experienced in such transactions in developing countries. Factors here are the cumbersome procedures and the limited managerial capacity within the EC for handling such purchases. However, there is some pressure from within the region to use such purchasing practices and thus to maintain traditional patterns of trade within the region. For example, three former members of the CMEA, Czechoslovakia, Hungary and Poland, have recently expressed concern that sending subsidised goods to the former Soviet republics could hurt their export markets. Instead, they have proposed that the West should buy grains and medicines from their countries for distribution in the former Soviet republics; and some such purchases have already been entered into.

Implications for aid flows to developing countries

There is still considerable concern about the possible diversion of aid from developing countries to Eastern Europe and the former USSR. To date, G-24 donors have generally sought to provide assistance to the region in addition to their normal aid programmes to developing countries. This concern to demonstrate additionality is formally reflected in the creation by several donors of new programmes specifically concerned with assistance to Eastern Europe and the former Soviet republics, in addition to the founding of the EBRD itself. As already indicated, these initiatives include the G-24 PHARE programme, the EC PHARE Programme Fund and, in the UK, the Government's Know How Fund.

Much of the assistance pledged to date has been in the form of loans at near commercial rates, and so the region has not directly 'competed' with LDCs for 'highly concessional' assistance, such as IDA credits. The IFIs also have the capacity to increase lending without reducing their levels of lending to developing countries. For example, the World Bank was relatively underlent, with US$60bn lending capacity at the end of its 1990/1 financial year. The IMF has also been relatively liquid and so Eastern Europe and the CIS cannot be considered to be have competed with developing countries for IMF loans[22].

The OECD's DAC (1991) concluded that, in 1990 'the level of ... (financial, including official aid) flows, accompanied by the growth in ODA and the maintaining of the overall ODA/GNP level, does not suggest major aid diversion away from developing countries'. However, there is evidence to suggest that some diversion may have occurred, or that, at the least, aid to the Third World is

22. However, there are some fears that the IMF could face financial problems by the end of 1992 given demands for Fund loans from Russia, other former Soviet republics, India and drought-afflicted Southern Africa, particularly when combined with the possibility that the US Congress may not approve a sufficiently large quota increase to meet all these requirements. The US has been expected to approve an increase of about US$12bn in its commitment, representing the largest single contribution in a US$60bn recapitalisation plan.

stagnating because of assistance to Eastern Europe.[23]

Perhaps a more subtle but potentially profound effect of the crisis of Eastern Europe and the former Soviet Union is the diversion of political attention and high level aid management capacity to the problems of programmes in support of these countries. This redirection of attention may eventually affect both the quantity and quality of projects and programmes in the aid pipeline to lower priority country and regions. A similar diversion occurred in the mid-1980s when additional attention was given to the food emergencies in sub-Saharan Africa; and the implications of the current focus on Eastern Europe and the former Soviet Union on the developing world could be considered in the light of that experience.

Some developing, mostly socialist, countries have also been adversely affected by a rapid reduction in the former Soviet and Eastern European aid programmes since 1987. Historically, the USSR was by far the largest donor, accounting for over 80% of CMEA member aid. Total assistance given by Eastern Europe and the former USSR fell by an estimated 50% between 1987 and 1990 in nominal US dollar terms to some US$2,150m (OECD,1991). There was a further massive decline of 96% in 1991 to only 3% the level of 1989. These dramatic cut backs have had a serious impact on those countries which depended primarily on the CMEA aid, such as Cuba, Mongolia and Vietnam. The rapid decline in bilateral trade with the former USSR and other CMEA states is having severe economic repercussions on some Third World countries, for example India.

23. Aid flows to sub-Saharan Africa from OECD countries did not increase in 1990. The World Bank's Trust Fund of US$30m for the former Soviet Union (see below) is drawn from the Bank's own income. In 1984-85 such funds were used to provide additional support to WFP emergency programmes in sub-Saharan Africa.

6. FUTURE DEVELOPMENT COOPERATION ROLES AND RESOURCES

Immediate prospects for aid

The levels of aid and official borrowings received so far by Eastern Europe and the former Soviet Union are still relatively modest. In particular, virtually no financial assistance has been directed to the provision of social safety nets and only modest amounts of grant assistance have been received. The disbursement rate is also low, partly because a large proportion of commitments have only been entered into very recently. However, the region is likely to receive considerable further pledges of assistance over the next few years and disbursement rates are also expected to increase substantially.

The states of the former Soviet Union (the CIS and Baltic republics) combined are likely to emerge as the largest group of borrowers from the IFIs. The IMF has warned that the former Soviet republics could require US$20bn in 1992, in addition to the US$24bn already pledged to Russia; and that the republics will require a further US$40bn in aid and investment during 1993. A large part of this assistance will be needed to meet the forecast hard currency financial gap of around US$15-25bn which the former Soviet republics will face in 1993.

Loans are expected to contribute the major part of future commitments, mostly at near commercial rates. Technical assistance is also expected to continue to be relatively important. There are, however, some doubts about the capacity of Eastern Europe and the former Soviet republics, particularly the private sector, to absorb sectoral loans of the magnitude likely to be made available. This problem of absorptive capacity implies potentially great difficulties, particularly for the EBRD, which is required to make some 60% of its lending to the private sector.

Grant assistance is expected to continue to form only a small part of aid flows. For example, a UNICEF/WHO report released in mid-March estimated humanitarian needs of the former Soviet republics at US$418m in the remainder of 1992 and 1993 to 'supply most of the urgent and priority support required in the areas of health to meet urgent human needs' (1992), although this total excludes food needs, other than modest amounts of nutrition support for children under 3 years old and pregnant and nursing women. The situation in Albania is also likely to continue to necessitate flows of humanitarian aid but, although high in per capita terms, these will be modest in absolute terms. Meanwhile, although the largest relief programme in Europe since the 1940s has been launched to provide assistance to the refugees fleeing the fighting in Bosnia, already numbered an estimated 700,000 by early May and who it is feared could rise to over one and a half million, the size of this programme will probably be dwarfed by the much larger programmes of financial assistance.

Mitigation of the social impacts of rapid change

There are three aspects of the process of transformation in Eastern Europe and the former Soviet republics to which aid can be applied: the serious short-term problems of economic stabilisation; the longer term problems of economic reform and reconstruction; and negative social impacts, which are likely to occur more quickly than the positive economic effects of stabilisation or economic reform. In practice, with the notable exception of food aid which provides resources for direct use in emergency actions, and social welfare programmes, assistance has largely been directed towards the first two problems. Food aid, together with other assistance under the PHARE programme and a substantial part of promised trade credits, represent immediate balance of payments support. Meanwhile, most World Bank and EBRD lending as well as technical cooperation, such as the UK Know How Fund, are resources to support the longer-term process of economic reform and

'modernisation' of infrastructure and productive capacity.

An issue of immediate concern for all countries is whether the balance of payments support committed will be adequate to finance the economic stabilisation programmes. In the case of Eastern European countries, the process of reform is now underway and, with the exception of Albania, all countries have agreed to some form of economic stabilisation programme in the context of an IMF Stand-by arrangement or an Extended Financing Facility. However, the rapid disintegration of the Soviet Union, with which all these economies were linked through bilateral trade, and on whom they were heavily dependent for energy supplies, is intensifying short-run problems to an extent beyond that which might have been anticipated only one to two years ago, when the process of reform began. To mitigate these effects, encouragement could be given to sustaining established trading patterns by, for example, using triangular food aid transactions and allowing procurement under other balance of payment support programmes within the former CMEA area. However, the scale of short-term financial support required is probably far greater than initially anticipated.

There is also increasing concern about the expected hard currency financial gap of around US$15-25bn which the former Soviet republics will face in 1993. The G24 governments are looking, as in Eastern Europe, to the multilateral institutions to provide the larger part of financial aid to Russia and the other republics. However, it is likely to be until late summer 1992, at the earliest, before the first IMF lending operations to the former Soviet republics are in place; and there is some feeling, for example within the EC, that IMF credits will be both insufficient and late in meeting the immediate needs of the republics.

Little international assistance has been provided to mitigate the social impacts of stabilisation and reform. Almost all countries in the region started from a position of relative affluence compared with most of the Third World, in terms of socio-economic indicators and the general provision of basic needs. They are implicitly assumed to be able to absorb the costs of adjustment; and widespread acute food or health insecurity is, indeed, unlikely to arise in most of these countries. However, there are some possible exceptions including Albania and, potentially, some of the former Soviet republics. Health, nutrition and welfare problems of vulnerable groups could also be intensified in circumstances in which international assistance is conditional on the adoption of severe economic restructuring programmes. In addition, considerable additional volumes of grant assistance could be required if the situation in a particular state such as Armenia, rapidly deteriorates due to inter-republic conflicts or to large scale civil unrest.

Albania is a special case in terms of its need for high per capita levels of humanitarian assistance. Problems of underdevelopment and structural poverty are far greater here than was apparent from earlier official statistics. The breakdown of food distribution and reductions in production have been so severe that the current food/nutrition/health situation approximates to a genuine food emergency. There is also an apparent lack of capacity for much of the population to cope through self-provisioning and so the situation has given rise to considerable short-run suffering. As a result, several donors including the EC are maintaining special aid programming efforts and a growing number of NGOs are becoming directly involved in Albania. There is also concern that the situation could deteriorate even further.

Some former Soviet republics could also require significant humanitarian assistance. In February 1992 the USDA estimated the grain import requirements of the former Soviet republics at 40m tonnes in the agricultural year 1991/92. By the end of 1991, commitments to date of food aid and credits were considered sufficient to finance around 30m tonnes of food imports; and further commitments have since been made, suggesting that, at least notionally, the republics' food requirements will be met. However, in practice, disbursements of some credits have been extremely slow, partly because credits

to the former USSR had to be reallocated to specific republics. In addition, there are acute logistical problems in maintaining the flow of imports and distribution to around 50 urban centres.

Furthermore, although the total cereal requirements of the former Soviet republics are, at least notionally, almost covered this is no guarantee that the individual republics will each have sufficient food supplies. It is difficult to judge how the situation in each republic will evolve. The current move towards autarky, with a consequent decline in inter-republic trade, could render peripheral, poorer republics particularly vulnerable to food shortages given the past structure of the agricultural and food processing sectors. This structure entailed administered distribution and integration into a vast continent-wide agro-food sector on the basis of specialisation in production and processing, making several of the smaller republics highly dependent on inter-republic trade for essential food and other supplies. Even in republics with relatively well developed agricultural sectors, such as the Baltic states, production is still heavily reliant on continued supplies of inputs, energy supplies and spare parts for machinery, often from other republics. Already, the growing economic crisis has led to difficulties in assuring deliveries of these supplies, with detrimental effects on output. The food situation has also been aggravated by an apparent large scale withholding of output by producers from markets, although it is difficult to quantify the exact amounts involved.

International aid, as well as commercial credits, to the former Soviet republics is also rapidly being redirected from a focus on a single, centrally managed entity to one on a new complex set of independent, if economically highly dependent, states. It is possible, for example, that areas of short-term priority might shift rapidly from major urban centres, upon which emergency food aid has initially been targeted, to some Central Asian republics which are dependent on exports of basic staple wheatflour, from Russia and Ukraine.

A further aspect of the food and health security status of Eastern European and former Soviet republics is that, should economic conditions deteriorate significantly in a particular country, there could be very widespread suffering. There are, as identified in Chapter 4, particular groups within these societies which are likely to be especially vulnerable; and these groups are also those which are often less able to meet the 'transaction cost' of asserting their entitlements. The relatively high proportion of pensioners also makes the maintenance of the real value of entitlements of the elderly a particularly important priority. However, in the short term, the relatively equitable distribution of income in the region in the past combined with fairly low levels of average income imply that the process of adjustment, particularly through its inflationary effects on prices, could significantly reduce the real income of a large proportion of the population below levels necessary to maintain household food and health security.

Thus, in the current context, broad-based programmes could be more relevant to cushion the impact on large segments of the population, such as pensioners, infants, school-age children and their families, than more narrowly targeted interventions to prevent severe impacts on extremely vulnerable groups, which were formulated in terms of the experience of countries undergoing structural adjustment programmes. The combination of universal education in the region together with the prior existence of organisations providing school meals offer a potentially highly effective short-term means of directly sustaining the nutritional status of the young and providing income transfers roughly proportionate to family size.

In the medium term, the potentially most serious problems are likely to be those of mass unemployment as well as chronic poverty for those dependent on publicly provided entitlements. Indeed, several economies including Poland, and more recently, Albania, are already experiencing levels of open unemployment that are unprecedented in middle and high income industrial economies since the 1920s and 1930s. An ILO survey, released in late March 1992, forecasts that in the former

USSR over 15 million workers would be unemployed in 1992; and that another 30 million are at risk of redundancy because they are under-employed in their current jobs. Even if only half of these additional 30 million lost their jobs, the unemployment rate would increase to 24% of the labour force. By way of comparison, at the depth of the US Great Depression in 1934, unemployment stood at 24.9%.

The growth in unemployment is likely to stem from a number of aspects of the reform process. Redundancies in over-manned industries, particularly in areas which are rapidly becoming rust-belt regions, could create structural problems of chronic unemployment. Transformation of the agricultural economy could also contribute to rising unemployment. Rapid privatisation in the former USSR and other countries with large collective and state farm sectors and liberalisation of agricultural markets such as the distributive land reform in Albania, could lead, through consolidation and labour saving investment, to an outflow of labour to urban areas and to increasing international migration. Meanwhile, the absorption of labour into new areas of employment, such as the growing service and small business 'new' enterprise sectors, is expected to be a difficult and lengthy process. Considerable expenditure on retraining, both by governments and possibly with international support will be required to prevent the emergence of a large body of unemployed.

The possible roles for NGOs

Very little aid to date has been concerned directly with social or humanitarian consequences of rapid change, apart from emergency food aid; and most future assistance is also likely to be in the form of long-term loans and export credits. What role, then, is there for international western NGOs in such a situation?

First, it is natural to think immediately of the role that NGOs could play in a crisis, even emergency, situation in organising, transporting and distributing food aid and other humanitarian assistance, as some NGOs are already doing in Albania.

Second, it is widely recognised that the current emergency programme for the former Soviet republics is involving severe problems in the independent monitoring and supervision of the movements, storage and distribution of commodities. In part, this role may be undertaken by private contractors, as in the EC case. However, some donor governments, notably the USA, find it attractive to turn to NGOs to play this intermediating role. NGOs would have to consider very carefully the pros and cons of becoming involved in such a way as channels of official aid.

Third, structural change is reducing the role of the state as a universal provider of basic needs. This change potentially implies the emergence of important gaps in the monitoring of social conditions and in assisting potentially vulnerable groups. In western societies, voluntary agencies have typically filled these gaps; and western NGOs have already responded on a small scale to fulfil this role in Eastern Europe and the former Soviet republics, for example, in underprovided orphanages. A variety of indigenous NGOs from religious, social, political and professional backgrounds are also beginning to emerge and, as in so many other areas, there is also a potential indirect technical cooperation role for international NGOs to take in offering models, experience and relevant training to these new NGOs. This is, however, an area of great sensitivity and the currently limited legal framework apparently inhibits the development of local NGOs in some states, as well as restricting the external involvement of international ones.

Fourth, there is the issue of public advocacy. There is an awareness of the potential social consequences of rapid economic change in Eastern Europe and the former Soviet republics, not least

because of the lessons learnt from stabilisation and structural adjustment programmes in many developing countries in the 1980s. Thus, for example, the World Bank has established a small working group on the social consequences of change in the CIS. Nevertheless, the balance of the debate over the pace and phasing of change, and appropriate external support could be constructively influenced by those concerned with the human dimension of these changes. Excessively rapid economic change may already be creating the kinds of intolerable social pressures that led to extreme and ugly manifestations of nationalism in pre-war Europe. There is a case to be made, both inside the region and internationally, against a too rapid and untrammelled process of economic change which could result in high levels of unemployment and internal and international migration. Eastern Europe and the former Soviet republics may have more to learn from the careful demographic and economic transformation of Western Europe after the Second World War than varieties of harsh and rapid structural adjustment attempted within an authoritarian framework in some Third World countries.

Fifth, NGOs could play a role in monitoring the possible competition between Eastern Europe and the former Soviet Union and the poorest countries of the Third World for foreign assistance. The members of G24 are politically constrained to assert that all such aid to the former is additional to aid to the Third World and to package their actions to give such an appearance. The most positive construction that we would provisionally put on the evidence is that during the current period of world recession levels of aid to the Third World are, at best, stagnating. Some of the so-called 'aid' to Eastern Europe and the former USSR involves trade credits that would probably have been provided to these states in any case. But intellectual energies and trade preferences are now also being allocated to Eastern Europe and the former Soviet republics as a priority. In addition, as the privatisation process speeds up and property rights become more clearly defined, private sector investment from the Far East and the West could be drawn to Eastern Europe and the former Soviet Union, again possibly at the expense of some developing countries.

Table A1: Sectoral Distribution of GDP and the Labour Force

	GDP (1988)			Labour Force (1985-88)		
	Agriculture	Industry	Service	Agriculture	Industry	Service
Albania	34.1	51.1	14.8	55.9	25.7	18.4
Bulgaria	12.5	69.3	18.2	16.5	37.9	45.6
Poland	13.0	60.7	26.3	28.5	38.9	32.6
Romania	15.9	70.1	14.0	30.5	43.5	26.0
USSR	21.0	56.0	23.0	20.0	39.0	41.0
Portugal	9.1	39.6	51.3	20.6	23.4	56.0
Turkey	17.0	36.0	47.0	45.3	13.5	41.2
Sub-Saharan Africa	32.0	27.0	38.0	67.6	7.7	24.7

Source: UNDP (1991), World Bank (1991c)

Table A2: Recommended and Per Capita Food Consumption in Selected CIS Republics, 1970 and 1988

	Year	Russia		Belarus		Latvia		Uzbekistan	
		Actual (kg/year)	% of rec-omended level	Actual (kg/year)	% of rec-omended level	Actual (kg/year)	% of rec-omended level	Actual (kg/year)	% of rec-omended level
Meat and meat products	1970	50	64.1%	49	63.6%	70	87.5%	29	45.3%
	1988	73	93.6%	72	93.5%	85	106.3%	31	48.4%
Milk and dairy products	1970	331	70.1%	371	84.5%	453	88.0%	150	47.0%
	1988	386	81.8%	421	95.9%	455	88.3%	200	62.7%
Cereal products	1970	144	125.2%	144	120.0%	110	115.8%	160	109.6%
	1988	117	101.7%	129	107.5%	107	112.6%	183	125.3%
Potatoes	1970	139	132.4%	245	167.8%	146	106.6%	28	50.9%
	1988	107	101.9%	175	119.9%	117	85.4%	25	45.5%
Vegetables and melons	1970	82	59.4%	70	54.7%	82	56.2%	66	40.2%
	1988	97	70.3%	87	68.0%	76	52.1%	93	56.7%
Fruit	1970	36	40.9%	45	58.4%	-	-	-	-
	1988	60	68.2%	57	74.0%	52	52.0%	33	30.0%

Source: OECD (1991)

Table A3: Total Grains Production of the former Soviet Union by Republic, 1986-89 (million tonnes)

	1986	1987	1988	1989
RSFSR	107.5	98.6	93.7	104.8
Ukraine	41.5	48.0	45.4	51.2
Belarus	6.0	7.8	5.9	7.4
Kazakhstan	26.6	25.7	21.0	18.8
Central Asia				
Kirgizstan	1.6	1.8	1.7	1.6
Tadjikistan	0.2	0.3	0.4	0.3
Turkmenistan	0.3	0.3	0.4	0.4
Uzbekistan	1.2	1.7	2.1	1.5
Caucasus				
Armenia	0.3	0.3	0.3	0.2
Azerbaidjan	1.0	1.1	1.4	0.8
Georgia	0.6	0.6	0.7	0.5
Moldavia	2.0	2.0	3.0	3.3
Baltic				
Estonia	0.9	0.9	0.4	1.0
Lativa	1.5	1.6	1.1	1.6
Lithuania	2.8	3.1	2.7	3.3
USSR	194.0	193.8	180.2	196.7

Source: "Narodnoye Khozyaystvo (1990)

Table A4: Grains Yields of the former Soviet Union by Republic 1984-97 (kg/ha)

	1984	1985	1986	1987
RSFSR	13.3	15.6	17.5	16.4
Ukraine	26.5	25.2	26.5	32.2
Belarus	25.5	24.0	25.2	33.9
Kazakhstan	6.2	9.6	11.5	11.2
Central Asia				
Kirgizstan	24.4	27.7	30.5	34.7
Tadjikistan	13.8	15.2	16.0	15.5
Turkmenistan	23.3	22.6	19.4	18.7
Uzbekistan	15.1	15.9	17.8	18.1
Caucasus				
Armenia	20.4	20.9	24.8	20.6
Azerbaidjan	25.9	26.2	25.9	24.2
Georgia	23.5	23.4	23.9	24.6
Moldavia	39.1	31.9	28.8	30.8
Baltic				
Estonia	30.0	22.9	28.3	32.3
Lativa	26.7	22.1	25.1	29.9
Lithuania	28.1	25.0	26.5	31.7

Source: "Narodnoye Khozyaystvo (1988)

Table A5(a): Ranking of Former Soviet Republics by Their Deviation in Per Capita Production of Grains, Potatoes and Vegetables from Average Soviet Per Capita Availability, 1988 (a)

Potatoes	Total Production	Per capita Production	Deviation from average per capita availability	Vegetables	Total Production	Per capita Production	Deviation from average per capita availability
	'000 t	kg/p.c.	kg/p.c.		'000 t	kg/p.c.	kg/p.c.
Belarus	7708.0	759.5	537.2	Moldavia	1281.0	302.8	197.5
Lithuania	1850.0	505.1	282.7	Armenia	567.0	163.2	58.0
Estonia	716.0	458.8	236.4	Ukraine	7292.0	141.9	36.6
Lativa	1110.0	418.1	195.7	Uzbekistan	2760.0	141.0	35.7
Ukraine	13510.0	262.8	40.5	Kirgizstan	553.0	130.3	25.1
RSFSR	33692.0	230.5	8.1	Azerbaidjan	880.0	126.7	21.4
Kazakhstan	2260.0	136.8	-85.6	Georgia	641.0	120.5	15.3
Kirgizstan	333.0	78.5	-143.9	Tadjikistan	556.0	112.1	6.8
Moldavia	299.0	70.7	-151.7	Turkmenistan	372.0	107.8	2.5
Georgia	326.0	61.3	-161.1	Lithuania	370.0	101.0	-4.2
Armenia	207.0	59.6	-162.8	Estonia	129.0	82.7	-22.6
Tadjikistan	183.0	36.9	-185.5	Kazakhstan	1354.0	82.0	-23.3
Azerbaidjan	165.0	23.8	-198.6	Lativa	214.0	80.6	-24.6
Uzbekistan	308.0	15.7	-206.6	Belarus	809.0	79.7	-25.5
Turkmenistan	38.0	11.0	-211.4	RSFSR	11481.0	78.5	-26.7
Total	62705.0	220.6		Total	29259.0	102.9	
Net Imports	494.9	1.7		Net Imports(b)	650.0	2.3	
Total supply	63199.9	222.4		Total supply	29909.0	105.2	

Source: Narodnoye Khozyaystvo (1990)

(a) Excluding stocks

(b) Average imports 1986/7-1988/9

Table A5(b): Ranking of Former Soviet Republics by Their Deviation in Per Capita Production of Milk and Meat from Average Soviet Per Capita Production, 1981-5

Milk	Total Production	Per capita Production	Deviation from average per capita production	Meat	Total Production	Per capita Production	Deviation from average per capita production
	'000t	kg/p.c.	kg/p.c.		'000t	kg/p.c.	kg/p.c.
Estonia	1,193	792	443	Estonia	200	133	73
Lithuania	2,731	779	430	Lithuania	451	129	69
Lativa	1,766	687	339	Lativa	301	117	57
Belarus	6,306	643	294	Belarus	933	95	35
Ukraine	21,862	433	85	Kazakhstan	1,156	75	15
RSFSR	48,731	345	-3	Ukraine	3,684	73	13
Moldavia	1,245	307	-41	Moldavia	266	66	6
Kazakhstan	4,629	300	-49	RSFSR	8,093	57	-2
Kirgizstan	717	188	-160	Kirgizstan	168	44	-16
Armenia	539	167	-181	Armenia	100	31	-29
Uzbekistan	2,448	144	-205	Georgia	154	30	-30
Azerbaidjan	897	140	-208	Turkmenistan	84	28	-32
Georgia	656	128	-221	Azerbaidjan	157	25	-35
Tadjikistan	527	124	-224	Tadjikistan	101	24	-36
Turkmenistan	332	109	-239	Uzbekistan	378	22	-38
Total	94,579	349		Total	16,226	60	

Source: Narodnoyc Khozyaystvo (various)

Table A6: Albanian Food Production and Trade, 1985

	Net Imports Volume '00 MT	Value $10,000	Area Harvested '000ha	Yield kg/ha	Production Volume '00 MT	Value $10,000	Apparent Total Supply	Net Imports as % of Total Supply
Meat (a)	35	40			76	87	111	32%
Bovine meat (a)	5	10			49	98	54	9%
Total Cereals	(1)	6	348	3,030	1,055	191	1,054	0%
Wheat & Wheat Flour	-	-	177	2,994	530		530	0%
Barley	10	2	13	2,769	36	6	46	22%
Maize	(31)	(6)	95	4,211	400	72	369	-8%
Potatoes	80	9	16	8,774	136	15	216	37%
Sugar, Total (Raw Equiv.)	220	61	9	35,553	320	89	540	41%
Sunflower Oil	71	52	35	1,529	54	40	125	57%
Total Food excl. Fish		159						
of which the above								

Source: FAO Trade Yearbook, 1987

(a) - Fresh, chilled and frozen

Table A7: Romanian Food Production and Trade, 1985

	Net Imports Volume '00 MT	Value $10,000	Area Harvested '000ha	Yield kg/ha	Production Volume '00 MT	Value $10,000	Apparent Total Supply	Net Imports as % of Total Supply
Meat (a)	(2,008)	(1,918)			1,541	1,502	(467)	430%
Bovine meat (a)	(640)	(589)			294	271	(346)	185%
Total Cereals	(5,208)	(723)	6,293	3,662	23,047	3,763	17,839	-29%
Wheat & Wheat Flour	(2,270)	(360)	2,366	2,395	5,666	899	3,396	-67%
Barley	1,500	255	680	2,721	1,850	315	3,350	45%
Maize	(4,940)	(818)	3,098	4,919	15,238	2,478	10,298	-48%
Potatoes	363	59	321	22,724	7,294	1,158	7,657	5%
Sugar, Total (Raw Equiv.)	2,532	500	276	23,396	6,446	1,353	8,978	28%
Coffee, Green & Roast	220	600	-	-	-	-	220	100%
Soybean Oil	-	-	319	993	317		317	0%
Sunflower Oil	(257)	(180)	466	1,524	710	496	453	-57%
Total Food excl. Fish	0	(4,131)						
of which the above		(0)						

Source: FAO Trade Yearbook, 1987

(a) - Fresh, chilled and frozen

Table A8: Total Food Aid Receipts, 1989-91 (thousand tonnes, in cereal equivalence)

	Australia	Canada	EEC	Germany	Italy	Japan	Switz.	USA	Others	Total
Albania	0	0	0	3	3	0	0	0	0	7
Bulgaria	0	0	23	0	0	1	0	100	0	123
Poland	19	37	1,335	0	0	153	9	554	25	2,132
Romania	0	0	316	0	0	1	0	696	0	1,013
USSR	0	0	95	0	0	0	0	0	0	95
Total	19	37	1,769	3	3	155	9	1,350	25	3,370
World Total	476	1,720	4,958	502	181	1,173	37	17,864	8,152	35,450
of which										
EE & USSR	4.0%	2.2%	35.7%	0.6%	1.7%	13.2%	24.3%	7.6%	0.3%	9.5%
SSA	26.3%	34.5%	32.0%	48.8%	50.8%	28.9%	35.1%	15.1%	44.6%	26.3%

Source: WFP INTERFAIS

(a) All food aid received by Eastern Europe and the former USSR over the period 1989-91 were imported with no local purchases.

Table A9: Eastern European and Soviet Food Aid Total Receipts by Commodity Type and Percent of World Receipts, 1989-91 (a)

	Volume ('000 tonnes)	% of total receipts
Wheat & Wheat Flour	598	2.8%
Rice	25	1.2%
Coarse Grains	2,648	28.4%
Blended/Fortified	-	0.0%
Total Cereals	3,271	9.5%
Dairy Products	104	21.7%
Veg Oil & Fats	26	2.0%
Meat & Fish	76	43.1%
Pulses	1	0.2%
Other Non-Cereals	193	31.8%
Total Non-Cereals	400	12.5%

Source: WFP INTERFAIS

(a) Includes 12.5 thousand tonnes of cereals and 650 tonnes of non-cereals scheduled for delivery in 1992 which it has not been possible to separate out.

Table A10: Total Approved EBRD Loans (million US$)

Country	Project	Date Approved	Funds Committed	Investment (a)	
Bulgaria	Power Generation	23.3.92.	49.4	140.7	
Hungary	Packaging Firm	24.09.91.	5.9	14.1	
	Telecommunications	18.12.91.	117.9	242.7	
	Automotive Manufacturing	14.02.92.	77.3	309.8	
	Cellular Telephones	27.04.92.	10.0	80.0	
Poland	District Heating Enterprises	25.06.91.	50.0	86.5	
	Cellular Telephones	26.11.91.	60.0	180.0	
	Cold Storage	26.11.91.	2.2	14.4	
	Food Processing	18.12.91.	6.8	18.1	
	Buildings	27.01.92.	65.6	65.6	(b)
	Power Generation	27.04.92.	6.7	10.7	
	Soft Drink Bottling	27.04.92.	7.0	22.8	
Romania	Telecoms	18.12.91.	184.7	713.7	
	Power Generating Equipment	18.12.91.	29.9	193.4	
USSR	Drilling company in Siberia	26.11.91.	12.4	19.3	
	Telecoms	26.11.91.	6.5	13.8	
Regional	Line of Credit	24.09.91.	40.0	100.0	
	Line of Credit	23.03.92.	22.9	45.8	
Total			755.1	2,271.2	

Source: EBRD

(a) Total investment by all co-financiers
(b) Total projet investment in Polish Buildings Equity and Loans projects approved on this date

Loans approved in Ecu or DM have been converted to US dollars using the average monthly exchange rate in the month of approval

Table A11: Total Approved EBRD Equity (million US$)

Country	Project	Date Approved	EBRD Funds Committed	Total Investment (a)
Czechoslovakia	Investment Corporation Inc.	24.09.91	10.0	149.9
	Food Manufacture	18.12.91.	31.1	224.8
	Airlines	26.02.92.	30.0	150.0
	Total		71.1	524.7
Hungary	Computer systems company	18.12.91.	3.0	9.0
	Food Manufacture	27.04.92.	4.0	10.5
	Total		7.0	19.5
Poland	Buildings	27.01.92.	3.0	65.6 (b)
Total			81.1	544.2

Source: EBRD

(a) Total investment by all co-financiers
(b) Total projet investment in Polish Buildings Equity and Loans projects approved on this date

Loans approved in Ecu or DM have been converted to US dollars using average monthly exchange rate in month of approval

Table A12: New IBRD Loans to Eastern Europe, FY 1990-1991 (US$ millions)

Borrower	Sector	FY 1990	FY 1991	Total
Bulgaria	Technical Assistance	-	17	17
Czechoslovakia	Non-project	-	450	450
Hungary	Industry	66	-	66
	Agriculture and Rural Development	100	-	100
	Non-project	200	250	450
	Education	-	150	150
	Telecommunications	-	150	150
	Total	366	550	916
Poland	Water Supply and Sewage	18	-	18
	Transport	153	-	153
	Development Finance Companies	260	480	740
	Energy	250	340	590
	Non-project	-	300	300
	Education	-	100	100
	Telecommunications	-	120	120
	Total	681	1,340	2,021
Romania	Technical Assistance	-	180	180
Yugoslavia	Transport	292		292
	Energy	-	300	300
	Non-project	400		400
	Total	692	300	992
TOTAL		1,739	2,837	4,576

Source: World Bank (1990, 1991)

Note: FY 1990 relates to July 1989 - June 1990. FY 1991 relates to July 1990 - June 1991.

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