



Progress at Risk

Inequalities and Human Development
in Eastern Europe, Turkey, and Central Asia

*Empowered lives.
Resilient nations.*





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Resilient nations.*

REGIONAL HUMAN DEVELOPMENT REPORT 2016

PROGRESS AT RISK: Inequalities and Human Development in Eastern Europe, Turkey, and Central Asia

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Foreword

Global narratives on inequalities and how best to address them have not yet fully connected with the transition and developing economies of Europe, Turkey, and Central Asia. This is partly because of the region's post-socialist heritage, which left relatively equal distributions of income, relatively broad access to social services, and relatively small gender disparities. Unfortunately, there are worrying signs that these advantages are being lost—and that problems of inequality and vulnerability are growing and converging with those of other regions.

This is occurring at a time when countries are beginning the national implementation of the global sustainable development Agenda 2030. This agenda, and its associated Sustainable Development Goals (SDGs), call *inter alia* for governments and their international development partners to ensure that "no one is left behind". But with low commodity prices and shrinking remittances, and slow growth in Russia and Europe, too many income- and employment-generation opportunities in the region are disappearing. In some of the region's poorer countries, more than half of the labour force is working in precarious or informal jobs and are not covered by social protection. Women are particularly vulnerable in these respects, as they are more likely to be outside of the labour force, or to be engaged in agriculture or other precarious work. Labour migrants, Roma and other ethnic minorities, and people living with HIV/AIDS or disabilities, are also facing serious risks. Governments in many countries are finding "leaving no one behind" to be increasingly difficult.

This report is intended to address these gaps. It explains how—despite relatively equal distributions of income, broad access to social services, and small gender disparities—many countries of this region are facing growing threats to their human development accomplishments. The report shows how popular concerns about inequalities—in terms of income and wealth, but also equality before the law—seem to be on the rise in many countries. It identifies key policy reforms and programming areas for more effective responses to the region's inequality challenges.

In keeping with the human development paradigm, the report puts people at the centre of the analysis. It shows how women, children and youth, ethnic minorities, people living with HIV, workers without decent jobs, and members of other vulnerable groups are more likely to experience unequal development opportunities and outcomes. The report also calls for ensuring that measures intended to leave no one behind today do not harm future generations' development prospects.

To respond to these threats, the report calls for reductions in the region's high taxes on labour, to be offset by higher taxes on environmentally unsustainable activities and more vigorous efforts to capture illicit financial flows for state budgets. It advocates greater investments in institutional capacity—particularly for national statistical offices, but also for ministries of labour, health, and social protection, and for courts, anti-corruption agencies, and human rights protection bodies. The report calls for expanded fiscal outlays on social services and active labour market policies, to reduce labour market exclusion and close gaps in social protection coverage. And it does so in ways that can help governments to apply, the relevant portions of Agenda 2030—particularly SDGs 3 ("ensure healthy lives"), 5 ("achieve gender equality"), 8 ("promote full, productive employment and decent work"), 10 ("reduce inequalities between and among countries"), and 16 ("build effective, accountable, and inclusive institutions").

At UNDP we are pleased that this report has benefitted from contributions, suggestions, and support from many important partners. These include especially the representatives of the numerous organizations who provided feedback on the report at UNDP's Istanbul Development Dialogues (2016): #TalkInequality regional forum. We are also grateful for comments received from members of the Regional UNDG (UN Development Group) Team and Regional Coordination Mechanism for Europe and Central Asia.



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Key Messages

- **Following increases registered during the 1990s, significant reductions in (or low overall rates of) income inequalities have been reported in much of the region.¹**
 Official data point to low or falling income inequalities in Azerbaijan, Belarus, Kazakhstan, Kosovo,² the former Yugoslav Republic of Macedonia, Moldova, Montenegro, Turkmenistan, Ukraine, and Uzbekistan. This seems to have helped economic growth to reduce poverty in these countries/territories. Elsewhere, however, high or rising levels of income inequality have slowed progress in poverty reduction. This underscores how—in addition to being desirable in and of themselves—low or falling income inequalities are central to prospects for poverty reduction in the region.
- **Progress in reducing inequalities is now being put to the test across the region.**
 The combination of low commodity prices, falling remittances, and slow or negative growth on key European and Russian export markets is putting pressures on economies in general, and on vulnerable households in particular. This poses new challenges as the implementation of the global sustainable development agenda 2030 begins in the region.
- **Data and indicator problems with measuring inequalities, and their links to social exclusion and environmental sustainability, in the region are significant.**
 These are apparent in downward biases in measurements of income inequalities—particularly in terms of undercounting the income shares accruing to the wealthiest households. They are apparent in the fact that many of the countries in the region seem unprepared to report on the indicators that are to be used to measure global progress on Sustainable Development Goal 10 (“reduce inequalities within and between countries”). They are apparent in gender equality indicators, some of which present artificially favourable pictures of women’s health status

by comparisons with men—who, in a number of countries in the region, are displaying particularly worrisome mortality trends. They are apparent in labour-market indicators, which often blur the fact that differences between those who are employed are sometimes greater than disparities between those who are working and those who are not. And they are apparent in the absence of well accepted definitions, indicators, and data for natural capital and environmental sustainability.

- **Labour market inequalities and exclusion lie at the heart of the region’s inequality challenges.** This is the case both in terms of labour markets *per se*, and because access to social protection is often linked to formal labour market participation. People without decent jobs face much higher risks of poverty, vulnerability, and exclusion from social services and social protection. Women, young workers, migrants, the long-term unemployed, people with disabilities, Roma, and others with unequal labour market status are particularly vulnerable to these risks. While trends are improving in some countries and for some groups, in others, labour market inequalities are increasing.
- **Key directions in addressing labour market inequalities include:** (i) better alignment of employment, social protection, and overall macroeconomic policies, with a particular emphasis on the former; and (ii) reducing the scale of informal employment, with a particular focus on decreasing taxes on labour.
- **Policy linkages between labour markets and social protection need to be strengthened.** While poorly designed social policies can reduce incentives for labour market participation and hiring, this is not a reason for reducing social protection spending and coverage. Instead, wherever possible, the taxation of labour to fund social benefits needs to be reduced in favour of other funding sources. These may include: (i) higher

¹ For the purposes of this study, these are: Albania, Armenia, Azerbaijan, Belarus, Bosnia and Herzegovina, Georgia, Kazakhstan, Kosovo, the Kyrgyz Republic, the former Yugoslav Republic of Macedonia, Moldova, Montenegro, Serbia, Tajikistan, Turkey, Turkmenistan, Ukraine, and Uzbekistan.

² References to Kosovo shall be understood to be in the context of Security Council Resolution 1244 (1999).

taxes on environmentally unsustainable activities; (ii) reductions in budget subsidies that accrue to the wealthy, or which support environmentally unsustainable activities (such as fossil fuel subsidies); and (iii) more aggressive measures to reduce illicit financial flows, and the diversion of budget revenues to tax havens.

► **While the region compares favourably to many other developing countries in terms of gender equality, it also lags behind global best practices in many areas.**

Moreover, pre-1990s levels of gender equality that had been attained in many countries have come under growing threat. Gender-based inequalities tend to magnify the impact of other forms and dimensions of inequalities, based on class, race, age, ethnicity, disability, occupation and income. Unequal labour market outcomes in particular can have major implications for broader gender inequalities and the exclusion of women.

► **Development outcomes in the region are strongly influenced by access to quality health care, which is a reflection of the social, economic, and environmental determinants of health.**

Non-communicable diseases account for 86 percent of premature mortality in the region, and are largely responsible for the lagging life expectancies among men. The region has also seen the largest increase in officially recorded HIV incidence worldwide, while AIDS-related deaths have tripled over the past 15 years. Rising HIV incidence rates can serve as proxy indicators for official and societal unwillingness to address difficult but important social exclusion challenges. Inequities are apparent in exposure to other diseases, as well as in morbidity, mortality, and access to treatment; survey data point to growing numbers of people for whom access to quality medical care is restricted by formal and informal out-of-pocket charges.

► **Available data indicate that the depletion of natural capital, and environmental sustainability concerns more broadly, are largest in the region's lower-middle income countries,** particularly in the Caspian Basin. In addition to being the site of the region's (and one of the world's) largest man-made ecological disasters (the Aral Sea tragedy), development models in many of these countries are based on the extraction and processing of non-renewable fossil fuels, minerals, and non-ferrous metals. Such models can place high (possibly unsustainable) burdens on natural capital endowments. The consequences of unsustainable resource management can be particularly difficult for vulnerable households, which in some of these countries face significant food and energy security challenges.

► **Survey data point to extensive public concerns about the quality of governance,** *inter alia* regarding perceptions of corruption and unequal status before the law. These perceptions are indicative of deep, subjective concerns about inequalities in the region that are not necessarily captured in official data on the distribution of income or wealth. Stronger efforts to reduce corruption and strengthen the rule of law are needed to:

- ❖ decrease the informality that deprives many workers of labour rights and access to social protection;
- ❖ increase government budget revenues, in order to make social protection systems more sustainable;
- ❖ provide vulnerable groups (including those who may otherwise be subject to ethnic, gender, or other forms of discrimination) with better access to public services and justice; and
- ❖ level commercial playing fields, to improve income-generation prospects for small entrepreneurs.

Introduction

All of the countries and territories of Eastern Europe (including Turkey) and Central Asia whose development aspirations are supported by UNDP are now middle-income countries. In terms of UNDP's human development index (HDI), they have for years been enjoying "medium", "high", or (more recently) "very high" levels of human development. As such, challenges of eradicating extreme poverty do not dominate the region's development agenda. Policy makers in the region are increasingly focusing on inequalities, exclusion, vulnerability, and middle classes.

This focus is occurring against a backdrop of growing global concerns about inequalities. Beliefs that inequalities are increasingly threats to sustainable development are now widely held. In developed countries, they are apparent *inter alia* in the works of Piketty (2014), Stiglitz (2012), Milanovic (2016, 2011), and the OECD (OECD, 2015), which have focused on the distributional impact of capital accumulation/GDP growth dynamics, financial globalization, structural and demographic changes, wage premia for skilled labour, and interest group articulation patterns. UNDP's *Humanity Divided* (UNDP, 2013b) investigated causes and outcomes of income and other inequalities in developing countries. It found that, while income inequalities are rising in many developing economies, some had managed to reduce inequalities through policies that expanded social safety nets and promoted the formal-sector employment growth.

These narratives and experiences are not irrelevant for the economies of Eastern Europe,

Turkey, and Central Asia. However, they miss some important elements of the region's development challenges. For one thing, despite their "developing"/middle-income country status, these economies have for generations reported relatively low socio-economic equalities. While income inequalities rose during the "transition recessions" of the 1990s, these increases were interpreted by (at least some) observers as desirable, or at least inevitable "corrections" to (often violent) pre-transition social levelling. Moreover, official data indicate that, since 2000, income inequalities in many of the countries have fallen back towards pre-transition levels. These data also indicate that falling inequalities have helped reduce income poverty and allowed the region's middle classes (measured in income terms) to stage a comeback. They suggest that relatively well developed (with roots in pre-1990) social protection systems and comparatively high levels of gender equality have ensured that the benefits of economic growth have been fairly evenly spread.

However, a closer look at these data suggests less optimistic conclusions. Moreover, the expansion of informal, vulnerable, and precarious employment is combining with growing gaps in social protection systems, "double burdens" on working women, and (in some of the region's less wealthy countries) pressures on household food and energy security to increasingly put these accomplishments at risk. Further, low commodity prices and slow growth in Europe and Russia are depressing employment prospects and remittances in much of the region (International

Monetary Fund, 2016). These trends may be aggravated by important concerns about inequality before the law.

Data and indicator problems with measuring inequalities, and their links to social exclusion and environmental sustainability, in the region are significant. These are apparent in:

- downward biases in measurements of income inequalities—particularly in terms of undercounting the income shares accruing to the wealthiest households;
- the fact that many of the countries in the region seem unprepared to report on the indicators that are to be used to measure global progress on Sustainable Development Goal 10 (“reduce inequalities within and between countries”);
- gender equality indicators, some of which present artificially favourable pictures of women’s health status by comparisons with men—who, in a number of countries in the region, are displaying particularly worrisome mortality trends; and

- the absence of well accepted definitions, indicators, and data for natural capital and environmental sustainability, and their links to inequalities.

This report examines the human development aspects of these challenges, within the context of the Sustainable Development Goals and the global Agenda 2030 promise to “leave no one behind”. It calls for better measurement of inequalities and sustainability in official statistics, the expansion of care services to address gender-based labour market exclusion, reductions in tax burdens on labour, and expanding fiscal space via reductions in fossil fuel subsidies and increased collection of taxes on illicit financial flows and other goods and services with negative socio-environmental externalities.

Table 1—Gini coefficients for income inequality

	2002	2003	2004	2005	2006	2007	2008	2009	2010	2011	2012	2013	2014
Albania*	28			30			28				27		
Armenia	45	43	40	36	37	37	34	36	36	37	37	37	37
Belarus					26	27	27	27	27	28	29	28	28
Georgia					45	46	45	46	46	46	43	42	41
Kazakhstan	33	32	31	30	31	31	29	27	28	29	28	28	28
Kosovo					30			30	29	28			
Kyrgyz Rep.	42	41	42	43	45	42	36	37	37	38	42	46	43
FYR Macedonia									41	39	39	37	35
Moldova						37	37	37	37	35	34	34	33
Montenegro				26	24	26	25	26	24	26	27	26	
Serbia**					33	32	30	30	33		38	39	38
Turkey	44	42	40	38	43	41	41	42	40	40	40	40	39
Turkmenistan					29	30	29	28	28	29	28	29	29
Ukraine				32	33	33	27	26	26	25	24	23	23
Uzbekistan									30	29	29	29	28

Source: National/territorial statistical office websites.

* For consumption expenditures.

** Data for 2006-2010 were collected according to household budget survey methodology, while data for 2012-2014 were collected according to EU Survey on Income and Living Conditions standards methodology. The differences in Gini values between 2010 and 2012 might be due to these methodological differences.



Photo: Freya Morales / UNDP





Measuring inequalities
in the region

Measuring inequalities in the region

Policy makers in the region are increasingly focusing on inequalities, exclusion, and vulnerability.

Studies of inequalities often begin with quantitative analyses of disparities in distributions of income and (where data permit) wealth. While this approach is taken here, it should be noted that such analyses can have a number of weaknesses—particularly from a human development perspective. For one thing, disparities in income and wealth are often reflections of other, deeper socio-economic inequalities. A focus on “who has (or doesn’t have) how much money” may obscure more important drivers of differences—such as gender, class, age, ethnicity, and disability. Likewise, unequal access to the labour market, decent jobs, and quality services—particularly health and education, but also reliable supplies of food, water, and energy—can limit individuals’ opportunities to realize their full potential as human beings. These inequalities, which may not be fully reflected in data on income and wealth inequalities, underscore the importance of measuring and analysing non-income inequalities. They also highlight the importance of identifying the drivers of inequalities, which are more often about human development opportunities than they are about

income inequalities and other development outcomes.

First, the good news. Following increases registered during the 1990s, significant reductions in (or low overall rates of) income inequalities have been reported in much of the region. Official data point to low or falling income inequalities in Azerbaijan, Belarus, Kazakhstan, Kosovo, the former Yugoslav Republic of Macedonia, Moldova, Montenegro, Turkmenistan, Ukraine, and Uzbekistan (Table 1). This seems to have helped economic growth to reduce poverty in these countries/territories (Figures 1, 2), and to allow the region’s middle classes to make a comeback. World Bank data indicate that, as of 2013, at least 80 million people in the region had achieved living standards that are broadly consistent with the bounds of the “global middle class”. By contrast, high or rising levels of income inequality have slowed progress in poverty reduction in some countries in the region, like Georgia.

In general terms, this region shows less inequality along all three dimensions (health and education, as well as income) of UNDP’s human development index than most of the rest of the world (Figure 3). This underscores how—in addition to being desirable in and of themselves—low or falling income inequalities

Figure 1—Poverty rates (2002-2012)

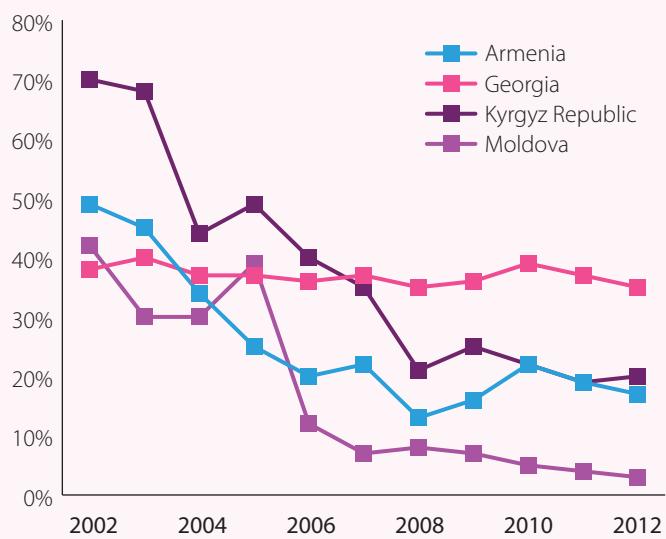
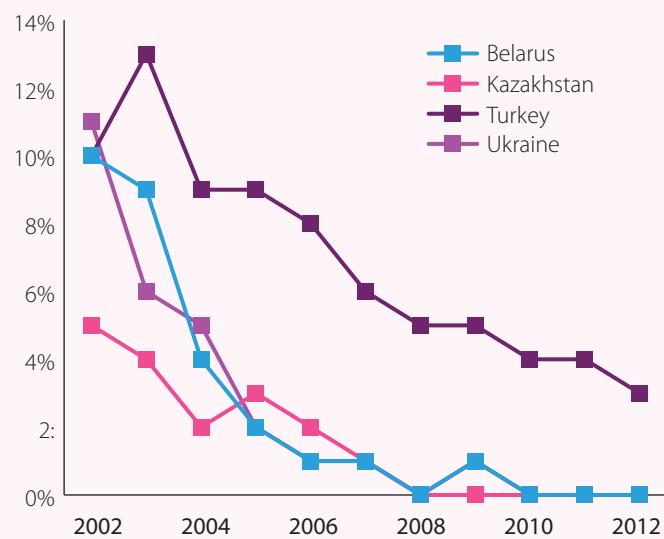


Figure 2—Poverty rates (2002-2012)



Note: The poverty rates are derived using an international poverty threshold of \$3.10/day—in purchasing-power-parity (PPP) terms, based on the International Comparison Programme’s 2011 PPP exchange rates.

Source: World Bank POVCALNET database.

are central to prospects for poverty reduction in the region.

Unfortunately, the income inequality data are difficult to accept at face value. Data and indicator problems with measuring income inequalities in the region are significant. These are due in part to apparent downward biases in measurements of income inequalities—particularly in terms of undercounting the income shares accruing to the wealthiest households. Moreover, the Gini coefficient—the indicator most commonly used to measure income inequalities in the region—is not on the list of proposed indicators to be used monitor the implementation of the Sustainable Development Goals (SDGs). Few countries regularly release the data needed to measure progress on other income inequality indicators. This could significantly complicate monitoring of the national implementation of SDG10 (“reduce inequalities within and between countries”).

Instead, unofficial polling data strongly suggest that income inequalities are a significant, and growing, concern in the region. For example:

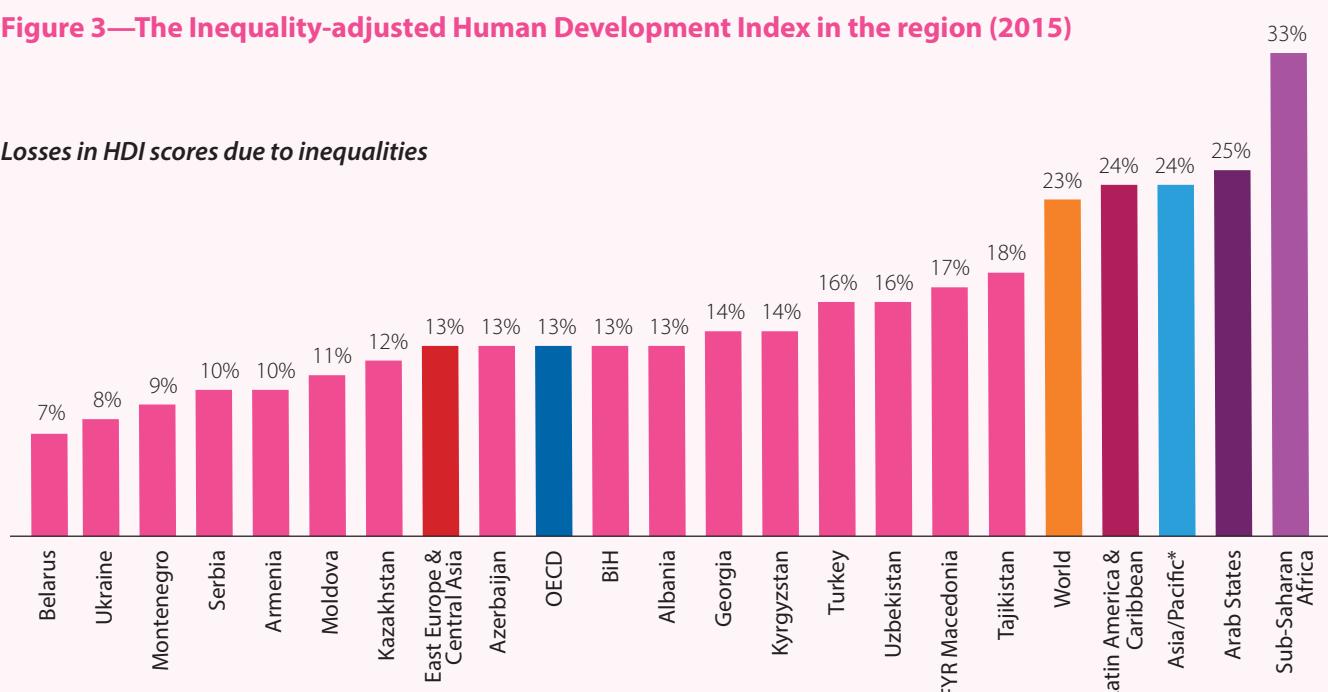
► World Values Survey data show that significant and growing numbers of respondents in a number of countries in the region agree with the statement that “incomes should be

made more equal” (as opposed to “we need larger differences in incomes, as incentives”—Table 2). This trend is particularly apparent in countries where national statistical offices report very low Gini coefficients for income inequality, like Belarus and Ukraine.

- Caucasus Barometer data indicate that 20-40 percent of all survey respondents in Armenia, Azerbaijan, and Georgia believed they were receiving “no personal income” during 2008-2013. Even allowing for some exaggeration, these figures are difficult to reconcile with the official data, which show 2-7 percent of household incomes accruing to the lowest deciles in the national income distribution tables (see Figures 4-6).
- The results of the “social exclusion index” presented in UNDP’s 2011 regional human development report *Beyond Transition* (UNDP, 2011c) found that significant numbers of respondents in six countries surveyed experienced multiple deprivations (of significant intensity) vis-à-vis their countries’ social-economic and political mainstreams (Table 3).

A focus on “who has (or doesn’t have) how much money” may obscure more important drivers of differences—such as gender, class, age, ethnicity.

Figure 3—The Inequality-adjusted Human Development Index in the region (2015)



Source: UNDP Human Development Report Office.

* Average for East, South Asia.

Measuring inequalities in the region

Table 2—Perceptions of inequality from the World Values Survey (1990-2014)

	1990-1994	1995-1999	2000-2004	2005-2009	2010-2014
Armenia		38%			47%
Belarus	24%	37%			65%
Georgia		26%			45%
Kazakhstan					55%
FYR Macedonia				54%	56%
Moldova		31%	32%	46%	
Ukraine	37%			28%	81%

Shares of World Values Survey respondents' answers to questions on income inequalities who, on a scale of one ("incomes should be made more equal") to ten ("we need larger differences in incomes, as incentives") answered in the one to five range.

Independent analyses also indicate that official income distribution data contain downward biases. A recent study conducted by researchers at Ukraine's Academy of Sciences found a systematic downward bias in the income distribution data generated by Ukraine's household living standard surveys. Non-response rates for these surveys during 2010-2012 in Kyiv—Ukraine's richest region—were double the national average, and many times greater than the non-response rates reported for Ukraine's (often much poorer) rural regions (Figure 7). Less well-to-do people in the Ukrainian countryside therefore seem to be more likely to provide the statistical authorities with information on their

living conditions than their wealthier city cousins. The researchers at the Academy of Sciences found that correcting this bias would raise Ukraine's official Gini coefficient for income equality by four points (from 23 to 27). Other estimates of Ukraine's Ginis (adjusted, for example, to better reflect incomes earned in the informal sector—see Токтарова, 2011) have produced even larger "corrections" to the official data (Figure 8).

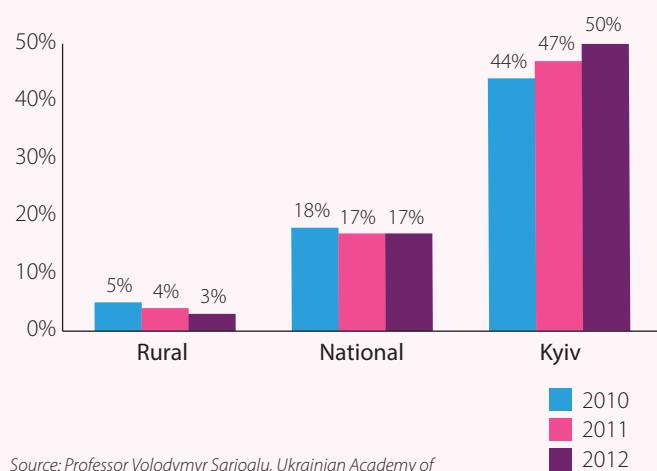
World Bank data on the distribution of consumption expenditures (which often serve as a proxy for household income) imply that virtually no one in the region earns (or at least spends) more than \$100/day in purchasing-power-parity

Shares of Caucasus Barometer survey respondents who claim to receive "no personal income" versus the shares of national income accruing to poorest income deciles, as reported by National Statistical Offices (2008-2013)

Figure 4—Armenia**Figure 5—Azerbaijan****Figure 6—Georgia**

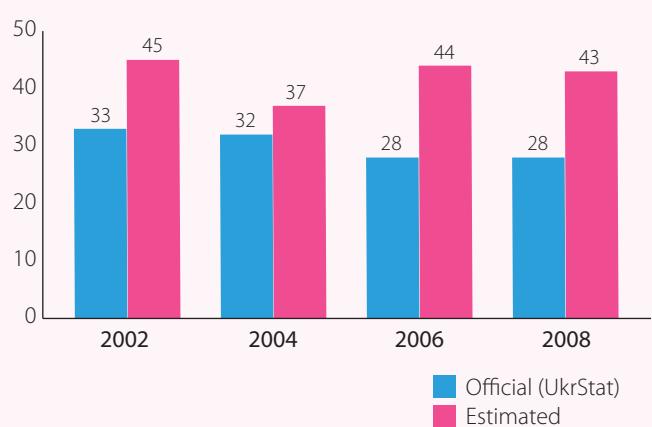
Sources: National statistical offices, and Caucasus Barometer database. The NSO data for Georgia are for consumption expenditures.

Figure 7—Household living standards survey non-response rates in Ukraine (2010-2012)



Source: Professor Volodymyr Sarioglu, Ukrainian Academy of Sciences (2016).

Figure 8—Estimated Gini coefficients for income inequality in Ukraine, after corrections for informal activities (2002-2008)



Source: Toxmapoza (2011), p. 172.

terms. Since per-capita GDPs in the region when valued in purchasing-power-parity terms are typically 2-3 times larger than per-capita GDPs expressed in market exchange rates, these data imply that virtually no one in the region spends more than \$50/day, in nominal terms. This figure corresponds to consumption expenditures of some \$1520 per month, or \$18,250 per year. Such modest expenditure patterns would seem difficult to reconcile with the high-end shopping malls and automobile dealerships that are playing large and growing roles in the region's retail trade infrastructures. They can be seen as further evidence of downward bias in the official income inequality data.

Such "disconnects" between official data and popular perceptions may be particularly important in this region, in which countries whose official statistics show very low levels of income inequalities may also have political systems that are perceived by their citizens as subject to oligarchic capture, high-level corruption, and other forms of socio-political inequities. Such subjective perceptions of inequalities can be an important indicator of social attitudes vis-à-vis justice, equity, and state legitimacy. Gaps between official data and perceptions underscore the need for renewed investment in institutional capacity of official statistical institutions and other governance institutions with oversight functions, *inter alia* to be able to appropriately utilize and report on inequality-related SDG targets and indicators.

Table 3—Social exclusion survey data (2009)

	Exclusion headcount (A)	Average number of deprivations excluded people face (share of total) (B)	Social exclusion index score (A x B x 100)
Kazakhstan	32%	44%	14
FYR Macedonia	12%	45%	5
Moldova	40%	46%	18
Serbia	19%	45%	8
Tajikistan	72%	46%	33
Ukraine	20%	43%	9

Source: UNDP (2011c), p. 38.



Photo: Vladimer Vaishvili / UNDP



Drivers of inequalities— Labour market exclusion and social protection gaps



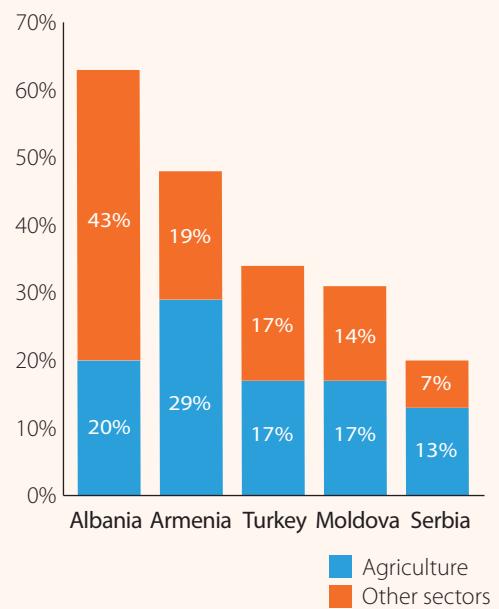
Drivers of inequalities—Labour market exclusion and social protection gaps

Labour market exclusion lies at the heart of the region's inequality challenges. This is the case both in terms of the scarcity of decent jobs in the formal sector, and because access to social protection is often linked to formal labour market participation. People without decent jobs face higher risks of poverty, vulnerability, and exclusion from social services and social protection. Labour market inequalities also lie at the heart of the region's SDG agenda, with its focus on inclusion and leaving no one behind.

Labour market transitions: From full employment to high labour taxes, informality, and vulnerability. Because informal, precarious, migratory, and forms of vulnerable employment are widespread throughout the region (Figures 9, 10), work does not necessarily offer much protection against poverty or social exclusion—particularly in the region's less wealthy countries. Women, young workers, migrants, the long-term unemployed, people with disabilities, Roma, and others with unequal labour market positions are particularly vulnerable to broader risks of poverty and exclusion. While trends are improving in some countries and for some groups, in others, labour market inequalities are increasing.

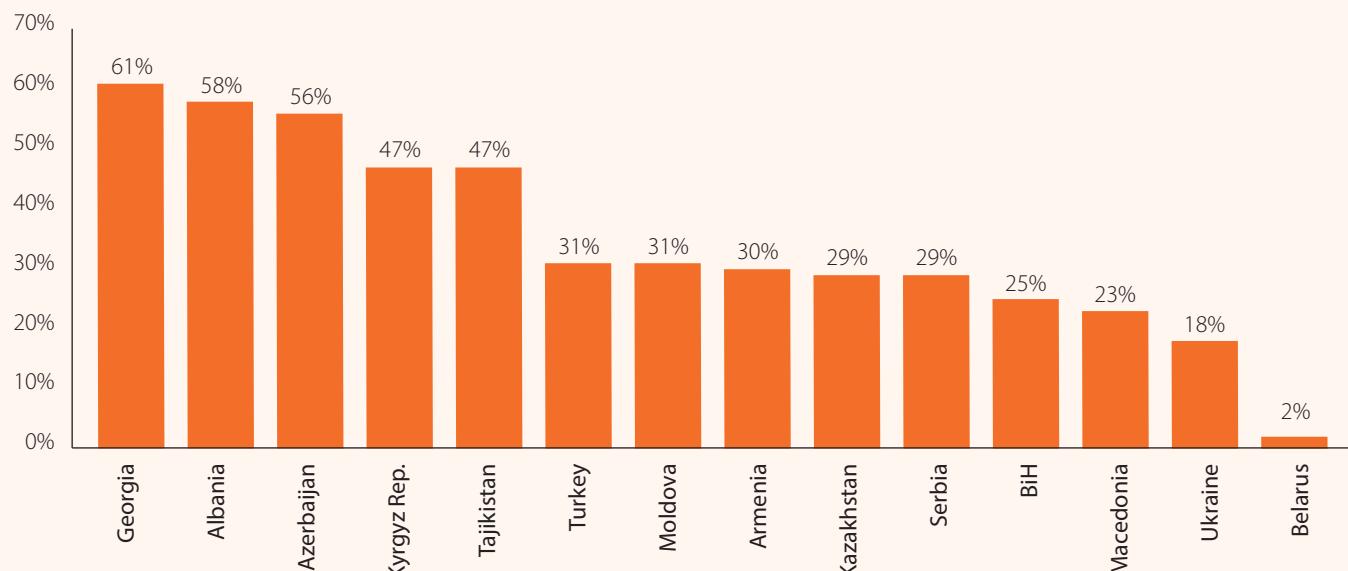
Matters are further complicated by the fact that many commonly used labour market indicators offer only limited insights into labour market performance and their links to inequalities (Box 1).

Figure 9—Shares of informal employment in total employment (2013)



UNDP calculations, based on data from ILO, <<Key Labour Market Indicators>>, 8th ed., Table 8.

Figure 10—Shares of vulnerable employment in total employment (2013, or most recent year)



Source: ILO, <<Key Labour Market Indicators>>, 2015.

Box 1—Assessing the quality of employment

Precarious employment does not carry the protection rights associated with decent permanent positions.

Informal employment falls into two main categories: work in informal (unregistered) enterprises; and paid work in the formal sector (registered enterprises) but under informal conditions (cash-in-hand, without core benefits, workers' rights, or a written contract). While the former is more common in rural areas (where agricultural work is prominent), the latter is more often found in urban areas.

Vulnerable employment is defined by the International Labour Organization (ILO) as the sum of contributing (non-paid) family workers and own-account (self-employed) workers. These groups are less likely to work formally and therefore often lack decent working conditions and protection or adequate pay.

Disguised unemployment refers to engagement in certain types of (low-skilled, seasonal) work that serves as a coping strategy when decent employment and adequate unemployment support are unavailable. Low productivity self-sufficient agricultural work and informal trade are sectors in which disguised unemployment is commonly found in the region.

These categories are not mutually exclusive. A given worker can, for example, labour under conditions of both informality and vulnerability.

This is apparent in the sometimes misleading "employment"/"unemployment" statistical dichotomy, and in the infrequency with which publicly available labour market data are disaggregated by gender, ethnicity, and other vulnerability criteria. Different labour market statuses—inactivity, unemployment, underemployment, formal and informal employment, migrant work, etc.—represent points along multi-dimensional labour market continua, with much overlap and fluidity between the categories. Inequalities among the employed can be as great, or greater, than those between the employed and unemployed. For example:

- While Kazakhstan has traditionally reported the highest employment rates in the region, nearly one third of those classified as employed are self-employed—with the majority of these engaged in small scale low-productivity agricultural activities (Kazakhstan State Statistical Committee, 2015).
- While Azerbaijan has generally been a close second to Kazakhstan in terms of reported employment rates, 37 percent of the workforce (and 44 percent of the female workforce) is employed in agriculture, which accounts for just over 5 percent of GDP (Lubyova, 2013; World Bank, 2015a).

These disparities result in low rates of labour productivity, and low agricultural incomes.

- Kyrgyzstan and Tajikistan have high participation rates, but also some of the largest shares of working poor, migratory, and vulnerable employment in the region—highlighting concerns about the quality and quantity of employment opportunities.

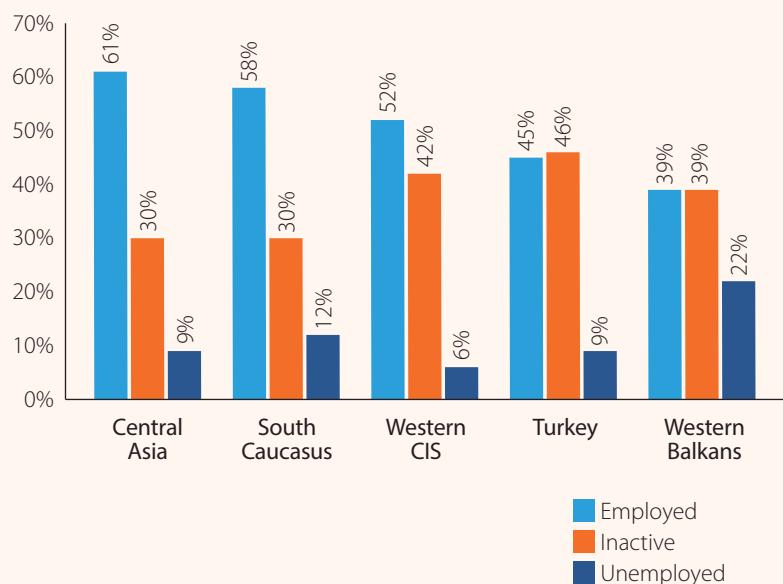
Measures to improve labour market statistics are crucial for more effective policy making. So are increases in the regularity of published data on employment and migration flows, which allow disaggregation by socio-economic (gender, age, rural/urban location, conflict impact) vulnerability criteria. Innovative ways of combining quantitative and qualitative data collection and analysis are also needed, to better understand inequalities among those who are employed, and the barriers facing those not participating in the labour market.

Inequalities in employment outcomes and opportunities are in practice difficult to separate. They also take different forms in different parts of the region (Figure 11). In the Western Balkans,

Those who are in precarious, informal, low wage, low productivity jobs can suffer from the same risks of poverty and exclusion as those who are without jobs.

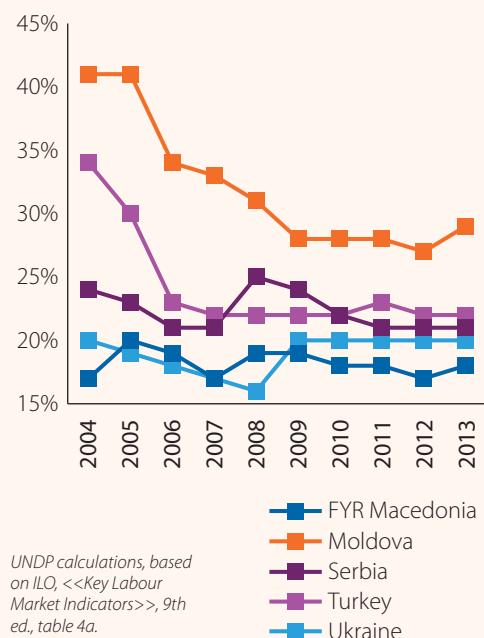
Drivers of inequalities—Labour market exclusion and social protection gaps

Figure 11—Labour force distribution, by sub-region (2014)



UNDP calculations (unweighted averages), based on ILO <<Key Labour Market Indicators>> 9th ed., Table 2a.

Figure 12—Trends in shares of agricultural employment in total employment (2004–2013)



they are reflected in high unemployment rates; in Turkey and the Western CIS countries, they are apparent in low labour force participation and employment rates (especially for women); while in much of the Southern Caucasus and

Central Asia they are apparent in high shares of informal, migratory, and other forms of precarious employment. Moreover, in such countries as the former Yugoslav Republic of Macedonia, Moldova, and Ukraine, socio-economic pressures have

Figure 13—Labour force participation rate gender gaps (2004–2014, annual averages)



Drivers of inequalities—Labour market exclusion and social protection gaps

increased the numbers of workers engaged in agriculture (Figure 12)—mostly in informal work without adequate social protection.

Women (Figure 13), young workers (Figure 14), Roma (Figure 15), and people with disabilities are particularly vulnerable to exclusion from decent work for a living wage.

Discrimination seems to play a role in these outcomes—at least, as concerns Roma labour-market exclusion. As Figure 16 shows, differences in joblessness rates (i.e., shares of working age populations who are either unemployed or not participating in the labour force) between Roma and non-Roma in the Western Balkans living in close proximity to Roma settlements are minimal for persons with no formal education. However, while joblessness rates decline as education levels rise for both Roma and non-Roma, these declines are much steeper for non-Roma. Since neither education levels nor location can explain these differences, employer reticence to hire “the other” may be the explanation.

These data also indicate that Roma engagement in the informal economy is five times more likely than it is for proximate non-Roma communities. In Albania, 87 percent of working Roma men, and 79 percent of Roma women, were reported

to be working informally in 2011. The intensity of informal employment was particularly strong in Bosnia and Herzegovina, as well as in Montenegro. As formal-sector employment is a precondition for eligibility for many forms of social protection, Roma households’ extensive informal sector engagement may also imply their exclusion from social protection and social services. More than one half of Roma respondents surveyed in 2011 reported difficulties in being able to afford the purchase of medicines, compared to one in four non-Roma survey respondents (Ivanov and Kagan, 2014). This is despite significant progress in reducing gaps in educational performance between Roma and non-Roma survey respondents during 2005–2011.

Social protection: Increasing strains. Social protection figures prominently in Agenda 2030 and the SDGs (Box 2). In all countries of the region except Turkey, broad social protection systems featuring both contributory (social insurance) and non-contributory components were in place for some time prior to the 1990s. Combined with generally tight labour market conditions, subsidies for basic goods and services, and extensive public investments in the provision of health, education, and other social and communal services (some of which were accessed at the workplace), households enjoyed

Figure 14—Youth employment rates (2004–2014)

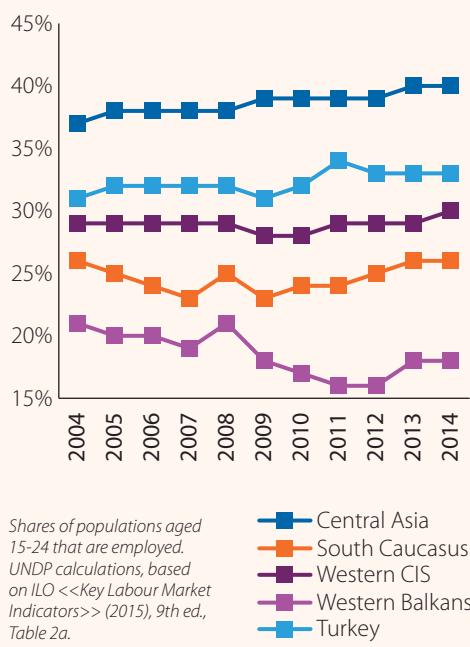
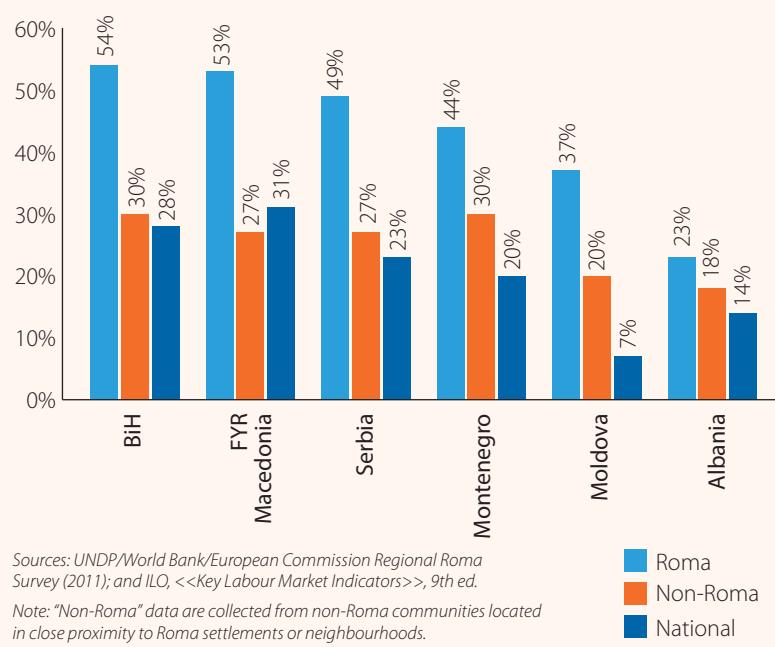
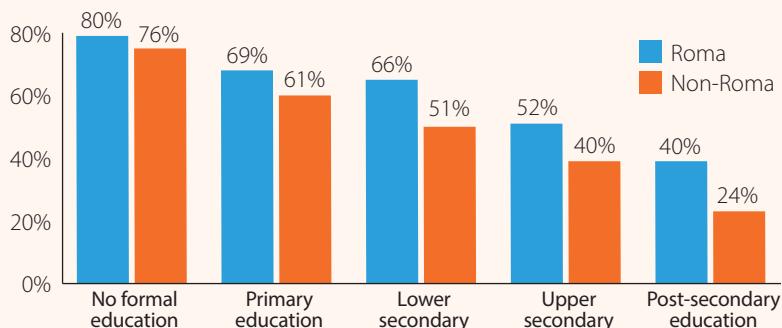


Figure 15—Roma unemployment rates (2011)



Drivers of inequalities—Labour market exclusion and social protection gaps

Figure 16—Roma and non-Roma joblessness rates in the Western Balkans, by level of education (2011)



Source: UNDP/World Bank/European Commission Regional Roma Survey (2011).

Note: "Non-Roma" data are collected from non-Roma communities located in close proximity to Roma settlements or neighbourhoods.

high degrees of economic security. Access to many of these services was codified as legal/constitutional "rights" to "free" health, education, and the like. Most of these countries also benefitted from young, growing populations that provided large numbers of contributors to single-payer health and pension systems. On the other hand, these systems were not good at individual case work, outreach to vulnerable groups, retraining older workers to respond to new labour market demands, or combatting discrimination. Problems of social exclusion that required local solutions, or could not be addressed by regional development or public works programmes, often went unresolved.

The sharp reductions in formal-sector employment that came with transition have put considerable financial strains on social protection systems in the region. In many countries, these have been magnified by demographic trends that have significantly increased the numbers of beneficiaries in state-funded health and pension systems—jeopardizing their long-term financial sustainability. Governments have responded by increasing social security and other taxes on labour—which have driven more workers into the informal sector and further reduced the tax base. While workers labouring in the formal sector in the region now face some of the largest tax burdens in the world (Figure 17), workers in the informal sector have lost access to social protection (in part, or in full).

Governments have also responded by introducing social policy reforms that have reduced the size and coverage of social assistance benefits—despite the scarcity of decent jobs. Social protection systems in much of the region are therefore increasingly unable to protect those most at risk of labour market or social exclusion. To be sure, non-contributory social assistance programmes have been expanded, in order to offset reductions in labour market security and in subsidies for basic goods and services. However, fiscal considerations, concerns about weakening incentives for labour force participation, and technical difficulties in setting appropriate eligibility criteria (in order to minimize inclusion and exclusion errors) have limited the scope and effectiveness of these programmes. Moreover, some countries have emphasized the provision of social assistance to "deserving" social groups



Uzbekistan: Women can be oil and gas drilling engineers. In Europe and the CIS, women are under-represented in careers such as engineering, manufacturing, and construction. Photo: Anastasiya Kasyanova / UNDP

(e.g., war veterans in the Western Balkans), whose members may not necessarily be the poorest or most vulnerable.

After 25 years of transition, social protection systems in the region now show significant variation in terms of shares of GDP devoted to social protection, as well as policy heterogeneity. Relatively large shares of pension benefits (for the elderly), and public health expenditures, are common to most of the region. They are particularly large in Western Balkan and Western CIS countries with aging, shrinking populations. By contrast, only in Serbia and Armenia do expenditures on unemployment insurance and active labour market policies (primarily the former) exceed 0.5 percent of GDP. Efforts to reduce these imbalances, by promoting labour market engagement while ensuring that those who need help have access to social protection, are key to promoting labour market inclusion in the region.

Gaps arising from inadequate spending or inaccurate targeting of social benefits are often significant. On the one hand, World Bank data indicate that social protection systems (primarily old-age pensions) reduce income inequality (as well as poverty) across much of the region (Figure 18). On the other hand, Azerbaijan, Belarus, Georgia, Turkey, and Ukraine are the only countries in the region in which more than half

of the households in the poorest quintile receive social assistance payments (Figure 19).

While these coverage gaps are partly offset by the impact of pensions and other contributory benefits, they highlight continuing questions about the targeting accuracy of the region's social protection systems. Kazakhstan, the Kyrgyz Republic, and Tajikistan seem to compare particularly unfavourably, when the sum total of budget spending, targeting accuracy, and impact (in terms of reducing poverty and inequality) is considered. Azerbaijan, Belarus, Montenegro, Serbia, and Ukraine seem to compare favourably with most of the rest of the region, overall.

Social services represent another important component of social protection systems, which have a pivotal role to play in promoting equal access to the labour market, especially for vulnerable groups. The barriers faced by disadvantaged workers such as Roma and persons with disabilities point to a need for three-tier approaches that: (i) align legal and policy frameworks across different sectors (education, health, social protection and employment);

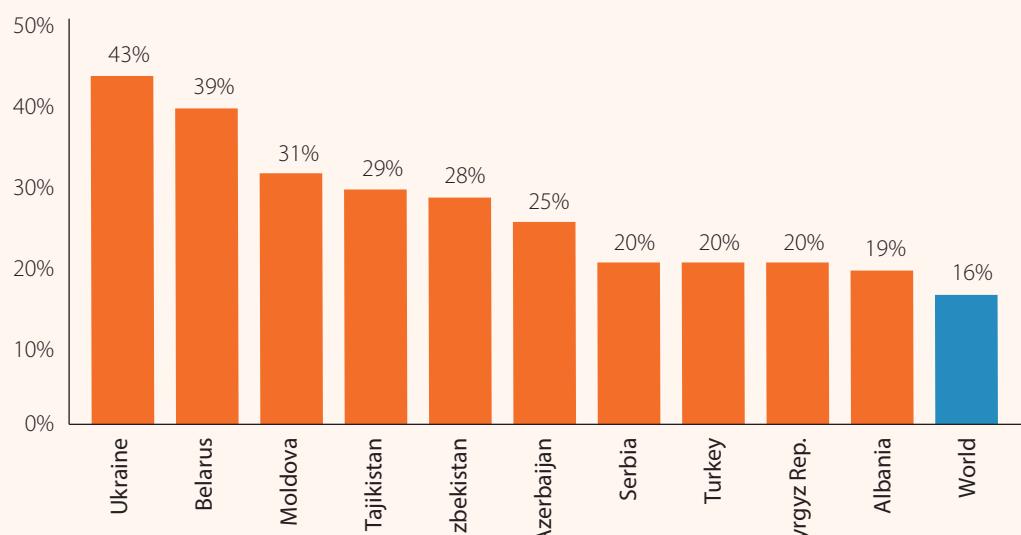
While jobs are a means to income, human dignity, agency and security, unpaid work, care work, voluntary or creative work also matter.

Box 2—Social protection and the Sustainable Development Goals

The Sustainable Development Goals acknowledge the complex policy linkages that have to be addressed by well-functioning social protection systems.

- SDG1 (“end poverty in all its forms everywhere”) with target 1.3. calls for nationally appropriate social protection systems for all, including floors, leading to substantial coverage of the poor and the vulnerable.
- SDG3 (“good health and well-being”) with target 3.8 calls for universal health coverage, including financial risk protection, access to quality essential health services, medicines and vaccines for all.
- SDG5 (“gender equality”) with target 5.4 calls for the recognition and value of unpaid care and domestic work through the provision of public services, infrastructure, and social protection policies.
- SDG8 (“decent work and economic growth”) calls for full and productive employment for all (target 8.5) with protection of labour rights and a safe working environment for all.
- SDG10 (“reduce inequalities within and between countries”) calls for sustained income growth of the poorest (target 10.1), empowerment and promotion of social, economic and political inclusion of all (target 10.2), and the adoption of fiscal, wage, and social protection policies to progressively achieve greater equality (target 10.4).
- SDG16 (“peace, justice, and strong institutions”) calls for the development of effective, accountable and transparent institutions at all levels (target 16.6), to ensure responsive, inclusive, participatory and representative decision making.

Drivers of inequalities—Labour market exclusion and social protection gaps

Figure 17—Enterprise taxes on labour costs, relative to profits (2015)

Source: World Bank Doing Business (2016).

(ii) empower the poor and address social structures that perpetuate poverty and social exclusion (e.g., via anti-discrimination campaigns); and (iii) include complementary services enabling access to labour markets (physical accessibility, social enterprises, social mentorship, child care and care for elderly and persons with disabilities). These services need to be well designed and funded to ensure continuity and quality standards.

Helping economic growth to translate into decent job opportunities requires holistic, whole-of-government approaches.

including discrimination and prejudice. When social protection systems are ineffective, loss or lack of employment can create vicious cycles of exclusion. This in turn can be aggravated by inadequate coordination between public employment services and social protection agencies—with the latter focusing on mediation, while the former focuses on the administration of benefits. Responsibilities for vocational education, labour market, and social protection policies are

often fragmented across different bureaucracies, with inadequate inter-departmental coordination. These problems can be further magnified by the fact that labour market data and indicators are not always "fit for purpose", as explained above.

Extensive labour market informality in the region excludes significant numbers of workers from social protection systems and threatens their financial sustainability. Many governments have responded to these challenges by (further) raising already high social security taxes, driving employment, and economic activity, into the informal sector. Efforts to break this vicious cycle must therefore focus on reducing this tax burden on labour.

This vicious cycle suggests that concerns about social assistance weakening incentives for labour force participation may be exaggerated. Instead, it is often the anticipated loss of unemployment (or other) benefits, combined with the high taxation of labour in the formal sector, that reduces incentives for workers to abandon informal labour. A number of studies from the region bear this out. In Armenia, for example, the receipt of social assistance seems not to have an impact on formal labour force participation (World Bank, 2011b).

When aligned with well-designed active labour market policies, social protection systems can further strengthen incentives for formal labour market participation and reduce risks of social

Drivers of inequalities—Labour market exclusion and social protection gaps

exclusion (Kuddo, 2009; Lehmann and Muravyev, 2011). Other social services that can promote labour market inclusion include the care of children, the elderly, and others in need of such assistance. Unfortunately, public provision of childcare is not available (or well funded) in countries like Azerbaijan, Kazakhstan, Tajikistan, and Turkey (World Bank, 2012). Support for part-time formal employment can also promote labour market inclusion, particularly for women and youth whose other obligations do not allow for full-time labour force participation. This means adjusting the tax burden or social contributions to hours worked, and allowing for a flexible range of part-time contracts.

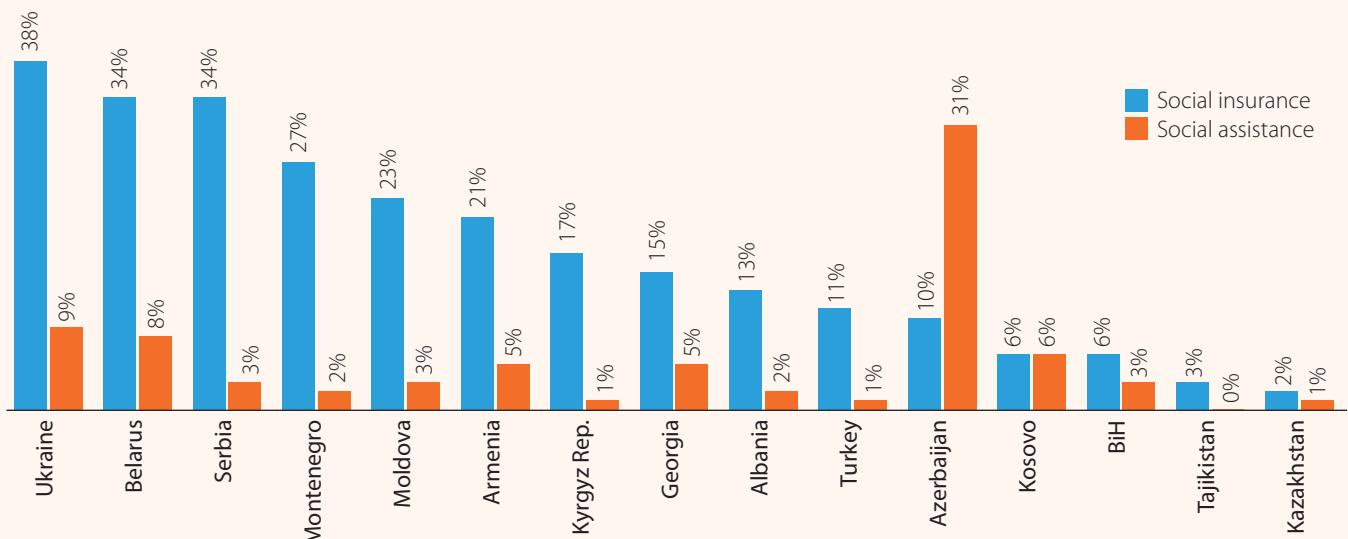
National social protection floor discussions can help identify the best ways of aligning labour market and social protection policies—such as via the expanded use of integrated “cash and care” service packages. The UN Social Protection Floor Initiative (SPF-I) can support efforts to provide or strengthen basic social security guarantees which ensure universal access to essential health services and income security. Social protection floors emphasize the importance of minimum guaranteed basic incomes (from work or through transfers) and sufficient and adequate access to quality health, education, and social services. Social services are of particular importance for those with no work history, the long term

unemployed, persons with disabilities, and women (i.e., for child care). Adapting this global initiative to the regional context suggests a particular need to integrate:

- A minimum guaranteed income through work or income support;
- A universal basic income for children;
- A basic income (“social pension”) for all retired persons over a certain age;
- The provision of good quality and accessible education, health, and community-based social services including family (child and persons with disabilities) focused social work support; and
- Support to increase livelihoods and access labour markets, in cooperation with labour market institutions and public employment services.

The presence of well developed social worker institutions and the use of individual case management methods are key preconditions for better social service organisation and delivery, in order to ensure alignment with labour market institutions and programmes. A certain degree of institutional flexibility—particularly in local contexts—is also needed. The high levels of unemployment (long-term

Figure 18—The impact of social protection on income inequality in the region (percentage reductions in Gini coefficients, select economies, most recent year available)



Note: Social insurance and assistance denote contributory and non-contributory social benefit systems, respectively.

Source: World Bank ASPIRE database.

Drivers of inequalities—Labour market exclusion and social protection gaps

and otherwise) among young people, Roma and other ethnic minorities, persons with disabilities, and older persons underscore the importance of developing personalized routes back to employment. Reducing the numbers of the long-term unemployed requires special initiatives, to update the skills of adult workers and create opportunities for young people.

Policy reform and programming for labour market inclusion

market inclusion. Significant numbers of workers in the region are at risk of labour market exclusion, which can too easily translate into social exclusion more broadly. The problem is not just lack of jobs—it is a lack of decent jobs. This suggests policy reforms, and programming directions, in two general areas: (i) overall macroeconomic, employment, and social protection policies; and (ii) reducing the scale of informal employment.

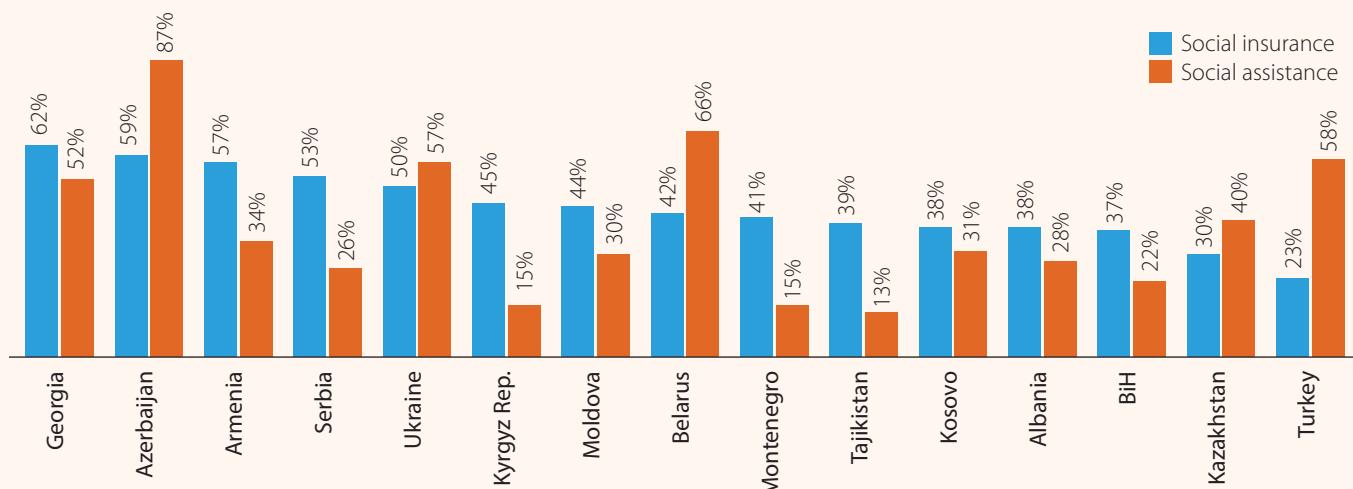
In terms of overall macroeconomic and employment policies, two directions are critical. First, since wages are the main source of income for poor and vulnerable households, overall macroeconomic and employment policy frameworks should seek to shift patterns of economic growth so that its benefits accrue more robustly to low-income households. This requires efforts to accelerate economic diversification away from capital- and natural-resource intensive primary sectors towards the expansion of more labour-intensive manufacturing activities. This

in turn highlights the importance of reforms to improve domestic commercial and investment environments, to accelerate integration into trans-national manufacturing value chains. It also highlights the importance of investment in secondary and post-secondary (especially vocational) education.

Second, the profile of employment policies needs to be increased, within overall macroeconomic policy frameworks. While “getting the growth framework right”, and improvements in business and commercial environments are necessary conditions for employment growth, they are not sufficient conditions. Whole-of-government approaches to employment, in which responsibilities for implementing national employment strategies are clearly assigned to all relevant government bodies, are needed as well. This involves *inter alia*:

- Establishing clear objectives and quantifiable targets with adequate budgetary allocations, and associated political responsibilities for results.
- More effective policy coordination between ministries and agencies at the national level, and between national and local government agencies, as well as mobilizing social partners.
- Developing better data and indicators to capture different forms of employment,

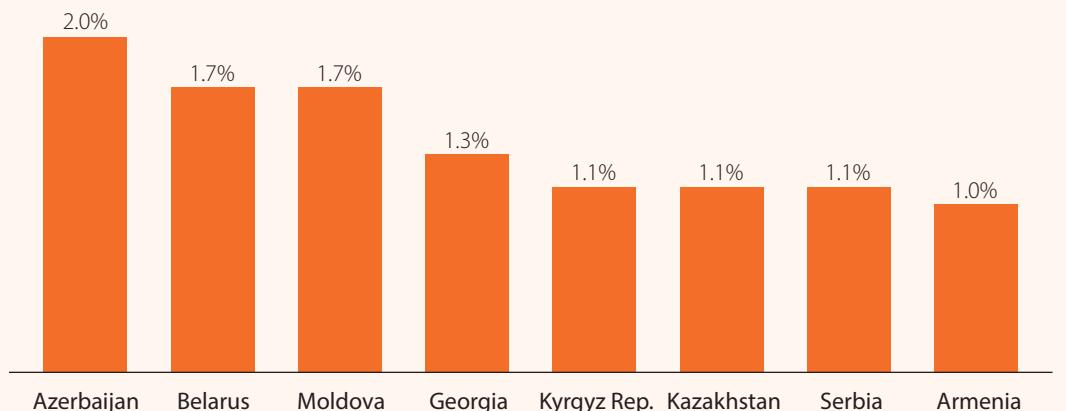
Figure 19—Shares of households in the lowest income quintiles receiving social benefits (select economies, most recent year available)



Note: Social insurance and assistance denote contributory and non-contributory social benefit systems, respectively.

Source: World Bank ASPIRE database

Figure 20—Estimated budget revenues from a 10 percent tax on misinvoiced trade flows (shares of GDP)



UNDP calculations, based on 2004-2013 Global Financial Integrity, IMF-WEO data (annual averages).

disaggregated by a number of criteria (age, gender, ethnicity, disability, geographical location etc.).

- *Increasing investments in institutional capacity* in public employment services, national labour policy coordination structures, and platforms for dialogue and employment partnerships between the private sector, government, and social partners.
- *Increased funding of active labour market policies, vocational education, and other measures to boost worker productivity and promote inclusion.*
- *Greater emphasis on combatting labour-market discrimination*, via the introduction of stronger legal frameworks, the application of stronger legal and administrative remedies, and the use of special temporary measures.
- *Strengthening linkages between employment and social policies*, possibly via the introduction of national social protection floors, as endorsed by the UN system.
- *Increasing investments in social care services*, to boost labour force participation. In Turkey, for example, bringing state budget spending on social care services up to OECD averages would generate an estimated 719,000 social care jobs—more than 2.5 times the total number of jobs that would be created by devoting the same amount of budget funds to construction/infrastructure projects. An estimated 84 percent of the workers hired into these social care jobs

would have permanent contracts with greater job security (versus 25 percent in construction); 85 percent would have social security coverage (compared to 30 percent in construction—Ilkkaracan *et al.*, 2015).

Efforts to reduce the scale of informal employment should focus on:

- *Reducing taxes on labour*, which are exceptionally high in much of the region (Figure 17). Potential revenue losses can be offset by higher taxes on environmentally unsustainable activities; reductions in budget subsidies that accrue to the wealthy, or which support environmentally unsustainable activities (e.g., fossil fuel subsidies); and by more aggressive efforts to reduce illicit financial flows, and the associated diversion of budget revenues to tax havens. Kar and Spanjers (2015) find that the countries in the region on average lose some \$65 billion annually in misinvoiced trade flows. If 10 percent of the value of these flows could be captured as budget revenues, this would generate an additional \$6.5 billion in fiscal space. For eight countries in the region, this would amount to at least an additional 1 percent of GDP in budget revenues (Figure 20).
- *Easing those labour market regulations that cannot be effectively enforced*, and often drive employment into the informal sector.





Photo: Freya Morales / UNDP



Drivers of inequalities
and exclusion—Gender

Drivers of inequalities and exclusion—Gender

Measures to address gender imbalances should be of central concern for inclusive growth and poverty and inequality reduction.

A country's economic growth and gender equality are closely intertwined. However, while greater gender equality contributes to economic growth, economic growth may not necessarily

lead to gender equality. Therefore, active measures to address gender imbalances should be of central concern to policies for inclusive growth. This is particularly because gender inequalities overlap with, and often magnify, the effects of other inequalities based on age, ethnicity, race, disability, occupation, and income.

All countries in the region have experienced significant political, economic and social changes over the past 25 years, many of which

have been driven by transitions from socialist to market economies. Additionally, armed conflicts have left lasting social, political and economic impacts. These changes altered and, in some cases, worsened the gender balance in a region where relative equality between men and women was a legacy of the socialist past. During this period, Turkey also experienced dramatic political and economic changes, reducing its dependence on agriculture and diversifying its economy. However, it did not share the relative gender equalities that characterized the other countries in 1990. In spite of economic growth and important social changes in Turkey, significant gender inequalities remain a formidable challenge.

Although the region as a whole compares favourably with other developing regions in many gender equality indicators, women today face important inequalities vis-à-vis men, particularly in income and access to the labour market. Women's labour force participation rates remain below those of men, much more so than in OECD countries. Women's employment also tends to be less secure, and they are underrepresented both as employers and as salaried employees. In countries with high rates of self-employment, more women than men are unpaid contributing family workers. Throughout the region, women still earn significantly less than their male counterparts. In addition to workplace challenges of discrimination, pay gaps, glass ceilings and glass walls, women in the region also carry a large share of unpaid care work in the family and household—a "double burden" that often limits their opportunities in the work force.

³ That is, for every 100 men participating in the labour force in Turkey, there have been less than 40 women participating in the labour force. A 1.0 ratio would mean that women's and men's labour force participation ratios are the same.

As entrepreneurs, women face greater barriers in accessing finance, credit and new technologies, and tend to have weaker networks. In agriculture, women are less likely to be landowners than men. They typically own smaller plots of land and are more likely to engage in subsistence agriculture.

In most countries of the region, legislation imposes industrial segregation in employment. And while many international legal frameworks have been adopted, they are not always implemented. Many countries lack the legal and policy measures needed to prohibit discrimination and protect women's human rights (Dokmanovich, 2008). The persistence (or resurgence) of gender biases and traditional attitudes towards gender roles further endanger women's rights in private and public spheres.

The SDGs recognize gender equality as intrinsic to sustainable development, and have at least 24 explicit gender targets and indicators. Furthermore, many SDGs address one or more aspects of the work that people do, and together they can reduce the negative links between work and human development.

The economic dimensions of gender disparities in the region begin with labour force participation rates. The World Bank data in Figure 21 show that women in the region are significantly less likely to be working (or actively looking for work) than men. During the 2000–2014 period, these data indicate that labour force participation rates for women in the region were on average only 72 percent of men's. Trends across the region are quite differentiated, with gender-disaggregated participation ratios ranging from above 0.8 in the Western CIS countries to below 0.4 in Turkey.³ While women's labour force participation ratios fell (relative to men's) following the 2008–2009 financial crisis in Central Asia and the Western CIS, they increased in the South Caucasus, Western Balkans, and Turkey. This has been attributed in part to the "female added worker" effect—a coping strategy in which female household members enter the labour force in response to the job loss of another household member (Kharishvili, 2013).

Similar trends are apparent in gender-disaggregated employment rates (Figure 22): female employment rates in the region were on average 29 percent below men's during 2000–2014. Whereas shares of women working fell (relative to men's) following the 2008–2009 financial crisis in Central Asia and the Western

Box 3—Work, gender, and the Sustainable Development Goals

Almost all SDGs address some aspect of the work that people do. In the work domain, women face persistent forms of inequality within the home and outside. In this region, as elsewhere, there are pervasive gender imbalances in the total time men and women spend at work, in the way they share care responsibilities, in paid work and earnings, in their representation in occupations, the levels of seniority and leadership they attain, and in exposure to risks. As workers, women are often disadvantaged in formal, casual, and informal sectors, as well as in the unpaid care economy. It is possible to identify gender dimensions across SDGs and targets on the issues of unpaid work, equal opportunity, the rule of law, and working conditions, and their gender dimensions.

Unpaid work

Across Eastern Europe and Central Asia, women work more than men: available data indicate that they perform almost two and a half times as much unpaid care and domestic work as men.⁴ Reducing time spent on unpaid care and domestic work can alleviate women's "double burden", enabling their entry into employment. Partly because of their care burdens, women tend to outnumber men as small-scale farmers and food producers.

By recognizing the social value of unpaid care and domestic work, SDG target 5.4 supports the provision of infrastructure, public services and social protection measures to support unpaid care. Other targets in SDGs 2, 5, 6, and 7 (for example), also serve as entry points for the reduction of gender inequalities in unpaid work:

- ▶ 2.3: Double agricultural production and incomes of small-scale food producers.
- ▶ 5.4: Recognize and value unpaid care and domestic work.
- ▶ 6.1: Ensure universal access to safe and affordable drinking water.
- ▶ 7.1: Ensure universal access to affordable, reliable and clean energy services.

Equal opportunity

A number of SDG targets address structural issues that underlie gender inequalities of opportunity—particularly in terms of educational disparities, and equal pay for equal work.

- ▶ 4.2: Ensure equal access to higher education for women and men.
- ▶ 4.5: Eliminate gender disparities in education.
- ▶ 8.5: Achieve full and productive employment, decent work for both women and men, and equal pay for equal work.
- ▶ 10.3 Ensure equal opportunity and reduce inequalities of outcome (eliminate discriminatory laws, policies and practices, promote appropriate laws, policies and action).
- ▶ 10.2 Empower and promote social, economic and political inclusion of all, irrespective of age, sex, disability, race, ethnicity, origin, religion or economic or other status.
- ▶ 10.4 Adopt policies, especially fiscal, wage and social protection policies, progressively achieve greater equality.
- ▶ 16.7 Ensure responsive, inclusive, participatory and representative decision-making at all levels.
- ▶ 16.9: By 2030, provide legal identity for all, including birth registration.
- ▶ 16.b Promote and enforce anti-discrimination laws and policies for sustainable development.

⁴ UNDP estimates, based on available time-use survey data.

Drivers of inequalities and exclusion—Gender

Rule of law and legal frameworks

SDG16 addresses the rule of law and access to justice, while SDG1 (which calls for ending poverty in all its forms everywhere) seeks better codification of economic rights. Both have targets with important gender dimensions.

- 1.4 Equal rights to economic resources, basic services, ownership and control over land and other forms of property, inheritance, etc.
- 1.b Sound policy frameworks at all levels, based on pro-poor and gender-sensitive development strategies, to support accelerated investment in poverty eradication actions.
- 16.3 Promote rule of law at national and international levels and ensure equal access to justice for all.

Working conditions

A number of SDG targets address working conditions. These are particularly relevant for women, who are disproportionately exposed to workplace risks in factory work and unskilled labour.

- 5.2: End the sexual exploitation of women and girls.
- 8.5: Ensure equal pay for work of equal value.
- 8.7: End forced labour, human trafficking, modern slavery, child labour.
- 8.8: Protect labour rights, promote safe work conditions (for migrants, women migrants).
- 3.9 and 12.4: reduce deaths from hazardous chemicals and promote environmentally sound waste management.

Although reliable statistics regarding informal employment are difficult to come by, achieving SDG target 5.2, for example, would help end the sexual exploitation of an estimated four million women and girls globally.

CIS, they increased in the South Caucasus and Western Balkans (as well as in Turkey). As with labour force participation rates, employment rates for women in Turkey remain well below employment rates for men, as well as employment rates for women in the rest of the region.

By contrast, gender-disaggregated unemployment data in the region show a rather different picture (Figure 23). In Central Asia, women's unemployment rates have consistently been some 12-13 percent higher than men's. However, this sub-regional average reflects significant national variation, with women's unemployment rates being some 50 percent above men's in Kazakhstan but some 15-20 percent below men's in Tajikistan. In the South Caucasus, women's unemployment rates were some 10-20 percent above men's during 2000-2014. But whereas women's unemployment rates have been significantly above men's in Armenia

and Azerbaijan, the opposite has been the case in Georgia. In the Western Balkans, all the Yugoslav successor states have consistently reported higher unemployment rates for women than men—in Serbia, unemployment rates for women have generally exceeded those for men by as much as a third. On the other hand, significant intra-period fluctuations in this ratio are apparent in Albania. While most Turkish women do not participate in the labour force, those who do so seem to face increasing difficulties in finding work—both in general, and relative to men. In all the Western CIS countries, by contrast, women's unemployment rates have consistently been well below men's.

Labour market inequalities also manifest themselves in gender-based industrial and sectoral segregation. As the data in Figure 24 show, women are much less likely than men to work in industry—where labour productivity, and incomes, are significantly above national averages. It is only in the former Yugoslav

Republic of Macedonia that the 28 percent share of women working in industry (in overall female employment) is reasonably close to the share of male employees working in this sector (34 percent). In most of the rest of the region, gender-disaggregated ratios of industrial employment shares are below 0.5 (i.e., the share of women working in industry is less than half of the share of men working in industry). By contrast, in Turkey, the South Caucasus, and most of Central Asia, the share of female workers engaged in agriculture is above the share of male employment in this sector—often significantly so.

While these patterns of segregation reflect many factors, legal restrictions on women's rights to formal employment in a number of (chiefly industrial) sectors are an important contributor. A recent World Bank study found that the 11 countries of the South Caucasus, Western CIS, and Central Asia tend to have "the world's most extensive job restrictions on women, keeping women out of many occupations" (World Bank, 2016). In Kazakhstan, women are legally excluded from 299 types of employment; in Belarus, this figure was 182. Such restrictions are not only unfair to women workers—they also limit these countries' abilities to fully benefit from the human development potential of their female citizens.

Private sector growth is often seen as helping to generate employment in transition countries. Its ability to play this role varies widely across the region, however, as private sector shares of employment range from 75 percent in Armenia, Azerbaijan, Georgia, and the Kyrgyz Republic to 46 percent in Turkmenistan. However, private sector employment is often dominated by own-account and contributing families—vulnerable forms of employment which are particularly prevalent among women.

Nonetheless, women in the region have played important roles in private sector development in the region. Female business ownership stands at one-third or more (of total businesses owned) in many countries of the Western CIS, South Caucasus and Central Asia (*ibid.*). Although the proportion of women in managerial positions is lower, it has been increasing, indicating greater involvement of women in the formal sector of these economies.

Firms managed by women tend to hire more female workers. In Georgia, for instance, 2009 data shows that women were almost 60 percent of

In the South Caucasus and Central Asia, women earn up to 50 percent less than men.

Figure 21—Sub-regional ratios of female to male labour force participation rates (2000-2014)

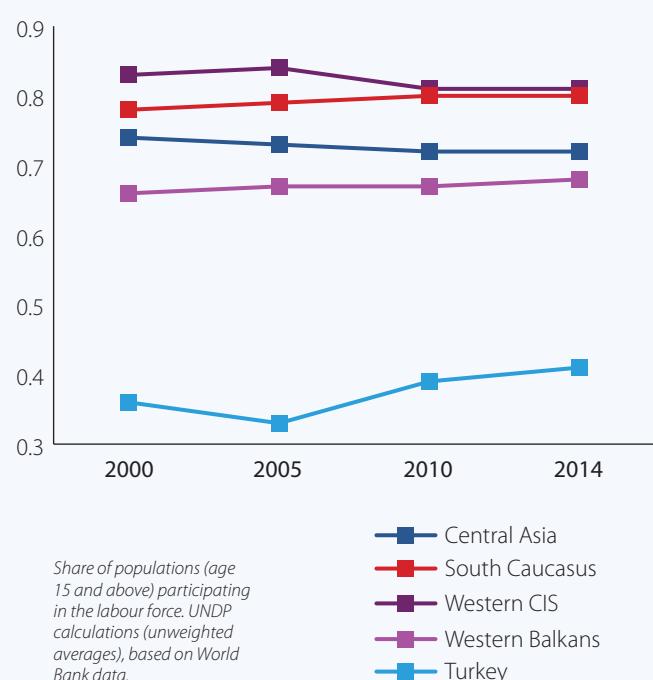
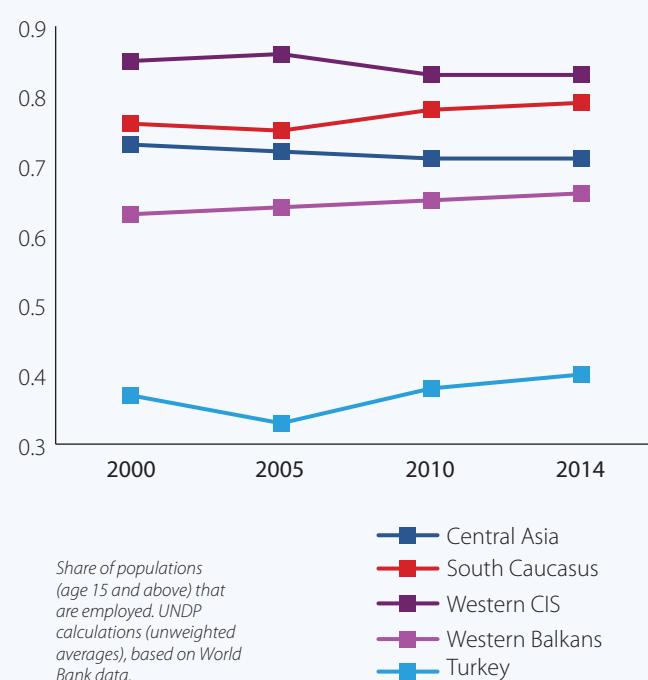


Figure 22—Sub-regional ratios of female to male employment rates (2000-2014)

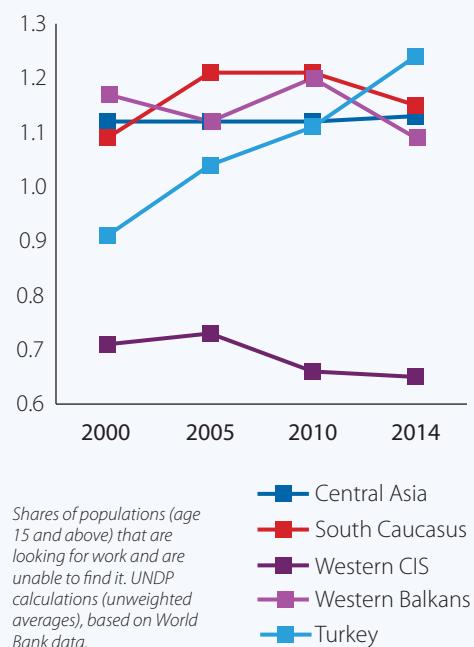


Drivers of inequalities and exclusion—Gender

full-time workers in firms with female ownership, compared to only 31 percent of workers in other companies. This suggests that companies owned and managed by women have strong potential to contribute to female employment growth. Yet, female entrepreneurship is more likely to represent necessity rather than opportunity entrepreneurship. Firms managed by women are usually smaller, which contributes to weaker economic performance. Limited access to credit, weaker commercial networks, and greater aversion to risk by women entrepreneurs may explain these outcomes. Relatively high female self-employment and female entrepreneurship rates in much of the region also reflect the fact that large proportions of the labour force (women and men alike) are engaged in agriculture.

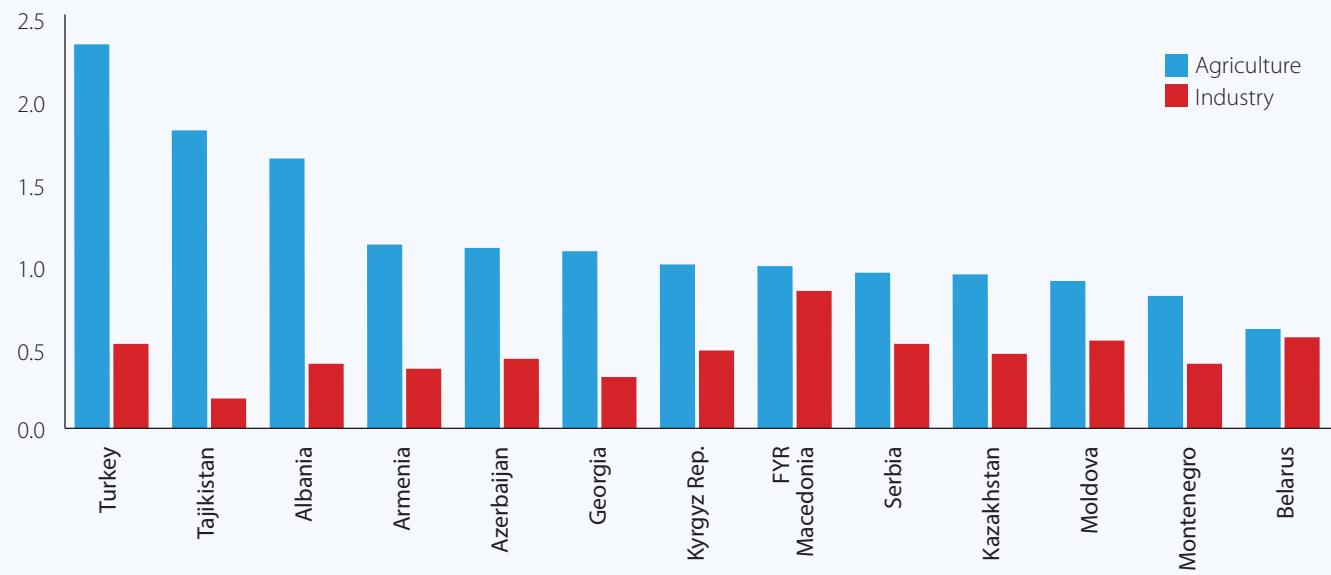
Gender specialization in education systems underpins labour market segregation. In all countries of the region, primary school enrolment is universal and enrolment rates are essentially 100 percent for both sexes. However, in Tajikistan and Turkey, female enrolment levels begin to drop below males' in secondary school—with declines accelerating for post-secondary education (Figure 25). Post-secondary enrolment rates for women also drop sharply (relative to men's) in Uzbekistan and Turkmenistan. By contrast, in most of the rest of the region, women's enrolment rates in tertiary education are well above men's. In the Western

Figure 23—Sub-regional ratios of female to male unemployment rates (2000-2014)



Balkans, for example, women's enrolment rates in post-secondary education institutions are almost one and a half times that of men.

Figure 24—Sectoral ratios of female, male workers (annual averages, latest available years)





Unemployment rates for women in the Western Balkans (pictured here, a rural entrepreneur in Kosovo) have generally been higher than for men. Photo: Arben Llapashtica / UNDP

These enrolment data mask important differences in terms of gender-specific specialization by subject. In most of the former Soviet republics, more than two thirds of higher education graduates in education, health, and welfare are women. Incomes in these sectors tend to be modest; many women receiving training and skills in this area therefore face few alternatives to working in jobs for which they are over-qualified and under-remunerated. By contrast, women are under-represented in tertiary education programmes preparing students for careers in engineering, manufacturing, and construction—sectors with better prospects. (In Azerbaijan, only 20 percent of the students in tertiary education institutions in these areas are women.) Addressing gender-based segregation on the labour market may therefore require a better understanding of the factors that contribute to gender asymmetries in tertiary education.

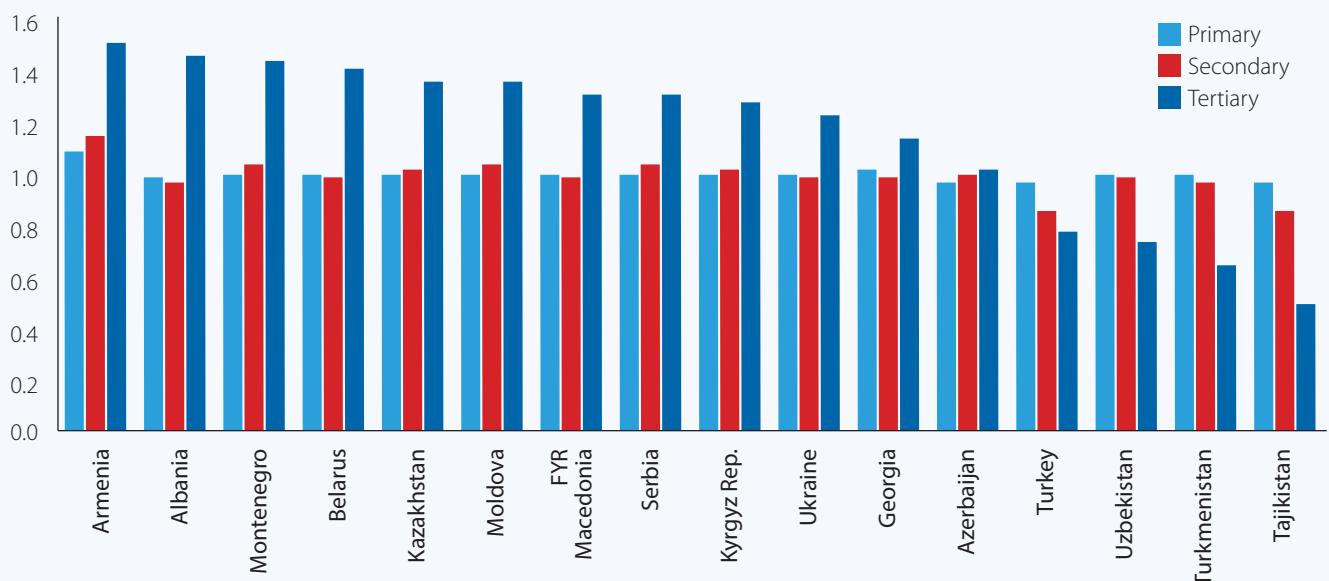
Gender inequalities in labour force participation and employment are also a reflection of domestic and care responsibilities, which primarily affect women. Often invisible and unrecognized, unpaid care work has immense human development value, given its centrality to individual and social wellbeing. While measuring the magnitude and economic value of unpaid work poses serious

methodological challenges, it is clear that alleviating care and other unpaid work constraints can improve education, employment, and earnings opportunities for women—and in this way boost human development.

There are large gender gaps in unpaid work time, especially for childcare; time use surveys in developing countries indicate that women are responsible for 75 percent of the time their households spend on unpaid work activities (UNDP, 2015d). There are also sizable rural/urban differences in the gap in unpaid work time. Available time use survey data suggest that these patterns are present in the region as well (Table 4). These data indicate that, whereas women in Armenia in 2008 spent five times as much time on unpaid work as men, this ratio in Moldova was only 1.5—lower than the OECD average. In Albania, time spent studying was found to be the same for both sexes, while women spent more time on unpaid work than the OECD average (Albanian Institute of Statistics survey 2010–2011). In line with Turkey's low female labour force participation rates, Turkish women were found to spend only about two

One third of all businesses in many countries of the Western CIS, South Caucasus and Central Asia are owned by women.

Drivers of inequalities and exclusion—Gender

Figure 25—Gender-disaggregated education enrolment ratios in the region (most recent available year)

Ratio of female to male enrolment rates. UNDP calculations (annual averages, for most recent available years) based on World Bank gender data base.

hours daily on remunerated activities. Zacharias *et al.* (2014) found that time poverty among women in Turkey is nearly twice that of men (70 percent versus 37 percent).

Evidence from the Caucasus, Western CIS, and Central Asian countries also suggests that the gender gap in time use is lower in rural than in urban areas. This does not necessarily mean that men and women more evenly share household responsibilities in rural areas; rural women may

have to combine child care with other activities, such as tending to the household plot. Nevertheless, evidence from Moldova suggests that parents in rural areas are less likely to focus on child enrichment and educational activities, potentially contributing to regional disparities in children's educational outcomes.

The data in Table 4 underscore the importance of investments in childcare subsidies and public childcare provisioning, *inter alia* to reduce women's labour market exclusion and raise their incomes (Buvinić *et al.*, 2013). There is also evidence that publicly provided pre-school programmes can result in direct employment and the accompanying increase in demand for supporting jobs. Ilkkaracan *et al.* (2015) and

Antonopoulos and Kim (2011) found that social care sector expansion can also accelerate the creation of decent jobs and reduce poverty. Childcare provisioning can promote not only paid female employment, but also female entrepreneurship as it allows women to expand their businesses and hence address the small size constraint.

Migration. In some countries of the region, as much as 20 percent of the population has migrated abroad. The multifaceted gender impact of migration ranges from influencing the labour force status of other household members, to changing gender roles and stereotypes within households, to increased risks of trafficking and exploitation, to affecting the educational and developmental outcomes of children in the household.

The gender patterns of migration vary greatly between and within countries. In general, it appears that in Central Asia most labour migrants are men. In other countries, however, migration has become more feminized—and its gender characteristics increasingly vary according to countries of destination and origin. For example, although Moldovan migration is dominated by women, Moldovan migrants to Italy are mostly men. Ukrainian migrants in Italy, on the other hand, are more likely to be women. In Georgia, although men are more likely to migrate than

In Central Asia, women's unemployment rates have consistently been some 12–13 percent higher than men's.

women, migration is female-dominated in some regions. Moreover, the share of female migrants seems to have increased following the impact of the 2008–2009 financial crisis (Danzer and Dietz, 2014). Men tend to migrate for work in traditionally male occupations, such as construction, and their entry into the labour market is often perceived by locals as competition driving down wages and working conditions. Women, on the other hand, tend to migrate to perform domestic and care work in countries where market and public services are underdeveloped.

The consequences of migration on families in countries of origin are complex. On the one hand, migrant remittances can improve the well-being of families by improving their nutritional intake, supporting their consumption expenditures, and helping them to run a business. However, migration can also create big gaps in social networks and in care provision structures, when one member of a family moves, affecting the division of household responsibilities and children's welfare. Women members of families tend to bear a greater share of additional domestic and care responsibilities.

Table 4—Paid and unpaid work time, by gender (hours per day)

Time Use	Men	Women	Female to male ratio
Paid work and study			
Armenia (2004)	5.4	2.1	0.39
Armenia (2008)	5.5	2.4	0.44
Azerbaijan (2008)	4.7	1.7	0.36
Moldova (2011–2012)	3.9	3.1	0.79
Kyrgyz Republic (2005)	6	4	0.67
Kazakhstan (2006)	5	3	0.60
OECD 28	5.5	3.6	0.65
Unpaid work			
Armenia (2004)	1.1	5.8	5.27
Armenia (2008)	1.1	5.2	4.95
Azerbaijan (2008)	2.1	6.1	2.90
Moldova (2011–2012)	3.0	4.6	1.52
Kyrgyz Republic (2005)	2	5	2.5
Kazakhstan (2006)	4	6	1.5
OECD 28	2.3	4.6	2.00
Childcare (main activity)			
Armenia (2004)	0.1	0.7	7.00
Armenia (2008)	0.1	0.7	7.00
Moldova (2011–2012)	0.3	0.7	2.3
Total hours worked			
Armenia (2004)	6.5	7.9	1.22
Armenia (2008)	6.5	7.6	1.17
Azerbaijan (2008)	6.8	7.8	1.15
Moldova (2011–2012)	6.9	7.7	1.11
Kyrgyz Republic (2005)	8	9	1.13
Kazakhstan (2006)	9	9	1
OECD 28	7.8	8.2	1.05

Sources: OECD (2011b); Meurs and Slavchevska (2014); <>Women and Men>> publications for each country.

Drivers of inequalities and exclusion—Gender



Employment rates for women in Turkey remain well below employment rates for men. Photo: UNDP

Evidence from Armenia suggests that, while wives take on additional responsibilities when men migrate, intra-household power dynamics are not significantly altered, and in some cases gender inequalities are reinforced. In rural Tajikistan, the majority of households with a migrant consist of women and their children. Close to half of these women had lost contact with their husbands or have not received remittances from them in more than five years (International Organization for Migration, 2009). The vulnerability of these single-female-headed households can be further magnified by their lack of access to land and economic resources. Male migration also changes social dynamics. For example, in Tajikistan, large gender imbalances following the civil war of 1990s and male emigration have reduced the average female age at marriage, resulting in many schoolgirls getting married without finishing their secondary education.

The effectiveness of migration policies in both source and destination countries is reduced when they do not reflect the gender dimensions of migration—particularly in terms of the different ways men and women participate in market and non-market businesses, changes in the ratio of market and home-based labour, and the specific needs of migrant women. Fortunately, women labour migrants are increasingly recognized as

critically important resources for their countries of origin; the remittances they send back are a lifeline for their children, their families and local communities. But while migrant women provide financial security through their work, their absence can mean shortages of care givers in countries of origin, which should be properly addressed by local institutions.

Political participation and empowerment.

Despite policies to eradicate gender discrimination in the region, women are underrepresented in the political sphere as well as in managerial positions. As the data in Figure 26 show, most of the countries in the region score below the global average (22 percent) for shares of women in parliament (as of 2014). Identifying and removing the obstacles that stand in the way of women playing more active roles in public life can play important roles in shaping better policies.

Identifying the factors that keep women from reaching positions of responsibility, decision-making and seniority, is crucial to improving their participation in policymaking (see Box 4). The unequal division of domestic labour may prevent women from devoting enough time to civic participation. Women often have little of the social capital needed to embark on a political career. Lack of confidence, cultural expectations,

a paucity of respected role models, and social pressures to conform to traditional gender roles may also play a role.

Policy recommendations and programming directions.

Some countries in the region have made progress in improving the regulatory and legal framework for promoting women's economic advancement. Belarus and Georgia have strengthened parental benefits; Tajikistan has introduced childcare reforms. Such efforts should ideally be part of comprehensive evidence-based gender and development strategies that expand human choices and capabilities by aligning supply-side interventions with demand-side measures aimed at creating equitable and gainful employment opportunities. Such strategies should include the following elements:

- Removal of legal and regulatory barriers to women's economic empowerment. Although progress has been made, important occupational restrictions continue to limit women's employment and entrepreneurial opportunities. Active policies are recommended to provide opportunities for skills development and training and access to finance (including by better protection of women's property and inheritance rights),

and to protect workers from exploitative conditions (SDGs 8, 10).

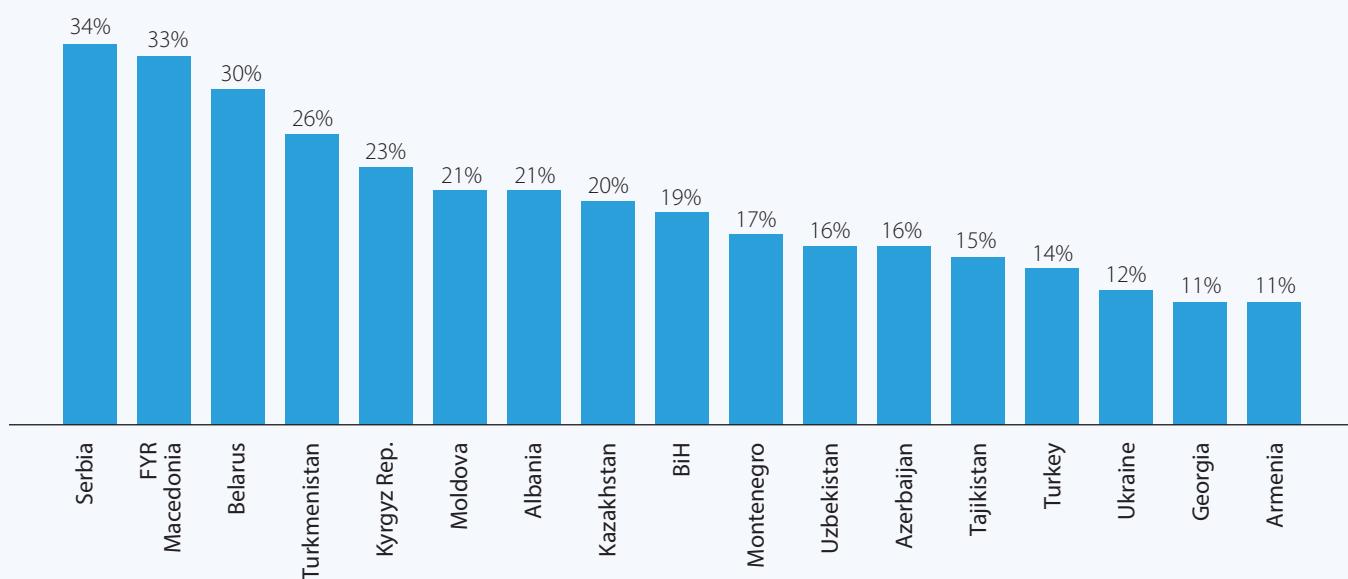
- Implementation of policies to address women's care and domestic responsibilities to promote decent employment opportunities, increase productivity and earnings.

Better access to affordable and reliable child care, child subsidies and public childcare provisioning, as well as gender-equal parental leave policies, are key to reducing "double burdens" within the household and improving women's labour market outcomes and earnings (SDGs 1, 5, 8).

- Strengthen national capacities to generate and use sex- and age-disaggregated data for gender analysis, in order to design gender-responsive macroeconomic and social policies and programmes. Efforts by national statistical agencies to improve data collection, to allow for the full mainstreaming of gender into macroeconomic policies, should receive strong support from governments and donors (SDGs 5, 17).

It appears that in Central Asia most labour migrants are men. In other countries, however, migration has become more feminized.

Figure 26—Shares of seats in national parliaments held by women (2014)



Source: UNDP Human Development Report Office.

Note: The global average for this share is 22 percent.

Drivers of inequalities and exclusion—Gender

Box 4—Gender equality and women’s political participation in the Kyrgyz Republic

When the Kyrgyz Republic lapsed into chaos and civil conflict in April 2010, the country’s political elite turned to Roza Otunbayeva, former foreign minister and head of the largest opposition party in the Parliament, to stave off disaster. In the next months, Ms. Otunbayeva won a free and fair election to serve as the country’s president, led a national campaign for constitutional reform, and secured a multi-million dollar aid package from Kyrgyzstan’s donors. When she stepped down at the expiration of her term, Ms. Otunbayeva became the first (and thus far only) Central Asian president to have voluntarily left office. She has since devoted her time to public service and civic engagement—including on behalf of gender equality, in the Kyrgyz Republic, and the region.

Ms. Otunbayeva’s experience is a telling reminder of the fact that—in politics, as well as elsewhere—the best man for the job is often a woman. However, despite Ms. Otunbayeva’s political record and presence as a role model, as well as the passage of extensive gender equality legislation in the Kyrgyz Republic, gender-based inequalities in that country remain problematic. During the country’s first 15 years of independence, the number of women parliamentarians fell from few to zero (see below). Thanks to the 2005 introduction of gender quotas for parliamentary representation, women MPs since staged a comeback. However, women at present make up just one fifth of the Kyrgyz Republic’s national parliamentarians—and an even smaller share of legislators at sub-national levels.

Kyrgyz Republic national parliament		Sub-national representative bodies	
Election years	Share of female deputies	Election years	Share of female deputies
1995	5%		
2000	7%	1998	14%
2005	0%	2004	16%
2007*	26%	2008	14%
2010*	22%	2012	13%
2015*	20%		

*Gender quota mechanism in place.

A similar picture is present in the Kyrgyz Republic’s executive branch. After rising from one third to nearly one half during 1995–2000, the share of women in Kyrgyzstan’s public administration has since dropped back to about 40 percent. Men today hold nearly three quarters of the country’s senior political appointments, and 90 percent of local government positions.

Many factors (including traditional views on women’s roles in politics) contribute to these outcomes. However, research by UNDP, women’s organizations, and others in the Kyrgyz Republic indicates that restricted access to campaign finance also limits women’s political prospects. Reducing gender barriers limiting access to finance could therefore improve women’s standing in the world of politics, as well as in business and economics.

- *Invest in improving productivity and working conditions in agriculture and the rural economy.* Large shares of the region's workforce are employed in agriculture, working long and unpredictable hours, in conditions of typically low wages and productivity. Women in rural areas are more likely to be (unpaid) contributing family workers. Improving agricultural productivity can therefore boost rural women's incomes and working conditions, which are key to reducing gender gaps in rural areas (SDG 2).
- *Invest in improving women's access and skills for entrepreneurship.* All countries in the region will benefit from the stronger promotion of women's access to commercial networking opportunities, credit, market information, training in new and digital technologies and other ways to improve women's capacities to start and develop their own businesses (SDGs 1, 8).
- *Support efforts to increase the numbers of women elected and appointed to government (and corporate) leadership positions.* Ensuring that women participate proportionately in state and corporate governance is essential to addressing gender disparities. Efforts should also be made to invite the participation of women in elected and/or appointed positions who reflect the demographic composition of the constituencies they serve (SDGs 5, 16).
- *Challenge gender stereotypes.* Cultural campaigns against sexist stereotypes of women (and men) can help strengthen behavioural patterns that transcend traditional gender roles and produce more equitable distribution of responsibilities and leadership in the workplace, at home, and in the community. Promoting women to visible positions of seniority and decision-making in public and private spheres, as well as encouraging men to enter traditionally female professions, are key to changing social norms and eliminating socio-economic and political gender biases (SDGs 5, 10).





Photo: Milos Vujovic / UNDP





Inequalities and health

Inequalities and health

Exposure to health risks is affected by the interplay of such factors as gender, ethnicity, age, disability.

Health inequities—systematic inter-group differences in health outcomes that are avoidable and unjust—are at the core of global and national inequality challenges. Judging by global evidence, most health inequities are avoidable, because they can be addressed by interventions that tackle the social, economic, and environmental determinants (SEEDs) of health (World Health Organization, 2013). However, aggregate health data and indicators can disguise health inequities and their drivers. They can fail to capture differential levels of exposure and vulnerability to certain health conditions, as well as access to health services—and ultimately health outcomes. While health data in the region are routinely disaggregated by sex, disaggregation by other dimensions of inequity is less common. Ensuring that no one is left behind requires significantly greater data disaggregation, as well as better quality and more timely provision (ECOSOC, 2016). Likewise, understanding health inequities requires analysing health outcomes in terms of gender, age, educational, locational, socioeconomic, ethnic, sexual orientation, and other vulnerability criteria.

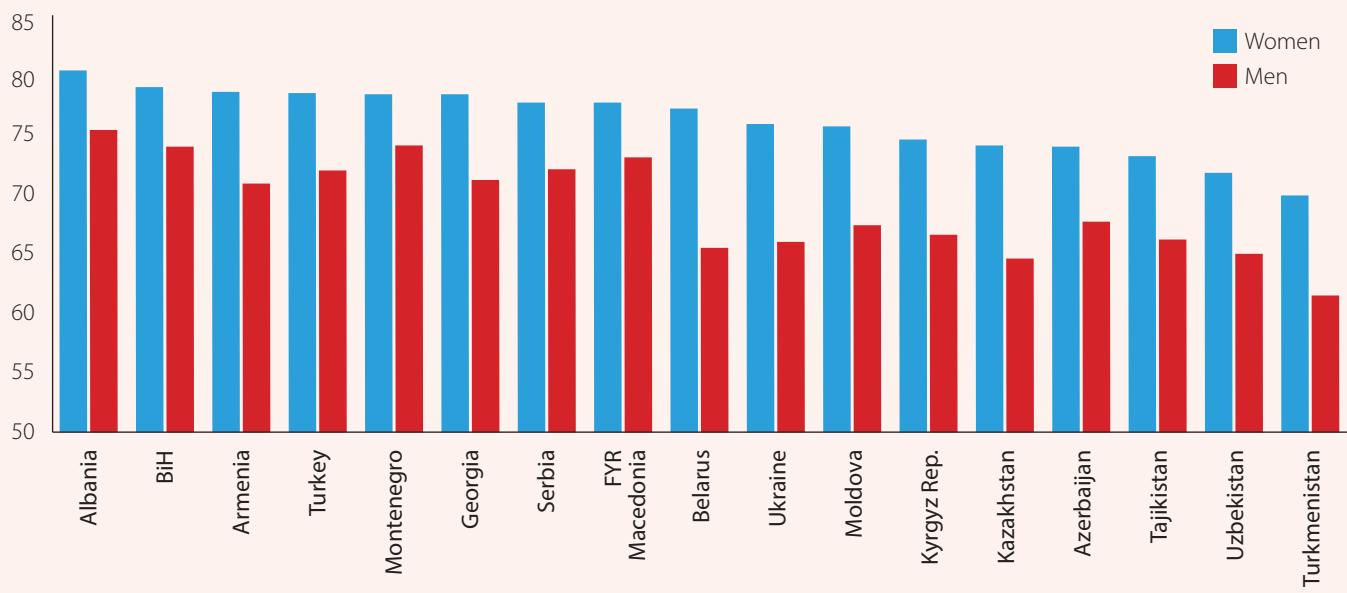
Agenda 2030 aspires to ensure healthy lives and promote wellbeing for all, and to reduce inequality. SDG3 seeks to:

- ▶ end the epidemics of AIDS, tuberculosis, malaria, and neglected tropical diseases, and combat hepatitis, water-borne and other communicable diseases;
- ▶ reduce premature mortality from non-communicable diseases (NCDs);
- ▶ promote mental health and well-being;
- ▶ reduce deaths and illness from hazardous chemicals and air, water and soil pollution and contamination; and
- ▶ achieve universal health coverage, including financial risk protection, access to quality essential healthcare services, medicines and vaccines for all.

These aspirations are also reflected in *Health 2020*, the European health policy framework.

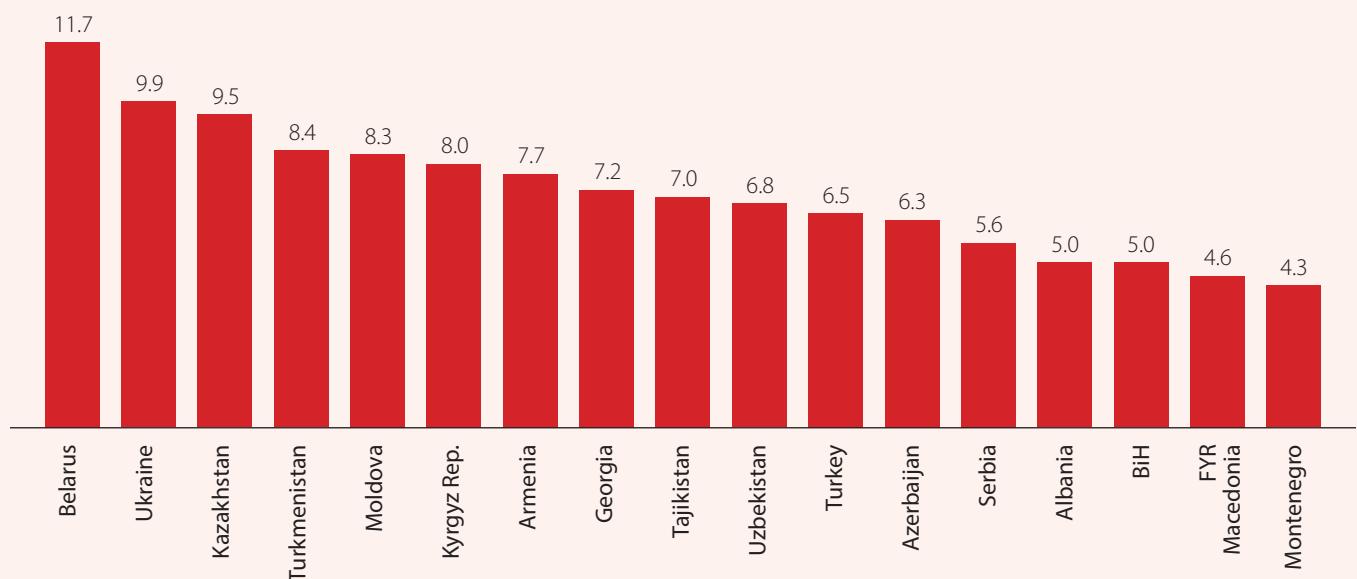
Health and mortality. Health outcomes worsened in a number of the region's former socialist countries during the transition—particularly for men. In the aftermath of the dissolution of the Soviet Union and Yugoslavia,

Figure 27—Life expectancy at birth (in years) for women, men in the region (2014)



Source: UNDP Human Development Report Office.

Note: Average global life expectancy at birth is 73.7 years for women and 69.5 years for men.

Figure 28—Gaps (in years) between female and male life expectancy in the region (2014)

UNDP calculations, based on data provided by the UNDP Human Development Report Office.

Note: The average global gap in life expectancy at birth between women and men in 2014 was 4.2 years.

and the military conflicts that accompanied them, men's health outcomes (and life expectancy, in particular) deteriorated more than women's in all countries of the Caucasus, Western CIS and Central Asia (with the exceptions of Azerbaijan and Georgia). In Belarus, men's life expectancy has only recently returned to pre-transition levels; in Ukraine, it has yet to do so. As a result, male life expectancy at birth in all CIS countries except Armenia in 2014 was below the global average of 69.5 years (Figure 27). By contrast, life expectancy at birth for women in all CIS countries except Turkmenistan and Uzbekistan was at or above the global average of 73.7 years in 2014. As a result, the "life expectancy gender gap" between men and women in the region (Figure 28) significantly exceeds the global average (4.2 years)—particularly in the CIS countries, and in Georgia.

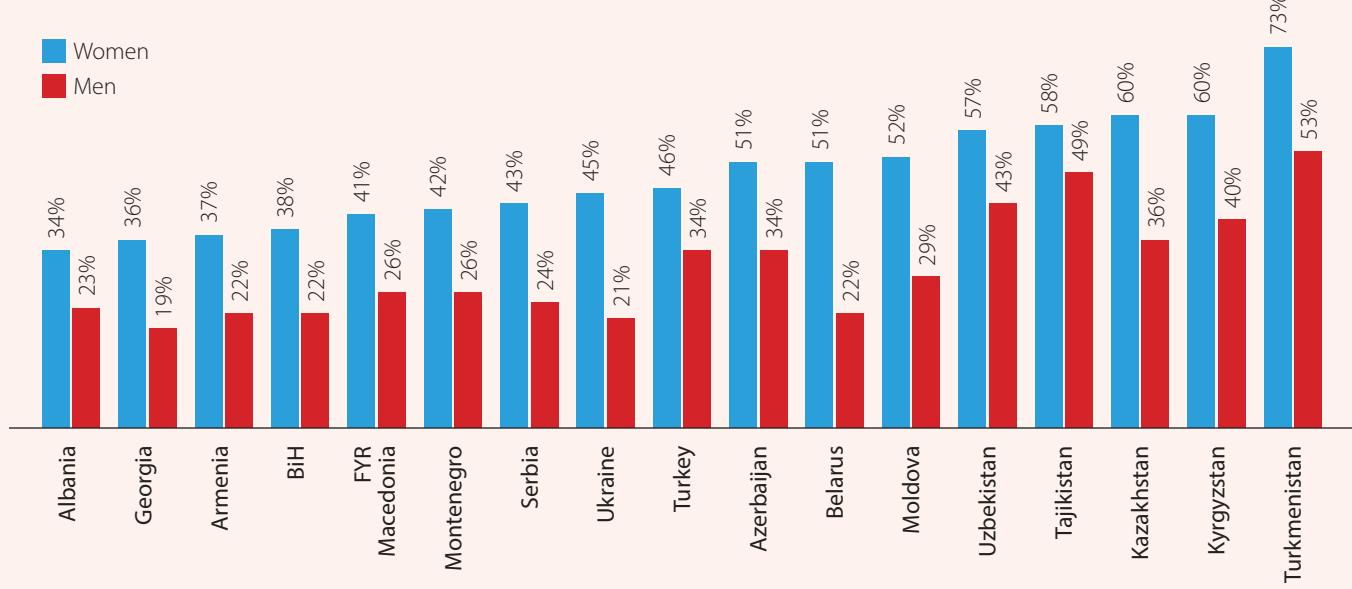
These worsening men's health outcomes have been attributed to increases in alcohol consumption, which may also account for higher suicide rates. (In Belarus, men are five times more likely than women to commit suicide.) Men are less likely to seek medical help and to pursue prophylactic care; surveys conducted in Kazakhstan and Uzbekistan, for example, showed that only 18 percent of primary care patients were men. While women's overall health outcomes are generally better, maternal mortality rates

also increased during the 1990s. Fortunately, they have since fallen, and compare favourably to global averages. Despite some stabilization during the last decade, fertility rates in much of the region remain at or below replacement levels, underscoring the development challenges associated with aging populations.

Non-communicable diseases (NCDs) such as diabetes, cardiovascular ailments, cancer, chronic respiratory diseases, and mental disorders are the leading causes of morbidity and mortality globally. With an estimated 86 percent of deaths and 77 percent of the disease burden attributable to NCDs, the region is the one most affected by NCDs (Figure 29). In much of the region, more than half of all NCD deaths among men are premature, thus contributing substantially to low life expectancies. The probability of dying between the ages of 30 and 70 from any of the four major NCDs (cardiovascular disease, cancer, diabetes, and chronic respiratory disease) is particularly high in the region. In EU countries, the average probability of dying prematurely from NCDs is 15 percent—compared to 25 percent on average in the region (World Health Organization, 2014c).

Inequities vis-à-vis the SEEDs of health (including access to health services) and health risks play large roles in these outcomes. Within countries,

Inequalities and health

Figure 29—Premature NCD mortality as a percentage of total NCD mortality (2012)

Source: Global Health Observatory Data Repository.

Note: Premature NCD deaths are those deaths occurring below age 70 due to cardiovascular disease, cancer, diabetes, or chronic respiratory disease.

measures of household wealth, income, education, and occupation can be linked to socioeconomic inequities in health. For example, tobacco smoking prevalence tends to decrease with increases in educational attainment, occupational class, and household assets (Schaap *et al.*, 2007).

Inequities in access to quality health services are present in much of the region, due to informal payments, gaps in statutory coverage and eligibility criteria, and inadequate geographic coverage (International Labour Organization, 2011). Beyond place of residence and ethnicity, wealth remains a strong predictor of unequal access to health care (Suhrcke *et al.*, 2007; Chan and Mandeville, 2016).

Inequalities vis-à-vis HIV/AIDS. Public spending on HIV/AIDS prevention and treatment in many countries has been insufficient to meet the health needs of the marginalized groups that are most at risk (Figure 30). Unfortunately, external funding (mostly through the Global Fund) for HIV/AIDS prevention and treatment is phasing out in many middle-income countries—including most of those in the region (Katz *et al.*, 2014). Transition strategies and action plans for integrating HIV responses into national budgeting and policy processes are therefore of critical importance

(Đurić, *et al.*, 2014, 2015). In Eastern Europe, Turkey, and Central Asia, HIV affects mainly such higher risk populations—who are often themselves victims of social exclusion—as men who have sex with men, people who inject drugs, sex workers, and prisoners (Figure 31). Perhaps as a reflection of their status of common victims of social exclusion, HIV treatment coverage in the region remains low compared to global treatment coverage estimates (Figures 32, 33).

Gaps in treatment coverage (as well as prevention) could easily widen in the near future, in light of anticipated reductions in donor funding. This would make the financing of national HIV/AIDS responses increasingly dependent on national health systems—the high tax rates for which are a major cause of the informality that threatens social inclusion, and the financial sustainability of public health systems, across the region. National responses to the epidemic may increasingly face challenges of doing more with less.

Prospects for success in this respect depend critically on strengthening policy and programming synergies between health and non-health programming and activities (Schwartlaender *et al.*, 2011). The region's relatively low coverage and poor adherence to anti-

retroviral therapy are affected by such SEEDs as degrees of transparency and accountability in governance, exposure to violence and effective policing, lack of protection of human rights, and discrimination and stigma—all of which contribute to high and rising HIV prevalence among key at-risk groups.

The repressive legal frameworks that are present in much of the region are too often obstacles to the effective provision of important services to people who inject drugs (UNODC, 2010). They can exacerbate exposure to violence and infection risks for HIV and other sexually transmitted infections, and jeopardize access to treatment. Government disinterest in needle exchanges and opioid substitution therapy—which can be highly effective in reducing HIV transmission among people who inject drugs—further exacerbates HIV infection risks (Bobrova *et al.*, 2007; Boltaev *et al.*, 2013; Booth *et al.*, 2013; Terlikbayeva *et al.*, 2013). The criminalization of sex work across the region likewise exacerbates HIV infection risks among commercial sex workers. The criminalization of consensual sex between adults of the same sex remains in force in some countries; stigma and discrimination remain high across the region. Such legal frameworks (and associated cultural attitudes) tend to result in clandestine networks of casual sex partners, which can further increase the risk of contracting HIV.

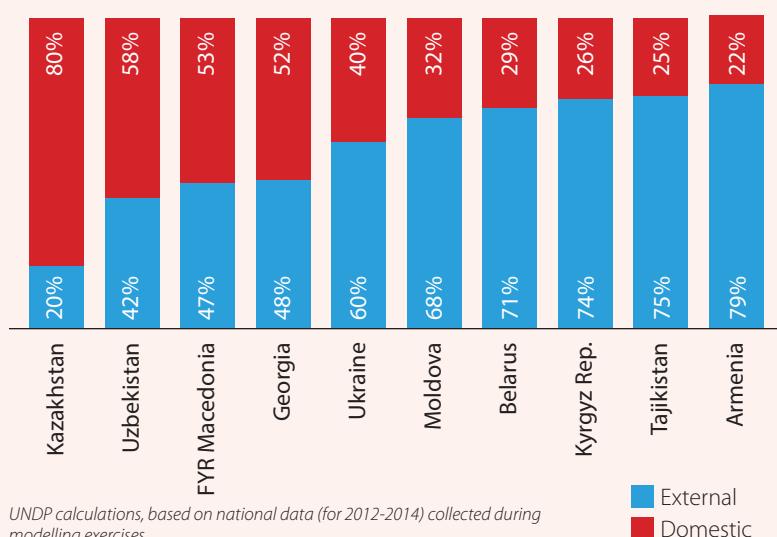
Increased transparency and accountability in governance, laws, and law enforcement are therefore needed to address the social exclusion that drives the AIDS epidemic in the region. So is strengthening programmatic and policy synergies in development areas, for more effective investment in combatting HIV (Đurić *et al.*, 2014; 2015). Promoting gender equality and empowering women and girls, as well as eliminating gender-based violence (SDG5), improving access to education (SDG4), and reducing poverty (SDG1) can also help strengthen HIV responses and address health-related inequalities in the region.

Gender and health inequities.

Gender inequities in health outcomes in the region are particularly striking in terms of the gaps in male versus female life expectancies, as well as the premature male NCD mortality as described above. But while men may suffer disproportionately from premature NCD morbidity and mortality, women do not necessarily enjoy better health. In contrast to men, more women suffer lengthy disabilities—spending on average 10 years in ill health or with restrictions on physical activity. Girls and women in the region are likely to experience multiple

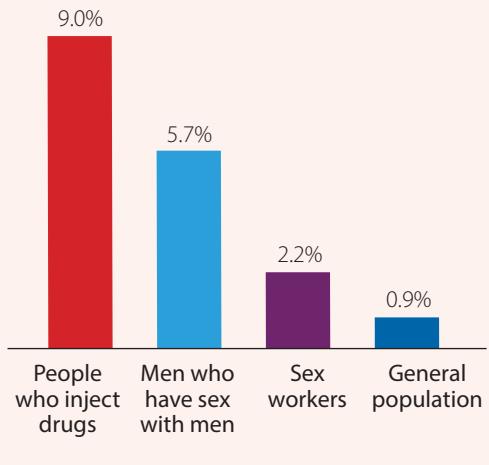
Public spending on HIV/AIDS prevention and treatment in many countries has been insufficient to meet the health needs of the marginalized.

Figure 30—Shares of external and domestic financing of national HIV responses (2012–2014)



UNDP calculations, based on national data (for 2012–2014) collected during modelling exercises.

Figure 31—Regional HIV prevalence rates (2014)



Source: UNAIDS (2014).

Inequalities and health

Corruption in the health sector remains a barrier to more transparent and accountable governance for health across the region.

health challenges, including physical health conditions dominating in early life, depressive and anxiety disorders among young adults, and low back pain, ischemic heart disease and cancers among older age groups (World Health Organization, 2015b). These gender inequities in health can magnify the impact of other dimensions of inequity based on life course stage, educational attainment, and employment status, as described above.

Ethnic minorities and unequal health outcomes: The Roma.

Across the region, Roma experience inequities vis-à-vis the SEEDs of health, access to healthcare and ultimately health outcomes. For example, Roma children in the former Yugoslav Republic of Macedonia, Montenegro, and Serbia

have been found to have stunting rates in excess of 17 percent, whereas overall stunting rates among children varies between 5 percent and 8 percent in the three countries (World Health Organization, 2013). Health inequities across the life cycle between Roma and non-Roma communities living in close proximity are also apparent (Figure 34) (Mihailov, 2011). Survey data point to much higher prevalence of tobacco smoking among Roma (53 percent) than among

non-Roma (33 percent). Among both Roma and non-Roma communities, long-standing illness was more frequent among women than men. Health difficulties seem correlated with level of educational attainment: only 15 percent of the Roma with secondary level education (to age 14) reported chronic health disorders compared to 32 percent of Roma without any formal education. These patterns show how dimensions of inequity can interact with and magnify each other, so that inequities need to be analysed as matrixes of multiple dimensions, rather than in isolation.

Only 74 percent of the Roma surveyed in the region reported having medical insurance, compared to 90 percent of non-Roma living in close proximity. There were wide differences between countries, for example in Albania 32 percent of Roma and 54 percent of non-Roma living in close proximity to Roma reported having medical insurance, while in Serbia 93 percent of both Roma and non-Roma reported having medical insurance. This has adverse repercussions on access to healthcare for Roma communities, and for the greater health equity called for under Agenda 2030.

It is perhaps in the area of health that we see the region's inclusion and equality accomplishments at greatest risk. This is apparent in the deterioration in male life expectancy (driven in

Registered and estimated anti-retroviral treatment coverage in the region (2014)

Figure 32—Within the region

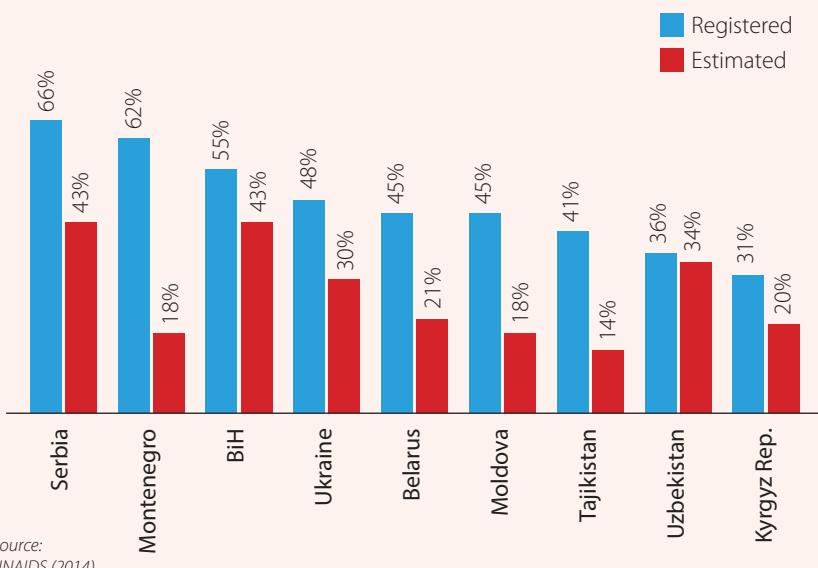


Figure 33—Inter-regional comparison

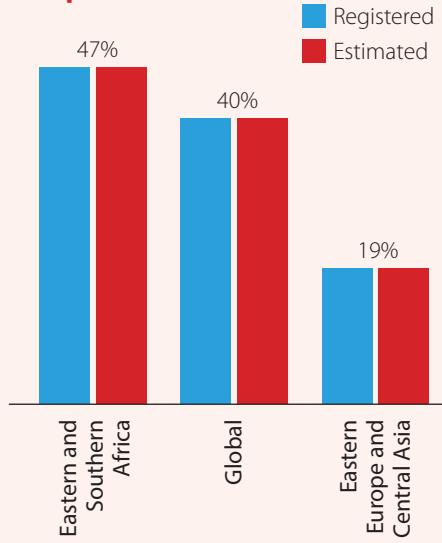
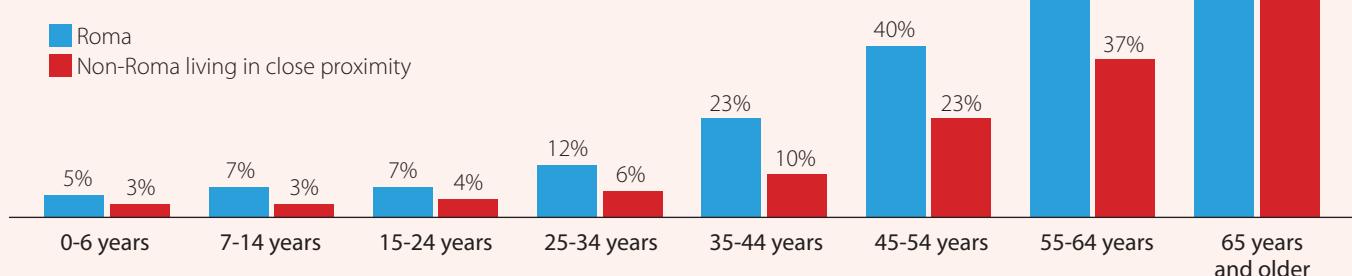


Figure 34—Unequal prevalence rates for long-standing illnesses: Roma and non-Roma (in Western Balkans, 2011)

Shares of survey respondents reporting long-standing illnesses



Source: UNDP/World Bank/European Commission Regional Roma Survey (2011).

part by premature NCD mortality), significant gaps in access to quality medical care for ethnic minorities like Roma, in the region's relatively high HIV/AIDS prevalence rates (which can themselves be seen as indications of social exclusion), and in the growing threats to the financial sustainability of the region's health systems posed by demographics and informality. The region's middle-aged populations are now heading into older age with large health burdens, which tend to be concentrated among vulnerable groups (World Bank, 2015d). Premature deaths and disability jeopardize labour productivity, and increase burdens on family caregivers, most of whom are women (UNFPA, 2010). These factors contribute to unfavourable dependency ratios (defined in terms of disability rather than age) and reduce the effectiveness of efforts to promote gender equality and human development. Renewed national commitments to whole-of-government approaches to public health, non-discrimination, social inclusion, and tolerance—within the framework of the SDGs and *Europe 2020* agendas—are needed to address these risks, and strengthen prospects for people-centred development in the region.

Policy reforms and programming directions should focus on the following areas:

- *Health data collection mechanisms should be expanded, inter alia to systematically capture and analyse qualitative data that are not yet routinely collected. In their aspirations to reduce health inequalities, the Health 2020 and SDG agendas can be used to harmonize*

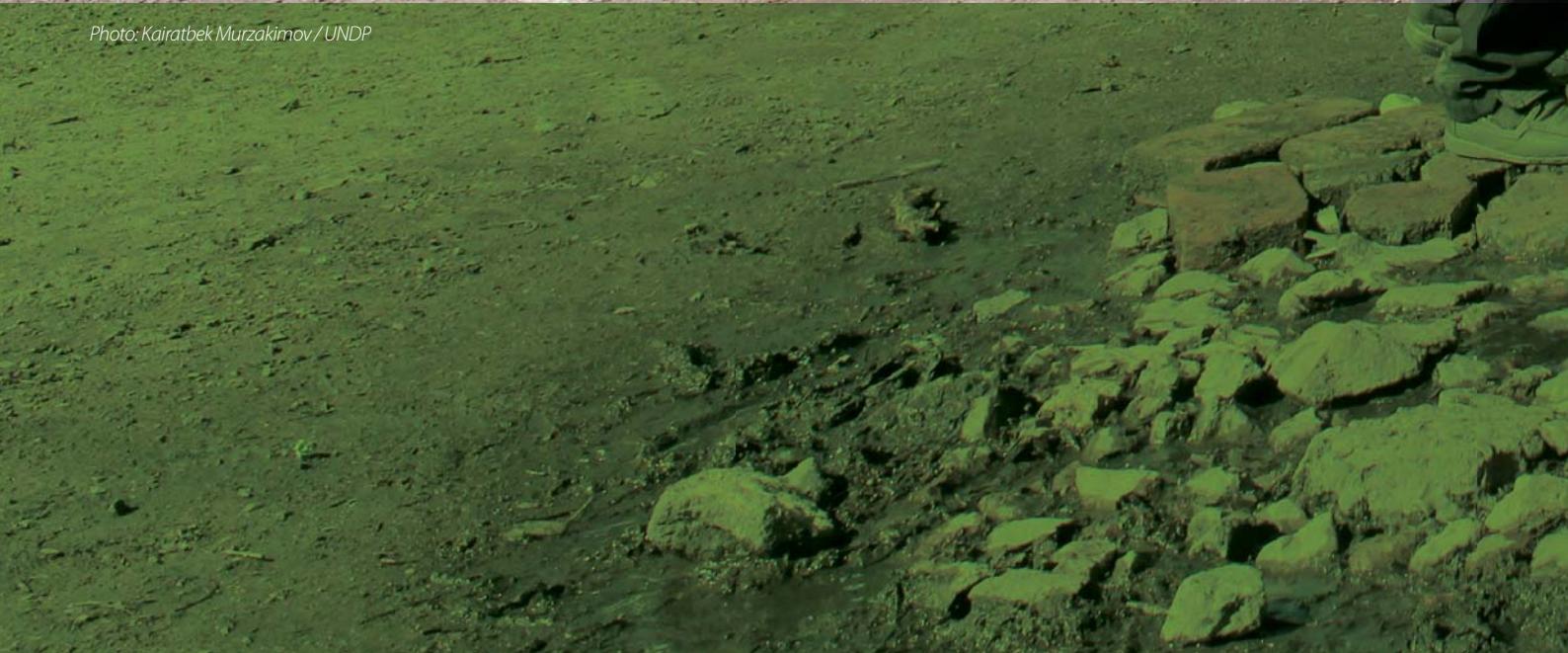
and improve monitoring and reporting on SEEDs for health at national and regional levels. Understanding health inequities requires analysing health outcomes in terms of gender, age, educational attainment, place of residence, socioeconomic status, ethnicity, sexual orientation and marginalized groups, such as migrants, prisoners, and others. The SDG monitoring framework, which requires regular reporting of high quality, timely, and reliable disaggregated data from all countries, is particularly important in this respect.

- *Creating more inclusive legal environments that emphasize public health over punishment and stigmatization, as well as better access to public health services, and to justice, for at-risk social groups. This means stronger efforts to sensitize law enforcement and health-service personnel to the needs of people who are living with HIV/AIDS, as well as of those at risk of contracting the infection. It also means increasing policy and programmatic space for civic engagement: the role of NGOs in outreach and service provision as a complement to (not a substitute for) public services should be further emphasized.*





Photo: Kairatbek Murzakimov / UNDP





Natural capital, inequalities,
and sustainable
human development

Natural capital, inequalities, and sustainable human development

The region is relatively well endowed in natural capital, with ratios of natural capital to GDP above global averages.

Agenda 2030 and the SDGs seek to ensure both that progress today does not occur at the expense of future generations—and that no one is left behind today. As UNDP's 2011 Human Development Report (*Sustainability and Equity: A Better Future for All*) pointed out, "It would be a gross violation of the universalist principle if we were to be obsessed about inter-generational equity without at the same time seizing the problem of intra-generational equity" (UNDP (2011a), page 1).

In practice, however, defining the equity dimensions of inadequate

access to natural resources, or of the differential impact of environmental unsustainability on vulnerable groups, is often a challenge. Issues of measurement and quantification are particularly contentious. Since the methodological framework for measuring these variables remains in its infancy (the national accounting of natural capital was only agreed by the UN Statistical Commission in 2012⁵), such contentiousness is not a surprise.

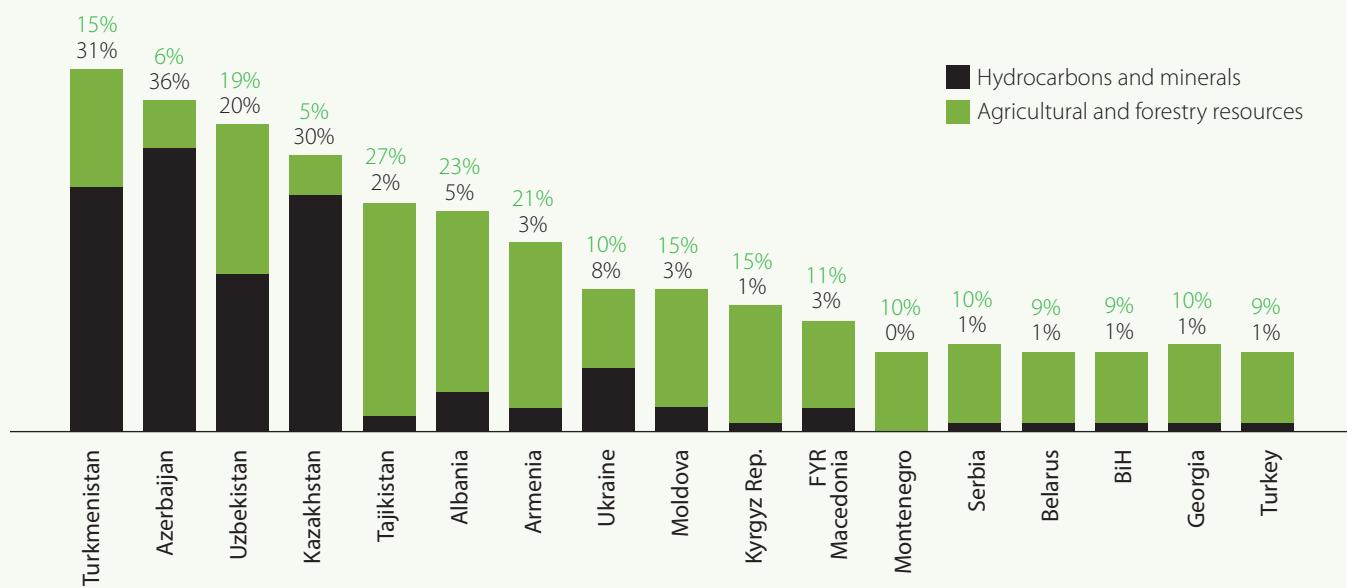
Global and regional discussions of inequalities have largely overlooked linkages to access to/use

⁵ The System of Environmental-Economic Accounting contains internationally agreed standard concepts, definitions, classifications, accounting rules and tables for producing internationally comparable statistics on the environment and its relationship with the economy. See <http://unstats.un.org/unsd/envaccounting/seea.asp>

of natural capital. According to the United Nations Environmental Programme, natural capital includes "land, minerals and fossil fuels, solar energy, water, living organisms, and the services provided by the interactions of all these elements in ecological systems". The degree to which these "assets" are seen as "capital" (and, respectively, the degree to which maintaining the "capital stock" is seen as a priority) is often closely related to the positioning of "sustainability" and "sustainable development" narratives. Natural capital is treated here as a public good, which societies have the right and responsibility to use sustainably in meeting their development challenges.

These caveats aside, what can be said about natural capital in Eastern Europe, Turkey, and Central Asia? Estimates of natural capital endowments for the countries of the region are shown in Figure 35, on the basis of World Bank estimates of resource rents accruing in the energy, mineral, agricultural, and forestry sectors. These data indicate that the region is relatively well endowed in natural capital; as of 2013, all the countries reported ratios of natural capital to GDP that were above global averages. For most countries, this reflects relatively large endowments of forest and agricultural resources

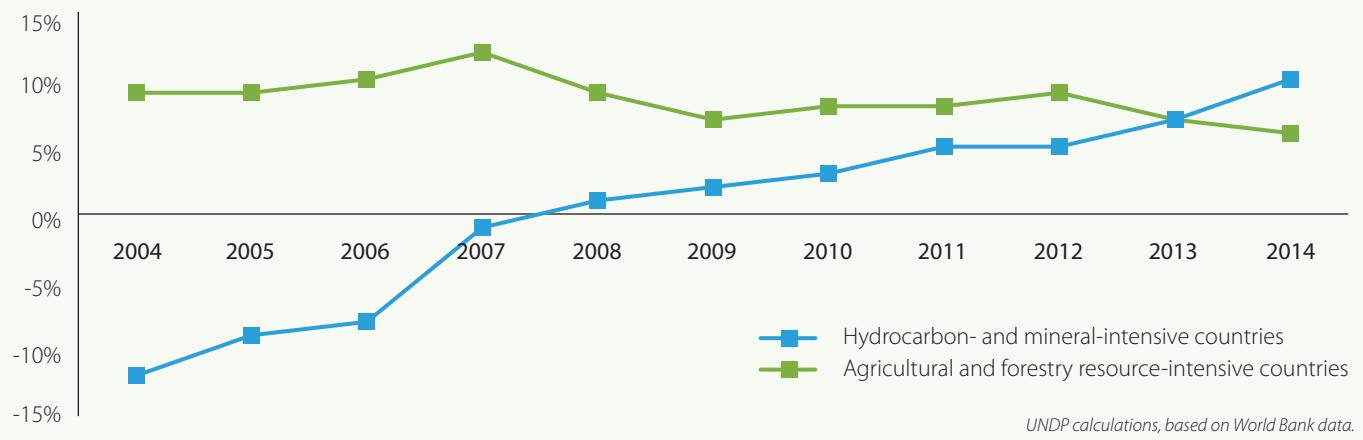
Figure 35—Ratios of natural capital to GDP in the region (2013)



UNDP calculations, based on World Bank data.

Note: • Natural capital is defined as the sum of oil, natural gas, coal, mineral, and forest rents, in addition to natural capital from land, which is estimated from added value of agriculture (share of GDP). The energy and mineral rents are estimated according to the methodology described in <<The Changing Wealth of Nations: Measuring Sustainable Development in the New Millennium>> (World Bank, 2011).

• Global averages of the ratios of hydrocarbons and minerals to GDP, and of agricultural and forestry resources to GDP, are estimated at 5 percent and 3 percent, respectively.

Figure 36—Ratios of adjusted net savings to gross national income in the region (2004–2014)

Note: Hydro-carbon and mineral-intensive countries shown here are Azerbaijan and Kazakhstan. Agricultural and forestry resource-intensive countries shown here are Albania, Armenia, Belarus, Georgia, the Kyrgyz Republic, Moldova, the former Yugoslav Republic of Macedonia, Tajikistan, Turkey, and Ukraine.

UNDP calculations, based on World Bank data.

vis-à-vis GDP. In the case of major hydrocarbon (e.g., Azerbaijan, Kazakhstan, Turkmenistan, Uzbekistan) or mineral (e.g., Kazakhstan, Ukraine) producers, these ratios are further increased by significant endowments of energy (hydrocarbons) and mineral wealth.

If assessed values of hydrocarbon, mineral, and agricultural and forestry resources provide a rough measure of the stock of natural capital, then the adjusted net savings⁶ indicator provides a flow measure, showing whether natural (and elements of human) capital is on balance being depleted or restored. The World Bank data shown in Figure 35 indicate that, on the whole, countries in the region with relatively large endowments of agricultural and forestry resources (as in Figure 36) generally reported positive adjusted net savings during the past decade. And whereas countries with relatively large endowments of hydrocarbons and mineral resources (i.e., Azerbaijan and Kazakhstan) in 2004 were reporting negative adjusted net savings, by 2014 these flows had turned positive.

However, such calculations may provide an excessively rosy picture of the region's natural capital stocks and flows, for (at least) five related reasons. First, this approach mixes valuations of stocks (e.g., resource deposits) and flows (value added produced by agriculture). The inclusion of agricultural value added may exaggerate estimates of natural capital for lower middle-income countries (like Tajikistan) whose agricultural sectors are large relative to GDP, compared to upper middle-income countries (like



In Georgia, wells give farmers better irrigation. Reliable supplies of water can limit individuals' opportunities to realize their full potential as human beings. Photo: David Khizanishvili / UNDP

Belarus, Montenegro) where agriculture makes a relatively small contribution to GDP.

Second, this approach may provide an excessively optimistic picture of natural capital quality. For example, the shares of national populations reported by UNDP's Human Development Report Office (on the basis of data provided by the Food and Agriculture Organization) as living on "degraded land" are at or above global averages for six Caspian Basin countries (Figure 37). This is despite the fact that, for five of these countries (Armenia, the Kyrgyz Republic, Tajikistan, Turkmenistan, and Uzbekistan), agricultural and

⁶ Adjusted net savings = net national savings + education expenditure - energy depletion - mineral depletion - net forest depletion - carbon dioxide, particulate emissions damage.

Natural capital, inequalities, and sustainable human development

Better measures— of inequalities, of environmental sustainability, and of the links between them— are needed.

forestry resources are estimated to comprise 15-30 percent natural capital. This suggests that the “productivity” of agricultural and forestry resources in these countries may be less than elsewhere.

Third, this approach underestimates the economic value of ecosystem services, many of which are notoriously difficult to assess via markets. Fourth (and related), there is significant evidence of unsustainable water use in the Aral Sea basin, which is apparent also in high fresh-water withdrawal rates for a number of Central Asian/Caspian basin countries (Figure 38). While these rates have declined for a number of these countries in recent years, they continue to reflect the critical importance of water for irrigated agriculture (across the Caspian Basin), as well as for

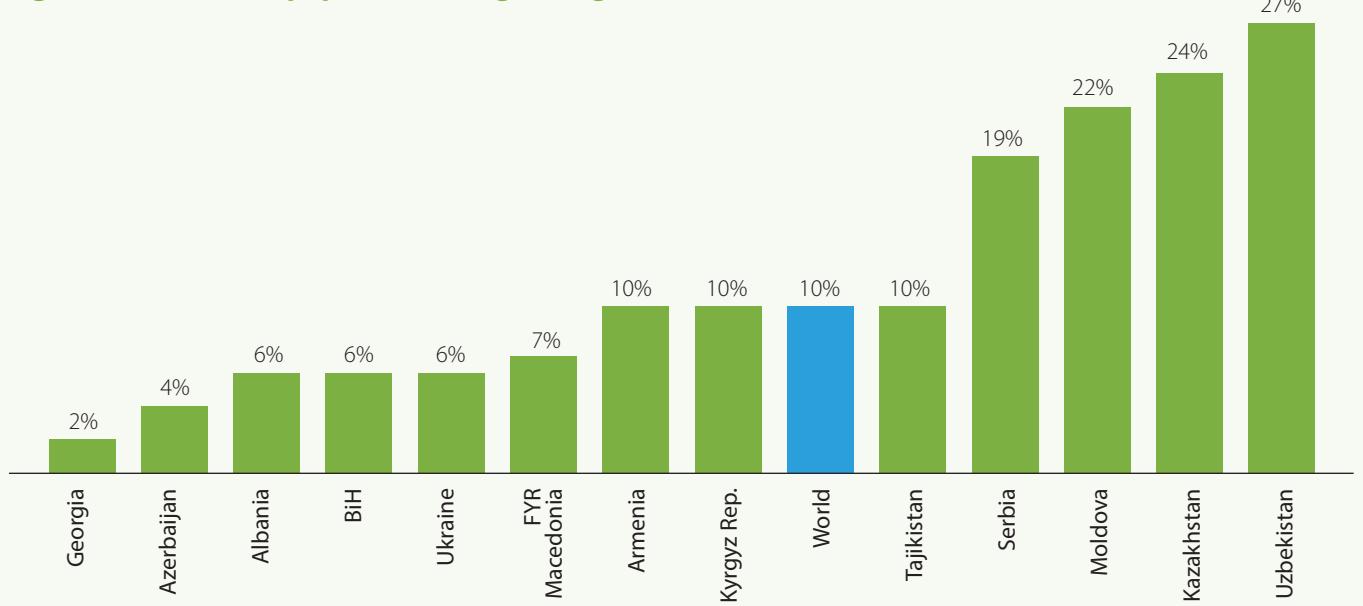
hydropower generation (especially in Tajikistan and the Kyrgyz Republic, but also in Georgia)—and these countries’ associated vulnerability to hydrological/climate risks.

Last but not least, like so much else in the natural environment, natural capital does not recognize national borders. Governments’ abilities to mobilize natural capital to support national economic development often hinges critically on resource management decisions made in other

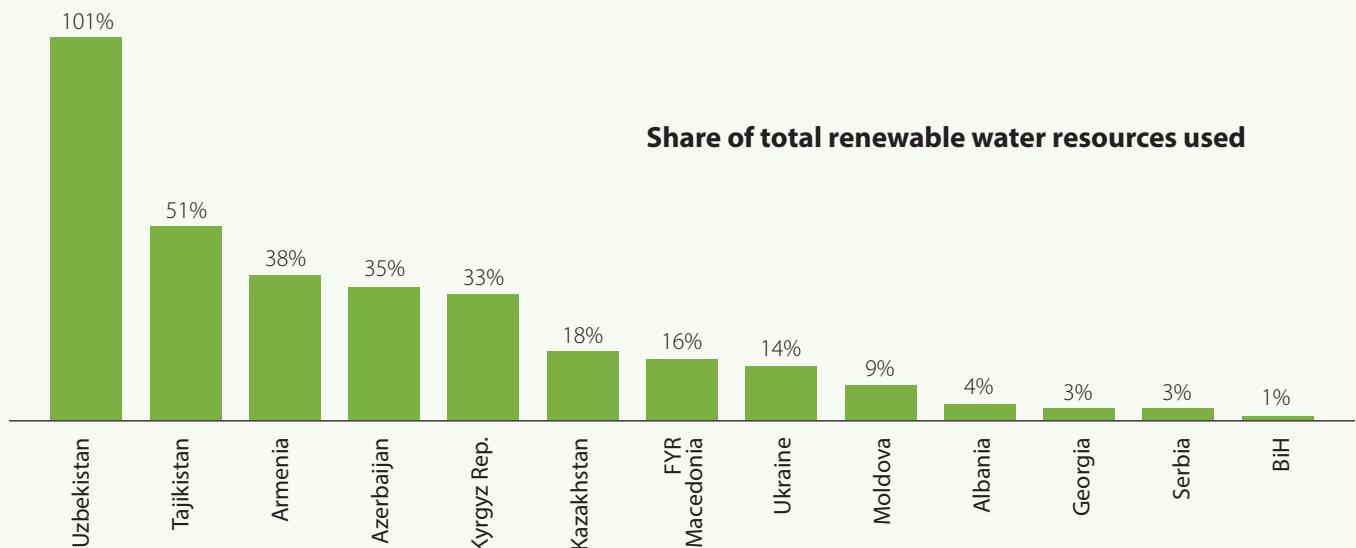
countries. In addition to the region’s extensive cross-border river basin management challenges (which affect at least portions of the Amu-Darya/Syr-Darya, Balkash-Alakol, Danube, and Kura-Aras basins), these issues raise growing climate change adaptation concerns, with important implications for disaster risk reduction (UNDP, 2016), as well as for household food and energy security in a number of the region’s less wealthy countries.

Development results from the Aral Sea basin show how pressures on natural capital—particularly in terms of the “energy/water nexus”—and inequalities (both spatial and socio-economic) can go together. The desiccation of the Aral Sea has resulted in hardships that have been born disproportionately by vulnerable households and communities that had been living in close proximity to the (vanishing) Aral Sea coastline. UNDP’s 2011 poverty and social impact assessment of energy and communal services policies in Tajikistan and the Kyrgyz Republic (UNDP, 2011a) showed how low-income households and residents of isolated mountainous communities are most likely to suffer electricity cut-offs and other disruptions in household energy security during the difficult winter months. They are also more likely to have to resort to inefficient, expensive electric heating, or pollution-intensive coal or biomass, rather than gas or central heating (Figure 39). World Food

Figure 37—Shares of population living on degraded land (2010)



Source: UNDP Human Development Report Office.

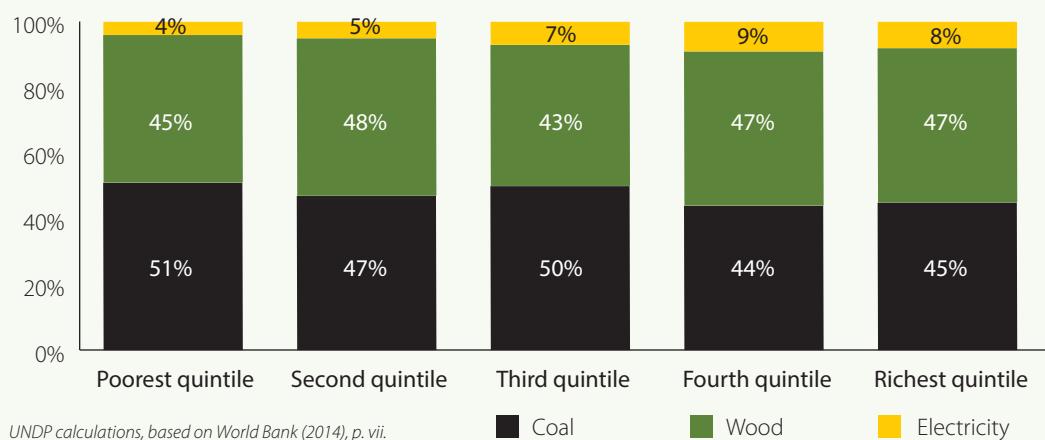
Figure 38—Fresh water withdrawals in the region (most recent year available)

Source: UNDP Human Development Report Office.

Programme monitoring indicates that significant numbers of low-income households in these countries continue to face high levels of food insecurity (World Food Programme, 2014, 2016)—linked in part to unsustainable water and land management practices.

Better measures of inequalities, environmental sustainability, and the links between them, are clearly needed. Fortunately, new indicators are appearing that offer hope in this respect (see Box 5). Moreover, a number of sustainable

development goals and targets are quite applicable to the sustainability of natural capital (see Table 5). Using these relationships can result in more sophisticated policy design and larger impact on the ground. This suggests that investments (time, resources, leadership) in integrating stronger, more advanced interlinkages (which are more challenging, based on their complexity) into policies and programming can produce greater gains through stronger policy coherence and co-benefits.

Figure 39—Heat sources in rural Tajikistan, by household income quintiles (2013)

UNDP calculations, based on World Bank (2014), p. vii.

Table 5—SDGs, targets, and prospective indicators linking human development and environmental sustainability

Target 1.4: By 2030, ensure that all men and women, in particular the poor and the vulnerable, have equal rights to economic resources, as well as access to basic services, ownership and control over land and other forms of property, inheritance, natural resources, appropriate new technology and financial services, including microfinance.	Proposed indicator 1.4.1: Proportion of the population living in households with access to basic services.
Target 1.b: Create sound policy frameworks at the national, regional and international levels, based on pro-poor and gender-sensitive development strategies, to support accelerated investment in poverty eradication actions.	Proposed indicator 1.b.1: Number of national action plans related to multilateral environmental agreements that support accelerated investment in actions that eradicate poverty and sustainably use natural resources.
Target 3.9: By 2030, substantially reduce the number of deaths and illnesses from hazardous chemicals and air, water and soil pollution and contamination.	
Goal 6. Ensure availability and sustainable management of water and sanitation for all.	
Target 8.4: Improve progressively, through 2030, global resource efficiency in consumption and production and endeavour to decouple economic growth from environmental degradation, in accordance with the 10-Year Framework of Programmes on Sustainable Consumption and Production, with developed countries taking the lead.	Proposed indicator 8.4.1: Resource productivity.
Target 12.2: By 2030, achieve the sustainable management and efficient use of natural resources.	Proposed indicator 12.2.1: Material footprint and material footprint per capita.
Target 12.c: Rationalize inefficient fossil-fuel subsidies that encourage wasteful consumption by removing market distortions, in accordance with national circumstances, including by restructuring taxation and phasing out those harmful subsidies, where they exist, to reflect their environmental impacts, taking fully into account the specific needs and conditions of developing countries and minimizing the possible adverse impacts on their development in a manner that protects the poor and the affected communities.	Proposed indicator 12.c.1: Amount of fossil-fuel subsidies per unit of GDP (production and consumption) and as a proportion of total national expenditure on fossil fuels.
Goal 15. Protect, restore and promote sustainable use of terrestrial ecosystems, sustainably manage forests, combat desertification, and halt and reverse land degradation and halt biodiversity loss.	

Box 5—Towards better measures of sustainable human development: EMPI and SHDI

Many of the indicators used to measure natural capital in the region share two commonalities with the indicators (e.g., Gini coefficients) commonly used to measure income inequality: both present a fairly rosy picture of the region—and both suffer from significant methodological shortcomings. This gap could be filled by endowing two commonly used human development indicators—the multidimensional poverty index (MPI), and UNDP's inequality-adjusted Human Development Index (IHDI)—with robust environmental sustainability components.

From MPI to EMPI. Multi-dimensional poverty indicators provide quantitative measures of poverty that may integrate, and show linkages between, income- and non-income dimensions of poverty. In 2010, the Oxford Policy and Human Development Institute (OPHI) and UNDP introduced an MPI into the global Human Development Report. This MPI captures intersecting inequalities in three areas of human development—health, education and living standards. However, while this MPI in principle captures the social and economic dimensions of sustainable development, it misses the environmental sustainability component. An “environmentally adjusted MPI” (EMPI) that can quantitatively measure progress in terms of inequalities and environmental sustainability can be constructed by:

- ▶ Adding an environmental sustainability component to the OPHI/UNDP MPI (which could itself be a composite measure of water use, greenhouse gas emissions, land degradation, and other well accepted ecological indicators); and

- ▶ Adjusting the other MPI components to reflect variance from, as well as the levels of, national averages (to strengthen its measurement of inequalities).

From IHDI to SHDI. UNDP's 2010 Human Development Report also introduced the inequality-adjusted Human Development Index (IHDI). By reducing national HDI scores by the extent of the variance along the HDI's living standards, health, and education components, the IHDI shows how much development a given country loses because of inequalities in these three areas. The IHDI could be made a measure of environmental sustainability, as well as inequalities, by adding an environmental component—the logic of which could be analogous to that of adding an environmental component to the MPI (as described above).

In contrast to the EMPI (which remains on the drawing board),⁷ the SHDI has already been applied in a number of national contexts. It was presented by the Government of Armenia at a side event at the “Rio+20” Sustainable Development conference in June 2012; results were subsequently published by the Armenian Statistical Office's <>Environment and Natural Resources in the Republic of Armenia for 2011>> yearbook. The concept was presented as a UN Economic Commission for Europe working paper (Ivanov and Peleah, 2013) and discussed at a meeting of the Conference of European Statisticians in 2013. Montenegro's 2014 National Human Development Report (UNDP, 2014f) also featured estimates of “SHDI cousins” (the “extended HDI” and “affordable HDI”) for a number of countries in the region

⁷ A fuller explication of the EMPI can be found in Peleah and Bouma (2016).



Photo: Vladimer Vaishvili / UNDP





Inequalities and
inclusive governance

Inequalities and inclusive governance

Capacity development and state-building challenges have often been linked to the region's ethnic diversity and post-conflict character.

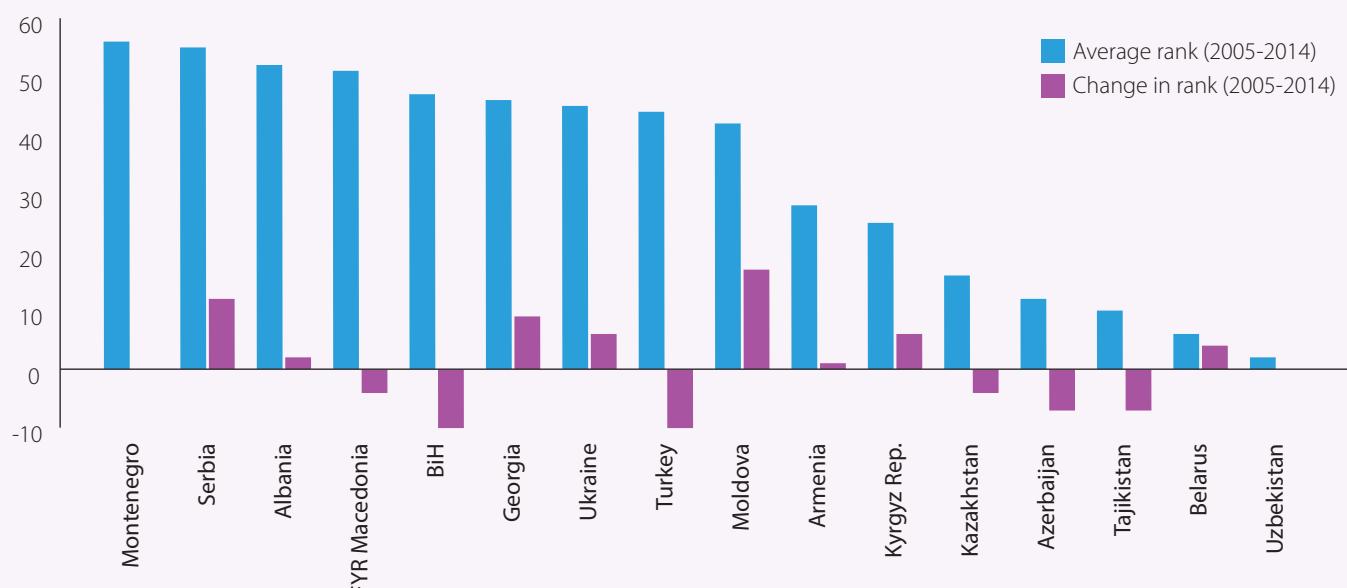
Governance can be understood as the traditions and institutions by which authority is exercised. These include the processes by which governments are selected, monitored and changed; governments' capacities to formulate and implement policies; and the ways in which citizen trust and confidence in the state (or lack thereof) are articulated. Formal and informal governance institutions, rules, and processes, which mediate the use of power, force, and resources, are critical to addressing challenges of inequalities and exclusion. UNDP (2011) found that institutions can be key drivers of inequality and exclusion in the region. Governance concerns in the region have since continued: honest and responsive government have been voted among the top four priorities for the global development agenda by nearly 100,000 respondents from the region in the United Nations My World survey.

Extensive global literatures on the relationships between governance, inequalities, and conflict

have emerged. However, while there seems to be general agreement that high levels and inequality, poor governance, and conflict often go together, questions about the specific governance reforms needed to reduce inequalities and prevent or mitigate conflict are often more contentious. Nonetheless, the inclusion of SDG16 ("peace, justice, and strong institutions") in Agenda 2030 is a reflection of growing demands for global efforts to address inequalities (real and perceived) before the law, and to do so in ways that defuse conflict potential (UN, 2015).

While not explicitly entitled a governance goal, SDG16 concerns the institutions, rules, and norms through which policies are developed and implemented, disputes resolved, and accountability for the use of power and resources enforced. Agenda 2030 and SDG16 recognize that participation in decision-making, access to justice, and respect for human rights (including the right to development) are critical to sustainable development. Effective and accountable institutions lie at the heart of enlarging people's choices and capabilities, and the foundation for government policies that promote sustainable development (Kaufmann, 2004). SDG16 also

Figure 40—Governance trends in “voice and accountability” in the region



UNDP calculations—annual averages, taken from World Bank Worldwide Governance Indicators data.

Note: * Voice and accountability "reflects perceptions of the extent to which a country's citizens are able to participate in selecting their government, as well as freedom of expression, freedom of association, and a free media".

** The higher the ranking, the more favourable the assessment. 100 is the highest score, 0 is the lowest.

seeks to significantly reduce all forms of violence, and promote lasting solutions to conflict and insecurity. This reflects the recognition that sustainable development and good governance cannot be meaningfully pursued in the absence of peace and security. Agenda 2030 therefore stresses the need to prevent or resolve conflicts, and to support post-conflict countries, *inter alia* by ensuring that women have a role in peace- and state-building (United Nations, 2015a).

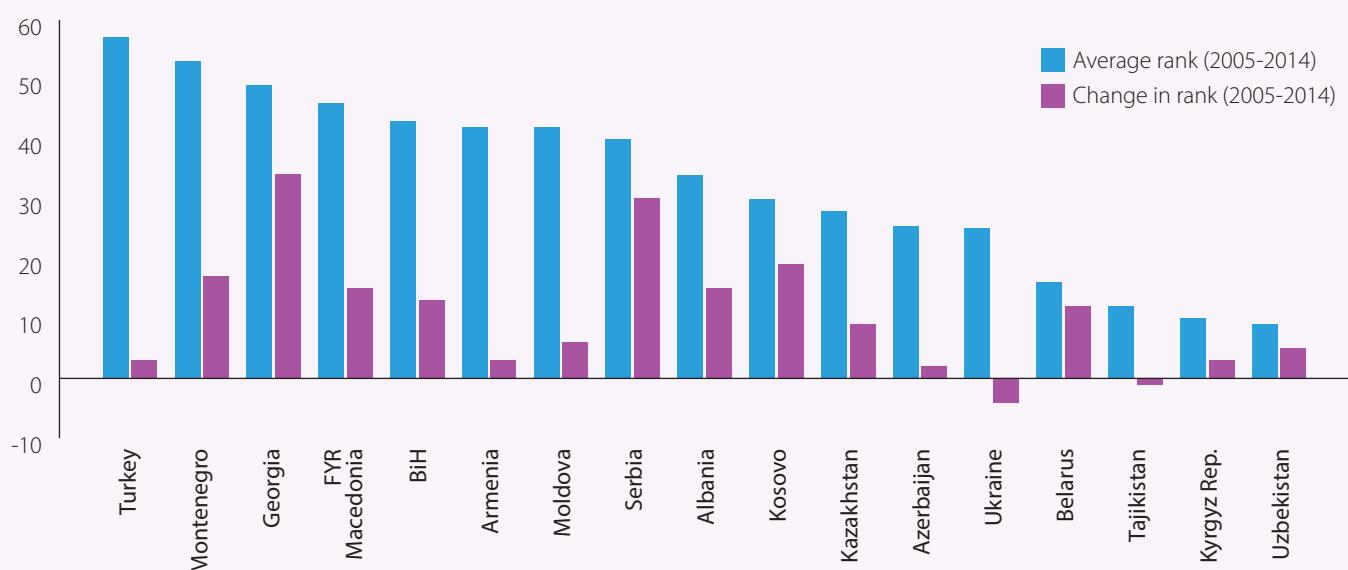
Ten of SDG16's 12 targets focus on inclusive and peaceful societies; the additional two focus on the means of implementation. Twenty-one global indicators to monitor progress towards meeting these targets have been proposed; where relevant and possible, these should be disaggregated by income, sex, age, race, ethnicity, disability, geographic location, and other vulnerability characteristics, in accordance with fundamental principles of official statistics (United Nations, 2014). However, many of the issues that are addressed by Goal 16 (e.g., state transparency and accountability) have not been formally measured by official state statistics. The indicators and survey procedures needed for this monitoring will have to be constructed.

SDG16 targets that could be particularly relevant for analysing inequalities and governance trends in the region include:

- 16.3: Promote the rule of law at the national and international levels, and ensure equal access to justice for all;
- 16.5: Substantially reduce corruption and bribery in all its forms;
- 16.6: Develop effective, accountable and transparent institutions at all levels; and
- 16.7 Ensure responsive, inclusive, participatory and representative decision-making at all levels

Most of the region has undergone profound governance transformations since 1990. The dissolution of the socialist federations that had been the Soviet Union and Yugoslavia led to the appearance of some 20 new states, many of which had no recent history of independent governance. This necessarily placed institutional capacity issues at the top of national development agendas. But even for those countries whose independent statehood predates the 1990s (e.g., Albania, Turkey), institutional

Figure 41—Governance trends in “rule of law” in the region



UNDP calculations—annual averages, taken from World Bank Worldwide Governance Indicators data.

Note: * Rule of law “reflects perceptions of the extent to which agents have confidence in and abide by the rules of society, and in particular the quality of contract enforcement, property rights, the police, and the courts, as well as the likelihood of crime and violence.”

** The higher the ranking, the more favourable the assessment. 100 is the highest score, 0 is the lowest.

Inequalities and inclusive governance

There are extensive public concerns about the quality of governance in the region, particularly when it comes to corruption and unequal status before the law.

capacity for the governance needed for states to meet their obligations vis-à-vis their citizens has been a major concern.

Capacity development and state-building challenges have often been linked to the region's ethnic diversity, and to its post-conflict character. Many countries in the region have large ethnic minority groups, some of whom—like the Roma of Southeast Europe—face discrimination on a daily basis. The region also faces potential or actual armed conflicts in a number of countries, which generally reflect difficult combinations of ethnic tensions, inadequate governance, contentious distributions of state resources, and corruption. These conflicts have sometimes taken the

form of separatist movements (often along ethnic lines) that have attempted to break away from one of the Soviet or Yugoslav successor states. Many of these conflicts have ended in stalemates or without peace treaties—resulting in “frozen conflicts” or areas of “disputed sovereignty”. They have also resulted in hundreds of thousands of deaths, injuries, refugees and internally displaced

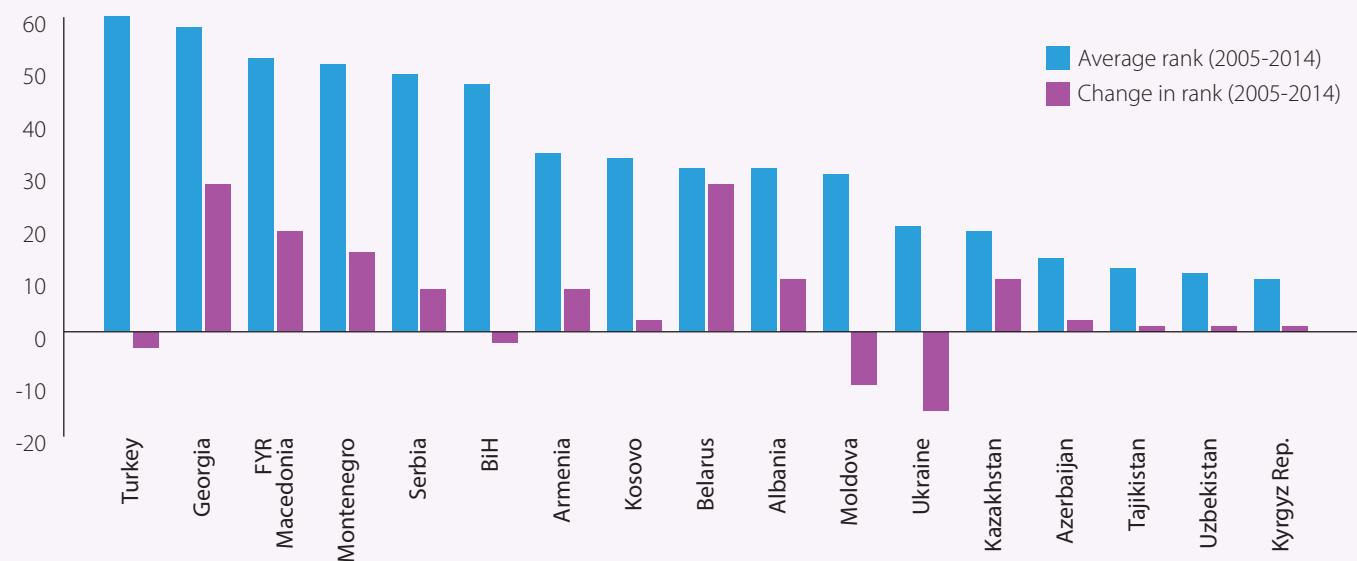
persons (IDPs), with many thousands of persons still missing.

Inequalities and restricted human development opportunities can also be found for vulnerable groups such as women, ethnic minorities, persons with disabilities or living with HIV/AIDS, and the lesbian, gay, bi-sexual, transgender communities. Discrimination in public life, and ethnic, gender-based, and homophobic violence continue to limit development possibilities for members of these groups.

Governments in the region have taken major strides in developing the institutional capacity needed for duty-bearers to discharge their responsibilities vis-à-vis rights-holders. However, in some cases, legacies of pre-1990 governance patterns have interacted with the tensions associated with political and economic reforms to exacerbate popular sentiments about exclusion and alienation from state structures. Popular perceptions of corruption and inequalities between the rulers and the ruled, and between the “haves” and “have nots”, are common results (Chayes, 2016).

These perceptions are apparent in the public opinion data and expert assessments shown in the World Bank's Worldwide Governance

Figure 42—Governance trends in “control of corruption” in the region



UNDP calculations—annual averages, taken from World Bank Worldwide Governance Indicators data.

Note: * Control of corruption “reflects perceptions of the extent to which public power is exercised for private gain, including both petty and grand forms of corruption, as well as ‘capture’ of the state by elites and private interests.”

** The higher the ranking, the more favourable the assessment. 100 is the highest score, 0 is the lowest.

Indicators.⁸ This database contains time series data that rank more than 200 countries and territories according to such critical governance indicators as “voice and accountability” (Figure 40), “rule of law” (Figure 41) and “control of corruption” (Figure 42).

The data recorded for these indicators during the past decade suggest that, despite important progress made (which is particularly apparent in Albania, Belarus, Georgia, Kosovo, Moldova, and Serbia), the region does not fare particularly well by international standards—particularly in the governance/inequality nexus. About half of the region scores in the middle third of the Worldwide Governance Indicator rankings, with the other half in the bottom third.

These data suggest that many countries in the region may face particular challenges in terms of SDG target 16.3 (“promote the rule of law at the national and international levels, and ensure equal access to justice for all”), target 16.5 (“substantially reduce corruption and bribery in all its forms”), target 16.6 (“develop effective, accountable and transparent institutions at all levels”), and 16.7 (“ensure responsive, inclusive, participatory and representative decision-making at all levels”).

A similar pattern is apparent in the public opinion data captured by Transparency International’s Global Corruption Barometer (Figure 43), according to which a majority of survey respondents believe that the “government is largely or entirely run by a few big entities acting in their own best interests” in seven of the twelve countries from the region covered.

Public opinion data captured by the European Bank for Reconstruction and Development’s *Life in Transition Survey* strike a similar note. In terms of public services, corruption in the health sector (ranging from informal out-of-pocket payments made to service providers to large scale corruption in health sector procurement) remains a significant concern (Figure 44). According to these data, nearly one third (32 percent) of respondents in the region reported making informal payments in order to access medical treatment. This disproportionately affects low-income households.

The survey data and expert assessment information contained in the World Bank’s Doing Business data base offer further insights into the governance/inequality nexus in the region. For a number of years, many of the region’s economies

have reported significant improvements in their “Doing Business” rankings. All but two countries in the region now find themselves in the top half of these global rankings; the former Yugoslav Republic of Macedonia, Georgia, Armenia, Kazakhstan, Belarus, and Montenegro are in the top 25 percent.

However, as the data in Figure 45 show, much of this improvement has been due to the liberalization of such simple business procedures as formally registering a company or commercial property. Reforms in these areas are certainly important—particularly for the self-employed, and for the owners and workers in small and micro-enterprises.

By contrast, the data in Figure 46 indicate that tax problems and access to energy continue to be significant barriers to doing business in the region. These problems can be particularly difficult for small companies which (in contrast to larger firms) do not have legal departments to defend their interests vis-à-vis the tax authorities or communal service providers. These data suggest that governance reforms to improve business climates in the region—particularly for small and micro-enterprises (whose owners and workers are likely to be toward the bottom of the socio-economic pyramid)—should focus less on deregulation and more on deepening the institutional capacity of electricity service providers, the tax authorities, and other regulatory bodies—in order to level the commercial playing field for small companies.

Policy reforms and programming directions.

These perceptions of corruption and inequalities before the law are not necessarily reflected in the official data on the distribution of income or wealth. Accurate or not, such perceptions can undermine state legitimacy, social contracts, and socio-economic stability. In addition to addressing these threats, renewed commitments to reducing corruption and strengthening the rule of law can reduce inequalities by:

- ▶ *reducing the informality* that deprives many workers of labour rights and access to social protection;
- ▶ *increasing government budget revenues* (including via crackdowns on illicit financial

Protecting civil and political rights, and education to increase awareness about these rights, can help to reduce corruption.

⁸ These indicators are imperfect and present challenges—particularly in terms of international comparisons. On the other hand, the data on which they are based have been sourced from a single database that has been constructed and is updated according to comparable methodological standards, both over time and across countries. In any case, the global monitoring of SDG16 seems likely to be based on these indicators (or their cousins).

Inequalities and inclusive governance

flows), in order to make social protection systems more sustainable;

- *providing vulnerable groups—including those who may otherwise be subject to ethnic, gender, or other forms of discrimination—with better access to justice and social services; and*
- *levelling commercial playing fields, to boost business prospects for small entrepreneurs.*

Renewed commitments to public administration and civil service reform, as well as the expanded use of innovative e-governance and social media, can go a long way towards making governments more responsive to the needs of vulnerable groups.

Most countries in the region have introduced legal bans on discrimination against ethnic minorities, women, and people with disabilities, while guaranteeing access for these disadvantaged groups to government services and facilities. However, the implementation of these measures too often founders on unequal access to justice, political power, and decision making; as well as on inadequate capacity of duty-bearing institutions, and discrimination-induced gaps in education and labour-market status. Positive discrimination and other

temporary measures may in some instances be needed to address these challenges.

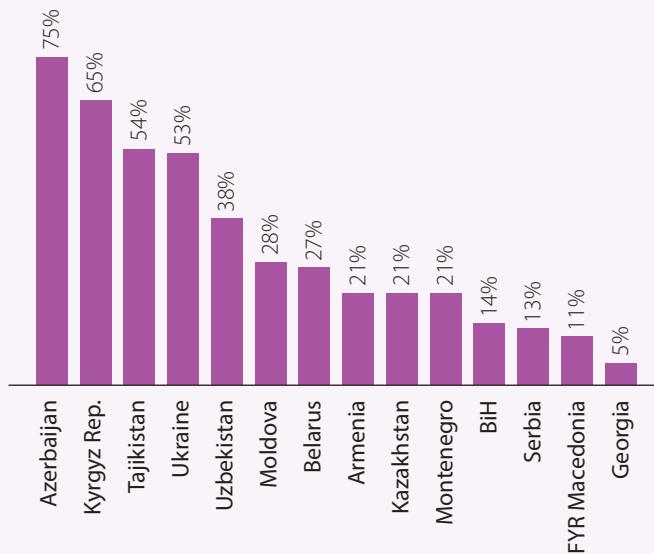
Linkages between conflict and inequalities should not be overlooked in this region. Discrimination, unequal access to public services, and other inequalities of opportunities can create or exacerbate inter-group tensions, potentially leading to outbreaks of violence. But instead of improving the lot of disadvantaged populations, conflict more often creates further inequalities and disparities—heightening feelings of enmity and deprivation, and making future conflicts more likely.

Renewed commitments to civic engagement in the region are needed, to provide vulnerable groups with the support they need to access justice and public services from duty bearers. By helping to reduce corruption and promote business development, civil society can boost local economic development and allow central governments to focus on issues that are national in scope.

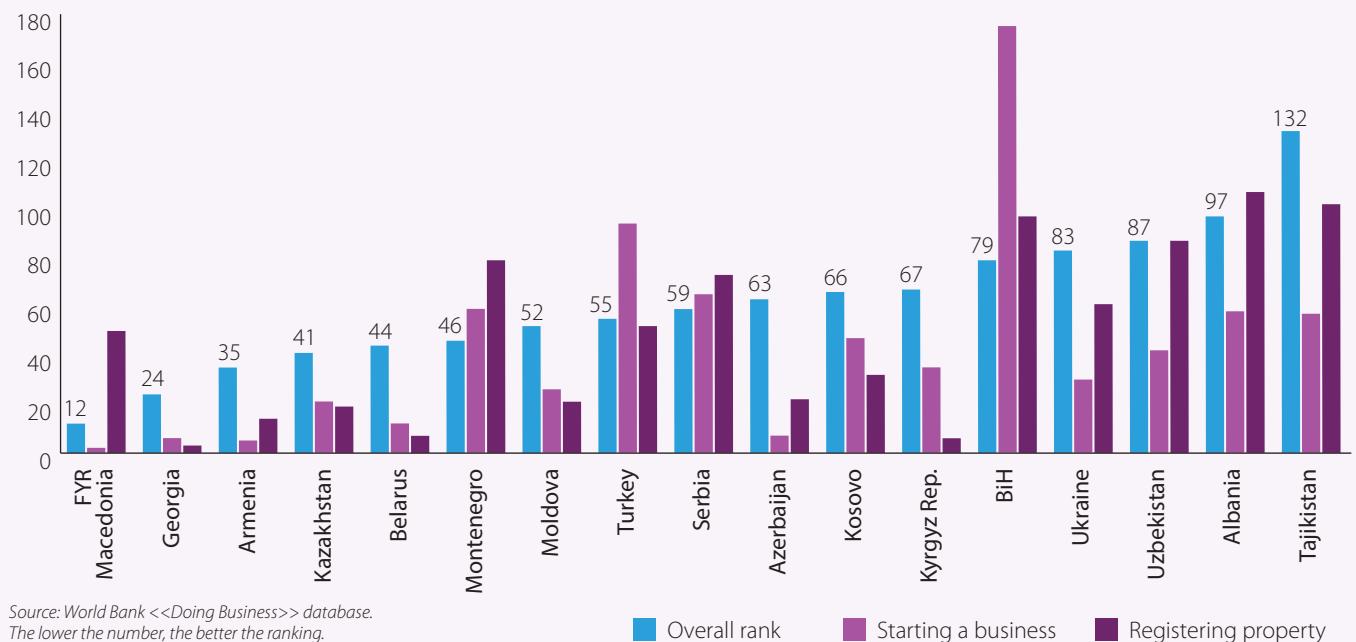
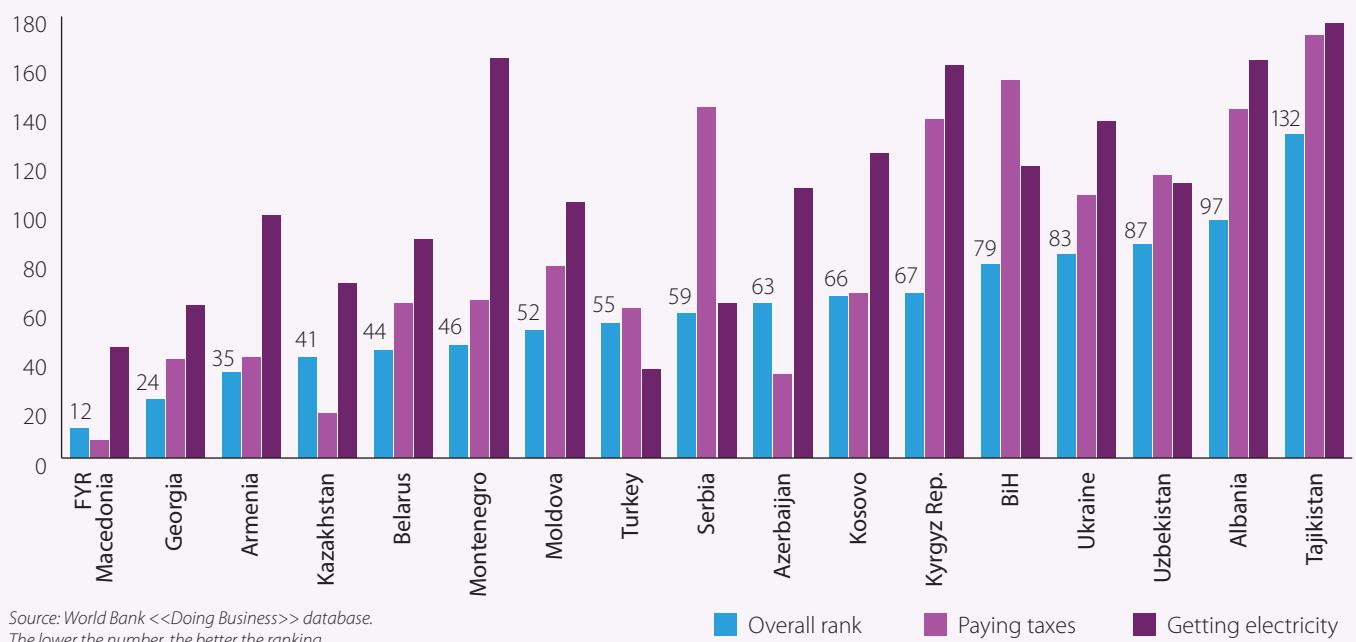
Figure 43—Share of survey respondents who believe their “government is largely or entirely run by a few big entities acting in their own best interests” (2013)



Figure 44—Percentage of respondents who admit to making informal payments when accessing public health services



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Figure 45—Rankings in the World Bank’s Doing Business (2016) survey: Areas of progress**Figure 46—Rankings in the World Bank’s Doing Business (2016) survey: Key barriers**

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