

The Comparative Analysis of Economic and Social Performances of Transition Economies and the Case of Bosnia-Herzegovina¹

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Abstract: Transition economies have undergone an enormous transformation since 1989-1991. After the recession of the early 1990's, some of these economies experienced a GDP recovery, at a different pace, with different outcomes in terms of economic growth and social performance (human development, employment, poverty, etc.). This paper tries to analyze the level of human capital for Transition Economies by comparative methods. In order to analyze level of human capital for Transition Economies, we used the human development indexes. Transition economies progress in the transition process has different effects due to internal and external factors. The human development level in transition economies is relatively high in spite of a huge recession and very poor economic performance, thanks to previous investments made in social dimensions by previous regimes. In fact, economic performance would suggest worse human development levels. Nevertheless, the transition process influenced the non-income dimensions of people, often worsening the main indicators. Among the countries of Central and Eastern Europe, Bosnia and Herzegovina is the ninth position as far as HDI rank is concerned, just above Macedonia and Albania. BiH in aggregate human development terms is continuing to progress. Its HDI score now places it at the lower band of the most developed countries in the world.

Key Words: Human Capital, Human Development, Transition Economies, Bosnia-Herzegovina

Introduction

After the collapse of the Soviet, Countries belongs to the Socialist economic system has tried to change the production and trade forms of economy fundamentally from the socialist to open economy. These economies need to structure of property and the consumer and producer of behavior a well for change in the encounter. The countries economic structures defined as transition economy. The countries in the transition process get attention due to several reasons by the researchers. This study tries to analyze the transition characteristic of the economy of the South East European Countries' human and social development levels, the human and social development and economic development relationship. Therefore, this study aims to compare the transition economies of the human development levels in comparison analysis. In this goal, transition economies of education rate, enrolment ratio, the average life expectancy and people per capita are used to reach human and social development index values of using the for analysis. Thus, the countries' economic development human capital potential has been determined. Although, income shows economic development levels for countries, income, health and the quality of should be the taken into consideration on the basis of the examination.

As we know that The United Nations Development Organization publishes every year in a Human Development index (Human Development INDEX-HDI) since 1990, this index not only shows the qualitative change but also in terms of quality that functions as a scale of an important indicator. This index covers economic performance, human and social development, the education and health indicators.

This study proceed as follows: The first section gives the properties of transition economies, features economic performance and the relationship between the human and social development. The second section explains the human capital and the concept of human and social development index. The third section examines the transition economies' levels in human and Social Development index.

¹ This paper based on "The Comparative Analysis of Levels of Human Development Levels of Transition Economies" presented at the Karamanoglu Mehmetbey University Journal of Economic and Administrative Sciences Faculty and "The Comparative Analysis of Levels of Human Development of Middle Asia Turkish States And Turkey" II. International Social Scientists Congress, Bishkek, 22-24 October 2008.

1. Transition Economies and Economic-Social Performance

Transition economies have undergone an enormous transformation since 1989-1991. After the recession of the early 1990's, some of these economies experienced a GDP recovery, at a different pace, with different outcomes in terms of economic growth and social performance (Tridico, 2005:1). After the collapse the bloc's Socialist in 1989, these countries has increased their effort to transforming economic systems. Countries are living this transition process from central plan economy to free market economy economic structures defined as "Transition Economy". Even though these countries are classified in different group for several criteria, these countries classified as the geographical and their union categorical : Central and Eastern European Countries and the Baltic Countries (The Czech Republic, Poland, Lithuania, and others), South -East European Countries (Romania, Bosnia and Herzegovina, Albania, and others) and the Commonwealth of Independent States (Georgia, Ukraine, Azerbaijan, and others).

1.1. Economic-Social Performance

Transition from central plan economy to free market economy is a tough process and fundamental reforms are required. Institutional structure with the social norms, the institutions which fails powers and values ties between should be transformed (Tridico, 2005:2). This transformation, transition economies the current economic problems increased problem and makes difficult transition. In the early 1990s, Central and Eastern European Countries and the Commonwealth of Independent States member of the countries in economic wreckage, poverty, have increased its income distribution changed and unemployment rates increased.

In particular The Former Soviet Union countries of the people living life standards are getting worse. This situation in countries market economy transition process is lame and that it put faith in the adverse effect. New economic order and relations, the establishment of the development of perceptions of people depends on the changing.

Transforming economy from the planned economy to the market economy involves many social costs. There are several reasons. These reasons are: there is no social security guarantees in market economy, it does not personal prosperity of the education and health services focus on economic productivity and competition, the budget deficit will decrease social services performed. Even though, the transition economies show different characteristics, they have some similar properties. The properties; some of the state administration with a relatively flexibility at a distance but is strong, public sector to be great, underdeveloped corporate infrastructure, the problem is poverty to be widely (UNDP, 2005a:16).

In addition to these, due to the lack of infrastructure crime fed its height is that a bribe with problem also serious fundamental problems with is among them. These problems are important barriers for the development of the market economy. This claims to the contrary the countries in another feature, human capital and social the most important factor in the education of the infrastructure in the field of the very strong. The economy of Transition process the countries of the economic structures and the situations is significantly differ from the. The Baltic countries and among the Balkan countries, there are differences between Turk Republics and the Central European countries.

Table 1: Transition Economies and Economic Performances USD

Central Eastern Europe – The Baltic States			South Eastern Europe			Commonwealth of Independent States (CIS)		
Country	Annual Growth Rate (1990-2005)	PPP Income (USD) 2005	Country	Annual Growth Rate (1990-2005)	PPP Income (USD) 2005	Country	Annual Growth Rate (1990-2005)	PPP Income (USD) 2005
Slovenia	3.2	22273	Macedonia	-0.1	7200	Russia	-0.1	10845
Lithuania	1.9	14494	Romania	1.6	9060	Ukraine	-2.4	6848
Latvia	3.6	13646	Bosnia-Herz.	12.7*	2546	Belarus	2.2	7918
Estonia	4.2	15478	Bulgaria	1.5	9032	Moldova	-3.5	2100
Poland	4.3	13847	Albania	5.2	5316	Georgia	0.2	3365
Czech Rep.	1.9	20538				Armenia	4.4	4945
Slovakia	2.8	15871				Kazakhstan	2.0	7857
Croatia	2.6	13042				Azerbaijan	...	5016
Hungary	3.1	17887				Turkmenistan	-6.8	3838
						Uzbekistan	0.3	2063
						Kyrgyzstan	-1.3	1927
						Tajikistan	-4.0	1356

Source: (UNDP, 2007b:277-80)

* Data refer to a period shorter than that specified.

In addition to these differences, economies liberalize and privatization programs differences into account the given the countries that economic performance transit and was successfully programs resuming a limited similarities are observed. It is therefore, the country assessments is not based on the individual country, assessments should based on grouped countries.

Transition economies economic performances of the assessment is done in particular in Europe the countries involved growth and income per capita indicators compared to others is quite high that acceptable. Central and Eastern European Countries and the Baltic Countries' per capita of income levels 13000-22000 USD (PPP) while between 1990 and 2005 between the years annual growth rate is between 1.9 - 4.3. In South East European countries per capita of the level of income 5000-9000 USD (PPP) and economic growth rate accept Bosnia and Herzegovina and Albania, is quite low. In The Commonwealth of Independent States of the countries in the Russian to those who level of income 8000 USD (the PPP under the) while the average annual performances are growth distributed between -6.8 and 4.4. In this group, economic performances of the Turkish Republics are lowers than the others

When we compare the transition economies with countries in low human infrastructure and low economic performance, due to social investments by the socialist regime, the human development level is relatively high. But economic crisis in the early 1990s, due to the low economic performance, human and social development has affected negatively. In particular, The Baltic countries and the Commonwealth of Independent States of death of countries increased rates of, the average life expectancy shortening, education and health investments for the slowdown causes. Kyrgyzstan's income, education and health indicators taken into consideration of the economic crisis effects more open to a trend.

Meanwhile, in 1993, per capita in purchasing power 2330 USD decreased to USD 1850 in 1995. The average life expectancy with 67.3 years decreased to 66 years and enrolment ratio decreased from 66 to 63 percent (UNDP, 2000a:87). The indicators of human and social development came to their levels after 2000. From Ancient period's philosopher to historian's Ibn el Sina to the many intellectual made various assessments. But, the modern explanation of human development and UNDP Human Development Reports based on Amartya by the endurance work and the people to boost options as the process is defined (UNDP, 2007/8:22-23). A Long and a healthy life, information acquisition and a good standard of living the necessary conditions for the provision of the human and social development concept include four fundamental elements.

Table 2: GDP and HDI for Transition Economies (1985-2002)

GDP/HDI	HDI Reduction	HDI Stable	HDI Increase
GDP Reduction	Russia, Bulgaria, Romania, Moldova, Kyrgyzstan, Ukraine, Kazakhstan, Macedonia, Bosnia-Herzegovina, Serbia-Montenegro	Tajikistan, Georgia, Armenia, Azerbaijan	
GDP Stable		Uzbekistan, Belarus, Turkmenistan	
GDP Increase		Albania, Latvia, Croatia, Lithuania, Estonia, Slovakia	Slovenia, Poland, Czech Republic, Hungary

Source: (Tridico, 2005:26-27)

These are: people in economic preferences expand, from the point of economic efficiency capable of the event, the people against discrimination and to protect human development potential to use freely and equality of the present time, and the future capabilities offspring safe use of the sustainability was passing by and the capabilities of potential and that these drive development of capability (UNDP, 2007/8:22-24). The relationship between human development and economic performance is the very complex. Economic growth boost mad contribute the human development level. But the economic growth and the humanities would not occur at he same time. It is therefore transition countries' economic performances and the human development relationship could not be explained for the entire same manner. The Countries economic performances and the human development performances are different. The most important reason is that difficulties order to change economic system and the effort includes social and economic costs.

According to a study which covers 1985-2002 a Russia according to the, Bulgaria, Romania, Moldova, Ukraine, Macedonia, Bosnia and Herzegovina, Montenegro Serbia, Kyrgyzstan and Kazakhstan to both the income and the human development of the decline in the while the Albanian, Latvia, Lithuania, Croatia, Estonia and Slovakia humanities and social development levels also defended income levels increased. Tajikistan, Armenia, Georgia and Azerbaijan in the humanities and social development levels stay the same and but the level of income declined (Tridico, 2005:26/27).

According to the another study covering the years 1990-1997,16 countries human development levels of declined. The basic reasons for these are the economic recession and plague diseases (HIV/AIDS). The study

includes Belarus, Bulgaria, Azerbaijan, Kyrgyzstan and Tajikistan which have economies recession and human development levels are affected negatively (Mendoza, 2001:101).

1.2. Human Development

Human development is about expanding the choices open to people to lead full and valuable lives. First articulated in the 1980's, the approach provides a means of understanding and tracking economic and social progress which is rooted in the real-world experiences of ordinary people. A company values of property not only the value of the assets but also the value of the employees' information and skills level. Thus, the countries development level is not only measured by per capita income of citizens but also the information, knowledge, health level taking into consideration to evaluate. It Therefore, In order to measure and compare developed countries development level, we consider quantitative indicators and qualities indicators. Even though, there are different definitions of human capital represents the combination of ability of labor and individuals. Human capital covers, people information together with the skills, talent, attitude, reliability, commitment to, creativity, to share information at the request, become part of the team in organization to concentrate on goals (Abeysekera, 2004:253)

Human capital not only covers knowledge, information and skills but also covers several features. These features are; technical information and talent; Education; Professional qualities of Employees; a community participation in the Professional; development; Entrepreneurship spirit, innovation, progressive, Training programs; racial, religious and competition; equality Flawed equality; employment security; Syndicate operating; number of Employees , properties and effectiveness (Abeysekera, 2004:259).

Due to above difficulties to measure human capital and compare countries, we need to find a new a practical way. It is therefore, The United Nations Development Organization (UNDP), measure the development level by education, health and revenue data of the Human Development Index (HDI). This index formation gives information about the development level and human development level. Thus, it is the most important index. Certainly human development have several indicators but difficulties in measuring, the limited, limited number of indicator should be used. Political, cultural and economic freedoms, starting with the human rights of individuals, increase the efficiency and creativity alternatives to provide that contributes too many of the size of the human development based on three dimensions. If only three dimensions taken into consideration under a large number of variables may change the direction of study basic indicators may be ignored.

The first dimension of human development index is measured by the long and healthy life, the average life expectancy. Life expectation is an indicator of health and nutrition in connection with a better life. If a country provides health and nutrition in good conditions to individuals, the average life expectancy there will be longer. The infant mortality rate is the most basic health indicator of the average life expectation. In particular, baby death rates are high in countries where the average life expectancy is very low to maintaining. The low rate of infant mortality rate shows high the average life expectation.

The second dimension of human development index is information and education. This dimensions the most important and easily calculable indicators and measured. Education rate e be measured with countries in particular the comparisons when it comes to the wrong consequences to open. Enrolment ratio of adults with the rate of literacy is the same but the higher education levels of the different two country's education indicators in this measurement will be the same. But for all the countries and easy to check the education rate to the school and the countries of education level of measuring the indicators show hospitality

The first dimension of human development index is necessary resources to have better life. There several difficulties to measure it. Thus, average income levels taken into account.

In order to remove disparities between countries, per capita of GDP figures are used and marginal contribution are taken into consideration. Each of the countries, education and health indicators of certain calculations transferring 0 and 1 of value gathered after divide three and thus each country's index is calculated. This calculation, each of the indexes a points improvement in the middle of the same with the human development process marginal of the different effect on possible. For example, 0.1 point increase in the average life index contributes differently on 0.5 or 0.9, but the average will be the same finally. Moreover, in health index, 0.1 points contribute on average for income or education index, this change differently human development index. Despite the fact some difficulties, the human development index shows development level of countries and this still an important index.

1.3. Human Development Index

Human capital is the most fundamental element of the economic development for Countries. Physical capital, technological development and natural resources in other such as presence of elements of the system has economic the functioning of the other of the key factors are among the others. But the human capital economic development of basic elements of the one of the as well as the other elements are producing and efficiently in the

exercise of a positive and of the effects. It is therefore countries human developments and social development of the capital's potential is very important as a factor is considered. In order to have an assessment for Transition Economies' economic development according to only income levels take into consideration is not very meaningful happening. Because the countries market economy transition process is still ongoing and the level of income citizens' welfare levels designation may inadequate. It is therefore of income, with levels of economic with the development of an important factor in the human development levels of development is also taken into account.

The human development level in transition economies is relatively high in spite of a huge recession and very poor economic performance, thanks to previous investments made in social dimensions by previous regimes. In fact, economic performance would suggest worse human development levels. Nevertheless, the transition process influenced the non-income dimensions of people, often worsening the main indicators (Ruminska-Zimny; 1997).

Table 3: Human Development Index and Transition Economies (2007-8)

Country Rank	Life expectancy at birth 2005	Adult literacy rate (%) 2005	Combined gross enrolment ratio for education (%) 2005	GDP per capita (PPP US\$)	Life expectancy index	Education index	GDP index	Human Dev. Index Value	GDP per capita minus HDR rank
1 Iceland	81.5	100	95.4	36510	0.941	0.978	0.985	0.968	4
27 Slovenia	77.4	99.7	94.3	22273	0.874	0.974	0.902	0.917	4
32 Czech Rep.	75.9	100	82.9	20538	0.849	0.936	0.889	0.891	2
36 Hungary	72.9	100	89.3	17887	0.779	0.958	0.866	0.874	2
37 Poland	75.2	100	87.2	13847	0.836	0.952	0.823	0.870	11
42 Slovakia	74.2	100	78.3	15871	0.821	0.921	0.846	0.863	-1
43 Lithuania	72.5	99.6	91.4	14494	0.792	0.965	0.831	0.862	3
44 Estonia	71.2	99.8	92.4	15478	0.770	0.968	0.842	0.860	0
45 Latvia	72.0	99.7	90.2	13646	0.784	0.961	0.821	0.855	4
47 Croatia	75.3	98.1	73.5	13042	0.839	0.899	0.813	0.850	4
53 Bulgaria	72.7	98.2	81.5	9032	0.795	0.926	0.752	0.824	11
60 Romania	71.9	97.3	76.8	9060	0.782	0.905	0.752	0.813	3
64 Belarus	68.7	99.6	88.7	7918	0.728	0.956	0.730	0.804	8
66 Bosnia & Hrzs.	74.5	96.7	69.0	7032	0.825	0.874	0.710	0.803	17
67 Russian Fed.	65.0	99.4	88.9	10845	0.667	0.956	0.782	0.802	-9
68 Albania	76.2	98.7	68.6	5316	0.853	0.887	0.663	0.801	30
69 Macedonia	73.8	96.1	70.1	7200	0.814	0.875	0.714	0.801	11
73 Kazakhstan	65.9	99.5	93.8	7857	0.682	0.973	0.728	0.794	1
76 Ukraine	67.7	99.4	86.5	6848	0.711	0.948	0.705	0.788	9
83 Armenia	71.7	99.4	70.8	4945	0.779	0.896	0.651	0.775	20
96 Georgia	70.7	100	76.3	3365	0.761	0.914	0.587	0.755	24
98 Azerbaijan	67.1	98.8	67.1	5016	0.702	0.882	0.653	0.746	4
109 Turkmenistan	62.6	98.8	73.0	3838	0.627	0.903	0.609	0.713	5
111 Moldova	68.4	99.1	69.7	2100	0.724	0.892	0.508	0.708	25
113 Uzbekistan	66.8	99*	73.8	2063	0.696	0.906	0.505	0.702	25
116 Kyrgyzstan	65.6	98.7	77.7	1927	0.676	0.917	0.494	0.696	29
122 Tajikistan	66.3	99.5	70.8	1356	0.689	0.896	0.435	0.673	32
177 Sierra Leone	41.8	34.3	44.6	806	0.280	0.381	0.348	0.336	-5
Developing Count.	66.1	76.7	64.1	5282	0.685	0.725	0.662	0.691	-
WORLD	68.1	78.6	67.8	9543	0.718	0.750	0.761	0.743	-

Sources: (UNDP, 2007b:229-232)

Transition Economies of the human development index of the indicators and orders are shown in Table. This table shows that during the 2007-2008 index indicators the high value and alignment of the country is Slovenia in 2005. After Slovenia, Central Europe and the Baltic countries follow: Poland, Slovakia, Lithuania, Estonia, Latvia and Croatia. Human development index in the area of Transition Economies are second places: Bulgaria, Romania, Bosnia-Herzegovina, Albania and Macedonia. The Commonwealth of Independent States group of the transition economies in the last places among the South East Europe in the group of the Transition Economies of the human development their own indicators comparison of their following graphs. According to the human development index, the most high value to Bulgaria the lowest value of the Macedonia. This total of the 5 countries of the human development levels is above threshold level.

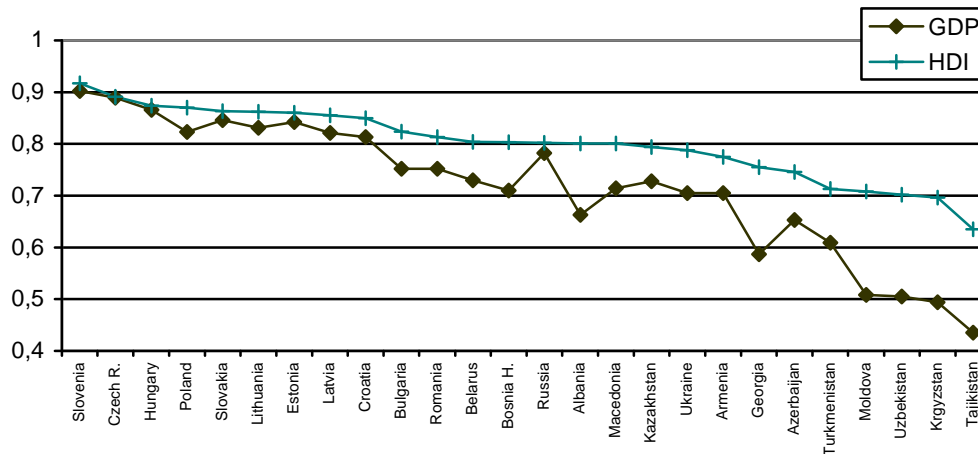


Figure 1: GDP Index and HDI for Transition Economies (2008)
Source: (UNDP, 2007b:229-232)

In general, only countries which experienced an increase in their human development level had a sustained economic growth. Hence it seems to us that, in transition economies, human Development is a sufficient, yet not a necessary, condition for economic growth. This means that there can be economic growth without human development, but if there is human development then there will be economic growth (Tridico, 2005:21).

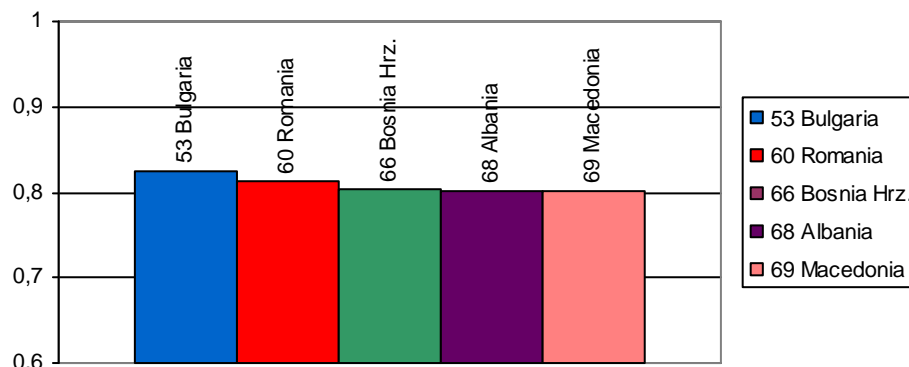


Figure 2: South Eastern Europe Transition Economies and HDI Rank (2007-8)
Source: (UNDP, 2007b:229-232)

Over the past decade, Romania has been experiencing, like many other countries in transition, a process of transformation that involves changing economic and political systems inherited from the communist era. For all the potential that Romania holds and despite many achievements on the political front, the first decade of transition can be considered one of missed opportunities and great disappointments on the economic and human development fronts. Dismantling the command-and control former socialist state with its social protection system and building the bases of a new market-oriented and democratic system has come at a tremendous cost for the over 22 million Romanians (UNDP, 2000b:19)

The Human Development Reports shows that Romania has finally gained a place among the high Human Development Index (HDI) countries by surpassing the 0,800 value of index which makes access to this group. Data for 2004 ranks Romania on the 60th position among 177 countries and data from the National Institute for Statistics shows a further improvement in the HDI for Romania (0.808 in 2005) thanks to improvements in all the three basic components of the index: longevity, education level and standard of living, with the greater increase in the latter one (UNDP, 2007a:5).

But, unfortunately Romania still holds the last position within the European Union countries, the lag between Romania and the next country in the HDI ranking (except Bulgaria ranked 54 with a HDI equal to 0.816 in 2004) is 15 places, namely 0.045 HDI points. As it can be seen in the figure below, the evolution of the HDI for the European Union countries is quite uneven.

Between 1995 and 2000 the 10 New European Union member countries registered higher increases in the HDI compared to the 15 European Union countries at that time, but afterwards, between 2000 and 2004, the trend smoothens and the two slopes become very similar. The two newest European Union member countries, Romania and Bulgaria, are far from the EU25 average and also from the ten countries that have acceded in 2004. As for the difference in the HDI between Romania and Bulgaria the latest tendencies are in favor of Romania, as the overall index increased sharper in its case and the distance between the two countries is smaller by every year that passes (UNDP, 2007a:5).

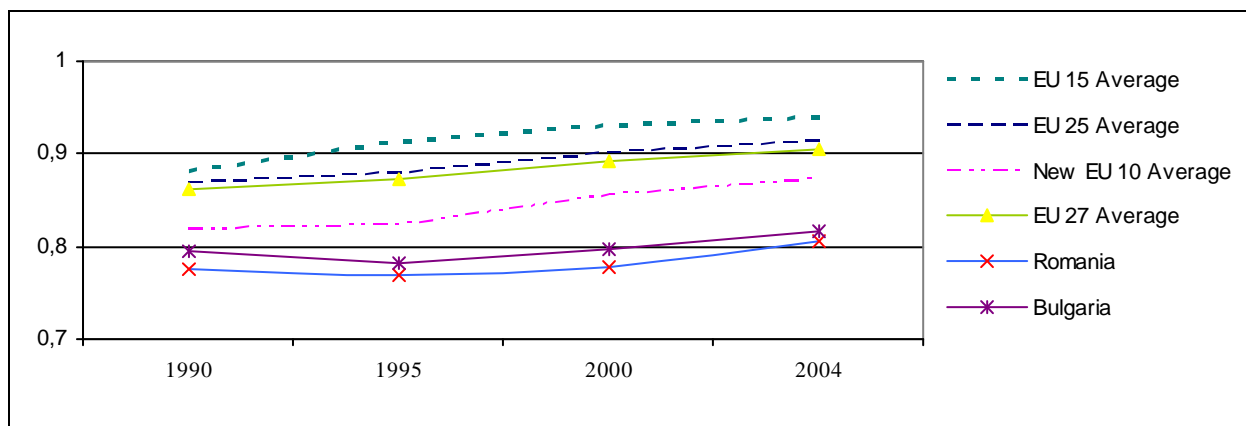


Figure 3: The Evolution of Human Development Index in EU15, EU25, EU27, and New EU10 (2004), Romania and Bulgaria

Source: (UNDP, 2007a:6).

Yet, there is a very important aspect that should be mentioned regarding the Human Development Index dynamics for Romania for the period 2000-2004 and that is the significant change in its value (0.027 points increase) equaled only by Estonia and Lithuania and outrun only by Latvia (0.030 points increase) in the European Union area. This stands for consistent evidence of the important progresses Romania achieved in the area of human development during the last years.

Table 4: Human Development Evolution for Selected Countries in Central and Eastern Europe (CEE)

Country	HDI			HDI Evolution		2004 Rank
	1990	1995	2002	1990-2000	1995-2005	
Hungary	0.807	0.810	0.848	0.027	0.048	38
Croatia	0.806	0.798	0.830	0.017	0.007	48
Bulgaria	0.795	0.784	0.796	-0.011	0.012	56
Romania	0.771	0.759	0.786	0.001	0.017	69
Ukraine	0.798	0.751	0.777	-0.036	0.015	70
Turkey	0.683	0.713	0.751	0.030	0.038	88

Source: (UNDP, 2005b:19)

How does the human development profile of Romania fair in comparison to its region and neighbors? According to the 2004 HDR, of the 15 countries from the CEE only 9 can be classified as high human development countries (with a HDI value of over 0.800). These countries are Slovenia, the Czech Republic, Estonia, Poland, Hungary, Lithuania, Slovakia, Croatia and Latvia. The other 6 countries, including Romania, can be classified as medium human development countries (with HDI values ranging from 0.788 0.667). There are no countries from the CEE classified as having low human development. If the 15 countries of CEE were ranked according to their 2004 HDI value, Romania would be ranked 14. The HDI of Romania is below the average of the CEE (UNDP, 2005b:18). In addition, Romania has to cover a human development deficit of 0.14 to reach the high human development level. Since 1999, the HDI for Romania has increase average 0.009 per year. In the CEE region, fourteen countries, such countries as, Hungary (0.848), Croatia (0.830) and Bulgaria (0.796) have a higher HDI value than that of Romania (0.786). As can be seen in Table 4, the CEE region shows a diverse pattern of evolution of the HDI. While Hungary and Croatia have increased their HDI value at high rates during the last decade, the gains for other countries, including Romania have been at much slower and lower rates during the same period. Romania's transition impact on its human development profile becomes even clearer, when it is analyzed in the context of the remaining countries that are considered candidates to join the

EU, (Bulgaria, Romania, and Turkey), those that are already part of the EU like Hungary and those countries that in the future may be consider candidates like Croatia, Russia and Ukraine. As can be seen in Table 4 among these countries, Romania would be ranked somewhere in the middle, below Bulgaria and Russia, but on top of Ukraine and Turkey.

All of the countries in Table 4 have been pursuing some form of reform policies during the last decade. However, the impact on human development of these processes has been different in all these countries. The HDI value of a country shows the distance that it has to travel to reach the maximum possible value of 1. In this line of analysis and using the values found in Table 4, while Hungary shortfall would be 15%, Romania's would be close to 21% almost twice as much as Turkey.

2. Human Development Index and Bosnia-Herzegovina

It was once the proud boast of Bosnians and Herzegovinans that their country, the former Yugoslavia, was the America of Eastern Europe. The positions of Slovenia and to a lesser extend Croatia today may be taken into consideration in this regard. The Human Development Index and the level of GDP, however, now place BiH among the less developed countries of Europe. In fact, they place BiH among the last two or three of whatever comparative group one chooses, be they the countries of Eastern and Central Europe, the CIS or the Stability Pact (UNDP, 2002:99).

The state of human development in BiH, thus, gives grounds for concern. Per capita incomes remain low, health indicators are at best static and educational performance shows only weak improvement. Most problematic of all, BiH citizens still face a raft of discriminatory practices which circumscribe access to basic services and weaken the wider democratic process. Year by year BiH is falling behind other countries in Eastern Europe (UNDP, 2005c:13). Among the countries of Central and Eastern Europe, Bosnia and Herzegovina is in ninth position as far as the HDI rank is concerned, just above Macedonia and Albania. In terms of the literacy level, the enrolment rate in all three educational levels, and realized GDP/pc (PPPUSD), BiH is below the average of Central and Eastern European countries. BiH is 8.0% more developed than the world's average in the human development context, 14.1% more developed than the average of countries in the medium human development category and 2.6 times more developed than the country which comes last. In 2004, Norway had the highest HDI in the world within index, 21% higher than that of Bosnia and Herzegovina. BiH's HDI rank is 62nd out of 177 reporting countries, below Malaysia and above Mauritius (UNDP, 2007c, 177).

Within the context of human development, a stable progress has been achieved in BiH since 2002. The calculated human development indices are presented in Table 4, together with analyses of trends for the period 2000-2004. The Human Development Index in 2004 was 0.804. By obtaining this score, BiH has entered the group of countries with high human development, i.e. those with a HDI score of 0.800 and above. However, it must be recognized that the increase in the HDI compared to 2003, when it was 0.793, partly results from a revision of the value of PPP adjustment, which simply reflects the difference between relative prices in BiH and the rest of the world. The increase in PPP has to a large degree contributed to the HDI increase. Nevertheless, it is important to consider that most of the assessment data is based upon special surveys and thus the change is not wholly methodological (UNDP, 2007c, 30).

Table 4: HDI Trends for BiH

Year	Life expectancy at birth	Adult literacy rate	Combined enrolment ratio	GDP/pc PPP USD	Life expectancy index	Education index	GDP index	HDI
2000	73.3	85.9	64.0	2875	0.805	0.787	0.560	0.718
2001	73.0	88.9	67.0	3949	0.800	0.817	0.614	0.744
2002	74.0	94.3	67.3	5970	0.817	0.853	0.683	0.784
2003	74.1	96.7	68.0	6250	0.818	0.871	0.690	0.793
2004	74.3	97.1	69.0	7230	0.822	0.877	0.714	0.804
2004/2000	1.014	1.130	1.078	2515	1.021	1.114	1.275	1.120

Source: UNDP, 2007c, p.165.

Significant differences between the two Entities remain. The Federation of BiH (FBiH) is 1.5% above the average of BiH as a whole, while RS, with a value of 0.784, and is still under the threshold of countries with high human development. It is also worth emphasizing that there will doubtless be huge variations within FBiH and it therefore cannot be assumed that high human development conditions are predominant throughout its territory. The stability of HDI growth in BiH is also reflected in the fact that BiH's in 2004 was 12% higher than for 2000 (UNDP, 2007c, 30).

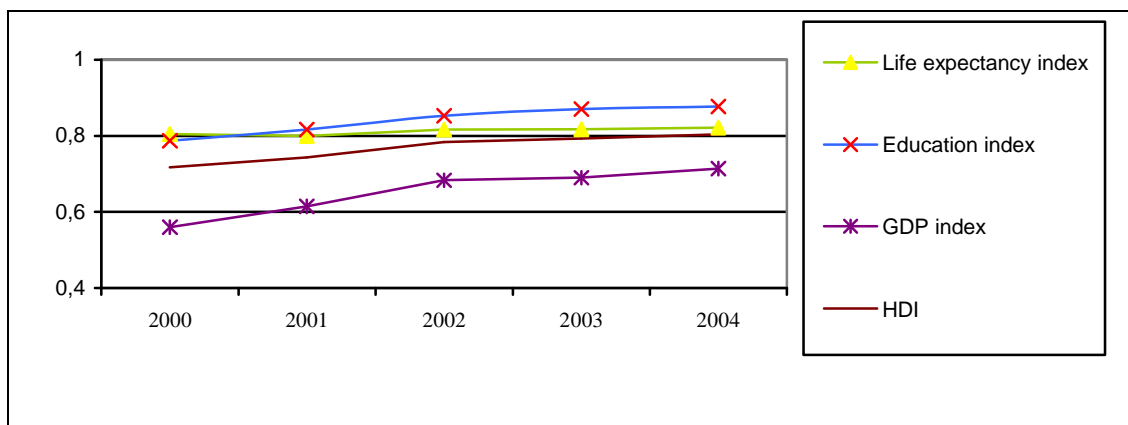


Figure 4: HDI Trends for BiH

Source: (UNDP, 2007c, 166.)

Despite the increase in HDI, in comparison with other countries of Central and Eastern Europe, BiH's position remains virtually unchanged. BiH lies in ninth place, just ahead of Macedonia and Albania. In global terms the HDI value would place BiH 62. Yet it is important to recognize this is a national ranking and assumes the placement of other nations does not change (UNDP, 2007c, 31). BiH in aggregate human development terms is continuing to progress. Its HDI score now places it at the lower band of the most developed countries in the world.

Table 5: HDI and GDI Relation for BiH and the Entities

	2003			2004		
	BiH	FBiH	RS	BiH	FBiH	RS
HDI	0.793	0.806	0.771	0.804	0.816	0.784
GDI	0.782	0.790	0.765	0.801	0.806	0.779
Difference HDI-GDI	0.011	0.016	0.006	0.003	0.010	0.005

Source: (UNDP, 2007c, 172.)

The GDI (Gender Development Index) for 2004 was 0.801, which shows an improvement over 2003. But gender inequality is still articulated, especially in education and economic activities. It is important to stress that the difference between HDI and GDI shows significant gender inequality in BiH and both Entities.

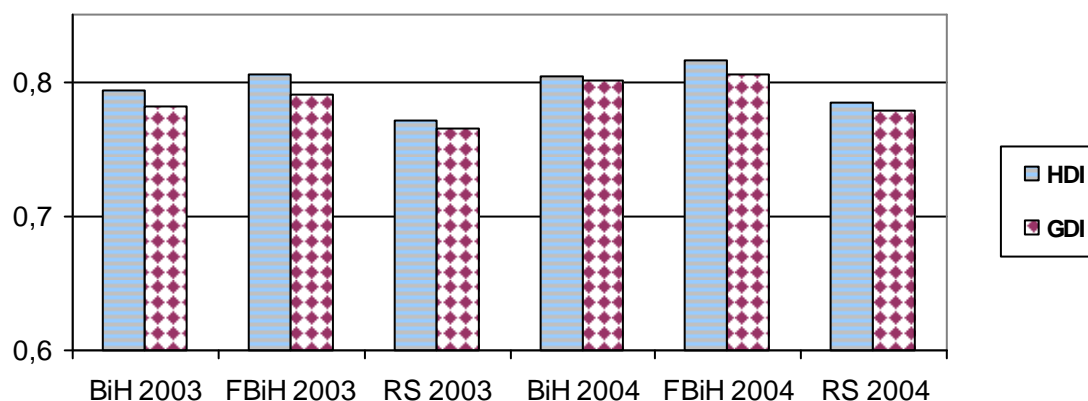


Figure 5: HDI and GDI Relation

Source: UNDP, 2007c, 172. (BiH: Bosnia Herzegovina, FBiH: Federation of Bosnia and Herzegovina, RS: Republica Srpska)

In 2004 there was a reduction in the difference between the HDI and GDI, primarily due to the more dynamic growth of GDI. The growth of GDI was influenced by the increase of employment of women, as well as a higher rate of female enrolment at all three educational levels (UNDP, 2007c, 172).

Table 6: HDI for FBiH Cantons and the RS

	Canton or RS	Economic index	HDI	Variation from State level	Percentage difference on high HD level (0.800)
1	Sarajevo	0.792	0.824	5.1 %	3.2 %
2	Neretva	0.718	0.800	2.0 %	0.3 %
3	West Herzegovina	0.712	0.798	1.8 %	0.0 %
4	Republica Srpska	0.633	0.761	-2.9 %	-4.8 %
5	Central Bosnia	0.600	0.760	-3.1 %	-5.0 %
6	Tuzla	0.594	0.758	-3.3 %	-5.3 %
7	Zenica Dobož	0.581	0.754	-3.8 %	-5.5 %
8	Podrina	0.569	0.750	-4.3 %	-6.0 %
9	Posavina	0.563	0.748	-4.6 %	-6.3 %
10	Herceg Bosna	0.563	0.748	-4.6 %	-6.3 %
11	Una Sana	0.548	0.743	-5.2 %	-6.9 %

Source: UNDP, 2005c, 165.

The above show a reasonable level of variation with the highest value (Sarajevo) being 5.1 % above the State-level figure and correspondingly the lowest value (Una Sana Canton) is a similar percentage below the State level. More interesting are the relatives the High-Human Development interval which begins at a value of 0.800. This illustrates a distinct break in the data with three regions (Sarajevo plus the Herzegovina cantons) being within the category, and the others all around 5 % below. Indeed, the level of variation outside the higher-scoring regions is very much reduced (UNDP 2005c, 165).

Conclusion

After the collapse of Soviet bloc, these countries have found them in the transition process of the free market economy. All the country's market economy transition process preceded in different ways, these countries area called transition economies. Transition economies has effected in the transition process due to internal and external factors. Transition economies, the Central European Countries and the Baltic countries are on the top for that human development index and South East Europe follow up these countries.

Independent States are ranked at the lowest level. In the Independent States, Republics of Turks are lower situated among them. Except, Russia and Slovak, in the Transition Economies according to the GDP, they are the located in the top level. Albania, according to the human development index is ranking 30 steps above the threshold level. For the development of Transition Economies, they should protect their enhancements and foster their progress. This depends on countries' transition progress to market economy.

These countries, many sectors as the education and health are transforming from previous system to market based economy and this gives soma difficulties for the people and new system is face to be failure. Liberalization also comes with social and economic costs for humanities and this bring difficulties to use social potential capital uses. With market economy based on the system and firmly economic stability, countries human capital potential will drive economic developments.

Among the countries of Central and Eastern Europe, Bosnia and Herzegovina is in ninth position as far as HDI rank is concerned, just above Macedonia and Albania. BiH in aggregate human development terms is continuing to progress. Its HDI score now places it at the lower band of the most developed countries in the world.

From the perspective of almost years of transition, at least three lessons can be learnt. The first lesson is obvious that transition takes time and has high human costs. The second is that growth alone does not eradicate human poverty. And the third is that rethinking the transition strategy is needed based on a concept of human development.

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