

Human capital and economic performance in the aggregate

For an overall aggregate picture of human capital, the raw data of the six primary indicators (in *Tables 9 and 10*) were converted to 1-5 scale and averaged. The scores of the human capital index are shown in *Table 14*. A similar exercise was done for the seven primary economic performance indicators, and the scores of the economic performance index are also shown in *Table 14*.²⁵ *Figure 62* plots the two indices. Overall, it shows a picture that resembles that of *Figure 9* of economic and democratic reforms. More specifically, the Northern Tier CEE countries are out front on both dimensions (and relatively more clustered or homogenous as a sub-region than the other two sub-regions); the Eurasian countries generally lag the most on both dimensions of the three sub-regions.

In contrast to the reform picture, however, there is much more overlap in progress between the three sub-regions in terms of economic performance and human capital. Croatia, for example, has a human capital profile comparable to the Northern Tier CEE (ranking fourth alongside Poland), and Albania's profile is closer to Eurasian human capital standards (ranking nineteenth, behind Ukraine and Belarus, comparable to Russia). Serbia & Montenegro has among the lowest economic performance score of all the transition countries. In contrast, Albania ranks sixth (along with Slovakia) and Bulgaria ranks eighth.

Figure 63 shows economic performance and human capital dimensions for the region in 1997. A comparison between economic performance and human capital in 1997 (*Figure 63*) with that of 2003-05 (*Figure 62*) yields some interesting parallels between the comparison of economic and democratic reforms in 1998 (*Figure 10*) and 2005 (*Figure 9*). Similar to economic and democratic reforms, much change has occurred over these years in the economic performance and human capital dimensions. Moreover, in the late 1990s, there was considerably more overlap in these dimensions between sub-regions, particularly in the range in progress between the Southern Tier CEE countries and Eurasia than exists today. As with economic reforms, good progress was made across the sub-regions in economic performance, while in human capital (as with democracy), the gap between CEE and Eurasia widened notably.

Finally, *Figures 64-91* highlight how human capital and economic performance have varied over time in each of the transition countries.²⁶ Broadly, there are three groups of countries: (1) those which have made good progress on both dimensions; (2) those which have made good progress on one dimension (and little on the other); and (3) those which have made little progress on both dimensions. Not surprisingly, the first group consists primarily of Northern Tier CEE countries (and includes the Czech Republic, Estonia, Poland, Hungary, Slovenia, Lithuania, and Croatia). Most of the transition countries fall into the second group, whereby good progress has been made in economic performance, though little progress has been made over the transition on balance in human capital. This group includes Latvia in the Northern Tier CEE; Albania, Bulgaria, and Macedonia in the Southern Tier CEE; and Armenia, Russia, Ukraine, Azerbaijan, Kyrgyz Republic, Kazakhstan, Turkmenistan, Tajikistan, and Georgia in Eurasia. The third group of

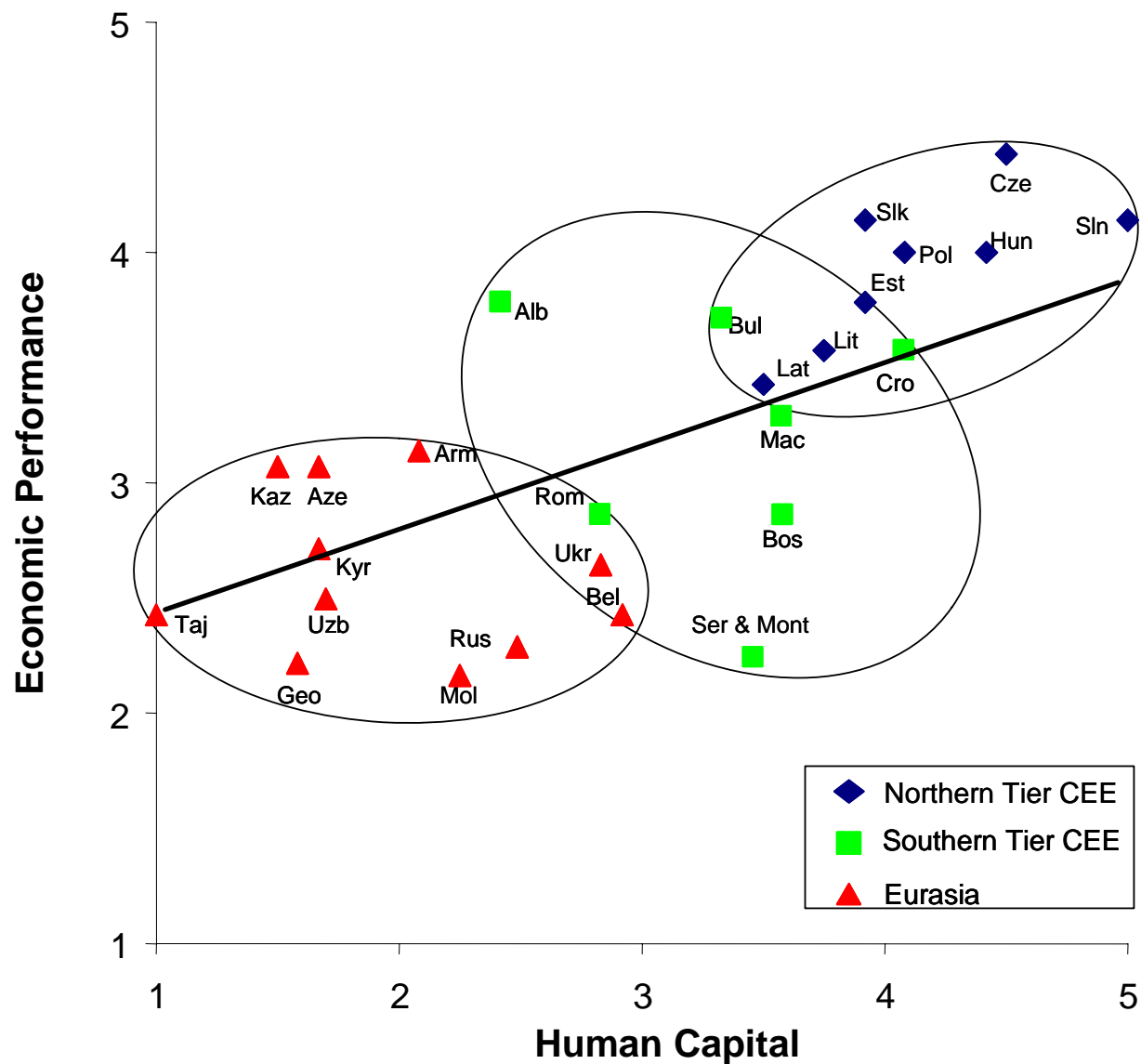
countries consists of three Eurasian countries which have made little progress on either dimension: Moldova, Belarus, and Uzbekistan.

TABLE 14. ECONOMIC PERFORMANCE AND HUMAN CAPITAL IN CENTRAL AND EASTERN EUROPE AND EURASIA: 2003-2005					
	<u>ECONOMIC PERFORMANCE</u>		<u>HUMAN CAPITAL</u>		
	RATING (1 to 5)	RANKING	RATING (1 to 5)	RANKING	
CZECH REPUBLIC	4.4	1	SLOVENIA	5.0	1
ESTONIA	4.1	2	CZECH REPUBLIC	4.5	2
SLOVENIA	4.1	2	HUNGARY	4.4	3
POLAND	4.0	4	CROATIA	4.1	4
HUNGARY	4.0	4	POLAND	4.1	4
ALBANIA	3.8	6	ESTONIA	3.9	6
SLOVAKIA	3.8	6	SLOVAKIA	3.9	6
BULGARIA	3.7	8	LITHUANIA	3.8	8
CROATIA	3.6	9	BOSNIA & HERZEGOVINA	3.6	9
LITHUANIA	3.6	9	MACEDONIA	3.6	9
LATVIA	3.4	11	LATVIA	3.5	11
MACEDONIA	3.3	12	SERBIA & MONTENEGRO	3.4	12
ARMENIA	3.1	13	BULGARIA	3.3	13
AZERBAIJAN	3.1	13	BELARUS	2.9	14
KAZAKHSTAN	3.1	13	ROMANIA	2.8	15
ROMANIA	2.9	16	UKRAINE	2.8	15
BOSNIA & HERZEGOVINA	2.9	16	RUSSIA	2.5	17
KYRGYZ REPUBLIC	2.7	18	ALBANIA	2.4	18
UKRAINE	2.6	19	MOLDOVA	2.3	19
UZBEKISTAN	2.5	20	ARMENIA	2.1	20
BELARUS	2.4	21	UZBEKISTAN	1.7	21
TAJIKISTAN	2.4	21	AZERBAIJAN	1.7	21
RUSSIA	2.3	23	KYRGYZ REPUBLIC	1.7	21
GEORGIA	2.2	24	GEORGIA	1.6	24
MOLDOVA	2.2	24	KAZAKHSTAN	1.5	25
SERBIA & MONTENEGRO	2.2	24	TAJIKISTAN	0.8	26
	Rating (1 to 5)			Rating (1 to 5)	
CEE & EURASIA	3.2			3.0	
NORTHERN TIER CEE	3.9			4.1	
SOUTHERN TIER CEE	3.2			3.3	
EURASIA	2.6			2.1	
EUROPEAN UNION -15	4.7			4.7	
NORTHERN TIER CEE AT GRADUATION	3.2			3.9	
ROMANIA & BULGARIA IN 2002	2.9			3.1	

Ratings are based on a 1 to 5 scale, with 5 representing most advanced.
 USAID calculations drawing from World Bank, *World Development Indicators 2005* (2004); EBRD, Transition Report (November 2005);
 UNECE, *SME Databank* (2003); UNICEF, TransMONEE Database (December 2005).

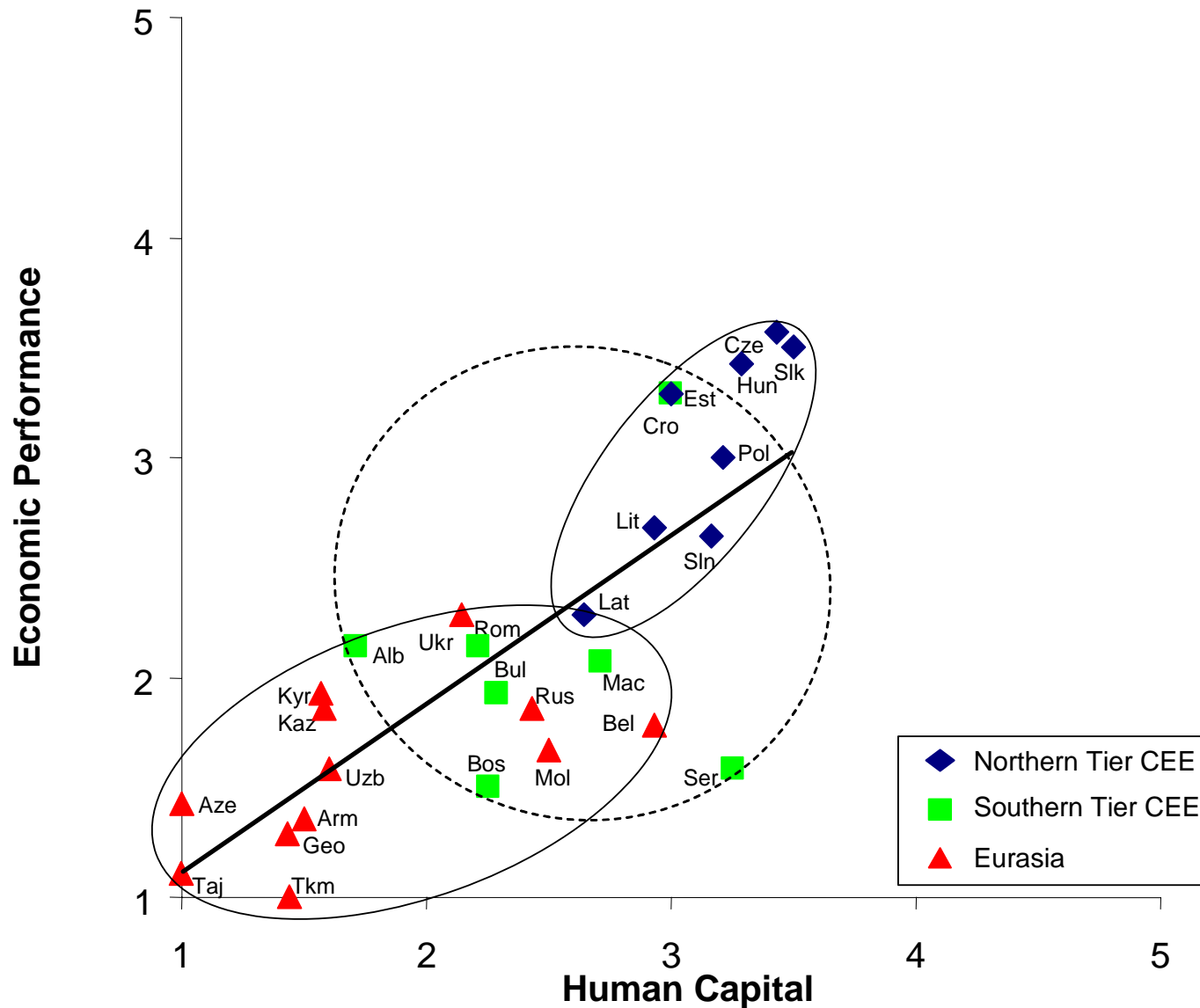
Figure 62

Economic Performance and Human Capital in 2003-2005



World Bank, *World Development Indicators 2005* (2005); UNICEF, *TransMONEE Database 2005* (December 2005); EBRD, *Transition Report* (November 2005); UNECE, *SME Databank* (2003).

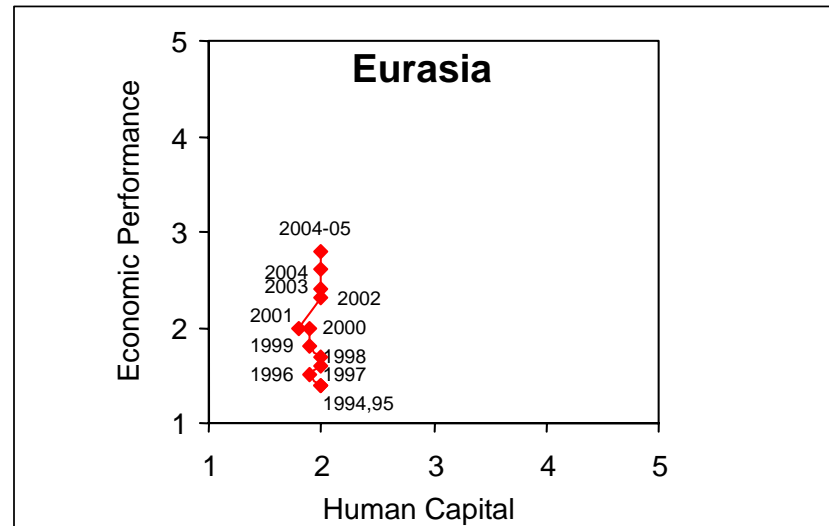
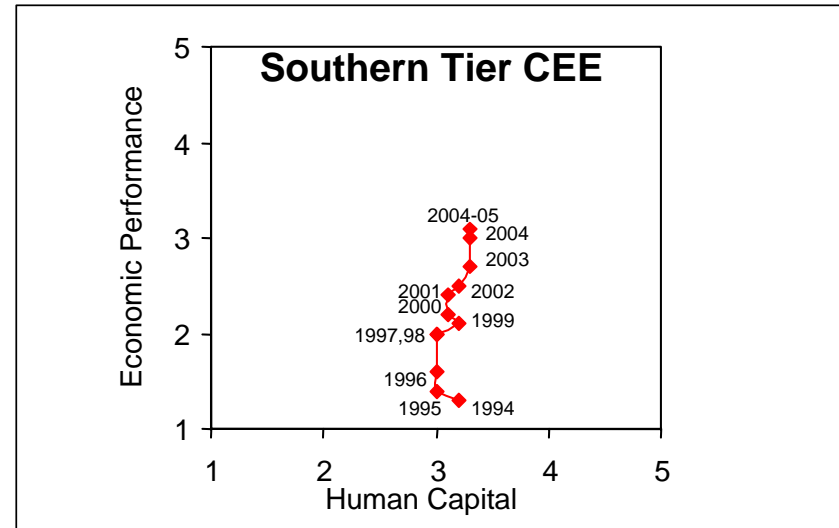
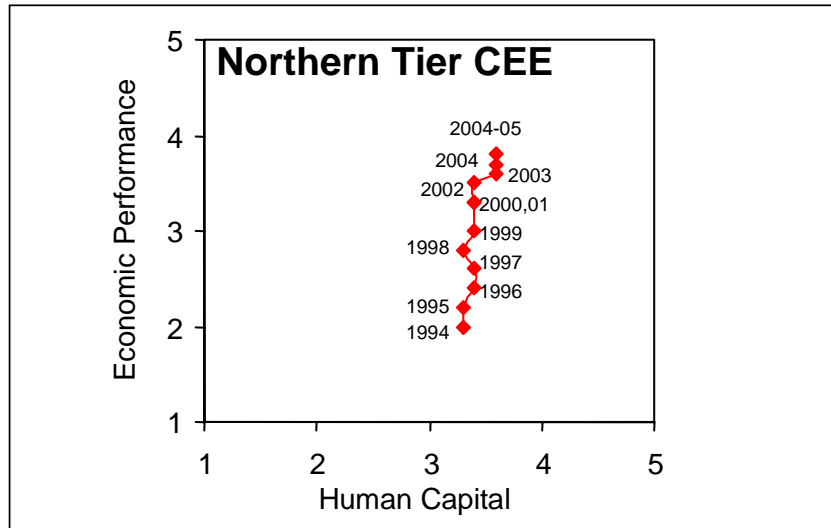
Figure 63 **Economic Performance and Human Capital in 1997**



World Bank, *World Development Indicators 2005* (2005 and earlier versions); UNICEF, *Social Monitor 2004* (2004); EBRD, *Transition Report* (April 2005 and earlier version), TransMONEE Database (2005 and earlier versions); Ayyagari, Beck, and Demircuc-Kunt, *Small and Medium Enterprises across the Globe: A New Database*, World Bank Policy Research Working Paper 3127, (August 2003). SME data are from 1998.

Economic Performance and Human Capital Over Time

Figures 64-66

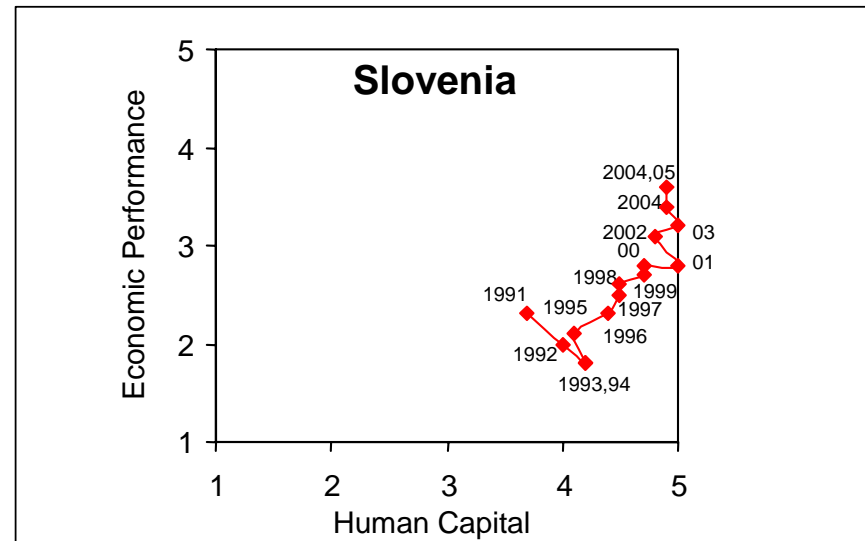
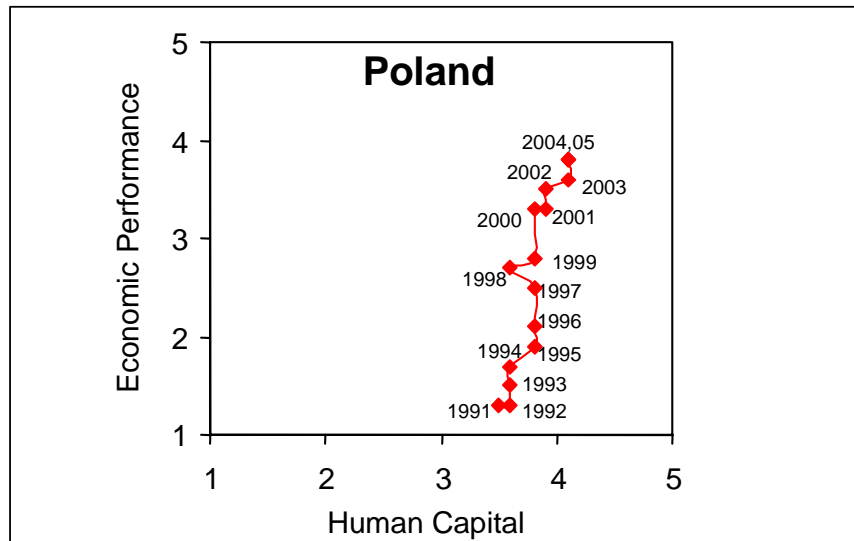
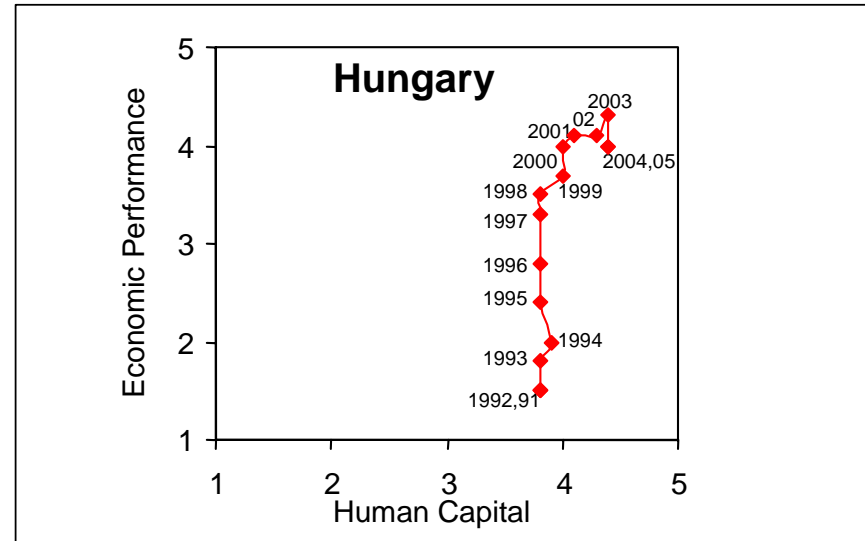
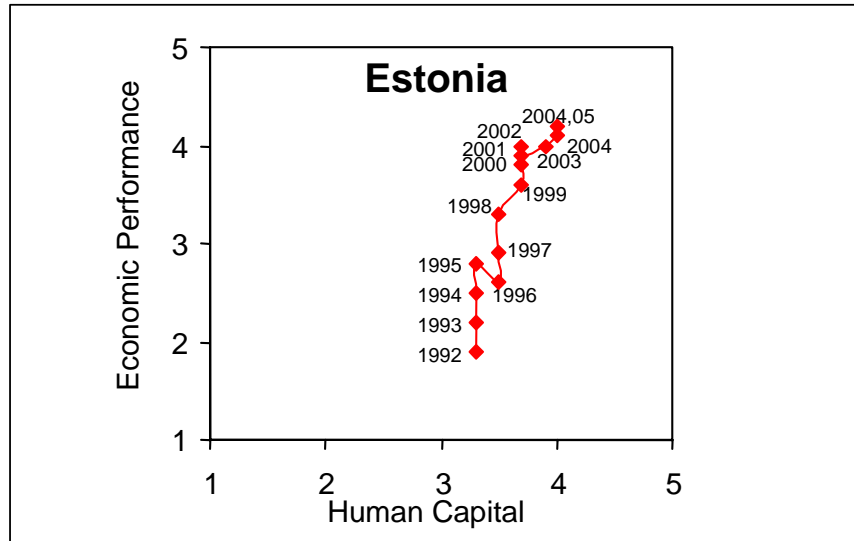


Ratings are based on a scale from 1 to 5, with 5 representing the best score. World Bank, *World Development Indicators* (2005), EBRD, *Transition Report 2005* (November 2005), UNICEF, *TransMONEE Database* (December 2005), and UNECE, *SME Databank* (2003). Missing data were estimated by interpolation. 2004 education and life expectancy data are from 2003. Economic performance index excludes SME data.

Economic Performance and Human Capital Over Time

Countries with good progress on both dimensions

Figures 67-70

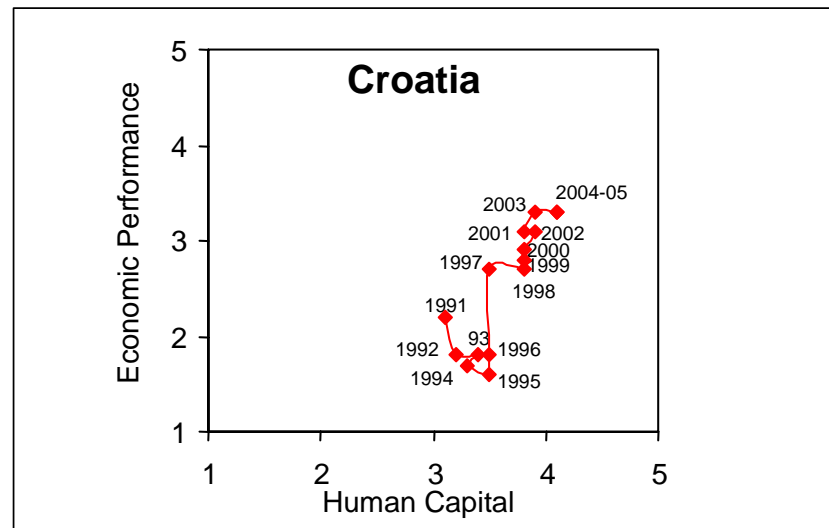
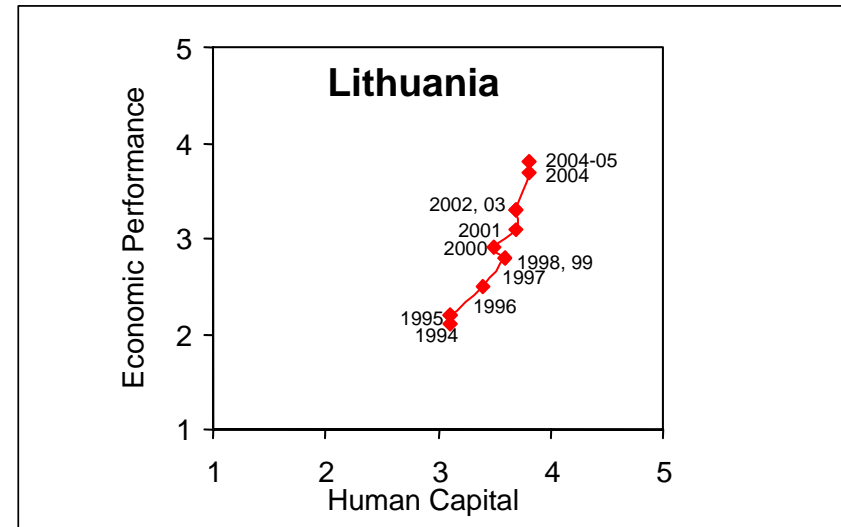
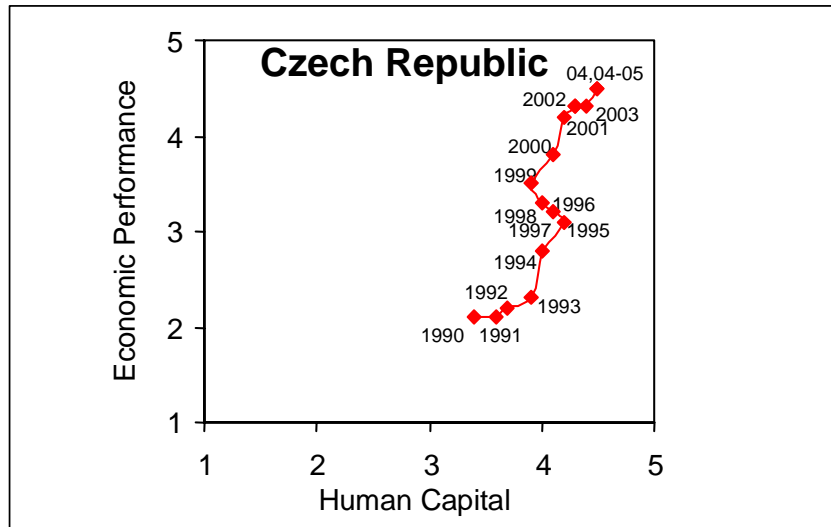


Ratings are based on a scale from 1 to 5, with 5 representing the best score. World Bank, *World Development Indicators* (2005), EBRD, *Transition Report 2005* (November 2005), UNICEF, *TransMONEE Database* (December 2005), and UNECE, *SME Databank* (2003). Missing data were estimated by interpolation. 2004 education and life expectancy data are from 2003. Economic performance index excludes SME data.

Economic Performance and Human Capital Over Time

Figures 71-73

Countries with good progress on both dimensions

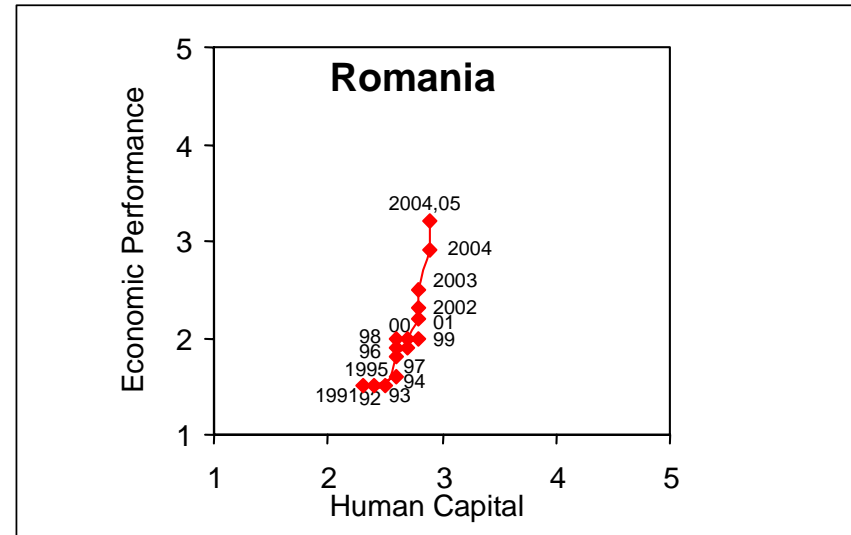
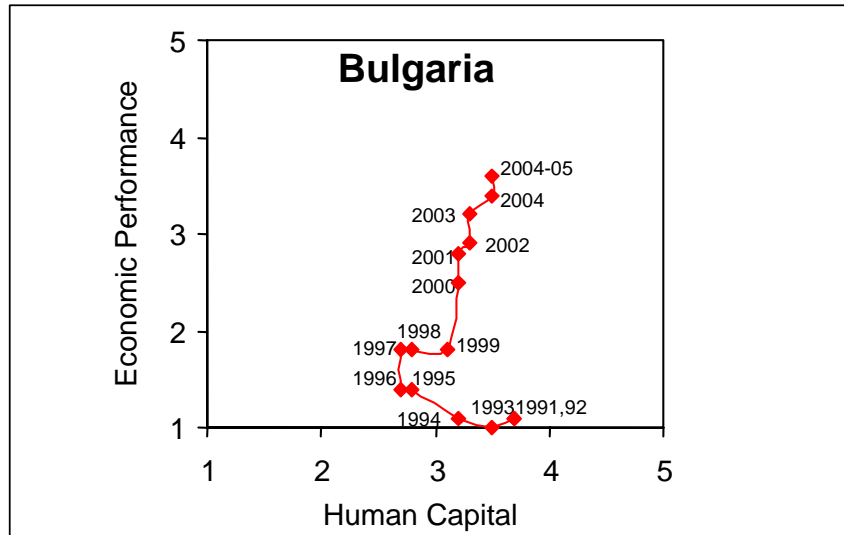
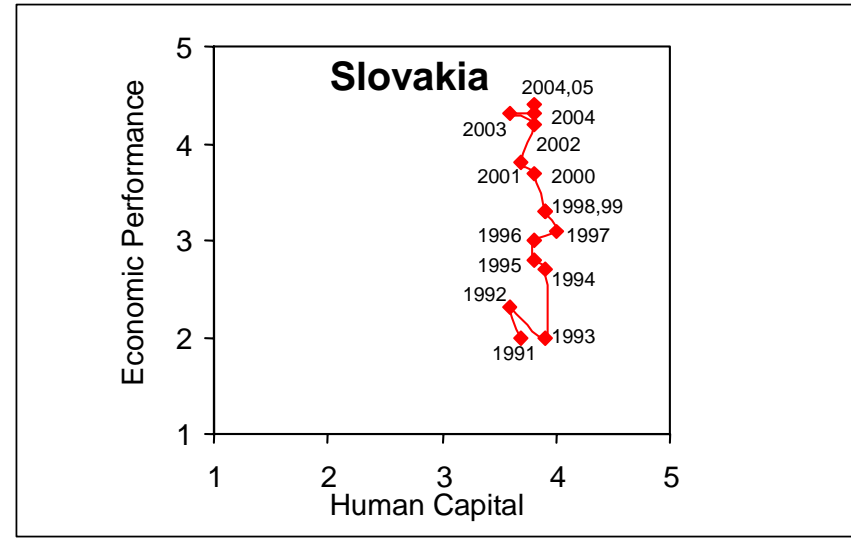
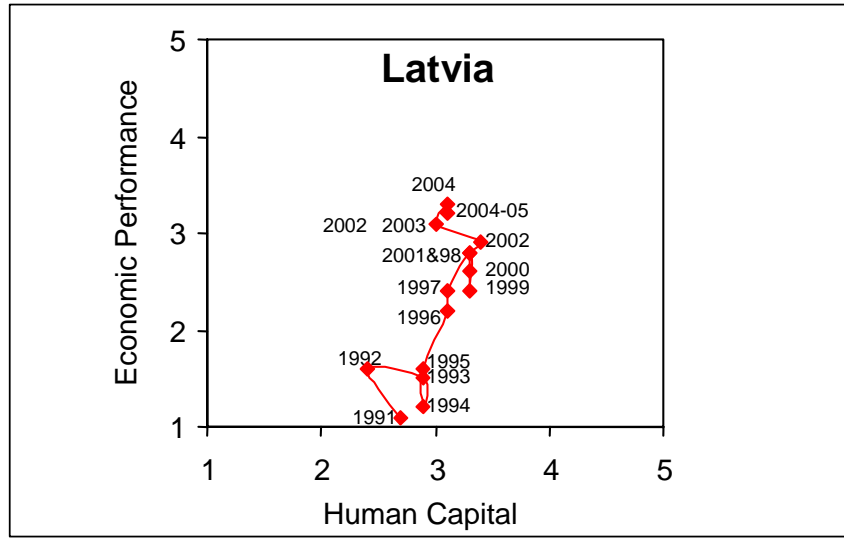


Ratings are based on a scale from 1 to 5, with 5 representing the best score. World Bank, *World Development Indicators* (2005), EBRD, *Transition Report 2005* (November 2005), UNICEF, *TransMONEE Database* (December 2005), and UNECE, *SME Databank* (2003). Missing data were estimated by interpolation. 2004 education and life expectancy data are from 2003. Economic performance index excludes SME data.

Economic Performance and Human Capital Over Time

Figures 74-77

Countries with good progress on one dimension

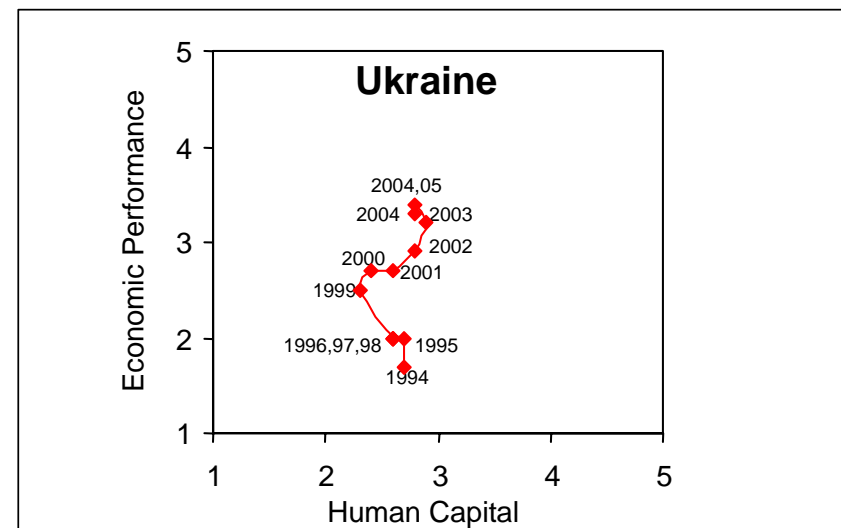
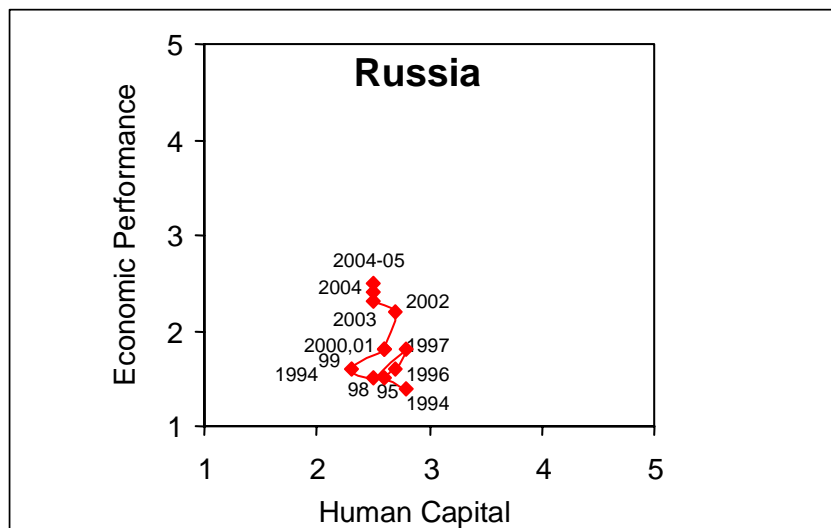
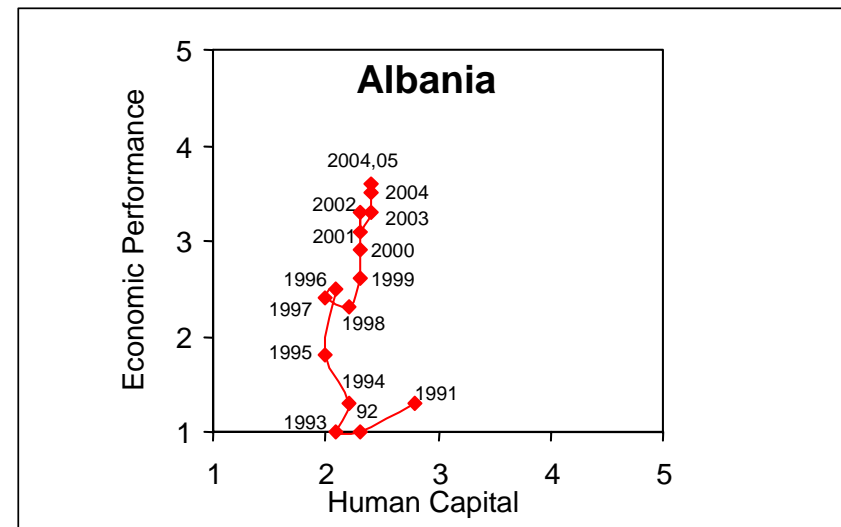
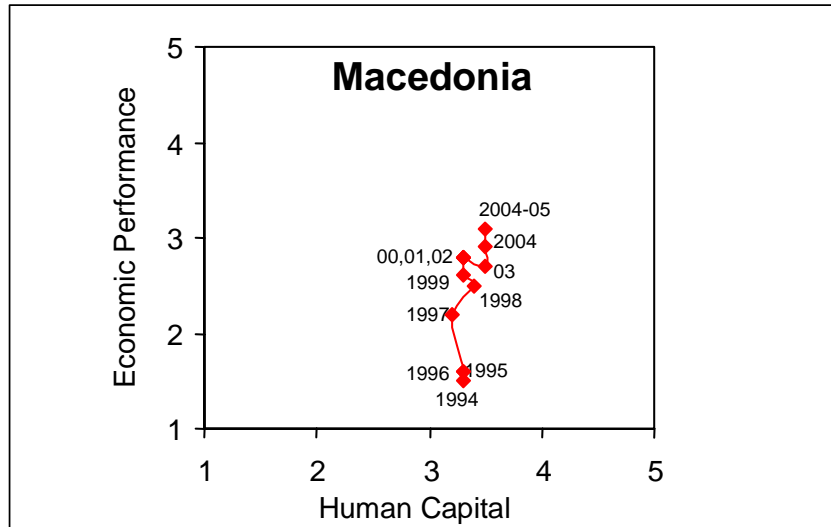


Ratings are based on a scale from 1 to 5, with 5 representing the best score. World Bank, *World Development Indicators* (2005), EBRD, *Transition Report 2005* (November 2005), UNICEF, *TransMONEE Database* (December 2005), and UNECE, *SME Databank* (2003). Missing data were estimated by interpolation. 2004 education and life expectancy data are from 2003. Economic performance index excludes SME data.

Economic Performance and Human Capital Over Time

Figures 78-81

Countries with good progress on one dimension

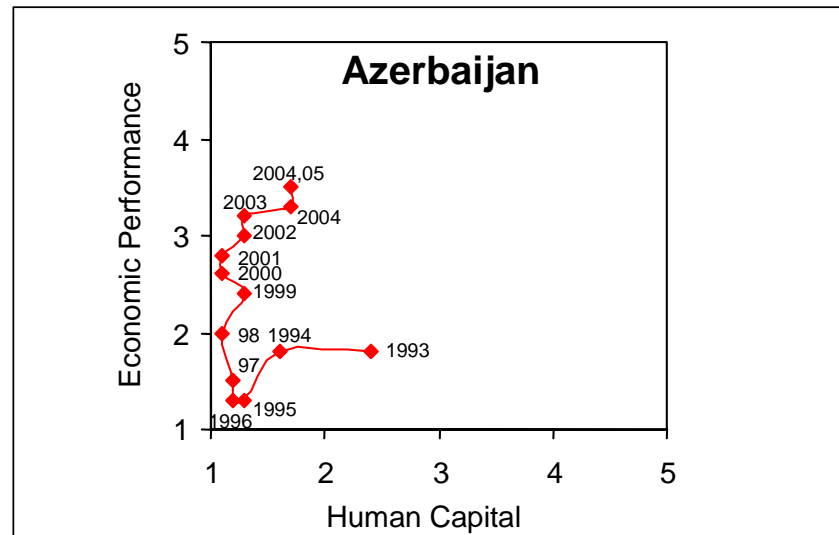
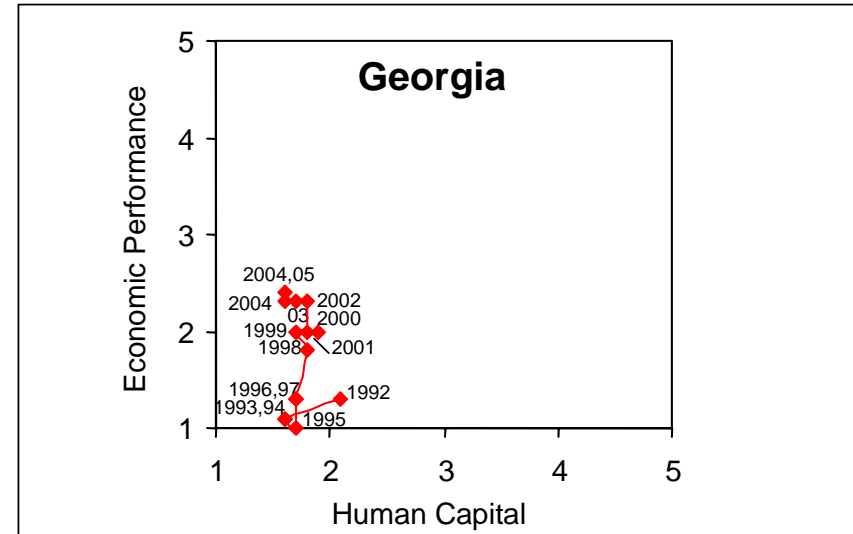
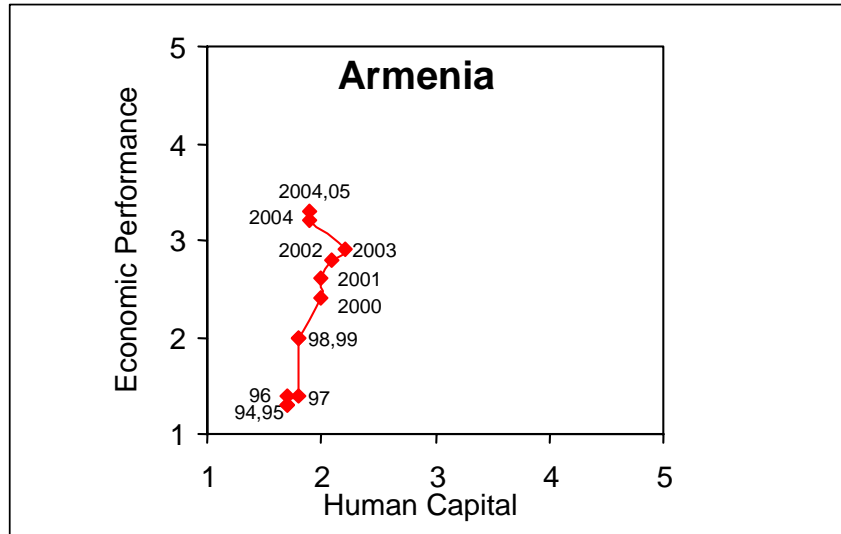


Ratings are based on a scale from 1 to 5, with 5 representing the best score. World Bank, *World Development Indicators* (2005), EBRD, *Transition Report 2005* (November 2005), UNICEF, *TransMONEE Database* (December 2005), and UNECE, *SME Databank* (2003). Missing data were estimated by interpolation. 2004 education and life expectancy data are from 2003. Economic performance index excludes SME data.

Economic Performance and Human Capital Over Time

Figures 82-84

Countries with good progress on one dimension

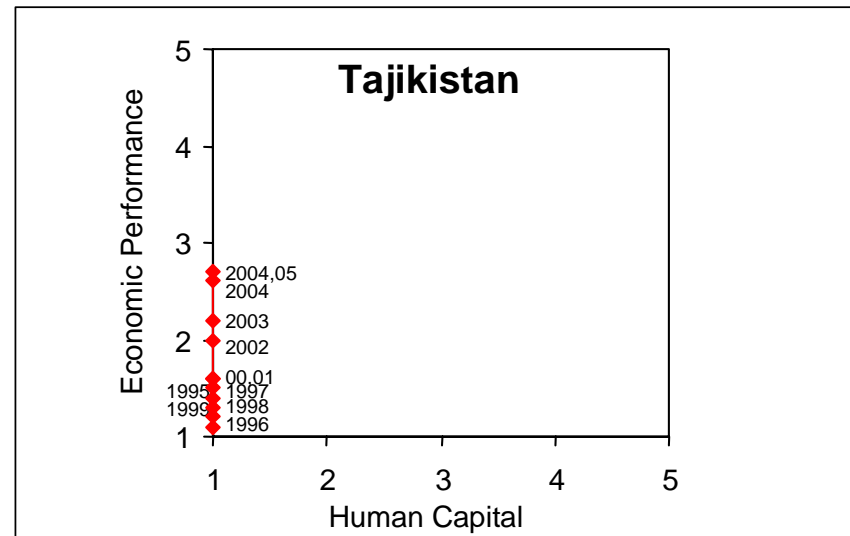
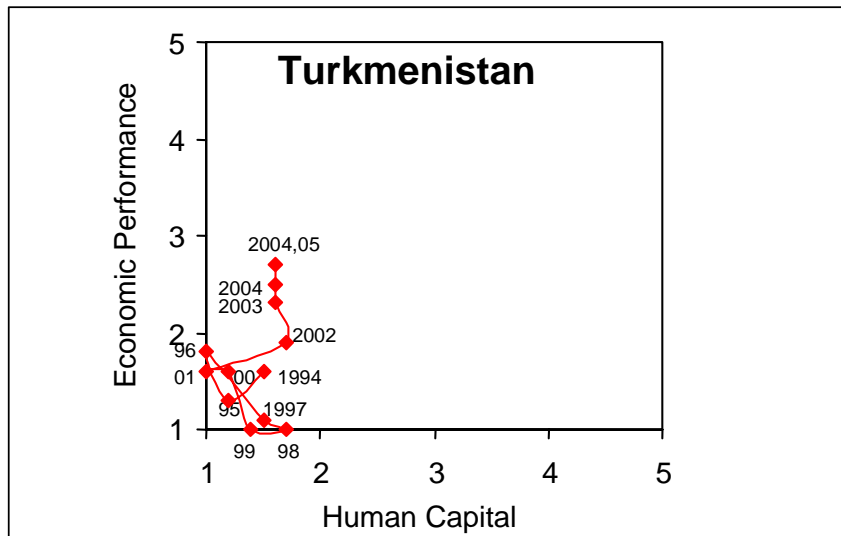
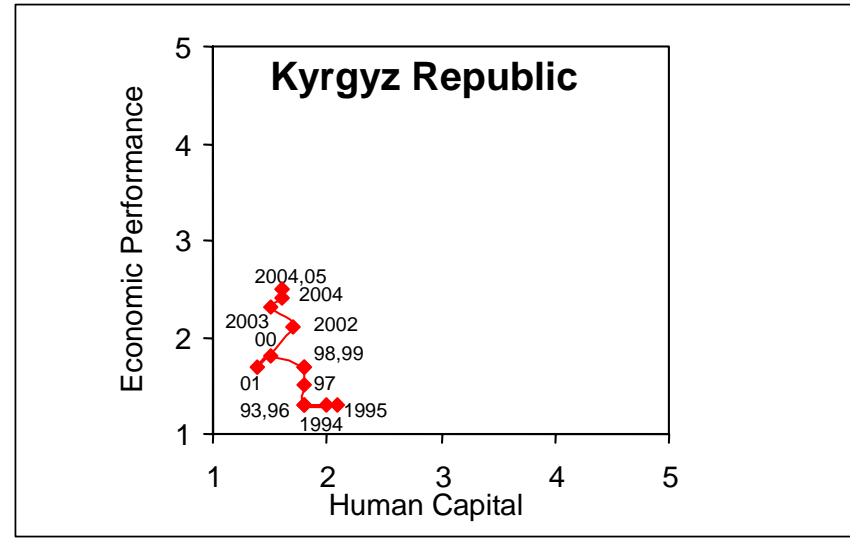
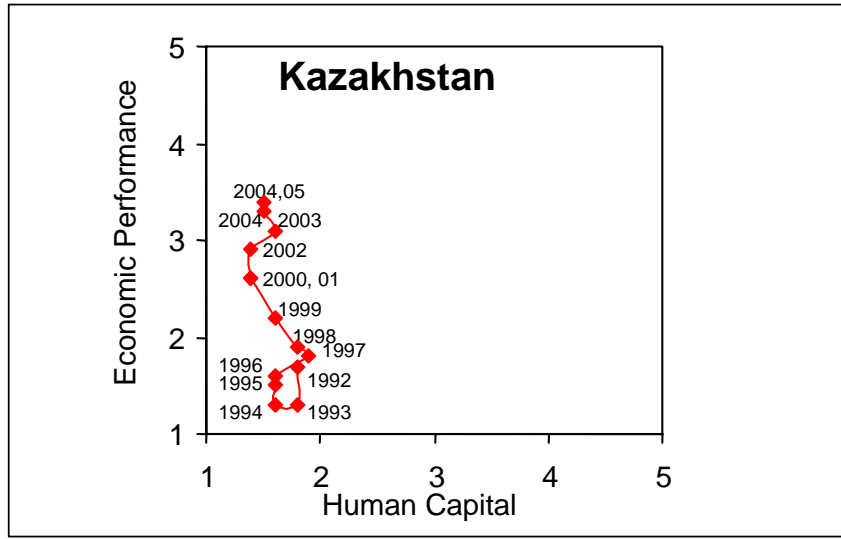


Ratings are based on a scale from 1 to 5, with 5 representing the best score. World Bank, *World Development Indicators* (2005), EBRD, *Transition Report 2005* (November 2005), UNICEF, *TransMONEE Database* (December 2005), and UNECE, *SME Databank* (2003). Missing data were estimated by interpolation. 2004 education and life expectancy data are from 2003. Economic performance index excludes SME data.

Economic Performance and Human Capital Over Time

Figures 85-88

Countries with good progress on one dimension

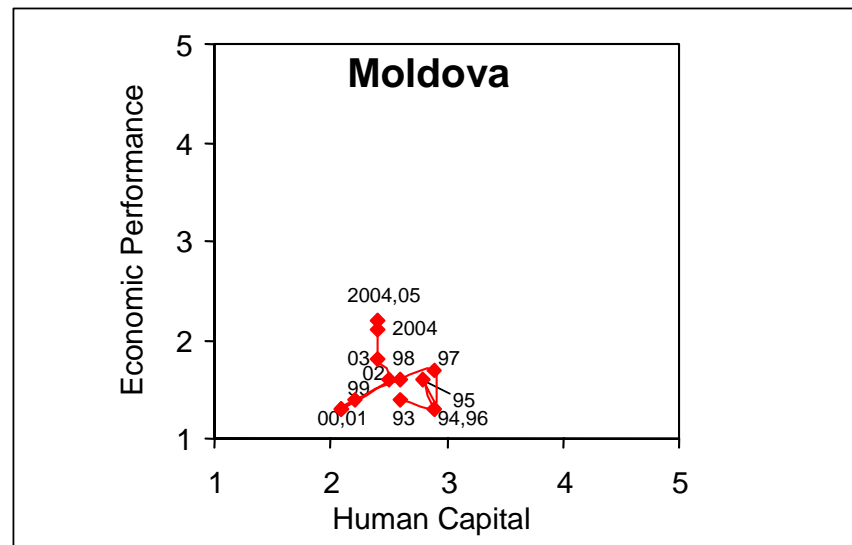
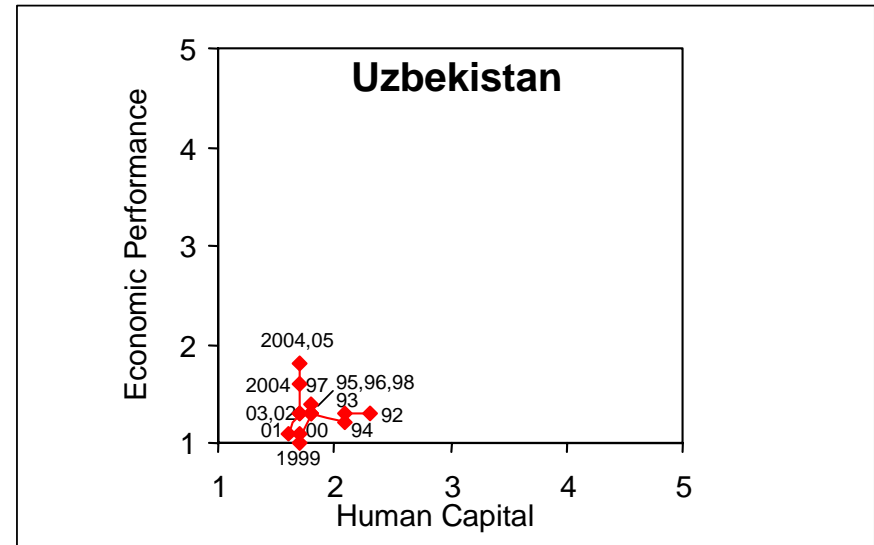
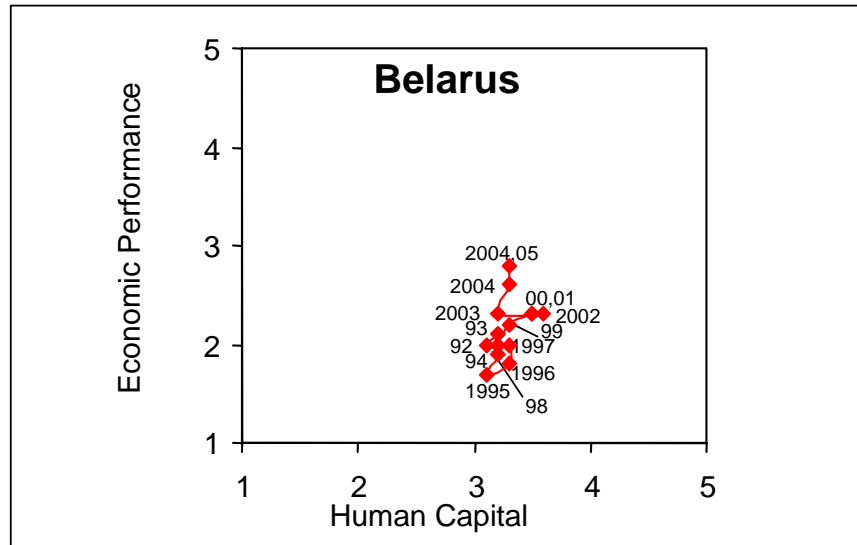


Ratings are based on a scale from 1 to 5, with 5 representing the best score. World Bank, *World Development Indicators* (2005), EBRD, *Transition Report 2005* (November 2005), UNICEF, *TransMONEE Database* (December 2005), and UNECE, *SME Databank* (2003). Missing data were estimated by interpolation. 2004 education and life expectancy data are from 2003. Economic performance index excludes SME data.

Economic Performance and Human Capital Over Time

Countries with little progress on either dimension

Figures 89-91



Ratings are based on a scale from 1 to 5, with 5 representing the best score. World Bank, *World Development Indicators* (2005), EBRD, *Transition Report 2005* (November 2005), UNICEF, *TransMONEE Database* (December 2005), and UNECE, *SME Databank* (2003). Missing data were estimated by interpolation. Human Capital for Uzbekistan exclude public expenditure on education data. 2004 education and life expectancy data are from 2003. Economic performance index excludes SME data.