

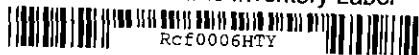
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Address by Mr. James P. Grant
Executive Director of the United Nations Children's Fund (UNICEF)
to the
Special High-Level Meeting on the Evolution of the East/West Relations
of the
United Nations Economic and Social Council

Geneva, Switzerland
4 July 1991



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Mr. President:

It is most fitting that ECOSOC has chosen this theme of the implications of the changes in Eastern and Central Europe as the first subject in its revitalization programme. We are indeed in a new era of opportunity, and a strengthened Council, under your chairmanship, can and must make an important contribution to facing the challenges ahead.

Historic changes in Central and Eastern Europe...and the developing world

On the doorstep to the 21st century, as if in preparation for the millenium, our world is undergoing momentous, dizzying changes. And nowhere have these changes been greater or more epoch-making than those in Central and Eastern Europe -- the focus of our meeting here in Geneva today. Even the most visionary among us could not have predicted the extraordinary events of 1989-90: the end of the Cold War and the increasing co-operation between East and West...the emergence of pluralistic systems...the tearing-down of the Berlin Wall and the reunification of Germany...the search for restructuring of Soviet society.

Changes that are good for the world, good for people

These changes are good for the United Nations system because they make it possible -- perhaps for the first time -- to seek globally co-operative solutions to global problems and enhance global collaboration in solving national and regional problems. The end of the Cold War could be good for the developing countries to the extent that the easing of international tensions means that more resources -- human as well as financial -- become available for development.

I fully share the Secretary-General's hope -- expressed in the Report prepared for this meeting of ECOSOC -- that "the transformation in the East will indeed be a positive-sum game" in which all countries -- all peoples -- come out winners. Democratic participation is good for people; it is good for children. There is every reason to believe democratization will unleash the creative energies of the peoples of Central and Eastern Europe and that their more dynamic participation in society will accelerate economic and social progress. The reform process will certainly, over time, lead to a return to growth and improvements in people's standards of living.

The social costs of transition -- a source of concern

In the short- and medium-term, however, there is ample reason for concern. The initial euphoria produced by the collapse of the old system has given way to more sober assessments of the difficulties that will be confronted in the transition and adjustment process...a process that promises to be more painful, costly and prolonged than originally thought. While considerable attention is now being paid to the economic and political problems of the transition, to ethnic conflicts and the rise of nationalism, and to the nature and extent of Western aid, the process of social reform -- and the growing social costs of the transition -- have received far too little attention both within and outside the region. In addition, there is a short-term, adverse impact on the developing countries, as trade with, and aid-flows from the Eastern European bloc fall rapidly and as Western aid-flows risk partial diversion to Eastern Europe.

UNICEF's International Child Development Centre -- known also as the Innocenti Centre -- in Florence, Italy, has just published a volume that attempts to fill the relative vacuum as it pertains to our understanding of the impact of these changes on children in Eastern and Central Europe. I am confident that Children and the Transition to the Market Economy: Safety Nets and Social Policies in Central and Eastern Europe will contribute to the ongoing national debates on social reform and to the discussion on international aid-flows. I commend the book to your attention and will now share with you our main findings.

The need for a transition "with a human face"
...with a "first call" for children

While the reforms now underway are necessary, the growing problems they leave in their wake may not be. Policy-makers should address, and seek solutions to, these problems in an attempt to avoid the high social costs they threaten to exact...and are beginning to exact already.

The basic principle applicable to children during such transitions was specifically addressed last September 30th, when the greatest gathering of leaders ever, from 159 countries, including 71 Heads of State and Government, from East, West, North and South, meeting at the World Summit for Children, declared that "...national action and international co-operation must be guided by the principle of a 'first call for children' -- a principle that the essential needs of children should be given high priority in the allocation of resources, in bad times as well as in good times".

This principle has been amply demonstrated over the last 50 years to be not only good humanism but also good economics. If we look at the extraordinary performance of the East Asian countries, we see that their phenomenal improvement included from the beginning a "first call" for children. It is also noteworthy that the United Kingdom from the start of its vast economic restructuring in 1939 with the onset of World War II, publicly announced and gave effect to a first call for the essential needs of children. The result was that at the end of World War II child health and nutrition were at the highest level ever, despite a massive restructuring of national output in support of the war effort.

During the present transition to the market economy in Eastern and Central Europe, there is a danger that this principle of a first call for children is being lost sight of -- with unnecessary and potentially disastrous consequences. Babies -- children -- should not, need not, must not be at risk of being "thrown out with the bath water" in the shift from centrally planned economies. In short, the transition of Eastern and Central Europe to the market economy needs a human, a child friendly, face.

We are beginning to see in several countries of Central and Eastern Europe -- although in a sharply different context -- problems similar to those which arose in the 1980s in many developing countries as a result of the "shock therapy" of adjustment programmes without adequate social protection. Focusing primarily on curbing inflation, reducing the fiscal deficit and privatisation, reform policies adopted by almost all the formerly socialist countries of Europe are resulting in a sharp increase in unemployment and a measurable decline in the welfare of the population as a whole. Given the inadequacy of existing social safety nets, the greatest negative impact is borne by the most vulnerable groups -- children from poor families, the unemployed, youth in search of first employment, the elderly and the homeless.

Warning signs

The sharp increase in unemployment, the decrease in real incomes, the increase in the prices of basic goods and services, the erosion of cash transfers to families -- especially poor families -- and the decline in real government spending on health and education are affecting negatively -- and to some extent unavoidably -- the living standards of most families. Even if the situation has not yet reached emergency proportions, there are already clear indications that social conditions are worsening -- at times drastically -- in all the countries of the region. Data that would permit a thorough evaluation of these conditions are not yet available, but I would like to draw your attention to several "warning signs":

- * Since 1989, the number of children who live in families below the poverty line has increased dramatically throughout the region. In Poland, a survey of household income shows that poverty is increasing constantly, affecting, in the first nine months of 1990, about 40 per cent of the population. This represents a sharp rise from the 9.2 per cent observed in 1978 and the 22.7 per cent observed in 1987. Families with three or more children, single-parent families and the elderly have the highest incidence of poverty. Even in Czechoslovakia, the country in Eastern

Europe with the most extensive welfare system and the lowest incidence of poverty, it is estimated that, by the end of 1991, the number of poor children will be three to four times higher than it was at the beginning of the year.

- * The percentage of family income spent on food is increasing at an alarming rate. In Poland, families of workers and pensioners spend, on average, 50 and 60 per cent, respectively, of their income on food. In the West, the allocation of 35-40 per cent of family income for food is considered an indication of poverty. The consumption of bread, milk and other basic food has decreased in Bulgaria, Poland, the Soviet Union and Yugoslavia because of the declines in family income and, at times, as a result of hoarding.
- * In Hungary and Poland, religious and private charitable organizations have established soup-kitchens and shelters for the homeless, but are unable to meet current needs.
- * The increase in charges for school meals and -- to a lesser extent -- enrollment fees has forced many families to withdraw their children from nursery schools, leaving empty places in classrooms for the first time in many years. Many nursery schools have been closed or converted to other uses. The majority of nursery schools run by industries have been closed for lack of funds. In Poland, the number of applications to kindergartens has declined from more than a million in May 1990 to 880,000 in May 1991. The drop is even sharper if compared to data from 1989. More than half the day-care centres in Lodz -- one of the largest cities in Poland -- have closed since the reforms of 1989-90. The unemployment rate among nursery- and grade-school teachers in Hungary has risen notably.
- * Imported medicines for children -- which were never sufficient under the old regimes -- are even more difficult to purchase now. In Bulgaria, formula milk for allergic babies is scarce and the only factory producing it is on the verge of closing. Because of the lack of imported equipment, many hospital operating rooms have closed.

Cushioning the impact on the most vulnerable

While a considerable short-term decline in average living standards was largely unavoidable because of the poor economic conditions inherited from the centrally planned regimes, the fall of large and increasing sections of society into absolute poverty -- as noted above -- gives rise to serious concerns. Again, the most vulnerable groups -- children first and foremost -- are the most seriously affected. Safety nets have been put into place to deal with these rising social costs, but because of under-funding and their limited scope, they are seriously inadequate, both politically and economically, under present circumstances. In Poland, for instance, safety nets were set up in 1990 on the assumption that incomes would decline that year by 5-10 per cent -- while they declined instead by 27 per cent; that inflation would be eliminated in four months -- while it continues now at about 2 or 3 per cent a month; and that unemployment would not exceed 400,000 units -- while it affected 1.2 million people at the end of 1990 and 1.5 million in mid-1991.

As stressed by the Algiers Colloquium, the high social cost of the current pattern of reforms is not only impacting heavily on the most vulnerable, particularly children, but can also endanger the entire transition process, rip apart the social fabric and undermine the popular consensus on which these new, and still weak, democracies are based. In addition, this can give rise to migrations of biblical proportions to Western Europe, as well as to a debilitating brain-drain. The strengthening of social policies is, therefore, not only an ethical and moral imperative, but also a useful intervention for ensuring political stability, promoting investment in human capital and thus stimulating microeconomic efficiency and overall growth. There are thus also economic as well as political reasons for more vigorous policy action in the field of distributive issues, social policy and safety nets.

Whatever social welfare models are eventually adopted by the countries of the region, there are a number of measures that, if adopted in timely fashion, could help cushion the impact of the transition:

- * Assured access to basic health, education and child care services should be retained in all countries. One should avoid the repetition of situations in which the restructuring of agricultural production led to the dismantling of a highly-effective, decentralized system of primary health care, which then took a decade to rebuild. It would be a shame if, during its change-over, Eastern Europe were to dismantle or abandon the better features of its old system of social protection. Resources for basic services can often be obtained from selective social sector restructuring -- a shift in emphasis from high-cost, curative health services to low-cost, preventive care, for example.
- * Child and family benefits should be retained and extended to children of parents who are unemployed or not part of the labour force. To avoid the use of transfers in unintended ways, part of these benefits could be issued in the form of vouchers (food stamps, for instance), valid for the purchase of food, children's clothing and other necessities and redeemable in private or public stores.
- * At least during the initial transition to a market economy, public policy should aim at preserving the provision of subsidised school meals -- a highly efficient and cost-effective way of ensuring that standards of nutrition and child growth are maintained.
- * Measures are also necessary in the housing sector in order to avoid the further spread of homelessness -- ranging from the conversion of abandoned public buildings or vacated barracks into shelters for the homeless, to safeguarding the rights of low-income groups (particularly for families with many children) to remain in the apartments or houses they occupy at rent-controlled prices.
- * In addition, measures aiming at the maintenance of minimum family incomes should be strengthened. Among them, more active labour market policies, targeted income transfers and full indexation of minimum wages, pensions and child allowances.

- * Finally, appropriate mechanisms should be set up to monitor the development of social policy and to assess the comparative efficiency of alternative social policies. More importantly, simple and timely mechanisms are required to monitor changes in the well-being of children and other vulnerable groups during this transition period.

The support of the international community

The difficulties encountered by the current reform programmes, and the increasingly alarming reports of their high social costs, cannot be ignored by the international community. Despite this, and despite the large commitments made for the future, it is noteworthy that in 1990 there was a negative net transfer (on a disbursement basis) to Eastern Europe, a situation which is likely to be rectified fully by 1992. Although the debt relief, new loans, direct investments, access to Western markets and increased East-West trade pledged or planned will certainly -- if realized -- facilitate the success of social reform programmes, much-needed international aid to social sector activities has been limited to date. This situation, too, needs to be rectified.

The international community -- and especially the EEC, the World Bank, and to a much lesser degree UNICEF and other UN agencies -- has already given some assistance to safety nets, but there needs to be additional technical and financial support and social know-how to the countries in the region that request assistance.

UNICEF, whose first efforts for children were precisely within the context of the reconstruction of postwar Europe, has a universal mandate and, therefore, we stand ready to provide appropriate assistance. We know that the adults of Central and Eastern Europe have undertaken to transform their societies more for their children than for themselves. Given UNICEF's priority focus on the developing world, the scope of our financial and technical assistance will be comparatively modest and of a transitional nature. Nonetheless, it could have a significant impact if it is targeted on those areas in which UNICEF has a comparative advantage within the international community. UNICEF's assistance will therefore focus on four main activities:

- * provision of technical assistance (often through regional programmes) in the area of social policy and social monitoring, as well as in the fields of de-institutionalization of children and information exchange on low-cost preventive health care approaches;
- * advocacy for children, which will include a major report on the "State of the Eastern European Child" to be widely disseminated and publicized early next year;
- * a limited involvement in emergencies as in the case of recent support to Romania and the Chernobyl area;
- * and, only where the situation of children is particularly worrisome, the provision of traditional UNICEF assistance, which -- as in the case of

Romania -- entails the establishment of an office and financial and technical assistance in a few fields such as public health and social protection.

Keeping our priorities straight

Before closing, I would like to add my voice to those of a growing number of leaders and experts around the world who are concerned that developments in Central and Eastern Europe have no direct or indirect negative impact on the Third World. As I mentioned earlier -- citing the Secretary-General -- there is no reason why the democratic revolution in Eastern Europe cannot turn out to be a "positive-sum" game, with a "win" for everyone.

However, in the short- and medium-term, the potential losses in aid and trade to parts of the developing world could well be considerable -- particularly for selected countries. If we are not sufficiently attentive to this problem, Central and Eastern Europe could find itself competing for investments, credits and aid with countries with a much higher incidence of poverty and human deprivation. We welcome the statement of Mr. Jan Pronk for the EEC, and that of others, in this regard. This means that, as we make our efforts to help Eastern Europe, development assistance must not be deflected from the developing world -- in the first place, Africa, a continent that has lived for a decade under a many-sided emergency but which has made considerable progress nonetheless.

I cannot but applaud the December 1989 statement by the OECD's Development Assistance Committee to the effect that support for the political and economic reforms in Central and Eastern Europe "will not diminish their determination to give high priority to their development co-operation with the Third World". In addition, I strongly share the view expressed in A World of Difference, the Netherlands' groundbreaking development co-operation policy document for the 1990s:

"With the elimination of poverty being the crucial factor, countries eligible for aid will continue to be found primarily in the Third World for the time being. Remembering this will also help to prevent aid to Eastern Europe from being provided at the expense, say, of Africa. It will ensure that a sense of proportion is retained in this debate. Referring explicitly to the primacy of Africa and of the fight against poverty will also prevent this sense of proportion from being adulterated."

As democracy increasingly powers global political discourse and the market increasingly becomes the universal framework for economics, it is the social area -- with its glaring, obscene disparities between and within nations -- that most awaits concerted, global action. It is highly significant, therefore, that the first truly global summit, held just following the end of the Cold War, was the World Summit for Children, which took place at UN headquarters last September. As mentioned earlier, the world leaders from North and South, East and West who attended that unprecedented meeting said children's essential needs must be elevated to the top ranks of society's priorities and concerns, in bad times and as well as in good ones. The World

Summit established a detailed set of goals and strategies for attaining a more "child friendly" world over the 1990s. Key tests of how to keep that commitment in the hard but hopeful times in the months and years immediately ahead will come both in Central and Eastern Europe, where the situation of children may be deteriorating the most rapidly in the world, and in Africa, where the overall situation of children is the most dangerous. We must work together to assure the promise will be kept.