What has been an economic impact of Structural Adjustment Programs on households in Transition countries?

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**Introduction**

Evaluation of structural adjustment programmes (SAPs) introduced by the World Bank and the IMF is a very challenging task, especially from the household perspective. One of the difficulties stems from the fact that from the beginning the SAPs did not target the household explicitly, instead they targeted certain economic variables and only implicitly assumed that reforms, freeing the economies from government control, will bring growth which will benefit all. Therefore, in principle the impact of SAPs has to be analyzed from the perspective of macroeconomic impact, and then its transmission onto households. This essay attempts to evaluate the economic impact of SAPs on the households in 25 transition countries\(^1\) placing the analysis in a standard project evaluation framework. In line with a good practice of the evaluation programs four major elements of the policy are analyzed\(^2\). First, the nature and scale of the problems inherited from centrally planned regimes are shortly introduced in order to understand what kind of deficiencies the SAPs had to face. Second, the causes of the problems are presented in order to understand the rationale for SAPs’ implementation. Here, the primary objectives of programs are also summarized briefly. Third, the theoretical background is provided linking the policy interventions with households’ welfare in order to understand the transmission mechanism of SAPs’ impact. Finally, the counterfactual is established which allows one to identify the additional (or net) impact of SAPs on households and evaluate it from positive and normative perspective.

**The heritage of the centrally planned economy**

In order to understand what problems SAPs were supposed to address we need to recognize the nature and scale of the flaws that centrally-planned system generated. Firstly, probably the most prevalent failure in the socialist economies was badly-defined property rights, which caused improper *incentives* in the economies (Stiglitz, 1997). According to Coase’s theorem and Demsetz (1967) work, if property rights are not assigned clearly then the individual has no incentive to work efficiently\(^3\). This may also lead to so called ‘tragedy of commons’, e.g. excessive use of the common properties, pointed out by Hardin (1968). This is exactly what happened. As the doctrine of socialism emphasized the ideology of collective ownership (Collins, 2000) this led to the perception that if properties are owned by everyone, in fact they are owned by no one (Stiglitz, 1997).

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\(^1\) Transition economies are defined as those which went through transformation from the socialist to market economies. These are Central and East European Countries, Baltic countries and all other Former Soviet Union countries.

\(^2\) Such approach is presented in Evaluation Framework published by British Treasury, 1995

\(^3\) They emphasized also that for efficiency it does not matter who owns the rights (it does however matter for welfare distribution).
Aristotle made the observation that "what is common to the greatest number has the least care bestowed upon it" (Ostrom 1990). This was manifested by attitude of managers and workers toward work in state enterprises. They made inadequate effort as they knew that there was no direct relationship between their work and benefits from it (Stiglitz, 1997).\(^4\)

Secondly, excessive centralization of the economy led to various types of information problems: insufficiency, asymmetry, lags, and fallacy. As for the lack of information, the central authorities simply could not gather enough information to run the entire economy manually (Hayek, 1989). Therefore, they suffered from constant knowledge problems which affected the quality of the planning decision. Another phenomena was a large scale asymmetry of information, as on the one hand, workers were given quantity targets inadequate for their production capacity, and on the other hand their work couldn’t have been precisely monitored, so they provided the planners with inaccurate information on the true relationship between inputs (effort) and outputs - principal-agent problem. The quality of the products was also not properly controlled, so the system generated incentives for product quality deterioration. Another observable fact was persistent lags in information delivery to the central planners because huge bureaucratic institutions made information transfers time consuming. Prices in socialist economies were set arbitrarily so the profit numbers were actually meaningless. In addition, the inputs and outputs were also arbitrary so it made the accounting and price systems meaningless, which led to wrong decisions by central planners (Stiglitz, 1997).

Thirdly, a very detrimental element was a lack of competition in the country. Being a constantly autarkic economy costs a loss of the reference point for comparison of one’s own performance. This, together with the arbitrary price and quantity system, very often led to difficulties with attributing the problems to their true reasons. Finally, socialist economies lacked innovation and adaptability, as the system failed to properly react to changes in its endogenous conditions and those which occurred elsewhere.

The above mentioned causes of the centrally planned system failure seem, however, not so unique, and were present also in the countries which were able to work successfully. For example, China does not have well-defined property rights but has been growing quickly and shows no signs of collapse (Stiglitz, 1997). How can we explain this? One hypothetical explanation could be the scale

\(^4\) He have to, however, mention that the absence of well-defined property rights does not necessarily lead to such problems. Stiglitz (1997) gives an example of China, which had persistent growth despite far from perfect property rights.
of the problems. This, however, is difficult to compare because the official figures were highly
overstated during the period, due to what we would call a ‘creative accounting’. We can only
approximate the scale of the problems by observing that the communist ‘bloodlessly’ resigned from
ruling the countries being in fear of the unavoidable bankruptcy of their economies (this was at least
the common perception).

Generally, we have to be cautious in judging the main causes of the failure and tend to think of them
as a complex mix. What is certain, however, is the fact that in the socialist economies the decisions
were inevitably costly and created wrong incentives. In fact, since early 1970s, the countries were
experiencing a gradual decline in output, which caused pressure on consumption and investment. At
first, the consumption was secured by import financed by foreign borrowing but this was
unsustainable after the oil shock of 1979 (Killick and Stevens, 1991). So the weak performance of
the economies caused a decline in exports and subsequently a squeeze on domestic demand and cuts
in investments. All that led to product and services shortages, their low quality and technological
obsolescence. On the other side, we have to admit that the socialist economies obtained a degree of
income equality and a share of total employment incomparable, if not impossible, in market
economies5 (Stiglitz, 1997).

**Rationale for SAPs in transition economies and primary objectives**

Structural Adjustment Programs in transition countries were implemented in order to address the
problem of enduring, poor economic performance by changing fundamentally the structure of those
economies. Looking for rational of SAPs, we should remember that on the one hand, the programs
were initiated at the time where economic profession was dominated by the neoclassical economic
model which decided about their very liberal approach. On the other side, at that time there had been
already about a decade of African experience with SAPs, so some lessons should have been learnt
about design and implementation feasibility of the reforms, but they appeared to be rather
overlooked (the SAPs were designed in the same way).

Before we discuss SAPs main rationale, we should go back for a moment to their origin. The term
‘structural adjustment’ comes from the World Bank lending policy created in early 1980s which
offered quick financial help for countries in need for solving problems with their balance of
payments. The help was conditioned to satisfying certain economic criteria leading to ‘structural

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5 There was no unemployment and the share of employment in the state sector was even over 90 percent of the labor force (as for example in the Czech Republic).
adjustment’ of an economy (O’Hara, 1999). In similar fashion, the term was used by IMF, which in March 1986 established the first Structural Adjustment Facility (SAF) to provide assistance on confessional terms to low-income developing countries (IMF, 2003)\(^6\). The structural adjustment is therefore defined as a ‘process of market-oriented reform in policies and institutions, with the goals of restoring a sustainable balance of payments reducing inflation, and creating the conditions for sustainable growth in per capital income’ (Corbo and Fisher, 1995:2847). SAPs had their origin in Africa, where they were implemented in response to the economic debt crisis and aimed to address a mix of market and government failures. In transition economies the rationale for SAPs was to remove the government failures which manifested themselves over the socialistic period through various economic imbalances and deficiencies mentioned above. So the general perception was that the introduction of the market systems will be a remedy for this type of failure as it theoretically should lead to more Pareto efficient outcomes (at least according to neoclassical model).

Problems in transition economies appear quite different from those in LDCs in Africa. First of all, the starting point was different, political, economic and social conditions were different and transition countries were perceived to be somewhere in between LDCs and OECD industrial countries (Killick and Stevens, 1991). Though it suggests that the SAPS would had have smaller problems there it was not quite so. In transition countries social and economic conventions, property rights, enforcement of contracts, and all these types of rules had to be defined from scratch, while in LDCs infrastructure of rules, regulations and practices was inherited from the colonial period and provided ground for the market economy, although it was not perfect.

Despite obvious differences between transition economies and LDCs, SAPs in the former were very similar to those in the latter in terms of logic, hierarchy of objectives and sequence of reforms. They started with conventional stabilization programs, restoring the current account and fiscal balances. This usually required a reduction in public sector deficit (usually by cutting public expenditures and increasing taxes) and reduction of monetary financing of the government spending which used to cause inflation. Price liberalization aimed to address the government failure concerned with information and incentives, as it restored price system information and market based incentives. Trade liberalization aimed to increase competition and encourage inflow of ‘foreign savings’ (in form of Foreign Direct Investments) as domestic ones were highly depleted by inflation. Then structural transformation followed with a set of microeconomic and institutional policy reforms focused on the removal of microeconomic obstacles to the efficient allocation of resources.

\(^6\) The Structural Adjustment Facility arrangement were made available to eligible countries undertaking three-year comprehensive macroeconomic and structural adjustment programs.
Privatization was proposed in order to accurately define property rights and improve efficiency and profitability of economy. All in all, SAPs aimed at restoring macroeconomic balances, preparing economies for global competition, increasing the role of markets and creating institutions capable to achieve these goals (Corbo and Fisher, 1995). In all this framework the well-being of households was only implicitly assumed in the goal of sustainable growth in per capital income, which, if gained, would benefit the whole society.

**Theoretical premises of structural adjustment**

In order to understand the links between the proposed reforms and households we need to define the role of the latter in the economy. In economic theory households perform two roles, on the one hand, they enter the market place as consumers (of goods and services) on the other hand they provide labor as a production factor needed to produce those goods (Collins, 2000). Therefore, from the economic point of view the impact of SAPs on households should be analyzed first through their effect on consumption – quantity, quality, availability, equity of distribution - and second, through the changes in the labor market - income, employment, wages. However, there are also many other ways that households could be looked at, for example, from perspective of anthropology, evolutionary biology sand even game theory. Therefore, the impact of SAPs could be analyzed through its influence on families behavior (e.g. women fertility, patterns of marriages, divorces, cooperative behavior of family members etc.) (Bergstrom, 1996). Unfortunately, we had to judgmentally narrow our essay to economic aspect only for the sake of more insightful analysis.

Reforms so fundamental as SAPs had to affect households in various ways, but the net effect of all forces could be quite unpredictable and different in the short-run and in the long-run. Let’s consider a few examples. One channel through which structural reforms could directly affect households was public expenditures. Postulated cuts in current transfers and subsidies on goods and services could directly reduce households’ resources and lower their purchasing power. This could deepen poverty by forcing households to reduce their consumption or change the consumption pattern toward cheapest goods. However, if the reduction in public expenditure leads to a reduction in future taxes, the result can be positive for households in the long run (Ricardian equivalence) (Agenor, 2002). Another example is the effect of inflation, which has a direct impact on households but is an unavoidable effect of price liberalization. Increasing prices of goods and services reduces the purchasing power of households, and therefore hurts them directly and immediately. However, if the increase in public sector prices leads in the longer run to a lower fiscal deficit and reduces
inflationary pressure, then the net effect on the households may be positive in the long-run. (Agenor, 2002). Yet another example is a privatization channel through which SAPs could affect households severely due to massive layoffs. On the other hand, privatization in principle improves economic efficiency, which in turn contributes to higher economic growth, which if persistent and balanced (egalitarian) should on average benefit households. Privatization also introduces competition in the privatized sectors which usually is beneficial for customers because the prices tend to decline.

An expectation that the reforms will lead to higher economic growth, which will positively affect all the households, also seems uncertain. First of all, there seems to be a trade-off between efficiency and equality. Well known Kuznetz curve suggests an inverse relationship between the two (Agenor, 2002), so a higher income may not be equally distributed and some households may loose. This triggers worries about increase in poverty if proper safety nets are not in place. On the other hand, some other studies (e.g. Barro 2000) have been unable to find a robust relation between per capita income and inequality so not necessarily a higher income means larger inequality.

All we wanted to show through these examples is that theoretically an impact of the proposed policy mix of SAPs on households was quite unpredictable from the beginning and it could differ in the long-run versus the short-run. Besides, experience of the LDCs should have posed some caution against over-confidence in the reforms.

**What was the net economic impact of SAPs on households in transition economies?**

Once we know the rational and expectations towards SAPs we can come to a ‘positive’ evaluation of what had actually happened. For this, we have to establish counterfactual because none of the policy empirical evaluation can be carried out without it. In other word, we need to establish what would most probably have happened in the absence of the policy intervention (Treasury, 1995). This is a part of the broader concept of policy ‘net additionality’ which seeks to answer the question of how much the policy contributes ‘net’ or above the outcomes which would have occurred even in the absence of the program.

Empirical establishment of the counterfactual is a very challenging task. The problem arises from the impossibility of observing what would have happened to analyzed agents in both states when they participate in the policy and when they do not (with policy ‘on’ and ‘off’ over the same time) (CBR, 2001). However, some methods were developed which help to find the most convincing
counterfactual empirically. The most popular techniques include (i) extrapolation of previous trends (if they existed over longer time), (ii) creating the control group and comparing its performance with the policy group, and (iii) direct questioning of program beneficiaries (i.e. allowing program participant to be their own control group) (Treasury, 1995). In our essay we attempt to use the approach of control groups, as it is seems the most powerful of all the above mentioned counterfactual techniques.

How to establish the counterfactual for transition economies where all countries adopted SAPs? We can start with an observation that not all of the economies which declared introducing SAPs really did it in practice. In fact, many of them did not really introduce the reforms or were introducing them very slowly. Therefore, we claim that changes in those countries can serve in our analysis as a counterfactual for those countries which de facto introduced SAPs right away. Based on the classification proposed by de Melo, Denizer, and Gelb (1997) we can divide our transition countries into two groups. Slow reformers (Belarus, Ukraine, Turkmenistan, Uzbekistan) together with low intermediate reformers (Moldova Kazakhstan, Kyrgyz Rep., Russia) can serve as a control group, while advanced reformers (Czech Rep., Hungary, Poland, Slovak Rep., Slovenia) together with high intermediate reformers (Albania, Bulgaria, Estonia, Latvia, Lithuania, Mongolia, and Romania) form a policy group. In order to make our analysis as robust as possible we exclude those transition economies which were affected by serious regional tensions so that their situation was incomparable to others and assessment of SAPs would be biased (Croatia, FYR Macedonia, Armenia, Georgia, Azerbaijan, Tajikistan).

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7 The group which did not participate in the program but otherwise was very similar to the one which did participate
8 One more point concerning the counterfactual may be addressed here. Very often the transition countries are compared with East Asian economies in the context, that if the former adopted the policies of the latter instead of SAPs they could repeat the East Asian miracle. Behind such positioning of the problem is an implicit assumption that East Asian countries could be a good counterfactual for transition economies when the latter introduced SAPs. This, however, seems a very questionable assumption. First of all, the initial conditions, especially political ones, were totally different in those two groups of countries in 1990 on. For example China introduced its reforms under the communistic regime while the transition economies already became young democracies and this fact definitely affected the way they could carry out the reforms. For example the politicians in democratic countries cannot experiment with introducing the policies regionally and see what works (as for example China did) because democratic citizens demand the same rights for everybody and have more power to change the politicians. In other words, the totally different initial conditions in two regions in question suggest that the East Asian countries over the analyzed time would not serve as a good counterfactual for Transition economies. By saying that, we do not claim that transition economies could never have followed the ‘Asian miracle’. Perhaps, they could, but most likely when they were still communistic economies and rather unlikely after the communism collapsed. We should remember that SAPs were introduced after the communist regime was destroyed,
Once we have established the counterfactual we can analyse the changes in households’ performance in our *policy group* and compare them with those in our *control group* in order to assess the net change.

Firstly, the most immediate influence of SAPs on households was a burst of inflation which occurred in the *policy group* as a result of prompt liberalization. This unquestionably heavily hit all the households as their private savings immediately lost value and only higher income households could shift the rest of their savings from the bank to fixed assets (buying houses, cars, etc.). The poor households had to face the substantial decrease in value of their purchasing parity without much security. At the same time inflation in *control group* countries was very low. However, inflation in the *control group* although low at the beginning, had an upward trend and was more persistent at the end, while in contrast, the *policy group* was quite successful in suppressing inflation from three or four digit- to two digit numbers, usually over three years. So, the introduction of SAPs in the short-run hindered purchasing power parity and savings of the most vulnerable groups of households, but in the longer run restored the true values of goods.

Even more painful and much longer lasting than expected was the effect of overall fall in the real output and income per capita in all transition economies. The countries experienced on average 5 consecutive years of output decline since the beginning of transition. However, for the *control group* this averaged 6.5 years, while in *policy group* 3.8 years. After ten years, only six countries achieved GDP (in real and per capita terms) at the same or higher than pre-transition level and all of them were from the *policy group* (Albania, the Czech Republic, Hungary, Poland, Slovenia and Romania) (see Figure 1). The second half of the group and the whole *control group* were below their pre-transition production potential, and the most severely depressed were countries from the *control group* (Moldova, Ukraine and Russia). So, it seem that SAPs did not guarantee economic growth but it seems that it increased its probability, at least in the medium term.

Not only did the income decline severely but its distribution do worsened substantially in all transition economies and was accompanied in all countries (except Poland) by an increased poverty (Figure 2 and Figure 4). Very clearly, however, the inequality increased much more in the *control group* than in the *policy group*. Exept for Belarus and Kazakhstan the whole *control group* which definitely determined the conditions for the policy making, which can be explained in terms of the political economy.
experienced a more than 50 percent increase in inequality, measured by the Gini coefficient over 1987-1998. The most extreme examples were Ukraine and Russia where Gini indicated almost 100 percent deterioration in inequality. At the same time, in the policy group the distribution inequality worsened by less (with exception of Estonia and Bulgaria). Generally, the overall increase in inequality pushed quite a significant share of households into poverty, but this happened mainly in the countries where the income declined most.

The dynamics of pauperization were substantial. Between 1990 and 1998 the percentage of the poor (defined as a population living on less than US$ 1) in Eastern Europe and Central Asia increased from 1.5 percent to 5.1 percent, while at the same time even in Africa the share of poverty declined (World Bank, 2002). In all countries in policy group, however the poverty tended to decline while in most of the control group countries it actually increased (most drastically in Kazakhstan, Russia and Moldova). It seems that SAPs to some extent mitigated poverty in transition economies. The economies after communism were bankrupt and the political change also triggered a higher rent-seeking problem so increasing poverty in control group was to a high extent also a reflection of these facts and therefore, without very radical redistributional or institutional reforms the increased poverty seemed unavoidable.

Probably the most painful effect of SAPs was a high and persistent unemployment resulting from restructuring and privatization processes. In the policy group all the countries experienced a jump in unemployment from the level close to zero level up to 20 percent over first 5 years (see Figure 3). This, together with reduction in expenditure on social policy, was probably the most painful cost for households across all households in the countries. Poor households usually suffered first, due to massive reductions at the lowest production level. The problem of unemployment seemed more severe in urban households which had weak safety nets, than in rural ones where the possession of land at least allowed for self-subsistence farming. Therefore, for example in Poland, one could observe a positive migration from urban to rural areas. In contrast, unemployment in the control group did not change much. It stayed close to zero and did not exceed 5 percent there (see Figure 3). The lack of unemployment, or more precisely the presence of hidden unemployment, was a very important safety net from the point of view of the households in the control group. So, it seems that SAPs very severely hit households through the labor market. However, the adjusting period of the economy from old production structures to new ones was also a move toward higher efficiency of the economy (which should benefit the future generations) and was also justified from the fiscal point of view as the state was not able to finance unprofitable enterprises any longer.
Fiscal policy reform, which postulated increase in revenues and decreases in spending also affected households as it usually meant increase in taxes and cuts in expenditure (among others on health, education and other public services). This was usually in both control and policy group. All these also resulted also in quite a substantial decline in life expectancy, especially in Russia, Moldova but also Latvia and Estonia. General results were better again for the policy group than for the control one.

To conclude, if the SAPs had not been implemented and the counterfactual would have been continuation of the previous trends, there probably would not have been an official unemployment, income would have been low but more stable, public expenditures on health and education would have stayed at the same level for some time but it is hard to say for how long because the system was unsustainable and generated rationing and shortages in the economies. The quality of goods and services probably also would not have been improved. Comparing with the SAPs, on the one hand, they triggered very painful high and persistent unemployment which caused increased poverty and income inequality, but on the other hand income per capita improved in most of the countries, consumers could buy higher variety and better quality products, in addition to state services they could choose a better quality private services in health, education, communication, on the labor market more lucrative jobs were offered by foreign companies after an inflow of FDI, etc.

As we could see there were advantages and disadvantages of SAPs in the transition economies and the effects are quite complex. In the next step, however, we will attempt to evaluate them from the societies’ point of view.

**How could we evaluate the impact of SAPs in terms of changes in social welfare?**

The complexity of evaluating the effects of SAPs stems form the fact that outcomes of the policy are not directly comparable with those which would have occurred otherwise. For example, how to compare the two situations: first, where the jobs are guaranteed to households but there is almost nothing to buy in the shops with the money earned, and the second situation, where there is a possibility of buying everything in shops but because of difficulty in finding jobs, purchases of good quality goods became unfeasible for jobless households. Therefore, we need to interpret the impact of SAPs from a perspective of preferences which the societies may have had about various social states. We can base our evaluation on well defined social ordering criteria (like Pareto efficiency)
and Social Welfare Functions (such as Utilitarian and Rawlsian). Then we can ask whether the impact of the SAPs on households was in line with the preferences existing in the societies in question or not. As for the outcomes of SAPs, we can think of them in terms of equity and efficiency outcomes. As for preferences, we cannot guess, of course, which type of preferences the societies really had in the countries but we can consider them hypothetically and generalize the results.

If we first assume that the countries’ primary concern was an increase in efficiency in the Pareto sense, then ‘the welfare of a group of individual increase in moving from state a to state b if all of the individuals are better off in b or if at least one individual is better off and no one is worse off’ (Accocella 1998:49). As we discussed above, certainly there were households which lost from SAPs probably even in a group of advanced reformers. Therefore, from this perspective SAPs caused a welfare decline in all transition economies. However, the picture may be different when we extend the Pareto principle over the Kaldor’s compensation principle. Then, it is enough if the real income increases in the economy to have an increase in welfare, because those who benefited from the change would have been able to compensate (even if only theoretically) those who were worse off (Accocella 1998:33). Then, in our case there would be a welfare improvement in such countries as Albania, Czech Republic, Hungary, Poland, Slovenia and Romania.

If, however, we assume that the countries had Utilitarian preferences extended by the notions of Pigou, then the welfare of the society increases first, when the national income increased without reducing the income of the poor and second, when the income of the poor improves and the size of national income does not decline (Accocella 1998: 61). In our example, there were three such countries where efficiency (income) improved while the poverty did not deteriorate (Czech Republic, Slovenia, and Hungary) and only one where the income of the poor increased and the total income increased (Poland). So households in these countries would be perceived as increasing welfare due to SAPs.

If we make yet another assumption, that preferences in societies were of the Rawlsian type - so the welfare would only depend on the welfare of the poor (Stiglitz, 1989), we would end up with different evaluation outcome of SAPs, as then Bulgaria, Estonia, Lithuania, Ukraine and Poland would gain welfare so mainly countries from the policy group. There are many other approaches in

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9 According to Stiglitz (1999:92), in practice changes in efficiency are frequently equated with changes in national income and for changes in inequality the Poverty index is normally used rather than the Gini coefficient, because it is more clear from the perspective of sources of inequality. Therefore we will stick to this terminology.
the literature to social preferences (for example of Sen or Nozick) however, it is impossible to exemplify all of them in this essay.

The general conclusion from the presented examples is that the impact of SAPs should not only be evaluated through a ‘positive’ approach (by showing the actual scale and direction of the impact) but ideally also through a ‘normative’ approach by considering the preferences in societies). This may lead, as was shown above, to different conclusions.

Final remarks

It is difficult to evaluate the impact of SAPs on households because of many methodological difficulties, especially in establishing the counterfactual and society’s preferences. Referring to the common view that the government failure (due to centrally planned economies) was followed by the market failure (due to too liberal approach of SAPs) (EBRD, 1999), this essay attempted to show that it is not certain which of the two failures was worse. The changes in households welfare, even without SAPs, would not have been necessarily better than with SAPs. Besides, we attempted to show that there is an important time dimension in the problem since what seemed to be disadvantageous for households in the short run could be actually perceived as good in the longer run. The countries called advanced reformers, which determinately introduced SAPs, all join the EU in May this year, while the slow reformers struggle with the same problems as at the beginning of transformation. Therefore, from the intra-generational perspective the households may actually gain net from SAPs.

Total number of words: 4951

Bibliography


**Appendix A.**

**Figure 1: Changes in income 10 years after introduction of SAPs**

![Graph showing changes in income 10 years after introduction of SAPs](image)

Source: Author’s own compilation based on the World Bank (2002) *Control group countries are in red

**Figure 2: Changes in income inequalities**

![Graph showing changes in income inequalities](image)

Source: Based on the World Bank (2002) *Control group indicated in red

**Figure 3: Changes in unemployment**

![Graph showing changes in unemployment](image)

Source: Based on WDI 2002 database and de Melo, Denizer and Gelb (1997) *Control group in red

**Figure 4: Changes in Poverty**

![Graph showing changes in poverty](image)

Source: Based on HDR (2003) and EBRD (1999) *Control group in red

**Table 1: Poverty in the Transition economies in comparison with other regions**

<table>
<thead>
<tr>
<th>Region</th>
<th>1990</th>
<th>1998</th>
</tr>
</thead>
<tbody>
<tr>
<td><strong>Eastern Europe and Central Asia</strong></td>
<td><strong>1.5</strong></td>
<td><strong>5.1</strong></td>
</tr>
<tr>
<td>East Asia and Pacific</td>
<td>28.2</td>
<td>15.3</td>
</tr>
<tr>
<td>Latin America and the Caribbean</td>
<td>16.8</td>
<td>15.6</td>
</tr>
<tr>
<td>Middle East and North Africa</td>
<td>2.4</td>
<td>1.9</td>
</tr>
<tr>
<td>South Asia</td>
<td>43.8</td>
<td>40</td>
</tr>
<tr>
<td>Sub-Saharan Africa</td>
<td>47</td>
<td>46.4</td>
</tr>
<tr>
<td><strong>Total</strong></td>
<td>20</td>
<td>17.1</td>
</tr>
</tbody>
</table>

Source: World Bank 2002