

YUGOSLAVIA



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1. Human Development Indicators

HUMAN DEVELOPMENT INDEX (HDI) (1)	1996	0.725	EDUCATION		
HDI Ranking out of 174	1996	87	Adult literacy rate*	1991	93.0
LAND AREA (sq. kms)		102,200	School enrollment rate (% age 6-23)*	1988	67.1
POPULATION			Mean years of schooling	1991	8.6
Estimated population (million)	1991	10.4	HEALTH		
Population growth rate (%)	91	0.5	Avr. life expectancy (years)*	1993	71.7
Fertility	1991	2.1	- Men	1993	69.1
Population density (per sq. km)	1991	101.7	- Women	1992	74.5
Rural population (%)	1991	48.8	GOVT. EXPEND. AS % OF GDP		
Urban population (%)	1991	51.2	Defense	1994	6.2
ECONOMY			Education	1994	5.0
Total GDP (US\$ billion)	1994	11.6	Health	1995	10.0
Real GDP per capita (PPP)*	1995	2,650	Social Protection	1994	1.3
Real GDP growth rate (%)	80-	6.0			
Inflation (%)	92	229.9			
Employment (%)					
- Agriculture	1995	4.7			
- Industry	1995	41.1			
- Services	1995	54.2			
Unemployment (%) (Reg'd)	1995	24.6			
Unemployment ('000)	1995	775			
			(1) From 1996 Global Human Devt. Report (based on 1993 figures)		
			* Included in calculation of HDI		

2. Features of the Report

This is the first National Human Development Report for Yugoslavia. It describes the inherited structures and policies from the former Socialist Federative Republic of Yugoslavia, which it argues are proclaimed, but not factually compatible with the goals of human development, but whose mechanisms and financing requirements proved to make them unsustainable.

It discusses the major damage caused to the economy by the period of civil war, and the vast cost in terms of

the fall in GDP, unemployment, loss of incomes, housing, and general trauma for the population. With the return of peace, good possibilities exist to build on the positive growth rates of the last two years.

3. Overall Trends

The concept of human development is not a new one in Yugoslavia, since in theory it was embodied in the socialist ideals of the promotion of the welfare of the individual, primarily that of the working class, particularly through the principle and the system of "self-management". In practice, however, the elements of political freedom and human rights were missing, although in Yugoslavia the standard of living and communications with the outside world were on a much more advanced level than in other countries with "real socialism."

The socialist reality also lacked many other elements inherent to the human development concept, such as the rejection of the market economy, and the inadequate concern given towards future generations, for instance due to excessively high expenditure of the social sector, and high indebtedness etc.

4. Governance Trends

After the secession and proclamation of independence of four of the six republics of the former Socialist Federative Republic of Yugoslavia in 1991 and 1992 (Slovenia, Macedonia, Croatia and Bosnia and Herzegovina), the Federal Republic of Yugoslavia, made up of the republics of Serbia and Montenegro, was proclaimed in April 1992.

The formation of new states in the region of the former Yugoslavia was followed by outbreaks of armed conflicts as the Serbs in Croatia and Bosnia and Herzegovina believed that they had a right to their own choice and that they could continue to live in common state with Serbia and Montenegro. The Federal Republic of Yugoslavia supported the right of Serbs to designate in which country they wished to live, and this led to the imposition of sanctions by the UN Security Council. Member states of the United Nations were forbidden every economic and trade activity with the FR of Yugoslavia, including scientific, technological, education, sports and cultural cooperation. The period from when the country was established until the end of 1995 was marked by international isolationism.

The Dayton Agreement of November 1995 halted the war in the region of the former Yugoslavia, and in December, sanctions were suspended, which brought about the gradual opening of the economy towards foreign markets, and led to an improvement in foreign trade relations. In the first half of 1996, the majority of the European countries had recognized the Federal Republic of Yugoslavia.

The first multi-party elections were held in December 1992, following by parliamentary elections in December 1993. Three new Constitutions were adopted for the Federal Republic of Yugoslavia, and for the new constitutive Republics of Serbia and Montenegro. These define human rights and other principles of action for the process of governance. While participation in decision-making was always enshrined in the concept of "self-management," the economic viability of this system has proven to be unsustainable, and reform is under way.

5. Economic Trends

As a result of the international blockade, the GDP plummeted in the space of two years (1991 - 1993) to one third or one half of the GDP level of 1990. In 1993, the share of the hidden economy had reached 54%, though later fell to 40% in 1995. The hyperinflation in 1992 and 1993 dealt a severe blow to the already feeble economy, and by January 1994, the country had a devastated monetary and fiscal system. Per capita incomes had fallen to \$1,000 (to the same levels in 1969), unemployment reached 800,000, and several hundred thousand employees were placed on paid leave of absence.

Capacity utilization of the economy fell from an already low 60% to 25% - 20%. The country was completely isolated; a large proportion of the population was impoverished; the social services sector was threatened; and legal and economic insecurity reigned. All this forced Yugoslavia from the group of medium developed countries into the category of underdeveloped nations. All in all, it is estimated that international sanctions caused an astonishing loss to the GDP of about \$58 billion.

Some of the consequences of the above has been the intensification of the brain drain of young, highly educated cadres and the slowdown of the privatization process. In 1995, the volume and share of the GDP occupied by the private sector was only 50%; in addition, the private sector employed 0.5 million people compared with 2.1 million in the state sector.

As a result of the implementation of the Programme of Monetary Reconstruction and National Economic Recovery in 1994, the monetary and fiscal system recovered and external budget support could be resumed. A balance was achieved between revenues and expenditure in public consumption. For the first time after the above dramatic decline, growth rates became positive in 1994 and 1995, although development is still sluggish in the aftermath of international sanctions.

The success in the implementation of the Programme is evident in the increase of the Yugoslav GDP by 6.6% in 1994 and 6% in 1995; in industrial production by 1.7% and 4%; in agricultural production by 5.9% and 2.7%; and in retail trade by 65% and 10% respectively. But despite the cumulative increase of approximately 13% during the 1994 - 95 period, the Yugoslav GDP is still only 50% of the level of the GDP in 1986.

But major changes will be required to adapt out-dated economic structures to the requirements of a market economy. Particularly emphasis will be needed to further stimulate the private sector and small and medium scale enterprises, as well as private investment and domestic savings.

6. Poverty Trends

With the exception of 1994, the population's real income has exhibited a continuous downward trend since 1990. In 1994, the real household income was on average 40% lower than in 1990, or a fall from \$226 in 1990 to \$103 in 1994.

An analysis of poverty and inequality prepared in 1994 indicates that 23.5% of the population (approximately 2.3 million people) subsisted at the poverty level, and had a monthly purchasing power of under \$120. The poverty level in 1994 was 3.1 times greater than that in 1990., with an increase from 8% to 30% for the urban population compared with from 7.1% to 11% for the rural population. Poverty is particularly prevalent among urban families with children.

The analysis of poverty by socioeconomic categories indicates that more than half of the poor population today are families whom in the normal, "pre-crisis" period were not poor. In other words, the economic crisis drove these families into poverty. They are still not destitute in the true sense of the word since they live in relatively decent conditions; their households are equipped with the necessary appliances, and they still possess old reserves of clothing and shoes. They are mainly households with children, with both parents employed in enterprises whose wages are low (textile industry, shoe manufacturing industries, construction etc.) Many members of these families, impoverished due to extraordinary circumstances, are active in the informal sector. Savings, or more precisely the depletion of savings, play a significant role in preventing poor families from sinking into greater poverty.

Another category of the poor has been the approximately 700,000 Serb refugees from the Republics of Bosnia and Herzegovina, and Croatia who fled to Serbia and Montenegro during the conflict, of which 200,000 fled to Belgrade, or 10% of the capital's population.

7. Social Trends

The drastic economic failure experienced by the country led to a sharp increase in social problems. There was a large increase in the share of households earning below-average incomes. Unemployment rose to 775,000 in 1995, or an unemployment rate of 24.6%. This, however, hides a large amount of hidden unemployment and paid leave.

Social institutions have occupied an important role in providing a social safety net to preserve the standard of living, particularly of the most vulnerable groups. But the deterioration of these institutions has resulted in a significant drop in the quality of social services.

Prior to the break-up of the former Yugoslavia, the country enjoyed relatively well developed systems for

health care and health insurance, social services and education. But the impoverishment of the country during the last few years has caused a decrease in the resources available for health, but this has been partially compensated for by a significant increase in the role of the private sector in health care.

Another consequence of the disruption of the last few years and the economic crisis has been the dynamic increase in the number of all three groups of pensioners. Old age pensioners increased from 55,400 in 1960 to 461,500 in 1994, those eligible for disability pensions increased from 79,600 to 445,500 while "family pensioners" increased from 61,200 to 288,200. This has put great strains on state resources, and a major process of reform has been approved in principle.

In the education sector, in the 1970s Yugoslavia was, according to the relative share of educational expenditure in the GDP, above the level of certain West European countries (e.g. FR Germany, France) and most East European countries, and on the same level as Japan, as well as proportionally higher than in countries of the same level of economic development. But the stagnation and decrease in economic activity during the 1980s forced Yugoslavia to significantly decrease the level of expenditure for education. Thus the share in the GDP also decreased from 5.4% in 1975 to 3.8% in 1986, before returning to 5% in 1994.

The social security system for providing allowances for unemployment, family benefits, has also been under pressure. The value of payments to beneficiaries has been eroded, and the state has had difficulty in fulfilling its obligations.

8. Women and Gender Trends

From a formal and legal perspective the civil rights of women in Yugoslavia are regulated in a satisfactory manner, and the position of women is completely equal to that of men in all areas. However, in many areas, there is a gap between the standard and the de facto state of affairs. The present economic and social crisis has undoubtedly increased this gap.

Women in Yugoslavia often carry most of the burden and suffer the drastic consequences of the socio-economic crisis. Due to the reduction in real income in families, women are forced to spend much of their time as home makers. They have also had to seek additional employment and engage in trading activities. As a result educational activities have by sheer necessity been pushed into the background.

Women have a lower rate of literacy than men (11% illiterate compared to 2.8% of men), but this is mainly among older women. Women constituted 47.5% of the working population in 1991, although this had since declined to around 40%. In different industries in the socially-owned sector, in 1994 the number of women was higher than the corresponding number of men; for instance, in trade (52%); hotels, catering and tourism (60%); financial organizations (57%); education and culture (56%); and health and social services (75%). On the other hand, the presence of women in management of enterprises and banks is still low (16%), as it is in political bodies, the diplomatic services, and Ministerial positions. The reasons for this status of women in the political arena as well as in key posts in enterprise lie, among others, in the ever present traditional prejudice concerning the role and the position of women in the family, home and business. The number of unemployed women in relation to men is still unfavourable. In 1994, this amounted to 56%.

A number of non-governmental organizations, whose main activists are women, have become active in the late 1980's and 1990s, to advance the position and human rights of women, humanitarian aid, and cooperation with similar organizations in other Balkan countries. They have been particularly involved in addressing the problems of the victims of physical and mental abuse during the period of conflict.

9. Environmental Trends

The state of the environment in Yugoslavia was especially affected in the period between 1992 and the present by the international embargo and the imposed UN sanctions. Operating under conditions of a closed economy coupled with the embargoed procurement of energy, the economy and the population of Yugoslavia, were veered towards the utilization for their own energy sources, which contained pollutants that negatively affected the quality of the environment. In order to satisfy energy needs, wood is being used more and more, which leads to an increase in the degree of deforestation and to instability in the biological balance of forest areas. The increased erosion causes a deluge of all larger types of hydro-accumulation and a long-term flange in the

hydrological water regime.

Since the economic facilities and equipment are obsolete and the possibilities for general repair are reduced environment due to the embargo on imports of spare parts, there has been an increase in the release of pollutants into the environment. There is also an increased risk of breakdowns and industrial accidents. Another contribution to environmental pollution is the utilization of low grade oil and gasoline, as well as obsolete vehicles for transportation. Because of the general decrease in the standard of living, products that do not meet quality standards, are still being used.

Paradoxically, a special problem in environmental protection has been caused by the suspension of international cooperation, and technical and financial assistance for resolving environmental protection. This is usually quite expensive in countries in transition where it cannot be realized without the assistance of international financial organizations.

Facilities for waste water treatment are not adequately developed, neither in communities, nor in the manufacturing or mining industry, and due to high costs, even the existing facilities are seldom used.

The emission of pollutants into the atmosphere in Yugoslavia is substantial, due to an irrational energy utilization rate, an unqualified management system and the low technical efficiency of equipment. The main sources of air pollution are temporal power plants, central heating power plants and stations, individual home heating systems, motor vehicles, industrial processes and facilities. Following the decrease in emissions during 1991 and 1992, there was a new increase during the following years.

The most common sources of land damage and degradation in Yugoslavia are the energy sector, manufacturing industry, agriculture and transportation.

Environmental protection in Yugoslavia is being given increased attention by the public in general, and by state institutions at all levels. In June 1993, the Federal government established the Integrated Policy for the Protection and Enhancement of the Environment, which defined the objectives, principles, financial instruments and other relevant elements of the environment protection policy as well as the priority programmes that should be implemented. But to date, despite the ambitiously proclaimed programmes, very little has been achieved in terms of introducing the Resolution into practice. The main problems lies in the Yugoslav economy's chronic lack of financial resources, for which future international assistance will be necessary.

10. Housing and Human Settlements

Over the past 25 years, significant progress has been made in improving the quality and size of apartments and enabling citizens to live in a satisfactory environment with adequate links to available public infrastructure (water, electricity, central heating, sewage, etc.). But the progress has been somewhat curtailed due to the economic crisis.

Formerly most people lived in public housing, but now, housing construction is almost completely financed by private capital. Furthermore, 90% of all socially-owned housing has now been privatized.

A serious deterioration has taken place in the housing sector in recent years due to the large inflow of mainly Serbian refugees from Croatia and Bosnia and Herzegovina. Currently apartments are occupied with a greater number of tenants, especially in the cities, and particularly in Belgrade.

Under the current circumstances, resolving the housing needs is especially difficult. Company apartment apportionment has almost completely stopped. There are no credit or other purchase incentives; apartment rents are high; and few people are in a position to purchase or rent an apartment by means of their personal income. As a result, the existing housing situation has serious consequences on the lives of the younger generation, since they are forced to delay marriage and establish their own families. Reforms to introduce new banking and credit mechanisms and to introduce fiscal and other exemptions are in the focus of attention.

11. Recommendations for SHD Strategy

Conclusions and recommendations are made within the text, but no formal SHD strategy is defined.

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Foreword, by Mr Danko Dunic, Director of the Economics Institute.

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