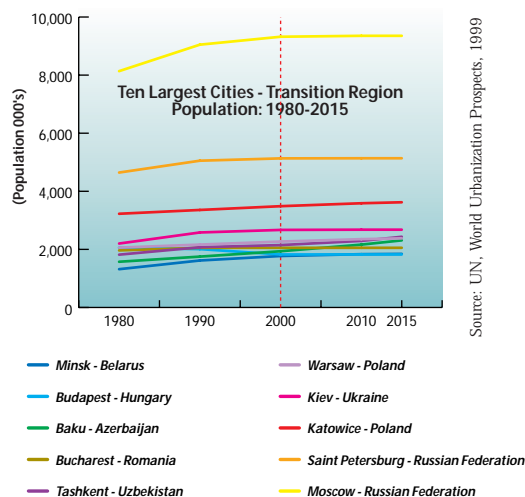
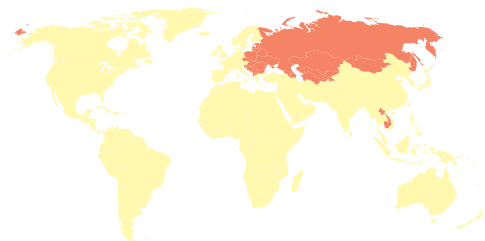
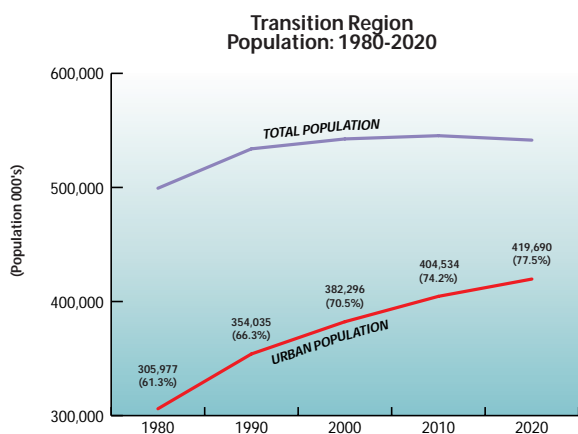


The urban population in the countries with economies in transition (ET) will approach 420 million, or 78 percent of its projected total population of 541 million, by 2020. Today, urban areas account for 70 percent, or 382 million of the total population of 543 million. The urban share of total population ranges from 40 percent in most of the central Asian republics to nearly 75 percent in Russia, about the same as the HIC and Latin American countries. Of the central Asian republics that were part of the former Soviet Union, four - Kyrgyzstan, Kazakhstan, Tajikistan and Turkmenistan - recorded negative urban growth rates between 1990 and 1995. The aggregate urban populations in the first and last of these countries is still decreasing. On average, municipalities of the ET countries capture about US\$275 per capita in revenue per year.



Source: UN, World Urbanization Prospects, 1999



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It is primarily the former centrally planned economies of Eastern and Central Europe, plus the CIS countries, that have become known as economies in transition. Some of these were among the first industrialized urban societies in the world but in recent decades have failed to modernize their cities. The enormity of the task of their transforming to market economies and upgrading their cities is now manifesting itself to a full extent. At present, there are very few ETs whose transition is complete. Although the transition from centralized to free market economies has delivered considerable social benefits, it has also proven a costly process. Transition started with general impoverishment - in 1996, real wage levels in many ETs had fallen to half or less compared to 1989. Next came rises in unemployment, followed by sharp increases in poverty and inequality, a striking deterioration of public services and a fall in the provision of educational services. The elderly - often sentenced to poverty - became major losers in the transition process, as well as many middle-aged people, since retirement was widely used to reduce unemployment. Half the region's poor citizens live in cities.

There are, indeed, sharp differences among the various countries with economies in transition, notably in criminality, corruption and democracy. Some, particularly in Central Europe, have clearly started to adjust to the market economy promoted by the West. But, although the laissez-faire model was assumed by many experts to be the solution, experience during the past decade indicates that this does not necessarily hold true for all. The informal sector in a number of countries will play an increasing role, as a consequence of growth in the labour force without a matching response in the level of formal employment opportunities.

In several of the region's countries, newly enfranchised city governments often have neither the experience nor the capacity to deal with the huge deficiencies built up over the years. In spite of quantitative transfer of tasks to local authorities, demands frequently overshadow administrative and financial capacities. It is, therefore, important to strengthen both the institutional and financial bases of local authorities to enable them to participate effectively in the development process. Local government income figures suggest that decentralization has not been achieved since the national government transfers are still very high. There are, however, capacity building programmes ongoing in such countries as Poland and Romania, and, in the Balkans, cities are undergoing not only reconstruction but "re-invention." Sustainable urban development in ET countries will depend upon the creation and maintenance of efficient land and property markets; the development of housing finance; a greater emphasis on municipal finance and institution building; the strengthening of urban utility systems; a growing interest in the preservation of cultural assets and heritage; and the responsiveness to such emergencies as earthquakes and flooding.<sup>6</sup>