The focus of this thesis is to introduce the reader with the recent developments in the countries in transition from the centrally-planned economy towards a “healthy” democratic system with free market relations. The main aim is to analyze the divergence of paths the countries have experienced in the course of transition, particularly, the rapid recession and a following recovery, since it is critical for any country already experiencing the transition (from any system “A” towards any system “B”) or just preparing itself for the process. The comparative analysis in the form of case-by-case and point-by-point methods dominates in the research. The work tries to answer two basic questions: “Why had the post-Socialist countries in transition face a serious output decrease and, generally, an economic recession?” and “Why the developments were divergent throughout the region?” The existence of output recession is proved with the help of several economic indicators, such as evolution of GDP, inflation rate, registered unemployment rate, Human Development Index, composition of GDP by sector, but also GINI coefficient and poverty ratio, etc. Initial conditions index, Transition progress indicator, Liberalization index, Index of institutional quality, etc. support the second part of the thesis. In search for reasons for divergent development progress, the dominant role of the initial conditions and transition strategies is undisputable. The comprehensive approach allows seeing the situation with the most accuracy. However, they still have gaps in explanatory power, so the alternative parsimonious approach by Havrylyshyn (2006), called ‘Transition Navigation Model’ is added to identify the most crucial factors that determine the performance during the transition. It focuses on the effects of the delay in the reforms leading to proclivity to rent-seeking, state capture, and a frozen transition on the one hand; in contrast to the “EU beacon” stimulating the catch-up and preventing the state capture by powerful oligarchs on the other hand. The variables are combined and the nature of the divergence is identified.