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# Poland Country Assistance Review

## Partnership in a Transition Economy



Luis Landau



A World Bank Operations Evaluation Study



Poland Country Assistance Review  
Partnership in a Transition Economy

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# Contents

Foreword	ix
Preface	x
Prólogo	xi
Prefacio	xii
Avant-propos	xiii
Préface	xiv
Acknowledgments	xv
Abbreviations and acronyms	xvi
Summary	1
Resumen	16
Résumé	33
<b>1. How the Bank's assistance strategy changed over time</b>	<b>51</b>
Background	51
Evolution of the Bank's assistance strategy	52
Cutting back	63
<b>2. Systemic and institutional transformation and social amelioration</b>	<b>67</b>
Systemic and institutional transformation	67
Support for social amelioration	70
Instruments of Bank assistance for systemic and institutional transformation and social amelioration	73
<b>3. Private sector and infrastructure development</b>	<b>81</b>
Instruments of Bank assistance for private sector development	81
Instruments of Bank assistance for infrastructure development	92
<b>4. Implementation and supervision</b>	<b>100</b>
Portfolio management	100
Slow disbursement of credit line operations	104
Aid coordination: changing dynamics of donor operations	105
Cost effectiveness: room for improvement	108
<b>5. Findings and recommendations</b>	<b>110</b>
Outcome	110
Assessment of Bank assistance	112
Major findings for Poland	115
Findings for transition countries	116

<b>Annexes</b>	<b>121</b>
Poland at a glance	121
The Bank's loan portfolio to Poland	122
<b>References</b>	<b>127</b>
<b>Supplement</b>	<b>129</b>
Introductory note	130
Management response	131
Summary of Committee on Development Effectiveness findings	135
<b>Boxes</b>	
1.1 Risks and advantages of creating a large portfolio quickly	54
2.1 Gender differentials during the transition	78
3.1 Polish enterprise behavior study, 1991–92	83
3.2 Agricultural Task Force—a vehicle for providing nonlending services	87
3.3 IFC country strategy in Poland	90
<b>Figures</b>	
1.1 Distribution of Bank resources among countries in the Europe and Central Asia Region's Division II, FY85–96	58
1.2 Total Bank commitments to Poland by fiscal year	63
3.1 World Bank lending to Poland by purpose	97
4.1 Average lending completion costs by sector for projects approved between FY90 and FY96	104
<b>Tables</b>	
1.1 Bank assistance versus reform program, needs, and environment	64
4.1 Average elapsed time for loan approvals	105
4.2 Poland: cost (staff weeks) of dropped lending activities	106
4.3 Poland: cost (dollars) of dropped lending activities	107
5.1 Poland: economic recovery	111
5.2 Macroeconomic performance: indicators for selected transition countries	113
5.3 Progress in transition: ratings for selected countries	114
5.4 Summary of strengths and weaknesses of the Bank's country assistance to Poland	118

## Foreword

This review, prepared by the Operations Evaluation Department, evaluates the overall relevance, efficacy, and efficiency of the Bank's assistance to Poland. The review concludes that the Bank's strategy during 1986–96 was highly relevant, its efficacy satisfactory, but its efficiency only marginally satisfactory.

During 1986–89, the Bank carried out comprehensive reviews of the economy but postponed lending until 1990, after the solidarity-led government had adopted a radical economic transformation program. Displaying strong support for this program, the Bank's Board approved 15 loans totaling \$2.6 billion during FY91–92. The Bank got involved in all key areas of the reform program and set up a high-level resident mission in Warsaw in July 1990.

With external financial help and advice, Poland has made great strides toward sustainable growth. Its private sector accounts for two thirds of GDP, its currency is stable, and its international creditworthiness is restored. The Bank's technical advice and intellectual support were pivotal in facilitating the work of Polish reformers. But the rush to lend carried risks. For example, many projects relied excessively on domestic financial intermediaries, whose capacity was not adequately assessed. Bank staff faced the additional challenge of implementing projects in a country where the leadership was changing frequently. Inevitably, these drawbacks led to mixed project performance.

The unfinished agenda of Poland's reforms includes restructuring and privatizing its public enterprise sector, reforming the large state-owned banks, strengthening the social safety net, and modernizing agriculture and institutions. These reforms will facilitate Poland's accession to the European Union and induce increased and sustained private investment.

Poland now depends less on the Bank than it did in the early years of reform. Greater selectivity and efficiency will characterize future operations. Stronger partnership with the European Union, more emphasis on private sector operations, and high-quality nonlending services will determine the success of the new country assistance strategy.

Robert Picciotto  
Director General  
Operations Evaluation

## Preface

This evaluation of Bank assistance to Poland is based on a thorough review of Bank files, economic and sector reports, strategy papers, and other internal Bank documents, as well as on relevant documents from Poland and other donors. In addition, the evaluation team conducted an extensive review of the literature on transition economies. Because only a small number of Bank operations in Poland have been completed and evaluated, the evaluation team undertook a detailed review of ongoing operations. The team prepared extensive background papers for the main areas of Bank assistance. One-page evaluative summaries for each loan to Poland can be found in Volume II of the grey cover version of this report.

Throughout the review process, the evaluation team exchanged views with Bank and IFC staff who were involved in the design and/or implementation of assistance to the country. The team interviewed present and former Polish officials and, to observe the transformation process at the grass-roots level, visited a small "company town." Moreover, the evaluation group conducted two surveys in Poland under the supervision of Polish experts to secure the informal views of Polish stakeholders at large, and the official views of all the ministries associated with Bank operations and of the National Bank of Poland. In Warsaw and elsewhere, members of the team held discussions with officials of the United Kingdom's Overseas Development Agency and Knowhow Fund, European Bank for Reconstruction and Development, European Investment Bank, European Commission, and Organization for Economic Cooperation and Development. The team also met with representatives of the governments of the United Kingdom, Germany, and France. The Bank's field office in Warsaw provided guidance and logistical support.

This report reflects the detailed and constructive comments of all interviewees. The author gratefully acknowledges the kind assistance of those who cooperated with the study.

## Prólogo

En el presente examen, preparado por el Departamento de Evaluación de Operaciones, se evalúa la pertinencia, eficacia y eficiencia generales de la asistencia prestada por el Banco a Polonia. Se llega a la conclusión de que la estrategia del Banco para ese país en el período de 1986 a 1996 fue muy pertinente, calificándose de satisfactoria su eficacia, pero de mínimamente satisfactoria su eficiencia.

En el período comprendido entre 1986 y 1989, el Banco llevó a cabo estudios completos de la economía del país, pero postergó las operaciones de financiamiento hasta 1990, una vez que el gobierno encabezado por el movimiento de solidaridad aprobó un programa radical de transformación. El Directorio Ejecutivo del Banco dio muestras de su firme respaldo al programa al aprobar 15 préstamos por un total de \$2.600 millones en los ejercicios de 1991-92. El Banco participó en todas las áreas fundamentales del programa de reforma y en julio de 1990 estableció una misión residente de alto nivel en Varsovia.

Con asesoría y asistencia financiera externas, Polonia ha hecho importantes avances para lograr un crecimiento sostenible. La participación del sector privado en el PIB representa dos tercios del total, la moneda es estable y el país ha recuperado la capacidad crediticia en el mercado internacional. La asistencia técnica y el apoyo intelectual que el Banco proporcionó a Polonia fueron fundamentales para la labor de las autoridades encargadas de la reforma. Sin embargo, la prisa por proporcionar financiamiento entrañó algunos riesgos. Por ejemplo, en muchos proyectos se recurrió en forma excesiva a intermediarios financieros nacionales sin que se evaluara en debida forma su capacidad. El personal del Banco tuvo que hacer frente al problema adicional de ejecutar proyectos en un país donde las funciones directivas cambiaban con frecuencia. Inevitablemente, los resultados de los proyectos fueron dispares debido a estos inconvenientes.

El programa de reformas de Polonia no ha concluido, pues está pendiente la reestructuración y privatización de las empresas públicas, la reforma de los grandes bancos estatales, el fortalecimiento de la red de protección social, y la modernización del sector agrícola y de las instituciones. Estas reformas facilitarán la incorporación de Polonia a la Unión Europea e impulsarán la inversión privada en forma continua.

Actualmente Polonia depende menos de la asistencia del Banco que en los primeros años de la reforma. En las futuras operaciones se aplicará una mayor selectividad y se pondrá más atención a la eficiencia. El éxito de la nueva estrategia de asistencia a Polonia dependerá del establecimiento de una relación de colaboración más estrecha con la Unión Europea, el mayor acento en las operaciones relacionadas con el sector privado y el suministro de servicios no financieros de alta calidad.

Robert Picciotto  
Director General  
Evaluación de Operaciones

## Prefacio

La presente evaluación de la asistencia del Banco a Polonia se basa en un análisis exhaustivo de los archivos, informes de estudios económicos y sectoriales, documentos sobre estrategia y otros documentos internos del Banco, así como en documentos pertinentes procedentes de Polonia y otros donantes. Además, el equipo a cargo de la evaluación hizo un examen acabado de la bibliografía sobre las economías en transición. Puesto que sólo se ha completado y evaluado un número muy reducido de operaciones del Banco en Polonia, el equipo de evaluación realizó un estudio detallado de las operaciones en curso. Para las principales áreas de la asistencia del Banco, el equipo preparó completos documentos de antecedentes. En el Volumen II de la versión de tapa gris del presente informe se puede encontrar una evaluación resumida de una página de cada préstamo otorgado a Polonia.

Durante el proceso de examen, el equipo de evaluación intercambió opiniones con los funcionarios del Banco y la CFI que participaron en la etapa de diseño o puesta en práctica de la asistencia al país, o en ambas. Los integrantes del equipo entrevistaron a ex funcionarios y funcionarios actuales de Polonia y, con el fin de observar el proceso de transformación desde las bases, visitaron una pequeña "ciudad-factoría". Además, el grupo de evaluación realizó dos encuestas en Polonia bajo la supervisión de especialistas de ese país con el fin de conocer la opinión extraoficial de las partes interesadas de Polonia en general, así como la posición oficial de todos los ministerios relacionados con operaciones del Banco y del Banco Nacional de Polonia. En Varsovia y otros lugares, los integrantes del equipo sostuvieron conversaciones con funcionarios de la Administración de Desarrollo de Ultramar y del Knowhow Fund del Reino Unido, el Banco Europeo de Reconstrucción y Fomento, el Banco Europeo de Inversiones, la Comisión Europea y la Organización de Cooperación y Desarrollo Económicos. El equipo se reunió también con representantes de los gobiernos del Reino Unido, Alemania y Francia. La oficina del Banco en Varsovia proporcionó la orientación necesaria, además de apoyo logístico.

En este informe se recogen las observaciones detalladas y constructivas de todos los entrevistados. El autor agradece sinceramente la generosa ayuda de quienes colaboraron en el estudio.

Robert Picciotto  
Director General  
Evaluación de Operaciones

## Avant-propos

La présente étude, préparée par le Département de l'évaluation des opérations (OED), est une évaluation globale du bien-fondé, de l'efficacité et de l'efficience de l'assistance fournie par la Banque à la Pologne. Il ressort de cette étude que la stratégie appliquée par la Banque pendant la période 1986-96 a été tout à fait adaptée et satisfaisante du point de vue de l'efficacité, mais que son efficience n'a été que marginalement satisfaisante.

Entre 1986 et 1989, la Banque s'est livrée à une étude approfondie de l'économie polonaise, mais ce n'est qu'en 1990, après que le gouvernement dirigé par Solidarité eut adopté son programme radical de transformation économique, qu'elle a commencé à consentir des prêts au pays. Le Conseil de la Banque a manifesté son appui résolu au programme en approuvant quinze prêts d'un montant total de 2,6 milliards de dollars pendant les exercices 91-92. La Banque est intervenue dans tous les domaines clés du programme de réforme et a établi une mission résidente de haut niveau à Varsovie en juillet 1990.

Fort de ces conseils et de ces financements extérieurs, la Pologne s'achemine à grands pas vers une croissance soutenable. Le PIB provient pour les deux tiers du secteur privé, la monnaie est stable et le pays a retrouvé sa crédibilité sur les marchés internationaux. Les conseils techniques et le soutien intellectuel fournis par la Banque ont facilité la tâche aux réformateurs polonais de manière déterminante. Mais cet afflux de prêts ne s'est pas révélé sans risques. C'est ainsi que beaucoup de projets tablaient trop sur les intermédiaires financiers polonais, dont la capacité avait été mal évaluée. Les changements fréquents au sein de l'équipe dirigeante du pays ont en outre posé une difficulté supplémentaire aux agents de la Banque chargés d'exécuter les projets. Compte tenu de ces contraintes, les projets ne pouvaient donner que des résultats inégaux.

Le programme de réforme du pays est inachevé à plusieurs égards ; il faut encore restructurer et privatiser le secteur des entreprises publiques, réorganiser les grandes banques d'état, renforcer le filet de protection sociale et moderniser l'agriculture et les institutions. Ces réformes faciliteront l'entrée de la Pologne dans l'Union européenne et attireront un flux plus important et soutenu d'investissements privés.

La Pologne est maintenant moins tributaire de la Banque que pendant les premières années de la réforme. Les futures opérations seront caractérisées par une plus grande sélectivité et une efficience accrue. Le succès de la nouvelle stratégie d'assistance passe par le resserrement des liens de coopération avec l'Union européenne, le souci d'accorder davantage d'importance aux opérations du secteur privé et la prestation de services hors prêt de bonne qualité.

Robert Picciotto  
Directeur général  
Évaluation des opérations

## Préface

La présente évaluation de l'aide de la Banque à la Pologne repose sur un examen approfondi des dossiers, études économiques et sectorielles, documents de stratégie et autres documents internes de la Banque, ainsi que sur des textes pertinents émanant de la Pologne ou d'autres bailleurs de fonds. L'équipe chargée de l'évaluation a elle-même effectué un vaste tour d'horizon des écrits consacrés aux économies en transition. La Banque n'ayant à ce jour achevé et évalué qu'un petit nombre d'opérations en Pologne, cette équipe a également procédé à une étude détaillée des opérations en cours. Pour les principaux secteurs ayant bénéficié de l'aide de la Banque, elle a rédigé des documents d'information détaillés. Le volume II de la version sous couverture grise du présent rapport contient des évaluations résumées d'une page pour chaque prêt.

Tout au long de ce processus d'examen, l'équipe chargée de l'évaluation a procédé à des échanges de vues avec les membres du personnel de la Banque et de la SFI qui avaient participé à la conception et/ou à la mise en oeuvre de l'aide au pays. Elle a interrogé d'actuels et anciens responsables polonais et, pour observer le processus de transformation sur le terrain, elle a visité une petite ville fondée autour d'une entreprise. Elle a également effectué deux enquêtes en Pologne, sous la supervision d'experts polonais, afin de recueillir le point de vue officieux de l'ensemble des intéressés et l'avis officiel de tous les ministères ayant collaboré aux opérations de la Banque et de la Banque nationale de Pologne. À Varsovie et ailleurs, les membres de l'équipe ont eu des entretiens avec des représentants de l'Overseas Development Administration et du Knowhow Fund du Royaume Uni, de la Banque européenne pour la reconstruction et le développement, de la Banque européenne d'investissement, de la Commission européenne et de l'Organisation de coopération et de développement économiques. Ils ont également rencontré des représentants des gouvernements du Royaume Uni, de l'Allemagne et de la France. Pour sa part, le bureau extérieur de la Banque à Varsovie a prodigué conseils et appui logistique.

Ce rapport s'inspire des commentaires constructifs et détaillés de toutes les personnes interrogées. L'auteur exprime sa gratitude à tous ceux qui ont coopéré à sa réalisation.

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## Abbreviations and acronyms

ASAL	Agricultural sector adjustment loan
ATF	Agricultural Task Force
CAS	Country assistance strategy
CEM	Country economic memorandum
CMEA/COMECON	Council of Mutual Economic Assistance
CSIR	Country strategy implementation review
CSP	Country strategy paper
EBRD	European Bank for Reconstruction and Development
EC-PHARE	European Commission Poland and Hungary Assistance in Restructuring Economies
EU	European Union
ECA	Europe and Central Asia Region
ECU	European unit of currency (now called Euro)
EDI	Economic Development Institute
EFSAL	Enterprise and Financial Sector Adjustment Loan
EIB	European Investment Bank
ESAL	Energy sectoral adjustment loan
ESW	Economic and sector work
ETP	Economic Transformation Program
FIDL	Financial Institutions Development Loan
FY	Fiscal year
GDPR	General Directorate of Public Roads
IDA	International Development Agency
IFC	International Finance Corporation
IMF	International Monetary Fund
MTME	Ministry of Transport and Maritime Economy
NBP	National Bank of Poland
OECD	Organization of Economic Cooperation and Development
OED	Operations Evaluation Department
PDB	Polish Development Bank
PGNG	Polish Oil and Gas Company
PKOBP	Polish National Savings Bank
PKP	Polish State Railway
PPGC	Polish Power Grid Company
PPTT	Polish Post, Telephone and Telecommunications
SAL	Structural adjustment loan
TPSA	Polish Telecommunications Company
USAID	United States Agency for International Development

## Summary

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When Poland rejoined the World Bank in 1986, the Bank pursued a strategy of encouraging the economic reform programs of successive Polish governments. The Bank was cautious, however, carefully monitoring the government's progress to determine when the Bank should start to lend. When lending did begin in 1990, the Bank formulated a broad strategy, which gave it flexibility in a rapidly changing environment to maximize the relevance of its assistance program. Among the Bank's strategic priorities in the early years of assistance were to help Poland secure stable macroeconomic management and thus to strengthen Poland's creditworthiness; to support enterprise reform, restructuring and privatization, and private sector growth; to help upgrade the physical and financial infrastructure in support of a market economy, including modernization and eventual privatization of the banking system; to protect the environment; and to strengthen the country's social safety net. After the first few years of lending, implementation difficulties began to emerge, especially with credit-line projects. Some projects were too large and complicated, institution building lagged in some sectors, loan documents failed to specify conditions clearly enough, and the changing country social and political situation, especially the many changes in government, further impeded implementation. In spite of these challenges, tangible progress was achieved on most of the Bank's early objectives, and nearly all the sectors in which the Bank has been involved have benefited from its advice and intellectual contributions—perhaps more so than from its traditional lending operations.

### **Bank support for the reform programs, 1986–90**

Following Poland's membership in 1986, the Bank immediately launched studies to identify and analyze the needs of the Polish economy. It also started project preparation work, but lending was delayed because of doubts about the sustainability of the government's program, concerns about creditworthiness, and negative signals from major shareholders. The first country strategy paper (CSP), discussed internally in November 1987, proposed that lending be timed to match the strength and progress of the government's reform program and its progress in restoring creditworthiness. Aware of Poland's poor track record on following through on reforms, the Bank sought in the CSP to encourage the government to produce and stick to a feasible and credible medium-term economic and debt management program that would restore Poland to creditworthiness. This strategy was reaffirmed in a country strategy note reviewed by management in mid-1989.

After initially opposing lending to Poland, some of the Bank's major shareholders began to urge an acceleration of project preparation, after a newly elected democratic government announced the decisive, market-oriented Economic Transformation Program in 1989. In early November, following Poland's agreement on an extended fund facility with the International Monetary Fund (IMF),

a structural adjustment loan (SAL) was proposed to open up the possibility of further structural and sectoral adjustment loans. In early December 1989 a SAL appraisal mission was sent to Poland. The Bank articulated a strategy of full support for the reform program. Bank lending began in 1990.

*The Bank's cautious assistance strategy to Poland in 1987 was appropriate to the uncertainties of the time*

Considering the opportunities and risks facing the Polish reform program, the Bank's cautious strategy of 1987 was appropriate to the uncertainties of the time. While a case could have been made for earlier, selective Bank lending, postponing lending until 1990 had the positive effect of encouraging the Polish authorities to make a stronger commitment to reform. And by waiting until the international and domestic climates were more receptive, the Bank began lending when the ratio of opportunities to risks was unusually favorable.

#### **Rapid buildup of the portfolio, 1990-91**

Reflecting the high priority the Bank attached to the success of Poland's reform effort, senior Bank officials, from the President and Senior Vice President for Operations to the Regional Vice President and Country Director, were directly involved in shaping the early program. They launched special task forces and expedited internal processes to ensure timely assistance and to exploit the unprecedented opportunities for historic reform.

Internal documents and statements to the Board showed the Bank's close involvement in all key areas of the reform program: supporting Poland's reentry into the world economy through trade liberalization; resolving foreign debt issues; stabilizing the economy; strengthening the currency and balance of payments; disposing of nonviable enterprises and restructuring those with a future; softening the negative impacts of reforms on vulnerable groups; creating the institutional and legal framework for a market economy; handing over control of the economy from the planners to the market; reducing the burden of controls and monopolies; encouraging the growth of private sector business; and mobilizing and coordinating other donor assistance.

Lending began in February 1990 with two credit-line loans aimed at increasing convertible currency exports. These were followed by loans for environmental protection, transport, energy, and the financial sector. Much of this lending was through financial intermediaries that were expected to onlend to beneficiaries. A weakness of this approach was that, contrary to established policies, the Bank did not first ascertain whether Polish banks had the institutional capacity to perform this pivotal onlending role. Subsequent developments showed that they did not.

The earliest and most visible Bank support for the reform program was the \$300 million Structural Adjustment Loan approved in July 1990. The loan's objective was to bolster the reform program by demonstrating the Bank's belief in the program's technical soundness and viability and by providing foreign exchange to strengthen foreign reserves and add to the credibility of the stabilization program. The executive directors strongly endorsed the loan, although some expressed concern that its conditionality was too general, particularly on subsidy reductions and the pace of privatization. Some executive directors called for more decisive action to protect vulnerable groups during stabilization. The SAL became a major vehicle for Bank-government dialogue. By including conditionality on environmental policy, for example, the SAL helped bring environmental issues to the center of Bank-government economic dialogue.

The Bank responded to the magnitude of the task ahead and the need for a permanent presence on the ground by setting up a high-level resident mission in Warsaw in July 1990, headed by a member of the regional management team. Its main activities would be to coordinate and help develop the Bank's assistance program, help the government coordinate financial and technical assistance from other sources, and monitor economic, financial, legislative, and social progress.

The pace of lending picked up. In the brief period from April to June 1991 the Board approved 12 loans totaling \$1,140 million. There were several energy sector loans, including an energy adjustment loan that focused on pricing and subsidy issues. There were also loans for telecommunications, employment promotion, agriculture, privatization and restructuring, and financial institutions. A financial institutions development loan included both policy and institutional development components aimed at removing interest rate subsidies, reducing directed credit, modernizing banking legislation, helping develop capital markets, and restructuring state-owned commercial banks before privatizing them.

Technical assistance was emphasized and included preparation of sector strategy papers for agriculture, health, and public housing administration. Six energy sector studies laid the foundation for restructuring the energy sector. The Bank also mobilized technical assistance from other sources, often on grant terms. With several donors funding technical assistance, issues of aid coordination and ownership arose.

An important part of the Bank's assistance strategy was to help Poland put in place a legal framework to support a market economy. During the early stage of the transition Bank staff underestimated the difficulty of transmitting legal concepts to a setting unaccustomed to Western practices. The Bank approached legal reforms in a responsive mode and in limited areas, dealing with legal concerns mainly as they arose in privatization, banking, housing finance, and other projects. Unlike other countries in Eastern Europe and the former Soviet Union, where the Bank undertook some more systematic studies of the legal situation, the Bank did not receive a clear request from Poland to provide assistance on systemic legal reform. In the early days of the Poland program the Bank did not have a vehicle it could offer the Poles to analyze the legal system or provide grant-based technical assistance.

The first two years of lending were more intensive than expected. The last strategy paper (1987) prior to the onset of lending in 1990 had proposed a small trial portfolio (one third the size of a typical Bank lending program to a country Poland's size). When instructed to prepare a portfolio much larger than anticipated, the country team did not always have enough time to fully prepare new projects or to modify existing project proposals to suit the new, more market-oriented environment. The quality at entry of credit-line projects was particularly affected by this pressure to lend. Several loans were approved before another formal strategy review was held in November 1992.

Despite these handicaps, the Bank was able to provide strong and effective support to the Polish government during the critical early stages of the economic transformation. Although the Bank's loan disbursements helped to strengthen the country's external position in the early years, its technical inputs, advice, and intellectual support were more valuable than its financial assistance. The impetus for the reform program came from the Polish team, and the Bank provided valuable support through advice, technical backing, dissemination of market-oriented ideas, and endorsement of Poland's debt relief proposals to other creditors.

*By postponing lending until 1990, the Bank encouraged greater government commitment to reform... which in turn encouraged more lending*

A good example of the Bank's early intellectual support was the strategic investment review, which was well received by the government. The review focused on an area that had received scant attention on Poland's transition agenda, the articulation and management of a public investment program to support the emerging market economy. This review was the first comprehensive review by the Bank of public investments in a transition economy. Other internal studies prepared in this period helped to address critical transition issues in several areas, such as public administration reform, trade policy, and fiscal management.

### Emerging implementation problems and reform issues, 1992–93

Toward the end of 1991 strong doubts were emerging regarding the viability of the Economic Transformation Program. Fiscal policy worsened, the IMF program went offtrack, banks and enterprises started to fail. Responding to the crisis, the Bank made a thorough assessment of the situation in its next major economic report.

The 1992 country economic memorandum (CEM) was intended as an input to decisionmaking in Poland and the Bank's 1992 CSP as well as an analysis of the reform program. The report found that Poland had made great progress and that the private sector was prospering. It also noted that the restructuring and privatization of state enterprises was lagging and that sharp drops in investment in infrastructure and human resource development could be undermining growth. It identified the difficulty of restructuring and privatizing state enterprises as the root of the problem. The rapid expansion of the private sector was not enough to compensate for the loss in output and employment in many large state-owned enterprises. When subsidies were reduced and state enterprises cut back on free social services, the cost of living rose and real wages fell sharply. Women suffered a dual blow from the loss of daycare facilities and higher than average unemployment. The fiscal impact of the eastern bloc's collapse was worse than had been predicted. Public support for the reform program waned. Successive general elections and coalition realignments led to frequent ministerial changes and loss of continuity in reform.

*But with the country's changing political and social situation, implementation problems began to emerge*

The CEM recommended that Poland focus on quick ownership reform and integration into the world economy to expedite enterprise restructuring and privatization, consolidate stabilization, strengthen core state institutions, and build up infrastructure with private sector participation. Since social expenditures had skyrocketed during 1990–92, the CEM called for public finance reforms to target expenditures more efficiently, to allocate social transfers to the most needy, and to weed out the large numbers of ineligible social welfare claims. Tax reforms were also needed. The country's external debt had to be consolidated, and agreement had to be reached with commercial creditors to fully restore Poland's creditworthiness.

With the country's changing political and social situation, implementation of Bank projects suffered, and disbursements lagged behind estimates. It became apparent that some projects were too large and complicated, involving several ministries or agencies that did not always share the same objectives. The turnover of government personnel also revealed some gaps in the Bank's institution-building efforts. New officials had difficulty learning the Bank's language and procedures. Communications between Polish officials and Bank staff were not always smooth. Lack of continuity in Bank staff sent from headquarters also contributed to implementation delays. In some cases, loan documents failed to spell out clearly what actions the borrower was required to take, having relied

instead on general understandings reached with officials who were no longer in office. There was little if any disbursement from Bank projects involving credit lines, a consequence of lack of demand, slow and cumbersome Bank procedures, and emerging competition in credit lines from donors offering more flexible procedures and better terms than the Bank. Some of these problems point to the difficulty of using traditional Bank instruments in transition economies, in an environment requiring considerable agility and flexibility.

At the same time that these portfolio problems were emerging, there were management changes in the Bank's regional office. The Bank missed an opportunity to be closer to the client and empower the resident mission's authority to be more proactive, to resolve implementation issues on the ground. There was less delegation of authority from headquarters, and the attention of some managers and senior staff shifted from Poland to other countries in the region. Response times from Washington became longer, and the Bank's assistance to Poland lost some of its earlier drive. Projects took on a life of their own, with progress depending on the initiative of the staff involved and their government counterparts. Projects in sectors whose ministries were shielded from frequent changes in government, and where the Bank had maintained seasoned staff on the ground (such as in infrastructure), continued to make progress, while other projects stagnated.

The country strategy paper completed in November 1992 recognized some of the emerging implementation problems, which it attributed mostly to causes outside the Bank, such as political instability, lack of familiarity with the Bank's requirements and practices, lack of institutional ability, and competition from other donors. The CSP also defined five objectives of the Bank's lending strategy that were clearly relevant to Poland's situation: securing a stable macroeconomic framework and thus strengthen Poland's creditworthiness; supporting enterprise reform and restructuring, privatization, and the growth of the private sector; upgrading infrastructure (including financial sector infrastructure) in ways that would support a market economy; enhancing environmental amelioration in all sectors of economic activity; and supporting a stronger social safety net to help the country reduce the social impact of its systemic transformation. The CSP proposed a tentative three-year lending program of \$0.9 billion a year, including \$400 million to support a debt-reduction operation. It also mentioned the need to improve implementation of existing projects and donor leadership. Despite the emerging implementation problems, the CSP made no recommendations for restructuring the portfolio and provided no operational guidelines on how to improve portfolio management, other than calling for targeted supervision efforts, training in procurement and disbursement procedures, and discussions with the government.

This initiative led to a constructive series of country strategy and implementation reviews (CSIRs), which have been held regularly since 1993. The first joint review with the Polish authorities took place in Warsaw in January 1993. Government officials complained that some Bank project staff had encouraged line ministries to request new Bank loans without the knowledge or concurrence of the Ministry of Finance. The Bank agreed to respect the coordinating functions of the ministry in formulating future lending proposals. Despite these useful discussions, implementation problems intensified during the year, and the new authorities asked for more time to define priority areas of future cooperation and for the design of new projects in order to "avoid repeating mistakes of the past."

A revised country assistance strategy—without the proposed lending targets—was presented to the Board in April 1993. Some executive directors criticized the document's lack of specificity on fiscal projections (which some executive direc-

*Management changes in the regional office further compounded portfolio problems*

tors thought were overly optimistic), safety net targeting needs, and the social consequences of restructuring—objections that in hindsight proved justified. On balance, however, the executive directors endorsed the proposed strategy and praised the emphases on environmental protection and assistance for debt reduction.

Despite the mounting implementation difficulties during 1992–93, Bank staff and government counterparts were able to put together seven new loans totaling \$1,436 million. This diversified portfolio included innovative and ambitious loans for health and housing, and loans for forestry development, roads, and private sector development. Two adjustment loans, prepared with full participation by the borrowers, were particularly innovative and far-reaching: the *Agricultural Sector Adjustment Loan* (ASAL) for \$300 million, and the *Enterprise and Financial Sector Adjustment Loan* (EFSAL) for \$450 million.

In the *health* sector the Bank undertook an ambitious program to help to arrest the 20-year decline in the health status of the population and to ameliorate the adverse effects of the economic crisis. The Bank's health sector specialists felt under pressure to expedite preparation of a project, whereas the Polish counterparts were not ready to define priorities. There was insufficient time for project design, and insufficient exploration of alternatives. As a result, an ambitious \$130 million project was put together without full participation—and ownership—of stakeholders, giving little attention to women's health issues and missing opportunities for donor coordination, especially in grant-based technical assistance. The project attempted to do too much in too complex a manner. A recent restructuring has addressed these problems and recent implementation performance has improved.

Responding to a direct request by the Polish government to the Bank's President in February 1990, staff were instructed to expedite preparation of a *housing* project. A \$200 million loan was approved in June 1992. The project attempted to support the government's movement away from heavily subsidized housing production to a market-based system that eliminated subsidies for new housing. The objective was that the most needy rather than the purchasers of new homes, who tend to be middle- and upper-income families, would receive subsidies. It also attempted to replace existing subsidies with finance, with the finance modeled on a successful series of housing finance projects in Mexico.

From a loan disbursement perspective, this project clearly did not work. In an economy undergoing major restructuring of production and ownership rights, and simultaneously experiencing a severe recession, it is reasonable to expect housing investment to contract sharply—all the more so considering that housing was one of the most highly subsidized and publicly controlled goods under central planning. However, to argue that the project had a basic design flaw or that the lack of disbursement is evidence that the project should have been renegotiated is contradicted by what occurred in the sector. Now, five years after loan approval, many of the aspirations of the project are in place: interest rate subsidies for new housing have been eliminated, and unsubsidized finance has developed.

The *Agricultural Sector Adjustment Loan*, by contrast, was the result of careful preparatory work and Bank leadership. Following two earlier Bank loans for agriculture that had been rushed to Board approval without adequate preparation, the Bank organized an agricultural task force jointly with the government and the European Community. The task force report on an agricultural strategy for Poland became the framework for government action and for aid coordination by bilateral and multilateral donors. From this participatory framework emerged the ASAL, which was exceptionally comprehensive and offered the opportunity

for productive dialogue on most issues related to the transition of agriculture in Poland. The loan's emphasis was on accelerating the privatization and restructuring of state enterprises and state farms and on formulating a long-term land policy to facilitate the expansion of the private market for farmland. During implementation, however, this loan fell short of achieving its ambitious objectives because of its complexity, which made it difficult to supervise the many components, monitorable actions, studies, and technical assistance projects.

A small group of Polish officials, in full cooperation with Bank staff, were behind the other pathbreaking loan, the *Enterprise and Financial Sector Adjustment Loan*. Its objectives were to deal simultaneously with the debt overhang of state enterprises and the portfolio problems of the banking system and to resolve a root cause of the state enterprise crisis, the unclear structure of enterprise ownership and governance. The loan stimulated the banks to play a central role in restructuring enterprises through mandatory conciliation agreements and provided state enterprises with new opportunities to succeed in their reorganization efforts. Since rapid liquidation or restructuring of sensitive enterprises could be too costly socially and politically, the Bank agreed to finance an intervention fund to act as a social shock absorber during downsizing and liquidation of some large state enterprises. The loan's intended conditionality was weakened by lack of precision in the legal documents, which did not give the Bank a clear mandate to monitor the agreed pace of privatization or to supervise the operations of the intervention fund. Notwithstanding these limitations, the EFSAL was effective in proposing an innovative decentralized approach to the recovery and restructuring of bank portfolios that isolated banks from political influences and enhanced their autonomy.

**Reduced lending, portfolio consolidation,  
and a sharper focus on implementation, 1994–95**

By the beginning of 1994, the Polish economy was moving toward a strong recovery, as the earlier reforms began to bear fruit. Bank project implementation problems persisted. The government continued to welcome the Bank's policy advice. However, it also was articulating more clearly its reservations about the lack of flexibility of the Bank's lending instruments, including the mounting burden of the Bank's commitment charges on undisbursed loan balances and the financial management problems associated with the currency-pool system. The Bank's requirement of a government guarantee was seen as encouraging borrowers to be irresponsible. In the social sectors the government criticized deficiencies in project design, such as insufficient local participation, the lack of monitorable action programs for project implementation, and vague definition of expected benefits. The Bank, for its part, was increasingly concerned about the slow progress on important structural and institutional reforms that were required under various projects. These included progress on privatizing and restructuring enterprises, strengthening public finances, reducing the losses of the specialized banks, rationalizing the banking system, creating a deposit-insurance scheme, adopting a law on collateral, streamlining safety net operations, and opening up public utilities to private sector participation. Although the Bank offered to cancel unsatisfactory loans, the authorities chose not to do so. The country director and the government agreed, during a special Bank mission to Poland in January 1994, on a period of consolidation, during which priority would be given to implementation of existing projects.

*By 1994, the government began to voice reservations about the lack of flexibility of the Bank's lending instruments*

A notable exception in this period of consolidation was the joint efforts of the Bank, the Fund, and other major donors in putting together a *debt and debt-ser-*

*The Bank did support a flexible London club arrangement, which helped restore Poland's creditworthiness*

*vice reduction package* on Poland's massive debt to private banks, which had been in default. A successful London Club arrangement was reached in March 1994, which the Bank supported with a \$400 million loan (\$170 million from the Debt and Debt Service Reduction Loan and \$230 million from funds set aside from three previously approved adjustment loans). Poland used these funds to buy back a part of its outstanding debt. The Bank's support—financial and technical—for this important operation was pivotal and showed the responsiveness of the Bank when it is able to use more flexible instruments. The deal provided Poland with exceptional amounts of debt relief and helped restore its creditworthiness and access to international financial markets.

In parallel with the London Club arrangements, Poland's economic situation continued to improve. Financial stability and continued private sector expansion helped to attract foreign private capital inflows, and Poland soon had an abundance of foreign exchange. Its need for Bank financial support was diminishing, largely because other international financial institutions were offering finance with simpler conditionality, faster processing, and more attractive financial conditions. Poland's prospects for accession to the European Union, a high priority on the government's agenda, also reduced the need for the Bank's presence in the country.

The government's new stance was spelled out in an official document published in June 1994, "The Strategy for Poland." Quick accession to the European Union was a major objective, along with slowing the rate of increase in the public debt. These changes were reflected in Bank-government dialogue, which increasingly became a dialogue between equals. At a country strategy review in Warsaw in April 1994 and in subsequent discussions prior to completion of the 1994 country assistance strategy (CAS), the parties reiterated the critical importance of halting the deterioration in portfolio performance. The authorities were concerned about the mounting cost of the Bank's commitment fees on the large pipeline of undisbursed loans.<sup>1</sup> The Bank proposed maintaining an annual level of commitments of \$600–800 million for the next five years (compared with \$880 million in 1991–93), but the authorities pointed out that the size of the lending program would be affected by private capital inflows. They expressed a preference for smaller and simpler Bank projects and for social sector projects that could not attract private financing.

The Bank recognized that errors had been made in some cases, and repeated its willingness to restructure and/or cancel ongoing loans. Responding decisively and with flexibility the Bank conducted a thorough portfolio review. This resulted in major restructuring of some loans, such as health, and in dropping from the pipeline a large number of projects in preparation.<sup>2</sup> The Warsaw office representative intensified the dialogue with government officials in an effort to resolve implementation problems.

The 1994 country assistance strategy proposed a three-year lending program of \$600–700 million, two fifths of it for large adjustment loans. The Region felt that it needed the special incentive provided by adjustment operations to push for comprehensive structural reforms. The aggressive lending policies of European international financial institutions—often delinked from the policy debate and supported by complementary concessionary finance from the European Union—had diminished the Bank's financial leverage to push for reforms in the context of investment operations. Senior management cautioned that so much reliance on policy-based adjustment operations was undesirable because it could lead to the neglect of technical and institutional aspects of the reforms. The strategy emphasized three areas for Bank support: reforming public finance

(particularly social security expenditures), closing down large loss-making state enterprises, and reforming the financial sector. The CAS also proposed a focus on private sector development, including the provision of contractual compliance guarantees to encourage private sector financing, in close cooperation with the International Finance Corporation (IFC). The CAS included a proposal to continue working on small, simpler investment projects in social and economic infrastructure and to put more emphasis on work at the local government level.

This strategy did not include operational actions in a number of important areas, such as accession to the European Union, poverty- and gender-related issues, or the still largely distorted agricultural sector. During the Board discussion in November 1994, several executive directors expressed concern about aid coordination and possible duplication of effort, slow progress on privatization, and the large unfinished agenda in the financial sector. The Board nonetheless approved the proposed strategy while urging the Bank to make further efforts to improve the quality of the portfolio and to encourage private sector participation in the financing of infrastructure projects.

Progress in meeting the 1994 CAS lending objectives was modest at best. New loan commitments fell far short of the amounts proposed in the CAS, and no adjustment loans were approved. As a result of meetings (CSIRs) held in July 1995 and June 1996, the Bank-country focus shifted toward implementation, improving results on the ground, the possible use of nonlending instruments of assistance, and better aid coordination.

A new country assistance strategy for Poland has just been completed following one year of intensive collaboration and reflection within the Region and with counterparts in the government, representatives of Polish civil society, and the Operations Evaluation Department (OED). Throughout preparation of the strategy, the OED team evaluating the Bank's assistance program to Poland shared with the country team its findings as they emerged, including background papers for a number of sectors and results from OED surveys of Polish stakeholders and ministries. At a time of change and uncertainty over the direction of the Bank's involvement in Poland (especially with the prospect of Poland's accession to the European Union), this review helped to take stock of and make recommendations based on the Bank's experience in Poland to date. The new CAS incorporates the major findings and recommendations of this report.

The new CAS recognizes that, having gained good access to international markets, Poland's need for the Bank's financial assistance is small. Poland's expected accession to the European Union will further reduce the Bank's policy leverage. Therefore, the Bank's future role will remain as an independent adviser in policy formulation and as a partner in building and strengthening market-oriented institutions. As a consequence, the CAS proposes to assist Poland with greater selectivity in three major ways: (1) by helping formulate and implement policies that are required for sustained growth; (2) by providing an independent evaluation capacity, as well as investment support in selected areas such as the environment and labor market policies; and (3) by helping to ensure the social sustainability of reform and reduce poverty. This strategy is highly relevant to today's needs and is consistent with the recommendations of this review.

*The new country assistance strategy recognizes that Poland's need for the Bank's financial assistance is small*

### Outcome

On balance, Poland's transition performance has been excellent both in comparison with other transition economies and in its own right. Among the key indi-

*Nearly all of the sectors in which the Bank has been involved have benefited from its advice and intellectual contributions*

cators reflecting this remarkable performance are that Poland experienced the highest average GDP growth rate in the period 1990–95 compared with other transition economies, and by mid-1995 its private sector activity accounted for 60 percent of GDP (see Table 5.3). Also, in 1996 Poland became a member of the Organization for Economic Cooperation and Development, and its prospects for early accession into the European Union are good. In a 1995 report on the progress of transition economies, the European Bank for Reconstruction and Development ranked Poland among the top performers, particularly in the areas of small-scale privatization and trade and foreign exchange reforms, and in setting up a regulatory environment conducive to private investment (see Table 5.3). On the other hand, inflation and unemployment remain high. While poverty also remains relatively high, it should be noted that it is declining, and that the majority of poverty in Poland is classified as “shallow,” and is therefore expected to improve substantially with sustained economic growth.

Tangible progress has been achieved on most of the Bank’s early objectives, and nearly all of the sectors in which the Bank has been involved have benefited from its advice and intellectual contributions. Bank support was pivotal in securing exceptional levels of debt reduction and in restoring Poland’s creditworthiness. Thanks to early and careful planning and to remarkable staff continuity, the Bank has been instrumental in assisting to upgrade the country’s infrastructure in power, energy, transport, and telecommunications; introducing new ideas, technology, and production methods; and opening the door for private sector participation. Together with the IFC, the Bank helped to set up twinning arrangements that proved valuable in modernizing several Polish banks. Bad loans have declined sharply, and other financial sector reforms are under way. In agriculture the Bank’s leadership helped to coordinate the efforts of various donors. Environmental issues have been addressed decisively in most sectors. In the social sectors the Bank warned early on of the many worrisome problems now facing the country, such as the explosion of pension funds, but the government did not fully address these issues owing to their political sensitivity. However, intensive ongoing dialogue on public sector reforms, decentralization, education, health, and other social policies are expected to yield positive results in the near future. Across sectors, the Bank’s involvement has helped put in place good management practices, transparent public procurement procedures, and strong environmental protection measures. Bank research and economic and sector work, complemented by the dissemination activities of the Economic Development Institute, have been influential in bringing about a better understanding and acceptance of Poland’s market-oriented policies.

Those achievements are remarkable, even if they fall short of the Bank’s original expectations. In many areas, however, there is an unfinished agenda of important reforms that must be carried out to ensure the sustainability of Poland’s transformation:

- The restructuring and privatization of unprofitable state enterprises and state-owned commercial banks need to be accelerated (public enterprises still account for three fifths of industrial employment). Heavy industry (coal, petrochemicals, steel, oil and gas) needs particular attention. So do the large state-owned specialized banks (housing, rural finance), which account for one third of the assets and liabilities of the banking system, are in precarious financial shape, and impose a heavy burden on the budget.
- Reform of the social safety net is another urgent task. Programs should be targeted to the most needy and should address the special problems of

women and children. Failure to reform the pension system will lead to unmanageable public sector deficits.

- The legal foundations for a smooth-working market economy need to be strengthened by implementing the unfinished agenda: enforcing the collateral law and registry of liens, regulating leasing activities, strengthening bank supervision, and developing more fully the institutions of free markets and commercial law to facilitate private investment in infrastructure and the development of capital markets more generally.
- Agriculture needs to be modernized and opened up more to market forces, not only to permit its fuller development but also to begin meeting the requirements of eventual accession to the European Union.
- Critical reforms, including a regulatory regime aimed at encouraging private investment, need to be completed in railroads, motorways, energy, and telecommunications.

Looking to the future, the consensus in Poland in favor of becoming a member of the European Union gives reason for confidence that the reforms begun in 1989 will continue and that achievements will be sustained. As a member of the European Union, Poland would be locking in its reforms, making reversal much more difficult.

#### Assessment of Bank assistance<sup>3</sup>

Overall, the Bank's *strategy was highly relevant* to support Poland's needs at a most critical time in its history. The *efficacy* of the Bank's support varied over time and among sectors. It was perhaps *high* in the case of *adjustment loans* that dealt with the central authorities and in loans to strong, highly technical sectors. On the other hand, in those sectors that were more subject to frequent political changes, a stronger Bank presence could have yielded better results. On balance, however, the *efficacy* of the Bank's assistance is rated as *satisfactory*. When compared with comparable borrower countries in the Europe and Central Asia (ECA) Region and elsewhere, the Bank carried out its assistance program at a relative high cost in terms of staff and financial resources; its efficiency can, at best, only be rated as *marginally satisfactory*. But, in assessing the *Bank's and the borrower's performance*, it is necessary to keep in mind that this was a completely new, unprecedented experience for both. And although mistakes were made on all sides, the overall evaluation is that both were *satisfactory*. The *institutional development impact* of the Bank's assistance was *substantial*, and the *sustainability* of the benefits is *likely*.

#### Major findings for Poland

The Bank's efforts had a strong impact in many ways in the important area of institution building. Public sector management practices, such as procurement, prioritization of public expenditures, foreign-debt management, and opening up to private sector participation in transport, clearly benefited from the Bank's involvement. The modernization of commercial banks also reflects successful Bank support for institutional development. But progress has been disappointing in other areas of institution building, such as ending the dependence of major enterprises on fiscal subsidies, bringing down inflation, rationalizing the management of specialized banks, and sustaining the pace of privatization.

*There is reason for confidence that the reforms begun in 1989 will continue and that achievements will be sustained*

*Early pressure to lend resulted in poor quality at entry for many projects; selectivity should be the guiding principle*

Despite a generally positive outcome in many areas, several factors diminished the efficacy of the Bank's assistance. During 1989–91, the Bank clearly established that its main strategic goal in helping Poland was to support the unprecedented reforms through high levels of lending. Initially, the only available operations were credit lines that had been previously appraised and set aside. These were quickly approved, without due consideration to their adequacy as a vehicle for resource transfer under the complex change of circumstances. As some had predicted, the credit lines failed to achieve their objectives, and became in the end a major hindrance to Bank-Poland relations. At the same time, several other projects were developed, addressing more directly the difficult problems of the transition in several areas. With all the difficulties connected to designing policy changes in this unprecedented environment, it is here that the Bank gave its best contribution to Poland's agenda. Other problems during the early period of assistance included the frequent changes in government and in government commitment to reform, creating bureaucratic gridlock and disrupting policy dialogue and program implementation. Competition to lend to Poland from several donors, some with different policy objectives, reduced Poland's receptivity to Bank advice. And changing priorities within the Bank sometimes resulted in less continuity and sustainability of effort than were needed to carry out the ambitious reform agenda. Partly as a result of these problems, the cost effectiveness of the Bank's country assistance program was relatively low.

The difficulties were aggravated by the lack of flexible instruments for assistance. Early pressure to lend resulted in poor quality at entry for many projects, notably those that relied on credit lines for disbursement. Loan conditionality was not always clearly spelled out, in part because the Bank's lawyers were not involved at the project design stage. The Bank's heavy reliance on quick-disbursing adjustment loans (55 percent of disbursements in FY90–96) limited its ability to influence sector policies and institution building at the project level. The problem was compounded by excessive Bank centralization of decision-making, by ambiguity in the conditionality of certain loans, by weak enforcement of conditionality, and by loan cancellations before all conditions had been carried out. Inadequate coordination with other donors also weakened policy reforms and contributed to wasted technical assistance funds.

There is clearly a useful role for the Bank in helping Poland address much of its unfinished agenda. But Poland's transformation has come a long way, and its need for Bank assistance is much less than it was. It has abundant foreign exchange, first-class development experts of international caliber, and easy access to international capital markets and to European financial institutions, which are eager to provide technical and financial assistance. The Bank, on the other hand, must take the needs of its other member countries—many of them in the ECA Region—into account as well, particularly the countries that are just beginning the transformation process and for which Bank help is vital. Therefore, in formulating the Bank's role in Poland, selectivity should be the guiding principle.

The focus of future Bank assistance should be policy formulation and institution building rather than the transfer of resources. Assistance could still be directed toward sectors such as transport, energy, and telecommunications, provided that there is a full commitment to carry out the remaining reforms and to open up the sectors to private participation. In agriculture and the social sectors a precondition for additional Bank support should be an unequivocal commitment to needed reforms by all the ministries involved. More generally, the Bank's emphasis should be on encouraging private sector participation, cofinancing with other international financial institutions, and cooperating closely with the IFC. It is also important not to neglect the monitoring of macroeconomic and fiscal manage-

ment, particularly in the absence of any IMF conditional assistance programs. Conventional medium-term analysis of creditworthiness should continue, notwithstanding Poland's comfortable foreign-exchange position. If it is decided that future Bank assistance should consist largely of nonlending services, such as special studies, technical assistance, or guarantee arrangements for private sector investment, the Bank could consider charging Poland for the cost of such services.

### Findings for transition countries

The Bank's experience in Poland also has implications for its assistance programs in other transition countries.

#### *Strategy*

- The Bank needs flexible instruments to support a government's reform program other than through rapid approval of new loans. In Poland, although the Bank's loan disbursements helped to strengthen the country's external position in the early years, its technical inputs, advice, and intellectual support were more valuable than its financial assistance. The Bank provided valuable support for Poland's home-grown reform program through advice, technical backing, dissemination of market-oriented ideas, and endorsement of Poland's debt-relief proposals to other creditors.
- Relatedly, staff should not be pressured to rush projects to the Board for approval when that means sacrificing quality at entry. The first two years of lending to Poland were more intensive than expected. The last strategy paper (1987) prior to the onset of lending in 1990 had proposed a small trial portfolio. When instructed to prepare a portfolio much larger than anticipated, the country team did not have time to fully prepare new projects or to modify existing project proposals to suit the new environment.
- The Bank's budget allocation for work on individual countries should not be rigidly linked to the amount of its lending there, to avoid building in perverse incentives for lending.
- Frequent monitoring and self-evaluation of progress on meeting strategy objectives are essential. Completion reports should be prepared without delay, so as not to miss opportunities of learning from experience.

#### *Design*

- Major stakeholders should participate fully in project design, and the Bank should ensure that there is consensus and ownership within the government at early stages of project preparation. In some loans to Poland, loan documents failed to spell out clearly what actions the borrower was required to take, having relied instead on general understandings reached with officials who were no longer in office.
- In a fast-changing and uncertain environment, Bank staff should be ready to modify projects as the environment changes. Risk analysis and flexibility should be built into project design. Similarly, projects should allow for easy changes in implementation in light of new developments.
- Project design should incorporate gender and poverty targeting whenever feasible. In the case of Poland's Structural Adjustment Loan, some of the

*The Bank's experience in Poland also has implications for its assistance programs in other transition countries*

Bank's executive directors expressed concern that its conditionality was too general, particularly on subsidy reductions and the pace of privatization. Although they strongly endorsed the loan, their concern proved warranted since subsidy reductions remained a sticking point and privatization proceeded more slowly than anticipated. Similarly, some executive directors called for more decisive action to protect vulnerable groups during stabilization. Again, more could have been done. When subsidies were reduced and state enterprises cut back on free social services, the cost of living rose and real wages fell sharply. Women suffered a dual blow from the loss of daycare facilities and higher than average unemployment.

- Loans such as the SAL can be an important vehicle for Bank-government dialogue on issues such as environmental management. By including conditionality on environmental policy, Poland's SAL helped bring environmental issues to the center of Bank-government economic dialogue.
- The need for flexibility in an uncertain environment makes it risky to start projects that are difficult to modify as the environment changes. Small, simple projects are better than complex projects involving several implementation agencies.

#### *Implementation and resident missions*

- The Bank should make sure that sufficient staff are committed to ensure successful implementation. If the project is pursuing institution building or difficult policy changes, the Bank should be prepared to station seasoned staff members in the field until the project is well under way.
- High staff turnover may disrupt the continuity of projects and lead to a loss of institutional memory. Continuity of project staff is particularly important when there are frequent changes on the borrower's side.
- Implementation decisions should be delegated as much as possible to the staff who are working on the ground, subject to clearly formulated project objectives and monitorable indicators of performance.

#### *Institutional and legal issues*

- The Bank should give early attention to the creation of a legal and institutional framework for a market economy. Legal experts should be involved early and more fully in program design, playing a substantive role.
- Institutional development and capacity must be carefully assessed. Much of the initial lending to Poland was through financial intermediaries that were expected to onlend to beneficiaries. But the Bank did not first ascertain whether Polish banks had the institutional capacity to perform this pivotal onlending role, and subsequent developments showed that they did not. There was little if any disbursement from Bank projects involving credit lines, a consequence of lack of demand, slow and cumbersome Bank procedures, and emerging competition in credit lines from donors offering more flexible procedures and better terms than the Bank.

#### *Maximizing combined donor impact*

- Aid coordination must be monitored to ensure consistency of policy advice and to avoid duplication of effort.

- Donor coordination can be crucial to success. The joint efforts of the Bank, the Fund, and other major donors were essential in putting together a debt and debt-service reduction package on Poland's massive debt to private banks, which had been in default. The Bank's financial and technical support was pivotal to the successful London Club arrangement reached in March 1994. Poland received exceptional amounts of debt relief and was able to restore its creditworthiness and access to international financial markets.

#### *Dissemination*

- The Bank should make a greater effort to disseminate its studies and intellectual products in the client countries, including the translation into the local language of at least the summaries of its economic and sector studies.

#### **Notes**

1. Commitment fees charged by the Bank on undisbursed investment loans in FY94 were \$4.3 million, equivalent to 3.3 percent of disbursements on investment loans in that year. For the period FY90–96 the equivalent percentage was 1.9 percent.
2. The process of dropping projects continued into FY96. In FY95–96, a total of 15 projects were dropped, after having invested in them at least 710 staffweeks at a cost of \$2.3 million (these figures include only direct costs, and exclude overhead and management time). These costs are higher (in relation to total lending costs) than regional and Bankwide averages. Dropping projects when it is realized that they are not likely to succeed is a good managerial practice. However, the direct cost of dropped projects for Poland has been much higher than for other countries. In FY93–96, the cost was 53 staffweeks, compared with 29 for the Europe and Central Asia Region's Department II, 26 for ECA as a whole, and 33 Bankwide. This suggests that the Bank allowed those projects to drag on too long before deciding to scrap them. Chapter 4 of this report discusses the cost effectiveness of the Bank's program in Poland.
3. Commenting on an earlier draft of this report, the Ministry of Finance noted that, apart from the issues dealt with above, the report accurately analyzes the successes and failures in the cooperation of the World Bank and Poland, although in several parts it excessively points out the causative role of the World Bank. The ministry went on to note that in the process of transforming the Polish economy, the Bank has played a very important role, among other things by supporting the reconstruction of the institutional system. But in most cases the Bank's actions supplemented and authenticated the economic programs already taken up and being carried out by Polish authorities.

## Resumen

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Tras la reincorporación de Polonia al Banco Mundial en 1986, la institución decidió que su estrategia consistiría en fomentar los programas de reforma económica de los sucesivos gobiernos del país. Sin embargo, decidió también vigilar cuidadosamente los progresos para determinar cuándo deberían empezar a otorgarse préstamos. Al empezar a conceder los préstamos, a comienzos de 1990, el Banco formuló una estrategia amplia que le permitía actuar con flexibilidad, en un medio en rápido proceso de cambio, a fin de maximizar la adecuación de su programa de asistencia. Entre las prioridades y estrategias del Banco en esos primeros años cabe citar las siguientes: ayudar a Polonia a establecer una gestión macroeconómica estable y fortalecer así la solvencia; apoyar la reforma, la reestructuración y la privatización de las empresas, y el crecimiento del sector privado; ayudar a mejorar la infraestructura física y financiera en apoyo de una economía de mercado, incluida la modernización y la privatización oportuna del sistema bancario; proteger el medio ambiente, y reforzar la red de seguridad social del país. Al cabo de unos años, empezaron a surgir dificultades de ejecución, especialmente con los proyectos que tenían líneas de crédito. Algunos proyectos eran demasiado grandes y complicados, la creación de instituciones estaba atrasada en algunos sectores, en los documentos de los proyectos no se especificaban con suficiente claridad las condiciones, y la situación política y social cambiante del país, especialmente los numerosos cambios de gobierno, perjudicaban también la ejecución. Pese a estos desafíos, se lograron progresos tangibles en relación con la mayoría de los primeros objetivos del Banco, y casi todos los sectores en que ha participado la institución se han beneficiado de su asesoramiento y sus contribuciones intelectuales, quizás más que de sus operaciones de préstamo tradicionales.

### Apoyo al Banco para el programa de reforma, 1986-90

Al incorporarse Polonia, en 1986, el Banco inició inmediatamente estudios para identificar y analizar las necesidades de la economía polaca. Empezó también los trabajos de preparación de proyectos, pero los préstamos se demoraron a causa de dudas acerca de la sostenibilidad del programa del gobierno, la incertidumbre respecto de la solvencia y una actitud negativa por parte de la mayoría de los accionistas. En el primer documento de estrategia para el país, que fue examinado internamente en noviembre de 1987, se proponía que los préstamos se concedieran de acuerdo con el ímpetu y los avances del programa de reforma del gobierno y con su progreso en el restablecimiento de la solvencia. Consciente de los antecedentes poco felices de Polonia en cuanto a la persistencia en el proceso de reforma, en la estrategia para el país el Banco procuró alentar al gobierno a que preparara y aplicara fielmente un programa económico y de gestión de la deuda que fuera viable y creíble para restablecer la solvencia de Polonia. Esta estrategia se reafirmó en una nota sobre la estrategia para el país que la administración examinó a mediados de 1989.

Tras oponerse inicialmente a los préstamos a Polonia, algunos de los principales accionistas del Banco empezaron a instar a que se acelerara la preparación de pro-

yectos, después de que un gobierno democrático recientemente electo anunciara el Programa de transformación económica orientado hacia el mercado en 1989. A comienzos de noviembre, tras el acuerdo de Polonia sobre un servicio ampliado de financiamiento con el Fondo Monetario Internacional, se propuso un préstamo de ajuste estructural para abrir la posibilidad de nuevos préstamos de ajuste estructural y sectorial. A comienzos de diciembre de 1989, se envió a Polonia una misión de evaluación de un préstamo de ajuste estructural. El Banco elaboró una estrategia en que se apoyaba plenamente el programa de reforma, y empezó a conceder préstamos en 1990.

Teniendo en cuenta las oportunidades y los riesgos que enfrentaba el programa de reforma de Polonia, la estrategia cautelosa del Banco en 1987 respondía a las incertidumbres de la época. Aunque tal vez el Banco podría haber concedido préstamos selectivos ya antes, su aplazamiento hasta 1990 tuvo el efecto positivo de alentar a las autoridades de Polonia a acometer más decididamente la reforma. Además, porque esperó a que el clima internacional e interno fuera más receptivo, el Banco empezó a otorgar los préstamos cuando la relación entre oportunidades y riesgos era excepcionalmente favorable.

### **Rápido crecimiento de la cartera, 1990-91**

En razón de la alta prioridad asignada al éxito del esfuerzo de reforma de Polonia, varios funcionarios de nivel superior del Banco, desde el Presidente y el Primer Vicepresidente de Operaciones hasta el Vicepresidente Regional y el Director a cargo del país, participaron directamente en la elaboración del primer programa. Se establecieron grupos de trabajo especiales y se aceleró la tramitación interna para asegurar una asistencia oportuna y para explotar las oportunidades sin precedentes de una reforma histórica.

Los documentos internos y las declaraciones presentadas al Directorio Ejecutivo indicaban una estrecha participación del Banco en todas las áreas clave del programa de reforma: el apoyo de la reincorporación de Polonia a la economía mundial a través de la liberalización del comercio; la solución de las cuestiones de deuda externa; la estabilización de la economía; el fortalecimiento de la moneda y la balanza de pagos; la eliminación de las empresas no viables y la reestructuración de las que tenían un futuro; la suavización de los impactos negativos de las reformas sobre los grupos vulnerables; la creación del marco institucional y jurídico para una economía de mercado; el traspaso del control de la economía de los planificadores al mercado; la reducción de la carga de los controles y monopolios; el fomento del crecimiento de las empresas del sector privado, y la movilización y coordinación de la asistencia de otros donantes.

Los préstamos empezaron en febrero de 1990 con dos líneas de crédito encaminadas a aumentar las exportaciones en moneda convertible. A continuación se otorgaron préstamos para la protección del medio ambiente, el transporte, la energía y el sector financiero. Gran parte de estos préstamos se hicieron a través de intermediarios financieros que se esperaba que concedieran a su vez préstamos a los beneficiarios. Un problema de este enfoque era que, contrariamente a las políticas establecidas, el Banco no se aseguró primero de que los bancos polacos tuvieran la capacidad institucional para asumir esa función crucial de intermediación. Los acontecimientos mostraron posteriormente que no tenían esa capacidad.

La primera muestra de apoyo del Banco al programa de reforma, y la más visible, fue el préstamo de ajuste estructural de \$300 millones aprobado en julio de

1990. El objetivo del préstamo era apoyar el programa de reforma demostrando la fe del Banco en la corrección técnica y la viabilidad del programa y proporcionando divisas para fortalecer las reservas externas y aumentar la credibilidad del programa de estabilización. El Directorio Ejecutivo apoyó firmemente el préstamo, aunque algunos miembros expresaron preocupación porque su condicionalidad era demasiado general, en particular con respecto a la reducción de las subvenciones y el ritmo de la privatización. Algunos miembros del Directorio Ejecutivo pidieron que se adoptaran medidas más decididas para proteger a los grupos vulnerables durante la estabilización. El préstamo para ajuste estructural se convirtió en un vehículo importante para el diálogo entre el Banco y el gobierno. Al incluir condiciones relativas a la política ambiental, por ejemplo, el préstamo contribuyó a que se prestara atención a las políticas ambientales en el diálogo económico entre el Banco y el gobierno.

El Banco respondió a la magnitud de la tarea que tenía ante sí y a la necesidad de una presencia permanente sobre el terreno mediante el establecimiento, en 1990, de una misión residente en Varsovia, encabezada por un miembro del equipo de gestión regional. Sus principales actividades serían coordinar y ayudar a elaborar el programa de asistencia del Banco, ayudar al gobierno a coordinar la asistencia financiera y técnica de otras fuentes y vigilar los progresos económicos, financieros, legislativos y sociales.

El ritmo de los créditos se aceleró y, en el breve período de abril a junio de 1991, el Directorio aprobó 12 préstamos por un total de \$1.140 millones. Hubo varios préstamos destinados al sector de energía, incluido uno de ajuste que se concentraba principalmente en cuestiones de precios y subvenciones. Se otorgaron también préstamos para telecomunicaciones, promoción del empleo, agricultura, privatización y reestructuración, e instituciones financieras. Un préstamo para el fomento de las instituciones financieras incluía componentes de política y desarrollo institucional encaminados a eliminar las subvenciones de las tasas de interés, reducir los créditos directos, modernizar la legislación bancaria, ayudar a desarrollar mercados de capital y reestructurar los bancos comerciales de propiedad estatal antes de su privatización.

Se hizo hincapié en la asistencia técnica, que incluía la preparación de documentos sobre estrategia sectorial para la agricultura, la salud y la administración de las viviendas estatales. En seis estudios sobre el sector de energía se sentaron las bases para su reestructuración. El Banco movilizó también asistencia técnica de otras fuentes, con frecuencia en condiciones de donación. Al haber varios donantes que financiaban la asistencia técnica, se plantearon problemas de coordinación y propiedad de la ayuda.

Una parte importante de la estrategia de asistencia del Banco consistía en ayudar a Polonia a establecer un marco jurídico para apoyar una economía de mercado. Durante las primeras etapas de la transición, los funcionarios del Banco subestimaron la dificultad de transmitir conceptos jurídicos a personas no acostumbradas a las prácticas occidentales. El Banco encaró las reformas jurídicas en respuesta a las necesidades expresadas y solamente en algunas áreas, y se ocupó de los problemas jurídicos a medida que surgían en las áreas de la privatización, la banca, el financiamiento de la vivienda y otros proyectos. A diferencia de otros países de Europa oriental y la ex Unión Soviética, en que el Banco emprendió algunos estudios más sistemáticos sobre la situación jurídica, la institución no recibió de Polonia una solicitud clara de asistencia para la reforma del sistema jurídico. En la etapa inicial del programa de Polonia, el Banco no tenía un vehículo que pudiera ofrecer a ese país para analizar el sistema jurídico o proporcionar asistencia técnica en forma de donación.

En los primeros dos años hubo un volumen de préstamos superior a lo previsto. En el último documento de estrategia (1987) antes del comienzo de los préstamos en 1990 se había propuesto una pequeña cartera a modo de ensayo (equivalente a un tercio del volumen de un programa de préstamos típico del Banco a un país del tamaño de Polonia). Cuando se le indicó que preparara una cartera mucho mayor que la prevista, el equipo a cargo del país no tuvo tiempo suficiente para preparar cabalmente nuevos proyectos o modificar las propuestas de proyectos existentes para adecuarlas a un medio nuevo, más orientado hacia el mercado. La calidad inicial de los proyectos de líneas de crédito resultó especialmente afectada por esta presión. Se aprobaron varios préstamos antes de que se realizara otro examen formal de la estrategia, en noviembre de 1992.

Pese a estas dificultades, el Banco pudo proporcionar un apoyo firme y eficaz al gobierno de Polonia durante las etapas iniciales críticas de la transformación económica. Los desembolsos de los préstamos del Banco ayudaron sin duda a fortalecer la posición externa del país en los primeros años, pero sus aportes técnicos, su asesoramiento y su apoyo intelectual fueron más valiosos que la asistencia financiera. El ímpetu del programa de reforma provino del equipo polaco, y el Banco proporcionó un valioso apoyo mediante su asesoramiento y su respaldo técnico, la difusión de las ideas orientadas hacia el mercado y el apoyo de las propuestas de alivio de la deuda de Polonia ante otros acreedores.

Un buen ejemplo del apoyo intelectual del Banco en las primeras etapas fue el examen estratégico de las inversiones, que fue bien recibido por el gobierno. El examen se concentró en un área que había recibido poca atención en el programa de transición de Polonia, a saber la elaboración y la gestión de un programa de inversiones estatales para apoyar la economía de mercado emergente. Este fue el primer examen amplio realizado por el Banco de las inversiones estatales en una economía en transición. Otros estudios internos preparados durante este período contribuyeron a encarar cuestiones críticas para la transición en varias esferas, como la reforma de la administración pública, la política comercial y la gestión fiscal.

### **Problemas de ejecución y de reforma, 1992-93**

Hacia fines de 1991 empezaron a surgir serias dudas sobre la viabilidad del programa de transformación económica. La política fiscal empeoró, el programa del FMI se desvió de su curso, los bancos y las empresas empezaron a fallar. En respuesta a la crisis, el Banco hizo una evaluación a fondo de la situación en su siguiente informe económico importante.

El memorando económico sobre el país de 1992 se preparó como insumo para la adopción de decisiones en Polonia y para el documento de estrategia del Banco para el país de 1992, y también como un análisis del programa de reforma. En el informe se determinó que Polonia había hecho grandes progresos y que el sector privado estaba prosperando. Se señaló también que la reestructuración y la privatización de las empresas estatales estaban atrasadas y que era probable que la apreciable reducción de las inversiones en infraestructura y desarrollo de los recursos humanos estuviera perjudicando el crecimiento. Se identificó la dificultad de reestructurar y privatizar las empresas estatales como la raíz del problema. La rápida expansión del sector privado no era suficiente para compensar las pérdidas de producción y de empleo en muchas empresas estatales importantes. Cuando se redujeron las subvenciones y las empresas estatales restringieron sus servicios sociales gratuitos, el costo de vida aumentó y los salarios reales se redujeron marcadamente. Las mujeres se

vieron doblemente perjudicadas a causa de la pérdida de servicios de guardería y un nivel de desempleo superior al promedio. El impacto fiscal del colapso del bloque oriental fue peor que lo que se había anticipado, y disminuyó el apoyo popular al programa de reforma. Las sucesivas elecciones generales y las realineaciones de la coalición llevaron a que se produjeran frecuentes cambios ministeriales y hubiera falta de continuidad en la reforma.

En el memorando económico sobre el país se recomendaba que Polonia se concentrara en la reforma rápida de la propiedad y en la integración en la economía mundial a fin de acelerar la reestructuración y la privatización de las empresas, consolidar la estabilización, fortalecer las instituciones estatales esenciales y crear infraestructuras con la participación del sector privado. Dado que los gastos sociales habían aumentado muchísimo en 1990-92, en el memorando se pedía una reforma del financiamiento estatal para asignar más eficientemente los gastos, destinar las transferencias sociales a los más necesitados y reducir el gran número de solicitudes de asistencia social que no reunían las condiciones. Se necesitaban también reformas fiscales. Debía consolidarse la deuda externa del país y había que llegar a un acuerdo con los acreedores comerciales para restablecer plenamente la solvencia de Polonia.

A raíz de la situación política y social cambiante del país, se vio perjudicada la ejecución de los proyectos del Banco y los desembolsos se atrasaron con respecto a las estimaciones. Resultó evidente que algunos proyectos eran demasiado grandes y complicados, e incluían a distintos ministerios u organismos que no siempre compartían los mismos objetivos. Los cambios en el personal gubernamental revelaron también algunas lagunas en las actividades de fortalecimiento institucional del Banco, y los nuevos funcionarios tenían dificultades para aprender el lenguaje y los procedimientos del Banco. Las comunicaciones entre los funcionarios polacos y los del Banco no eran siempre fáciles. La falta de continuidad del personal del Banco enviado de la sede contribuía también a las demoras en la ejecución. En algunos casos, en los documentos de los préstamos no se especificaban claramente las medidas que debían adoptar los prestatarios, ya que se había confiado en entendimientos generales a que se había llegado con personal que ya no estaba en funciones. Hubo pocos desembolsos de proyectos del Banco que entrañaban líneas de crédito, como consecuencia de la falta de demanda, los procedimientos lentos y engorrosos del Banco y la competencia emergente de líneas de crédito de donantes que ofrecían procedimientos más flexibles y mejores condiciones. Algunos de estos problemas ponían de relieve la dificultad de utilizar los instrumentos tradicionales del Banco en las economías en transición, en un medio que requería considerable agilidad y flexibilidad.

Al mismo tiempo que surgían estos problemas de cartera, había cambios de administración en la oficina regional del Banco. El Banco perdió una oportunidad de estar más cerca del cliente y de fortalecer la autoridad de la misión residente para que tuviera un papel más activo y resolviera las cuestiones de aplicación sobre el terreno. Había menos delegación de autoridad de la sede y la atención de algunos funcionarios administrativos y superiores pasó de Polonia a otros países de la región. Los períodos de respuesta de Washington se hicieron más largos y la asistencia del Banco a Polonia perdió parte de su impulso inicial. Los proyectos adquirieron una vida propia, en que el progreso dependía de la iniciativa de los funcionarios a cargo y sus contrapartes gubernamentales. Los proyectos en los sectores cuyos ministerios estaban protegidos de los frecuentes cambios en el gobierno y en que el Banco había mantenido funcionarios experimentados sobre el terreno (como la infraestructura) siguieron progresando, en tanto que otros proyectos se estancaron.

En el documento de estrategia sobre el país terminado en noviembre de 1992 se reconocían algunos de esos problemas de ejecución, y se los atribuía sobre todo a causas externas al Banco, como la inestabilidad política, la falta de familiaridad con los requisitos y prácticas del Banco, la falta de capacidad institucional y la competencia de otros donantes. En el documento se definían cinco objetivos de la estrategia de préstamos del Banco que eran claramente pertinentes para la situación de Polonia: establecer un marco macroeconómico estable y fortalecer así la solvencia del país; apoyar la reforma y la reestructuración de las empresas, la privatización y el crecimiento del sector privado; mejorar la infraestructura (incluida la infraestructura del sector financiero) de manera que apoyara una economía de mercado; promover la mejora del medio ambiente en todos los sectores de la actividad económica, y apoyar una red de seguridad social más fuerte para ayudar al país a reducir el impacto de su transformación sistémica. En el documento se proponía un programa de préstamos provisional de tres años y \$900 millones por año, con inclusión de \$400 millones para apoyar una operación de reducción de la deuda. Se mencionaba también la necesidad de mejorar la ejecución de los proyectos existentes y el liderazgo de los donantes. Pese a los problemas de ejecución que estaban surgiendo, no se hacía ninguna recomendación para reestructurar la cartera ni se daban directrices operacionales sobre la forma de mejorar la gestión; solamente se pedía que se hicieran esfuerzos de supervisión bien orientados, se diera capacitación en procedimientos de adquisición y desembolso y se sostuvieran conversaciones con el gobierno.

Esta iniciativa condujo a una serie constructiva de exámenes de la estrategia para el país y de la ejecución, que se han llevado a cabo en forma regular desde 1993. El primer examen conjunto con las autoridades de Polonia se realizó en Varsovia en enero de 1993. Los funcionarios gubernamentales se quejaron de que algunos funcionarios de proyectos del Banco alentaban a los ministerios a solicitar nuevos préstamos del Banco sin el conocimiento ni la aprobación del Ministerio de Hacienda. El Banco convino en respetar las funciones de coordinación del ministerio en la formulación de las futuras propuestas de préstamos. Pese a estas conversaciones útiles, los problemas de ejecución se intensificaron durante el año, y las nuevas autoridades pidieron más tiempo para definir las esferas prioritarias de la cooperación futura y para diseñar nuevos proyectos a fin de "evitar que se repitieran los errores del pasado".

En abril de 1993 se presentó al Directorio Ejecutivo una estrategia de asistencia para el país revisada, sin objetivos de préstamo propuestos. Algunos directores ejecutivos criticaron la falta de especificidad sobre las proyecciones fiscales (que algunos consideraban demasiado optimistas), la necesidad de concentración en la red de seguridad y las consecuencias sociales de la reestructuración. Estas objeciones demostraron posteriormente estar justificadas. Sin embargo, los Directores Ejecutivos apoyaron en general la estrategia propuesta y elogiaron el énfasis en la protección del medio ambiente y la asistencia para la reducción de la deuda.

Pese a dificultades de ejecución cada vez mayores en 1992-93, el personal del Banco y sus contrapartes en el gobierno pudieron preparar siete nuevos préstamos por un total de \$1.436 millones. Esta cartera diversificada incluía préstamos innovadores y ambiciosos para la salud y la vivienda y préstamos para el fomento de la silvicultura, las carreteras y el desarrollo del sector privado. Dos préstamos de ajuste, preparados con la plena participación de los prestatarios, eran especialmente novedosos y de gran alcance: el Préstamo para ajuste del sector agrícola, de \$300 millones, y el Préstamo de ajuste para el sector empresarial y financiero, de \$450 millones.

En el sector de la *salud*, el Banco emprendió un programa ambicioso para contrarrestar el empeoramiento del estado de salud de la población en los últimos

20 años y aliviar los efectos adversos de la crisis económica. Los especialistas en salud del Banco se sentían obligados a apresurar la preparación de un proyecto, en tanto que sus contrapartes no estaban listos para definir las prioridades. No hubo tiempo suficiente para el diseño del proyecto y no se exploraron suficientemente las alternativas. Como resultado, se preparó un ambicioso proyecto de \$130 millones sin plena participación de los interesados, con poca atención a los problemas de salud de la mujer y sin aprovechar las oportunidades de coordinación entre los donantes, especialmente en lo que hace a la asistencia técnica basada en donaciones. En el proyecto se pretendía hacer demasiado y en forma muy compleja. En una reestructuración reciente se han encarado estos problemas y la ejecución ha mejorado en los últimos tiempos.

En respuesta a una solicitud directa del gobierno de Polonia al Presidente del Banco formulada en febrero de 1990, se pidió al personal que acelerara la preparación de un proyecto de *vivienda*. Se aprobó un préstamo de \$200 millones en junio de 1992. En el proyecto se procuraba apoyar los esfuerzos del gobierno por poner fin a la producción altamente subvencionada de viviendas y pasar a un sistema basado en el mercado que eliminaba las subvenciones para las nuevas viviendas. El objetivo era que fueran los más necesitados, y no los compradores de nuevas casas, que solían ser familias de ingresos medianos y altos, quienes recibieran las subvenciones. Se procuraba también sustituir las subvenciones existentes por financiamiento, en forma similar a una serie de proyectos de financiamiento de la vivienda realizados en México.

Desde la perspectiva del desembolso de los préstamos, este proyecto no dio buenos resultados. En una economía que está pasando por una reestructuración importante de la producción y los derechos de propiedad y que sufre al mismo tiempo una grave recesión, es razonable esperar que la inversión en vivienda se contraiga marcadamente, sobre todo considerando que la vivienda era uno de los rubros más subvencionados y más controlados por el estado bajo la planificación centralizada. Sin embargo, no puede decirse que el proyecto tenía una falla de diseño básico, ni que la falta de desembolsos demuestra que el proyecto debía haberse renegociado, ya que esto se contradice por lo que ocurrió en el sector. En este momento, cinco años después de la aprobación del préstamo, se han realizado muchas de las aspiraciones del proyecto: se han eliminado las subvenciones de las tasas de interés para nuevas viviendas y se ha desarrollado un financiamiento no subvencionado.

Por el contrario, el *Préstamo para ajuste del sector agrícola* fue resultado de trabajos preparatorios cuidadosos y de una orientación eficaz del Banco. Después de los dos primeros préstamos del Banco para el sector agrícola que habían sido presentados apresuradamente para la aprobación del Directorio, sin una preparación adecuada, el Banco organizó un grupo de trabajo agrícola juntamente con el gobierno y la Comunidad Europea. El informe del grupo de trabajo sobre una estrategia agrícola para Polonia se convirtió en el marco para la acción gubernamental y para la coordinación de la ayuda de los donantes bilaterales y multilaterales. De este marco participatorio surgió el préstamo para ajuste del sector agrícola, que era excepcionalmente amplio y ofrecía oportunidades para un diálogo productivo sobre la mayoría de las cuestiones relacionadas con la transición de ese sector en Polonia. El énfasis del préstamo se ponía en acelerar la privatización y la reestructuración de las empresas estatales y los establecimientos agrícolas estatales y en formular una política de tierras a largo plazo para facilitar la expansión del mercado privado de tierras agrícolas. Sin embargo, este préstamo no alcanzó en su ejecución sus objetivos ambiciosos a causa de su complejidad, que hacía difícil supervisar los múltiples componentes, las actividades observables, los estudios y los proyectos de asistencia técnica.

Un pequeño grupo de funcionarios polacos, en plena cooperación con el personal del Banco, estuvieron a cargo del otro préstamo innovador, *el Préstamo de ajuste para el sector empresarial y financiero*. Sus objetivos eran hacer frente simultáneamente a la deuda pendiente de las empresas estatales y a los problemas de cartera del sistema bancario, y solucionar un problema básico y crucial de las empresas estatales, a saber, la estructura poco clara de la propiedad y la administración de las empresas. En el préstamo se alentaba a los bancos a desempeñar un papel central en la reestructuración de las empresas mediante acuerdos de conciliación obligatorios y se daba a las empresas estatales nuevas oportunidades de éxito en sus esfuerzos de reorganización. Dado que la rápida liquidación o la reestructuración de las empresas estatales cruciales sería demasiado costosa en términos sociales y políticos, el Banco convino en financiar un fondo de intervención para que funcionara como amortiguador social durante la reducción y la liquidación de algunas grandes empresas estatales. La condicionalidad prevista del préstamo resultó debilitada por la falta de precisión de los documentos jurídicos, en que no se daba al Banco un mandato claro de vigilar el ritmo convenido de la privatización ni de supervisar las operaciones del fondo de intervención. Pese a estas limitaciones, el préstamo logró buenos resultados en cuanto a proponer un enfoque descentralizado e innovador para la recuperación y la reestructuración de las carteras bancarias que aislaba a los bancos de las influencias políticas y aumentaba su autonomía.

#### **Reducción de los préstamos, consolidación de las carteras y mayor concentración en la ejecución, 1994–95**

A comienzos de 1994, la economía de Polonia inició una firme recuperación, a medida que empezaban a dar fruto las reformas introducidas anteriormente. Los problemas de ejecución de los proyectos del Banco persistieron, y el gobierno siguió recibiendo con agrado el asesoramiento político del Banco. Sin embargo, empezó también a expresar más claramente sus reservas sobre la falta de flexibilidad de los instrumentos de préstamo del Banco, incluida la carga creciente de las comisiones por compromiso sobre los saldos no desembolsados de los préstamos y los problemas de gestión financiera relacionados con el sistema de cesta de monedas. Se consideraba que el requisito de una garantía estatal alentaba a los prestatarios a ser irresponsables. En los sectores sociales, el gobierno criticaba las deficiencias en el diseño de los proyectos, por ejemplo, la participación local insuficiente, la falta de programas de acción vigilables para la ejecución de los proyectos y la definición vaga de los beneficios esperados. Por su parte, el Banco estaba cada vez más preocupado por el lento progreso de las reformas estructurales e institucionales importantes requeridas para varios proyectos. Entre ellas estaba el avance de la privatización y la reestructuración de las empresas, el fortalecimiento de las finanzas públicas, la reducción de las pérdidas de los bancos especializados, la racionalización del sistema bancario, la creación de un plan de seguros de depósitos, la adopción de una ley sobre garantías, la simplificación del funcionamiento de la red de seguridad y la apertura de los servicios públicos a la participación del sector privado. El Banco ofreció cancelar los préstamos no satisfactorios, pero las autoridades decidieron que eso no se hiciera. El Director a cargo del país y el gobierno convinieron, en una misión especial del Banco a Polonia realizada en enero de 1994, en un período de consolidación durante el cual se daría prioridad a la ejecución de los proyectos existentes.

Una excepción notable en este período de consolidación fueron los esfuerzos conjuntos del Banco, el Fondo y otros donantes importantes para la preparación de un *conjunto de medidas de reducción de la deuda y de su servicio* para la deuda masiva de Polonia frente a bancos privados, que estaba en incumplimiento. Se

llegó a un acuerdo satisfactorio en el Club de Londres en marzo de 1994, que el Banco apoyó con un préstamo de \$400 millones (\$170 millones del préstamo para la reducción de la deuda y de su servicio y \$230 millones de fondos reservados de tres préstamos para ajuste estructural aprobados anteriormente). Polonia utilizó esos fondos para comprar una parte de su deuda pendiente. El apoyo financiero y técnico del Banco para esta importante operación fue crucial y demostró su capacidad de respuesta cuando puede utilizar instrumentos más flexibles. Este arreglo proporcionó a Polonia una medida excepcional de alivio de la deuda y contribuyó a restablecer su solvencia y su acceso a los mercados financieros internacionales.

Paralelamente a los arreglos del Club de Londres, la situación económica de Polonia siguió mejorando. La estabilidad financiera y la expansión constante del sector privado contribuyeron a atraer flujos de capitales privados extranjeros y Polonia tuvo muy pronto una abundancia de divisas. Su necesidad de apoyo financiero del Banco disminuyó, en buena parte porque otras instituciones financieras internacionales le ofrecían financiamiento con condicionalidad más sencilla, tramitación más rápida y condiciones financieras más atractivas. Las perspectivas de Polonia de incorporarse a la Unión Europea, que era una prioridad importante en el programa del gobierno, redujeron también la necesidad de una presencia del Banco en el país.

La nueva postura del gobierno se detalló en un documento oficial publicado en junio de 1994, titulado "Estrategia para Polonia". La rápida incorporación a la Unión Europea era un objetivo importante, junto con la reducción de la tasa de aumento de la deuda pública. Estos cambios se reflejaron en el diálogo entre el Banco y el gobierno, que pasó a ser cada vez más un diálogo entre iguales. En un examen de la estrategia para el país realizado en Varsovia en abril de 1994 y en conversaciones posteriores antes de la terminación de esa estrategia en 1994, las partes reiteraron la importancia crucial de poner fin al deterioro de los resultados de la cartera. Las autoridades estaban preocupadas por el costo creciente de las comisiones por compromiso correspondientes al volumen considerable de préstamos no desembolsados en tramitación<sup>1</sup>. El Banco propuso que se mantuviera un nivel anual de compromisos de entre \$600 y \$800 millones para los próximos cinco años (en comparación con \$880 millones en 1991-93), pero las autoridades señalaron que la magnitud del programa de préstamos se vería afectada por los flujos de capital privado. Expresaron su preferencia por proyectos del Banco más pequeños y más sencillos y por proyectos en el sector social que no podían atraer financiamiento privado.

El Banco reconoció que se habían cometido errores en algunos casos y repitió que estaba dispuesto a reestructurar y/o cancelar los préstamos en marcha. El Banco respondió en forma decidida y flexible y realizó un examen a fondo de la cartera, que dio como resultado una reestructuración importante de algunos préstamos, como los del sector de la salud, y el abandono de un gran número de proyectos en preparación<sup>2</sup>. El representante en la oficina de Varsovia intensificó el diálogo con los funcionarios gubernamentales en un esfuerzo por resolver los problemas de ejecución.

En la estrategia de asistencia para el país de 1994 se proponía un programa trienal de préstamos de entre \$600 y \$700 millones, de los cuales el 40 por ciento se destinarían a grandes préstamos de ajuste. La Oficina Regional consideró que necesitaba el incentivo especial de las operaciones de ajuste para promover reformas estructurales amplias. Las políticas de préstamo agresivas de las instituciones financieras internacionales europeas, a menudo desvinculadas del debate político y apoyadas por financiamiento complementario en condiciones

concesionarias procedente de la Unión Europea, habían disminuido la capacidad del Banco de influir para que se realizaran reformas en el contexto de las operaciones de inversión. Los funcionarios superiores advirtieron que no convenía basarse tanto en operaciones de ajuste en apoyo de reformas de políticas porque ello podía llevar a que se descuidaran los aspectos técnicos e institucionales de las reformas. En la estrategia se pusieron de relieve tres áreas para el apoyo del Banco: la reforma de las finanzas públicas (en particular los gastos de seguridad social), el cierre de las grandes empresas estatales que tenían pérdidas y la reforma del sector financiero. En la estrategia se proponía también la concentración en el desarrollo del sector privado, incluido el suministro de garantías de cumplimiento de los contratos para alentar el financiamiento proveniente del sector privado, en estrecha cooperación con la Corporación Financiera Internacional. La estrategia incluía una propuesta de seguir trabajando en proyectos de inversión más pequeños y más sencillos en el ámbito de la infraestructura social y económica y de hacer más hincapié en los trabajos al nivel de los gobiernos locales.

Esta estrategia no incluía actividades operacionales en varias esferas importantes, como la incorporación a la Unión Europea, la pobreza y las cuestiones relacionadas con el género, o el sector agrícola, que todavía estaba muy distorsionado. Durante los debates del Directorio Ejecutivo realizados en noviembre de 1994, varios de sus miembros expresaron preocupación por la coordinación de la ayuda y la posible duplicación de esfuerzos, la lentitud de los progresos hacia la privatización y el programa en buena parte sin terminar en el sector financiero. Sin embargo, el Directorio aprobó la estrategia propuesta, instando al mismo tiempo al Banco a que redoblara sus esfuerzos por mejorar la calidad de la cartera y alentar la participación del sector privado en el financiamiento de proyectos de infraestructura.

Los progresos alcanzados en el logro de los objetivos de financiamiento incluidos en la estrategia para el país de 1994 fueron muy modestos. Los nuevos compromisos de préstamos estuvieron por debajo de los niveles propuestos en la estrategia, y no se aprobaron préstamos de ajuste estructural. Como resultado de las reuniones celebradas en julio de 1995 y junio de 1996, el Banco pasó a concentrar su atención en la ejecución, la mejora de los resultados sobre el terreno, la posibilidad de usar instrumentos de asistencia no crediticios y una mayor coordinación de la ayuda.

Acaba de completarse una nueva estrategia de asistencia para Polonia, después de un año de colaboración y reflexión intensas en la Oficina Regional y con funcionarios de contraparte del gobierno, representantes de la sociedad civil de Polonia y el Departamento de Evaluación de Operaciones (DEO). Durante la preparación de la estrategia, el equipo del DEO encargado de evaluar el programa de asistencia del Banco a Polonia comunicó al equipo a cargo del país sus conclusiones a medida que surgían, incluidos los documentos de antecedentes correspondientes a varios sectores y los resultados de los estudios realizados por el DEO de las partes interesadas y los ministerios de Polonia. En un momento de cambio e incertidumbre respecto de la dirección de la participación del Banco en el país (especialmente con las perspectivas de adhesión de Polonia a la Unión Europea), este examen ayudó a hacer un recuento y a formular recomendaciones basadas en la experiencia del Banco en Polonia hasta la fecha. En la nueva estrategia se incorporan las principales conclusiones y recomendaciones del presente informe.

En la nueva estrategia se reconoce que, tras obtener un buen nivel de acceso a los mercados internacionales, las necesidades de asistencia financiera del Banco

de Polonia son pequeñas. La incorporación prevista de ese país a la Unión Europea reducirá más la capacidad del Banco de influir en las políticas. En consecuencia, el papel futuro del Banco seguirá siendo el de asesor independiente en la formulación de políticas y colaborador en la creación y el fortalecimiento de instituciones orientadas hacia el mercado. En la estrategia se propone, por lo tanto, prestar asistencia a Polonia con mayor selectividad de tres maneras importantes: (1) ayudando a formular y aplicar las políticas necesarias para el crecimiento sostenido; (2) proporcionando una capacidad de evaluación independiente, así como apoyo para inversiones en áreas seleccionadas como el medio ambiente y las políticas del mercado laboral, y (3) ayudando a asegurar la sostenibilidad social de la reforma y a reducir la pobreza. Esta estrategia es perfectamente adecuada a las necesidades actuales y concuerda con las recomendaciones contenidas en este examen.

### Resultados

En términos generales, la transición de Polonia ha sido excelente en comparación con otras economías en transición y también por sí misma. Entre los indicadores clave que reflejan este notable desempeño cabe señalar que Polonia tuvo la tasa media de crecimiento del PIB más alta en el período de 1990-95, en comparación con otras economías en transición, y para mediados de 1995 las actividades del sector privado aportaban el 60 por ciento del PIB (véase el Cuadro 5.3). También, en 1996 Polonia pasó a ser miembro de la Organización de Cooperación y Desarrollo Económicos, y sus perspectivas de incorporación en fecha breve a la Unión Europea son buenas. En un informe de 1995 sobre los progresos de las economías en transición, el Banco Europeo de Reconstrucción y Fomento incluyó a Polonia entre los países que habían tenido el mejor desempeño, especialmente en las áreas de la privatización en pequeña escala y la reforma del comercio y el sistema cambiario, y en el establecimiento de un medio reglamentario conducente a la inversión privada (véase el Cuadro 5.3). Por otra parte, la inflación y el desempleo siguen siendo altos. La pobreza también sigue siendo relativamente elevada, pero está disminuyendo y se clasifica en su mayor parte como "poco profunda". Se espera, en consecuencia, que la situación mejore considerablemente con el crecimiento económico sostenido.

Se han alcanzado progresos tangibles en el logro de la mayoría de los primeros objetivos del Banco y casi todos los sectores en que éste ha participado se han beneficiado de su asesoramiento y sus contribuciones intelectuales. El apoyo del Banco fue crucial para lograr niveles excepcionales de reducción de la deuda y restablecer la solvencia de Polonia. Gracias a una planificación temprana y cuidadosa y a la notable continuidad del personal, el Banco ha contribuido a mejorar la infraestructura del país en los sectores de energía, transporte y telecomunicaciones; ha introducido nuevas ideas, tecnología y métodos de producción, y ha abierto las puertas para la participación del sector privado. Junto con la Corporación Financiera Internacional, el Banco ayudó a establecer acuerdos de asistencia recíproca que demostraron ser útiles para la modernización de varios bancos de Polonia. Los créditos fallidos han disminuido mucho y se están realizando otras reformas del sector financiero. En la agricultura, el Banco ayudó a coordinar los esfuerzos de varios donantes. Se han encarado en forma decidida los problemas ambientales en la mayoría de los sectores. En los sectores sociales, el Banco señaló en una etapa temprana varios problemas serios que el país enfrenta en la actualidad, como la explosión de los fondos de pensiones, pero el gobierno no hizo frente debidamente a esas cuestiones debido a su carácter sumamente político. Sin embargo, se espera que los diálogos intensivos que se están llevando a cabo sobre reformas del sector público, descentralización, edu-

cación, salud y otras políticas sociales den resultados positivos en el futuro próximo. En todos los sectores, la participación del Banco ha ayudado a establecer buenas prácticas de gestión, procedimientos de contratación pública transparentes y medidas firmes para la protección del medio ambiente. Las investigaciones sobre cuestiones bancarias y los estudios económicos y sectoriales, complementados por las actividades de difusión del Instituto de Desarrollo Económico, han contribuido a mejorar la comprensión y lograr una mayor aceptación de las políticas orientadas hacia el mercado.

Esos logros son notables, aunque no estén a la altura de las expectativas originales del Banco. Sin embargo, en varias esferas, hay una serie de reformas importantes que deben llevarse a cabo para asegurar la sostenibilidad de la transformación de Polonia:

- Es preciso acelerar la reestructuración y la privatización de las empresas estatales y los bancos comerciales de propiedad estatal no rentables (corresponde todavía a las empresas estatales el 60 por ciento del empleo en la industria). Las industrias pesadas (carbón, petroquímicos, acero, petróleo y gas) necesitan atención especial. Lo mismo ocurre con los bancos especializados de propiedad estatal (vivienda, financiamiento rural), a los que corresponde la tercera parte de los activos y pasivos del sistema bancario, que están en una situación financiera precaria e imponen una pesada carga al presupuesto.
- La reforma de la red de seguridad social es otra tarea urgente. Los programas deben orientarse hacia los más necesitados y deben encarar los problemas especiales de las mujeres y los niños. Si no se reforma el sistema de pensiones, se producirá un déficit imposible de manejar en el sector público.
- Deben fortalecerse las bases jurídicas de una economía de mercado eficiente mediante la aplicación del programa aún no terminado: el fortalecimiento de la ley sobre garantías y registro de las hipotecas y las prendas; la reglamentación de las actividades de arrendamiento; el fortalecimiento de la supervisión bancaria, y el mayor desarrollo de las instituciones de mercado y de la legislación comercial para facilitar la inversión privada en la infraestructura y el desarrollo de mercados de capital en general.
- Es preciso modernizar la agricultura y abrirla más a las fuerzas del mercado, no sólo para permitir su desarrollo más pleno sino también para comenzar a satisfacer los requisitos para la adhesión a la Unión Europea.
- Es preciso completar las reformas fundamentales, incluido un régimen normativo encaminado a alentar la inversión privada en los ferrocarriles, las carreteras, la energía y las telecomunicaciones.

Con miras al futuro, el consenso de Polonia a favor de pasar a ser miembro de la Unión Europea permite confiar en que continuarán las reformas iniciadas en 1989 y se sostendrán los logros. Como miembro de la Unión Europea, Polonia consolidaría sus reformas, y sería entonces mucho más difícil volver atrás.

#### **Evaluación de la asistencia del Banco**

En términos generales, *la estrategia del Banco fue muy importante* para apoyar las necesidades de Polonia en un momento sumamente crítico de su historia. La *eficacia* del apoyo del Banco varió a lo largo del tiempo y entre sectores. Posible-

mente fue *alta* en el caso de los *préstamos para ajuste* en que se trataba con las autoridades centrales, y en los préstamos a sectores fuertes y muy técnicos. Por otra parte, en los sectores que estaban más sujetos a cambios políticos frecuentes, una presencia más fuerte del Banco habría dado mejores resultados. Sin embargo, en general la *eficacia* de la asistencia del Banco se consideró *satisfactoria*. Cuando se compara con otros países prestatarios comparables en la Oficina Regional de Europa y Asia Central y en otros sitios, se observa que el Banco llevó a cabo su programa de asistencia con un costo relativamente alto en términos de personal y recursos financieros; su eficiencia puede considerarse, en el mejor de los casos, sólo *marginalmente satisfactoria*. Pero cuando se evalúa *el desempeño del Banco y del prestatario*, es preciso tener presente que se trataba de una experiencia completamente nueva y sin precedentes para ambos. Aunque todas las partes cometieron errores, la evaluación global para ambos era *satisfactoria*. El impacto en el *desarrollo institucional* de la asistencia del Banco fue *considerable*, y es *probable* que los beneficios sean *duraderos*.

### Principales conclusiones para Polonia

Los esfuerzos del Banco tuvieron mucha influencia en la importante área del fortalecimiento institucional. Las prácticas de gestión del sector público, como la contratación pública, el establecimiento de prioridades para el gasto público, la gestión de la deuda externa y la apertura a la participación del sector privado en el sector del transporte, se beneficiaron claramente de la participación del Banco. La modernización de los bancos comerciales refleja también el éxito del apoyo del Banco al desarrollo institucional. Pero los progresos han sido desalentadores en otras áreas, como la eliminación de la dependencia de las empresas locales de las subvenciones fiscales, la reducción de la inflación, la racionalización de la gestión de los bancos especializados y el mantenimiento del ritmo de la privatización.

Pese a los resultados generalmente positivos obtenidos en muchas áreas, varios factores disminuyeron la eficacia de la asistencia del Banco. En 1989–91, el Banco estableció claramente que su principal objetivo estratégico en la ayuda a Polonia era apoyar las reformas sin precedentes mediante elevados niveles de financiamiento. Inicialmente, las únicas operaciones disponibles eran las líneas de crédito que se habían evaluado y reservado anteriormente. Éstas se aprobaron con rapidez, sin tener debidamente en cuenta su adecuación como vehículo de transferencia de recursos tras el complejo cambio de circunstancias. Como algunos habían augurado, las líneas de crédito no lograron sus objetivos y se convirtieron por último en un escollo importante en las relaciones entre el Banco y Polonia. Al mismo tiempo se prepararon varios otros proyectos, en los que se encaraba más directamente el difícil problema de la transición en varias esferas. Con todas las dificultades relacionadas con el diseño de cambios de política en este entorno sin precedentes, el Banco aportó su mejor contribución al programa de Polonia en esta área. Otros problemas que se presentaron durante el período inicial de asistencia se debieron a los cambios frecuentes en la administración y en el grado de empeño del gobierno en realizar la reforma, los escollos burocráticos y la perturbación de los diálogos de política y la ejecución del programa. La competencia para conceder préstamos a Polonia de varios donantes, algunos con diferentes objetivos de política, redujeron la receptividad de Polonia al asesoramiento del Banco. Al cambiar las prioridades dentro del Banco, se redujo a veces la continuidad y viabilidad de los esfuerzos que se necesitaban para llevar a cabo el ambicioso programa de reforma. En parte como resultado de esos problemas, la eficacia en términos de costo del programa de asistencia al país fue relativamente baja.

Las dificultades se agravaron por la falta de instrumentos de asistencia flexibles. La presión para conceder préstamos en las primeras etapas perjudicó la calidad inicial de muchos proyectos, en particular los que dependían de líneas de crédito para los desembolsos. La condicionalidad de los préstamos no se indicó siempre claramente, en parte porque los abogados del Banco no participaron en la etapa de diseño de los proyectos. El importante recurso del Banco a préstamos de ajuste de rápido desembolso (55 por ciento de los desembolsos en los ejercicios de 1990 a 1996) limitó su capacidad de influir en las políticas sectoriales y en el fortalecimiento institucional al nivel de los proyectos. El problema se agravó a causa de la descentralización excesiva del proceso de adopción de decisiones del Banco, la ambigüedad de la condicionalidad de algunos préstamos, el cumplimiento deficiente de la condicionalidad y las cancelaciones de préstamos antes de que se hubieran cumplido todas las condiciones. La coordinación deficiente con otros donantes debilitó también las reformas de política y contribuyó a que se desperdiciaran fondos de asistencia técnica.

El Banco puede sin duda ayudar a Polonia a hacer frente a gran parte de sus tareas programadas. Pero la transformación de Polonia ha avanzado mucho y sus necesidades de asistencia del Banco son mucho menores de lo que eran. Hay una abundancia de divisas y de expertos en desarrollo de calibre internacional, y fácil acceso a los mercados internacionales de capital y a las instituciones financieras europeas, que están ansiosas por proporcionar asistencia técnica y financiera. El Banco, por otra parte, debe tener en cuenta las necesidades de sus otros países miembros, muchos de ellos en la región de Europa y Asia central, en particular los que están apenas comenzando el proceso de transformación y para los cuales la ayuda del Banco es esencial. En consecuencia, al determinar el papel del Banco en Polonia, la selectividad debe ser el principio rector.

La asistencia futura del Banco debe concentrarse en la formulación de políticas y el fortalecimiento institucional, y no en la transferencia de recursos. Todavía podría prestarse asistencia a sectores como el transporte, la energía y las telecomunicaciones, siempre que hubiera un firme compromiso de llevar a cabo las reformas restantes y de abrir los sectores a la participación privada. En la agricultura y los sectores sociales, una condición previa para el apoyo adicional del Banco debe ser el firme compromiso de realizar las reformas necesarias por parte de todos los ministerios participantes. En términos más generales, el Banco debe poner el énfasis en alentar la participación del sector privado, el cofinanciamiento con otras instituciones financieras internacionales y la estrecha cooperación con la CFI. Es también importante no olvidar la vigilancia de la gestión macroeconómica y fiscal, en particular en ausencia de programas condicionales de asistencia del FMI. Deben continuar los análisis convencionales a mediano plazo de la solvencia, pese a la fuerte posición cambiaria de Polonia. Si se decide que la asistencia futura del Banco consista en buena parte en servicios no crediticios, como estudios especiales, asistencia técnica o mecanismos de garantía para la inversión del sector privado, el Banco podría considerar la posibilidad de cobrar a Polonia por esos servicios.

### **Conclusiones para los países en transición**

La experiencia del Banco en Polonia tiene también consecuencias para sus programas de asistencia en otros países en transición.

#### *Estrategia*

- Para apoyar programas de reforma estatales el Banco necesita instrumentos flexibles que no se basen en la rápida aprobación de nuevos préstamos. En

Polonia, aunque los desembolsos de los préstamos del Banco ayudaron a fortalecer la posición externa del país en los primeros años, sus aportes técnicos, su asesoramiento y su apoyo intelectual fueron más valiosos que su asistencia financiera. El Banco dio un apoyo valioso al programa autóctono de reforma mediante el asesoramiento, el apoyo técnico, la difusión de ideas orientadas hacia el mercado y el apoyo de las propuestas de alivio de la deuda de Polonia ante otros acreedores.

- En relación con esto, no debe empujarse a los funcionarios a apresurar la aprobación de proyectos por parte del Directorio Ejecutivo cuando ello implique un sacrificio de la calidad en las etapas iniciales. En los primeros dos años, los préstamos a Polonia fueron más intensivos de lo que se esperaba. En el último documento de estrategia (1987) anterior al comienzo de los préstamos en 1990 se proponía una pequeña cartera a modo de ensayo. Cuando se le ordenó que preparara una cartera mucho mayor que la prevista, el equipo a cargo del país no tuvo tiempo de preparar plenamente nuevos proyectos ni de modificar los existentes para adecuarlos a las nuevas circunstancias.
- A fin de evitar la creación de incentivos aberrantes para el financiamiento, la asignación presupuestaria del Banco para los trabajos con países individuales no debe vincularse rígidamente al monto de sus préstamos en esos países.
- El seguimiento frecuente y la autoevaluación de los progresos alcanzados en el logro de los objetivos de la estrategia son esenciales. Los informes de terminación de los proyectos deben prepararse sin demora para no perder la oportunidad de aprender de la experiencia.

#### *Diseño*

- Las principales partes interesadas deben participar plenamente en el diseño de los proyectos y el Banco debe asegurarse de que haya consenso y un sentido de identificación del gobierno en las primeras etapas de la preparación de los proyectos. En el caso de algunos préstamos a Polonia, en los documentos respectivos no se indicaban claramente las medidas que debía adoptar el prestatario y se confiaba en cambio en entendimientos generales establecidos con funcionarios que ya no estaban en funciones.
- En un medio incierto y en rápido proceso de cambio, el personal del Banco debe estar listo para modificar los proyectos a medida que cambian las circunstancias. Deben incorporarse elementos de análisis de riesgo y de flexibilidad en el diseño de los proyectos. De la misma manera, debe preverse la posibilidad de introducir rápidamente cambios en la ejecución de los proyectos a la luz de los nuevos acontecimientos.
- En el diseño de los proyectos deben incorporarse elementos para tener en cuenta, siempre que sea posible, el género y la pobreza. En el caso del préstamo de ajuste estructural para Polonia, algunos directores ejecutivos del Banco expresaron preocupación porque su condicionalidad era demasiado general, en particular con respecto a la reducción de las subvenciones y el ritmo de la privatización. Aunque apoyaron decididamente el préstamo, se pudo comprobar que su preocupación era justificada, ya que las reducciones de las subvenciones siguieron siendo un punto difícil y la privatización se llevó a cabo más lentamente que lo previsto. Algunos pidieron también que se adoptaran medidas más decididas para proteger a los grupos vulnerables durante la estabilización. También en este caso podría haberse hecho más. Cuando se redujeron las

subvenciones y las empresas estatales restringieron los servicios sociales gratuitos, el costo de vida aumentó y los salarios reales disminuyeron en forma considerable. Las mujeres se vieron doblemente perjudicadas a causa de la pérdida de los servicios de guardería y de un nivel de desempleo superior al promedio.

- Los préstamos tales como los de ajuste estructural pueden ser un vehículo importante para el diálogo entre el Banco y el gobierno sobre cuestiones como la gestión del medio ambiente. Mediante la inclusión de condiciones de política ambiental, el préstamo de ajuste estructural para Polonia contribuyó a que se prestara atención a las cuestiones ambientales en el diálogo económico entre el Banco y el gobierno.
- La necesidad de mantener la flexibilidad en un medio incierto entraña un riesgo para iniciar proyectos difíciles de modificar a medida que cambian las circunstancias. Los proyectos pequeños y sencillos son mejores que los proyectos complejos en que participan varios organismos de ejecución.

#### *Ejecución y misiones residentes*

- El Banco debe asegurarse de que haya una dotación de personal adecuada para garantizar una ejecución satisfactoria. Si el proyecto tiene por fin el fortalecimiento institucional o la realización de cambios de política difíciles, el Banco debe estar preparado para destacar funcionarios experimentados sobre el terreno hasta que el proyecto esté firmemente en marcha.
- Los movimientos de personal excesivos pueden perturbar la continuidad de los proyectos y llevar a una pérdida de memoria institucional. La continuidad del personal de los proyectos es especialmente importante cuando hay cambios frecuentes del lado de los prestatarios.
- Las decisiones sobre ejecución deben delegarse en la mayor medida posible en los funcionarios que trabajan sobre el terreno, con sujeción a objetivos claramente formulados e indicadores observables del desempeño.

#### *Cuestiones institucionales y jurídicas*

- El Banco debe prestar atención desde el comienzo a la creación de un marco jurídico e institucional para una economía de mercado. Debe asegurarse desde el primer momento la participación más plena de expertos jurídicos en el diseño de los programas, y esos expertos deben desempeñar un papel substantivo.
- Deben evaluarse cuidadosamente el desarrollo y la capacidad institucionales. Gran parte de los préstamos iniciales a Polonia se hicieron a través de intermediarios financieros que se esperaba que concedieran a su vez préstamos a los beneficiarios. Pero el Banco no determinó primero si los bancos de Polonia tenían la capacidad institucional para asumir esa función crucial, y los acontecimientos demostraron posteriormente que no la tenían. Hubo muy pocos desembolsos de proyectos del Banco que entrañaban líneas de crédito, como consecuencia de la falta de demanda, los procedimientos lentos y engorrosos del Banco y la competencia naciente de líneas de crédito de donantes que ofrecían procedimientos más flexibles y mejores condiciones que el Banco.

#### *Maximización del impacto combinado de los donantes*

- Debe vigilarse la coordinación de la ayuda para asegurar la coherencia del asesoramiento sobre políticas y evitar la duplicación de esfuerzos.

- La coordinación entre los donantes puede ser crucial para el éxito. Los esfuerzos conjuntos del Banco, el Fondo y otros donantes importantes fueron esenciales para preparar un conjunto de medidas de reducción de la deuda y de su servicio correspondiente a la deuda masiva de Polonia frente a bancos privados que estaba en situación de incumplimiento. El apoyo financiero y técnico del Banco fue crucial para el éxito del arreglo con el Club de Londres a que se llegó en marzo de 1994. Polonia obtuvo un nivel excepcional de alivio de la deuda y pudo restablecer su solvencia y el acceso a los mercados financieros internacionales.

#### *Difusión*

- El Banco debe esforzarse más por difundir sus estudios y sus productos intelectuales en los países clientes, incluida la traducción al idioma local de por lo menos los resúmenes de sus estudios económicos y sociales.

#### **Notas**

1. Las comisiones por compromiso que cobra el Banco sobre los préstamos para proyectos de inversión no desembolsados en el ejercicio de 1994 ascendieron a \$4,3 millones, equivalentes al 3,3 por ciento de los desembolsos de préstamos para proyectos de inversión ese año. Para el período comprendido entre los ejercicios de 1990 y 1996, el porcentaje equivalente fue de 1,9 por ciento.
2. El proceso de cancelación de proyectos continuó en el ejercicio de 1996. En los ejercicios de 1995 y 1996 se cancelaron 15 proyectos, tras haber invertido en ellos por lo menos 710 semanas de trabajo de funcionarios a un costo de \$2,3 millones (las cifras incluyen sólo los costos directos y no los gastos fijos ni el tiempo de administración). Estos costos son más altos (en relación con los costos totales de los préstamos) que los promedios regionales y los promedios de todo el Banco. La cancelación de proyectos cuando se llega a la conclusión de que no tienen probabilidades de éxito es una buena práctica administrativa. Sin embargo, el costo directo de los proyectos cancelados para Polonia ha sido mucho más alto que en otros países. En los ejercicios de 1993 a 1996, ese costo equivalió a 53 semanas de trabajo de funcionarios, en comparación con 29 para el Departamento Geográfico II de la Oficina Regional de Europa y Asia Central, 26 para la Oficina Regional de Europa y Asia Central en su totalidad y 33 para todo el Banco. Esto sugiere que el Banco permitió que esos proyectos se arrastraran demasiado tiempo antes de decidir eliminarlos. En el Capítulo 4 del presente informe se examina la eficacia en términos de costo del programa del Banco en Polonia.
3. En sus observaciones sobre una versión preliminar de este examen, el Ministerio de Hacienda indicó de que, fuera de las cuestiones indicadas anteriormente, en el informe se analizan en forma correcta los éxitos y los fracasos en la cooperación del Banco Mundial con Polonia, aunque en varias ocasiones se insiste demasiado en el papel causal del Banco Mundial. En el proceso de transformación de la economía de Polonia, el Banco desempeñó un papel muy importante, entre otras cosas, mediante el apoyo de la reconstrucción del sistema institucional. Pero en la mayoría de los casos sus acciones fueron complementarias y autentificaron programas económicos iniciados y ejecutados por las autoridades de Polonia.

## Résumé

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Dès que la Pologne a rejoint les rangs des pays membres, en 1986, la Banque a cherché à encourager les programmes de réforme économique mis en place par les gouvernements polonais successifs. Elle a toutefois fait preuve de prudence, en suivant de près les résultats obtenus de manière à pouvoir décider du moment approprié pour commencer à prêter. Ce moment venu, en 1990, elle s'est fixé une stratégie suffisamment souple pour pouvoir maximiser l'efficacité de son programme d'aide en l'adaptant à un environnement en évolution rapide. Au départ, ses priorités stratégiques ont notamment été les suivantes : aider la Pologne à stabiliser sa gestion macroéconomique et, partant, à renforcer sa solvabilité ; appuyer la réforme, la restructuration et la privatisation des entreprises et le développement du secteur privé ; contribuer à l'amélioration des infrastructures physiques et financières nécessaires à une économie de marché, notamment par la modernisation du système bancaire et, à terme, sa privatisation ; protéger l'environnement ; et renforcer le filet de protection sociale. Quelques années après le lancement des premières opérations de prêt, l'exécution des projets a commencé à poser des difficultés, notamment dans le cas des projets financés par des lignes de crédit. Certains projets étaient trop ambitieux et trop complexes ; le renforcement du cadre institutionnel progressait plus lentement que prévu dans certains secteurs ; les accords de prêt n'étaient pas suffisamment explicites quant aux conditions à respecter ; et l'évolution constante de la situation sociale et politique du pays, et surtout les nombreux remaniements du gouvernement, rendaient plus difficile encore l'exécution des projets. En dépit de ces obstacles, des progrès tangibles ont été accomplis vers la réalisation de la plupart des objectifs initiaux de la Banque, et presque tous les secteurs qui ont reçu son aide ont bénéficié de ses conseils et avis techniques, peut-être plus encore que de ses opérations de prêt classiques.

### **Appui de la Banque aux programmes de réforme, 1986-90**

Dès le retour de la Pologne parmi les pays membres, en 1986, la Banque a entrepris des études pour définir et analyser les besoins de l'économie polonaise. Elle a également commencé à préparer des projets, mais elle a remis pour un temps l'octroi de prêts, en raison de doutes sur la viabilité du programme du gouvernement et sur la solvabilité du pays et du fait aussi des réticences d'importants actionnaires. Le premier document de stratégie pour la Pologne, qui a fait l'objet d'un examen interne en novembre 1987, proposait de lier l'octroi de prêts aux progrès des autorités polonaises dans la mise en oeuvre de leur programme de réforme et le rétablissement de la solvabilité du pays. Sachant que jusque là Pologne n'avait pas pleinement donné suite à ses projets de réforme, la Banque cherchait, par ce document de stratégie, à encourager le gouvernement à baser durablement la gestion de l'économie et de l'endettement du pays sur un programme à moyen terme qui soit à la fois faisable et crédible, de manière à restaurer sa solvabilité. Cette démarche a été confirmée dans une note de stratégie, que la direction de la Banque a examinée vers le milieu de 1989.

Initialement opposés à l'octroi de prêts à la Pologne, quelques-uns de ses principaux actionnaires ont commencé à pousser la Banque à accélérer la préparation de projets après que le gouvernement démocratique nouvellement élu eut annoncé, en 1989, le lancement d'un Programme de transformation économique qui mettait l'accent sur l'ouverture au marché et marquait un tournant décisif. Au début du mois de novembre, la Pologne ayant conclu un accord avec le Fonds monétaire international (FMI) dans le cadre du Mécanisme élargi de crédit, la Banque lui a proposé un prêt d'ajustement structurel pour ouvrir la voie à d'autres prêts à l'appui de nouveaux ajustements structurels et sectoriels et a envoyé une mission en Pologne, au début du mois de décembre 1989, pour évaluer cette première opération. Elle a alors mis au point une stratégie pour soutenir pleinement le programme de réforme. Les opérations de prêt ont commencé en 1990.

Compte tenu des possibilités offertes par le programme de réforme de la Pologne, et les risques auxquels il était exposé, l'approche prudente adoptée par la Banque en 1987 était justifiée eu égard aux incertitudes de l'époque. Certes, il y aurait eu aussi de bonnes raisons de prêter plus tôt, en sélectionnant rigoureusement les opérations ainsi financées, mais il reste que le report du premier prêt jusqu'en 1990 a eu le mérite d'inciter les autorités polonaises à s'engager plus résolument sur la voie de réformes. En outre, le fait d'avoir attendu que la conjoncture nationale et internationale soit plus propice a permis à la Banque de commencer à prêter au moment où le rapport entre les avantages et les risques était particulièrement favorable.

#### **Développement rapide du portefeuille, 1990-91**

La Banque attachant une importance particulière au succès des réformes polonaises, ses plus hauts responsables — du Président et du Premier Vice-Président Opérations au Vice-Président régional et au Directeur-pays — ont participé directement à l'élaboration du programme initial. Ils ont mis en place des équipes spéciales et accéléré les procédures internes afin de pouvoir fournir leur appui en temps voulu et tirer parti de cette occasion exceptionnelle de soutenir des réformes d'importance historique.

Il ressort des documents internes de la Banque et des communications au Conseil que la Banque a pris une part active à tous les éléments essentiels du programme de réforme : réintégration de la Pologne dans l'économie mondiale par la libéralisation du commerce ; traitement des problèmes d'endettement extérieur ; stabilisation de l'économie ; renforcement de la monnaie et de la balance des paiements ; liquidation des entreprises non viables et restructuration des entreprises prometteuses ; atténuation des effets négatifs des réformes sur les groupes vulnérables ; mise en place d'un cadre institutionnel et juridique propice à l'économie de marché ; abandon de la planification centralisée pour laisser jouer les forces du marché ; allègement de l'appareil de contrôle et de l'emprise des monopoles ; promotion du développement du secteur privé ; et mobilisation et coordination de l'assistance des autres bailleurs de fonds.

Les opérations de prêt ont commencé en février 1990 par l'ouverture de deux lignes de crédit à l'appui du développement des exportations en devises convertibles. Sont venus ensuite des prêts destinés à la protection de l'environnement, aux transports, à l'énergie et au secteur financier. La plupart de ces opérations impliquaient le recours à des intermédiaires financiers qui devaient rétrocéder les fonds reçus de la Banque. Malheureusement, et contrairement aux principes établis, la Banque ne s'était pas assurée de l'aptitude des banques polonaises à

s'acquitter de ce rôle essentiel. La suite des événements devait montrer qu'elles ne disposaient pas des capacités institutionnelles voulues.

La première aide apportée par la Banque au programme de réforme polonais, et la plus visible, a été le prêt d'ajustement structurel de 300 millions de dollars approuvé en juillet 1990. Il s'agissait d'appuyer le programme polonais en donnant la preuve que la Banque croyait à sa viabilité technique et en fournissant les devises nécessaires à la consolidation des réserves et au renforcement de la crédibilité des mesures de stabilisation. Les Administrateurs de la Banque ont fermement approuvé ce prêt, bien que certains aient noté avec préoccupation le caractère trop général des conditions dont il était assorti, notamment en ce qui concerne la réduction des subventions et le rythme des privatisations. Certains souhaitaient des mesures plus énergiques pour protéger les groupes vulnérables durant la période de stabilisation. Ce prêt d'ajustement structurel est devenu le principal instrument du dialogue entre la Banque et les autorités polonaises. En imposant certaines conditions relatives à la politique de l'environnement, il a contribué à placer les questions d'environnement au centre du dialogue économique entre les deux parties.

Face à l'ampleur de la tâche et à la nécessité d'une présence permanente sur le terrain, la Banque a mis en place une mission résidente de haut niveau, qui s'est installée à Varsovie en juillet 1990 et qui était dirigée par un membre de l'équipe de direction régionale. Ses principales activités devaient être de coordonner le programme d'aide de la Banque et de contribuer à son développement, d'aider le gouvernement à coordonner l'assistance financière et technique reçue d'autres sources, et de suivre l'évolution de la situation sur les plans économique, financier, législatif et social.

Le rythme des prêts est allé en s'accélégrant. Au cours des seuls mois d'avril à juin 1991, le Conseil a approuvé 12 prêts, représentant au total 1.140 millions de dollars. Plusieurs de ces opérations, dont un prêt d'ajustement axé sur les questions de tarification et de subvention, étaient destinées au secteur de l'énergie. D'autres visaient les télécommunications, la promotion de l'emploi, l'agriculture, la privatisation et la restructuration, et les institutions financières. Le prêt destiné au développement des institutions financières était centré à la fois sur l'amélioration des politiques générales et sur le renforcement du cadre institutionnel dans le but d'éliminer les subventions aux taux d'intérêt, de réduire la part du crédit dirigé, de moderniser la législation bancaire, de contribuer au développement des marchés financiers et de restructurer les banques commerciales d'état en prévision de leur privatisation.

Ces opérations faisaient une large place à l'assistance technique, en vue notamment de la préparation d'études sur la stratégie à appliquer aux secteurs de l'agriculture et de la santé et aux programmes publics de logements. Dans le domaine de l'énergie, six études ont jeté les bases de la restructuration du secteur. La Banque a par ailleurs mobilisé la participation d'autres bailleurs de fonds, souvent sous forme de dons, au financement des services d'assistance technique. La présence de plusieurs donateurs a posé des problèmes de coordination de l'aide et de contrôle des opérations.

L'un des objectifs importants de la Banque était d'aider la Pologne à mettre en place le cadre juridique qu'implique une économie de marché. Durant les premiers stades de la transition, le personnel de la Banque a sous-estimé la difficulté d'introduire certains concepts juridiques dans un système étranger aux pratiques occidentales. En matière de réforme juridique, la Banque n'a pas pris les devants et s'est en général contentée de réagir au coup par coup, dans cer-

tains domaines limités, aux problèmes liés aux projets de privatisation, de services bancaires, de financement du logement, et autres. À la différence d'autres pays d'Europe orientale et de l'ex-Union soviétique, pour lesquels la Banque a entrepris des études plus systématiques du système juridique, la Pologne n'a pas clairement demandé l'aide de la Banque à l'appui d'une réforme générale de ses structures juridiques. Au début de l'application du programme polonais, la Banque n'avait aucun instrument à proposer aux autorités pour les aider à analyser le système juridique ou pour leur fournir des services d'assistance technique financés par des dons.

Pendant les deux premières années, les activités de prêt ont été plus intenses que prévu. Le dernier document de stratégie établi avant la première opération de prêt, en 1990, remontait à 1987. Il proposait de commencer à titre expérimental par un portefeuille restreint (un tiers du portefeuille type pour un pays de la taille de la Pologne). Lorsqu'il lui a été demandé de constituer un portefeuille beaucoup plus important que prévu, l'équipe-pays n'a pas toujours eu tout le temps voulu pour préparer à fond de nouveaux projets ou pour apporter aux propositions de projet existantes les modifications nécessaires pour les adapter au nouveau contexte davantage ouvert au marché. La qualité initiale des projets d'ouverture de lignes de crédit a été particulièrement affectée par les pressions exercées sur le personnel pour activer l'octroi de prêts. Plusieurs opérations ont été approuvées avant que la Banque ne procède à un nouvel examen formel de sa stratégie en novembre 1992.

En dépit de ces contraintes, la Banque a pu fournir aux autorités polonaises un appui ferme et efficace au cours des premiers stades critiques du processus de transformation économique. Ses apports financiers ont contribué à raffermir la position extérieure du pays durant les premières années, mais ses apports techniques et intellectuels ont été encore plus précieux. C'était l'équipe polonaise qui a pris l'initiative du programme et la Banque a apporté un soutien particulièrement utile par ses conseils, son appui technique, la promotion d'idées conformes à la logique du marché et la défense des propositions d'allègement de la dette auprès d'autres créanciers.

L'étude de la stratégie d'investissement est un bon exemple de l'appui technique initial de la Banque. Bien reçue par le gouvernement, cette étude portait sur une question à laquelle le programme de transition mis au point par les autorités polonaises ne faisait guère de place, à savoir la mise au point et la gestion d'un programme d'investissements publics de nature à soutenir l'émergence d'une économie de marché. C'était la première fois que la Banque procédait à l'examen d'ensemble du rôle de l'investissement public dans une économie en transition. D'autres études internes préparées à la même époque ont contribué à une meilleure connaissance de plusieurs questions d'une importance critique pour la transition, notamment la réforme de l'administration publique, la politique commerciale et la gestion des finances.

#### **Premières difficultés d'exécution et problèmes liés aux réformes, 1992-93**

Vers la fin de 1991, la viabilité du Programme de transformation économique a commencé à susciter de sérieux doutes, par suite de la dégradation de la politique budgétaire, du dérapage du programme du FMI et de la faillite de certaines banques et entreprises. Face à cette crise, la Banque a procédé à une évaluation approfondie de la situation, qu'elle a exposée dans l'important rapport économique établi à cette époque.

Le Mémorandum économique de 1992 avait pour objectif d'analyser le programme de réforme et de servir de base de décision aux autorités polonaises et à la Banque pour le document de stratégie élaboré en 1992. Ce mémorandum concluait que la Pologne avait nettement progressé et que le secteur privé prospérait. Il relevait toutefois que la restructuration et la privatisation des entreprises d'état marquaient le pas et que la forte chute des investissements dans l'infrastructure et la valorisation des ressources humaines risquait de compromettre la croissance. Le problème tenait fondamentalement aux difficultés rencontrées par la restructuration et la privatisation des entreprises d'état. L'expansion rapide du secteur privé ne suffisait pas à compenser les pertes de production et d'emplois d'un grand nombre de grosses entreprises publiques. La réduction des subventions et des services sociaux fournis gratuitement par les entreprises publiques avait entraîné une augmentation du coût de la vie et une forte baisse des salaires réels. Les femmes avaient été affectées à la fois par la fermeture des garderies et par un taux de chômage supérieur à celui des hommes. Les conséquences budgétaires de l'effondrement du bloc de l'Est avaient été plus graves que prévu. L'adhésion de la population au programme de réforme avait fléchi. Les élections générales et les coalitions successives avaient entraîné de fréquents remaniements ministériels et la continuité du processus de réforme en était compromise.

Le Mémorandum économique recommandait à la Pologne de s'attacher à réformer rapidement le régime de la propriété et à s'intégrer dans l'économie mondiale afin d'accélérer la restructuration et la privatisation des entreprises, de consolider la stabilisation, de renforcer les institutions publiques de base et de développer les infrastructures avec la participation du secteur privé. Les dépenses sociales s'étant envolées entre 1990 et 1992, le Mémorandum préconisait aussi des réformes des finances publiques pour mieux cibler les dépenses, réserver les transferts sociaux à ceux qui en avaient le plus besoin, et éliminer les nombreuses demandes d'aide sociale injustifiées. Des réformes fiscales étaient également nécessaires. Les dettes extérieures devaient être consolidées et des accords conclus avec les créanciers commerciaux pour rétablir la solvabilité du pays.

L'évolution de la situation sociale et politique du pays a affecté l'exécution des projets de la Banque et les décaissements ont pris du retard par rapport aux prévisions. De toute évidence, certains projets étaient trop ambitieux et trop complexes, faisant intervenir plusieurs ministères ou organismes qui ne partageaient pas toujours les mêmes objectifs. La rotation des équipes gouvernementales a aussi mis en évidence certaines lacunes dans les activités de la Banque à l'appui du développement institutionnel. Les nouveaux venus avaient du mal à se familiariser avec le langage et les procédures de la Banque. Les communications entre les représentants des autorités polonaises et le personnel de la Banque n'allaient pas toujours sans heurts. La rotation du personnel de la Banque a également contribué aux retards d'exécution. Dans certains cas, les accords de prêt ne définissaient pas clairement les mesures que l'emprunteur était tenu de prendre, se limitant à des dispositions générales convenues avec des représentants des pouvoirs publics qui n'étaient plus en poste. Les projets ne donnaient lieu à pratiquement aucun décaissement, faute de demande et du fait aussi de la lenteur et de la pesanteur des procédures de la Banque et de la concurrence exercée par les lignes de crédit plus avantageuses et assorties de procédures plus souples consenties par d'autres donateurs. Certains de ces problèmes témoignent des difficultés que pose l'utilisation des instruments traditionnels de la Banque pour aider les économies en transition, dont l'environnement requiert une souplesse et une capacité d'adaptation considérables.

L'apparition de ces problèmes de portefeuille a coïncidé avec des changements dans la direction du Bureau régional de la Banque. La Banque a laissé passer

l'occasion de se rapprocher du client et de donner à la mission résidente les moyens de faire preuve de plus d'initiative et de résoudre les problèmes d'exécution sur le terrain. La mission résidente a perdu de son autonomie et l'attention de certains responsables du Bureau régional s'est portée vers d'autres pays de la région. Washington tardant à réagir, l'assistance de la Banque à la Pologne a perdu de son élan initial. L'avancement des projets est devenu tributaire du degré d'initiative de leurs responsables à la Banque et de leurs homologues polonais. Les projets qui dépendaient des ministères épargnés par les fréquents remaniements ministériels et pour lesquels la Banque avait maintenu sur place un personnel expérimenté (tels les projets d'infrastructure) ont continué à progresser tandis que les autres ont stagné.

Le document de stratégie achevé en novembre 1992 faisait état de certains des problèmes qui commençaient à se poser au niveau de l'exécution, et les attribuait pour l'essentiel à des causes extérieures à la Banque, comme l'instabilité politique, le manque de connaissance des exigences et des pratiques de la Banque, la faiblesse des capacités institutionnelles, et la concurrence d'autres donateurs. La stratégie de prêt qu'il proposait était fondée sur cinq objectifs tout à fait adaptés à la situation de la Pologne : stabiliser le cadre macroéconomique pour renforcer la solvabilité du pays ; appuyer la réforme, la restructuration et la privatisation des entreprises et le développement du secteur privé ; améliorer l'infrastructure, notamment celle du secteur financier, pour l'adapter aux besoins d'une économie de marché ; renforcer la protection de l'environnement dans tous les secteurs de l'économie ; et consolider les filets de protection sociale pour aider le pays à atténuer les conséquences sociales de sa transformation structurelle. Le document proposait à titre indicatif un programme triennal impliquant l'octroi de prêts d'un montant de 0,9 milliard de dollars par an, dont 400 millions de dollars destinés à une opération de désendettement. Il soulignait également la nécessité d'améliorer l'exécution des projets en cours et la coordination des bailleurs de fonds. Malgré les problèmes qui commençaient à se poser au niveau de l'exécution, il ne faisait aucune recommandation touchant la restructuration du portefeuille et ne donnait aucune indication pratique sur la manière d'améliorer la gestion du portefeuille, recommandant seulement de cibler les activités de supervision, d'assurer une formation aux procédures de décaissement et de passation des marchés, et de poursuivre le dialogue avec le gouvernement.

Cette initiative a débouché sur une série d'examens constructifs de la stratégie-pays et de l'exécution des projets. Ces examens ont eu lieu régulièrement à partir de 1993. Le premier, mené conjointement avec les autorités polonaises, a pris place à Varsovie en janvier 1993. Les autorités polonaises se sont plaintes que certains membres du personnel de la Banque avaient encouragé les ministères d'exécution à solliciter de nouveaux prêts de la Banque sans obtenir l'accord préalable du ministère des Finances ni même l'informer. La Banque s'est engagée à respecter les fonctions de coordination du Ministère pour les futures propositions de prêt. En dépit de ces discussions utiles, les problèmes d'exécution se sont aggravés au cours de l'année et les nouvelles autorités ont demandé des délais supplémentaires pour définir les domaines prioritaires de leur coopération future avec la Banque et mettre au point de nouveaux projets « afin d'éviter la répétition des erreurs du passé ».

Une stratégie d'assistance révisée, qui ne mentionnait pas d'objectifs de prêt, a été présentée au Conseil en avril 1993. Certains administrateurs ont reproché au document de n'être pas suffisamment précis en matière de projections budgétaires (parfois jugées trop optimistes), de ciblage des filets de protection sociale et de prise en compte des conséquences sociales de la restructuration — objections

qui se sont avérées justifiées. Dans l'ensemble toutefois, les administrateurs ont entériné la stratégie proposée et se sont félicités de l'accent mis sur la protection de l'environnement et l'allègement de la dette.

En dépit des difficultés grandissantes auxquelles s'est heurtée l'exécution des projets en 1992-93, le personnel de la Banque et leurs homologues polonais ont pu préparer sept nouveaux prêts, totalisant 1.436 millions de dollars. Ce portefeuille diversifié comprenait des opérations novatrices et ambitieuses pour les secteurs de la santé et du logement, ainsi que des prêts pour la mise en valeur des forêts, le réseau routier et le développement du secteur privé. Deux prêts à l'ajustement, mis au point avec la pleine participation des emprunteurs, étaient particulièrement originaux et ambitieux : l'un visait l'ajustement du secteur agricole (300 millions de dollars), et le second l'ajustement du secteur financier et des entreprises (450 millions de dollars).

Dans le secteur de la *santé*, la Banque a lancé un programme ambitieux pour mettre un terme à vingt ans de dégradation de l'état de santé de la population et atténuer les effets dommageables de la crise économique. Alors que les spécialistes de la Banque dans ce domaine se sentaient tenus de préparer rapidement un projet, le personnel de contrepartie polonais n'était pas prêt à définir les priorités. La conception du projet a souffert de l'insuffisance des délais disponibles, et les divers options envisageables n'ont pas été suffisamment explorées. Tout cela a abouti à l'élaboration d'un projet ambitieux de 130 millions de dollars, sans la pleine participation et adhésion des parties prenantes et sans prêter une attention suffisante aux problèmes particuliers des femmes ni tirer parti des possibilités de coordination des bailleurs de fonds, en matière notamment d'assistance technique gratuite. En un mot, le projet était à la fois trop ambitieux et trop complexe. Il a récemment fait l'objet d'une restructuration pour remédier à ces problèmes et son exécution est en voie d'amélioration.

En réponse à la requête adressée directement par le gouvernement polonais au Président de la Banque en février 1990, il avait été demandé au personnel de la Banque d'accélérer la préparation d'un projet de *logements*, pour lequel un prêt de 200 millions de dollars a été approuvé en juin 1992. Le projet visait à aider le gouvernement à se désengager de la production de logements fortement subventionnés et à mettre en place un système fondé sur le marché en mettant fin au subventionnement des logements neufs. Il s'agissait de faire en sorte que les aides de l'état profitent à la population nécessiteuse et non aux acquéreurs de logements neufs — généralement des familles à revenus moyen et supérieur. Le projet visait également à substituer aux subventions existantes un système de financement similaire à celui qui avait été expérimenté avec succès dans le cadre d'une série de projets mexicains de financement du logement.

Si l'on considère les montants décaissés, il est manifeste que le projet n'a pas abouti. Dans une économie soumise à de profondes restructurations de la production et du régime de la propriété, et en proie à une grave récession, il n'y a rien d'étonnant à ce que les investissements dans le secteur du logement se tarissent — d'autant plus que le logement était l'un des biens le plus fortement subventionnés et le plus contrôlés par l'état à l'époque de la planification centralisée. Quoi qu'il en soit, on ne peut dire que le projet était vicié au départ ou que le non-décaissement de prêt est la preuve qu'il aurait dû être renégocié, car ce raisonnement est contredit par l'évolution du secteur. En effet, cinq ans après l'approbation du prêt, un grand nombre des objectifs du projet sont atteints : les taux d'intérêt applicables aux prêts à la construction ne sont plus subventionnés et de nouveaux systèmes de financement non subventionnés ont été mis en place.

En revanche, le *Prêt à l'ajustement du secteur agricole* avait fait l'objet d'une préparation minutieuse sous la direction de la Banque. Après deux prêts à l'agriculture présentés précipitamment à l'approbation du Conseil sans avoir fait l'objet d'une préparation suffisante, la Banque avait mis en place une équipe spéciale conjointement avec le gouvernement et la Communauté européenne. La stratégie agricole proposée dans le rapport établi par cette équipe a servi de base commune aux décisions du gouvernement et à la coordination de l'aide des bailleurs de fonds, bilatéraux et multilatéraux. C'est dans ce cadre qu'a été préparé le Prêt à l'ajustement du secteur agricole, opération d'une envergure exceptionnelle qui a été l'occasion d'un dialogue fructueux sur la plupart des questions liées à la transition de l'agriculture en Pologne. Le prêt mettait l'accent sur l'accélération de la privatisation et de la restructuration des entreprises publiques et des fermes d'état et sur l'élaboration d'une politique foncière à long terme pour faciliter l'expansion du marché privé des terres agricoles. Au niveau de l'exécution, toutefois, le prêt n'a pas pleinement atteint ses objectifs ambitieux en raison de sa complexité, qui a rendu difficile la supervision de ses nombreuses composantes, activités, études et services d'assistance technique.

C'est un groupe restreint de fonctionnaires polonais, agissant en pleine coopération avec le personnel de la Banque, qui a été à l'origine d'une autre opération prêt novatrice, le *Prêt à l'ajustement du secteur financier et des entreprises publiques*. L'objectif était de traiter simultanément le problème du surendettement de ces entreprises et les problèmes de portefeuille du système bancaire, et de remédier à la cause profonde de la crise des entreprises publiques, à savoir la manque de clarté de la structure de leur capital et de leur direction. Ce prêt a incité les banques à jouer un rôle moteur dans la restructuration des entreprises par l'intermédiaire d'accords de conciliation obligatoires et donné aux entreprises publiques de nouveaux moyens d'assurer le succès de leurs efforts de réorganisation. Étant donné que le coût social et politique de la liquidation ou de la restructuration rapide d'entreprises névralgiques risquait d'être trop élevé, la Banque a accepté de financer un Fonds d'intervention pour amortir le choc des compressions d'effectifs et de la liquidation de certaines grandes entreprises publiques. La conditionnalité dont on avait voulu assortir le prêt a été affaiblie par le manque de précision des documents juridiques, qui ne donnaient pas explicitement mandat à la Banque de vérifier le rythme de la privatisation ni de superviser les opérations du Fonds d'intervention. Malgré ces limites, cette opération d'ajustement a permis d'appliquer au rétablissement et à la restructuration du portefeuille des banques une approche novatrice et décentralisée qui les a mises à l'abri des influences politiques et qui a renforcé leur autonomie.

#### **Réduction des prêts, consolidation du portefeuille et renforcement de l'exécution, 1994-95**

Vers le début de 1994, les réformes commençaient à porter leurs fruits et l'économie polonaise amorçait un net redressement. Cependant, l'exécution des projets de la Banque restait problématique. Le gouvernement souhaitait toujours recevoir les conseils de la Banque. Mais il exprimait aussi avec plus d'insistance ses réserves quant au manque de souplesse des instruments de prêt de la Banque et, notamment, au fardeau de plus en plus lourd que représentaient les commissions d'engagement perçues par la Banque sur le solde non décaissé de ses prêts et aux problèmes de gestion financière résultants du système du pool de monnaies. Le fait que la Banque exige une garantie publique était perçu comme encourageant les emprunteurs à un comportement irresponsable. Dans les secteurs sociaux, le gouvernement critiquait les déficiences de la conception des projets : participation locale insuffisante, absence de programmes d'action

vérifiables pour l'exécution des projets, définition vague des avantages escomptés, etc. Pour sa part, la Banque s'inquiétait de plus en plus de la lenteur de l'avancement des importantes réformes structurelles et institutionnelles prévues dans le cadre de divers projets : privatisation et restructuration des entreprises publiques, renforcement des finances publiques, réduction des pertes des banques spécialisées, rationalisation du système bancaire, création d'un régime d'assurance des dépôts, adoption d'une loi sur les garanties, simplification du fonctionnement des filets de sécurité et ouverture des entreprises de services collectifs à la participation du secteur privé. La Banque a proposé d'annuler les prêts qui ne donnaient pas satisfaction, mais les autorités polonaises n'ont pas donné suite à cette offre. Le Directeur-pays et le gouvernement se sont mis d'accord, au cours d'une mission spéciale de la Banque qui s'est rendue en Pologne en janvier 1994, sur une période de consolidation au cours de laquelle la priorité serait donnée à la mise en oeuvre des projets existants.

Cette période de consolidation a toutefois été marquée d'une exception notable : la Banque, le Fonds et d'autres donateurs importants ont uni leurs efforts pour établir un *plan de réduction de l'encours et du service des emprunts* massifs que la Pologne avait contractés auprès de banques privées, et qu'elle n'arrivait pas à rembourser à bonne date. En mars 1994, la Pologne et le Club de Londres sont parvenus à un accord que la Banque a appuyé par l'apport de 400 millions de dollars (170 millions de dollars au titre du prêt à la réduction de l'encours et du service de la dette, et 230 millions provenant de fonds réservés à cet effet sur trois prêts d'ajustement antérieurs). La Pologne a utilisé ces fonds pour racheter une partie de l'encours de sa dette. L'appui — financier et technique — apporté par la Banque à cette opération importante a été décisif et témoigne de l'efficacité de son aide dès lors qu'elle a pu utiliser des instruments plus souples. L'opération a permis à la Pologne de réduire fortement son endettement et l'a aidée à rétablir sa solvabilité et à reprendre pied sur les marchés internationaux des capitaux.

Parallèlement à l'accord du Club de Londres, la situation économique de la Pologne a continué de s'améliorer. La stabilité financière et la poursuite de l'expansion du secteur privé l'ont aidée à attirer des capitaux privés, et elle s'est constituée en peu de temps d'abondantes réserves de devises. Elle avait désormais moins besoin de l'appui financier de la Banque, en grande partie parce que d'autres institutions financières internationales lui offraient des financements assortis de conditions plus simples, de procédures plus rapides, et de conditions financières plus attrayantes. L'adhésion de la Pologne à l'Union européenne est l'une des grandes priorités du gouvernement et cette perspective réduit également le besoin de la présence de la Banque.

Le gouvernement a défini sa nouvelle stratégie dans un document formel paru en juin 1994. L'un des grands objectifs de la Pologne est d'assurer son intégration à l'Union européenne et de ralentir le taux d'accroissement de la dette publique. Cette évolution s'est répercutée sur le dialogue entre la Banque et les autorités, devenu un dialogue entre partenaires égaux. Lors de l'examen des options stratégiques tenu à Varsovie en avril 1994, et de discussions ultérieures avant la finalisation de la stratégie d'aide de la Banque, les parties ont souligné à nouveau l'impérieuse nécessité de mettre un terme à la détérioration de la performance du portefeuille. Les autorités s'inquiétaient du montant croissant des commissions d'engagement à verser à la Banque au titre de l'important solde non décaissé de ses prêts<sup>1</sup>. La Banque a proposé de maintenir ses engagements à un niveau annuel de 600 à 800 millions de dollars au cours des cinq années à venir (contre 880 millions en 1991-93). Mais les autorités ont noté que le niveau du programme de prêt dépendrait des entrées de capitaux privés. Elles souhai-

taient que la Banque finance des projets plus simples et de moindre envergure et ont marqué leur préférence pour des projets axés sur les secteurs sociaux pour lesquels il était difficile de mobiliser des financements privés.

La Banque a reconnu que des erreurs avaient été commises dans certains cas et s'est à nouveau déclarée prête à restructurer et/ou à annuler les prêts en cours. Faisant preuve de détermination et de capacité d'adaptation, elle a effectué un examen approfondi du portefeuille, à la suite de quoi il a été procédé à une restructuration profonde de certains prêts, comme les prêts au secteur de la santé, tandis qu'un grand nombre de projets en cours de préparation ont été abandonnés<sup>2</sup>. Son représentant à Varsovie a intensifié le dialogue avec les autorités pour trouver une solution aux problèmes d'exécution.

Le document de stratégie de 1994 (SAP 1994) proposait un programme triennal fixant le niveau des prêts à 600–700 millions de dollars, dont les deux cinquièmes sous forme de gros prêts d'ajustement. Le Bureau régional estimait que ces opérations d'ajustement fourniraient l'incitation requise pour faire progresser les grandes réformes structurelles. Les politiques de prêt agressives des institutions financières internationales européennes — intervenant souvent en dehors de toute concertation sur les grandes orientations de l'action gouvernementale et avec l'appui de financements complémentaires concessionnels de l'Union européenne — avaient en effet réduit l'aptitude de la Banque à utiliser l'instrument de prêts d'investissement pour faire progresser les réformes. La direction de la Banque a fait valoir qu'il n'était pas souhaitable de trop miser sur des opérations d'ajustement à l'appui de réformes des politiques générales, car cela risquait de faire négliger les aspects techniques et institutionnels des réformes. La SAP prévoyait d'axer l'appui de la Banque sur trois domaines : la réforme des finances publiques (en particulier des dépenses de sécurité sociale) ; la fermeture de grosses entreprises d'état déficitaires ; et la réforme du secteur financier. Elle proposait également de mettre l'accent sur le développement du secteur privé, notamment par la fourniture de garanties de bonne exécution des contrats pour encourager l'apport de financements privés, en coopération étroite avec la Société financière internationale (SFI). Elle proposait en outre que la Banque continue de travailler à la mise au point de projets d'investissement de petite envergure et plus simples dans l'infrastructure sociale et économique, et qu'elle fasse une plus large place à des activités au niveau des collectivités locales.

La SAP 1994 ne prévoyait aucune mesure opérationnelle dans un certain nombre de domaines importants, tels que l'adhésion à l'Union européenne, la pauvreté et les questions de parité entre hommes et femmes, et le secteur agricole où subsistaient d'importantes distorsions. Au cours du débat au Conseil, en novembre 1994, plusieurs administrateurs se sont inquiétés de la coordination de l'aide, d'éventuels chevauchements des activités, de la lenteur de la privatisation, et des nombreuses tâches qu'il restait à mener à bien dans le secteur financier. Le Conseil n'en a pas moins approuvé la stratégie proposée tout en demandant instamment à la Banque de faire davantage pour améliorer la qualité du portefeuille et pour encourager le secteur privé à participer au financement des projets d'infrastructure.

Les progrès réalisés sur la voie de la réalisation des objectifs de la SAP 1994 ont été au mieux modestes. Les nouveaux engagements de prêt ont été bien inférieurs aux montants proposés, et aucun prêt à l'ajustement n'a été approuvé. À la suite des réunions tenues en juillet 1995 et en juin 1996 pour faire le point sur les résultats de la stratégie, la Banque a recentré son effort sur l'exécution, l'amélioration des résultats sur le terrain, l'utilisation éventuelle d'instruments hors prêts, et l'amélioration de la coordination de l'aide.

Après une année de coopération et de réflexion intenses tant à l'intérieur du Bureau régional qu'avec les autorités gouvernementales, les représentants de la société civile polonaise et le Département de l'évaluation des opérations, une nouvelle stratégie d'aide à la Pologne vient d'être définie. Tout au long de l'établissement de cette stratégie, l'équipe chargée de l'évaluation du programme d'assistance de la Banque à la Pologne a tenu l'équipe-pays au courant de l'avancement de ses travaux et de ses conclusions, lui communiquant notamment les documents de référence établis pour un certain nombre de secteurs et les résultats de ses enquêtes auprès des parties prenantes et des ministères polonais concernés. Vu l'évolution de l'aide de la Banque à la Pologne et les incertitudes pesant sur ses orientations futures (dans la perspective notamment d'adhésion à l'Union européenne), la présente évaluation a permis de faire le bilan des résultats obtenus jusqu'ici et d'en tirer des leçons pour l'avenir. La nouvelle SAP tient compte des principales conclusions et recommandations de la présente évaluation.

La nouvelle SAP reconnaît que la Pologne, ayant désormais facilement accès aux marchés internationaux, a peu besoin de l'assistance financière de la Banque. L'adhésion attendue de la Pologne à l'Union européenne réduira encore l'influence de la Banque. Le rôle futur de la Banque sera donc celui d'un conseiller indépendant sur les orientations souhaitables des politiques publiques et de partenaire pour la constitution et le renforcement d'institutions adaptées à l'économie de marché. En conséquence, la SAP propose de fournir à la Pologne une assistance plus sélective par les moyens suivants : (1) en aidant à la formulation et à la mise en oeuvre des politiques requises pour soutenir la croissance ; (2) en fournissant les moyens d'évaluations indépendantes, ainsi qu'un appui aux investissements dans certains domaines comme l'environnement et les politiques du marché du travail ; et (3) en aidant la Pologne à faire le nécessaire pour assurer la pérennité sociale des réformes et réduire la pauvreté. Cette stratégie est éminemment bien adaptée aux besoins de l'heure et conforme aux recommandations de la présente évaluation.

### Résultats

Globalement, la Pologne s'est remarquablement bien tirée de la transition, dans l'absolu comme par comparaison avec la performance d'autres économies en transition. Un certain nombre d'indicateurs clefs témoignent de cet excellent comportement : la Pologne a connu le taux moyen de croissance du PIB le plus élevé des économies en transition au cours de la période 1990-95, et, dès la mi-1995, l'activité du secteur privé y représentait 60 pour cent du PIB (voir Tableau 5.3). En 1996, la Pologne est devenue membre de l'Organisation de coopération et de développement économiques (OCDE) et elle a de bonnes chances d'adhérer rapidement à l'Union européenne. Dans un rapport de 1995 sur les progrès réalisés par les économies en transition, la Banque européenne pour la reconstruction et le développement classe la Pologne parmi les pays les plus performants pour ce qui est notamment des privatisations à petite échelle, des réformes du commerce et des changes, et de la mise en place d'un cadre réglementaire favorable à l'investissement privé (voir Tableau 5.3). Cependant, l'inflation et le chômage restent élevés. Le taux de pauvreté est toujours lui aussi relativement élevé, mais il est à noter qu'il diminue et que, dans la majorité des cas, le revenu des pauvres n'est pas très éloigné du seuil de pauvreté, de sorte qu'une croissance économique soutenue devrait être à l'origine d'améliorations substantielles.

Les progrès sont tangibles pour la plupart des objectifs initiaux de la Banque et pratiquement tous les secteurs ayant reçu son aide ont bénéficié de ses conseils

et de ses contributions intellectuelles. L'appui de la Banque a joué un rôle décisif dans l'obtention d'allègements d'un montant exceptionnel de la dette polonaise et dans le rétablissement de la solvabilité du pays. Grâce à une planification précoce et rigoureuse, et du fait aussi de la stabilité remarquable de ses équipes, la Banque a joué un rôle déterminant en contribuant à l'amélioration de l'infrastructure dans les secteurs de l'électricité, de l'énergie, des transports et des télécommunications, en introduisant des idées, des technologies et des techniques de production nouvelles, et en ouvrant la voie à la participation du secteur privé. Conjointement avec la SFI, elle a aidé à la mise en place de jumelages qui ont utilement contribué à la modernisation de plusieurs banques polonaises. Le volume des prêts improductifs a fortement diminué et d'autres réformes du secteur financier sont en cours. Dans l'agriculture, la Banque a été le moteur de la coordination des efforts déployés par différents donateurs. Dans la plupart des secteurs, les questions d'environnement ont été résolument prises en considération. Dans les secteurs sociaux, la Banque a très tôt attiré l'attention sur l'existence de nombreux problèmes préoccupants, comme l'explosion des fonds de pension, mais le gouvernement ne s'est pas attaqué à ces problèmes avec toute l'énergie voulue en raison de leurs implications politiques. Cela dit, le dialogue intensif qui se poursuit sur les réformes du secteur public, la décentralisation, l'éducation, la santé et d'autres éléments politiques devrait déboucher sur des résultats positifs dans un avenir proche. Dans tous les secteurs, la présence de la Banque a contribué à l'instauration de bonnes pratiques de gestion, de procédures transparentes pour la passation des marchés publics et d'énergiques mesures de protection de l'environnement. Les travaux de recherche de la Banque et ses études économiques et sectorielles, complétées par les activités de diffusion de l'Institut de développement économique, ont contribué à faire mieux comprendre et accepter les politiques d'ouverture au marché adoptées par la Pologne.

Ces résultats sont remarquables, même s'ils ne sont pas à la hauteur des premières espérances de la Banque. Dans de nombreux domaines, toutefois, il reste à mener à bien des réformes importantes pour assurer la pérennité de la transformation de la Pologne :

- Il faut accélérer la restructuration et la privatisation des banques commerciales d'état et des entreprises du secteur public non rentables (le public représente encore les trois cinquièmes de l'emploi industriel). Il est indispensable de porter une attention particulière aux industries lourdes (charbon, pétrochimie, sidérurgie, hydrocarbures), ainsi qu'aux grandes banques d'état spécialisées (logement, finances rurales) qui représentent un tiers des actifs et passifs du système bancaire et dont la situation financière précaire pèse lourdement sur le budget.
- La réforme du filet de sécurité sociale est une autre tâche urgente. Les programmes doivent être ciblés sur les groupes les plus vulnérables et prendre en compte les problèmes particuliers des femmes et des enfants. Si l'on ne réforme pas le système des pensions, les déficits du secteur public atteindront des niveaux impossibles à maîtriser.
- Il faut aussi établir les bases juridiques indispensables au bon fonctionnement d'une économie de marché en menant à bien les tâches inachevées : application de la loi sur les garanties et l'enregistrement des sûretés, réglementation du crédit-bail ; renforcement des institutions qu'implique le libre jeu du marché et développement du droit commercial de manière à faciliter les investissements privés dans l'infrastructure et, plus généralement, le développement des marchés financiers.

- Il faut moderniser l'agriculture et l'ouvrir davantage aux forces du marché, non seulement pour mieux tirer parti de son potentiel, mais aussi pour commencer à la préparer aux exigences de l'adhésion à l'Union européenne.
- Il faut mener à bonne fin les réformes essentielles, comme la mise en place d'un cadre réglementaire favorable à l'investissement privé, engagées dans les secteurs des transports ferroviaires et routiers, de l'énergie et des télécommunications.

Pour ce qui est de l'avenir, le consensus dont fait l'objet l'entrée dans l'Union européenne donne confiance que les réformes entamées en 1989 seront poursuivies et que les réalisations seront durables. En devenant membre de l'Union européenne, la Pologne « verrouillerait » ses réformes et il lui serait beaucoup plus difficile de faire machine arrière.

### Évaluation de l'assistance de la Banque<sup>3</sup>

Dans l'ensemble, *la stratégie de la Banque a été tout à fait adaptée* aux besoins de la Pologne à un tournant particulièrement décisif de son histoire. *L'efficacité* de son appui a varié selon le moment et le secteur. Il a pu être d'une *grande efficacité* dans le cas des *prêts à l'ajustement* faisant intervenir les autorités centrales et des prêts destinés aux secteurs forts, hautement techniques. En revanche, dans les secteurs davantage exposés à de fréquents changements politiques, une plus forte présence de la Banque aurait pu donner de meilleurs résultats. Globalement, *l'efficacité* de l'assistance de la Banque est jugée *satisfaisante*. Par rapport à celui de l'aide apportée aux pays emprunteurs comparables de la région ECA (Europe et Asie centrale) et d'ailleurs, le coût du programme d'aide à la Pologne a été relativement élevé, que l'on considère les ressources humaines ou les ressources financières que la Banque lui a consacrées ; son efficacité peut être considérée, au mieux, comme *marginale*ment *satisfaisante*. Mais pour évaluer *la performance de la Banque comme celle de l'emprunteur*, il est essentiel de ne pas perdre de vue qu'il s'agissait d'une entreprise totalement nouvelle, sans précédent pour la Banque aussi bien que pour la Pologne. Malgré les erreurs commises de part et d'autre, la performance de la Banque et celle de la Pologne ont été globalement *satisfaisantes*. L'aide de la Banque a un *impact substantiel sur le développement institutionnel* et il est *vraisemblable* que ses avantages seront durables.

### Principales conclusions concernant la Pologne

Les efforts de la Banque ont eu un impact substantiel, de multiples manières, dans l'important domaine du développement institutionnel. Il ne fait aucun doute que la participation de la Banque a eu des effets bénéfiques sur les pratiques de gestion du secteur public, comme la passation de marchés, la hiérarchisation des dépenses publiques, la gestion de la dette extérieure et l'ouverture des transports à la participation du secteur privé. La modernisation des banques commerciales témoigne aussi de l'efficacité de l'appui de la Banque au plan institutionnel. Mais les réalisations ont été décevantes pour d'autres aspects du renforcement des institutions, comme l'élimination de la dépendance des grandes entreprises à l'égard des subventions budgétaires, la maîtrise de l'inflation, la rationalisation de la gestion des banques spécialisées et le maintien du rythme de la privatisation.

Si les résultats ont été généralement positifs dans de nombreux domaines, plusieurs facteurs ont nui à l'efficacité de l'aide de la Banque. Entre 1989 et 1991, la Banque a clairement affirmé que son principal objectif stratégique était d'aider

la Pologne à faire face à des réformes sans précédent en lui prêtant beaucoup d'argent. Initialement, les seules opérations disponibles étaient les projets de lignes de crédit qui avaient déjà été évalués et mis en attente. Ces projets ont été approuvés rapidement, sans que l'on se préoccupe suffisamment de savoir si c'était le bon moyen de transférer des ressources à la Pologne dans une période de changements aussi complexes. Comme certains l'avaient prévu, les lignes de crédit n'ont pas atteint leurs objectifs et ont fini par handicaper sérieusement les relations entre la Banque et la Pologne. Dans l'intervalle, plusieurs autres projets ont été mis au point, qui visaient plus directement les problèmes complexes de la transition dans plusieurs domaines. Compte tenu de toutes les difficultés qu'impliquait l'élaboration de réformes dans une situation aussi exceptionnelle, c'est à ce stade que la Banque a le plus utilement contribué aux efforts entrepris par la Pologne. Les premières années du programme ont aussi été marquées par d'autres problèmes comme les fréquents changements de la composition du gouvernement et les variations de sa volonté de réforme, qui ont entraîné des blocages administratifs et perturbé les activités de concertation et l'exécution du programme. La possibilité de s'adresser à plusieurs donateurs, n'ayant pas tous les mêmes objectifs, a rendu la Pologne moins réceptive aux conseils de la Banque. En outre, l'évolution des priorités au sein de la Banque elle-même a parfois perturbé la continuité de l'effort qu'appelait la réalisation d'un programme de réforme aussi ambitieux. C'est en partie du fait de ces problèmes que l'efficacité-coût de l'assistance de la Banque a été relativement faible.

Les difficultés ont été aggravées par le manque de souplesse des instruments d'aide disponibles. Au début, parce que la Banque était pressée d'aider la Pologne, la « qualité à l'entrée » de nombreux projets a laissé à désirer, notamment dans le cas des lignes de crédit. La conditionnalité de ces prêts n'a pas toujours été clairement spécifiée, en partie parce que les juristes de la Banque n'avaient pas été associés à la conception du projet. Ayant souvent recouru à la formule de prêts d'ajustement à décaissement rapide (55 pour cent des décaissements des exercices 90-96), la Banque n'a pu exercer qu'une influence limitée sur les politiques sectorielles et le renforcement des institutions par le biais de ses projets. Le problème a été exacerbé par la centralisation excessive de ses processus de décision, par l'ambiguïté de la conditionnalité de certains prêts et par le peu d'empressement mis à la faire respecter, et par l'annulation de certains prêts avant que toutes les conditions n'aient été remplies. Par ailleurs, l'insuffisance de la coordination avec les autres donateurs a affaibli l'effort de réforme et contribué au gaspillage des fonds d'assistance technique.

De toute évidence, la Banque pourrait utilement aider la Pologne à mener à bien une bonne partie des tâches qui restent inachevées. Mais la Pologne a déjà beaucoup avancé sur le chemin de la transformation et l'aide de la Banque lui est bien moins nécessaire que par le passé. Elle dispose d'abondantes ressources en devises et de spécialistes du développement qui comptent parmi les meilleurs du monde, et il lui est facile d'accéder aux marchés financiers internationaux et aux institutions financières européennes qui ne demandent qu'à lui fournir une assistance technique et financière. Pour sa part, la Banque doit tenir compte des besoins des autres pays membres, pour beaucoup appartenant aussi à la région Europe et Asie centrale, et en particulier des pays qui amorcent à peine ce processus de transformation et pour lesquels l'aide de la Banque est d'une importance vitale. D'où la nécessité pour la Banque de se montrer sélective dans la définition de son rôle futur à l'appui de la Pologne.

L'assistance future de la Banque devrait mettre l'accent sur l'élaboration des politiques publiques et sur le renforcement du cadre institutionnel, plutôt que sur le transfert de ressources. Il devrait être possible de continuer à aider des

secteurs comme les transports, l'énergie et les télécommunications, à condition que la Pologne soit résolue à aller jusqu'au bout des réformes et à ouvrir ces secteurs à l'initiative privée. Avant toute nouvelle assistance à l'agriculture et aux secteurs sociaux, la Banque devrait demander à tous les ministères concernés de s'engager sans équivoque à opérer les réformes nécessaires. Plus généralement, elle devrait s'attacher à encourager la participation du secteur privé, à obtenir des cofinancements d'autres institutions financières internationales et à collaborer étroitement avec la SFI. Il importe également de ne pas négliger le suivi de la gestion macroéconomique et financière, en l'absence notamment de tout programme d'assistance conditionnelle du FMI. Bien que la position de change de la Pologne soit actuellement tout à fait satisfaisante, il serait bon de poursuivre le travail habituel d'analyse de la solvabilité à moyen terme. S'il est décidé que l'aide future de la Banque consistera surtout en services hors prêts — études spéciales, assistance technique ou opérations de garantie à l'appui d'investissements privés, etc. — la Banque pourrait envisager de demander à la Pologne de prendre à sa charge le coût de ces services.

### **Conclusions concernant les pays en transition**

L'expérience de l'aide à la Pologne a également des incidences sur les programmes de la Banque pour d'autres pays en transition.

#### *Stratégie*

- Il est indispensable que la Banque dispose d'instruments souples pour pouvoir appuyer les réformes d'un gouvernement autrement que par l'approbation rapide de nouveaux prêts. Même si le décaissement de ses prêts a aidé la Pologne, dans les premières années, à renforcer sa position extérieure, les apports techniques de la Banque, ses conseils et son appui intellectuel ont été plus précieux que son assistance financière. La Banque a fourni un soutien appréciable au programme de réformes élaboré par les autorités nationales par ses conseils, son appui technique, et tout ce qu'elle a fait pour promouvoir des idées propres à favoriser l'ouverture au marché et pour convaincre d'autres créanciers de contribuer à l'allègement de la dette polonaise.
- Dans le même ordre d'idées, le personnel de la Banque ne devrait pas être poussé à accélérer la présentation de projets à l'approbation du Conseil si la qualité de l'opération doit en souffrir. Pendant les deux premières années, les activités de prêt à la Pologne ont été plus intensives que prévu. Le dernier document de stratégie établi avant l'octroi du premier prêt de la Banque (1990) remontait à 1987. Il y était proposé de commencer par un portefeuille restreint. Lorsqu'on lui a demandé de constituer un portefeuille beaucoup plus important, l'équipe-pays n'a pas eu tout le temps voulu pour préparer à fond de nouvelles opérations ou pour adapter les projets à l'étude aux exigences de la nouvelle conjoncture.
- La Banque ne devrait pas lier rigidement les crédits budgétaires alloués aux activités destinées à tel ou tel pays au montant des prêts accordés au pays en cause afin d'éviter toute incitation perverse au gonflement des prêts.
- Il est essentiel de procéder à des contrôles fréquents de l'avancement des projets et à des auto-évaluations des progrès accomplis vers la réalisation des objectifs stratégiques. Les rapports d'achèvement de projet devraient être pré-

parés dans les meilleurs délais, de manière à ne pas perdre l'occasion de tirer parti des leçons de l'expérience.

#### *Conception des projets*

- Les principales parties prenantes devraient être pleinement associées à la conception des projets et la Banque devrait s'assurer que l'opération envisagée emporte l'adhésion unanime des autorités dès les premiers stades de la préparation du projet. Dans le cas de la Pologne, certains accords de prêt ne spécifiaient pas clairement les mesures que l'emprunteur serait tenu de prendre et faisaient une trop large place à des dispositions générales convenues avec des représentants du gouvernement qui n'étaient plus en poste.
- Dans un environnement incertain et très mouvant, le personnel de la Banque devrait être prêt à modifier les projets pour les adapter à l'évolution des circonstances. Chaque projet devrait donner lieu à une analyse des risques et prévoir la possibilité d'ajustements. De même, au stade de l'exécution, les projets devraient pouvoir être facilement modifiés en fonction des changements intervenus.
- Chaque fois que possible, les projets devraient être ciblés sur les problèmes de parité et de pauvreté. Dans le cas du Prêt d'ajustement structurel, certains administrateurs de la Banque s'étaient inquiétés du caractère trop général des conditions mises à ce prêt, en particulier quant à la réduction des subventions et au rythme de la privatisation. Certes, ils avaient fermement approuvé l'octroi de ce prêt, mais leurs craintes se sont révélées justifiées car la réduction des subventions est demeurée une source de blocages et la privatisation s'est déroulée à un rythme plus lent que prévu. De même, un certain nombre d'administrateurs avaient demandé des mesures plus énergiques pour protéger les groupes vulnérables durant la période de stabilisation. Là encore, on aurait pu faire davantage. Lorsque les subventions ont été réduites et que les entreprises d'état ont cessé de fournir des services sociaux gratuits, le coût de la vie s'est élevé et les salaires réels ont chuté. Les femmes ont été doublement affectées, ayant perdu la possibilité de faire garder leurs enfants et subissant un taux de chômage supérieur à la moyenne.
- Des prêts tels que le Prêt à l'ajustement structurel peuvent être un important moyen d'entretenir le dialogue entre la Banque et le gouvernement sur des questions comme la gestion de l'environnement. Ainsi, parce que la politique de l'environnement faisait partie de ses conditions, le Prêt d'ajustement structurel consenti à la Pologne a contribué à placer les questions d'environnement au coeur du dialogue économique entre la Banque et le gouvernement.
- Un environnement incertain appelle des projets souples, et il serait donc hasardeux d'entreprendre des projets qu'il serait difficile de modifier si la situation devait changer. Des projets simples, d'envergure limitée, conviennent mieux que des projets complexes faisant intervenir plusieurs organismes d'exécution.

#### *Exécution des projets et missions résidentes*

- La Banque devrait veiller à ce que le personnel affecté au projet soit suffisant pour assurer le succès de l'exécution. Si le projet vise le renforcement des institutions ou l'introduction de réformes difficiles, la Banque doit être prête à poster sur le terrain une équipe expérimentée jusqu'à ce que le projet soit en bonne voie.

- Un taux élevé de rotation du personnel peut compromettre la continuité des projets et entraîner une perte de mémoire institutionnelle. Il est particulièrement important d'assurer la continuité du personnel de la Banque lorsque l'emprunteur modifie souvent la composition de ses propres équipes.
- La responsabilité des décisions touchant l'exécution du projet doit être, dans la mesure du possible, déléguée au personnel de terrain, à condition de définir clairement les objectifs du projet et de fixer des indicateurs de performance vérifiables.

#### *Questions institutionnelles et juridiques*

- Dès le départ, la Banque devrait veiller à la mise en place d'un cadre juridique et institutionnel adapté à une économie de marché. Des experts juridiques doivent très vite être pleinement et activement associés à la conception du projet.
- Il faut évaluer soigneusement le niveau de développement des capacités institutionnelles. Dans le cas de la Pologne, la Banque a souvent, au départ, prêté à des intermédiaires financiers qui devaient rétrocéder les fonds reçus aux bénéficiaires finals. Mais elle ne s'était pas assurée que les banques polonaises avaient les moyens institutionnels de s'acquitter de cette fonction cruciale et la suite des événements a montré qu'elles n'étaient pas en mesure de jouer ce rôle. Pratiquement rien n'a été décaissé au titre des projets de la Banque comportant l'ouverture de lignes de crédit, par suite de l'absence de demande, de la lenteur et de la pesanteur des procédures de la Banque et aussi de la concurrence exercée par les lignes de crédit d'autres donateurs, lesquelles étaient assorties de procédures plus souples et de conditions plus favorables que celles de la Banque.

#### *Maximisation de l'impact global des donateurs*

- La coordination de l'aide doit être suivie de manière à assurer la cohérence des conseils donnés et à éviter les chevauchements.
- La coordination des donateurs peut être d'une importance cruciale. Les efforts combinés de la Banque, du Fonds et d'autres grands donateurs ont joué un rôle essentiel dans le montage d'un programme pour réduire l'encours et le service des emprunts massifs que la Pologne avait contractés auprès de banques privées et qu'elle n'arrivait pas à rembourser. L'appui financier et technique de la Banque a joué un rôle déterminant dans l'accord conclu avec le Club de Londres en mars 1994. La Pologne a bénéficié d'allègements de sa dette d'un montant exceptionnel et elle a pu restaurer sa solvabilité et son accès aux marchés internationaux des capitaux.

#### *Diffusion*

- La Banque devrait faire davantage pour élargir la diffusion de ses études et produits intellectuels dans les pays clients, notamment en faisant traduire à tout le moins le résumé de ses études économiques et sectorielles dans la langue du pays concerné.

### **Notes**

1. Pour l'exercice 94, les commissions d'engagement dues à la Banque sur les prêts d'investissement non décaissés représentaient 4,3 millions de dollars, soit 3,3 pour cent du

montant décaissé au titre de ces prêts au cours de l'année. Ce pourcentage a été de 1,9 pour cent pour les exercices 90-96.

2. L'élimination de certains projets s'est poursuivie au cours de l'exercice 96. Quinze projets ont ainsi été abandonnés durant les exercices 95-96, alors que la Banque leur avait déjà consacré au moins 710 semaines de travail, soit un investissement de 2,3 millions de dollars (ces chiffres ne tiennent compte que des coûts directs à l'exclusion des frais généraux et du temps de la direction). Ces coûts sont supérieurs (relativement au total des coûts afférents aux prêts) aux moyennes observées pour la région et l'ensemble de la Banque. Renoncer à des projets lorsqu'on s'aperçoit qu'ils n'ont guère de chances d'aboutir témoigne d'une bonne gestion. Toutefois, le coût direct des projets abandonnés est bien plus élevé pour la Pologne que pour d'autres pays. Durant les exercices 93-96, ce coût a représenté 53 semaines de travail, contre 29 pour le Département II de la Région Europe et Asie centrale, 26 pour l'ensemble de cette région, et 33 à l'échelle de la Banque. Ces chiffres donnent à penser que la Banque a laissé ces projets traîner trop longtemps avant de se décider à y mettre fin. On trouvera au Chapitre 4 de la présente évaluation une étude de l'efficacité-coût du programme de la Banque pour la Pologne.

3. Le Ministère des Finances, sur une première version de la présente évaluation, a noté qu'indépendamment des questions traitées ci-dessus, le rapport donne une analyse exacte des succès et des échecs de la coopération entre la Banque mondiale et la Pologne, encore que, dans plusieurs de ses parties, il insiste trop sur le rôle moteur de la Banque mondiale. La Banque a effectivement joué un rôle très important dans la transformation de l'économie polonaise, notamment en appuyant la reconstruction de l'appareil institutionnel. Dans la plupart des cas toutefois, ses interventions sont venues compléter et valider les programmes économiques dont les autorités polonaises avaient elles-mêmes pris l'initiative.

# 1. How the Bank's assistance strategy changed over time

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## Background

Poland was a founding member of the World Bank in 1945, but dropped out (to join the Council for Mutual Economic Assistance, or CMEA) in March 1950. During the 1970s Poland borrowed heavily from abroad to finance a massive industrial investment program. The program failed, plunging Poland into economic crisis in late 1981, leading to the imposition of martial law and the rejection of its application to rejoin the International Monetary Fund (IMF) and the Bank. In 1986 Poland was admitted as a member of the IMF and the Bank, despite the opposition of some major shareholders. The succeeding years witnessed several attempts at economic reform that left untouched Poland's severe structural problems. These had been created by distortions in relative prices and by weak public finances, a consequence of widespread subsidies and lack of financial discipline in the extensive state-owned enterprise sector.

In December 1987 Poland signed an agreement with its Paris Club creditors to reschedule maturities totaling \$9 billion (principal and interest, most of it in arrears and most of it due in 1988). An agreement was signed with commercial bank creditors in July 1988, rescheduling about \$8 billion in principal obligations due from 1987 through 1993. These developments led to growing expectations that the Bank was going to begin its lending program to Poland at any moment. The Bank had made substantial investments in economic and sector work and in preparing a pipeline of projects. But lending was delayed, largely because of concerns about Poland's creditworthiness and doubts about the soundness of its reforms.

In early 1988, amid food shortages and following a wave of strikes demanding wage increases, further steps were taken toward economic liberalization, most notably reform of private sector and foreign trade policies. The reforms were accompanied by a weak package of macroeconomic policies, which were not up to the task of addressing wage inflation pressures. Many price controls were maintained, exacerbating repressed inflation and shortages.

The momentous political events that shook the Soviet bloc in 1989—perestroika, glasnost, and the collapse of the Berlin Wall, the Warsaw Pact, CMEA, and the Soviet Union—had dramatic repercussions for Poland. In April 1989, the Round Table negotiations between the communist government and Lech Walesa's Solidarity led to an agreement on freedom of expression and of political and social organization, new electoral rules to make parliament more representative, the establishment of municipal self-government, and an ending of the ban on the Solidarity movement. On the economic front the agreement proposed greater support for developing the private sector, but no program of privatization.

Events moved quickly in the summer of 1989. In June, Solidarity won the country's first free election in the post-war period by a big margin. In August, President Jaruzelski accepted a proposal from Solidarity to form a coalition government. This coalition government, comprised of the Solidarity and United Peasants parties, assumed control of all the key economics ministries. As Tadeusz Mazowiecki took the position of Prime Minister, 45 years of communist rule came to an end. In September, Poland and the European Community concluded a comprehensive bilateral commercial agreement. In November, the government announced a new economic transformation program (ETP), drawn up by a group of Polish economists, led by Finance Minister Leszek Balcerowicz.

The program called for macroeconomic stabilization, followed by major institutional changes to take advantage of a sudden opportunity to break with the communist past and create a Western-style market economy with private ownership and full integration into world markets. The main elements of the ETP were drastic macroeconomic stabilization, removal of price controls and of international trade barriers, substantial cuts in subsidies, establishment of a legal environment supportive of private sector activity, privatization, establishment of a suitable social safety net, and mobilization of international assistance. The ETP, which included a medium-term macroeconomic framework and an external financing strategy, received strong financial support from the international financial community.

The ETP became operational on January 1, 1990. The Bank, giving its full endorsement and support to the ETP, began lending to Poland shortly thereafter, four years after Poland had rejoined the Bank.

### Evolution of the Bank's assistance strategy<sup>1</sup>

*1986–89: intensive preparation but no lending*

*In the first two years of activities following Poland's rejoining the Bank, the Bank focused on getting to know Poland*

In the first two years of activities following Poland's rejoining the Bank, the Bank focused on getting to know Poland. Comprehensive reviews of the economy (a 1986 economic report and the 1987 country economic memorandum) identified the main assistance issues and provided opportunities to establish ties with Polish counterparts. The first strategy paper (CSP) followed this preparatory work and was reviewed by the President's Council in November 1987.

The considerable opportunities and risks associated with lending to Poland led to a debate within the Bank on when to begin lending, and how. The government's Medium-Term Scenario reform program seemed reasonable, but there were doubts about Poland's creditworthiness and its commitment to reform. Furthermore, staff were aware that major shareholders would oppose the start of lending. Management decided that an agreement between Poland and the IMF would be a prerequisite for Bank lending.

In the end, after intensive internal debate, the Bank settled on an open-ended strategy of supporting government reform initiatives, while carefully monitoring progress to determine when to start formal loan negotiations. This strategy allowed the Bank considerable flexibility. Aware of Poland's poor track record on following through on reforms, the Bank sought in the CSP to encourage the government to produce and stick to a feasible and credible medium-term economic and debt management program that would restore Poland to creditworthiness. Lending was expected to begin in FY88. The proposed strategy was to support activities that would generate foreign exchange, in order to alleviate critical short-

ages of hard currencies. The tentative lending program included an industrial export project of \$250 million in fiscal 1988, followed in fiscal 1989 by an agroprocessing project of \$50 million and an energy project of \$250 million. The beneficiaries of these loans would be state-owned enterprises. Thereafter, the lending mix was to have changed to a combination of policy and investment lending directed at sectoral restructuring programs, on the condition that the government had made adequate progress on its reform programs. However, dissatisfied with Polish progress on reforms, Bank managers decided to postpone the start of lending.

Considering the opportunities and risks facing the Polish reform program, the Bank's cautious strategy of 1987 was appropriate to the uncertainties of the time. While a case could have been made for earlier, selective Bank lending, postponing lending until 1990 had the positive effect of encouraging the Polish authorities to make a stronger commitment to reform. And by waiting until the IMF was involved in Poland and the international and domestic climates were more receptive, the Bank began lending when the ratio of opportunities to risks was unusually favorable. (See Box 1.1.)

*1990–91: strong Bank support for the reform program and rapid buildup of the portfolio*

After initially opposing lending to Poland, some of the Bank's major shareholders reversed their position in the months leading up to the appointment of the Solidarity-led government in 1989 and began to urge the Bank to accelerate project preparation. In six weeks at the end of 1989, the Bank shifted its proposed strategy in response to calls from shareholders to clearly demonstrate the Bank's full endorsement of the reform program and exploit opportunities for assistance. In early November, following Poland's agreement on an extended fund facility with the IMF, a proposal for a structural adjustment loan (SAL) was put forward for the end of fiscal 1990 or early 1991, in support of the reform program and to open up the possibility of further structural and sectoral adjustment loans. In early December 1989 a SAL appraisal mission was sent to Poland. In view of the determination shown by the government's new economic team to act forcefully to transform Poland's economy, the Bank's strategy became one of full support for the new government's program.

Reflecting the high priority the Bank attached to the success of Poland's reform effort, senior Bank officials, from the President and Senior Vice President for Operations to the Regional Vice President and Country Director, were directly involved in designing the early program. They launched special task forces and expedited processes to ensure timely assistance and to exploit the unprecedented opportunities for historic reform.

According to internal documents and statements to the Board, the Bank sought to get involved in all key areas of the reform program including supporting Poland's reentry into the world economy through trade liberalization; resolving foreign debt issues; stabilizing the economy; strengthening the currency and the balance of payments; disposing of nonviable enterprises and restructuring those with a future; softening the negative impacts of reforms on vulnerable groups; creating the institutional and legal framework for a market economy; handing over control of the economy from the planners to the market; reducing the burden of controls and monopolies; encouraging the growth of private sector business; and mobilizing and coordinating other donor assistance.

Lending started in February 1990 with two loans aimed at increasing convertible currency exports. These were followed by loans for environmental protection, transport, energy, and the financial sector. Much of this lending was

*The Bank sought to get involved in all key areas of the reform program*

### BOX 1.1: RISKS AND ADVANTAGES OF CREATING A LARGE PORTFOLIO QUICKLY

The Bank built up a large portfolio of projects in Poland in a short time. Fifteen loans were approved between FY91–92, amounting to a commitment of \$2.6 billion. Nine of the loans were eventually subject to at least partial cancellation.

#### Why the Bank created a \$2.6 billion program in such a short period of time

- The Bank was under great pressure from shareholders to support the reform program in Poland and to lend.
- There was a window of opportunity in the early period, when strong government, public, and international support for reforms created an environment conducive to a quick construction of a large portfolio.
- Poland was in the limelight, and there were personal incentives and rewards for staff who were associated with a high-profile country.

#### Risks

- Project design and preparation may be compromised in the effort to get projects out as quickly as possible.
- The need to meet immediate financing needs is likely to result in a program that starts with quick-disbursing loans. The risk with these loans was that financial institutions would not be capable of efficiently onlending Bank credit lines and that the continued availability of government-subsidized credit would dampen demand for credit.
- In Poland's unstable and changing environment, both project design and assistance relied heavily on forecasts of future conditions, yet the very instability made forecasting unreliable.
- Introducing a large number of projects at an early stage of reform, in a rapidly changing environment, exposes all of them to a risk of losing relevance as the climate changes.

#### Results

##### *Positive*

- The Bank provided timely help with substantial commitments (\$2.6 billion) in support of reform.

through credit lines to financial intermediaries that were expected to onlend to beneficiaries. A weakness of this approach was that the Bank did not first ascertain whether Polish banks had the institutional capacity to perform this pivotal onlending role. Although this strategy seemed appropriate at the time, subsequent developments showed that conditions were not right, particularly with respect to the institutional readiness of onlending financial intermediaries.

One of the earliest and more visible forms of Bank support for the ETP was the \$300 million Structural Adjustment Loan approved in July 1990. The loan's main objective was to bolster the ETP by demonstrating the Bank's belief in the program's technical soundness and viability and by providing foreign exchange to strengthen the country's foreign reserves and add to the credibility of the stabilization program. The executive directors strongly endorsed the SAL, although

*(Box 1.1 continued)*

- The Bank's endorsement of reforms and active participation in reforms encouraged others to get involved in Poland.
- The Bank was instrumental in bringing about the renegotiation of Poland's debt and the reestablishment of creditworthiness.
- The Bank was able to influence policy and encourage macroeconomic discipline and tough but necessary reforms through loan conditions.

*Negative*

- Nine of 15 loans approved in this period were eventually canceled or partially canceled.
- Fifteen projects that had been approved under two pro-reform governments were implemented by subsequent governments that were less reform minded and possibly less committed. Average loan performance declined, and implementation obstacles mounted.
- Many of the Bank's initial forecasts proved wrong, to varying degrees, making it important that the Bank make appropriate mid-course adjustments to meet changing and unforeseen conditions. For example, nobody foresaw the boom of new private enterprises. The Bank had put its emphasis on backing restructured and privatized former state-owned enterprises as the source of future private sector growth.
- The portfolio, built up to a great extent following tremendous international and internal Bank pressure, was somewhat neglected once the pressure subsided. This neglect was demonstrated by lack of follow-up and by other indicators.

**Conclusion**

There were definite costs associated with the strategy of establishing a large portfolio in a short period of time, but regardless of the poor performance of several individual projects, the overall goal of helping drive the reform process was achieved. Regardless of the portfolio imperfections, Poland has successfully met many reforms goals. Without the Bank's assistance, the possibilities opened up in the early years might not have been so fully realized.

*Source:* World Bank data.

some expressed concern that its conditionality was too general, particularly on subsidy reduction and the pace of privatization. Some executive directors called for more decisive action to protect vulnerable groups during stabilization. The SAL became a major vehicle for Bank-government dialogue. For example, by including conditionality on environmental policy, the SAL helped bring environmental issues to the center of Bank-government economic dialogue.

Realizing the magnitude of the task ahead and the need for a permanent presence on the ground, the Bank set up a high-level resident mission in Warsaw in July 1990, headed by a member of the regional management team. Its main activities would be to coordinate and help develop the Bank's assistance program, help the government coordinate financial and technical assistance from other sources, and monitor economic, financial, legislative, and social progress.

The rush to lend continued. In the brief period from April to June 1991 the Board approved 12 loans totaling \$1,140 million. These included several loans in the energy sector, one of which was the Energy Adjustment Loan, which focused on pricing and subsidy issues. Other loans were for telecommunications, employment promotion, agriculture, privatization and restructuring, and financial institutions. The Financial Institutions Development Loan (FIDL) included both policy and institutional development components aimed at removing interest rate subsidies, reducing directed credit, modernizing banking legislation (introducing a law on collateral security, a deposit insurance mechanism, bankruptcy laws), helping develop capital markets, and restructuring the state-owned commercial banks with the intention of privatizing them.

Technical assistance was also emphasized and included preparation of sector strategy papers for agriculture, health, and housing. Six energy sector studies laid the foundation for restructuring the energy sector. The Bank also mobilized technical assistance from other sources, often on grant terms. The Bank understood the appeal to the government of utilizing grant money for technical assistance, but with several donors funding technical assistance, issues of aid coordination and ownership arose.

The first two years of lending were rushed. Country managers had not anticipated creating such a large portfolio in Poland. The last strategy paper (1987) prior to the beginning of lending in 1990 had proposed a small trial portfolio (one third the size of a typical Bank lending program to a country of Poland's size). When instructed to prepare a portfolio much larger than anticipated, the country team did not have the time to fully prepare new projects or to modify existing project proposals to suit the new environment. No new formal strategy reviews were held until November 1992, after most of the loans had been approved.

Despite these handicaps, the Bank succeeded in providing strong and effective support to the Polish government during the critical early stages of the economic transformation. Although the impetus for the reform program came from the Polish team led by Leszek Balcerowicz, the Bank provided valuable support through intellectual advice, technical and moral backing, dissemination of market-oriented ideas, and the endorsement of Poland's debt-relief proposals to other creditors. Although the Bank's loan disbursements also helped to strengthen the country's external position in the early years, its technical inputs, advice, and intellectual support for the reforms were more valuable than its financial assistance.

A good example of the Bank's early intellectual support was the strategic investment review. The green cover report was well received by the government. It focused on an area that had received scant attention on Poland's transition agenda—the articulation and management of a public investment program to support the emerging market economy. As the first comprehensive review by the Bank of public investments in a transition economy, the strategic investment review helped disseminate information widely about investment management issues in transition economies. Other vehicles for Bank advice were informal reports and project preparation work.

*1992–93: lending continues but attention shifts to emerging implementation problems and reform issues*

The Bank's first opportunity to take stock of its assistance program came in 1992, in the country economic memorandum (CEM), "Economic Transformation at a Crossroads." This analysis of the transformation experience of 1990–91 was

*Despite handicaps, the Bank provided strong and effective support to the government in the critical early stages of economic transformation*

intended as an input to decisionmaking in Poland and the Bank's 1992 CSP. The report found that Poland had made great progress and that the private sector was prospering. It also noted that the restructuring and privatization of state enterprises were lagging and that sharp drops in investment in infrastructure and human resource development could be undermining growth.

At the heart of the problem was the difficulty of restructuring and privatizing state enterprises. The rapid expansion of the private sector was not enough to compensate for the loss in output and employment in many large state-owned enterprises. As a result, the portfolios of commercial banks were much weaker than had originally been believed. When subsidies were reduced and state enterprises cut back on free social services, the cost of living rose. Real wages fell sharply from the unsustainably high levels of early 1989. Women suffered a dual blow from the loss of daycare facilities and a higher than average incidence of unemployment. Public finances weakened, and the original program supported by the IMF veered offtrack. Public support for the ETP waned. Successive general elections and coalition realignments led to frequent ministerial changes.

The CEM recommended that Poland focus on quick ownership reform and integration into the world economy to deal with its massive restructuring problem, specifically that it consolidate macroeconomic stabilization and supply side response, strengthen core state institutions, build up infrastructure functions with private sector participation, and expedite enterprise restructuring and privatization. Since social expenditures had skyrocketed during the 1990–92 period, public finance reforms were needed to target expenditures more efficiently, to allocate social transfers to the most needy, and to weed out the large numbers of ineligible social welfare claims. Other public finance reforms were also needed: implementation of a modern tax system, decentralization of expenditure responsibility, and introduction of a value added tax. The country's external debt had to be consolidated, and agreement had to be reached with commercial creditors to fully restore Poland's creditworthiness.

With the country's changing political and social situation, implementation of Bank projects suffered, and disbursements lagged behind estimates. It became apparent that some projects were too large and complicated, involving several ministries or agencies that did not always share the same objectives. The turnover of government personnel also revealed that the Bank's institution-building efforts had not always been fully successful. The new officials took a long time to learn the Bank's jargon and procedures. Communications between Polish officials and Bank staff were not always smooth. Lack of continuity in Bank staff sent from headquarters was also to blame for implementation delays. In some cases, loan documents failed to spell out clearly what actions the borrowers were required to take, having relied instead on general understandings reached with officials who were no longer in office. There was little if any disbursement from Bank projects involving credit lines, a consequence of lack of demand, a perception that Bank procedures were slow and cumbersome, and emerging competition in credit lines made available by donors offering more flexible procedures and better terms.

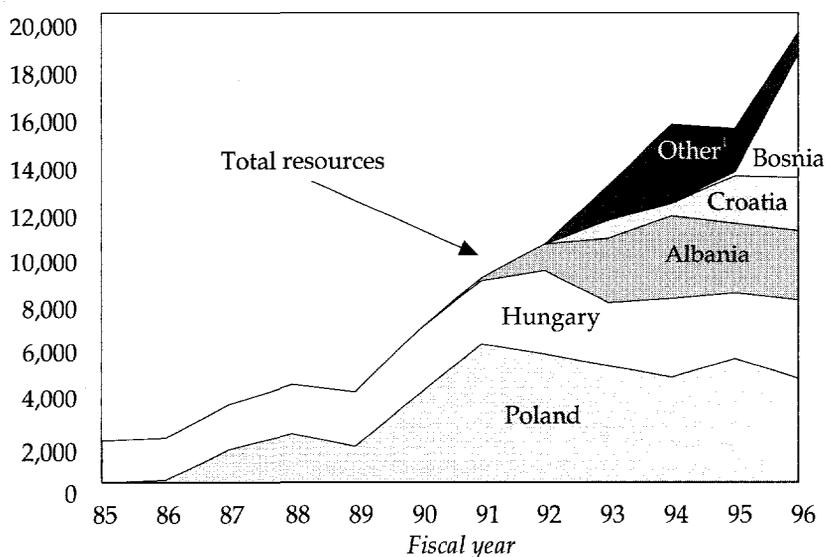
At the same time that these portfolio problems were emerging, management changes in the Regional office resulted in a gradual reduction of the resident mission's authority to handle day-to-day issues. There was less delegation of authority from headquarters, and the attention of some managers and senior staff shifted from Poland to other countries in the Region (Figure 1.1). Response times from Washington became longer, and the Bank's assistance to Poland lost some of its earlier drive. Projects took on a life of their own, with progress depending

*But it became apparent that some projects are too large and complicated*

on the initiative of the staff involved and their government counterparts. Projects in sectors whose ministries were shielded from frequent changes in government, and where the Bank had maintained seasoned staff on the ground (such as in infrastructure), continued to make progress, while other projects stagnated.

The country strategy paper completed in November 1992 recognized some of the emerging implementation problems, which it attributed mostly to causes outside the Bank, such as political instability, lack of familiarity with the Bank's requirements and practices, lack of institutional ability, and competition from other donors. It failed to note, however, the poor fit between some of the Bank's instruments, especially credit-line loans, and the institutional environment in Poland or the gap between strategy and instruments in some cases. The CSP defined five objectives of the Bank's lending strategy: to secure a stable macroeconomic framework and thus strengthen Poland's creditworthiness; to support enterprise reform and restructuring, privatization, and the growth of the private sector; to upgrade infrastructure (including financial sector infrastructure) in ways that would support a market economy; to enhance environmental amelioration in all sectors of economic activity; and to support the strengthening of Poland's social safety net to help the country reduce the social impact of its systemic transformation. The CSP proposed a tentative three-year lending program of \$0.9 billion a year, including \$400 million to support a debt-reduction operation. It also mentioned the need to improve implementation of existing projects and to provide donor leadership. No specific operational guidelines were provided on how to improve portfolio management, other than calling for targeted supervision efforts, training in procurement and disbursement procedures, and discussions with the government.<sup>2</sup>

FIGURE 1.1: DISTRIBUTION OF BANK RESOURCES AMONG COUNTRIES IN THE EUROPE AND CENTRAL ASIA REGION'S DIVISION II, FY85-96  
(thousands of dollars)



1. "Other" includes: Czech Republic, Slovak Republic, Slovenia, and Yugoslavia.  
Source: World Bank data.

A revised country assistance strategy—without the proposed lending targets—was presented to the Board in April 1993. Some executive directors criticized the document's lack of specificity on fiscal projections (which some executive directors thought were overly optimistic), safety net targeting needs, and the social consequences of restructuring—objections that in hindsight proved well taken. On balance, however, the executive directors endorsed the proposed strategy and praised the emphases on environmental protection and assistance for debt reduction.

The first joint country strategy and implementation review (CSIR) with the Polish authorities took place in Warsaw in January 1993. Government officials complained about Bank project staff who encouraged line ministries to request new Bank loans without the knowledge or concurrence of the Ministry of Finance. The Bank agreed to respect the coordinating functions of the ministry in formulating future lending proposals. Despite these useful discussions, implementation problems intensified during the year, and the new authorities asked for more time to define priority areas of future cooperation and for the design of new projects in order to “avoid repeating mistakes of the past.”

*Despite useful discussions, implementation problems intensified*

Despite the mounting difficulties during this two-year period, Bank staff were able to put together seven additional loans totaling \$1,436 million. This diversified portfolio included innovative and ambitious loans for health and housing, and loans for forestry development, roads, and private sector development (most of these, however, would also run into serious implementation difficulties). Two adjustment loans, prepared with full participation by the borrowers, were particularly innovative and far-reaching: the Agricultural Sector Adjustment Loan (ASAL) for \$300 million, and the Enterprise and Financial Sector Adjustment Loan (EFSAL) for \$450 million.

In the health sector the Bank undertook an ambitious program to help arrest the 20-year decline in the health status of the population and to ameliorate the adverse effects of the economic crisis. The Bank's health sector specialists felt under pressure to expedite preparation of a project, whereas the Polish initial counterparts, who were spread across four ministries, were not ready to define priorities. As a result, the \$130 million project was put together without full participation—and ownership—of stakeholders, giving little attention to women's health issues and missing opportunities for donor coordination, especially in grant-based technical assistance. The project attempted to do too much and in too complex a manner. Following a major restructuring in mid-1994 that strengthened the project implementation unit, performance improved.

Responding to a direct request by the Polish government to the Bank President in February 1990, staff were instructed to expedite preparation of a housing project loan. A \$200 million loan—cofinanced by the European Bank for Reconstruction and Development (EBRD) and US Agency for International Development (USAID)—was approved in June 1992. The project addressed complex legal, financial, and institutional issues affecting the housing market. It was the first of a number of housing loans made to reforming socialist economies. However, the project was in two respects more ambitious than the housing projects pursued in other reforming economies. First, the project attempted to support the government's movement away from heavily subsidized housing production to a market-based system that eliminated subsidies for new housing. The objective was that the most needy rather than the purchasers of new homes, who tend to be middle- and upper-income families, would receive subsidies. Second, it attempted to replace existing subsidies with finance, with the finance modeled on a successful series of housing finance projects in Mexico. From a loan dis-

bursement perspective, this project clearly did not work. Yet in some ways this result is not surprising. In an economy undergoing major restructuring of production and ownership rights, and simultaneously experiencing a severe recession, it is reasonable to expect housing investment to contract sharply—all the more so considering that housing was one of the most highly subsidized and publicly controlled goods under central planning. The project had quite ambitiously sought to eliminate all housing subsidies for new housing production, and replace them with a mortgage instrument that through indexation of repayments to inflation would eliminate the need for subsidies.

The ASAL, by contrast, was an example of careful preparatory work and Bank leadership. Following two earlier Bank loans for agriculture that had been rushed for Board approval without adequate preparation, the Bank organized an agricultural task force jointly with the government and the European Community. The task force produced a report on an agricultural strategy for Poland that was to become the framework for government action and for aid coordination by bilateral and multilateral donors. From this participatory framework emerged the ASAL, which embraced almost the full range of policy elements needed for the transition of agriculture in Poland. It was exceptionally comprehensive and offered the opportunity for productive dialogue on most sectoral issues. The loan's emphasis was on accelerating the privatization and restructuring of state enterprises and state farms, and on formulating a long-term land policy to facilitate the expansion of the private market for farmland. During implementation, however, this ambitious loan fell short of its potential usefulness because of its complexity. The large number of studies, technical assistance projects, and conditions made its thorough supervision by Bank staff very difficult. Still, the project had an undeniable influence by guiding agricultural policy in the country.

A small group of Polish officials, in full cooperation with Bank staff, were behind the other pathbreaking loan, the EFSAL. Its objectives were to deal simultaneously with the debt overhang of state enterprises and the portfolio problems of the banking system and to resolve a root cause of the state enterprise crisis, the unclear structure of enterprise ownership and governance. The loan, which also aimed at allowing faster bank privatization by strengthening bank supervision, stimulated the banks to play a central role in restructuring enterprises through mandatory conciliation agreements. The loan also provided state enterprises with new opportunities to succeed in their reorganization efforts. Since rapid liquidation or restructuring of sensitive enterprises could be too costly socially and politically, the Bank agreed to finance an intervention fund to act as a social shock absorber during downsizing and liquidation of some large state enterprises. But the loan's design suffered from insufficient economic work in the financial sector and limited information about the condition of enterprises. The loan's intended conditionality was weakened by lack of precision in the legal documents, which did not give the Bank a clear mandate to monitor the agreed pace of privatization or to supervise the operations of the intervention fund. Notwithstanding these limitations, the EFSAL was effective in introducing an innovative decentralized approach to the recovery and restructuring of bank portfolios that isolated banks from political influences and enhanced their autonomy.

*By 1994,  
Bank-country  
relations had  
not improved*

*1994–95: reduced Bank lending (\$0.4 billion), portfolio consolidation,  
and a sharper focus on implementation*

By the beginning of 1994, Bank-country relations had not improved. The government was articulating more clearly its reservations about Bank assistance,

including the mounting burden of the Bank's commitment charges on undisbursed loan balances and the financial management problems associated with the currency-pooling system. The Bank's requirement of a government guarantee was seen as encouraging borrowers to be irresponsible. In the social sectors the government criticized deficiencies in project design, such as the lack of monitorable action programs for project implementation and vague definition of expected benefits. The Bank, for its part, was increasingly concerned about the slow progress on important structural and institutional reforms that were required under the various projects in the pipeline. These included progress on privatizing and restructuring enterprises, strengthening public finances, reducing the losses of the specialized banks, rationalizing the banking system, creating a deposit-insurance scheme, adopting a law on collateral, streamlining safety net operations, and opening up public utilities to private sector participation. The country operations director went on a special mission to Poland in January 1994, and the two sides agreed on a period of consolidation, during which priority would be given to implementation of existing projects. This marked the beginning of the Bank's reassessment process, in line with recommendations made earlier by OED in an internal review of portfolio performance.

A notable exception in this period of consolidation was the joint efforts of the Bank, the Fund, and other major donors in putting together a debt and debt-service reduction package on Poland's massive debt to private banks, which had been in default. A successful London Club arrangement was reached in March 1994, which the Bank supported with a \$400 million loan (\$170 million from the Debt and Debt Service Reduction Loan and \$230 million from funds set aside from three previously approved adjustment loans). Poland used these funds to buy back a part of its outstanding debt. The Bank's support—financial and technical—for this important operation was pivotal. The deal provided Poland with exceptional amounts of debt relief and helped restore its creditworthiness and access to international financial markets.

In parallel with the London Club arrangements, Poland's economic situation began to improve. Financial stability and continued private sector expansion helped to attract foreign private capital inflows, and Poland soon had an abundance of foreign exchange. Its need for Bank financial support was diminishing, largely because other international financial institutions were offering finance with simpler conditionality, faster processing, and more attractive financial conditions. Poland's prospects for imminent accession to the European Union, a high priority on the government's agenda, also reduced the need for the Bank's presence in the country.

The government's new stance was spelled out in an official document published in June 1994, "The Strategy for Poland." Quick accession to the European Union was a major objective, along with slowing the rate of increase of public debt. These changes were positively reflected in Bank-government dialogue, which increasingly became a dialogue between equals. At a country strategy review in Warsaw in April 1994 and in subsequent discussions prior to completion of the 1994 country assistance strategy (CAS), the parties reiterated the critical importance of halting the deterioration in portfolio performance. The authorities were concerned about the mounting cost of the Bank's commitment fees on the large pipeline of undisbursed loans.<sup>3</sup> The Bank proposed maintaining an annual level of commitments of \$600–800 million for the next five years (compared with \$880 million in 1991–93), but the authorities pointed out that the size of the lending program would be affected by private capital inflows. They expressed a preference for smaller and simpler Bank projects and for social sector projects that could not attract private financing.

*A notable exception in this period was joint efforts to put together a debt and debt-service reduction package*

*The Bank recognized that errors had been made; responding decisively, it conducted a thorough portfolio review...*

The Bank recognized that errors had been made in some cases, and repeated its willingness to restructure and/or cancel ongoing loans. Responding decisively and with flexibility the Bank conducted a thorough portfolio review. This resulted in major restructuring of some loans, such as health, and in dropping from the pipeline a large number of projects in preparation.<sup>4</sup> The Warsaw office representative intensified the dialogue with government officials in an effort to resolve implementation problems. At headquarters, Regional managers started to turn their attention and to reallocate resources toward assisting other transition economies.

Other studies under preparation have been dropped or put on the back burner, after having absorbed expensive Bank resources. Following the return to headquarters of a major financial sector review mission (17 people) in August 1994, the task manager was instructed to stop working on the report, in view of the limited prospects for sector lending to Poland, and to work instead on a possible financial sector loan to Croatia. Responsibility for financial sector analysis was shifted to the senior and principal economists for Poland, who then produced a series of reports focused on specialized banks. A year later, a planned loan for education was dropped at the government's request after long preparation, which absorbed 129 direct staffweeks (the green cover president's report had been issued). The authorities cited several reasons for this request, from changing government priorities to general dissatisfaction with the Bank's social sector assistance and a reluctance to borrow on conventional terms for social sector projects. Other planned projects were kept on hold because of a lack of consensus within the government, and their future is uncertain. These include adjustment loans for coal restructuring, public sector reform, and financial sector reform. Partially disbursed loans, canceled at the government's request, have limited the Bank's capacity to influence reforms in the energy and the financial sectors, among others.

The 1994 CAS proposed a three-year lending program of \$600–700 million, two fifths of it for large adjustment loans. The Region felt that it needed the special incentive provided by adjustment operations to push for comprehensive structural reforms. The aggressive lending policies of European international financial institutions—often delinked from the policy debate and supported by complementary concessionary finance from the European Union—had lessened the Bank's financial leverage to push for reforms in the context of investment operations. Senior management cautioned that so much reliance on policy-based adjustment operations was undesirable because it could lead to the neglect of technical and institutional aspects of the reforms. The strategy emphasized three areas for Bank support: reforming public finance (particularly social security expenditures), closing down large loss-making state enterprises, and reforming the financial sector. The CAS also proposed a focus on private sector development, including the provision of contractual compliance guarantees to encourage private sector financing, in close cooperation with the International Finance Corporation (see Box 3.3 for a discussion of IFC strategy in Poland). Finally, the strategy included a proposal to continue working on small, simpler investment projects in social and economic infrastructure and to put more emphasis on work at the local government level.

This strategy did not include operational actions in a number of important areas, such as accession to the European Union, poverty- and gender-related issues, or the still largely distorted agricultural sector. During the Board discussion in November 1994, several executive directors expressed concern about aid coordination and possible duplication of efforts, slow progress on privatization, and the large unfinished agenda in the financial sector. The Board approved the

proposed strategy but urged the Bank to make further efforts to improve the quality of the existing portfolio and to encourage private sector participation in the financing of infrastructure projects.

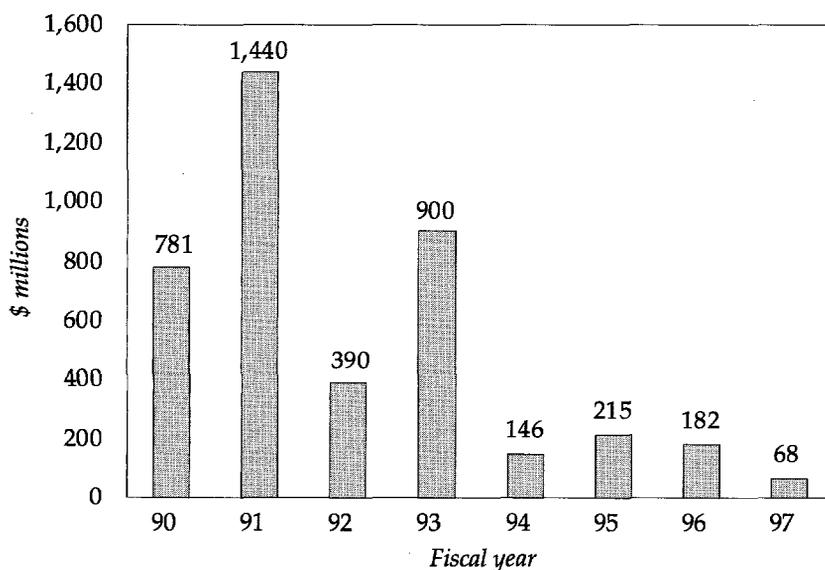
### Cutting back

Progress in meeting the 1994 CAS lending objectives has been modest at best. New loan commitments have fallen far short of the amounts proposed in the CAS, and no adjustment loans have been approved. Joint Bank-government meetings (CSIRs) held in July 1995 and in June 1996 recognized the need for further consolidation of the Bank's assistance program and focused on loan implementation issues, on the use of nonlending instruments of assistance, and on aid coordination issues.

A new CAS for Poland has just been completed following one year of intensive collaboration and reflection within the Region and with counterparts in the government, representatives of Polish civil society, and OED. Throughout the preparation of the country assistance strategy, the OED team evaluating the Bank's assistance program to Poland shared with the country team its findings as they emerged, including background papers for a number of sectors, results from the OED survey of ministries, and other inputs. At a time of change and uncertainty over the future direction of Bank's involvement in Poland (especially with the prospect of Poland's accession to the European Union), the OED evaluation helped to take stock of the Bank's experience to date in the country, and make recommendations on the basis of this. The new country assistance strategy incorporates the major findings and recommendations of this report.

*...which resulted in major restructuring of some loans and dropping a large number of projects in the pipeline*

FIGURE 1.2: TOTAL BANK COMMITMENTS TO POLAND BY FISCAL YEAR  
(\$ millions)



Note: Fiscal 1997 data are for half a year only.

Source: World Bank lending database.

TABLE 1.1: BANK ASSISTANCE VERSUS REFORM PROGRAM, NEEDS, AND ENVIRONMENT

<i>Period</i>	<i>World Bank assistance</i>	<i>Major assistance issues</i>	<i>Macroeconomic</i>	<i>Political</i>	<i>Social</i>	<i>Reform progress</i>
<i>1986–89 (country strategy paper 1987)</i>	Consists mostly of economic and sector work, policy advice, and project performance facility. Frequent missions. Proposal to begin lending in 1988, but lending does not begin. The Bank perceives major lending risks to be Poland's lack of creditworthiness, political uncertainty, economic instability, and distortions.	Lack of creditworthiness; need to reschedule debt; and need to formulate feasible reform program. For Poland to succeed in its reform proposals, it needs strong support from international financial institutions. If institutions do not support attempted reforms, Poland's debt position could worsen, further slowing market reforms.	External debt crisis, hyperinflation, and heavily subsidized production.	Authorities becoming increasingly reform minded. 1989 Solidarity government.	Growing public support for reforms.	Reform proposals becoming increasingly radical.
<i>1990–91 (country strategy note 1989)</i>	Mobilizing donor assistance. Stabilization Fund with G24. The Bank commits 15 loans to Poland in an amount equivalent to \$2.6 billion: 43 percent are fast-disbursing or hybrid loans, 20 percent are for financial intermediation. By end-1992, \$487 million disbursed, leaving a balance of \$2.1 billion.	Debt overhang and creditworthiness; macroeconomic instability following economic liberalization; and enterprise reform, privatization, and growth of private sector. Need to reorient the country's infrastructure (including financial sector infrastructure) to support a market economy. Need to help improve all sectors of economic activity. Strengthening of the social safety net to help the country offset the social impact of transformation process.	Price and trade liberalization, large devaluation, followed by overshoot inflation and stabilization of economy. Collapse of Council of Mutual Economic Assistance. Current account in surplus in 1990 but in deficit (\$1.4 billion) in 1991.	Successive reform minded governments.	Impact of unemployment and other harmful social impacts cushioned in part by social safety net.	Radical Economic Transformation Program implemented. Program lays foundations for reorienting Poland from planned to market economy.
<i>1992–93 (country strategy paper 1992)</i>	Continued support of government efforts to strengthen macroeconomic framework and stimulate private sector development. The assistance program targets areas of economic activity that remain within the state's domain, as well as investment and rehabilitation of infrastructure, while encouraging private sector participation.	Growth emerges in Poland, inflation is brought under control, and creditworthiness improving. Need to maintain macroeconomic discipline to consolidate position toward medium-term growth. Privatization and restructuring not progressing as quickly as hoped; need to accelerate this process. Subsidized credit remaining in some sectors; need to remove this. Current account recovery in 1992 with deficit of \$269 million as exports grow. Deficit slips again to \$2.3 billion in 1993 as imports increase and recession in Western Europe reduces volume of Polish exports.	Economy stabilizes. Economic growth driven by private sector. Trade with Europe growing.	1992–93 period of political crisis, with 27 parties in Sejm. Coalition governments lack political direction on reforms.	An expectations gap emerges as benefits of reform are slow to be felt by public.	Signs that reform efforts will pay off as economy stabilizes and growth emerges. Government "Strategy for Poland" medium-term economic program issued in 1993.

1993-94 (country assistance strategy 1993)	This strategy outlined in CAS 1993 is essentially the same as for the preceding year. But this is the first time that the Bank formally presents its strategy to the Board. Some executive directors criticize the CAS for its lack of specificity on fiscal projections (which some executive directors think are overly optimistic), safety net targeting needs, and the social consequences of restructuring.	On balance, executive directors endorse the strategy proposed in CAS 1993, although there are some complaints about the size, composition, and instrumentation of the lending program.	The private sector is leading growth. Public finances threaten macroeconomic stability.	Government is making progress on reforms.	Largest strikes witnessed since 1980s.	Government reform progress being held back by insufficient implementation capacity.
1994-present (country assistance strategy 1994)	Bank focuses on public finance reform, downsizing of large loss-making sectors, and financial sector reform. Bank continues to work on a relatively diversified lending program of medium-sized investment projects in social and economic infrastructure, and puts more emphasis on work at local government level. Bank perceives a shift in financing needs away from macroeconomic oriented toward financing for microeconomic and structural reforms. Diverging agenda within government coalition leads to stop and go implementation of reforms.	Public finance reforms become increasingly significant issue with explosive trend of social transfers, particularly social security expenditures, and continued operation of large loss-making enterprises in key sectors (coal, steel, and railways), and the portfolio problems of some specialized banks are a burden on the government budget. Poland needs to maintain momentum of reforms and widen the benefits of the new market-driven growth. Investment in social infrastructure is too low, threatening future growth. Macroeconomic discipline needs to be maintained. Poland needs to meet requirements for accession in European Union (EU).	Poland is experiencing the fastest growth in Europe. The increasing burden of public expenditures coupled with low level of investment in social infrastructure threatens future growth prospects.	Coalition governments, increasing divisions over direction of reforms. Increasing reluctance to borrow from Bank in social sectors.	Large volume of imported consumable goods. Growing middle class.	Reform efforts are increasingly oriented toward meeting requirements for accession into EU. Poland becomes a member of the Organization for Economic Cooperation and Development.
Future (country assistance strategy 1997)	Future role of Bank in Poland to be decided. Important questions include impact of Bank assistance on Poland's accession to EU. Should the Bank consolidate its assistance program?	Same as above: speed up enterprise restructuring and privatization (including commercial banks). Public finance and safety net reforms. Energy restructuring. Infrastructure development.	Improving economy, but persistent inflation, fiscal deficit, need for macro monitoring.	EU-oriented. Seeking membership in North Atlantic Treaty Organization.	High unemployment, gender inequality.	EU-directed reforms; need to address politically sensitive reforms.

Source: World Bank data.

The new CAS recognizes that, having gained good access to international markets, Poland's need for the Bank's financial assistance is small. Poland's expected accession to the European Union will further reduce the policy leverage of the Bank. Therefore, the Bank's future role will remain as an independent adviser in policy formulation and as a partner in building and strengthening market-oriented institutions. As a consequence, the CAS proposes to assist Poland with greater selectivity in three major ways: (1) by helping formulate and implement policies that are required for sustained growth; (2) by providing an independent evaluation capacity, as well as investment support in selected areas such as the environment and labor market policies; and (3) by helping to ensure the social sustainability of reform and reduce poverty. This strategy is highly relevant to today's needs and is consistent with the recommendations of this review.

### Notes

1. The successive formal enunciations of the evolving Bank strategy can be found in the November 1987 country strategy paper, September 1989 country strategy note, 1991 draft country strategy paper, November 1992 country strategy paper, April 1993 country assistance strategy, and October 1994 country assistance strategy.
2. This initiative led to a constructive series of country strategy implementation reviews that have been held regularly since 1993.
3. Commitment fees charged by the Bank on undisbursed investment loans in FY94 were \$4.3 million, equivalent to 3.3 percent of disbursements on investment loans in that year. For the period FY90–96, the equivalent percentage was 1.9 percent.
4. The process of dropping projects continued into FY96. In FY95–96, a total of 15 projects were dropped, after having invested in them at least 710 staffweeks at a cost of \$2.3 million (these figures include only direct costs, and exclude overhead and management time). These costs are higher (in relation to total lending costs) than regional and Bankwide averages. Dropping projects when it is realized that they are not likely to succeed is a good managerial practice. However, the direct cost of dropped projects for Poland has been much higher than for other countries. In FY93–96, the cost was 53 staffweeks, compared with 29 for EC2 (Division II of the Europe and Central Asia Region, or ECA), 26 for ECA, and 33 Bankwide. This suggests that the Bank allowed these projects to drag on too long before deciding to scrap them.

## 2. Systemic and institutional transformation and social amelioration

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The Bank assisted Poland's transformation program through a broad program of lending, technical assistance, and advice. Much of this assistance was directed at helping Poland put in place a legal and institutional framework compatible with the needs of a market economy. This was done through adjustment loans, the conditionality embodied in most loans, technical assistance, and economic and sector work. In the social sectors, the Bank recognized the importance of easing the impact of the transition on vulnerable groups and of ensuring the handover of responsibility for social services. The Bank provided extensive advice and studies, complemented by project preparation and loans.

Most of the loans that the Bank has made to Poland are still under implementation, and of the few that have been closed, only three have been evaluated by a completion report. This chapter and the next present a brief analysis and evaluation of the Bank's Poland portfolio.

### Systemic and institutional transformation

#### *Collateral law and registry of liens—underestimating the complexity of legal reform*

*Why.* An important part of the Bank's assistance strategy was to help Poland put in place a legal framework to support a market economy. However, unlike a number of other countries in Eastern Europe and the former Soviet Union, the Bank did not receive a clear request from Poland to provide assistance on systemic legal reform. In addition, in the early days of the Poland program the Bank had no vehicle—such as the Soviet Union Trust Fund or an institutional development fund—to offer the Poles to analyze the legal system or provide grant-based technical assistance. Moreover, because Poland was fairly sophisticated in its approach to the legal framework and relatively self-sufficient, the Bank received few requests for assistance. The result of these factors was that the Bank had few opportunities to engage the government in a broad dialogue on legal reform and the Bank's legal assistance activities tended to be limited and sporadic. Even when the Bank was able to provide grant assistance such as on the Banking Law, there were clearly sensitivities in the Polish government about receiving assistance that was perceived to be tilted toward particular external jurisdictions. Consequently, Poland is not a very good model to judge the effectiveness of Bank activities in the legal area. Since 1994, however, when the Private Sector Development Unit in the Legal Department became the Legal Reform and Private Sector Development Unit, the Bank has placed more emphasis on systemic legal reform as a foundation for a market economy and has recognized the need for legal education and stronger legal drafting capability.

*What.* The story of collateral law reform in Poland illustrates both the many attempts to provide assistance for legal reforms and the many disappointments.

*Since 1994, The Bank has placed more emphasis on systemic legal reform and has recognized the need for legal education*

Realizing that the lack of a modern collateral law and of an effective central registry of liens was a serious obstacle to financial development in Poland, the Bank retained a British law firm to draft a collateral law for Poland. The Bank's regional staff intended to include approval of a collateral law as a condition for disbursement of the second tranche of the Financial Institutions Development Loan of June 1991, but the condition was not included in the legal agreement, and the draft collateral law was never approved. The Polish legal establishment was offended that the Bank would suggest the immediate adoption of a law based on Anglo-American legal concepts that were not consistent with other elements of Polish law (including contract, property, and bankruptcy, and with procedures for executing court orders) or integrated with registries of liens. The law also needed to undergo public debate, to make it acceptable and useful in the business sphere.<sup>1</sup>

There was no mention of a condition on the collateral law in the March 1995 initial executive project summary for the proposed Judicial Reform Loan. Despite questions about whether the proposed lien registry would be effective without a new collateral law, it was agreed to go ahead with Board presentation in view of the long period of time required for reform of registries and the limited leverage that a small investment operation could exert on legislative approval of a new collateral law. After a long and disputatious process, a new collateral law has been approved recently by the Sejm (Poland's Parliament).

*Findings.* The Bank's experience with the collateral law and registry in Poland illustrates that:

- Legal reform considerations should have been fully integrated with the Bank's assistance strategy.
- There should have been a systematic review of the need for legal reforms at the beginning of Bank assistance, followed by comprehensive monitoring of progress.
- Bank lawyers should have been more directly involved in the formulation of the Bank's assistance strategy and in the design and implementation of individual projects.
- Clear links should be established between proposed legal reforms and their impact on economic growth and the broader transformation process, to improve understanding of the purpose of reforms and advance their adoption.
- Legal reforms must be complemented by other necessary reforms, especially institutional reforms, to facilitate the successful transformation to a market economy and the emergence of private enterprises.

*Getting rid of monopolies—a dramatic increase in competition*

*Why.* An early concern of the Bank was that the monopolistic or oligopolistic structure of Poland's industrial, commercial, and transportation enterprises would be a serious obstacle to the transition program. The Bank's objectives in anti-monopoly policy were congruent with those of Poland's Anti-Monopoly Office: to develop the policies and institutional frameworks needed for competitive markets. This has involved dismantling old structures and changing old attitudes among producers, opening up the economy to international trade, removing barriers to the entry of new businesses, and developing legal and institutional frameworks for natural monopoly sectors. These efforts have dramatically increased the level of competition in the economy.

*What.* While the World Bank did not provide technical assistance to the Anti-Monopoly Office, the two organizations have worked together to promote competitive structures in several sectors in which the World Bank has extended loans. The Anti-Monopoly Office has been involved in ongoing negotiations initiated in 1993 between the Bank and Poland on appropriate regulatory institutions in water supply and wastewater removal. The Bank and the Anti-Monopoly Office also cooperated in the negotiation and implementation of the Agricultural Sector Adjustment Loan, as it related to anti-monopoly policy (legal frameworks for agro-industrial processing, restructuring of the milling industry). The Bank also supported the Anti-Monopoly Office's work on competition rules for the restructuring of the energy sector. There was some disagreement between the two in the telecommunications sector, however, with the Anti-Monopoly Office viewing the Bank's role as protective of the monopolistic position of the state company and not as a strong force for demonopolization and privatization.

*Findings.* Despite considerable progress, serious problems remain. Development of regulatory frameworks for the natural monopoly sectors still lags. The government's commitment to expanding competition in the economy weakened considerably after 1994. Recent proposals to limit competition in certain sectors suggest some danger of backsliding on anti-monopoly policy. Government ministries and elements in the Sejm have proposed the creation of cartels in sugar refining and tobacco and the exclusion of foreign trucking firms from the Polish market. In telecommunications and energy more decisive action is needed to accommodate private investment.

*Procurement—establishing a competitive procurement environment*

*Why.* In socialist economies, government bureaucracies were not accustomed to operating in a transparent manner and had no experience with the practical procedures of competitive bidding for public procurement contracts. Thus the Bank's insistence from the beginning on the adoption of strict procedures for the procurement of goods and services under Bank loans was initially a source of friction and delay. Borrower representatives complained frequently of alleged rigid and cumbersome procedures, which implementing agencies did not always fully understand. There was a feeling that the Bank's procurement officials could have responded faster and with greater flexibility to resolve unexpected problems. Bank-sponsored procurement seminars in Poland suffered from overcrowding and language difficulties. And much of the external assistance on procurement procedures has suffered from the same kinds of difficulties that donors encountered in legal reforms, particularly in trying to apply foreign practices and rules to the Polish environment.

*What.* To help implementing agencies apply Bank procurement rules, the Bank organized many procurement seminars and workshops in Poland. Both public and private sector agencies, including foreign trade companies, have benefited from these seminars. The Bank also provided training for the procurement staff of implementation agencies. As the Polish authorities came to understand the importance of competitive procurement practices and the savings they entailed, these practices became more acceptable. Polish implementing agencies were able to save up to 40 percent on goods contracts over estimated costs on the Telecommunication Project, District Heat Projects, Power Transmission Projects, and others. Applying competitive procedures also meant introducing discipline and accountability to public spending.

*Findings.* The Bank's insistence on strict procedures, complemented by intensive training efforts, has paid off and Poland has made great progress in its public procurement procedures, culminating in passage of the Act on Public Procurement in June 1994. Initial efforts to draft a public procurement law grew out of a 1992 World

*The Bank's insistence on strict procurement procedures was initially a source of friction and delay*

Bank grant of \$300,000 from the Institutional Development Fund to support public administration reform. The Bank also provided direct technical assistance, including technical inputs by the Legal Department and the Regional procurement staff. However, it would have been helpful to have an experienced procurement specialist based in the field office. By the spring of 1994 the draft law had been approved by the Council of Ministers and was being defended in Parliament. After vigorous debate, the draft law was passed largely intact. Bank attention to procurement reform and the advice provided at this important juncture contributed to successful passage of the law and to lower prices for public sector purchases generally. The persistent and widespread attention to procurement practices in Bank-financed projects helped establish a culture of competitive procurement in Poland based on economic efficiency, transparency, and accountability criteria.

*Decentralization—analytical work and advice as a vehicle for donor coordination*

*Why.* Poland's record on decentralization is mixed, with some successes and some missed opportunities. Decentralization is often viewed as crucial to the consolidation of democracy in post-communist societies, but it represents a major institutional challenge. The tendency is to pass far-reaching legislation, while falling short on implementing the institutional changes needed to enable local and regional governmental entities to function effectively. Poland made considerable progress in 1990 and 1991, with the gminas (elected local governments) taking on new responsibilities in a way that contributed to the success of the transition, especially in leasing municipal property to private firms and in raising the prices of some municipal services.

*What.* The World Bank's objective through its analytical work and advice was to help Poland develop an appropriate assignment of responsibilities to different levels of government, improve the administrative capacity of gminas, and develop clear rules for fiscal transfers to gminas and the collection of local taxes. The Bank's 1992 report on decentralization and reform of the state was the first of its kind for a transition economy and was intended as an input into the government's decisionmaking. It was used by the Ministry of Finance as a vehicle for donor coordination among the World Bank, Organization for Economic Cooperation and Development (OECD), European Commission—Poland and Hungary Assistance in Restructuring Economies (EC-PHARE), USAID, and the Council of Europe. The report recommended the establishment of a municipal development agency in the central government, whose job it would be to develop the national strategy and promote decentralization. The Municipal Development Agency (ARK) finally came into existence in March 1995, but so far it has not been given the necessary political clout to conduct its activities.

The Bank is contributing to the development of municipal borrowing under a proposed Municipal finance Project. This is a creative approach, and if successful, could be expanded. Other donors are rushing to facilitate the capacity of the gminas to borrow on capital markets, but this is occurring at a time when their taxing authorities are constrained and intergovernmental fiscal relations are unclear. There may be a case for the Bank to take a position urging caution in the promotion of gmina access to capital markets.

### **Support for social amelioration**

Before 1990 the main goal of Poland's social safety net was to prevent excessive income differentiation and to preserve the welfare state. Universal and equal access to social benefits and the gradual replacement of wages with centrally

allocated social benefits were its guiding principles. The system was tremendously costly, a disincentive to productivity growth, and not very efficient in poverty alleviation.

To win public support for economic reform, the social safety net had to be an integral part of the program. During the first stage of the reform, efforts to improve the social safety net concentrated on unemployment benefits, retraining, and job creation. Social services were not to be reduced suddenly to the lower, constitutionally mandated levels. Rather, one of the goals of the economic reform program was to raise standards of living while protecting groups that were hit hardest by the reform.

From the beginning of the transformation process the Bank recognized the importance to the sustainability of reforms that the stabilization process have a human face. Early work in Hungary gave the Bank a slight headstart when it entered the social spheres in Poland. Providing rapid assistance to the government in preparing and putting in place a social safety net package was the major challenge of Bank missions at the end of 1989 and the beginning of 1990.

*Poverty assessment—reweaving the safety net*

*Why.* The Bank's 1990 World Development Report (World Bank 1990) reconfirmed the Bank's three-part strategy for poverty reduction: promotion of labor-intensive growth, investment in the human resources of the poor, and provision of safety nets to protect vulnerable groups and the very poor. A poverty assessment for Poland was completed in December 1994. It provides a comprehensive profile of poverty in Poland and of how poverty is related to unemployment, educational status, and gender. The following paragraphs summarize key findings that are relevant to the Bank's CAS and future project design.

*What.* At 15 percent of GDP, Poland spends more for social transfers (for both social assistance, which is aimed at poverty reduction, and social insurance, mainly pensions, which is not) than do market economies at similar or higher levels of income. Chile, with income comparable to Poland's, spends 7 percent, and Portugal and Spain, with GDPs two and three times higher than Poland's, spend 11 and 13 percent. With current imperfect targeting, it is estimated that an additional 1.7 percent of GDP would need to be spent in social transfers to close the poverty gap. Therefore, there is an urgent need to streamline and improve the targeting of social transfers in Poland.

In 1988, the family of a basic vocational school graduate was 2.7 times more likely to be poor than that of a university graduate; by 1992, this had risen to almost nine times. Eighty percent of the unemployed poor have only a vocational education or less. The poverty assessment concluded that a guaranteed minimum income should not be introduced because it would be too costly and would create the wrong incentive. Rather, the poverty assessment explored efficient measures for reducing poverty such as better targeting of family allowances. Shifting the income threshold from the minimum wage to 50 percent of the average wage would save about 0.65 percent of GDP without increasing the poverty rate. Doubling family allowances for households with four or more children could reduce poverty rates by 1.2 percentage points at a cost of only 0.1 percent of GDP. A similar result could be achieved by providing kindergarten vouchers to families with four or more children. Improved income testing for social assistance, provision of school meals for poor children, and the use of actual poverty rates as the criteria for allocating central social assistance funds to local governments were identified as other measures to explore.

*From the beginning, the Bank recognized the importance that a stabilization process have a human face*

*Findings.* The poverty assessment focuses on how the transition to a market economy and sectoral policies affect the demand for skilled and unskilled labor. With respect to the human resources of the poor, the assessment focuses more on education than on health or nutrition. Safety nets are analyzed in detail—their reach, targeting, and cost effectiveness. Overall, the poverty assessment is statistically strong, analytically competent, and gender sensitive, with transparent conclusions. However, it does not address how labor-intensive growth and investment in the human resources of the poor could contribute to poverty reduction.

*Attention to gender—missed opportunities*

*Why.* To increase project efficiency and sustainability, gender issues and differential needs can be explicitly addressed through gender analysis as an integral part of the design of new projects, followed by project activities integrating gender action and attention to gender aspects of implementation in supervision and evaluation. The three projects in the Poland portfolio in which gender issues could be expected to feature more prominently (Private Enterprise Development, Employment Promotion and Services, and Health Services Development) showed different degrees of attention to how gender would affect activities and outcomes. The private enterprise project included no gender analysis and no actions addressing gender differences. The employment project analyzed gender issues in some detail, but included no actions to address the problems identified. The health project analyzed some issues by gender and included some actions to address gender inequities for men. None of the projects took steps to promote project participation by women at the design stage or at the time projects were restructured, thereby missing opportunities to further overall project objectives. These projects are reviewed in detail in the next section, and here, from the point of view of missed opportunities for including a gender dimension.

*What. Gender and private enterprise development.* Women made up only about 20 to 25 percent of new private entrepreneurs in 1991, and loans to women-owned businesses constituted just 15–30 percent of the loan portfolios of most banks. There was a clear need in 1991 to stimulate women’s entrepreneurial activities, to ensure their participation in private enterprise development.

These statistics suggest that gender-neutral programs were unlikely to reach women and that special efforts would be needed to introduce private enterprise to women as well as men in Poland. Yet the Private Enterprise Development Project did not analyze private sector development by gender and took no action to widen participation across genders. Measures to ensure take-up by women might have included a component of lending to small and microenterprises, business training programs, skills training, business incubators for women, business associations for women, and greater attention to credit and business development in the service sectors in which women are more active.

*Gender issues in the labor market.* At the time of preparation of the Employment Promotion and Services Project, there was already concrete evidence of greater unemployment problems for women. In 1990 there were 40 unemployed women per job vacancy compared with 14 unemployed men per job vacancy. Women’s unemployment remained higher than men’s throughout the period. Although the project staff appraisal report discussed female labor force issues, it failed to address them in programs and policies.

Why this was so is not clear. On the Bank’s side there may have been too great a belief in the ability of market forces to create an open labor market, coupled with a lack of incentive to address gender issues; gender did not form part of the policy

*Gender did not form part of the policy dialogue or country strategy for Poland*

dialogue or country strategy for Poland. On the government's side there may have been a reluctance to encourage female labor force participation (a return of women to the home was sometimes perceived as a characteristic of the Polish way of life), a desire to abandon the protective labor market interventions of the socialist era, and an absence of a political constituency for female labor force interventions.

*Health issues.* The two immediately apparent gender-related health issues in Poland are life expectancy differentials between men and women and reproductive health issues. Life expectancy is 8.5 years shorter for men than for women. The rising rate of male mortality from cardiovascular diseases, strokes, and cancers was identified early on in the Bank's health project through health promotions on critical and preventable risk factors (such as alcohol and tobacco consumption and unhealthy diets).

Reproductive health issues such as fertility rates and maternal mortality appeared to be well addressed. However, the abortion rate is high, which is consistent with low use of modern methods of contraception. Abortions decreased dramatically following passage of legislation in January 1993 severely restricting abortions. Thus the need for increasing the availability of modern contraceptive supplies could have been expected. However, although including contraceptive supplies was discussed during project preparation, as a politically charged issue it met with weak response from Polish authorities. More attention could have been given to the high costs of abortion compared with contraception. This was, however, a most difficult issue in view of its political and religious dimensions. A switch to a greater reliance on contraception could have helped reduce state health care expenses. This failure to examine in detail the gender aspects of health care reform led to the omission of substantial cost savings in the health care system.

*Findings.* Overall, then, there was a lack of awareness of the potential to further project objectives through analysis of gender differences in project participation and impact. Opportunities were missed for the development of microenterprises by women in the Private Sector Development Project, greater liberalization of the labor market by removing constraints to women's labor mobility in the Employment Services Project, and establishment of more cost-effective health services by promoting contraception in place of abortion.

#### **Instruments of Bank assistance for systemic and institutional transformation and social amelioration**

##### *Structural Adjustment Loan—strong, early support for Poland's reform program*

*Why.* One of the earliest and more visible forms of Bank support for Poland's Economic Transformation Program was the \$300 million Structural Adjustment Loan approved in July 1990. It was put together quickly, taking advantage of the window of opportunity offered by the unique political situation, which gave strong support for the radical transformation of the economy. The loan's main objective was to bolster the ETP by demonstrating the Bank's belief in the program's technical soundness and viability and by providing foreign exchange to boost the country's foreign reserves and add credibility to the stabilization program. Detailed objectives for the financial system, state-owned enterprises, social sectors, agriculture, and infrastructure were left to be tackled through future planned sectoral adjustment and investment loans. The SAL did, however, include some conditions on environmental policy, which helped bring environmental issues to the attention of the top economic authorities.

*What.* The president's report stated that the loan was not meant to finance a projected foreign reserves gap, but rather was to be added to Poland's foreign reserves to help the country through a time of great uncertainty regarding medium-term prospects. The Board accepted this approach, recognizing the need to restore the country's creditworthiness. Because the senior government officials acknowledged the importance of this operation, the SAL became the main vehicle for Bank-country dialogue on issues of systemic transformation and social policy.

Because the Polish authorities had made major progress in implementing parts of the reform program before Board presentation of the SAL, the loan carried no conditions for effectiveness. There were eight formally binding conditions for second-tranche release, but these were general and subject to sharper definition or interpretation at a future date. Some executive directors expressed serious concern about the lack of more precise conditionality on the speed of privatization and other structural reforms. Of particular significance was that no detailed conditionality regarding the macroeconomic framework was included in the loan agreement other than a general statement requiring satisfactory macroeconomic management. The government's Memorandum of Development Policy included an indicative medium-term macroeconomic framework and financing plan (consistent with the pre-existing IMF standby program). It was agreed that the Bank would monitor a list of parameters and indicators, but these were only indicative. The implicit understanding was that the Fund would monitor the macroeconomic conditionality, but there was no provision for monitoring in case the Fund program should cease to be active.

Although the Bank recognized that implementation of the planned institutional reforms would require intensive technical assistance, the loan included no resources for this purpose, in part because of government reluctance to accept loans for technical assistance on conventional terms. The Bank helped to arrange for \$180 million in concessionary financing for technical assistance from other sources.

The resident mission closely monitored economic developments. It reported monthly on the deteriorating fiscal situation, particularly when it became clear that the Fund program had gone off track in mid-1991. But the lack of precise conditionality made it difficult to press for corrective actions. Formal supervision missions from headquarters gave general good marks for implementation, although there were questions of interpretation regarding some conditionality.

Loan implementation was delayed by difficulties in complying with the Bank's disbursement procedures. It took 10 months from loan effectiveness to fully disburse the first tranche, even though there were no outstanding conditions. The Bank provided assistance to solve these procedural difficulties, but similar problems have persisted.

*Findings.* At loan closing, progress on planned institutional reforms was disappointing. Restructuring and privatizing of the larger state enterprises had stalled, largely because of insufficient support in Parliament. The mounting losses and arrears of the enterprises weakened the quality of banks' portfolios, pushing many of them into virtual bankruptcy and delaying planned reforms. Institutional weaknesses delayed adoption of good accounting and auditing standards, supervision practices, and prudential regulation. With the benefit of hindsight, it would seem that the Bank should have pressed more decisively for faster implementation of the main structural reforms while political support was still strong.

Despite the mixed results, the loan's specific objective of providing strong and early support to the ETP was clearly relevant to Poland's needs at that time.

*The Bank should have pressed more decisively for faster implementation of main structural reforms while political support was strong*

Although early expectations regarding economic growth and the pace of institutional reforms were not fulfilled, the loan was efficacious in providing the desired technical, moral, and financial support.

*Debt and Debt Service Reduction Loan—  
technical and financial assistance to improve Poland's creditworthiness*

*Why.* The London Club agreement of March 1994 was a critical step in restoring Poland's creditworthiness. The amount of debt relief provided by this agreement far exceeded the total value of disbursements on loans and grants from all sources during 1990–94. The Bank assisted Poland in arriving at this agreement with advice and technical assistance, with advice in its dealings with other donors, and with direct financial assistance.

*What.* A Bank loan for \$170 million was approved by the Board in October 1994. The IMF provided a similar amount of cofinancing. Two technical assistance projects financed by the Japanese Trust Fund and other technical assistance provided by the US Treasury enabled Poland to prepare and implement the operation. The Bank loan was fully disbursed within two months of approval.

The debt-relief operation aimed at assisting the Polish government in settling its arrears with commercial creditors and thus restoring Poland's full creditworthiness and access to international financial markets. To this end, the Bank provided additional finance by releasing set-aside funds from three ongoing adjustment loans: \$30 million from the Financial Institutions Development Loan, \$100 million from the Enterprise and Financial Sector Adjustment Loan, and \$100 million from the Agricultural Sector Adjustment Loan. These funds were used to reimburse the government for part of the debt buyback costs incurred in implementing the London Club agreement. The Bank also granted a partial waiver of negative pledge clauses in the amount of \$623.4 million, to allow for the collateralization of newly issued Polish bonds.

*Findings.* Careful preparatory work by the government, with strong support from the Bank, Fund, and bilateral donors, resulted in smooth implementation of the operation. The government's determination to put together a sound financial program was facilitated by an earlier commitment to the Paris Club to seek debt relief from private creditors on terms comparable to those of the Paris Club and to comply with the conditionality of an ongoing IMF extended facility program. The operation resulted in debt reduction equivalent to \$8.6 billion, or 60 percent of total eligible debt—more than generally provided in such cases.

Poland's experience confirms earlier OED findings that debt-relief operations are more likely to succeed when they follow, rather than precede, successful stabilization and structural reform. The earlier commitment to the Paris Club to seek comparable terms from private creditors and to comply with IMF conditionality also contributed to the success of this operation.

*Labor market loan—modernization of Poland's unemployment services,  
despite serious implementation problems*

*Why.* The World Bank's major activity in Poland's labor market has been the Employment Promotion and Services Project, a \$100 million loan to improve the cost effectiveness of employment and social welfare programs; improve the occupational, sectoral, and geographic mobility of the labor force; increase the productivity of the labor force; promote investment; and test mechanisms

*Poland's  
experience  
confirms that  
debt-relief opera-  
tions are more  
likely to succeed  
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stabilization  
and structural  
reform*

for job creation for the unemployed through microenterprise development. The project had five components and was to be implemented by December 1996.

*What.* The project got off to a rocky start. Poles who worked on the project noted a lack of consensus regarding the project's direction. Results did not meet the borrower's or the Bank's expectations, and frustrations built up within the ministry. A Polish external assessment of the project led to public criticism of its low achievements, high preparation costs, and concerns about the high cost and questionable value of foreign consultants in the provision of technical assistance. The project was 18 months behind schedule by mid-1994; it was restructured and reduced in scope in December 1994. At the request of the Ministry of Labor and Social Policy, the loan amount was reduced to \$80 million and the closing date was extended to end-1997.

*Findings.* Much of the implementation problems could be attributed to changes in government, high turnover and inexperience of project management staff, and poor definition of roles and responsibilities within the Project Coordination Unit and between the Project Coordination Unit and technical units. However, the borrower has indicated that the Bank did not take into consideration at the beginning of the project the need to integrate Polish experts in the teams, and that it provided insufficient substantive advice to the government team.

Bank leadership in employment promotion was appreciated and even requested at different times during project development, but it was not translated into any systematic action to improve coordination among donors. An overall picture of all the donor resources available to the labor ministry was never put together, nor was there continuing monitoring of these resources to optimize their use. Bank efforts to lead donor assistance efforts in the social sectors and to coordinate support to the ministry were insufficient to permit more comprehensive understanding of the project and optimal utilization of external inputs. This situation was exacerbated by weak communication within and across ministries.

*The Bank overestimated the borrower's absorptive and managerial capacity and underestimated institutional weaknesses*

The Bank rushed to provide assistance to Poland following traditional Bank approaches to project preparation and implementation, but issues of participation, gender sensitivity, and project duration received little attention. The Bank overestimated the borrower's absorptive and managerial capacity and underestimated institutional weaknesses and the time required for learning Bank procedures. Greater use of the resident mission to provide assistance in identifying stakeholders, following up on key reform proposals, and offering a forum for policy dialogue might have improved project implementation. The project has now reached its final and most decisive stage. Although it is too early to determine the project's contribution to its development objectives, the project certainly contributed to the creation and modernization of Poland's unemployment services system.<sup>2</sup>

*Health Services Development Project—  
attempting too much in too complex a manner*

*Why.* The objectives of the \$130 million Health Services Development Project were to improve the health status of the population through the introduction of health promotion and primary health care services; to strengthen the social safety net (through capacity building in health policymaking, planning, management, and evaluation and access to improved information systems); and to contain rising budgetary costs (through decentralization in three pilot regions and better cost control).

*What.* The seven-year project had 4 components and 15 subcomponents. Generally, the Bank prepared the project in a traditional way: initial broad macroeco-

conomic analysis followed by individual sector work. This work laid a good foundation for project design and involved many Bank health sector specialists. Missing were Polish specialists and some public sector management specialists, who could have provided more insight into the realities of institutional and organizational culture in a formerly communist state.

*Findings.* From an implementation perspective, the project attempted too much in too complex a manner. It failed to adequately address institutional capacity or to explore alternative approaches. No piloting approach was considered, and sector and project work were combined. The Bank overestimated the leverage the project would provide as a financial incentive for reform, especially when considering annual government outlays.

The complexity and expectations of the project design posed extraordinary difficulties. The Poles were unfamiliar with the project concept and had little understanding of (or capacity in) the basics of Bank-financed project implementation. It took far more time than expected to mount, train, and operationalize project teams and support systems. These factors contributed significantly to a loss in project momentum, which was compounded by the transformation occurring within the ministries. What was needed instead of one large, complex project was a series of smaller projects, to provide greater flexibility and feedback in an environment undergoing such rapid and radical change.<sup>3</sup>

There were other institutional weaknesses as well. The project called for the establishment of coordinating committees, without considering whether they would have the political clout and money needed to implement priorities among competing voivodships (regional branches of the central administration) and to evaluate the activities. The project introduced a community nursing model that would require training of a new cadre of professionals, without a clear indication of how such training would be provided. The project also made no mention of the role of private practice.

The project was restructured in 1994. The implementation unit was strengthened and Polish specialists brought in. Implementation has improved following the restructuring. But it is too early to determine whether the project has met its development objectives. The project did get health promotion efforts started, introduced a family physicians program in primary health care, and promoted regionalization of health financing through the consortia approach. Before regionalization of health financing can be implemented, however, further reform and modernization of the Polish health system are required.

*Proposed Education Restructuring Project—  
a no-go, after long preparation, but the need for reform remains*

*Why.* Poland's high level of structural unemployment, reflecting a mismatch between skills demanded by employers and skills supplied by unemployed labor, is in part a reflection of the shortcomings of Poland's education and training system. Under communism, Poland's education system focused on the acquisition of narrow occupational skills, rather than on broad-based multidisciplinary programs to facilitate occupational mobility and the development of new fields of employment. In recent years only about 30 percent of secondary school graduates have found work immediately after graduation.

The need for reform was identified as early as 1992 in two Bank reports (one a review of social sector expenditures and the other of investments in human capital). The reports recommended reallocating resources from secondary voca-

#### Box 2.1: GENDER DIFFERENTIALS DURING THE TRANSITION

Despite the socialist rhetoric about sexual equality, men and women in Poland began the transition from very different positions in the areas of health, work, income, leisure, and political participation. As a result, their experience of the transition differed considerably.

In the labor market, despite employment rates of 57 percent for women age 15 and above, women were not in a position that facilitated their absorption in the market economy. In 1990, there were 18 women per 100 men in administrative and managerial positions. Women were concentrated in female-dominated sectors with lower pay and in the so-called nonproductive sphere, the service sector. Except in agriculture, women were also more likely to be employed in the state sector than were men.

Women's position in the *labor market* reflected their heavy responsibilities outside the labor market. According to 1984 data, women spent an average of 30.5 hours a week on housework, in addition to their paid work; men spent just 7.7 hours. As a result, despite women's shorter hours of paid work, their total work week was 8 hours longer than men's (United Nations 1995). During the transition, female unemployment reached 130 percent of the male unemployment rate in 1993 (US Bureau of the Census 1995). This was exacerbated by limited opportunities for women's reemployment. Women's position in the labor market was further weakened by the decline in child-care services. Twenty percent of all kindergartens closed between 1990 and 1992, and fees increased to 20 percent of the average monthly wage (World Bank 1994).

In *health*, however, men were at a considerable disadvantage, with life expectancies 8.5 years lower than for women, a larger differential than would be expected. In part, this reflected high male death rates from diseases of the circulatory system.

Women's *reproductive health* conditions underwent a dramatic change after January 1993, following legislation severely restricting abortion, previously a major form of birth control. Registered abortions dropped from 11,640 in 1992 to 777 in 1993 (David and Titkow 1994).

Concomitant with their weakening economic and health position, women saw significant reductions in *political participation* in the initial years of the transition, despite one government headed by a woman. The percentage of women in the legislature declined from 20 percent in 1987 to 13 percent in 1994, while the number of women in ministerial positions increased from 3.4 to 6.7 percent.

tional education to secondary general and broad-based technical education. Secondary education was seen as the linchpin to the successful restructuring of the whole sector. Both reports emphasized the significant impacts of education and training on economic growth, fiscal expenditures, political stability, and Poland's ability to complete its transformation.

*What.* On the basis of these reports, a \$127 million Education Restructuring Project was prepared for presentation to the Board in mid-1993. The project fit well with the Bank's country assistance strategy for 1993, which placed strong support for social sector reforms among its priorities. The proposed project

aimed at increasing the relevance of the system of secondary and post-secondary schooling by producing graduates with broader-based skills tailored to the needs of Poland's changing economy. The project would also improve the management and cost effectiveness of the overall education system by strengthening the effectiveness and efficiency of the Ministry of Education.

After long preparation, the government decided not to go ahead with loan negotiations, dropping the project in mid-1995 after the green cover president's memorandum had been produced. Following a change in government, the Ministry of Education was no longer as interested in the project. Also, the Ministry of Health and the Ministry of Labor had expressed some dissatisfaction with their experience with earlier Bank loans in social sectors. The government was also reluctant to accept conventional loans for social sectors, expecting to get concessionary financing elsewhere.

*Findings.* Though the project itself did not work out, its strategies and the policies it supported are still relevant to Poland's education and training reform needs. Poland's current system threatens to impede economic growth and exacerbate unemployment. Development gains that might have been realized had Poland begun its education sector reforms earlier have been forgone, and a significant cost has been incurred to maintain an inappropriate education system. The proposed project is well designed, although it is being superseded by the Ministry of Education's own sector reform program, produced at the request of the Sejm and presented on National Education Day in October 1996. The proposal is in line with the Bank's Education Restructuring Project proposals in emphasizing general education, but it also addresses tertiary education reforms. Its overall goal is to increase the number of secondary and university graduates and to bring Poland's education up to European standards by 2010–2015. The financing plan for the reform package has not yet been announced, but the government has indicated that it may consider non-budgetary sources of finance.

If the Bank proposes to continue with the Education Restructuring Project, it must consider how it will fit with the government's own sector reform package. It might be useful to present the government with arguments on the advantages of borrowing from the Bank, compared with financing the reforms through its own budget or through bilateral sources. Just this year the Ministry of Education proposed financing the sector reforms proposed by the Bank through its own budget, even though the ministry has been unable even to finance the operation of existing schools under its jurisdiction. Financing sector reforms through bilateral sources would likely involve a large number of relatively small donor contributions. While this option might cost the government less, it might imply significant coordination and ownership problems. Again, the risk would be that the reforms might not be implemented effectively.

The Bank and Poland were preoccupied with macroeconomic reforms in the first few years of Bank lending to Poland, to the detriment of some social sectors. The Bank could have done more to encourage the government of Poland to take earlier action on education by giving a higher profile to the restructuring of education for economic growth, employment, and harmony with EU standards. If the Bank decides not to pursue the Education Restructuring Project, it may yet have a role to play in advising Poland on implementation of its education reform program. The Bank might also play an important role by prodding Poland to implement its proposed sector reforms as soon as possible, pointing out the opportunity costs incurred by staying with an outdated education and training system.

*The Bank could have done more to encourage the government to take earlier action on education*

## Notes

1. The private sector assessment of January 19, 1993, contains a description of the 1990-91 experience with collateral law reform that is consistent with the above description. It also makes the point that there was also something of a growing xenophobic reaction, with the senior Polish bar showing an increasing resistance to foreign bankers, lawyers, and experts telling Poland what laws to enact. No important piece of legislation, it seemed, that had not been prepared mainly by Polish law professors personally known to members of the commissions, would be adopted in Poland.
2. The Ministry of Labor and Social Policy expressed dissatisfaction with the Bank's underutilization of local expertise. According to the ministry, the usefulness of foreign consultants was often limited by their lack of understanding of the Polish situation and the high cost of these experts compared with local ones. The quality of advice would have been better had consulting teams consisted of a greater number of local specialists. The ministry also noted that while the project was of some importance, it was one among many government actions in this area, and so its importance should not be overstated.
3. The Ministry of Health and Social Welfare expressed dissatisfaction at the irregularity of Bank communications, which suggested to them wavering Bank commitment to the project. The ministry provided the example of when the loan was reduced from \$130 million to \$100 million, but rescheduling took one year to arrive from Washington, in spite of seven letters from the Polish party and the Bank's commitment to send it in several days. While communications with the resident mission have improved following the appointment of a liaison officer, the mission still lacks the authority to act as anything but a transmitter of information. The ministry believes that if the Bank could provide a continuous counterpart in the Bank and if the resident mission were empowered with greater decisionmaking authority, project implementation could improve significantly.

### 3. Private sector and infrastructure development

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In terms of resource allocation, the largest part of the Bank's country assistance efforts in Poland went to facilitating the expansion of the private sector and helping Poland build a physical infrastructure capable of accommodating the growth of a market economy that is fully integrated internally and with the rest of the world. To these ends, the Bank's strategy evolved from initial support to state enterprises (before the start of Bank lending) to promoting the participation of the private sector in agriculture, industry, housing, and the financial sector. The International Finance Corporation had similar objectives in its own operations. The Bank's strategy also called for conventional and hybrid projects to rebuild and restructure the main infrastructure sectors, particularly transport, energy, and telecommunications. Poland's severe environmental problems were addressed through a small free-standing loan and specific conditionality in the Structural Adjustment Loan and various investment loans. The Bank's efforts to carry out its assistance strategy were repeatedly frustrated by the frequent changes in government and by the resulting ups and downs in official support for the reforms.

#### Instruments of Bank assistance for private sector development

As explained in Chapter 2, the SAL became the focal point for dialogue on most of the broad issues of adjustment. More detailed sectoral and institutional questions were addressed through numerous other loans. This section is devoted to a selected review of the principal instruments of the Bank's assistance for private sector development.

Coalitions have come and gone, but the main outline of Poland's private sector development policy has remained consistent since 1989. A booming private sector has continued to grow—despite the absence of many of the conventional “preconditions” for private sector expansion—with output increasing in some sectors and falling in others. To the surprise of many, most private sector development has been driven by the creation of new enterprises and not by the privatization and restructuring of large state-owned enterprises. Burdened by their old operational procedures, lack of marketing experience, heavy debt, and outdated technology, privatized and restructured state enterprises have generally lacked the dynamism needed to compete in new markets. The private sector is flourishing despite the absence of a fully evolved legal and institutional framework for the private sector. It is developing beyond small-scale street traders, with the emergence of organized businesses with wide distribution networks.

*Enterprise restructuring and privatization—falling far short of expectations, despite helpful technical assistance*

*Why.* The Bank's major contribution to the emergence of Poland's market economy has been its support of macroeconomic reforms and liberalization of prices

*The structural adjustment loan became the focal point for dialogue on most broad adjustment issues*

and international trade. The Bank's strategy was also to play a major role in promoting the restructuring and privatization of state-owned enterprises. The 1991 Private Enterprise Development Project was designed to support the development of new businesses, which was at the center of the government's economic transformation program, and to build support services for private enterprise development. To complement the Private Enterprise Development Project and to support Poland's efforts to develop and implement an enterprise privatization program, the Bank also prepared a Privatization and Restructuring Project. It was designed to implement an effective enterprise privatization program and to support restructuring across a broad range of industries by assisting with the establishment and strengthening of the institutional framework for privatization; providing finance in ways that would mobilize additional resources in support of the government's objective of privatizing half the state-owned assets within three years; and providing finance for enterprise restructuring programs, where warranted.

*What.* In 1991 the Bank formulated the \$60 million Private Enterprise Development Project, with \$58 million for investment financing and \$2 million for institution building. The investment financing component was intended to be onlent by the Polish Development Bank (PDB) to participating banks and then to enterprises at market interest rates to support the creation of new private businesses. In addition to providing investment financing for private enterprises, an institutional strengthening component targeted improvements in the Office of the Undersecretary for Business Promotion, the Project Support Unit of the Cooperation Fund, and local business promotion agencies. The complementary Privatization and Restructuring Project included a policy component (\$75 million) to support implementation of the necessary policy and institutional conditions to facilitate enterprise transformation and privatization. Up to \$50 million of this component was proposed to be used for the Debt and Debt Service Reduction operation. A second technical assistance component (\$65 million) was designed to support the key agencies involved in the privatization and restructuring process. An investment component (\$140 million) for privatization and restructuring was to be channeled through the PDB and eligible banks to finance the direct foreign exchange investment costs, including physical improvements to production facilities, permanent working capital, interest during construction, licenses or other types of technology transfer, as well as software, technical assistance, and training at the enterprise level.

*Findings.* At the time the Private Enterprise Development Project was conceived in 1991, Poland was very short of foreign exchange and of funds for medium-term instrument lending. By the time of project implementation in 1993, however, other sources of funds had become available. The apex lender PDB was not well suited to its task under the project, and very little of the loan was disbursed. Meanwhile the objectives of the project were being supported by other donors, who provided grant support for business training and start-up centers. Bank efforts were not well coordinated with those of other donors, but there was little opportunity for the Bank to take the lead in coordination since its loan funds did not disburse and its technical assistance funds were not utilized. Thus despite good economic analysis, the project accomplished little.

Implementation of the Privatization and Restructuring Project suffered as well. It was hurt by the frequent changes in government and the consequent wavering in official support for privatization. The credit component was compromised by the same factors that affected other Bank credit line operations in Poland, including overoptimistic projections of demand for credit, competition from other credit sources, weak domestic banking institutions, and reluctance to

### BOX 3.1: POLISH ENTERPRISE BEHAVIOR STUDY, 1991–92

How would state enterprises respond to the reforms introduced as part of Poland's "big bang" in January 1990? This crucial question arose soon after the start of transition because of the enterprise sector's dominance in output, exports, employment and tax revenues. But enterprise behavior remained a black box, with most contemporary studies confined to macroeconomic issues. A Bank study was therefore designed to examine the behavior of 75 large state enterprises drawn from five different sectors all over Poland. The goal was to answer topical questions, such as, were state enterprises merely decapitalizing assets or restructuring; were banks extending "soft" loans; was the excess wage tax working; would inability or unwillingness of state enterprise managers to adapt lead to a collapse of industry, thereby sabotaging reforms. These questions were formulated jointly with Professor Stan Wellisz, Adviser to Mr. Leszek Balcerowicz, then Deputy Prime Minister and Minister of Finance. Mr. Balcerowicz signed letters of introduction to the enterprise managers, expressing his interest in the policy implications and assuring them of confidentiality. The study was done jointly with two Polish economists, professors Marek Belka and Stefan Krajewski of Lodz University, with the task managed by staff of the resident mission. It involved two rounds of visits to the sample enterprises, one 18 months after the onset of reform and the second a year later.

Prevailing opinion in 1990–91 held that state enterprise managers were incapable of restructuring and were likely to destroy their companies. However, little evidence was found to support this view. On the contrary, spurred by hard budgets and competition, managers were responding positively even though privatization had not yet occurred. The results showed managers attempting to restructure their companies through labor force reduction, divestment of unnecessary assets and attempts at enhancing efficiency in existing operations while attempting to repackage their products and find new markets. Not all managers met with success, and many companies were making losses; but everyone was trying. In addition to the discipline of hard budgets and competition, this unexpectedly positive behavior was attributed to managers' concerns for their own reputations. Managers were using restructuring as an opportunity to signal their own ability to operate successfully in a market environment. Lastly, they expected to be rewarded when privatization occurred, which they believed would happen sooner or later, underlining the importance of a credible privatization program.

*Source:* Brookings Institute 1993.

comply with cumbersome Bank procedures. The technical assistance component of the loan did, however, help solve complex privatization issues, despite original concerns that this component was too large. Still, overall the project stagnated and fell far short of achieving its objectives. After many delays and false starts, however, the government recently launched a Mass Privatization Program, and the Bank's efforts to support privatization may begin to pay off.

#### *Financial sector assistance—a major role in transforming the financial sector*

*Why.* The dual objectives of the World Bank strategy for financial sector assistance in Poland were (1) removal of the major policy constraints and development of the institutions required for financial intermediation in a market-based system,

and (2) use of the banks as a major vehicle to help bring about the restructuring, privatization, and consolidation of the large network of state-owned enterprises. An ultimate objective was to stimulate sustained growth based on a dynamic private sector and to speed Poland's economic transformation. The reforms and interventions under the Financial Institutions Development Loan and the Enterprise and Financial Sector Adjustment Loan were ambitious in scope. The program focused on three main areas: modernization of the financial system (FIDL and EFSAL), and enterprise restructuring and privatization (EFSAL).

*What.* *Modernization of the financial system* through FIDL focused on revision of banking legislation, strengthening of bank supervision, development of deposit insurance and mechanisms to deal with insolvent banks, and the introduction of a collateral law. EFSAL focused on development of the National Bank of Poland's (NBP) supervision capabilities. FIDL conditionality entailed removing subsidies on lending rates (mainly in agricultural and housing credits) and reducing directed credit and NBP refinancing.

Twinning arrangements between seven Polish and seven foreign banks—focused on institutional strengthening and privatization of banks (FIDL and EFSAL)—were the core of commercial banking *institutional strengthening*. Moreover, to prepare banks for privatization, a major recapitalization was carried out under the bank-led enterprise restructuring program. The recapitalization and *privatization of the nine commercial banks* represented another important area where the World Bank played a major role, especially in providing a general framework for donor assistance. The Bank coordinated these activities with the US Treasury, which has been the main actor in setting up the Bank Privatization Fund, an offshoot of the stabilization fund established by the G24 to prop up the zloty against speculation upon its convertibility. Once the zloty was stabilized, most of the participating countries agreed to redirect about \$500 million from the stabilization fund to the recapitalization of banks under the EFSAL program. To be eligible, banks were to be privatized before the end of 1996. However, to implement the program in accordance with its original design, the remaining five banks would have to be privatized by the end of 1996; it is now evident that this was not feasible. Bank privatization turned out to be far more complex than expected. Finding strategic investors was difficult, and the absorption capacity of capital markets was grossly overestimated. In October 1996 the Polish authorities adopted a new blueprint for consolidation and privatization of the banking sector for the coming years, to replace the 1991 program. Thus, the original Memorandum of Understanding between Poland and donors is likely to be modified in the near future.

*Enterprise restructuring and privatization* were tackled through innovative legislation designed to change the incentives and governance framework of enterprises and banks in order to promote debt resolution, privatization, and restructuring. Banks were expected to play a leading role in enterprise restructuring through out-of-court conciliation, and enterprises were provided with new opportunities to succeed in a market environment following their reorganization. The government and the World Bank agreed that for special key or sensitive enterprises, restructuring or liquidation could be too disruptive and politically costly to be feasible. Under the Intervention Decree, the government would assume new responsibilities for certain large state-owned enterprises to mitigate the consequences of reorganization and downsizing. For these difficult cases, the EFSAL supported specific annual budgetary allocations to finance restructuring or to cushion the impact of liquidation.

*Findings.* Preparation, design, and implementation of the loans have generally been positive, except for bank privatization.<sup>1</sup> The resident mission played a cru-

cial role in launching the reform program, in giving the Bank credibility and visibility, and in coordinating the Bank's program with other donors. The innovative programs designed and implemented under the two loans contributed to the rapid recovery and transformation of the Polish economy. The bank twinning arrangements and the decentralized approach to dealing with banks' bad loans were pathbreaking innovations that were later applied in other countries. The development of bank supervision capabilities progressed successfully as well, although upgrading took longer than expected.

There were some problems in preparation and implementation as well. For FIDL the lack of adequate protection for lenders has held back the development of safer intermediation services. Twinning arrangements could have been improved by increasing the involvement of the domestic banks, providing more information about the Polish environment for the foreign banks, and paying more attention to potential conflicts of interests between partners. There were also some procurement problems, and Polish banks made only limited use of FIDL funds. Overall, World Bank supervision has been considered insufficient too.

EFSAL suffered from the long delay between preparation and implementation and from political instability. Though the bank-led enterprise restructuring program seems to have been largely successful, uncertainty remains about the outcome of restructuring through the conciliation agreements. It is not clear whether enterprises have moved to a healthy and viable path or whether problems have merely been postponed. The recent operation of the Intervention Fund is also cause for concern. Some of the initiatives financed by International Development Agency funds at very low interest rates seem outside the spirit of the EFSAL, which was intended to deal with some well-defined and time-bound special exceptions. These concerns were heightened by the government's request (formulated in June 1996) to cancel the third tranche of the EFSAL, thus preventing the Bank from reviewing the operations of the Intervention Fund. The burden of enterprise financing could become a heavy drain on the government budget while distorting the functioning of credit markets and conflicting with the general approach of the reform program. Some of these problems might have been prevented had there been more economic and sector work on the financial sector and a better understanding of rapidly changing conditions.

Despite these implementation problems, the Bank's strategy produced many positive outcomes. World Bank support lent credibility to some Polish initiatives and strengthened many projects. The structure of Poland's banking sector is suitable for a modern market economy. An independent central bank has responsibility for monetary policy, and a professional bank supervision department has been developed. Some banks have been privatized, capital adequacy ratios of participating commercial banks exceed international standards, problem loans are fully provisioned, workouts have been actively pursued, and most of management is considered progressive and market oriented. Foreign banks have entered the Polish market, fostering competition for good corporate clients, and the banking sector seems relatively efficient and profitable. Interest rate spreads are drastically smaller, and the menu and quality of financial services have improved significantly. The FIDL and EFSAL have helped banks improve key banking skills. But the privatization of most banks has not proceeded in line with earlier plans.

On the enterprise side it is too early to assess the final results of the restructuring program. On the positive side are the success of bank influence on enterprise governance, incentives for avoiding the unloading of debts on the government, and resolution of conflicts between creditors without triggering unnecessary

*The twinning arrangements and decentralized approach to dealing with bad loans were pathbreaking innovations*

liquidation. But the pace of enterprise restructuring and privatization is much slower than expected. If privatization were to continue at the rate of recent years, it would take another 10 years to complete the privatization of state-owned enterprises. These delays and some lack of transparency in financial sector support for enterprises make it necessary to hold off on assessing the outcome of the Bank's efforts.

*Agriculture—a successful blueprint for reform, but some misses as well*

*Why.* Prior to 1990, the Bank did not have a clearly articulated strategy for assisting Polish agriculture. The stated goal of agricultural lending was to improve the efficiency of the agricultural system by alleviating constraints to agroprocessing and agricultural exports. The Bank conducted an Agricultural Trade Study and Agricultural Sector Study, prepared an Agro-industrial Export Development Project, and initiated preparation of an Agricultural Development Project. But since the Bank was not really prepared for lending under the prevailing political and economic conditions, its efforts were inconsistent, leading to strained relations with the government. Unable to proceed with lending before a specific economic stabilization program was in place, the Bank appeared ineffective and inefficient in its use of resources.

Following the political and economic reforms in 1989–90, the Bank's agricultural strategy aimed at supporting the transition to a market-based system. This new strategy was fully consistent with the Bank's overall assistance strategy and with the objectives of the government. The Agricultural Strategy for Poland, prepared by a joint Polish-EC-World Bank Task Force, became the basis for the government's Medium-Term Sector Adjustment Program and provided a framework of priorities for much of the bilateral assistance to agriculture in Poland.

*What.* Following preparation of the agricultural strategy, the Bank's assistance program for this sector included a review of the livestock sector, of market logistics, and of the rural financial sector, a land policy study, and about a dozen informal sectoral analyses. These studies provided useful, if expensive, inputs to the decisionmaking process by the Polish authorities. They were of mixed effectiveness in terms of the adoption of proposed recommendations and the generation of projects for Bank support.

In the push by major shareholders of the Bank for immediate and accelerated lending to Poland after 1990, however, the Agro-industrial Export Development Project and the Agricultural Development Project, operations that had been prepared for pre-reform conditions, were hurriedly readied and approved by the Board. The objectives of these two projects—to provide lines of credit to agroindustries and farms—were consistent with the post-reform strategy, but their design did not conform to the new economic environment. By contrast, the Agricultural Sector Adjustment Loan, prepared immediately after completion of the Agricultural Strategy for Poland, embraced almost the full range of policy elements needed for the transition of agriculture. The ASAL supported systemic changes in agriculture in accordance with the Bank's sectoral and overall assistance strategy. The loan was followed by the Forest Development Support Project, which, although focused on increasing the efficiency of a socially, economically, and environmentally important sector, is only indirectly related to the sectoral strategy mapped out in the Agricultural Strategy for Poland.

*Findings.* OED has reviewed only one implementation completion report for an agricultural project—the Agro-industries Exports Development Project. The

### BOX 3.2: AGRICULTURAL TASK FORCE—A VEHICLE FOR PROVIDING NONLENDING SERVICES

Following the political and economic reforms of 1989, the Bank's Regional management and the government decided in April 1990 to establish three task forces to prepare reform strategies for agriculture, infrastructure, and health. While planning, fieldwork, and responsibility for the Agricultural Task Force proceeded with extraordinary speed, the infrastructure and health task force exercises were much less dynamic.

The Agricultural Task Force was planned and implemented as a joint understanding between the government of Poland, the Bank, and the EU. The chairman was the Undersecretary of State in the Ministry of Agriculture and the task force leader was the Senior Operations Advisor in the Regional Vice President's office. Of the 57 professionals, 14 were Bank staff, 34 were Polish professionals, and 9 were consultants. After a preparatory mission in April 1990, the task force started its fieldwork on May 28, 1990, and submitted its report, "An Agricultural Strategy for Poland," to the Ministry of Agriculture in July 1990. The ministry submitted the report to the Council of Ministers for deliberation. Its recommendations then became the basis for the government's Medium-Term Sector Adjustment Program. The cost of the exercise is estimated at \$1 million, of which about 90 percent was covered by the Bank and the EU in equal shares and the remaining 10 percent by the government.

Factors underlying the success include:

- Conducting the exercise as a joint undertaking with intensive participation of Polish individuals and institutions and with the EU as an important donor helped build consensus and led to a widespread understanding of and identification with the proposed strategy and its adoption in the form of the Medium-Term Sector Adjustment Program. It also helped pave the way for extensive EU assistance to Polish agriculture and cofinancing of future Bank-supported operations.
- The personal involvement of the Regional Vice President and the Minister of Agriculture gave the exercise authority and prominence in the Bank and in Poland, which freed it of bureaucratic and administrative constraints in implementing, staffing, financing, and disseminating of recommendations.
- Using a task force approach with management outside of the sector operations division prevented the task from getting lost among competing divisional work program priorities, eliminated an unwanted focus on project generation in the strategy work, and freed the task force of administrative and financial demands and restrictions that the operations divisions have to contend with.

Source: World Bank data.

project's outcome was rated unsatisfactory by the Region. In fact, both the credit-line projects were ill-suited to the post-1989 situation, and only half the aggregate loan amounts had been disbursed by loan closing. The projects were unable to cope with an environment of monetary instability, the financial difficulties of enterprises and their loss of traditional markets, and the absence of a functioning system of financial intermediation. The appropriate remedy would have been a drastic restructuring of the projects to reduce their credit components and strengthen their institution-building components. For the ASAL and the forestry

*The projects were unable to cope with an environment of monetary instability, financial objectives, and lack of financial intermediation system*

project, however, implementation has been good. The government pursued the action program agreed to in ASAL credibly and with good, though uneven success. Bank supervision and implementation assistance was much above the Bank's average supervision intensity, but "hands on" field supervision was still not enough to allow this project to be used as a vehicle for dealing with unfinished policy issues. Implementation of the technically oriented forestry project has reflected full ownership of the project by the implementing entities.

The resident mission greatly facilitated project preparation and supervision by providing logistical support, following up on pending issues, supervising consultants, providing clarifications and assistance to implementing agencies, organizing training seminars, and performing other activities. However, there was some sentiment in Poland that the resident mission did not have sufficient decisionmaking authority to quickly resolve operational matters. Having an agricultural project officer with full supervision authority stationed in Warsaw between 1991 and 1995, especially during the ASAL implementation period, might have helped resolve some of these issues.

While substantial progress has been made in adjusting the agricultural policy framework, much institution building remains to be done, and key productive subsectors of agriculture (small private farms and state farms) need restructuring if agriculture is to become a source of growth. The early, almost exclusive priority given to supporting agro-industries delayed efforts to address the serious issues of the state-farm and the small-farm sector and of much-needed agricultural services.<sup>2</sup> The Bank's most valuable contribution at this time may have been its expertise in conceptualizing solutions. It spent considerable resources and made proposals for addressing state-farm restructuring and the problems of the rural financial system and agricultural marketing. Except in agricultural marketing, the government has shown no interest in Bank support, mainly because it expects to have access to less expensive resources through its affiliation with the EU. The Bank's role in agriculture may thus be limited to an occasional, heavily cofinanced project.

#### *Housing—too much too soon?*

*Why.* In February 1990 the newly elected Solidarity government asked the World Bank President to expedite assistance for housing and agriculture. The Bank established a joint task force on housing policy reform, which culminated in project preparation discussions with the architects of the Polish reform program and rapid agreement on a \$200 million housing loan in June 1992. The loan would be cofinanced by the European Bank for Reconstruction and Development and USAID.

The Housing Project built on extensive work on housing undertaken for the first country economic memorandum in 1986 and the work of the joint Poland-Bank task force. It was supported by technical assistance from USAID and a grant for project preparation from the government of Japan. It was the first of a number of housing loans made to reforming socialist economies. However, the project was in two respects more ambitious than the housing projects pursued in other reforming economies. First, the project attempted to support the government's movement away from heavily subsidized housing production to a market-based system that eliminated subsidies for new housing. The goal was to subsidize the most needy rather than the purchasers of new homes, who tend to be middle- and upper-income families. Second, it attempted to replace existing subsidies with finance, with the finance modeled on a successful series of housing finance projects in Mexico.

*What.* The project consisted of two lines of credit that were intended to provide mortgages for households seeking to buy property (27,000 loans) and loans for housing construction companies (15,000 dwelling units). To get the credit to the intended recipients, a financial system for housing lending was to be established. A network of financial institutions would onlend funds from an apex lender (BudBank), which would also show the banks how to market and administer housing loans. Implementation would be supported by a housing finance project office, a group of consultants reporting to the Ministry of Spatial Economy and Construction, staffed largely by Polish specialists. An operational manual would specify the eligibility criteria that the onlending institutions were to follow. The guidelines would ensure that credits went to appropriate recipients and would help financial institutions learn how to conduct credit risk analysis. Important legal reforms were also needed to liberalize housing finance and construction markets. In addition to the Bank's \$200 million loan, project-related technical assistance to the apex bank (BudBank) and the onlending financial institutions would be funded through grants amounting to \$10 million.

At the beginning of reform, despite large subsidies, housing conditions in Poland were among the worst in the 12 Eastern and Central European economies in transition. By 1994 housing investment in Poland was even worse, having fallen more sharply than in the other countries of the region. Although Poland was one of the first reformers to restore economic growth, the level of housing investment in 1994—the third year of positive growth—was probably not enough to prevent the stock of housing capital from contracting. Yet the Bank-financed housing project was unable to disburse funds, much less catalyze other resources, for investments in a sector that almost certainly had high long-run economic rates of return. At the time of the country strategy implementation review in June 1996, only \$1.5 million of the loan had been disbursed (an amount less than the commitment fees paid on the loan). The Polish government requested that all but \$20 million of the loan be canceled (there had been a previous cancellation from \$200 million to \$50 million). Poland also informed the Bank that it is no longer interested in other loans earmarked for the housing sector.

*Findings.* From a loan disbursement perspective, this project clearly did not work. Yet in some ways this result is not surprising. In an economy undergoing major restructuring of production and ownership rights, and simultaneously experiencing a severe recession, it is reasonable to expect housing investment to contract sharply—all the more so considering that housing was one of the most highly subsidized and publicly controlled goods under central planning. The project had quite ambitiously sought to eliminate all housing subsidies for new housing production, and replace them with a mortgage instrument that through indexation of repayments to inflation would eliminate the need for subsidies. In such a disrupted environment the project may have tried to do too much too soon.

However, there is also another explanation as to why the project did not disburse—the withdrawal of government commitment to the project. By the time of project initiation the designers of the program—those seeking to improve subsidy targeting and reducing the government role in those parts of the economy where the private sector was demonstrably more efficient—had left the government. After these interlocutors left the government, the new authorities were reluctant to embrace the project's most basic concept: replacing subsidies for new construction with housing finance. Nevertheless, throughout the project the publicly owned National Savings Bank (PKOBP) supported a line of credit with terms similar to those of the project, with slightly higher interest rates but lower monthly repayments. A highly liquid bank with direct access to budgetary support, PKOBP relied on its own funds to finance its housing portfolio,

*In such a disruptive environment, the housing project may have tried to do too much too soon*

### Box 3.3: IFC COUNTRY STRATEGY IN POLAND

As the Polish economy underwent a remarkably rapid transformation to a more liberal, market-oriented environment, the activities of the International Finance Corporation changed accordingly. The IFC's initial activities in Poland focused on advisory work, providing general advice on establishing the framework for privatization, on legislative and institutional aspects of the program, on the design of multitrack privatization, and on the selection of candidate enterprises for early privatization. The IFC also successfully handled some major privatization transactions—the furniture company, Swarzedz, the first underwritten public offering and listing on the Warsaw Stock Exchange—and implemented the first and probably the most successful sectoral privatization program, with sales to a variety of strategic investors. The IFC collaborated with local consultants in both these transactions, helping to develop local expertise. However, while IFC support undoubtedly helped improve the efficiency of privatization and demonstrated a variety of techniques, the overall pace of transformation has remained slow, due to external political reasons.

In cooperation with the Bank, the IFC developed a bank twinning exercise, arranging foreign technical and institutional partners for seven Polish banks, following the split-up of the National Bank of Poland. The program which was subsequently adopted by the World Bank was generally regarded as highly successful. The arrangement led to the development of closer commercial relationships and in some cases to foreign partners taking equity stakes in twinned banks.

The IFC also established and managed the Polish Business Advisory Service (PBAS), to provide consultancy services to small- and medium-size enterprises that would be unable to afford them on a fully commercial basis. Services ranged from preparation of detailed business plans to help in accessing financing sources and practical studies on marketing, information on management, or technical certification. With funding of nearly \$15 million from a variety of bilateral and multilateral sources, PBAS completed 185 projects over its five-year life, which generated or saved about 3,000 jobs and were associated with an estimated 10 percent of investment in small- and medium-size businesses. The program relied on concessional finance, however, so it was not feasible to privatize the facility once funding ceased. Part of its functions (the consultant training program, PBAN) was taken over by the Small and Medium Enterprise Foundation, a Polish government agency. Other capabilities developed at the advisory service have been dispersed to the private sector through its staff, which joined other consulting or financing organizations when the facility closed in 1996.

With the exception of the advisory services provided by PBAS, the International Finance Corporation's efforts to support the growth of small- and medium-size enterprises have been only partially successful. The IFC and other investment finance institutions have had little success with using banks as intermediaries to channel funds to small enterprises. Banks are unwilling to take the risk of lending to relatively new companies (none with a track record dating to before 1990) or to take on the administrative cost of making relatively small loans. Two locally based venture capital funds in which the IFC has

*The IFC has had little success in using banks as intermediaries to channel funds to small enterprises*

competing directly with the project. In such a context, it was difficult for the project funds to disburse. At the same time, little progress was made on establishing the property rights required for a private housing market. When the "owners" of the housing stock are reluctant to operate in a way that maximizes the return to the capital, it is difficult for finance to be used effectively.

*(Box 3.3 continued)*

invested have committed to a number of promising investments, but the amounts are quite small, and the funds tend not to cater to smaller or purely local companies. It is difficult for most projects to meet the criteria of high projected return, minimum size, and management with a track record of success. Nevertheless, private equity investment funds are likely to become more important as local companies mature.

Providing small companies with access to financing on reasonable terms remains a major issue. The IFC is considering an investment in a specialist bank in Gdansk and a regional investment company in Lodz. In view of experience elsewhere showing that leasing is well suited to financing, the IFC is reviewing a number of prospects, including a facility to finance the leasing arms of a group of local banks as well as joint-ventures with several foreign partners. However, development of the leasing sector in Poland has been frustrated by the lack of specific legislation and by legal uncertainties.

Over the period, the IFC also approved commitments of \$445 million on 24 large projects involving foreign partners, mostly on projects based on privatizations. These included a hotel, the first new office development in Warsaw, two paper projects, a float glass plant, a specialty steel company, and a consortium bank. IFC's involvement was critical since there were very few sources of long-term finance available for major projects at the time—the London Club agreement had yet to be signed, foreign banks faced heavy provisioning requirements, local banks' services were very limited, and the political and economic environment still seemed unstable. The IFC's involvement and political risk umbrella were an important reassurance to foreign investors.

The situation changed radically, however, following the signing of the London Club agreement, Poland's membership in the OECD, and the economy's impressive performance. Multinationals can now raise project financing and corporate loans from both foreign and local banks. The biggest local firms are also well served. Serious legal and administrative problems still remain, however, because Poland's system of commercial law has evolved little since the 1930s. And more initiatives are needed to accelerate privatization and generate momentum in certain key privatizations, such as steel and infrastructure, which will require massive private capital to finance modernization and expansion needs.

The IFC has committed significant resources to move several smaller (\$100–150 million) infrastructure projects forward, especially in the power sector. However, developments on a broader scale will require far-reaching regulatory changes. Promoting these developments through policy dialogue with the government is among the Bank Group's most important tasks for supporting private-sector development over the medium and long term. In addition, IFC is focusing on capital market development, particularly widening the range of nonbank financial institutions and services.

*Source:* World Bank data.

One could also argue that the project did not disburse because the Bank refused to renegotiate the project as the Poles requested shortly after the change in government. But, to argue that the project had a basic design flaw or that the lack of disbursement is evidence that the project should have been renegotiated is contradicted by what occurred in the sector.<sup>3</sup> Now, five years after loan approval,

many of the aspirations of the project are in place: interest rate subsidies for new housing have been eliminated, and unsubsidized finance has developed. In short, a project that did not disburse because of an unwillingness on the Bank's part to provide subsidies for a good—new housing—that could not justify such subsidies, at least did no harm. The project may have also accelerated the development of sustainable finance.

### **Instruments of Bank assistance for infrastructure development**

This analysis of the effectiveness of Bank assistance to infrastructure projects in transport, energy, and telecommunications is mainly qualitative, focusing on the relation of sector developments to the economic and political transition in Poland and to the Bank's macroeconomic work. It is based on the understanding that efficient and responsive infrastructure services are essential to economic growth.

#### *Transport—moving ahead, but a need for better donor coordination*

*Why.* The Bank's involvement in the transport sector began with an economic mission in 1986, culminating in the 1987 country economic memorandum. A transport sector memorandum followed in April 1989 and provided a framework for discussions with Polish officials. Considering the economic and political uncertainty at the time, the memorandum was remarkably optimistic in presuming that Poland would continue to move toward greater market reliance, financial transparency and accountability, efficiency pricing, competition, and decentralization. According to the memorandum, the sector's main problems were closely linked to the efficient functioning of the economy itself: the scant attention to pricing, a pronounced vertical integration of enterprises, a high degree of centralization, the lack of an intermodal transport system, major needs for modernization of procedures, installations, and equipment, as well as uneconomic services, especially in railways. Recommendations for a more efficient transport system covered policies, institutional and regulatory concerns, and investment for modernization.

In the fall of 1988 the decision was made to accelerate preparation for the first lending operation in transport. Project identification and preparation were undertaken in close cooperation with the Ministry of Transport and Maritime Economy, the General Directorate of Public Roads, and the Polish State Railways (PKP). Prepared for the most part by the borrowers, the project was found ready for appraisal in May 1989. The Bank task manager in charge of the 1988 transport sector memorandum led the appraisal mission and remained project task manager throughout implementation.

*What.* The project addressed priority needs in the sector consistent with a strategy of improving the economy's ability to compete in international markets. Two loans were approved in May 1990, one for \$145 million for the state railways and one for \$8 million for highways and sector reform. Loan conditions addressed mainly sector policies and improved financial objectives and greater efficiency for PKP and major associated suppliers, including the elimination of uneconomic lines and stations.

*The Railways Project.* Implementation of the Railways Project was overshadowed by the collapse of railway system traffic as a result of the severe recession and sharp curtailment of trade with former COMECON, or Council of Mutual Economic Assistance, partners. Though the staff appraisal report had projected a long-term economic decline, it had anticipated little change in freight traffic lev-

els during this period. Freight traffic plummeted from 383 million tons in 1989 to 200 million tons in 1992. This dramatic change had two important positive results: PKP took the opportunity to reduce staffing from 435,000 (including affiliated enterprises) to about 240,000, and it accelerated the closing of uneconomic lines and stations called for in loan covenants.

On the negative side, the collapse in traffic made it much more difficult for PKP to achieve the financial viability objectives agreed to under the loan. PKP adjusted its tariffs periodically and succeeded in covering most costs in freight traffic. Passenger traffic continued to show a yearly loss of almost \$1 billion in 1991–95. The Bank agreed to a downward adjustment in the ratio of operating expenditure to operating revenue, which reduced the pressure on the state railways to adjust and required continuing large government subsidies. The new railway law of November 1995 introduced performance contracts between PKP and the government, which should allow closer scrutiny of PKP's performance.

The European Investment Bank (EIB) used the project as a vehicle for starting its own operational involvement in Poland, extending a loan of ECU 20 million to fund part of the Bank-assisted project. In 1993, the bank followed up with an ECU 200 million loan to modernize the Kunowice-Warszawa section of the E-20 line. Two years later, in December 1995, EIB continued with an ECU 40 million loan to modernize the Warsaw-Minsk Mazowiecki section of the Berlin-Moscow line. These loans were part of the European Union's efforts to integrate an improved Eastern European railway system into that of Western Europe. While there had been extensive discussions with the Bank on this project, the Bank was not persuaded that the project was justified and feared its effect on the state railway's finances.

*Findings.* Relations between the Bank and Polish State Railways improved over time, and cooperation has generally been excellent. At the beginning, lack of familiarity on both sides made for a slow start, despite initial high disbursements for a few urgent purchases. As a result of close collaboration, project investments were adapted to PKP's changing circumstances, and there have been no significant procurement problems. The most difficult lesson for the Bank, though not entirely unexpected in the light of its general experience with railways projects, has been the much larger dependence of PKP on government subsidies than had been projected. True, there were good reasons for this development (collapse in traffic), which led the Bank to accept a marked softening of the pertinent financial covenant. Thus, the results of the railways project, though reported to be satisfactory on the investment side and especially on the managerial handling of the critical labor issue, leave a large unfinished agenda for major future adjustments.

*The Roads Project.* As the post-1989 reforms took hold, there was a marked shift in traffic from railways to roads. Following preparation work done in Poland, a road project was ready for appraisal in mid-1992, and a loan of \$150 million was approved on March 9, 1993. It addressed institutional issues in the Ministry of Transport and Maritime Economy and the General Directorate of Public Roads; policies on maintenance of highways, planning and project evaluation techniques, competitive procurement procedures, and road safety; and rehabilitation and modernization of roads within the 1993–95 investment program.

*Findings.* With the exception of some legal problems early on over interpretation of clauses in Poland's new Provisional Constitution, which delayed project effectiveness and the start of road construction, implementation has generally moved ahead well. Cooperation between the Bank and the borrower has been

good, having started well before negotiations. This was the first infrastructure project implemented almost entirely under construction contracts rather than purchases of foreign equipment. The project helped the public roads directorate to learn to use new, sound contracting procedures and offered excellent opportunities for Polish contractors, mostly commercialized public companies and a number of private companies. Forty of an expected 48 contracts were signed (only 5 with foreign firms) at the beginning of 1996, without any major problems. An internationally recruited consulting firm with extensive experience in supervising contract work provided technical assistance to Polish contractors.

Because of the government's reluctance to use loan funds when it could get grant funds, the loan for highways and sector reform was reduced early on from \$8 million to \$4.75 million.<sup>4</sup> The General Directorate of Public Roads also expressed some concern about the \$9 million limit set for the revolving fund established under the loan, fearing that difficulties in paying contractors could arise because of the abbreviated period for highway construction in Poland, between June and August. No payment problems have surfaced so far, but the subject should be kept under review.

EU-related financial institutions have taken the lead in the development of a modern system of motorways in Eastern Europe, linked to the Western European system (an ECU 45 million EBRD loan for a section of toll-motorways and an ECU 125 million European Investment Bank loan for sections of the A-4 Motorway). The Polish government is interested in seeing a privately financed investment program emerge for such roads. The Bank has been cautiously supportive, making available its experience and offering the possibility of guarantees, where appropriate. Since the Bank is considering further assistance to the non-motorway highways system, it should satisfy itself that Poland has a realistic program for motorways and for coordination between the public roads directorate and the motorways' administration.

*General programs.* The Bank has also been involved in efforts to develop an urban transport strategy, beginning with a request for assistance for a subway project in Warsaw in 1992. Other cities (Krakow, Lodz, Poznan, Wroclaw, Katowice, and Gdansk) expressed similar interest. Following several missions in 1993, the Bank produced an urban transport review. Despite considerable interest in this analytical work, the review's impact has been limited in large measure because of local political commitments to other actions. More recently, a good dialogue on the ports sector led to appraisal of a first port project in late 1995.

*Findings.* The transport sector in Poland still requires massive investments, and there may be room for a future role for the Bank, depending on Poland's access to external capital markets and on opportunities for the Bank to engage in effective dialogue on critical reforms needed in railways (downsizing, cost reductions, paving the way for privatization) and in the institutional arrangements for motorways (for example, by developing opportunities for the private sector). Better coordination with EIB and EBRD on substantive reforms and institutional issues is also critical for Bank effectiveness in the sector.

*Energy—overoptimistic assessment of political support*

*Why.* The Bank's first economic report on Poland in October 1986 saw problems with the high energy intensity of the economy and identified the energy sector as the country's greatest source of pollution. By the time the Bank was prepared to engage in lending to Poland (FY90), it had identified the principal issues underlying the vast inefficiencies and waste in the sector: overcentralization,

*Poland's transport sector still needs massive investments, an area in which the Bank may have a future role*

resulting in significant inefficiencies in decisionmaking, and the absence of market-related price signals (except for coal exports). The Bank's initial strategy was to increase efficiency through a restructuring of sector institutions, increased private sector participation, progressive elimination of subsidies, and a move toward international prices.

*What.* Though the initial intention of the government and the Bank was to develop an operation covering all primary energy sectors (coal, lignite, oil and gas), the powerful coal sector was not prepared to work on a Bank-assisted project. Thus during appraisal the energy project was narrowed to a \$250 million loan to the Polish Oil and Gas Company. The EIB cofinanced the project with a \$60 million loan. The Bank project provided assistance for increasing the production and distribution of natural gas as a substitute for hard coal, for encouraging energy conservation and efficiency through assistance for appropriate energy pricing and development and implementation of energy sector restructuring programs, and for developing a framework for private sector participation in the oil and gas sector.

The \$250 million loan to the national oil and gas company was followed in June 1991 by five loans ranging from \$25 million to \$100 million for district heating enterprises in Gdansk, Gdynia, Katowice, Krakow, and Warsaw and a \$20 million credit line to the Bank of Poznan for onlending to smaller district heating enterprises (supplemented by a \$50 million loan from EBRD). The loan to the Bank of Poznan was canceled when it became evident that there was no demand for such funds. The Katowice loan, which was never signed (because the system area was redistricted), was replaced by a \$45 million loan in November 1994. The Polish Power Grid Company received a \$160 million loan in November 1995. All these investment operations fit into the sector strategy and were linked to an energy sector adjustment loan on sector conditionality. These operations addressed aspects internal to the borrowing entity and were designed to improve organizational, technical, and financial arrangements.

Other energy sector issues were addressed through the Structural Adjustment Loan, which focused on the removal of subsidies and a managed transition toward international energy prices. The main vehicle for systematic reform and strengthening of the sector was the \$75 million Energy Sector Adjustment Loan (ESAL) approved in June 1991. The ESAL was an ambitious program of action for a new energy sector strategy. It included demonopolization of the sector, starting with coal, and commercialization and privatization—from establishing a dozen or so commercial mining companies in coal to identifying new commercial power companies, transferring the district heating system to local governments, and restructuring the oil and gas company into viable divisions, followed by commercialization. In addition, regulatory bodies were to be established for power, gas, and district heating, and residential prices for power and gas were to be raised to full parity with commercial prices.

*Findings.* Though implementation of the program started out well, the second tranche (\$37.5 million) of the ESAL was canceled because of inadequate progress on the regulatory system. A new Energy Law with regulatory provisions was drafted, but there was not enough support to submit the bill to Parliament. Though dialogue with the government continued, the comprehensive program of action for the energy sector no longer guided government actions. Since 1993 progress has been limited, with much slower than agreed increases in tariffs and hesitation in promoting private sector involvement, especially in power generation. It is evident that both the government and the Bank were overoptimistic about reforming the sector.

*Both the government and the Bank were overoptimistic about reforming the energy sector*

The price policy agreed under the program would have benefited from greater scrutiny of its social impact. The Bank may have lost an opportunity to help the government follow through on its intended price policy changes by failing to press for energy cross-subsidies to low-income groups since letting energy prices rise to Western European levels would have meant an enormous jump in household spending on energy. The lower-than-agreed levels of prices have seriously reduced the sector's self-financing ability. As the economy grows, the failure to achieve efficient pricing will become increasingly costly, considering the need to close a significant number of uneconomic plants, to install improved pollution-abatement technology, and to meet the rising demand for generating capacity.

Shortfalls on the institutional reform side also reflect too optimistic an assessment of political support. Demonopolization, commercialization, and privatization became contentious issues in the wider political debate, reflected in the many changes in government during the period. Resistance to change in the energy sector came not only in coal, with its large and unionized labor force, but also in the monopolized gas and oil sectors, where those making the policy decisions benefited most from the old system.

The overoptimism that characterized these efforts seems to have continued unabated, as reflected in the staff appraisal reports of the two loans approved in 1994 (Katowice heat supply and conservation) and 1995 (power transmission), which presented pending institutional changes in a very positive light. Thus, for example, the October 1994 staff appraisal report expected the critical Energy Law to be submitted to Parliament during 1994; the November 1995 staff appraisal report expected submission in 1995. By early 1996 the government's proposal was about to be considered by a parliamentary commission—together with a proposal for a much greater role for local authorities in the sector (including ownership).

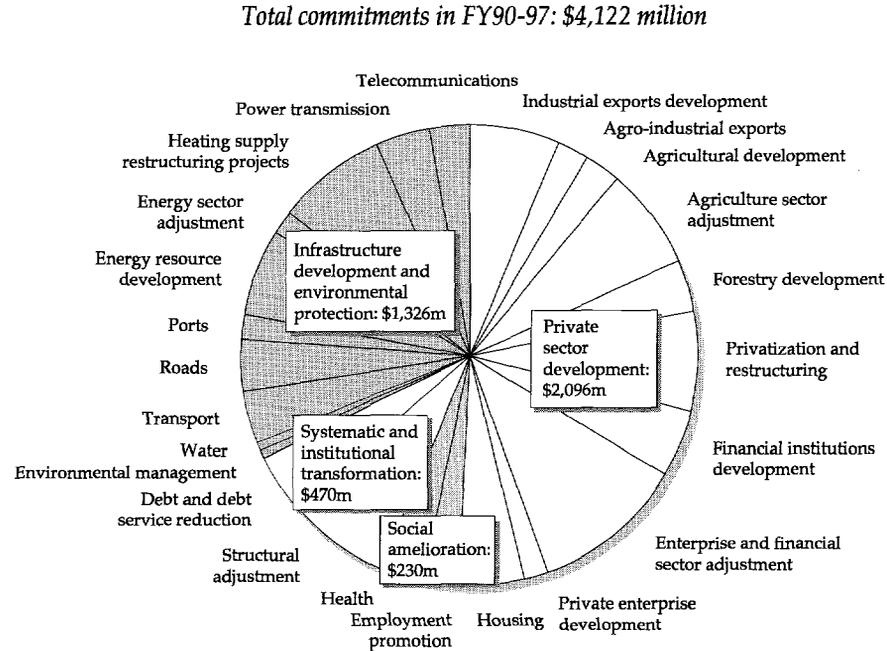
In sum, while Bank lending in the initial years of reform benefited from a solid knowledge of the energy sector acquired through a series of sector studies linked to the overall economic assessment, discontinuities associated with government changes after 1992 led to a bumpy ride for sector reforms and a postponement of formerly agreed institutional and policy actions. As one borrower put it, it was "a bad period for long-term investment decisions." The mix of lending instruments was well adapted to the initial situation, but cancellation of the ESAL's second tranche limited the Bank's capacity to influence sector reforms. Stronger conditionality built into individual investment operations appears appropriate under these conditions. The inability to establish a basis for greater private sector involvement in running energy enterprises and financing investment has been disappointing.

Given the Bank's depth of knowledge of the sector, its close relations with Poland's energy institutions, and the large amount of unfinished business, there are good reasons for the Bank to remain associated with the energy sector as long as Poland requires large external funds that it cannot get from the EBRD or EIB or from direct access to foreign capital markets. However, Bank involvement would have to be based on getting reforms back on track.

*Telecommunications—success in financial terms,  
but inadequate preparation for competition*

*Why.* The Bank's 1987 economic report found Poland's telecommunications system to be one of the worst in Europe and a serious impediment to the country's

FIGURE 3.1: WORLD BANK LENDING TO POLAND BY PURPOSE



Source: World Bank data.

economic development. As soon as prospects for Bank lending to Poland improved in 1989, a mission visited Poland to assess the possibilities for Bank involvement in the sector. A \$120 million loan for the Telecommunications Project was approved in April 1991 for quickly executable investments in the Polish Post, Telephone, and Telecommunications Company (PPTT). The European Investment Bank provided \$90 million in cofinancing. A more comprehensive program of rehabilitation, modernization, and expansion was to follow, based on a major sector survey. This led to a proposed \$400 million second telecommunications project, which was appraised in the summer of 1994, but negotiations never materialized. Eventually, a \$150 million EIB loan was the only financing from an international financial institution for the second project.

*What.* The first loan from international finance institutions came just after the 1990 Post and Telecommunications Act transformed the telecommunications activities of the state-owned PPTT into the joint-stock Polish Telecommunications Company (TPSA) and lifted restrictions on private ownership of public switched telephone networks. Because of this timing, the Bank's knowledge of the sector and the effectiveness of its dialogue with the ministry had not reached the depth achieved in other infrastructure sectors. The sector was in the midst of a major institutional reform when the loan was extended, and commitment to the changes in the sector was mixed.

After initial procurement delays, physical implementation moved ahead well. Unexpected savings, made possible by the adoption of international competitive bidding procedures, allowed more purchases than had been planned, leading to further extension of the disbursement schedule. Discontinuities in man-

agement occurred on both sides. The project had three Bank task managers between 1991 and 1995, and project supervision was less intensive than for other infrastructure projects.

*Findings.* In financial terms, the project was highly successful. The appraisal for the second telecommunications project found the new telecommunications company to be one of Poland's most profitable companies. However, some concerns remained with the incomplete separation of operations from regulatory and policy functions, the legal setting of the regulatory regime, and the introduction of alternative suppliers of services and competition. The unfinished business at the enterprise and network level included the need to modernize at a faster pace, to increase commercialization and possibly to privatize TPSA (after 1997), and to prepare for a multi-operator environment.

TPSA did not feel ready to negotiate a loan for the appraised second telecommunications project during FY95. Ostensibly, TPSA's Board wanted to see the first loan drawn down more (less than half of the \$120 million had been disbursed at the time). However, there remained a sense on the Polish side that dialogue on critical institutional issues had not advanced to the point of readiness for formal negotiations and that the Bank strategy in the sector did not fully match the Polish position. The availability of EIB funds with less onerous conditionality also dampened interest in a second loan from the Bank.

*Environmental protection—bringing environment into the core economic dialogue*

*Why.* The Bank's involvement in environmental issues in Poland began in 1987, when the first economic report noted the serious health effects of environmental deterioration in Poland. A follow-up background paper on the environment put Poland among the worst countries for water, air, and soil pollution. Four decades of central planning had left Poland with an inefficient materials- and energy-intensive and geographically concentrated industrial sector, based mainly on coal. Together with lax pollution controls, inadequate wastewater treatment, and neglect of maintenance, rehabilitation, and modernization, this had resulted in very high levels of air and water pollution and large quantities of solid and hazardous wastes.

*What.* The Bank's early country strategy papers also identified environmental deterioration as an important structural issue. Although they did not contain a statement of objectives for the environment or develop a clear strategy for addressing them, the operations that emerged in 1990–91 were fully integrated with the Bank's overall strategy for the country. Operations included the Environmental Management Project; the Structural Adjustment Loan; investment projects addressing major sources of pollution in specific sectors, including those identified in the Baltic Sea Environment Program; the environmental strategy sector report; and projects on biodiversity protection and global warming, funded through the Global Environment Facility.

*Findings.* Six years after the Bank's initial involvement in environmental issues in Poland, the level of pollution has been reduced, although the Bank's contribution is difficult to assess. The government's commitment to environmental management was the main driving force behind the establishment of funding mechanisms that led to a high level of investment in pollution abatement. The Bank played a supporting role through its integration of environmental issues into the core economic dialogue (through the SAL), its broad engagement in the Economic Transformation Program, the strengthening of key institutions, support of international environmental agreements (such as the Baltic Program), and its

unwillingness to support investments in energy, mining, industry, and urban infrastructure unless they complied with environmental guidelines. This stance contributed to the mainstreaming of these guidelines and the working through of market forces that led to the closure of some of the most polluting plants.

The most important new environmental policies and instruments that the Bank supported were the issuance of national emission standards for air pollutants, improved environmental monitoring of air and water and increased fees for the emission of pollutants, and better environmental assessment guidelines. Poland's environmental fees are among the highest in the world, and it has established effective institutions for funding environmental investments.

Another important outcome of the Bank's involvement has been the strengthening of the foreign aid coordination and management capabilities of the Ministry of the Environment. According to an OECD review, total environmental assistance to Poland had reached \$230 million as of November 1993. Such an extensive environmental program might not have been manageable without the support provided by the Bank's Environmental Management Project. In addition, the Bank's insistence on local consultations in the Forest Biodiversity Project provided a useful lesson about the importance of community participation from the early stages for projects, for which community involvement is a condition for success.

### Notes

1. The loan documents, however, did not always spell out clearly the intended conditionality. For example, contrary to the understanding of the staff, neither the introduction of a collateral law nor the limits to the scope of the Intervention Fund were included as tranche release conditions of the Financial Institutions Development Loan and the Enterprise and Financial Sector Adjustment Loan, respectively.
2. However, the Ministry of Agriculture and Food Economy disagrees with this, indicating that priority given to agri-food industry is expressed in about 50 loans with a total value of approximately \$70 million.
3. Commenting on an earlier draft of this report, the Ministry of Finance had the following observations: with regard to credit for housing construction purposes, the report places the blame for the project's failure on the Polish side. The ministry noted, however, that the most important reason for this failure was the Bank's adoption of incorrect assumptions with regard to the need for credit resources of this type, the cost of which was both known and high under the conditions in Poland at the time. The application of other lending forms for housing by the state (which was very limited anyway) was of secondary significance. Since 1989 the state has been consistently withdrawing from preferential terms of granting housing loans that are competitive for the Mortgage Fund. In practice the credit preferences in this area were already marginal, and therefore cannot be regarded as the reason for the low interest in loans granted from World Bank resources. The basic reason for the low absorption of loans should be sought in the high "price" of these resources for the end recipients and the complicated procedures of application for such credit, not adjusted to the Polish conditions, and also in the social and technical requirements of the World Bank. At the same time, it should be emphasized that the program of the Mortgage Fund has unquestionably fulfilled a useful role in the promotion of mortgage loans as the basic instrument of financing housing construction.
4. On April 25, 1990, a few days prior to Board approval of the First Transport Project, the government of Poland sent the World Bank a fax requesting the cancellation of a \$3.25 million technical assistance component of the proposed loan. The reason for this request was that the government was seeking alternative financing for the component in the form of grant money. Since the government had not received a guarantee of grant financing, the World Bank persuaded the government to retain Bank financing of the component for the time being, and if grant money were found, a cancellation could be made at that later date. This explains the early cancellation of the technical assistance component that took place soon after loan approval.

## 4. Implementation and supervision

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Implementation of Bank projects was generally difficult in Poland, and many factors contributed to the problems. For one, loans were prepared quickly and early in the transition, which often did not allow for adequate preparation and for full participation of the stakeholders in project design. Second, a certain overoptimism was prevalent in the Bank, which led to inflated financial projections and to insufficient attention to the institutional and administrative weaknesses faced by the fledgling market economy.<sup>1</sup> Third, loan documents did not always clearly spell out the intended conditionality. Fourth, frequent government changes meant that Bank task managers often had to deal with newly appointed officials who did not know or even share the projects' original objectives. Fifth, communications between field staff and headquarters were not always swift and fluid, and staff on the ground lacked enough delegated authority to solve emerging implementation issues. Sixth, in other cases, as in the financial sector, economic and sector work was inadequate to support extensive lending operations, particularly with respect to institutional capabilities and legal frameworks.

*Annual country strategy implementation reviews became an effective tool for resolving issues and maintaining constructive dialogue...*

Bank staff tackled these problems creatively, but in general implementation was slow, and disbursements lagged behind expectations. Additional challenges the Bank faced in implementing its assistance program for Poland were due to the rapid transformation Poland was experiencing. Transitions on several fronts—from an authoritarian to a parliamentary type of government, from one-party rule to frequently shifting coalitions, from a command economy to a market system, from a highly protected productive sector to an open economy—complicated the day-to-day activities of team leaders and task managers.

Realizing the potential difficulties of working in a rapidly changing environment, the Bank correctly decided early on, in 1990, to establish a high-level representation in Warsaw to assist the government in the design and implementation of the country assistance program. The intention was to include the head of this office on the Region's management team and to provide a full complement of experienced staff who would work hand-in-hand with government counterparts. As the Regional office went through significant management changes at headquarters, the role of the resident office was gradually weakened, and the authority of local staff to deal with implementation issues was curtailed. Because of these changes, the Bank lost the ability to respond quickly to problems on the ground. Short, frequent missions from headquarters became the main channel for Bank-country dialogue.

### **Portfolio management**

The annual country strategy implementation reviews became an effective vehicle for resolving implementation issues and, more generally, for maintaining a constructive dialogue with the government on operational matters. Four CSIRs

have been held, all in Warsaw (January 1993, April 1994, July 1995, and June 1996). These reviews reflected the evolving relationship with a new borrower. They also reflected the management and staff changes in the country department and the resident mission, as responsibility for preparing the CSIR shifted in 1994 from the resident mission to the country department at headquarters. The CSIR provided a mechanism for dealing with both generic and specific implementation issues and for preventing them from imperiling projects. In particular, the CSIR was a new instrument for high-level exchange with the borrower on strategic and systemic issues affecting the Bank's operational relations, with a view to facilitating and accelerating disbursements under Bank-assisted operations.

The letter from the Resident Representative to the Ministry of Finance of June 30, 1992, transmitting a draft briefing paper for a first CSIR meeting, noted that a balance of \$2.1 billion equivalent remained to be disbursed from the Bank's portfolio, thus making it of mutual interest to ensure that these resources be transferred to the Polish economy efficiently and expeditiously. The emphasis was on speeding up the use of funds in Poland's loan accounts with the Bank; no reference was made to the substantive objectives of individual operations or to the possible tradeoffs between expediting disbursement and taking the steps needed to obtain a loan's development objectives.

The evolution of the CSIRs shows their changing emphasis. For the first meeting the agenda consisted of a macroeconomic update, major adjustment issues, a pipeline overview, and portfolio implementation issues. The agenda for the second meeting covered the portfolio, the pipeline, and economic and sector work. By the third meeting the agenda covered only portfolio and pipeline. The agenda for the fourth meeting was the same, with the addition of a suggested procedure for preparing a new country assistance strategy in FY97. Thus, over time the CSIRs became an instrument for dealing with portfolio implementation issues as a precursor to discussions on a pipeline of future projects.

*Findings of the country strategy implementation reviews*

The first review observed from disbursement data that the second generation of Bank loans (those approved after 1990) had performed considerably below Bank averages and worse than the 1990 loans. This was attributed to delays in signing and in effectiveness of loans, delays in procurement, delays in setting up and funding project implementation units, sluggish restructuring of the state-owned enterprises responsible for implementing projects, abrupt personnel changes, and delays in making counterpart funds available. The lack of familiarity with procurement procedures under Bank-financed operations and the absence of regulations for public sector procurement were discussed during the review, but no policy issues on procurement emerged. The Bank agreed to provide more assistance on procurement, which it did through supervision missions and several procurement workshops.

The second review in spring 1994 commented that the strengthened cooperation between the Ministry of Finance and other government agencies should prevent further problems or delays in signing and effectiveness. The review recognized good progress on procurement among "old" borrowers but again noted delays in the case of new implementing agencies. It was expected that the proposed new Public Procurement Code (prepared with assistance from the Bank) would make competitive procurement procedures much more familiar throughout the public sector. Because confusion on applicable procurement procedures under credit lines was seen as a contributor to the low demand for funding under these

*...and over time, became a precursor to discussions on a pipeline of future projects*

loans, procurement procedures under the different lines of credit were simplified and made uniform. The government was found to have made progress in integrating Bank loans and counterpart funds for projects in the budget, though the problem was not completely resolved.

By the time of the third and fourth reviews, the focus had shifted from general implementation issues to issues in individual operations. Specific, well-prepared objectives were discussed for improving operations, and cancellations were proposed for parts of loans with little prospects of completion. The Board, apparently believing that enough progress had been made, did not bring up the generic issues of the previous reviews.

One issue that should have been on the agenda but was not was problems with audits and accounting (see Annex 5, Volume II of the grey cover version of this report). Audits have generally been submitted on time, but overdue revolving fund audits have been a serious shortcoming, given the time-bound purpose of such funds. Also worrisome, 17 audits (under six loans) are listed as unsatisfactory, spread over agriculture, energy, housing, and industry. With so many unsatisfactory audits, the issue should have come to the attention of the CSIR.

*Other generic implementation issues evident from a review of operations*

*Both the government and the Bank overestimated the government's capacity for change during 1990–91*

In addition to the generic issues addressed through the CSIRs, other factors also affected the implementation of projects in the initial phase of cooperation with Poland, especially in infrastructure and human resource areas. One was the need to anticipate change and be ready to adapt to the vast political and economic changes occurring in Poland in the short period (less than six years) of Bank-assisted operations there. Projects were not always successful in doing so. The government's capacity for change in the initial 1989–91 period was overestimated by both the government and the Bank, and several economic blows—the severe recession of the early 1990s and the total collapse of COMECON—were not fully anticipated. Many institutional and policy changes introduced by one government and built into many agreements with the Bank were later questioned by succeeding governments. These developments have severely tested project implementation and have raised questions about the adequacy of project design and the ability to respond to changed circumstances.

Some projects were better than others at weathering this transition period. These included projects that were well insulated from political changes and projects whose borrowers were more technical, such as the General Directorate of Public Roads, or that had significant institutional and financial independence, such as the Polish Telecommunications Company. Close dialogue with the resident mission appears to have been helpful to implementation of projects in areas in which the mission had seasoned staff, although the mission's ability to address implementation issues has been circumscribed following the reconcentration of staff at headquarters. At the other end of the spectrum were projects in the social sectors (health, housing, employment promotion), which seem to have attracted the immediate attention of incoming governments and whose management has had to justify the validity of agreements with predecessor governments.

During this initial period, project design was often severely tested. Adaptability to changing circumstances and a reliable policy and institutional framework were emphasized. The broad macroeconomic policy framework has been generally supportive. In most infrastructure sectors, the policy and institutional framework had improved enough during the initial period of cooperation that

sector viability conditions existed for most infrastructure projects (though with larger than anticipated subsidies to the Polish State Railways). That was not the case in some social sector projects, particularly in housing. Unrealistic designs (in the employment project) and less experienced staff (in the health sector) contributed to implementation problems in some projects.

Unfamiliarity with Bank procurement procedures (and with competitive procurement generally) also had an effect on project implementation and disbursement by adding to the length of implementation. The cost savings introduced by following Bank procurement procedures were a pleasant surprise to borrowers, but there was considerable unhappiness about large commitment charges that resulted from the extended disbursement periods.

*Some inefficiencies in project supervision*

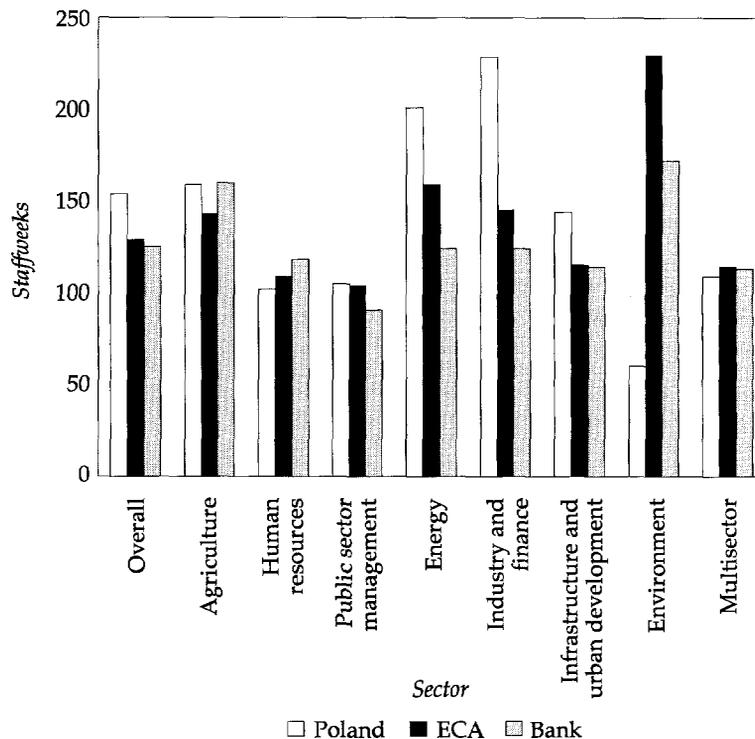
The overall intensity of supervision on Bank projects in Poland has been comparable to that for other Bank projects. However, budget statistics indicate a diminishing allocation of resources to supervision in Poland in recent years. And several inefficiencies in project supervision suggest a need for management (division chiefs and higher) to become more involved in monitoring the quality of project supervision.

Supervision was not always effective for a variety of reasons:

- *The resident mission lacked authority and resources.*<sup>2</sup> In general the resident mission was not given sufficient autonomy or resources to fulfill its potential for supervision in the field. Supervision and implementation performance were effective in cases such as infrastructure projects and (until recently) the Enterprise and Financial Sector Adjustment Loan, where the Bank maintained seasoned staff members in the resident mission, but this was not the general rule.<sup>3</sup>
- *Problems with field missions.* Bank records show that a considerable amount of staff supervision time was expended at headquarters rather than in the field. More time in the field could have improved the quality of supervision. Also, coordination among successive supervision missions to Poland was poor. Occasionally, successive Bank supervision missions would ask the same questions of Polish officials. Often, supervision missions did not touch base with the resident mission while in Poland, to improve coordination and benefit from the resources available there. In some cases supervision mission teams met with the wrong people, senior officials who were not personally working on project implementation. Some of this could have been avoided by consulting with the resident mission first.
- *The quality of back-to-office reporting is mixed.* Without trying to assess whether the quality of written supervision reports reflects the quality of actual supervision on the ground, it is possible to make a number of observations from a review of back-to-office reports: There is marked difference in quality among back-to-office supervision reports, ranging from excellent through perfunctory to poor. Good reports included monitorable indicators, clearly stated mission objectives, a detailed statement of the mission's success in achieving these objectives, and a balanced update of the strengths and weaknesses of implementation performance. However, issues important to project implementation were not always systematically or satisfactorily addressed, and in some cases they were side-stepped. Excessive use of jargon made some reports inaccessible to reviewers with a different technical background. There were often long delays in completing reports following a mission.

*A considerable amount of staff supervision time was spent at headquarters rather than in the field*

FIGURE 4.1: AVERAGE LENDING COMPLETION COSTS BY SECTOR FOR PROJECTS APPROVED BETWEEN FY90 AND FY96



Source: World Bank data.

Sometimes Form 590s were not fully completed, or they assigned better ratings than would seem justified from other sources.

#### Slow disbursement of credit line operations

*Credit lines disbursed slowly, above all because the Bank overestimated demand for credit*

Various lines of credit were approved by the World Bank to finance investments in specific sectors (agriculture, housing, energy, industry, and others). The lines of credit were thought to be an adequate instrument for alleviating Poland's foreign exchange constraint in the late 1980s and early 1990s. However, because of the speed at which Poland was changing, the Bank did not always have a deep understanding of the microeconomic and sectoral constraints militating against a faster drawdown of these funds.<sup>4</sup>

Although the reasons for the slow disbursement of funds differed across sectors, some systemic factors seem to have contributed to the poor disbursement performance, particularly an overestimation of the demand for credit from credit-worthy borrowers in a period of political and economic uncertainty. Poland experienced near hyperinflationary conditions in 1989–90 and political instability. Property rights were unclear, and the legal framework failed to provide sufficient security to lenders and investors. The Bank's efforts to modernize Polish commercial legislation, establish a registry of liens, and adopt a law on collateral did not proceed as expected.

TABLE 4.1: AVERAGE ELAPSED TIME FOR LOAN APPROVALS  
(months)

	FY90	FY91	FY92	FY93	FY94	FY95	FY96	Average FY90-96
Poland	30.5	27.8	22.2	21.5	22.3	23.9	44.1	27.7
Group A								
Hungary	18.2	19.6	46.4	28.5	25.5	38.7	—	25.9
Turkey	31.9	24.5	30.0	21.9	5.3	58.0	18.5	27.9
Bolivia	25.9	23.7	27.9	11.3	25.7	26.3	32.9	26.1
Philippines	19.7	14.8	30.8	21.7	40.6	36.5	30.0	24.3
Group B								
Albania	—	—	5.2	8.1	16.4	19.7	22.4	16.8
Bulgaria	—	8.1	4.2	13.2	32.5	24.0	31.7	20.4
Russia	—	—	—	7.6	13.8	21.9	15.8	16.1
Ukraine	—	—	—	8.4	—	12.0	16.0	13.2
Bankwide	25.0	21.4	26.5	16.9	21.7	24.6	24.6	22.6

Source: World Bank data.

In addition, some of the terms and conditions of loans were a disincentive to the use of credit lines. World Bank interest rates were not always competitive with those offered by other foreign donors or by domestic alternatives. Pooled-currency loans were another problem. Borrowers and intermediaries were not offered single-currency loans in dollars, and they found it difficult to understand and hedge loans priced against a currency pool. Moreover, given the relatively high weights in the currency pool of currencies that were appreciating (deutsche mark, yen), the dollar cost of Bank loans was *ex ante* uncertain and *ex post* too high in dollar terms. The compounding of fees charged by different intermediaries added further to the high cost of loans to the borrower. Just accessing the Bank's funds was a challenge for new borrowers, who were unfamiliar with the many contractual, reporting, and disbursement requirements. In addition, the use of Bank funds was linked to specific subproject selection and appraisal (including more rigorous financial and cost-benefit analysis, compliance with environmental standards, and the like) and to the requirement to follow the Bank's procurement rules. These procedures discouraged financial intermediaries and final borrowers. Financial intermediaries not only had a hard time finding creditworthy borrowers, they also lacked experience managing and supervising long-term investment projects (a task handled in the past by the planning agency or line ministries). Developing this expertise was costly, and there was a lack of qualified and skilled banking personnel. Finally, although most of these difficulties were probably known to the Bank, remedial actions to expedite disbursements were often slow to come.

#### Aid coordination: changing dynamics of donor operations<sup>5</sup>

Aid coordination, important for maximizing the impact of donor assistance, has not always been good and on occasion has contributed to implementation problems. In some cases where donors acted together effectively and in full agreement, results were excellent, as in putting together the \$1 billion stabilization package in support of the currency convertibility program, debt relief operations under the Paris and London Clubs, and the original task force for agricul-

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problems*

TABLE 4.2: POLAND: COST (STAFFWEEKS) OF DROPPED LENDING ACTIVITIES  
(staffweeks, except where otherwise noted)

	FY93	FY94	FY95	FY96	Total FY93-96
<i>Bankwide</i>					
Cost of dropped lending	6,156	6,229	11,288	9,461	33,134
Total lending cost	28,202	29,640	29,392	30,356	117,590
Percent	22	21	38	31	28
Average cost of dropped projects	31	42	24	36	33
<i>ECA</i>					
Cost of dropped lending	506	206	1,620	1,848	4,180
Total lending cost	2,498	5,385	7,243	7,587	22,713
Percent	20	4	22	24	18
Average cost of dropped projects	20	23	25	36	26
<i>EC2</i>					
Cost of dropped lending	429	39	1,281	384	2,133
Total lending cost	886	1,133	1,105	1,205	4,329
Percent	48	3	116	32	49
Average cost of dropped projects	27	13	29	48	29
<i>Poland</i>					
Cost of dropped lending	51	0	351	359	761
Total lending cost	452	125	94	294	965
Percent	11	0	373	122	79
Average cost of dropped projects	51	0	35	72	53
Number of dropped projects	1	1	10	5	17

Source: World Bank data.

ture.<sup>6</sup> But in other cases where there were problems of competition among donors, the result was wasteful duplication of efforts, conflicting advice to the government, and some undermining of the conditionality of other donors.

The Bank took a leadership role early on to ensure good coordination among donors.<sup>7</sup> The Bank's 1992 country economic memorandum was used by the Ministry of Finance as a means for coordinating the activities of the World Bank, OECD, EC-PHARE, USAID, and the Council of Europe. Seminars, workshops, and symposia on generic problems of the economic transition organized by the Bank were another important vehicle for dissemination and coordination of policies. But aid coordination was sometimes frustrated by the Polish government's inability to reach consensus on the appropriate institutional framework for aid coordination. This further complicated the Bank's assistance effort since the government was not clear about which organizations would fulfill which tasks.

Internal rivalries among Polish ministries led in 1993 to complaints that Bank staff sometimes discussed new projects directly with sector ministries, without the knowledge of the Ministry of Finance. Steps were proposed for creating a new coordinating mechanism. The government would systematically prioritize requests for assistance, and the Bank would ensure that information on the main elements of proposed projects was sent to the Ministry of Finance at an early stage of preparation, with a request for a formal response. The kick-off meeting for preappraisal missions would take place in the Ministry of Finance.<sup>8</sup> Recently,

TABLE 4.3: POLAND: COST (DOLLARS) OF DROPPED LENDING ACTIVITIES  
(\$ thousands, except where otherwise noted)

	FY93	FY94	FY95	FY96	Total FY93-96
<i>Bankwide</i>					
Cost of dropped lending	80.5	108.5	59.4	101.8	350.2
Total lending cost	304.3	362.6	352	366	1,384.9
Percent	26	30	17	28	25
Average cost of dropped projects	81	109	59	102	88
<i>ECA</i>					
Cost of dropped lending	1,501	659	4,596	5,832	12,588
Total lending cost	7,427	16,559	22,056	23,512	69,554
Percent	20	4	21	25	18
Average cost of dropped projects	60	73	71	114	80
<i>EC2</i>					
Cost of dropped lending	1,278	124	3,528	1,280	6,210
Total lending cost	2,770	3,609	3,360	3,775	13,514
Percent	46	3	105	34	46
Average cost of dropped projects	80	41	80	160	90
<i>Poland</i>					
Cost of dropped lending	169	0	1,116	1,173	2,458
Total lending cost	1,387	357	285	980	3,009
Percent	12	0	392	120	82
Average cost of dropped projects	169	0	112	235	172
Number of dropped projects	1	1	10	5	17

Source: World Bank data.

the Polish government has undertaken a major reorganization of its own aid coordination role, establishing a committee to take on this function.

The Bank has continued to search for effective coordination mechanisms, both at a general level and in the context of specific sectors and projects.<sup>9</sup> It has continued to participate in donor coordination meetings with USAID, the EU, and the government of Poland. At these meetings it was recognized that the coordination mechanisms now in place (particularly the G24 format) had not been effective, that more informal ways of preventing duplication of effort were needed. The Bank's resident mission has been exploring options for new mechanisms.

Technical assistance is another area that needed better coordination. A large market for technical assistance emerged following the launching of Poland's Economic Transformation Program, but there was no effective mechanism to help the government choose among the sources of advice being offered. The government lacked the institutional capacity to coordinate or assess the quality of foreign experts, and the advice they gave was sometimes useless or conflicting.

It is not clear how much the Bank or other donors actually did in this area. The World Bank, with its extensive experience working with consulting firms, would have been well qualified to help the government create a filtering mechanism to help it make rational and effective selections. The Bank could have helped improve the quality and impact of advice by creating a register of con-

sultants or by funding an independent assessment of the quality of each consulting firm. The Bank could have held training seminars for international consultants to improve their effectiveness, as the Bank is now doing in Moscow, and as a vehicle for consultant coordination. The Bank might also have helped build institutional capacities within an appropriate Polish ministry, to help the government coordinate and effectively use the large volume of consultants.

Thus the record on donor coordination is mixed. There have been successes but also waste and duplication of effort. The primary responsibility for ensuring coherence in donor efforts rests with the Polish government. Donor countries can help to ensure that conditionalities of foreign assistance are consistent both through their own bilateral aid programs and through their role as governors of the various multilateral institutions. The Bank could perhaps play a more effective role by strengthening its presence on the ground.

#### Cost effectiveness: room for improvement

A comparative study of the cost of Bank activities in nine countries<sup>10</sup> found the Poland program to be more costly than the programs in the other countries.<sup>11</sup> Specifically, it found:

- All-in and total direct costs are higher than for most comparators.
- Lending completion costs are relatively high, as are the resources spent on projects that were ultimately dropped (see annexes 5 and 6, Volume II of the grey cover version of this study, for a list of dropped lending and economic and sector work projects).
- The Poland field office has the highest cost in dollars per staffyear among comparator countries, while the direct contribution of local staff to the program is relatively low.

The study also found that the time to prepare projects is higher in Poland than the Bank average and than for all comparator countries other than Turkey. The long time between the initial executive project summary and appraisal accounted for much of the difference.

The large amount of lending that was subsequently canceled raises questions about the quality of the loans made and the Polish government's commitment to them—was the Bank spending resources on preparing projects the government of Poland did not want or did not need? Of the \$2.61 billion committed for Poland in FY90–92, 17 percent (\$446.8 million) has subsequently been canceled. Of the 15 projects approved during FY90–92, 9 were partially canceled; 61 percent of FY92 commitments were subsequently canceled. Only Turkey of the comparator countries had a higher cancellation rate during this period.

In addition to the approved loans that were later canceled, numerous Bank activities (possible new loans, economic and sector studies) were initiated but later “dropped,” after having absorbed considerable Bank resources. Fifteen projects were dropped in FY95–96, after having invested in them at least 710 staffweeks at a cost of \$2.3 million (these are direct cost figures; they do not include overhead/management costs or the direct time spent on certain projects that was reclassified as economic and sector work). For the period FY93–96 the direct recorded cost of dropped projects to Poland was equivalent to four fifths of the total direct cost of lending activities. This ratio compares with 49 percent

*The large amount of subsequently cancelled lending raises questions about the quality of loans and the government's commitment to them*

for EC2, 18 percent for ECA, and 28 percent Bankwide. Dropping projects as soon as it is realized that they are not likely to succeed is a necessary management tool. However, the direct cost of projects for Poland has been much higher than for other countries. In FY93-96, the cost was 53 staffweeks compared with 29 for EC2, 26 for ECA, and 33 Bankwide. This suggests that the Bank allowed these projects to drag on too long before deciding to scrap them (see tables 4.2 and 4.3).

### Notes

1. Internal Bank records show that Bank staff on occasion alerted managers against making overoptimistic assumptions, but such voices seem to have been ignored by their superiors.
2. Some Poland task managers interviewed felt that their personal ability to supervise the implementation of their projects would have been more effective had they been stationed in the resident mission in Poland. One senior task manager who had the experiences of supervising Poland projects from both the resident mission and headquarters, said that working from headquarters was much more difficult and less effective than doing it from the resident mission. This was because in headquarters he was not exposed to the daily issues and events relevant to the project. Managers in the field were much more involved and better informed of the issues concerning the projects they were managing.
3. For example, the lines of credit projects were relatively expensive to manage in Poland compared to Hungary. The Bank's Annual Report on Portfolio Performance for FY93 attributes this largely to the presence of a large resident mission (hub for the Region) in Hungary, which had the capacity to resolve routine supervision obstacles as they arose.
4. It should be noted that fast disbursement of the credit lines should not be seen as an end *per se*. If a distorted policy environment persists (for example, permanence of subsidized credit that competes with the Bank's funding), the "no disbursement" of the credit lines should not be seen *per se* as a negative factor. In other words, the cause (policy distortions) and the effect (no or slow disbursement) should be clearly identified and addressed.
5. See Annex 2, Volume II of the grey cover version of this study, for a listing of major donors in Poland.
6. Other good examples of donor coordination are the ASAL and the forestry project. In both cases the Bank's assessment of the technical assistance needs was shared with the donors, and the close coordination through the project cycle ensured strong donor interest, which was later translated into specific grants to finance the majority of the technical assistance components envisaged under the projects. In the environmental area, the Bank helped establish the Ministry of the Environment's capacity to coordinate and manage effectively some 200 project proposals from different donors. Coordination between the Bank and the Fund has generally been very good. Until late 1995 the Fund normally took the lead in macroeconomic and fiscal policy issues. The future role of the IMF, however, is not clear.
7. In November 1989 the President of the Bank, in an effort to deal with the emerging donor coordination problems, wrote to a senior US government official reinforcing the perceived need for better coordination among multilaterals, bilaterals, commercial banks, and creditors. Bank staff also proposed a variety of measures to better coordinate donor assistance. One suggestion was to establish a systematic record of technical assistance and aid offered to Poland, to facilitate a more coordinated approach. No such system was created.
8. Donor coordination is generally handled by the Polish government's Council of Ministers' Foreign Aid Office. However, donors often bypass this office and deal directly with the relevant ministries, or rely on organizations outside the government of Poland to implement their programs. For example, most US assistance programs have been implemented either directly with the private sector recipients or through contractors and nongovernmental organizations with little direct involvement on the part of the Polish government.
9. For example, a major accomplishment of the environment project has been the strengthening of the foreign aid coordination and management capabilities of the relevant ministry.
10. In addition to Poland, the analysis included four countries that share some program characteristics with Poland (Bolivia, Hungary, Philippines, and Turkey), called here "group A," and four "new borrowers" in the ECA Region (Albania, Bulgaria, Russia, and Ukraine), called "group B."
11. The cost study on which this section is based was carried out by the Bank's Planning and Budgeting Department at OED's request for inclusion in this report.

## 5. Findings and recommendations

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Since Poland launched its Economic Transformation Program in 1989, the Bank's strategy has been to support the country's market-oriented reforms. Initially, this open-ended strategy of supporting government reform initiatives was accompanied by careful monitoring of progress to determine when to start formal loan negotiations. This strategy allowed the Bank considerable flexibility and was highly relevant to the needs and priorities of the country. Specifically, the objectives of the Bank's strategy were to secure stable macroeconomic management and thus to strengthen Poland's creditworthiness; to support enterprise reform, restructuring and privatization, and private sector growth; to upgrade the physical and financial infrastructure in support of a market economy, including modernization and eventual privatization of the banking system; to protect the environment; and to strengthen the country's social safety net. After the first few years, implementation difficulties began to emerge, especially with credit-line projects. Some projects were too large and complicated, institution building lagged in some sectors, loan documents failed to specify conditions clearly enough, and the changing social and political situation, especially the many changes in government, further impeded implementation. And after the first few years, the attention of some managers and senior staff shifted from Poland to other countries in the region. Overall, however, tangible progress was achieved on most of the Bank's early objectives, and nearly all the sectors in which the Bank has been involved have benefited from its advice and intellectual contributions—perhaps more so than from its traditional lending operations.

*Tangible progress has been achieved on most of the Bank's early objectives*

### Outcome

Tangible progress has been achieved on most of the Bank's early objectives. Poland has made great strides toward macroeconomic stability (Table 5.1). Bank support was pivotal in securing exceptional levels of debt reduction and in restoring creditworthiness. Private sector growth has been spectacular, although it originated more from the spontaneous establishment of new firms than from the hoped-for restructuring and privatization of state-owned enterprises. Thanks to early and careful planning and to remarkable staff continuity, the Bank has been instrumental in assisting to upgrade the country's infrastructure in power, transport, and telecommunications. Financial sector reforms are under way. Environmental issues have been addressed decisively in most sectors. In the social sectors the Bank warned early on about many of the worrisome problems now facing the country, such as the explosion of pension funds, but the government did not fully address these issues owing to their political sensitivity. However, intensive ongoing dialogue on public sector reforms, decentralization, education, health, and other social policies are expected to yield positive results in the near future.

Nearly all the sectors in which the Bank was involved have benefited from its advice and intellectual contributions. In transport and power the Bank helped to introduce new ideas, technology, and production methods, as well as open

TABLE 5.1: POLAND: ECONOMIC RECOVERY

	1990	1991	1992	1993	1994	1995	1996
GDP growth (% per year)	-11.6	-7.0	2.6	3.8	5.2	7.0	6.2 (est.)
<i>Real sector activity</i>							
Industrial production index (1994=100)	91.7	80.8	83.9	89.2	100	109.4	119.2 (July)
<i>Employment</i>							
Unemployment rate (%)	6.5	12.2	14.3	16.4	16.0	14.9	13.2 (Nov.)
<i>Prices and wages</i>							
CPI inflation (% per year)	585.8	70.3	43.0	35.3	32.2	27.8	19.7 (est.)
Real wages index (1994=100)	105.6	105.3	102.5	99.5	100	104.5	110.9 (July)
Unit labor costs in \$ index (1991=100)	54.8	100	117.1	150.0	182.6	221.0	
<i>External accounts (\$ million)</i>							
Exports of goods	10,863	12,760	13,997	13,585	16,950	22,878	24,692 (est.)
Imports of goods	8,649	12,709	13,485	15,878	17,786	24,705	31,992 (est.)
Trade balance	2,214	51	512	-2,293	-836	-1,827	-7,300 (est.)
Current account balance <sup>a</sup>	716	-1,359	-270	-2,287	-944	5,455	-524 (est.)
Foreign direct investment (net)	11	117	284	580	542	1,134	2,138 (est.)
Change in official reserves	-2,177	866	-473	6	-1,748	-8,935	-3,070
Change in international reserves (- increase)	-4,942	995	-1,614.5	-634	-2,534	-9,147	1,231
Real effective exchange rate (1990=100)	100.0	155.7	166.0	178.6	180.0	193.2	189.5

a. Current account balance in 1995 and 1996 includes \$7,754 million and \$7,153 million respectively of estimated net unrecorded trade (before included in short-term capital).

Source: Bank staff and National Bank of Poland estimates.

the door for private sector participation. For example, the privatization of bus and truck transport was well supported by the Bank, though without a direct financing program. In agriculture the Bank's leadership helped to coordinate the efforts of different donors. Together with the IFC, the Bank helped to set up twinning arrangements that proved valuable in modernizing several Polish banks; bad loans have declined sharply. Cutting across sectors, the Bank's involvement has helped put in place good management practices, transparent public procurement procedures, and strong environmental protection measures. Bank research and economic and sector work, complemented by the dissemination activities of the Economic Development Institute, have been influential in bringing about a better understanding and acceptance of Poland's market-oriented policies.

On balance, Poland's transition performance has been excellent both in comparison with other transition economies and in its own right. Among the key indicators reflecting this remarkable performance are that Poland has experienced the highest average GDP growth rate in the period 1990-95 compared with other transition economies, and by mid-1995 its private sector activity accounted for 60 percent of GDP (see Table 5.2). Also, in 1996 Poland became a member of OECD, and its prospects for early accession into the European Union are good. In EBRD's 1995 *Transition Report* (EBRD 1995), Poland ranked among the top performers in an analysis of the progress of transition economies, in particular in the areas of small-scale privatization, trade and foreign exchange

*In many areas, there is still an unfinished agenda of important reforms*

reforms, and on setting up a regulatory environment conducive to private investment (see Table 5.3). On the other hand, inflation and unemployment remain high. While poverty also remains relatively high, it should be noted that it is declining, and that the majority of poverty in Poland is classified as "shallow," and is therefore expected to improve substantially with sustained economic growth.

Those achievements are remarkable, even if they fall short of the Bank's original expectations. In many areas, however, there is still an unfinished agenda of important reforms that must be carried out to ensure the sustainability of Poland's transformation:

- The restructuring and privatization of unprofitable state enterprises and state-owned commercial banks need to be accelerated (public enterprises still account for three fifths of industrial employment). Heavy industry (coal, steel, oil and gas) needs particular attention. So do the large state-owned specialized banks (housing, rural finance), which account for one third of the assets and liabilities of the banking system, are in precarious financial shape, and impose a heavy burden on the budget.
- Reform of the social safety net is another urgent task. Programs should be targeted to the most needy and should address the special problems of women and children. Failure to reform the pension system will lead to unmanageable public sector deficits.
- The legal foundations for a smooth-working market economy need to be strengthened by implementing the unfinished agenda: enforcing the collateral law and registry of liens, regulating leasing activities, strengthening bank supervision, and developing more fully the institutions of capitalism and commercial law to facilitate private investment in infrastructure and the development of capital markets more generally.
- Agriculture needs to be modernized and opened up more to market forces, not only to permit its fuller development, but also to begin to meet the requirements of eventual accession to the European Union.
- Critical reforms, including a regulatory regime aimed at encouraging private investment, need to be completed in railroads, motorways, energy, and telecommunications.

#### Assessment of Bank assistance<sup>1</sup>

Overall, the Bank's *strategy was highly relevant* to support Poland's needs at a most critical time in its history. The *efficacy* of the Bank's support varied over time and among sectors. It was perhaps *high* in the case of *adjustment loans* that dealt with the central authorities and in loans to strong, highly technical sectors. On the other hand, in those sectors that were more subject to frequent political changes, a stronger Bank presence could have yielded better results. On balance, however, the *efficacy* of the Bank's assistance is rated as *satisfactory*. When compared with other comparable borrower countries in the ECA Region and elsewhere, the Bank carried out its assistance program at a relative high cost in terms of staff and financial resources; its efficiency can, at best, only be rated as *marginally satisfactory*. But, in assessing the *Bank's and the borrower's performance*, it is necessary to keep in mind that this was a completely new, unprecedented experience for both. And although mistakes were made on all sides, the overall

TABLE 5.2: MACROECONOMIC PERFORMANCE: INDICATORS FOR SELECTED TRANSITION COUNTRIES

Country	Gross domestic product			Government finance	Balance of payments	Reserves	Labor			Foreign direct investment	
	Poverty	Export value	Inflation				Gross international reserves	Dollar wage in industry	Unit labor cost in industry		Foreign direct investment
	Headcount index (% of population)	Average annual % growth 1990-95	(average annual % growth) 1990-95	Consumer prices (% change) 1995	Overall surplus/deficit (% of GDP) 1995	Current account balance (% of GDP) 1993-95	months of import coverage) 1993-95	Unemployment (%) 1993	(average % change) 1994	in \$ (average % change) in 1994	(\$ million) 1994
Poland	24 <sup>b</sup>	2.4	9.2	27.8	-1.8	-4.4	3.2	16.4	11	-6.3	542
Czech Republic	—	-2.6	—	9.1	0.6	-0.4	4.6	3.5	17.8	13.1	850
Estonia	8.9 <sup>c</sup>	-9.2	57.9	28.8	-0.8	-2.9	2.8	1.9 <sup>a</sup>	—	—	253
FYR Macedonia	—	—	4	16	-1.1	—	—	—	—	—	5
Hungary	25 <sup>b</sup>	-1	3.6	28.2	-4.1	-8.9	5.6	12.1	5.2	-2.6	1,146
Latvia	—	-13.7	—	25	-3.4	3.5	4.3	5.8	—	—	155*
Moldova	—	—	—	30.6	-5.5	—	—	0.7 <sup>a</sup>	—	—	23*
Romania	21.5 <sup>c</sup>	-1.4	7.3	32	-2.6	-3.3	3.6	10.6 <sup>a</sup>	7.3	-5.3	428
Russian Federation	31 <sup>c</sup>	-9.8	—	189.2	-4.8	2.1	1.9	1.1 <sup>a</sup>	—	—	1,000*
Slovak Republic	—	-2.8	—	9.9	0.6	1.4	2.9	12.7	13	5.3	187
Slovenia	—	—	16.7	12.6	0	1.7	1.9	—	—	—	88
Ukraine	32 <sup>d</sup>	-14.3	—	376	-4.7	—	—	—	—	—	91

Note: \* = 1994 estimated; a = Official unemployment rate. (registered unemployment only); b = survey year 1993; c = survey year 1994; d = survey year 1995; — =not available.  
Source: United Nations 1997, EBRD 1995, and World Bank 1997.

TABLE 5.3: PROGRESS IN TRANSITION: RATINGS FOR SELECTED COUNTRIES

Country	Private sector		Enterprises				Markets and trade		Financial institutions		Legal reform
	% share of GDP, mid-1995	Large-scale privatization	Small-scale privatization	Enterprise restructuring	Price liberalization	Trade and foreign exchange system	Competition policy	Banking	Securities	Extensiveness and effectiveness of legal rules on investment	
								reform and interest rate liberalization	markets and non-bank financial institutions		
Poland	60	3	4*	3	3	4*	3	3	3	4	
Czech Republic	70	4	4*	3	3	4*	3	3	3	4	
Estonia	65	4	4	3	3	4	3	3	2	3	
FYR Macedonia	40	2	4	2	3	4	1	3	1	2	
Hungary	60	4	4*	3	3	4*	3	3	3	4	
Latvia	60	2	4	2	3	4	2	3	2	2	
Moldova	30	3	3	2	3	4	2	2	2	2	
Romania	40	2	3	2	3	4*	1	3	2	2	
Russian Federation	55	3	4	2	3	3	2	2	2	2	
Slovak Republic	60	3	4*	3	3	4*	3	3	3	3	
Slovenia	45	3	4*	3	3	4*	2	3	3	3	
Ukraine	35	2	2	2	3	3	2	2	2	2	

Note: EBRD estimates. Except for the first column, the ratings range from 1 (least advanced) to 4\* (most advanced). The majority of advanced industrialized economies would qualify for the 4\* ratings for almost all categories.

Source: EBRD 1995.

evaluation is that both were *satisfactory*. The *institutional development impact* of the Bank's assistance was *substantial*, and the *sustainability* of the benefits is *likely*.

### Major findings for Poland

The Bank's efforts had a strong impact in many ways in the important area of institution building. Public sector management practices, such as procurement, prioritization of public expenditures, foreign-debt management, and opening up to private sector participation in transport, clearly benefited from the Bank's involvement. The modernization of commercial banks also reflects successful Bank support for institutional development. But progress has been disappointing in other areas of institution building, such as ending the dependence of major enterprises on fiscal subsidies, bringing down inflation, rationalizing the management of specialized banks, and sustaining the pace of privatization.

Despite a generally positive outcome in many areas, several factors diminished the efficacy of the Bank's assistance. During 1989–91, the Bank clearly established support to the unprecedented reforms through high levels of lending as the main objective for the Poland assistance strategy. Initially, the only available operations were credit lines that had been previously appraised and set aside. These were quickly approved, without due consideration to their adequacy as a vehicle for resource transfer under the complex change of circumstances. As some had predicted, the credit lines failed to achieve their objectives, and became in the end a major hindrance to Bank-Poland relations. At the same time, several other projects were developed, addressing more directly the difficult problems of the transition in several areas. With all the difficulties connected to designing policy changes in this unprecedented environment, it is here that the Bank gave its best contribution to Poland's agenda. Other problems during the early period of assistance included the frequent changes in government and in government commitment to reform, creating bureaucratic gridlock and disrupting policy dialogue and program implementation. Competition to lend to Poland from several donors, some with different policy objectives, reduced Poland's receptivity to Bank advice. And changing priorities within the Bank sometimes resulted in less continuity and sustainability of effort than were needed to carry out the ambitious reform agenda. Partly as a result of these problems, the cost effectiveness of the Bank's country assistance program was relatively low.

The difficulties were aggravated by the lack of flexible instruments for assistance. Early pressure to lend resulted in poor quality at entry for many projects, notably those that relied on credit lines for disbursement. Loan conditionality was not always clearly spelled out, in part because the Bank's lawyers were not involved at the project design stage. The Bank's heavy reliance on quick-disbursing adjustment loans (55 percent of disbursements in fiscal 1990–96) limited its ability to influence sector policies and institution building at the project level. The problem was compounded by excessive Bank centralization of decision-making, by ambiguity in the conditionality of certain loans, by weak enforcement of conditionality, and by loan cancellations before all conditions had been carried out. Inadequate coordination with other donors also weakened policy reforms and contributed to wasted technical assistance funds.

There is clearly a useful role for the Bank in helping Poland address much of its unfinished agenda. But Poland's transformation has come a long way, and its need for Bank assistance is much less than it was. It has abundant foreign exchange, first-class development experts of international caliber, and easy access to international capital markets and to European financial institutions, which are

*The Bank had a strong impact in many ways in the important area of institution building*

*The focus of future Bank assistance should be policy formation and institution building*

eager to provide technical and financial assistance. The Bank, on the other hand, must take the needs of its other member countries—many of them in the ECA Region—into account as well, particularly the countries that are just beginning the transformation process and for which Bank help is vital. Therefore, in formulating the Bank's role in Poland, selectivity should be the guiding principle.

The focus of future Bank assistance should be policy formulation and institution building rather than the transfer of resources. Assistance could still be directed toward sectors such as transport, energy, and telecommunications, provided that there is a full commitment to carry out the remaining reforms and to open up the sectors to private participation. In agriculture and the social sectors a precondition for additional Bank support should be an unequivocal commitment to needed reforms by all the ministries involved. More generally, the Bank's emphasis should be on encouraging private sector participation, cofinancing with other international financial institutions, and cooperating closely with the IFC. It is also important not to neglect the monitoring of macroeconomic and fiscal management, particularly in the absence of any IMF conditional assistance programs. Conventional medium-term creditworthiness analysis should continue, notwithstanding Poland's comfortable foreign-exchange position. If it is decided that future Bank assistance should consist largely of nonlending services, such as special studies, technical assistance, or guarantee arrangements for private sector investment, the Bank could consider charging Poland for the cost of such services.

#### Findings for transition countries

The Bank's experience in Poland also has implications for its assistance programs in other transition countries.

##### *Strategy*

- The Bank needs flexible instruments to support a government's reform program other than through rapid approval of new loans. In Poland, although the Bank's loan disbursements helped to strengthen the country's external position in the early years, its technical inputs, advice, and intellectual support were more valuable than its financial assistance. The Bank provided valuable support for Poland's home-grown reform program through advice, technical backing, dissemination of market-oriented ideas, and endorsement of Poland's debt relief proposals to other creditors.
- Relatedly, staff should not be pressured to rush projects to the Board for approval when that means sacrificing quality at entry. The first two years of lending to Poland were more intensive than expected. The last strategy paper (1987) prior to the onset of lending in 1990 had proposed a small trial portfolio. When instructed to prepare a portfolio much larger than anticipated, the country team did not have the time to fully prepare new projects or to modify existing project proposals to suit the new environment.
- The Bank's budget allocation for work on individual countries should not be rigidly linked to the amount of its lending there, to avoid building in perverse incentives for lending.
- Frequent monitoring and self-evaluation of progress on meeting strategy objectives are essential. Completion reports should be prepared without delay, so as not to miss opportunities of learning from experience.

### *Design*

- Major stakeholders should participate fully in project design, and the Bank should ensure that there is consensus and ownership within the government at early stages of project preparation. In some loans to Poland, loan documents failed to spell out clearly what actions the borrower was required to take, relying instead on general understandings reached with officials who were no longer in office.
- In a fast changing and uncertain environment, Bank staff should be ready to modify projects as the environment changes. Risk analysis and flexibility should be built into project design. Similarly, projects should allow for easy changes in implementation in light of new developments.
- Project design should incorporate gender and poverty targeting whenever feasible. In the case of Poland's Structural Adjustment Loan some of the Bank's executive directors expressed concern that its conditionality was too general, particularly on subsidy reductions and the pace of privatization. Although they strongly endorsed the loan, their concern proved warranted since subsidy reductions remained a sticking point and privatization proceeded more slowly than anticipated. Similarly, some executive directors called for more decisive action to protect vulnerable groups during stabilization. Again, more could have been done. When subsidies were reduced and state enterprises cut back on free social services, the cost of living rose and real wages fell sharply. Women suffered a dual blow from the loss of daycare facilities and higher than average unemployment.
- Loans such as the SAL can be an important vehicle for Bank-government dialogue on issues such as environmental management. By including conditionality on environmental policy, Poland's SAL helped bring environmental issues to the center of Bank-government economic dialogue.
- The need for flexibility in an uncertain environment makes it risky to start projects that are difficult to modify as the environment changes. Small, simple projects are better than complex projects involving several implementation agencies.

### *Implementation and resident missions*

- The Bank should make sure that sufficient staff are committed to ensure successful implementation. If the project is pursuing difficult policy changes, the Bank should be prepared to station seasoned staff members in the field until the project is well under way.
- High staff turnover may disrupt the continuity of projects and lead to a loss of institutional memory. Continuity of project staff is particularly important when there are frequent changes on the borrower's side.
- Implementation decisions should be delegated as much as possible to the staff who are working on the ground, subject to clearly formulated project objectives and monitorable indicators of performance.

### *Institutional and legal issues*

- The Bank should give early attention to the creation of a legal and institutional framework for a market economy. Legal experts should be involved early and more fully in program design, playing a substantive role.

*Risk analysis and flexibility should be built into project design... allowing for easy changes in implementation*

TABLE 5.4: SUMMARY OF STRENGTHS AND WEAKNESSES OF THE BANK'S COUNTRY ASSISTANCE TO POLAND

	<i>Strengths</i>	<i>Weaknesses</i>
<i>Design of strategy</i>	The Bank provided timely help with substantial commitments (\$2.6 billion) to support reform; it has recently decided to be more selective.	Bank commitment to Poland grew partly in reaction to increasing pressure and limelight, but fell away with diminishing pressure and limelight.
<i>Aid coordination</i>	The Bank's endorsement of and active participation in reforms mobilized others to get involved in Poland.  The Bank was involved in all key areas of reform.  The Bank was instrumental in bringing about renegotiation of Poland's debt and reestablishment of creditworthiness.	The deluge of donor assistance in Poland was not well coordinated, putting a strain on the absorptive capacity of the Polish government.  The Bank's ambitious program should have been backed up with larger administrative resources. There was also sometimes a lack of the big strategy picture in project dialogue.  Since creditworthiness has been restored in Poland, there is a danger that the Bank has become complacent in monitoring this important concern.
<i>Implementation</i>	The Bank recently restructured its portfolio in Poland to increase its relevance to assistance needs in Poland and weed out the poor performers.  Bank strategy papers were sufficiently broad to allow the Bank flexibility in its program. The quality of the 1994 strategy paper was notably better than that of its predecessors, perhaps reflecting that strategy papers are now reviewed by the Board.  The Bank resident mission played an important role in project identification, preparation, and implementation.	The Bank was too slow in restructuring poorly performing projects. Many of the Bank's activities have been dropped.  There is a lack of continuity among strategy papers, making it difficult to monitor the Bank's evolving strategy and progress in achieving program goals. Strategy papers did not give sufficient guidance on how to implement the proposed strategies.  The resident mission is insufficiently staffed. Need staff in the field who can handle frequent implementation obstacles: disbursements, and legal and procurement issues. Staff in the field should have sufficient autonomy to resolve issues and speak for the Bank. Need more resources in resident mission to facilitate effective dissemination of reports and conduct public relations work.
<i>Economic and sector work</i>	Bank economic and sector work was an important input into the formulation of a number of sector reform strategies in Poland and helped fill the Bank's own information gap. The strategy investment review, poverty assessment, social expenditure review, and studies on reorienting investments in human capital and Poland at the crossroads are some examples of best practices.	The findings of economic and sector reports were not always incorporated into the country policy dialogue or into Bank operations. ESW was relatively costly, with poor utilization and dissemination of results. A notable omission was an early and comprehensive review of the financial sector.

The Bank correctly emphasized the importance of building institutional capacity before implementing projects.

The Bank offered many creative solutions to problems facing Poland.

In the early period the Bank's work was made easier by high-level dialogue.

The Bank was able to influence policy and encourage macroeconomic discipline, and tough but necessary reforms through policy based lending. EDI produced important research inputs.

*Supervision*

Bank supervision was intensive at the beginning of the lending program.

In some cases the Bank went ahead with project implementation before institutional capacities were adequate to facilitate effective implementation.

Sometimes the Bank was too doctrinaire in offering solutions, applying solutions without sufficiently taking into account local conditions.

In not all cases was it most effective, or most appropriate, to conduct dialogue with high-level officials.

The Bank has lost a lot of leverage in recent years, because of the increasing volumes of alternative assistance now available from other donors, the changing composition of the Bank's portfolio away from policy-based lending, and the growing independence of the Polish government in its dialogue with the Bank.

In recent years supervision has been less intensive, reflecting a shift of Bank interests and resources away from Poland. The Bank has been slow to produce completion reports, thereby not systematically learning from its mistakes.

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*Source: World Bank data.*

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- Institutional development and capacity must be carefully assessed. Much of the initial lending to Poland was through financial intermediaries that were expected to onlend to beneficiaries. But the Bank did not first ascertain whether Polish banks had the institutional capacity to perform this pivotal onlending role, and subsequent developments showed that they did not. There was little if any disbursement from Bank projects involving credit lines, a consequence of lack of demand, slow and cumbersome Bank procedures, and emerging competition in credit lines from donors offering more flexible procedures and better terms than the Bank.

*Maximizing combined donor impact*

- Aid coordination must be monitored to ensure consistency of policy advice and to avoid duplication of effort.
- Donor coordination can be crucial to success. The joint efforts of the Bank, the Fund, and other major donors were essential in putting together a debt and debt-service reduction package on Poland's massive debt to private banks, which had been in default. The Bank's support—financial and technical—for the successful London Club arrangement reached in March 1994, was pivotal. Poland received exceptional amounts of debt relief and was able to restore its creditworthiness and access to international financial markets.

*Dissemination*

- The Bank should make a greater efforts to disseminate its studies and intellectual products in the client countries, including the translation into the local language of at least the summaries of its economic and sector studies.

**Note**

1. Commenting on an earlier draft of this report, the Ministry of Finance noted that, apart from the issues dealt with above, the report accurately analyzes the successes and failures in the cooperation of the World Bank and Poland, although in several parts it excessively points out the causative role of the World Bank. The ministry went on to note that in the process of transforming the Polish economy, the Bank has played a very important role, among other things by supporting the reconstruction of the institutional system. But in most cases the Bank's actions supplemented and authenticated the economic programs already taken up and being carried out by Polish authorities.

## Annexes

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1. Poland at a glance	122
2. The Bank's loan portfolio to Poland	125

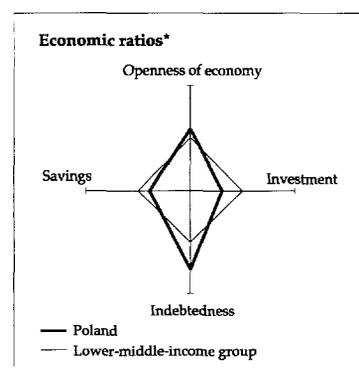
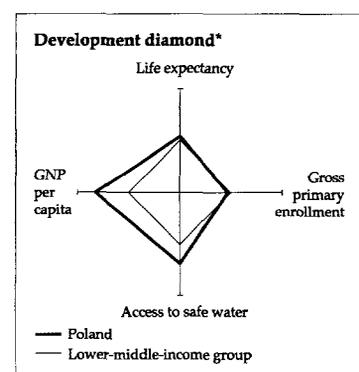
## POLAND AT A GLANCE

*Poverty and social*

	Poland	Europe and Central Asia	Lower- middle- income
Population mid-1995 (millions)	38.6	488	1,154
GNP per capita 1995 (US\$)	2,800	2,240	1,700
GNP 1995 (billions US\$)	108.3	1,093	1,962
<i>Average annual growth, 1990-95</i>			
Population (%)	0.3	0.4	1.4
Labor force (%)	0.8	0.6	1.7
<i>Most recent estimate</i> (latest year available since 1989)			
Poverty: headcount index (% of population)	24	—	—
Urban population (% of total population)	61.8	65	56
Life expectancy at birth (years)	72	68	67
Infant mortality (per 1,000 live births)	13.6	23	36
Child malnutrition (% of children under 5)	—	—	—
Access to safe water (% of population)	100	—	73
Illiteracy (% of population age 15+)	—	—	—
Gross primary enrollment (% of school-age population)	99	97	104
Male	98	97	105
Female	97	97	101

*Key economic ratios and long-term trends*

	1985	1994	1995	
GDP (billions US\$)	71.1	92.6	117.7	
Gross domestic investment/GDP	27.7	15.9	17.0	
Exports of goods and non-factor services/ GDP	18.2	24.0	27.9	
Gross domestic savings/GDP	29.0	16.9	18.6	
Gross national savings/GDP	26.5	16.7	18.2	
Current account balance/GDP	-1.7	-1.0	-1.8	
Interest payments/GDP	2.1	1.9	1.0	
Total debt/GDP	46.9	46.1	37.5	
Total debt service/exports	17.1	15.8	6.3	
Present value of debt/GDP	—	38.4	—	
Present value of debt/exports	—	179.6	—	
<i>Average annual growth</i>				
	1985-95	1994	1995	1996-04
GDP	1.1	5.2	7.0	4.7
GNP per capita	1.2	3.6	8.3	4.1
Exports of goods and nfs	7.4	13.1	25.8	9.2



*(Poland at a glance continued)**Structure of the economy*

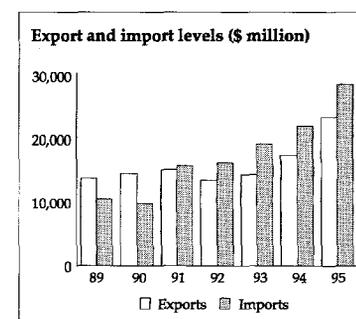
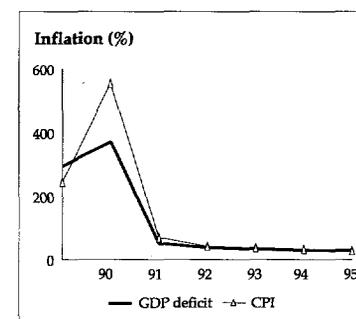
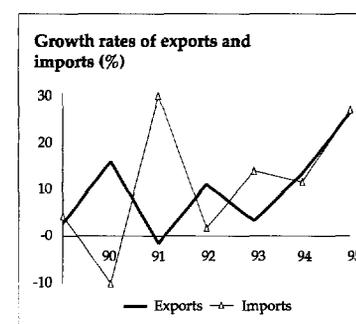
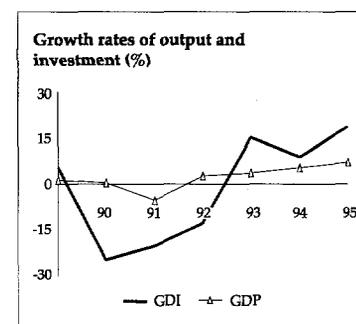
% of GDP	1985	1994	1995
Agriculture	14.5	7.0	7.3
Industry	51.0	42.6	44.0
Manufacturing	—	36.2	37.6
Services	34.4	50.3	48.7
Private consumption	61.8	64.3	63.2
General government consumption	9.2	18.8	18.2
Imports of goods and non-factor services	16.9	23.0	26.3
Average annual growth	1985-95	1994	1995
Agriculture	-3.2	-15.1	11.6
Industry	-4.5	8.8	11.1
Manufacturing	—	10.3	12.0
Services	7.5	5.1	1.5
Private consumption	2.9	3.8	4.5
General government consumption	2.5	2.8	3.0
Gross domestic investment	-3.9	9.0	18.5
Imports of goods and non-factor services	7.9	11.3	26.5
Gross national product	1.5	5.4	8.3

*Prices and government finance*

	1975	1985	1994	1995
<i>Domestic prices (% change)</i>				
Consumer prices	2.3	11.5	32.2	27.8
Implicit GDP deflator	—	16.7	28.4	27.0
<i>Government finance (% of GDP)</i>				
Current revenue	—	—	47.8	46.6
Current budget balance	—	—	-0.2	0.0
Overall surplus/deficit	—	—	-2.2	-1.8

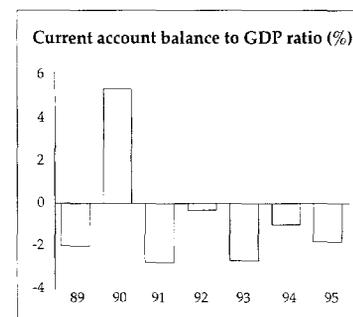
*Trade*

Millions \$	1985	1994	1995
Total exports (fob)	—	17,047	22,895 <sup>a</sup>
Other metals	—	1,057	—
Other metals	—	267	—
Manufactures	—	11,695	15,879
Total imports (cif)	—	21,569	28,050
Food	—	1,876	2,338
Fuel and energy	—	2,263	2,662
Capital goods	—	6,226	8,688
Export price index (1990=100)	—	109	106
Import price index (1990=100)	—	124	118
Terms of trade (1990=100)	—	103	105

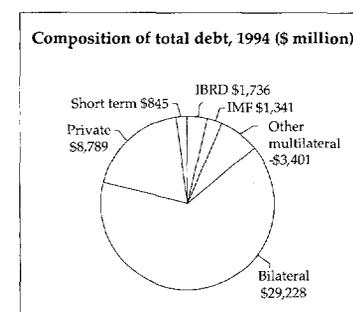
*(continued on next page)*

*(Poland at a glance continued)**Balance of payments*

Millions \$	1985	1994	1995
Exports of goods and non-factor services	5,677	19,050	26,068
Imports of goods and non-factor services	4,615	19,829	27,745
Resource balance	569	-779	-1,677
Net factor income	-2,557	-2,087	-628
Net current transfers	778	1,816	6
Current account balance, before official transfers	-1,382	-1,835 <sup>a</sup>	-2,580 <sup>a</sup>
Financing items (net)	974	1,812	10,513
Changes in net reserves	236	-2,534	-8,147
<i>Memo</i>			
Reserves including gold (millions \$)	1,025	6,028	14,963
Conversion rate (local/\$)	1.47E-02	2.2	2.4

*External debt and resource flows*

Millions \$	1975	1985	1994	1995
Total debt outstanding and disbursed	698	33,307	38,538	40,964
IBRD	0	0	1,736	—
IDA	0	0	0	—
Total debt service	190	2,045	3,093	—
IBRD	0	0	88	—
IDA	0	0	0	—
Composition of net resource flows				
Official grants	0	0	1,664	—
Official creditors	-6	693	565	—
Private creditors	328	-193	-636	—
Foreign direct investment	0	15	1,875	—
Portfolio equity	0	0	5	—
World Bank program				
Commitments	0	0	215	—
Disbursements	0	0	672	—
Principal repayments	0	0	0	—
Net flows	0	0	672	—
Interest payments	0	0	88	—
Net transfers	0	0	585	—



\* The diamonds show four key indicators in the country (in bold) compared with its income-group average. If data are missing, the diamond will be incomplete.

a. Figures supplied by Ministry of Finance on April 7, 1997.

Note: 1995 data are preliminary estimates. Government finance represents general government accounts. Balance-of-payments financing item includes cross border trade surplus (around \$3,350 million).

— not available.

Source: World Bank, International Economics Department.

THE BANK'S LOAN PORTFOLIO TO POLAND  
(as of March 1, 1997, \$ million)

Loan		Approval	Effectiveness	Closing	Approved	Disbursed	Canceled	Undisbursed	Project status	ICR produced? <sup>a</sup>
Project ID number	Project name									
8569	L3166 Industrial export development <sup>b</sup>	2/6/90	5/8/90	6/30/97	260.0	75.9	45.0	139.1	Active	
8565	L3167 Agro-industrial exports <sup>b</sup>	2/6/90	5/7/90	12/31/94	100.0	71.6	28.4	0.0	Completed	Yes
8586	L3190 Environmental management	4/24/90	7/24/90	12/31/96	18.0	18.0	0.0	0.0	Active	
8567	L3193 Transport-General	5/1/90	9/11/90	12/31/96	8.0	4.7	3.3	0.0	Active	
8567	L3194 Transport-Railways	5/1/90	9/11/90	12/31/96	145.0	142.2	0.0	2.8	Active	
8568	L3215 Energy resource development	6/5/90	11/14/90	6/30/97	250.0	198.7	0.0	51.3	Active	
8588	L3247 Structural adjustment loan I <sup>c</sup>	7/31/90	10/1/90	12/31/91	300.0	300.0	0.0	0.0	Completed	Yes
8574	L3319 Telecommunications I	4/23/91	12/9/91	6/30/97	120.0	81.4	25.0	13.6	Active	
8582	L3338 Employment promotion	6/4/91	9/30/91	12/31/97	100.0	26.1	20.0	53.9	Active	
8564	L3343 Agricultural development <sup>b</sup>	6/11/91	3/4/92	7/31/95	100.0	25.2	74.8	0.0	Fully disbursed	Yes
8571	L3342 Privatization and restructuring <sup>b</sup>	6/11/91	11/7/91	6/30/98	280.0	143.9	47.3	88.8	Active	
8585	L3341 Financial institutions development <sup>c</sup>	6/11/91	1/14/92	6/30/98	200.0	178.5	0.0	21.5	Active	
8576	L3377 Energy sector adjustment loan	6/26/91	5/21/92	3/31/94	75.0	37.5	37.5	0.0	Fully disbursed	No
8576	L3378 Heat supply restructuring	6/26/91	5/21/92	6/30/97	40.0	25.3	0.0	14.7	Active	
8576	L3379 Heat supply restructuring	6/26/91	2/24/92	6/30/97	25.0	16.6	0.0	8.4	Active	
8576	L3380 Heat supply restructuring	6/26/91		6/30/97	55.0	0.0	55.0	0.0	Canceled	No
8576	L3381 Heat supply restructuring	6/26/91	2/27/92	6/30/98	25.0	19.2	0.0	5.8	Active	
8576	L3382 Heat supply restructuring	6/26/91	2/19/92	6/30/97	100.0	47.5	0.0	52.5	Active	
8576	L3383 Heat supply restructuring <sup>b</sup>	6/26/91	2/18/92	6/30/97	20.0	0.0	20.0	0.0	Fully disbursed	No
8584	L3467 Private enterprise development <sup>b</sup>	5/7/92	12/18/92	6/30/99	60.0	2.0	58.0	0.0	Fully disbursed	No
8587	L3466 Health	5/7/92	1/15/93	6/30/99	130.0	37.2	30.0	62.8	Active	
8590	L3499 Housing <sup>b</sup>	6/25/92	5/6/93	12/31/98	200.0	2.5	180.0	17.5	Active	
8599	L3564 Roads	3/9/93	9/30/93	6/30/99	150.0	93.9	0.0	56.1	Active	
8583	L3600 Agriculture sector adjustment loan <sup>c</sup>	5/4/93	9/29/93	3/31/96	300.0	300.0	0.0	0.0	Fully disbursed	No
8589	L3599 Enterprise and financial sector adjustment loan <sup>c</sup>	5/4/93	1/6/94	6/30/96	450.0	324.9	125.1	0.0	Active	
8610	L3641 Forestry development	7/29/93	11/29/93	6/30/00	146.0	89.9	42.0	14.1	Active	

(continued on next page)

(continued)

<i>Loan</i>											<i>ICR produced?<sup>a</sup></i>
<i>Project ID number</i>	<i>Project name</i>	<i>Approval</i>	<i>Effectiveness</i>	<i>Closing</i>	<i>Approved</i>	<i>Disbursed</i>	<i>Canceled</i>	<i>Undisbursed</i>	<i>Project status</i>		
8609	L3804	Debt and debt service reduction <sup>c</sup>	10/25/94	11/15/94	6/30/95	170.0	170.0	0.0	0.0	Completed	Yes
8614	L3809	Katowice heat supply	11/17/94	12/19/94	6/30/00	45.0	8.4	0.0	36.6	Active	
8604	L3959	Power transmission	11/28/95	3/8/96	12/31/01	160.0	11.6	0.0	148.4	Active	
8595	L4032	Bielsko-Biala water	6/4/96	1/16/97	6/30/03	21.1	0.0	0.0	21.1	Active	
36061	L4080	Port access and management	8/1/96	12/6/96	6/30/02	67.0	0.0	0.0	67.0	Active	
Total						4,120.1	2,452.7	791.4	876.0		

a. For fully disbursed loans.

b. Policy-based loans (including hybrids).

c. Includes a credit-line component.

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# Supplement

Introductory note	130
Management response	131
Summary of Committee on Development Effectiveness findings	135

# Introductory note

## **Feedback of evaluation results within the World Bank**

Each study by the Bank's independent Operations Evaluation Department is reviewed by the Bank's management before being discussed by a committee of the board of executive directors. Management provides a detailed response to the recommendations outlined in the study. This response is discussed by the committee and, together with a record of actions promised and taken, is recorded in a "policy ledger" accessible to all Bank staff. The Bank's executive directors have requested that all published studies by the Operations Evaluation Department include a synopsis of the management response and the committee's findings.

## Management response

The attached policy ledger does not attempt to repeat all lessons and recommendations in the country assistance review. Instead, it focuses on specific areas, among those identified in the CAR, where specific actions by the Region can be taken, and later reassessed in the context of future Country Assistance Strategy Papers for Poland. The review has been prepared in close consultation with the Region, and the findings and recommendations of an earlier CAR draft, dated January 27, 1997, were taken into account by the Region in preparation of the CAS dated April 14, 1997.

POLAND COUNTRY ASSISTANCE REVIEW  
LEDGER OF OED RECOMMENDATIONS  
MANAGEMENT RESPONSES AND ACTIONS

<i>OED recommendations</i>	<i>Management response</i>	<i>Actions promised</i>
<p><i>Contents of the Bank strategy</i></p> <p>There is clearly a useful role for the Bank in helping Poland address its unfinished agenda, but Poland's need for Bank assistance is much less than it was. Therefore, in formulating the Bank's future role in Poland, selectivity should be the guiding principle.</p> <p><i>Recommendations for the design of Bank strategy</i></p> <ul style="list-style-type: none"> <li>• The focus of future Bank assistance should be policy formulation and institution building more than transfer of resources.</li> <li>• Assistance could be directed toward infrastructure sectors such as transport, energy and telecommunications, provided that there is a full commitment to carry out the remaining reforms and open up the sectors to private participation.</li> <li>• In agriculture and the social sectors, a pre-condition for additional Bank support should be the unequivocal commitment to needed reforms by all the ministries involved.</li> <li>• Bank should emphasize encouraging private sector participation, cofinancing and cooperating closely with IFC.</li> </ul>	<p>A more selective role for the Bank is the guiding principle of the Region's CAS for Poland. Selectivity will be based on explicit criteria and not by an <i>a priori</i> decision on the number of areas to support.</p> <p>This is reflected in the 1997 CAS.</p> <p>Fully consistent with current strategy set forth in 1997 CAS.</p> <p>In agriculture, programs to address market failure (i.e., wholesale markets, warehouse receipts) can be successfully implemented without further sector reforms. Proposed social sector program supports reform agenda, and lending would be linked to reform progress.</p> <p>Fully reflected in 1997 CAS.</p>	<p>Utilize the three criteria established in the 1997 CAS for determining content of assistance program: coincidence between Bank's comparative advantage and Poland's priorities; Bank participation only in areas where necessary to promote development of particular sector or issue and no other partner can more productively and efficiently achieve same objectives; no explicit lending targets.</p> <p>No action required other than to consistently implement an assistance program that conforms to 1997 CAS.</p> <p>No action required.</p> <p>If needed reforms not implemented, assistance strategy will be redefined to either build consensus for reform, or if this is not feasible, resources would be redeployed.</p> <p>Monitor progress in this area over time.</p>

<i>OED recommendations</i>	<i>Management response</i>	<i>Actions promised</i>
<p data-bbox="229 305 527 329"><i>On economic and sector work</i></p> <ul data-bbox="221 362 768 613" style="list-style-type: none"> <li data-bbox="221 362 768 532">• Bank monitoring of macroeconomic and fiscal management should continue, particularly in the absence of IMF conditional assistance programs. Conventional medium-term creditworthiness analysis should also continue, notwithstanding Poland's comfortable foreign-exchange position.</li> <li data-bbox="221 557 768 613">• Bank should increasingly utilize local expertise in production of ESW.</li> </ul> <p data-bbox="221 646 385 670"><i>On instruments</i></p> <ul data-bbox="221 703 768 1101" style="list-style-type: none"> <li data-bbox="221 703 768 930">• The Bank needs flexible instruments to support government reform programs other than through conventional Bank loans. If future Bank assistance to Poland should consist largely of non-lending services, such as special studies, technical assistance or guarantee arrangements, the Bank should consider charging Poland for the cost of providing such services.</li> <li data-bbox="221 954 768 1101">• Budget allocations for work on individual countries should not be rigidly linked to the amount of lending there, to avoid building in perverse incentives to lend at the expense of non-lending services.</li> </ul> <p data-bbox="221 1133 421 1157"><i>On implementation</i></p> <ul data-bbox="221 1190 768 1295" style="list-style-type: none"> <li data-bbox="221 1190 768 1295">• Frequent monitoring and self-evaluation of progress on meeting objectives are essential. Completion reports should be prepared without excessive delay following loan closings.</li> </ul>	<p data-bbox="825 362 1364 467">The IMF remains actively involved in a monitoring and support function and continues to take the lead in short and medium term macroeconomic discussions.</p> <p data-bbox="825 557 1364 613">Decentralized country management effectively supports this objective.</p> <p data-bbox="825 703 1364 784">The 1997 CAS recognizes the growing importance of non-lending services and raises the possibility of cost-sharing at some point in the future.</p> <p data-bbox="825 954 1364 1036">Bankwide structural changes resulting from overall change management initiatives provide flexibility to redeploy resources.</p> <p data-bbox="825 1182 1364 1206">The Region fully endorses this recommendation.</p>	<p data-bbox="1425 362 1917 410">The Bank will continue to monitor macroeconomic and fiscal management.</p> <p data-bbox="1425 557 1917 613">Bank will continue to utilize local expertise in ESW preparation.</p> <p data-bbox="1425 703 1917 784">The composition of the assistance program will be closely monitored to ensure that Bank and Polish cost-sharing is appropriate.</p> <p data-bbox="1425 954 1917 1036">In monitoring the CAS, the Region will ensure that resources for Poland are deployed consistently with the CAS.</p> <p data-bbox="1425 1182 1725 1206">ICR backlog is being cleared.</p>

<i>OED recommendations</i>	<i>Management response</i>	<i>Actions promised</i>
<ul style="list-style-type: none"> <li>• Resident mission staff should be empowered to make day-to-day implementation decisions without the need to get prior approval from headquarters.</li> <li>• It would be useful to assign a procurement specialist to the field office.</li> </ul> <p><i>On dissemination</i></p> <ul style="list-style-type: none"> <li>• With increasing emphasis on ESW, targeted dissemination of reports will be essential, including reports translated into Polish.</li> </ul>	<p>The decentralization of Poland country management should help in this regard.</p> <p>Region will consider recommendation as it implements its decentralization plan.</p> <p>Region agrees on need to make ESW as effective as possible.</p>	<p>Effective implementation of decentralization will be monitored by regional management.</p> <p>No action required.</p> <p>Country director will agree with task manager and Polish authorities on dissemination strategy for major pieces of ESW.</p>

## Summary of Committee on Development Effectiveness findings

The Committee on Development Effectiveness (CODE) considered the Poland Country Assistance Review on April 30, 1997, and was pleased to note that despite the challenges facing Poland, tangible progress had been achieved in most of the Bank's early objectives, and that nearly all the sectors in which the Bank has been involved have benefited from its advice and intellectual contributions. In discussing the negative effects of the "pressure to lend," CODE emphasized that the Bank needs flexible instruments to support a government's reform program other than the rapid approval of new loans. In particular, it cited the vital importance of economic and sector work to underpin project design. CODE also stressed the critical need for donor coordination and for greater focus on the Bank's comparative advantage. Although the primary responsibility for ensuring coherent effects of donor funds rests with the government, the Bank could play a more effective role by strengthening its presence on the ground.

CODE emphasized the importance of a strong resident mission, where staff are empowered to make day-to-day implementation decisions without the need for prior approval from headquarters. It acknowledged the ongoing decentralization of the Bank's management team for Poland, particularly the intention to place country strategy work and work programming responsibilities in the field. The committee urged that more attention be given to the different impacts that Poland's transition to a market economy has on men and women. Finally, it stressed that the Bank should make greater efforts to disseminate its studies and intellectual products in client countries, including the translation into the local language of at least the summaries of economic and sector studies.



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