



<b>1. Project Data:</b>		<b>Date Posted :</b> 08/12/2002	
<b>PROJ ID:</b> P008571		<b>Appraisal</b>	<b>Actual</b>
<b>Project Name:</b> Priv & Restruct	<b>Project Costs (US\$M)</b>	915.0	n.a.(*)
<b>Country:</b> Poland	<b>Loan/Credit (US\$M)</b>	280.0	189.2
<b>Sector(s):</b> Board: PSD - General industry and trade sector (50%), Central government administration (49%), Banking (1%)	<b>Cofinancing (US\$M)</b>	635.0	n.a.(*)
<b>L/C Number:</b> L3342			
	<b>Board Approval (FY)</b>		91
<b>Partners involved :</b>	<b>Closing Date</b>	06/30/1998	12/31/2001
<b>Prepared by :</b>	<b>Reviewed by :</b>	<b>Group Manager :</b>	<b>Group:</b>
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**2. Project Objectives and Components**

**a. Objectives**

The project was intended to support the privatization and restructuring of state -owned enterprises by (i) assisting with the design of necessary policies; (ii) supporting the establishment and strengthening of the institutional framework and the implementation of the mass privatization program, in support of the Government's objective of privatizing half of the state-owned enterprises within three years; and (iii) providing finance for enterprise restructuring programs in those cases where investments were warranted and for enterprises that were already private, or under joint stock or limited liability company form as a first step towards privatization .

**b. Components**

The original components as specified in the SAR were (a) a policy component (US\$75 million) supporting the Government's privatization and restructuring program through a quick -disbursing tranche, securing the Government's commitment to (i) implement the privatization program following action plans agreed with the Bank, (ii) adopt a sound approach for enterprise restructuring, and (iii) address a wider range of related issues, such as management of state assets and industrial policy, over a longer time period, as privatization proceeded; (b) a technical assistance component supporting the various institutions implementing the program (US\$65 million); and (c) a restructuring/privatization investment financing component to provide sub -loans (through the Polish Development Bank and approved commercial banks ) to privatized or privatizing enterprises (US\$140 million). Such sub-loans would finance foreign exchange costs of needed organizational or physical improvements at the enterprise level .

**c. Comments on Project Cost, Financing and Dates**

The investment component of the loan was not used due to the unforeseen availability of investment financing from other sources. In 1995 the project was restructured through partial cancellation and reallocation of funds between components (from the investment component to technical assistance ).

(\*) The ICR did not report the final project cost because (a) the Government did not keep separate accounts to determine the amount of budget spent on technical assistance, and (b) the enterprise portion of investment costs was not available.

**3. Achievement of Relevant Objectives:**

- The project was one of the central pieces of the Bank's strategic approach in Poland, and along with other donors, the Bank was an important partner in the privatization and restructuring process . Of the 8,453 state-owned enterprises in 1990, 47% were privatized or commercialized by the end of 1995, and 69% by the end of 2001.
- The policy component helped support some important initial steps and there was subsequent Bank leverage over the privatization program through other adjustment loans .
- The technical assistance component was successful in building the capacity of some of the key government institutions (the Ministry of Privatization and, to a lesser extent, the Ministry of Economy ). A number of important subsector studies were carried out .
- The investment component did not achieve its objectives (although the objectives were achieved with other

sources of funding), and this component was partially cancelled and the remainder reallocated to technical assistance.

**4. Significant Outcomes/Impacts:**

The ICR states that successful implementation of the mass privatization program was the most important achievement of the project, and there is no reason to question that conclusion . The mass privatization program played an important role in securing popular support for the privatization program as a whole, and had the side benefit of building up the Warsaw Stock Exchange .

**5. Significant Shortcomings (including non-compliance with safeguard policies):**

There were two shortcomings, although they did not compromise the achievement of the main objectives of the project.

- The first was that the Bank did not look closely enough at the need to strengthen the capacity of the various institutions involved in the project to coordinate more effectively to achieve the project's objectives .
- Second, there were cumbersome approval processes and inadequate mechanisms for resolving differences of view in a timely fashion. The Bank tended to react to each issue as it arose, without dealing with the problem on a systemic level.

<b>6. Ratings:</b>	<b>ICR</b>	<b>OED Review</b>	<b>Reason for Disagreement /Comments</b>
<b>Outcome:</b>	Satisfactory	Satisfactory	
<b>Institutional Dev .:</b>	Substantial	Substantial	
<b>Sustainability:</b>	Highly Likely	Highly Likely	
<b>Bank Performance:</b>	Satisfactory	Satisfactory	
<b>Borrower Perf .:</b>	Satisfactory	Satisfactory	
<b>Quality of ICR:</b>		Satisfactory	

**NOTE:** ICR rating values flagged with '\*' don't comply with OP/BP 13.55, but are listed for completeness.

**7. Lessons of Broad Applicability:**

- As the ICR notes, the project was designed to maintain the momentum of the privatization process in Poland, yet the only component which could effectively provide for this was the quick -disbursing component, which was disbursed in the first year of the project . In this sense there was somewhat of a mismatch between the project objective and the instrument chosen . For the future, this type of project might be better supported by a programmatic adjustment loan.
- The availability of alternative sources of financing for privatized enterprises from other donors might have been foreseen at appraisal, if there had been better coordination between the Bank and other donors .
- Project implementation was delayed by inadequate coordination across public sector agencies involved in privatization. This problem might have been avoided by a better institutional assessment and coordination plan at the design stage.

**8. Assessment Recommended?**  Yes  No

**9. Comments on Quality of ICR:**

The ICR contains a very interesting analysis of the performance of the project, and significant input from the Government. It should have included data on actual project costs, along with actual government cofinancing .