Board Meeting of May 1, 1997
Statement by Jan Piercy

Poland Country Assistance Strategy

1. Poland is a success story. This success reflects commitment by Poland to move forward and make the transition to a market economy and reflects good work of the World Bank Group and others. Poland’s economic policy agenda is now focused on the requirements for EU membership. This overarching objective and what may be called the “dilemma of success” have considerable implications for the role of the World Bank and its assistance strategy for the next few years.

2. The guiding principle for the Bank’s role in the Poland Country Assistance Strategy is selectivity. As noted in the strategic compact, selectivity should be the guiding principle for all of the Bank’s programs. What is of some concern is the Bank’s “to be determined” strategy in the face of the critical “unfinished agenda” in Poland — pension and social security reform, privatization of large state-owned enterprises, privatization of specialized banks, agriculture and coal sector reform.

3. While it is perfectly clear that the Bank’s work must be demand driven and that the single most important factor for project success is the political willingness and commitment/ownership of government, Poland’s needs are clear. It will be disturbing if demand does not accord with this unfinished agenda. It is thus very much hoped that the strategy of emphasizing non-lending services, policy advice and institution building, meets these needs and the test of client responsiveness.

4. We have the benefit of an invaluable work by OED, the Poland Country Assistance Review, to help guide us in analyzing the CAS. We should all study the Poland CAR as it describes the interplay of the Board, Management, Staff, and Government leaders on the substance, timing, sequencing, implementation, and effectiveness of the Bank’s assistance to Poland. There are strengths and weaknesses to all of these partnerships and the resulting impact on Poland’s programs. There was indeed pressure to lend, from shareholders and stakeholders alike, to strongly support the initial stages of the reform process. Indeed, the Board approved 12 projects amounting to $1.1 billion in just three months; 9 were subsequently fully or partially canceled. Clearly, there are lessons to be learned here.
5. The United States has consistently emphasized the importance of bold, decisive structural reforms in order to promote private sector development. Privatization and environmental considerations were emphasized. The progress on improving and protecting the environment is good to note. In the past two years or so, there has been progress in small-scale privatization but work remains on privatization of large scale enterprises and specialized banks.

6. Poland’s focus on EU membership and the success of its economic policy reforms in many areas undoubtedly alters the mix of external financing and advice Poland will seek from the World Bank Group and other international financial institutions in the months and years ahead. The CAS lays out a stylized but rather undefined process that would reshape the partnership between the World Bank and Poland, drawing on the Bank’s comparative advantage. We agree that the major structural issues that Poland needs to address now are pension and health care reform, privatization of large SOEs which are important in selected regions of the country, and agriculture. As the CAS notes, the Bank also has “substantial expertise” to offer on the environment and on financing social sector projects. We support the strategic emphasis on capturing the Bank’s comparative advantage but it is not clear exactly how the Bank’s engagement in the “unfinished agenda” will play out.

7. A relevant issue raised in the CAR, which warranted fuller treatment in the CAS, is the need to mainstream gender considerations or the differential impact of programs on women and men, into design and implementation of Bank operations, particularly in health, education, entrepreneurial support and access to credit, employment creation and labor market work.

8. Additionally, the results of OED’s stakeholder survey and the translation, dissemination, and constructive feedback on the CAR all speak to the importance of participation of stakeholders in the development process. It is mentioned that a wide range of stakeholders were included in discussions on the CAS, with the “full encouragement of government”. Elaboration on the impact and benefits of this consultative process would be appreciated. The CAS and Bank operations can only benefit from such participation which increase the Bank’s development effectiveness. We encourage dissemination of the final CAS, to the benefit of all involved.

9. Donor coordination is critical to success of Bank assistance in all countries. The CAS for Poland is important for the precedents it will set for other central and eastern European countries on the road toward EU membership. It is noted that the partnership with the EU will require very careful coordination “to avoid confrontation” as “there may be less appreciation for (the Bank’s) general policy advice”. While the Bank’s financial leverage, so to speak, is reduced as its resource transfer role diminishes, the Bank’s independent policy advice and economic and sector work is fundamentally and critically important to Poland at this stage and should not be curtailed. The possibility of charging for a range of non-lending services should also be considered, and not just for Poland. It was noted in the CODE CAR discussion that borrowers do, in fact, bear some of the costs of non-lending services now; we look forward to a full discussion of costs and charging in the near future.
10. The Bank clearly needs to navigate carefully to define a relevant role in Poland. Intensive work on non-lending services and institution building are positive avenues to pursue. Also positive is the IFC’s role, outlined in the joint CAS, that will focus on the financial sector, infrastructure (power, telecommunications and water), privatization, capital markets development, and small and medium enterprise support. We also encourage the Bank, IFC, and MIGA to work together in the area of guarantees, which should be of much interest to Poland.

11. We appreciate the work and careful analysis in the CAS and support its main thrust of selectivity. Poland has indeed transitioned successfully, and has much less need for the Bank’s financial assistance. The Bank does, however, have a relevant and constructive role to play in supporting Poland’s efforts to sustain private sector-led growth and to address difficult transitional issues as privatization proceeds.