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Swedish Development Assistance

*Sweden's Assistance to Poland: An Overview  
Evaluation*

Marian Radetzki  
Stockholm, August 1994

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**SASDA**

### The Secretariat for Analysis of Swedish Development Assistance

The Swedish government has appointed a committee with the task of analysing the results and effectiveness of Swedish development aid. A special Secretariat, SASDA, was set up on 1 March 1993 to carry out the work.

The Secretariat will work until the end of 1994 and will have as its main task to propose to Government suitable mechanisms for evaluations and policy analyses of Swedish aid. In its work SASDA will give priority to carrying out a set of selected studies world-wide, at country, sector and subject level and to studies of individual organisations to provide a basis for decisions on development co-operation in the future and to gain experience on how policy evaluations should be carried out. A major study concerns Sweden's co-operation with Central and Eastern Europe.

SASDA's point of departure is the aim of a better understanding of the mechanisms of development in order to enhance the results and increase the effectiveness of aid in achieving the five goals set by the Swedish parliament: increased resources, economic and social equality, economic and political independence, the democratic development of society, and the long-term management of natural resources and care of the environment.

The studies and analyses will be managed partly by the Secretariat's own staff and will include studies commissioned from different specialists in the committee's areas of priority.

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### SWEDEN'S ASSISTANCE TO POLAND: AN OVERVIEW EVALUATION

A study commissioned by the Secretariat for Analysis of Swedish Development Assistance, SASDA

#### Introduction

Since about 1990, the Swedish government has been financing a bilateral assistance program to support efforts in Eastern Europe towards democracy, economic reform and improvement of the physical environment. An additional implicit objective is that the activities should also serve Swedish self-interests. The program is geographically focused on the region in the immediate Swedish vicinity, comprising the three Baltic states, western Russia and Poland. In the first four years, Poland has been a major recipient of this support.

The purpose of the present study is to make an overview evaluation of the Swedish activities in Poland under this program, to elaborate on their strength and value and, especially, to indicate the weaknesses and deficiencies. The purpose is also to suggest alterations which could improve the efficiency and effectiveness of the Swedish endeavors.

Any full-fledged evaluation must base its conclusions on some kind of benefit-cost analysis: How does the accomplishment of objectives relate to the costs? In the present case, not even a qualitative benefit-cost approach is possible to apply. First, a majority of the activities are so new that their ultimate impact has not yet emerged. Second, the Swedish expenditures in most cases constitute a marginal contribution in the overall activity from which benefits are derived, and it is next to impossible to determine the share of such benefits that can be attributed to the Swedish effort. And third, the goals pursued by the Swedish donor are lofty, and not always internally consistent. Hence, goal attainment is hard to identify, and even harder to measure in a uniform way. For these reasons, the following analyses address more general issues, e.g. the goal structure and its fit to Poland's needs, the efficiency loss that results from tying the assistance to Swedish resource use, or the problems caused by the remarkable proliferation of Swedish executing agencies and projects. It should be underlined that the responsibility for such general issues often rests with the government of Sweden, and not with the Swedish agencies which execute the aid program.

The overview nature of the study must be emphasized. Given the scope of the effort, it has not been possible to make independent reviews of the individual projects comprised in the Swedish program. However, existing evaluation studies of such projects have been taken into account.

The work was conducted between April and July 1994. It is based on the public documentation prepared or commissioned by the Swedish government and the principal Swedish aid agencies, and on discussions with representatives of the Polish and Swedish governments, and with several of the agencies involved on the Swedish side, and receiving agencies on the Polish side. Appendix 1 lists the principal Swedish agencies preoccupied with aid to Eastern Europe, by acronym and full name. Appendix 2 contains a list of persons interviewed, along with their affiliations. Tables 1 and 2 in the following section, containing summary data on the committed and disbursed amounts of assistance, as well as Appendix 3, which details these figures by project, have been compiled by Lisa Levin of SASDA.

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## The program content

Swedish assistance to Eastern Europe formally began in 1990. The financial allocations amounted to roughly 300 MSEK per year in each of the fiscal years 1990/91 and 1991/92 (the Swedish fiscal year runs from July to June). Late in 1991, a decision was taken to extend the program for a 3-year period, 1992/93 through 1994/95, with total budget allocations amounting to 1000 MSEK per year.

Collaboration with Poland was initiated already in 1989 and then developed at great speed. To begin with, it was separately financed. As the program for Eastern Europe was launched, and the budget for 1990/91-1991/92 established, a decision was made to allocate 100 MSEK per year specifically to Poland. In the ensuing three year period, however, the budget was not divided by country, so the proposed activities in Poland had to compete with those launched in other East European countries, to secure funding.

Tables 1 and 2 detail the Swedish commitments and disbursements to the program in Poland for the 5-year period 1989/90-1993/94, covered by the present study. Commitments peaked in 1990/91, and amounted to a total of 345 MSEK over five years. Disbursements peaked one year later. The total disbursed amount until mid-1994 was 221 MSEK, almost two thirds of commitments.

Table 1 provides a sub-division by subject. Environmental activities have been a prominent component of the program, accounting for 45 % of overall commitments. Water treatment and efforts to improve energy efficiency have dominated the environmental endeavors. Industry-related activities absorbed another 34 % of total funding, with large shares directed to management training and to the forest industry sector.

Most of the flows have had the form of grants. Technical assistance has been a dominant component in the overall program.

Table 2 subdivides the flows by principal aid agency. The projects conducted by BITS have mainly involved various types of training, the preparation of feasibility studies and establishment of master plans, as well as other project preparation. The funds administered by SIDA have been expended on financing the technical assistance activities of Swedish NGOs in Poland. In some of the BITS and SIDA projects, equipment was delivered as a follow-up to the technical assistance endeavor. The Swedish Institute has been responsible for personnel exchange between the countries in cultural and scientific fields. SwedeCorp supports associations and activities that improve the business environment and encourage commercial relationships between Sweden and Poland. Swedfund promotes joint business ventures between the two countries by providing loans and equity capital. SUAS' activities aim at reducing agricultural pollution. This organization has recently started its activities in Poland by approving the establishment of demonstration farms.

Excepting 1992/93, when Swedfund made a substantial share-capital investment in a Polish-Swedish industrial joint venture arising from the Polish privatization program, the overall flows have been completely dominated by BITS. Even with that year included, BITS accounts for 70 % of overall commitments and about two thirds of disbursements. SIDA ranks third in financial terms, among the donor agencies, after BITS and Swedfund.

Given the improvement of the general business climate in Poland since 1989, SwedeCorp's activities in that country are likely to shrink. The concession contained in Swedfund's

Table 1. Assistance to Poland by subject

	1989/90		1990/91		1991/92		1992/93		1993/94		Total for period	
	Commitment 1 000 SEK	Disbursement 1 000 SEK	Commitment 1 000 SEK	Disbursement 1 000 SEK	Commitment 1 000 SEK	Disbursement 1 000 SEK	Commitment 1 000 SEK	Disbursement 1 000 SEK	Commitment 1 000 SEK	Disbursement 1 000 SEK	Commitment 1 000 SEK	Disbursement 1 000 SEK
Culture			880		1 117	1 191	597	684	330	134	2 924	2 009
Democratization	869	819	3 010	3 060	3 400	3 400	3 250	1 500	2 453		12 982	8 779
Education			2 186	1 165	306	1 308	1 010	956	2 750	2 911	6 252	6 340
Energy									560	179	560	179
Environment	391	147	18 347	9 597	66 517	14 631	31 219	25 466	38 588	12 831	155 062	62 672
Exchange of experts			500	380	600	571	722	617	214	560	2 036	2 148
Health			910	571							910	571
Humanit. aid	6 466	6 466									6 000	6 466
Industry	1 565	715	62 818	19 572	7 354	44 307	44 800	38 189	1 080		117 017	102 783
Phys. planning	100	97	537	519	106	101					743	717
Public Adm.	9 867	663	5 936	606		9 011	1 381	1 581	5 000	2 679	22 184	14 540
Trade							2 350	950	3 623	1 636	5 973	2 586
Transport and Communication			530	485	482	463	497				1 012	1 445
Other Areas									300	163	300	163
Small projects	3 013	2 690	1 961	1 457	1 893	2 332	2 758	2 902	977	492	11 068	9 874
TOTAL:	22 271	11 597	97 615	37 412	81 775	77 315	87 587	73 323	55 875	21 605	345 023	221 252

Table 2. Assistance to Poland by Swedish Agency

	1989/90	1989/90	1990/91	1990/91	1991/92	1991/92	1992/93	1992/93	1993/94	1993/94	Total for period	Total for period
	Commitm. 1 000 SEK	Disburse. 1 000 SEK	Commitm. 1 000 SEK	Disburse. 1 000 SEK	Commitm. 1 000 SEK	Disburse. 1 000 SEK	Commitm. 1 000 SEK	Disburse. 1 000 SEK	Commitm. 1 000 SEK	Disburse. 1 000 SEK	1 000 SEK	1 000 SEK
BITS	11 787	1 486	90 278	31 550	63 448	64 502	32 445	31 763	40 868	15 852	244 826	145 153
SIDA (Poland's part of regional proj.)	10 484	10 111	6 371 (185)	5 317	7 193 (363)	7 632	6 663 (253)	5 058	4 010 (393)	492	34 721 (1 194)	28 610
SwedeCorp							2 350	950	3 623	1 636	5 973	2 586
Swedfund						4 111	43 800	33 295	1 080		48 891	37 406
Swed. Institute						1 070	2 329	2 257	3 294	3 625	7 612	7 497
Swedish University of Agricultural Sciences (SUAS)			966	545	4 111	1 070			3 000		3 000	
<b>TOTAL:</b>	22 271	11 597	97 615	37 412	81 775	77 315	87 587	73 323	55 867	21 605	345 023	221 252

financial support has the predominant form of not charging a higher interest rate for specific country risk. Since Poland no longer represents a significant country risk to foreign investors and lenders, the Swedefund schemes offer little advantage compared with purely commercial arrangements. Hence, Swedefund's activities in Poland, like those of SwedeCorp, are unlikely to continue on a significant scale.

The summary content of tables 1 and 2 is subdivided by project in Appendix 3. A discrete project subdivision raises certain complications, given that projects may be discontinuous in time, consist of several phases, sometimes with different executors. For these reasons, the Appendix list may raise some ambiguities. Brushing these aside, and excluding projects with total costs below 1 MSEK, the Swedish program in Poland has comprised a total of 60 projects, implying an average commitment of less than 6 MSEK and a corresponding average disbursement below 4 MSEK so far.

The present study is concerned solely with the program identified in Tables 1 and 2. Obviously, alternative definitions of what is assistance would yield other numbers and different categories, but such issues are not pursued here.

Nevertheless, in order to provide an international perspective to the Swedish endeavors in Poland, Table 3 displays Sweden's disbursements in 1990-1993, along with those of other members of the Group of 24 (data obtained from the Council of Ministers' office, Warsaw). The grand total comprises debt reorganization, which is not part of the assistance dealt with here. Excluding that item, Sweden ranks as number 11 in the bilateral league. The total Swedish commitment, 142 MECU, is far higher than the values recorded in Tables 1 and 2. The difference might be explained by the inclusion in Table 3 of export credits and direct foreign investments under the heading "production". Such flows are not comprised in Tables 1 and 2.

Swedish assistance to Poland, excluding debt reorganization, accounted for 1.8 % of the G24 total. A subdivision by category shows very high Swedish shares for production and for support to private organizations. The first may be due to sizable direct foreign investments in Poland by Swedish multinational firms. The second is primarily because very few of the G24 members provide such support.

#### What does Poland need?

Poland's economic progress will depend, overwhelmingly, on the ability to mobilize domestic resources and to allocate them efficiently. Foreign resources, including the official assistance flows from abroad, cannot play other than highly marginal roles in the process. Nevertheless, the transition of the Polish society, from communism and relative isolation to democracy and an open market economy, has created special opportunities for foreign participation in sustaining and speeding up the process. The geographic proximity of the West European market economies gives them a special role in this context.

In his 1991 lectures (subsequently published as *Poland's Jump to the Market Economy*, MIT Press, Cambridge 1993), Jeffrey Sachs, one of the architects of Poland's transformation, pointed to three vital needs for Western, and particularly West European support. The first was a one-time financial relief, through reorganization and forgiveness of the country's excessive foreign debt, built during the last decade of communism. The second was to provide technical help in building up indispensable practical skills in legal, financial, administrative and political

Table 3. G 24 assistance to Poland 1990-1993. Commitments Million ECU  
(Table specifies all donors where total ex debt reorganization is greater than Sweden's)

	Grand total	Debt reorg	Total ex debt reorg	Social infrastr	Econ infrastr	Production	Multi-sect	General programs	Food aid	Emergency	Support private organs	Unspecified
Sweden	625	483	142	7	35	88	0	9	0	0	4	0
Austria	336	145	189	1	15	67	88	15	3	0	0	0
Denmark	235	0	235	8	32	80	21	88	0	0	0	7
France	650	3	647	0	0	0	561	86	0	0	0	0
Germany	3568	2287	1281	41	13	15	984	219	0	10	10	0
Italy	579	0	579	17	12	6	362	81	82	7	3	9
Japan	1212	450	762	1	0	0	616	122	23	0	0	0
Spain	165	0	165	0	22	0	131	11	0	0	0	0
Switzerland	584	381	203	4	11	14	148	25	0	0	0	0
Turkey	193	0	193	0	0	0	192	1	1	0	0	0
US	3230	1893	1337	42	31	22	997	166	74	1	4	0
EC	1027	0	1027	230	193	347	0	0	0	186	0	71
EIB	553	0	553	0	553	0	0	0	0	0	0	0
Total G 24	15617	7853	7763	372	969	755	4275	873	211	208	12	88
% of total ex debt reorg												
Sweden			100	4.9	24.6	62.0	0	6.3	0	0	2.8	0
Tot G 24			100	4.8	12.5	9.7	55.1	11.2	2.7	2.7	0.2	1.1
Sweden in % of tot G 24	4.0	6.2	1.8	1.9	3.6	11.7	0	1.0	0	0	33.3	0

matters, amongst others, and to help in the establishment of lasting institutions in these areas. Finally, the West could reinforce Poland's transition by opening its markets to Polish exports, and by facilitating foreign investment flows into the Polish economy.

In these very general terms, Sweden's policies vis-a-vis Poland in the early 1990s have been in line with Sachs' recommendations. As is apparent from table 3 above, Sweden played a prominent international role in the reorganization of Poland's foreign debt. An agreement to liberalize trade between the two countries was entered into at an early stage. And the broad subject thrust of the Swedish assistance programs so far has been on training and other forms of technical support, to improve deficient Polish skills.

Developments in Poland have proceeded at great speed. By 1994, the transition process is firmly established, and has reached quite far. The absorption of practical skills needed in the new socio-economic environment has progressed at a fast pace, given the high general education levels of Polish professionals, and the intensity of the foreign technical assistance efforts. Hence, while the overall orientation of Sweden's assistance program may have been appropriate in the early phases of Poland's transformation, there is cause for reconsideration in the light of emerging developments.

Prevalent Polish opinions (see below) suggest that an appropriate composition of the assistance program in coming years would require a lesser stress on skill creation, and a greater emphasis on investment finance, balance of payments support, and promotion of commercial collaboration, in the form of joint ventures or otherwise, for instance to facilitate privatization. Poland is much poorer than Western Europe. On this ground, continued grant aid, or other concessions could be motivated. But in most other respects, this country is being transformed from a recipient of aid to a mature and equal partner, in commercial, economic or political exchange.

### The goals of Swedish assistance

The Swedish assistance program to Poland (and to the other countries in Eastern Europe), arose out of a concern about the fragility of the transition from communism. But the transition was also seen as an opportunity for the pursuit of Swedish objectives, as the East European countries opened up, politically and economically, towards the West.

Two of the explicitly stated goals are exclusively related to the viability of political and economic transition. Swedish assistance should aim at:

- reestablishing and consolidating institutions central to a society based on democracy and law; and
- restoring an efficiently functioning market economy.

The third explicit goal is unrelated to the transition process, even though the end of communism has greatly widened the possibility for Swedish intervention. The benefits to Poland in this case are mixed with a strong element of Swedish self-interest. Sweden's assistance should aim at:

- improving the environmental conditions in Poland, especially those relating to the Baltic Sea.

There are further, important, but less explicitly formulated goals, aimed primarily at providing benefit to Sweden. Thus, the assistance programs should be composed so as to serve Swedish

foreign policy interests in general, to enhance political stability in Northeastern Europe, and to promote Sweden's economic and commercial interests in the region.

This is not the place to evaluate the objectives of Sweden's assistance to Poland in an ethical sense. Instead, it is to point to the problems caused by the above goal structure in the formulation of an assistance program that aspires to be efficient in some respect.

Attainment of efficiency in the sense of maximum goal satisfaction with a given amount of inputs, is impossible when several goals are pursued at the same time, when they are internally inconsistent, and when no clear hierarchy of tradeoffs between them has been established.

The problems arising from the pursuit of a multiplicity of goals have been studied in considerable detail in another context, that of state-owned production. In the past, state-owned enterprises in many countries were regularly asked to pursue a variety of social goals in addition to capital return. The multiple goal structure bred inefficiency because it greatly complicated monitoring and cost control, and in practice provided scope for politicians and management to pursue their own pet ideas, even if weakly related to capital return or social benefit in a wider sense. The increasing use of maximum capital return as an overriding objective in state-owned enterprises, and the global trend towards privatization of state owned production can be seen as reactions to the traditional inefficiencies.

Sweden's assistance program to Poland suffers precisely from the problems and weaknesses that have often afflicted state owned production activities.

The explicit goals are very vague. For instance, the goal of "restoration of an efficiently functioning market economy" could justify virtually any kind of activity, and goal achievement defies measurement.

The seldom outspoken but strong understanding that the assistance program should promote Swedish interests, is even less operational or amenable to monitoring. For example, does the Swedish economic and commercial interest to be supported by the assistance program, primarily involve rising export proceeds, or higher direct Swedish investments in Poland, or increasing Swedish employment, or what? Projects to maximize one of these objectives may not be appropriate for maximizing another.

A further unclear issue about the Swedish interest goal is the division of benefits among Swedish agents. Should such benefits be widely disseminated? Or be distributed on the first come - first serve - principle? Or be provided to those agents who are deemed most competent in promoting the Polish benefits comprised in the goals? If the benefits are to be distributed selectively, what is the rationale for expending public money for the purpose?

Promotion of political stability may mean many different things. However the concept is interpreted, it is very hard to see a relationship between the existing portfolio of Swedish-financed projects in Poland, on the one hand, and the enhancement of political stability in North-Eastern Europe, on the other.

The goals are often mutually inconsistent. Suboptimal outcomes emerge when several goals are pursued at the same time, but in the absence of clear tradeoffs, the loss of efficiency is hard to determine. Inconsistencies frequently arise because Polish and Swedish interests differ. For example, given the goal formulations, Swedish choices of environmental projects will tend to favor those with a positive impact on the Baltic, even when such projects do not address the

most acute Polish environmental issues. Similarly, tying assistance to Swedish resources satisfies Sweden's commercial self-interest, but often reduces the overall efficiency of resource use (more on this below). Obviously, a net benefit may accrue to Poland even when such inconsistencies are present, and the Swedish interest takes precedence, but the value of that benefit will be smaller than the money expended.

Just as traditionally occurred in state owned enterprises, the unclarity and multiplicity of goals makes monitoring difficult and reduces efficiency, however measured. The goal structure also provides considerable freedom for the managers in the donor agencies in Sweden to shape the programs to their personal liking, and for Swedish politicians to justify expenditure on any current fashions. This may have been precisely the intention when the goals were formulated.

The inefficiencies following from a multiplicity of inconsistent goals are in no way limited to Swedish assistance to Poland. They are equally prevalent in Swedish aid to other East European countries, or to developing countries, as well as in the aid efforts of other donors. The generality of the problem in no way justifies the arrangement which breeds it.

#### Tied aid and the quality of Swedish resource transfers

Virtually all Swedish assistance to Poland is tied to Swedish resource use. BITS, the dominant principal agency so far, has an explicit mandate to employ Swedish organizations and Swedish resources in its project execution. SIDA is entrusted with the responsibility of supporting Swedish NGOs in their collaboration with Polish counterparts. The very nature of the activities of the Swedish Institute is to promote cultural and scientific exchange between Swedish institutions and Polish counterparts. Swedfund's financial engagements, through loans or in the form of share capital, do not, in principle, require a Swedish joint venturer, but in practice a party from Sweden is virtually always involved.

The practice of tying is an expression of the Swedish self-interest: tying assures Swedish exports and Swedish employment which might not have occurred in the absence of this restriction on the recipient. The practice is in no way unique to Swedish aid. Tying is equally prevalent for other bilateral donors to Poland. Assistance from the EU (PHARE) is also tied, but since twelve donor countries are involved, the arrangement is far less restrictive.

Numerous investigations over the 40-year history of international aid to developing countries have shown that significant efficiency losses regularly follow from the practice of tying aid to the donor country resources. This is either because the donor's resources are not internationally competitive, and therefore expensive, or because the limited number of suppliers in the donor country permits them to charge monopolistic prices in tied aid, or simply because the donor country supplies are not entirely suited for the task at hand. With a given amount of funding, tying will reduce either the volume of resources transferred, or the final output from the use of these resources in the recipient country.

The efficiency losses due to tying of the assistance flows to Poland are denied by the Swedish donor agencies. For example, BITS maintains that the projects it supports relate to activities in which Sweden is internationally competitive, but that tying is nevertheless needed to permit the entry of Swedish resources into fields otherwise dominated by tied aid from elsewhere.

The argument that support is needed for Sweden's sake, to permit this country's firms a foothold in the emerging Polish market, given that other governments provide such support to

their corporations, has a doubtful validity. If there is a fashion among many governments to subsidize the activities of their firms in a particular market (e.g. shipbuilding, or sales of capital equipment in LDCs, or supply of managerial consulting services in Eastern Europe), then any resources that the Swedish government would want to employ for the promotion of Swedish business interests, would be more productively employed in other markets, where the Swedish firms do not have to face head on competition from companies benefiting from public subsidies.

BITS also claims that even when efficiency losses occur on the grounds spelled out in the preceding paragraphs, such losses are more than compensated for by the savings accruing from the simpler bidding procedure and the less complicated monitoring of project execution, when only Swedish suppliers are involved. This may be true from the point of view of the Swedish agency. The Polish recipients, on the other hand, would clearly gain from an opportunity to shop among a wider array of suppliers, while the complexity of their monitoring needs would hardly be increased by a non-Swedish choice, given that they already receive assistance from dozens of donor nations.

The technical assistance from Sweden has addressed a number of complex, sometimes unique issues related to Poland's economic transition. Very special competence profiles have been required from the experts assigned to these tasks, to assure efficient performance. First, they needed a solid background in the subject matter, be it sludge treatment, privatization of industries, or training of corporate board members. Second, they needed at least some understanding of the intricate process of transforming socialist societies into capitalist ones. And finally, for the persons to function with reasonable efficiency, they had to know something about Poland, and be able to communicate, preferably in Polish, but at least in English. These are rare combinations, and a restriction of recruitment to Sweden, predicated by aid tying, must have been a severe limitation on finding the appropriate profiles.

Evidence from Swedish-financed projects in Poland points to failures due to inadequate overlaps between available Swedish competences and Polish needs. For example: (a) A high level consultant group advised on Polish forest industry restructuring, but part of the advice fell beside the point, because the group lacked appropriate insights on the specific problems faced by this sector in Poland. (b) A venture to produce and sell environmentally superior coal boilers, designed a product which was too expensive for the Polish circumstances, so that ultimately only one sale was made. (The problem was aggravated by a more generous support package from another donor to develop a competing product.) In other cases, problems arose because even centrally placed bureaucrats in the Swedish assistance administration lacked communication skills. Potential Polish counterparts could hardly be blamed for their deficient skills in the English language, if they failed to understand the meaning of the following passage in an official Swedish prospectus describing the conditions under which assistance could be provided:

"Support will be given to companies in the receiving country who owns and operates a facility, that produces, distributes and uses energy. The conditions for the loan will be aligned with those of the World Bank, and will be conditionally in the sense that they might be remitted. Such remittances will be connected to a function or a prerequisite that is beyond the control of the receiving company or could not be foreseen by him."

Failures and deficiencies of such nature are both embarrassing and inopportune, especially since the Polish counterparts are regularly highly educated, even if lacking the specific competence that the Swedish support is supposed to transfer.

The likelihood is considerable that a wider recruitment ground for human and physical supply would help to improve the quality and reduce the cost of resource transfers.

Pursuit of self-interest through aid tying may be a rational and entirely legitimate donor goal, provided that important general donor benefits are really reaped. It is an open question whether such benefits really accrue from the tying of Swedish assistance. Asea Brown Boveri apart, there is a conspicuous lack of involvement of leading Swedish multinationals with substantial Polish presence, in the public assistance programs. This suggests that the multinationals at least, do not find the advantages sufficiently worthwhile. While the benefit of tying is uncertain, the practice exacts an efficiency cost. It is essential that this cost be assessed, however roughly, and compared with the benefits that it is supposed to bring.

It is by no means clear that a net benefit, however measured, will accrue from the practice of aid tying. Suppose, for the sake of argument, that the transfer of 100 MSEK yields a net benefit to Sweden equal to 20 MSEK, in consequence of tying. Suppose, furthermore, that the practice of tying reduces the value of the transfer to the recipient by 30 MSEK. If these suppositions hold, it would be better to spend 20 MSEK in support of Sweden's international interests, and to provide 70 MSEK as untied aid, since this would generate the same total benefits, and yet permit a saving of 10 MSEK. There is a clear possibility that a smaller, untied, aid program might provide a lesser net cost to Sweden and a better value to Poland than do the present arrangements.

#### The allocative efficiency of foreign aid: recipient problems

This study is about Swedish assistance to Poland. In the present section, however, the vista is widened, to provide an overview of the problems faced by Poland in consequence of the great number of donor agencies from many countries, each with its own habits and procedures, and each pursuing a variety of projects seen to satisfy a multitude of often hazy objectives. In the following section, the same problems are reviewed again, but the vista is narrowed to Swedish assistance alone.

In 1990-1993, Poland received a total of about 10 billion \$ in foreign assistance, excluding debt relief (table 3). This is a very substantial sum. It corresponded to more than 3 % of GDP per year. If allocated with reasonable efficiency, these resources could have added to economic growth by some 1 % per year, assuming, reasonably, that foreign funds had been used for investment, and that investments of 3 \$ were needed to raise income by 1 \$ (incremental capital-output ratio = 3). With careless allocation, the impact of assistance on income could be nil or even negative.

Efficient allocation of foreign assistance must be an issue of primary importance to the Polish authorities, as well as to the donors, if the concern of the latter with Poland's progress is to be taken seriously. The arrangements under which assistance is currently transferred raise severe problems for allocative efficiency.

There is a large group of donor countries, and a number of multilateral organs providing aid. Most of these operate through several implementing agencies, each following its particular procedures and objectives, including a considerable dose of self-interest. There is very limited coordination among the donors.

Adam Smith's invisible hand would have been a splendid allocative instrument if the flows had a purely commercial objective, for then the resources would automatically have sought out activities with the greatest prospect for profit. But with capital return at best a subsidiary

objective amongst many others, the benign effects of the invisible hand are not at work. Instead, self-interest, political propriety and other non-economic considerations result in an excessive convergence of the foreign funds into fashionable activities like environmental improvement or democratic institution building, with a corresponding neglect of other equally important but less popular areas. The result will be a very low marginal utility of aid for the recipient.

To bring some order to the uncontrolled donor invasion, the Council of Ministers in the Polish government has set up an Office for Foreign Assistance (referred to in the following as the Polish Office), and a Cooperation Fund, to coordinate the existing aid flows, and to solicit additional support from abroad. This is an overwhelming task for the relatively small government bureaucracies set up for the purpose. It is also extremely complex, given the great number of executing agencies on the donor side, their explicit or implicit subject preferences, and the varied administrative procedures they use for communicating their messages, formulating projects and disseminating aid.

The attitudes among foreign donors to employing these institutions in the transfer of assistance is ambivalent. The historical context provides one explanation to some donor's desires to go it alone. A key task of the political and economic transition in Poland has been to cut the formerly omnipotent central government down to size. A few donors have used the assistance transfers to underline this point. The US AID, for instance, has bypassed the Polish coordinating bodies completely, and has developed its activities, alone, or with local partners, without even informing the government. Other donors have adopted more pragmatic approaches. The EU not only channels its PHARE program through the Polish institutions, but has entrusted them with the entire responsibility for determining the content of the program, subject to the satisfaction of a few broad criteria. Other donor organizations have taken intermediate positions in this respect.

The Polish Office and the Cooperation Fund, face a principal dilemma in their relationship with the donors. On the one hand, they desire a large and growing inflow of assistance. To satisfy this desire, they must please the donors. On the other hand, they are anxious to assure that the resources received are allocated to maximize national benefit in some sense. This ambition is bound to lead to frictions, since it involves telling donors what to do.

The Polish institutions have hitherto adopted a flexible attitude towards the donors. They do express clear priorities about the aid that is desired, and operate as match-makers between donors and the ultimate receiving counterparts. But, as a matter of policy, they don't impose their services on the donors, offering each the extent of help that he desires. Given their varying and somewhat unclear roles and responsibilities vis-a-vis the donors, and the sensitivity of their relationships with the donor governments, the Polish institutions do not conduct and publish evaluations of the assistance endeavors on a regular basis. The exception is the PHARE program, where the Cooperation Fund has the entire responsibility for definition and execution.

These Polish attitudes and practices may well provide Poland with the best of possible deals, given the belief that they help magnifying the total assistance inflow, and that each project, however idiosyncratic, does yield a net benefit to the receiving nation. At the same time, the Polish laxity, in combination with the prevailing fashions that guide the donors at different times, and the lack of coordination of their respective efforts, must lead to substantial allocative efficiency losses in the use of the foreign resources inflow.

### The allocative efficiency of foreign aid: the Swedish case

The allocative deficiencies and the administrative complications related to the foreign assistance received by Poland, identified in the above overview, have a considerable applicability to the Swedish program. The present section reviews these issues in somewhat greater detail.

The number of Swedish agencies offering assistance to Poland, is large. Significant overlaps exist, and the division of responsibilities among them is unclear. For instance, the Swedish Institute operates projects under its own budget, but also acts as implementor of BITS-financed activities (see Appendix 3). Among the agencies listed in table 2, SIDA's and BITS' activities are executed by numerous bodies, e.g. Swedish NGOs and consultants.

The degree of complexity on the Swedish side is rising, and the arrangements are becoming increasingly opaque. For example, BITS has traditionally been responsible for all aid in the environmental sector. In the very recent past, however, the number of agencies offering assistance in this field to Eastern Europe has risen to seven, drawing on funding from six different ministries (Regeringens skrivelse 1993/94:252, Stockholm, May 1994), with no clear division of responsibilities, and with different mandates, administrative procedures for project identification and rules for transfer of resources, in each case.

It must be hard for the recipients at central and local level, to orient themselves in this maze, and to understand who ultimately makes policy, controls funds and decides on projects in the hierarchy of ministries, principal donor agencies, and executors, and to understand who is who among the many consultants, evaluators and other parties, claiming, or appearing to represent, authority.

A radical reduction of the number of Swedish agencies involved with aid giving to Poland, clarification of their respective mandates, and removal of existing overlaps in responsibility, are necessary, if the confusion experienced by the recipient is to be eased. Such a reduction should also be of great help in designing a more coherent and internally consistent Swedish aid program to Poland.

In all cases, the ultimate decision on assistance-financed projects in Poland is taken by Swedish bodies. This implies a double tie imposed by Sweden. Such double-tying (origin of resources as well as activity) has been shown by many studies of international aid to involve an even greater loss to the recipient than the single tying to origin of resources, discussed in an earlier section of the present study.

The principal aid agencies in Sweden have adopted different approaches vis-a-vis the Polish Office and the Cooperation Fund. In the case of SIDA, SwedeCorp and Swedfund, the Polish counterpart NGOs, or business associations or corporations are sought out independently by the responsible Swedish parties, and the projects are designed without any involvement by the central Polish institutions. BITS, the dominant agency in Sweden's assistance activities in Poland, on the other hand, has developed an elaborate working relationship with the Polish Office. The projects to be supported by BITS must pass a double criterion. First, they should be favorably ranked in the list of priorities prepared by the Polish Office. And second, they must fit the criteria set up by BITS, i.e. that the local recipient agencies are prepared to cover the local cost component, that the projects contribute towards the explicit Swedish goals (democracy, market economy, environment), and that suitable Swedish counterparts can be



found. Final project approval rests with BITS. This procedure is seen to assure that the priorities of the Polish central government, as well as those of BITS are satisfied.

The design of the Swedish assistance program to Poland has involved a very large number of projects of relatively small size, and often short duration (see Appendix 3). This arrangement is surprising. One would have supposed that a relatively small number of carefully executed projects would have been more appropriate, if Polish development and welfare had been the overriding objective. Several reasons underlie this supposition. First, the number of imaginative Swedish ideas for supporting Poland's development is likely to be small, and a concentration on the best should have added to productivity. Second, with fewer projects, much greater care could have been devoted to selecting appropriate operators and managers on the Swedish side. Third, a large and carefully executed project is much more likely to leave a lasting imprint than a small and transient one. And fourth, monitoring and evaluation would be greatly facilitated if there were fewer activities to look after.

The project proliferation, not only in Poland, but through Eastern Europe, severely complicates the monitoring tasks of the principal Swedish aid agencies. The compilation of the table contained in Appendix 3 took a very considerable effort, because several donor agencies had difficulty in providing complete project lists, and in indicating commitments and disbursements of funds over time. With the limited time that can be spent on each of the numerous separate efforts, less care can be devoted to project preparation, including the search for personnel or consulting agencies with appropriate qualifications. Responsibility for a large number of diverse projects in a number of countries also greatly complicates quality control. Thorough evaluations are practicable in the present circumstances only on a sample basis, given that the cost of such evaluations may constitute a significant fraction of the total cost of a small project.

Donor agencies sometimes assert that important Western ideas concerning democracy, or market economy or environmental issues are best disseminated through assistance at the grassroots level. Hence, small projects should be preferred. Two serious questions put this assertion in doubt. First, experience of international aid over the past decades points to the difficulties for foreigners to operate at the grassroots level in recipient countries, given the social, economic, cultural and language barriers that regularly tend to arise between the privileged donor representative and the local community. And second, there is no evidence to prove that grassroots fertilization is an efficient way to disseminate new institutions or values or ideas through a nation.

It is hard to understand the proliferation of projects other than as an expression of one aspect of the Swedish interest: to maximize the exposure of Swedes to Poland. Given that assistance involves the transfer of Swedish resources, and that the technical assistance aspect has dominated, each project has involved the presence of at least one, and regularly several Swedes. The smaller the project size, the more projects can be comprised within a given budget. And the more projects, the greater the number of Swedes exposed to Poland.

The ultimate example of such exposure maximization is the activity to promote friendship and ties between Swedish and Polish municipalities, financed by BITS and managed by the Swedish Association of Municipalities. No clear objectives beyond "friendship and ties" have been formulated for the activity. Funding, on a small scale, has been given to a great number of municipal friendship pairs, primarily for exchange visits. An evaluation of this activity shows a tendency for the friendship to peter out, after initial contacts and subsequent formulation of

training or investment plans, usually in the Polish municipality, which typically remain unimplemented because Swedish funding is not available.

It is difficult to perceive that a sufficiently substantive general Swedish interest is served by the mere exposure of Swedes to Poland, to warrant the use of public Swedish funding. The importance of specifying and substantiating the Swedish interest pursued in Swedish assistance, emerges starkly in this context.

The procedure and interaction between BITS and the Polish Office, through which projects are identified and accepted, was described earlier in this section. In practice, project selection is very often determined in a somewhat different, unintended way. The arrangements permit Swedish consultants to assume a lead role in project determination. The following is what often happens.

Representatives of Swedish consultants looking for aid-financed business, visit potential Polish counterparts, e.g. municipalities, educational institutions or power producers, and offer collaboration in a field known to be popular with the Swedish donor. It is understood that collaboration will be launched, only if most of the costs can be financed by that donor. Agreement is easy to reach, even if the anticipated output has only a limited value to the Polish counterpart, given that the proposed activity is conditional on the availability of outside finance.

The consultant next presents the agreement to the Polish Office for Foreign Assistance, requesting that it be given high priority in the Office's presentations to BITS. For at least three reasons, such a request is hard to deny. First, the distinction between the consultant and BITS is not always entirely clear to the Polish officials, and the request may appear to be prompted by or at least supported by BITS. Denial is difficult, given that the Office is keen to maintain good relations with the Swedish donor agency. Second, an unwillingness to comply may arouse displeasure from the Polish counterpart which signed the conditional agreement. And third, the Office has little incentive to oppose, given that only limited Polish costs will be involved.

Finally, in anticipation of the formal Polish request, the consultant presents the proposed project to BITS in terms that he knows are in line with the Swedish aid philosophy.

The procedure results in a portfolio of aid financed projects containing many items of somewhat dubious value to Poland. At the same time, the procedure assures substantial business to consultants specializing in the game, and not necessarily to those possessing the best competences to contribute to the progress of the Polish society.

Although the arrangements described here have the indicated systemic weaknesses, it should be added that active consultants can obviously play constructive roles in identifying projects of indubitable value, and in speeding up the decisions to have such projects implemented. It should also be noted that the deficiencies in the procedure to decide on projects are in no way unique to the Swedish donor. On the contrary, they are quite common in the bilateral assistance flows to Poland. One may surmise that the donor agencies sometimes see the employment of their national consultants as a very important objective, and implicitly support the practice, despite the ensuing loss of benefit on the Polish side.

One way to restrain the negative implications of the current procedure would be to give up double-tying, and to transfer to the Polish Office the ultimate responsibility for project selection, as is presently the case with the PHARE programs. Such a change does not preclude

the condition that the objectives of approved projects must be in line with the Swedish goals, and that Swedish resources be used in project implementation. However, the change would clear up existing ambiguities faced by the Polish institutions about the role of Swedish consultants as representatives of the Swedish donor.

The question is whether this piecemeal change would carry very far. A program which aims at inconsistent and opaque goals, and which is operated by a multiplicity of executing agencies with varied administrative procedures and overlapping mandates, each responsible for a large number of projects, is not easily amenable to rational evaluation. Precisely for this reason, such a program, whether established unintentionally or by design, provides a fertile ground for political and managerial favoritism, which reduces national Swedish or Polish goal satisfaction. More general and profound change will be needed to overcome the program's fundamental deficiencies.

#### Polish views on Swedish aid

A number of Poles, centrally located in the foreign assistance establishment in Warsaw, were interviewed in the preparation of the present study. Some of their views and opinions have been integrated into the text of the preceding sections. Specific questions were asked about the weak points of Sweden's aid, its distinguishing characteristics, and how the Swedish contributions compare with assistance from other bilateral donors. The main points in the answers are recounted below.

The reader should be clear that the statements mirror the opinions of a small sample of persons from one side in a bilateral relationship. Some of the views certainly reflect the cultural and behavioral differences between the Polish and Swedish societies at large. But though they may be biased and partial, the Polish opinions cannot be neglected in an overall assessment of how assistance resources are transferred and spent.

The Poles fully appreciate the efficiency loss due to tying, but are resigned to accepting it. They understand that the donor self-interest is an important goal in Swedish assistance, and that tying the flow to Swedish resources is one expression of this interest.

The EU's PHARE program leaves the process of project determination entirely to the Polish Office. In the case of BITS, which has so far accounted for most of the Swedish flows, the project portfolio is ultimately determined by the Swedish agency, even though decisions on projects are preceded by an elaborate interaction with the Polish Office. In this comparison, Swedish assistance emerges as the more donor-centered. In comparison with a majority of the bilaterals, however, the Swedish program stands out by being more amenable to influence from the Polish side. Not surprisingly, officials of the central Polish agencies appreciate this distinguishing feature, and regret that it is not applied by other Swedish agencies with increasingly important programs in Poland, notably Swedfund.

While looked upon favorably by the Poles, the BITS practice to coordinate with the Polish Office has created ambiguity about monitoring responsibility. Such responsibility is clearly with the Polish Office in the case of PHARE-financed projects, given that full responsibility for project identification and operation rests with the Polish authorities. Also, the responsibility is clearly with the foreign donor, where the coordinating bodies are bypassed, as in the case of assistance provided by the US AID. In the Swedish case, the responsibility has not been

determined by the central parties to the deals, and since none of them has adopted the ultimate obligation, there is a feeling that the monitoring and evaluation aspects are being neglected.

A general frustration was expressed about the large number of Swedish executing agencies, and especially about their fast proliferation in the recent past. The ambiguity of the respective mandates and operating procedures adopted by the respective bodies has caused problems to the Polish recipients. For instance, a representative of the Polish Ministry of Environment indicated that the Ministry had become increasingly unclear about how to access the assistance funding disseminated by the Swedish Ministry of Environment.

At the same time, the interviewees pointed out that the Swedish complications in this respect were in no way unique. While some bilateral donors had a much more straightforward agency structure, the complexity of others, notably the US and Germany was at least as confusing. This feature of aid giving has severely strained the limited personnel resources of the central aid receiving bodies in Poland.

The Swedish project portfolio was widely criticized for containing too many small and transient projects, leaving a very limited lasting imprint. In this respect, the Swedish program compares unfavorably with e.g. the British and French ones which, in the Polish view, have involved greater efforts and been more successful at establishing valuable lasting institutions. In the case of the UK, the success was importantly due to the permanent presence of the British Council in Poland, to monitor and guide the aid flow; the French success at institution building was the result of long term nurturing of contacts with Polish universities. No corresponding ambitions had been discerned in the Swedish assistance program.

Some of the interviewees felt that Swedish aid officials stood out in the donor community by their lack of imagination and tendency to adhere rigidly to the administrative rules of their head offices, even when it was clearly not productive to do so. The consultants behind the Swedish agencies, more than those from other countries, tended to market their off-the-shelf services, and exhibited a reluctance to adjust the assortment to fit specific Polish needs. The Poles were not very impressed with the professional qualifications of many of the Swedes involved in project execution. A central administrator of assistance on the Polish side commented that the main qualification of numerous Swedish consultants appeared to be their Polish antecedents and knowledge of the Polish language.

On several occasions, the interviewees pointed to the slowness and delays in BITS' administrative and decision-making procedures. A recent example concerns a dispatch in January 1994 by the Office for Foreign Assistance of priority lists of projects for BITS to decide on. In April 1994, the Office contacted BITS again, and was asked to send the material once more, since the original dispatch could not be found. At the end of May 1994, the Office was still waiting for a reaction from BITS.

[A draft version of the present study was sent to BITS for comment. In BITS' view, the statement in the preceding paragraph is incorrect:

BITS claims to have received a letter from the Polish Office in February 1994, announcing that project lists would follow. After a reminder from BITS during March, a total of 18 project proposals were received in several dispatches between April 12 and June 27. Four of these proposals were prepared by BITS for final decision during May/June.

It is not possible, nor particularly meaningful, within the confines of the present study, to clarify the "true" course of events. The emergent conclusion is that the rapport between the two organs is less than entirely satisfactory.]

The requirement of BITS that local project costs be funded by the Polish counterpart has been seen by the Swedish agency as an assurance of that counterpart's interest in the activity. Though this appears to be a constructive rule, in principle, the Polish interviewees felt that in practice the arrangement fostered disappointment and improductivity. The attractiveness of a Swedish-financed project prompted commitments about local cost financing even when the Polish party could not conceivably generate the necessary resources. Subsequent unavailability of local finance tended to undermine the project objectives, and demoralize the interest and devotion of the Polish counterpart personnel.

The BITS-financed collaboration between Swedish Resco Partner and the Polish Management Training Center, at the time a division of the Confederation of Polish Employers, was pointed to as an illuminative example of failed achievements due to the unavailability of finance to fulfill Polish commitments. The project was unusual in the Swedish portfolio in its clear ambition at the outset, to build a permanent institution capable of producing national and international management training. Nothing came of this ambition. The Polish counterparts were financially so weak that they could not pay the local costs as intended. They could not even maintain the skeleton personnel needed to establish the institution.

This critique about problems with local cost financing can be interpreted in at least two ways. The problem may be due to insufficient scrutiny by the Swedish donor of the financial standing of the Polish counterpart. Alternatively, the difficulties may be seen as a failure (of BITS or of the Polish Office) in identifying high priorities for which the Poles are prepared to put up money.

Yet another issue of funding arose repeatedly in the discussions with the Polish representatives. Collaboration with Sweden was initially dominated by technical assistance. This may have been the right approach during the early 1990s. Many of the efforts comprised feasibility studies and other work to identify investment projects. There were strong Polish expectations that this stage would be followed by one with a much heavier emphasis on concessional finance for the investments that were originally identified. Such follow-up finance was in fact provided in a few cases by BITS in the early years. But the change in program emphasis has not occurred. On the contrary, more recently, BITS has not been able to offer any new investment funding. The Polish need for technical assistance has been saturated, especially since many other donors too, have had a preference for this type of aid, while the unsatisfied need for investment funds is growing. In the Polish view, therefore, a shift of the Swedish spending, from technical assistance to concessional investment finance is called for.

### Conclusions

Sweden's assistance to Poland during the early years focused on technical assistance to sectors of vital importance in the initial phases of the recipient country's economic transformation. The deficiencies that have characterized the program, partly due to the great haste with which it was launched, have severely reduced its value to Poland. Even after appropriate deductions, however, the Swedish activities have undoubtedly provided a net benefit to Poland's development. It is possible that the program has also yielded some benefit to Sweden, and in particular to selected Swedish interest groups.

It should be emphasized that the weaknesses pointed to in this study are not unique to Sweden's relations with Poland. Many of them are equally prevalent in Sweden's assistance to other East European countries, and in SIDA's long-standing endeavors in developing countries. The

generality of the problems demonstrates the great difficulty faced by any donor in identifying appropriate projects, and in executing them efficaciously in an environment with which he is not fully acquainted.

The existing deficiencies of the Swedish assistance program in Poland offer considerable scope for improving the productivity of the resources that are expended. A number of measures could help in achieving such improvement. In addition, this is a time to reconsider the content of the aid, given the substantial progress in the Polish transformation process since the program was launched. The following suggestions for reform and reorientation might help improving the quality and efficiency of the endeavors:

The objectives for which assistance is expended must be made much more transparent and precise. The implicit Swedish interest goal requires especial scrutiny. If several objectives are to be pursued, a hierarchy and tradeoffs between them should be established. The value to Sweden from aid tying should be assessed and compared with the loss of efficiency following from this practice, to clarify if tying is economical from the Swedish point of view.

The specific Swedish interest in Polish (and East European) environmental problem solutions should be clarified. This interest might be better pursued separate from the assistance program to Poland. Rather than getting involved in elaborate environmental projects in Poland, the Swedish government might simply make cash payments from its environmental protection budget, if the Polish authorities attain certain specified objectives, e.g. in terms of effluents into the Baltic or emissions of CO<sub>2</sub>.

The Swedish assistance agency structure requires a radical streamlining and simplification.

There is a related need to radically cut the number of projects for which Swedish authorities are responsible. If such responsibility is to continue at all, it should relate to a small number of much larger and longer lasting carefully prepared and monitored ventures with explicit institution building ambitions.

It is hard to identify a Swedish comparative advantage in the selection and execution of projects in Poland. Hence, it might be appropriate to change the arrangements more fundamentally, by shifting these responsibilities entirely to Polish agencies. For example, Swedish resources could be integrated with the EU's PHARE program. Alternatively, the funds could be transferred to a separate Swedish technical assistance fund, to be managed by Polish authorities.

The political and economic progress achieved by Poland since transition began, warrants a shift in the Swedish aid flows, from technical assistance towards concessional investment finance and general import support. Such a shift would greatly simplify the task of resource transfer and management, and thus automatically overcome many of the inefficiencies in the current program.

In per capita GDP terms, Poland remains a poor country. This may warrant a degree of concessional support. But in other respects the Polish economy is becoming increasingly sophisticated and mature. Hence, it might be appropriate to start planning for the termination of assistance per se. As the country is graduating from the aid relationship, alternative measures should be considered to speed up Poland's progress

and economic integration with the Western market economies. Sweden might contribute, e.g. by expanding its free trade agreement to comprise agricultural produce, or by relaxing existing restrictions on the movement of labor.

The suggested alterations and reorientations raise several issues for the Swedish donor. First, they imply a substantial reorganization of work for the involved agencies on the Swedish side, and a considerable contraction of Swedish responsibilities. Second, the changes are bound to reduce the benefit to some Swedish interest groups. For instance, a shift of responsibilities to Poland, and of the program content from technical to financial support, will greatly reduce the need for Swedish consultants. Finally, as Poland graduates from the aid relationship, the reorientation may also involve a reduction in the expended sums, but not necessarily smaller benefits to Poland, if the existing inefficiencies are weeded out in the process.

#### **Appendix 1. Swedish Agencies by acronym and full name**

**BITS**, Swedish Board for Investment and Technical Support.

**NUTEK**, Swedish National Board for Industrial and Technical Development (will be responsible for environmentally oriented projects in Eastern Europe).

**SIDA**, Swedish International Development Authority.

**SNV**, Swedish Environmental Protection Agency (will be responsible for environmentally oriented projects in Eastern Europe).

**SUAS**, Swedish University of Agricultural Sciences.

**SwedeCorp**, Swedish International Enterprise Development Corporation.

**Swedfund**, Swedfund International AB.

**Swedish Institute**.

**Appendix 2. List of persons interviewed****SWEDEN**

**Asea Brown Boveri**  
Per Vannesjö

**BITS**

Gunilla Olofsson  
Peeter Horm  
Anders Lindholm

**Ministry of Foreign Affairs**

Ruth Jacoby  
Åke Peterson

**NUTEK**

Sune Westermark

**Olof Palme International Center**

Sven-Eric Söder

**SwedeCorp**

Lars Ekengren

**Swedfund**

Olle Arefalk

**POLAND****Committee for Scientific Research**

Jan Poloczek

**Cooperation Fund**

Tadeusz Kozek  
Krzysztof Nowakowski

**EU Commission, Delegation to Poland**

Radek Czapski

**Ministry of Environment**

Jerzy Grochmalicki  
Jerzy Kwiatkowski  
Romuald Wojciechowski

**Office for Foreign Assistance**

Dorota Jaworska  
Pawel Samecki  
Tadeusz Zoltowski

**PECAT, Policy Education Centre on Assistance to Transition**

Krzysztof Ners

**Swedish Embassy**

Jan Amberg

**World Bank**

Christian Duvigneau

Appendix 3. Swedish Bilateral Aid to Poland 1989-1994  
by Agency and Project

Notes to the following table:

Underlined organization: Swedish partner  
 LP: Local partner  
 Small project: Projects below SEK 1 million  
 \* Total disbursement until this year  
 † Total disbursement for completed project

Not all projects are included for the fiscal year of 1993/94 as the list was completed in May 1994.

BITS: Phys. Planning/Publ Adm.	1989/90	1989/90	1990/91	1990/91	1991/92	1991/92	1992/93	1992/93	1993/94	1993/94
	Commitment 1 000 SEK	Disbursement 1 000 SEK	Commitment 1 000 SEK	Disbursement 1 000 SEK	Commitment 1 000 SEK	Disbursement 1 000 SEK	Commitment 1 000 SEK	Disbursement 1 000 SEK	Commitment 1 000 SEK	Disbursement 1 000 SEK

Physical Planning (small projects)	100 (2 proj)	97 (2 proj)	537 (1 proj)	519 (1 proj)	106 (1 proj)	101 (1 proj)	1 381	1 581	5 000	2 679
Public Administration: Total	9 867	663	5 936	606		9 011		625		519 on- going 4 469*
<u>National Labour Market Board (AMS)</u> / <u>National Employment-Training Board</u> (AMU): Labour market support. Assistance in the area of labour market development in Torun and Katowice. Professional study visits to Sweden, training of labour office staff, technical assistance to some labour offices, adult vocational training. Other donors ILO, Ireland, UK and US in other regions. Poland desires experiences from different systems of employment placement strategies and priorities. LP: Ministry of Labour and Social Policy.			5 500	20		3 305				

BITS: Public Adm.	1989/90	1989/90	1990/91	1990/91	1991/92	1991/92	1992/93	1992/93	1993/94	1993/94
	Commitment 1 000 SEK	Disbursement 1 000 SEK	Commitment 1 000 SEK	Disbursement 1 000 SEK	Commitment 1 000 SEK	Disbursement 1 000 SEK	Commitment 1 000 SEK	Disbursement 1 000 SEK	Commitment 1 000 SEK	Disbursement 1 000 SEK

<p>Swedish Association of Local Authorities: Local Government. Support to Polish municipalities, office supplies, study-visits to Sweden, training of trainers, twinning arrangements Polish and Swedish municipalities. LP: Various municipalities</p>	9 200			150	5 706		863		659	on-going 7 378*
<p>Swedish Association of Local Authorities: Local Government. Additional frame for support to twinning arrangements between Polish and Swedish municipalities. LP: Various municipalities.</p>								5 000	251*	on-going
<p>Swedish Association of Local Authorities: Labour Market Support. Three week training course for 90 participants in Sweden. Subjects: housing and planning, social service development, municipal legislation, environmental protection and health, municipal finance. LP: Various municipalities</p>						1 250			1 250'	compl. Jan -94

BITS: Public Adm./Health/Industry	1989/90	1989/90	1990/91	1990/91	1991/92	1991/92	1992/93	1992/93	1993/94	1993/94
	Commitment 1 000 SEK	Disbursement 1 000 SEK	Commitment 1 000 SEK	Disbursement 1 000 SEK	Commitment 1 000 SEK	Disbursement 1 000 SEK	Commitment 1 000 SEK	Disbursement 1 000 SEK	Commitment 1 000 SEK	Disbursement 1 000 SEK

Small projects:	667 (3 proj)	663 (3 proj)	436 (3 proj.)	436 (3 proj)			131 (1 proj)	on-going 93* (1 proj)		
Health (small projects)			910 (2 proj.)	571 (2 proj)						
Industry: Total	1 565	715	62 818	19 572	3 243	40 196	500	4 894		
NLK/CELPAP AB: Master Plan A, Forest Products Industry. Study of the Polish forest products industry. Purpose to identify present industrial structure and to make preliminary proposals for expansion and development. LP: Bipropap			6 300	6 300'						
NLK/CELPAP AB/ÅF/PPK: Master Plan B, Forest Industries. Train managers in cost control, prepare development plans for certain mills, prepare feasibility study for pulp industry, prepare specific plans to reduce environmental damage, review of resources. LP: Bipropap			22 600			22 351		249		compl. Sept -92 22 600'

BITS: Industry	1989/90	1989/90	1990/91	1990/91	1991/92	1991/92	1992/93	1992/93	1993/94	1993/94
	Commitment 1 000 SEK	Disbursement 1 000 SEK	Commitment 1 000 SEK	Disbursement 1 000 SEK	Commitment 1 000 SEK	Disbursement 1 000 SEK	Commitment 1 000 SEK	Disbursement 1 000 SEK	Commitment 1 000 SEK	Disbursement 1 000 SEK

**Sjöbjörn AB:** Advisory Board - Forest Industry. Leading Swedish businessmen to monitor progress of reconstruction in Polish forest products industry. Focus on strategic issues. LP: Bipropap

**KF Project Centre:** Consumer Co-operative Development, I. Development of training centre capacity. Three basic two week courses for totally 105 participants in Poland. Added training in Sweden. Development of the co-operative management school in Poland. LP: SPOLEM

			2 000	1 400		- 468				
			1 877	1 350		458				
						<i>compl. Dec. -91</i>				
						<i>compl. July -91</i>				
						<i>1 808'</i>				

BITS: Industry	1989/90	1989/90	1990/91	1990/91	1991/92	1991/92	1992/93	1992/93	1993/94	1993/94
	Commitment 1 000 SEK	Disbursement 1 000 SEK	Commitment 1 000 SEK	Disbursement 1 000 SEK	Commitment 1 000 SEK	Disbursement 1 000 SEK	Commitment 1 000 SEK	Disbursement 1 000 SEK	Commitment 1 000 SEK	Disbursement 1 000 SEK

**KF Project Centre:** Consumer Co-operative Development, II. Training programme with courses for board members, members of co-operative societies, department store and shop managers. First and second course for 650 managers. Expected impact: understanding of market economy, economic calculations, change in attitudes. LP: SPOLEM

**RESCO Partner AB:** Management Training. Development of an institution for international management training programmes. Training programme for Polish teachers at the institution, initiation of pilot courses in general management. LP: Polish Management Training Center.

			2 260			1 829				on-going 2 149*
			5 000	2 888		2 112				
						<i>compl. May 92</i>				
						<i>5 000'</i>				



BITS: Industry	1989/90	1989/90	1990/91	1990/91	1991/92	1991/92	1992/93	1992/93	1993/94	1993/94
	Commitment 1 000 SEK	Disbursement 1 000 SEK	Commitment 1 000 SEK	Disbursement 1 000 SEK	Commitment 1 000 SEK	Disbursement 1 000 SEK	Commitment 1 000 SEK	Disbursement 1 000 SEK	Commitment 1 000 SEK	Disbursement 1 000 SEK

<p><b>RESCO Partner AB: Sadecko</b> Podhalanski Training Centre. Establishment of a training centre for management training Nowy Sacz region. Training of 20 teachers for the centre. Production of educational material. Initiation of pilot courses. LP: Sadecko Podhalanski Chamber for Commerce.</p>			2 355		1 175		1 058		on-going 2 233*
<p><b>RESCO Partner AB: Training for Board</b> Members. Initiation of training programme concerning duties and responsibilities of board members. Initial training of 600 board members in Polish companies being privatized. LP: Polish Management Training Center.</p>			1 376		440		926 compl. Dec -92 1 366†		
<p><b>Eastcom AB: Eastcom Management</b> Programme. A custom designed management training and assistance programme for Silesian companies. Training of local consultants. Seminars and workshops for management staff at local companies. LP: LSES</p>			3 977	1 794	1 871 compl. Mar -92 3 665†				

BITS: Industry	1989/90	1989/90	1990/91	1990/91	1991/92	1991/92	1992/93	1992/93	1993/94	1993/94
	Commitment 1 000 SEK	Disbursement 1 000 SEK	Commitment 1 000 SEK	Disbursement 1 000 SEK	Commitment 1 000 SEK	Disbursement 1 000 SEK	Commitment 1 000 SEK	Disbursement 1 000 SEK	Commitment 1 000 SEK	Disbursement 1 000 SEK

<p><b>Eastcom AB: Eastcom Management</b> Programme. A continuation of the first phase of the EMA programme concerning education and on-the-job training of local consultants. LP: LSES</p>					2 500	1 534	966 compl. Feb -93 2 500†			
<p><b>INDEVO: Regional Development, Torun.</b> Assistance in the promotion of an economic development programme for industry in Torun region. Transfer of know-how on business operations in a market economy. LP: Torun Voivodship</p>	1 550 Phase I	700 Phase I Phase I compl. Sep -90 1 420†	8 254 Phase II	720 Phase I	1 700 Phase II	1 175 Phase II	on-going 7 875* Phase II			
<p><b>Sveriges Rationaliseringsförbund:</b> Training in Productivity. Training of seven local consultants during 2 months in Poland and one week in Sweden, in profitability analysis, production economy and capital productivity. LP: SIMP/Zorpot</p>			1 448		1 448† compl. Apr -92					

BITS: Industry	1989/90	1989/90	1990/91	1990/91	1991/92	1991/92	1992/93	1992/93	1993/94	1993/94
	Commitment 1 000 SEK	Disbursement 1 000 SEK	Commitment 1 000 SEK	Disbursement 1 000 SEK	Commitment 1 000 SEK	Disbursement 1 000 SEK	Commitment 1 000 SEK	Disbursement 1 000 SEK	Commitment 1 000 SEK	Disbursement 1 000 SEK

Stockholm School of Economics: Corporate Management Programme. Four week training programme for 30 Polish managers on market economy, management attitudes, corporate decision making, corporate finance, accounting, control, logistics, legal aspects. LP: PMTC			1 000		1 000 <sup>t</sup> compl. Feb -92					
IDF, Stockholm University: Master Degree Programme Banking. Master Degree programme for 30 Polish managers in banking and finance. The theoretical part of the training 25 weeks. Total course 54 weeks. General and specialized courses in banking. LP: Polish Team (representatives from 5 regions and the State Bank)			4 216		4 016		200 compl. Nov -92 4 216 <sup>t</sup>			
Small projects:	15 (1 proj)	15 (1 proj)	155 (1 proj)	120 (1 proj)	743 (1 proj)	730 (1 proj)	500 (1 proj)	on- going		

BITS: Environment	1989/90	1989/90	1990/91	1990/91	1991/92	1991/92	1992/93	1992/93	1993/94	1993/94
	Commitment 1 000 SEK	Disbursement 1 000 SEK	Commitment 1 000 SEK	Disbursement 1 000 SEK	Commitment 1 000 SEK	Disbursement 1 000 SEK	Commitment 1 000 SEK	Disbursement 1 000 SEK	Commitment 1 000 SEK	Disbursement 1 000 SEK

Environment: Total	255	11	17 547	8 797	65 617	13 731	30 564	24 791	35 008	12 831
ABB Fjärrvärme (District Heating) AB: Torun District Heating System. Establishment of district heating system in Torun. Deliveries of 12 km pre-insulated pipes and necessary equipment. Five week training programme for two welders and two engineers in Sweden. Client counter-part payment in local currency through the National Environmental Fund. LP: OPEC Torun			8 335	7 085		1 250 compl. Sep -91 8 335 <sup>t</sup>				
UMINOVA: Training, Environmental Protection. Development of university training in environmental matters. Short environmental courses for municipal policy- and decision-makers, courses for environmental technicians and civil servants. Request for phase III SEK 1 570 million. LP: City Council of Kielce.	240 Phase I (study visit, environ- ment)		2 705 Phase II	240 <sup>t</sup> Phase I compl. Sep -90		1 230 Phase II		1 019 Phase II		229 Phase II on- going 2 478*



BITS: Environment	1989/90	1989/90	1990/91	1990/91	1991/92	1991/92	1992/93	1992/93	1993/94	1993/94
	Commitment 1 000 SEK	Disbursement 1 000 SEK	Commitment 1 000 SEK	Disbursement 1 000 SEK	Commitment 1 000 SEK	Disbursement 1 000 SEK	Commitment 1 000 SEK	Disbursement 1 000 SEK	Commitment 1 000 SEK	Disbursement 1 000 SEK

<u>K-konsult/RUST</u> : Szczecin STP, Preliminary Design. Optimization study and preliminary design for a sewage treatment plant in Szczecin. Preliminary design indicates Swedish technology cost at SEK 98 million. Swedish technology component proposed to be reduced to approximately SEK 20 million. Business Plan to be made. LP: Szczecin RPWIK.			1 395		837		558		4 380	225* on-going
<u>K-konsult/RUST</u> : Szczecin Sewage Treatment. Feasibility study and detailed design, Szczecin STP. LP: ZPWIK Szczecin.								1 147		571* on-going
<u>K-konsult/RUST</u> : Support, Koszalin STP. Supplement to ongoing preinvestment consultancy contract for the sewage treatment plant project. (Phase I SEK 572 is included in small projects) LP: Koszalin Municipality.									13 888	406* on-going
<u>Team Aqua</u> : Koszalin Sewage Treatment Plant (Equipment). Phase III. LP: Koszalin Municipality										

BITS: Environment	1989/90	1989/90	1990/91	1990/91	1991/92	1991/92	1992/93	1992/93	1993/94	1993/94
	Commitment 1 000 SEK	Disbursement 1 000 SEK	Commitment 1 000 SEK	Disbursement 1 000 SEK	Commitment 1 000 SEK	Disbursement 1 000 SEK	Commitment 1 000 SEK	Disbursement 1 000 SEK	Commitment 1 000 SEK	Disbursement 1 000 SEK

<u>Foundation Skog och Trä</u> : Assessment of Forest Damages. Theoretical and practical training at different levels in the use of Geographical Information Systems with forestry applications. Transfer of methodology for translation of satellite pictures. LP: IBL					3 633	3 100		300		229 on-going 3 629*
<u>Malmö Energi AB</u> : Seminars on Energy Saving. Six seminars for transfer of know-how on production techniques, maintenance, cost-effectiveness, measurement techniques and environmental measurements in energy production. LP: Power & Heating Plant Bedzin.					1 079	503		358		70 on-going 931*
<u>Malmö Energi AB</u> : Energy Saving Measures at Bangow Hot-Water Station. Establishment of a reference installation as a model for energy conservation and environmental work in Katowice region. Actions in the whole chain of energy production and consumption. LP: WPEC.					3 067		2 250			on-going 2 250*



BITS: Env./Transp. & Communic./Educ.	1989/90	1989/90	1990/91	1990/91	1991/92	1991/92	1992/93	1992/93	1993/94	1993/94
	Commitment 1 000 SEK	Disbursement 1 000 SEK	Commitment 1 000 SEK	Disbursement 1 000 SEK	Commitment 1 000 SEK	Disbursement 1 000 SEK	Commitment 1 000 SEK	Disbursement 1 000 SEK	Commitment 1 000 SEK	Disbursement 1 000 SEK

Chalmers Industrieknik: Environmental Training. Establishment of educational and research center in Lodz for industrial environmental protection systems, incl. pollution control laboratory. LP: Tech. University, Lodz									1 240	520* on-going
Small projects:	15 (1 proj)	11 (1 proj)	1 207 (4 proj)	1 201 (4 proj)	338 (2 proj)	298 (2 proj)				
Transport and Communication (small projects)			530 (1 proj)	485 (1 proj)	482 (1 proj)	463 (1 proj)			497 (1 proj)	not started
Education: Total			2 000	1 000		1 000				
Swedish Institute: Exchange Visit Programme I. Short term exchange visits, long term scholarships, university and college courses. Swedish Institute responsible for selection and assessment of projects. LP: Task Force			1 000			1 000* compl. Aug -91				
Swedish Institute: Exchange Visit Programme II. Continuation of Programme I. LP: Task Force			1 000	1 000* compl. Jun -91						

BITS: Energy/Other	1989/90	1989/90	1990/91	1990/91	1991/92	1991/92	1992/93	1992/93	1993/94	1993/94
	Commitment 1 000 SEK	Disbursement 1 000 SEK	Commitment 1 000 SEK	Disbursement 1 000 SEK	Commitment 1 000 SEK	Disbursement 1 000 SEK	Commitment 1 000 SEK	Disbursement 1 000 SEK	Commitment 1 000 SEK	Disbursement 1 000 SEK

Energy (small projects)									560 (1 proj)	179* on-going
Other areas (small projects)									300 (1 proj)	163* on-going
<b>Total for BITS:</b>	11 787	1 486	90 278	31 550	69 448	64 502	32 445	31 763	40 868	15 852

SIDA	1989/90	1989/90	1990/91	1990/91	1991/92	1991/92	1992/93	1992/93	1993/94	1993/94
	Commitment 1 000 SEK	Disbursement 1 000 SEK	Commitment 1 000 SEK	Disbursement 1 000 SEK	Commitment 1 000 SEK	Disbursement 1 000 SEK	Commitment 1 000 SEK	Disbursement 1 000 SEK	Commitment 1 000 SEK	Disbursement 1 000 SEK

Lantbrukarnas Riksförbund: Development of Farmers' Union and family farms.	50	-----	560	610	600	600	1 000	-----	990	-----
Arbetsrådets Internationella Centrum (AIC)/Olof Palmes Internationella Centrum: Adult education, development of democracy, economic reforms, improvements of environmental activities, trade union education.	625	625	1 500	1 500	2 000	2 000	1 500	1 500	595	-----
LO/TCOs Biståndsämnd: Co-operation projects with trade unions - education.	194	194	950	950	800	800	750	-----	868	-----
Naturskyddsföreningen: Co-operation projects with environmental organizations.	136	136	800	800	900	900	655	655	580	-----
Swedish Red Cross: Humanitarian aid	5 000	5 000								
Hoppets Stjärna: Shipments to Poland, ambulance, dental equipment	1 466	1 466								
Small projects:	3 013	2 690	1 961	1 457	1 893	2 332	2 758	2 903	977	492
Cultural support:			600	-----	1 000	1 000				
Total for SIDA:	10 484	10 111	6 371	5 317	7 193	7 632	6 663	6 058	4 010	492

SIDA	1989/90	1989/90	1990/91	1990/91	1991/92	1991/92	1992/93	1992/93	1993/94	1993/94
	Commitment 1 000 SEK	Disbursement 1 000 SEK	Commitment 1 000 SEK	Disbursement 1 000 SEK	Commitment 1 000 SEK	Disbursement 1 000 SEK	Commitment 1 000 SEK	Disbursement 1 000 SEK	Commitment 1 000 SEK	Disbursement 1 000 SEK

Projects in more than one country. (Poland ≈30%)			185		363		253		393	
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SwedeCorp		1989/90	1989/90	1990/91	1990/91	1991/92	1991/92	1992/93	1992/93	1993/94	1993/94
		Commitment 1 000 SEK	Disbursement 1 000 SEK	Commitment 1 000 SEK	Disbursement 1 000 SEK	Commitment 1 000 SEK	Disbursement 1 000 SEK	Commitment 1 000 SEK	Disbursement 1 000 SEK	Commitment 1 000 SEK	Disbursement 1 000 SEK

Int. Trade Centre, Switzerland: Feasibility study regarding export promotion activities in engineering ind.								125	125 <i>compl.</i>		
Mazur Trading AB: Study on trade and industry and needs for support in Szczecin, Watsaw and Lublin regions.								125	125 <i>compl.</i>		
Int. Trade Centre, Switzerland: Support for export devel. to selected companies within the engineering industry.										1 495	296* <i>on- going</i>
Polish Business Advisory Service: Government decision to support PBAS, which provides financing and technical advice to Polish enterprises.								2 100	700		<i>on- going</i> 700*
Svensk Polska Handelskammaran: Establishment and support of the activities of the Polish branch office.										2 000	1 340* <i>on- going</i>
Small Projects:										128 (2 proj.)	<i>on- going</i>
<b>Total for SwedeCorp:</b>								2 350	950	3 623	1 636

Swedfund		1989/90	1989/90	1990/91	1990/91	1991/92	1991/92	1992/93	1992/93	1993/94	1993/94
		Commitment 1 000 SEK	Disbursement 1 000 SEK	Commitment 1 000 SEK	Disbursement 1 000 SEK	Commitment 1 000 SEK	Disbursement 1 000 SEK	Commitment 1 000 SEK	Disbursement 1 000 SEK	Commitment 1 000 SEK	Disbursement 1 000 SEK

Kemira Kemi: Production of chemicals for purification of sewage water, factory outside Szczecin; loan						2 452	2 452				
Welna Andrén AB: Production of tanks and pipes made of plastics reinforced with fibre-glass. Factory in Torun; loan						1 659	1 659				
Trebruk: Privatization of a paper mill, share-capital								38 800	33 295		
Lindahls Food Trading: Food industry, share-capital (not contracted yet)								5 000	-----		
Nordiska Ekofiber: Construction sector, share-capital (not contracted yet)										1 080	-----
<b>Total for Swedfund:</b>						4 111	4 111	43 800	33 295	1 080	-----



Swedish Institute	1989/90	1989/90	1990/91	1991/92	1991/92	1992/93	1992/93	1993/94	1993/94
	Commitment 1 000 SEK	Disbursement 1 000 SEK	Commitment 1 000 SEK	Disbursement 1 000 SEK	Commitment 1 000 SEK	Disbursement 1 000 SEK	Commitment 1 000 SEK	Disbursement 1 000 SEK	Commitment 1 000 SEK

Culture			280	---	117	191	597	684	330	134 <sup>1</sup>
Exchange of experts			560	380	600	571	722	617	214	580
Education and research			186	165	306	308	1 010	956	2 750	2 911
<b>Total for SI</b>			966	545	1 023	1 070	2 329	2 257	3 294	3 625

<sup>1</sup> Disbursement until 16 May 1994

Swedish University of Agricultural Sciences	1989/90	1989/90	1990/91	1990/91	1991/92	1991/92	1992/93	1992/93	1993/94	1993/94
	Commitment 1 000 SEK	Disbursement 1 000 SEK	Commitment 1 000 SEK	Disbursement 1 000 SEK	Commitment 1 000 SEK	Disbursement 1 000 SEK	Commitment 1 000 SEK	Disbursement 1 000 SEK	Commitment 1 000 SEK	Disbursement 1 000 SEK

Hushållningsällskapet i Malmöhus län: Establishment of demonstration farms. Development of practical systems and technologies to reduce and control pollution from animal husbandry and crop cultivation. Education and extension projects with the purpose of improving and gaining understanding in farm society of environmental sound management practice. LP: Inst. for Land Reclamation and Grass Land Farming									3 000	-----
<b>Total for SUAS:</b>									3 000	----