Center for Social & Economic Research

Western Aid Conditionality and the Post-Communist Transition

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Warsaw, April 1995

Paper was prepared for the project: ***"Economic Reforms in the former UdSSR"*** *(Reformy gospodarcze na terenie dawnego ZSRR)*, financed by the ***Committee of Scientific Reasearch*** *(Komitet Badañ Naukowych)*.

ISBN 83-86296-33-X

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I. Introduction[1]

The political and economic collapse of communism in the Eastern Europe and the former Soviet Union has created enormous challenge for Western democracies. The challenge has been not that of providing financial developmental aid although it is very important for countries facing the double challenge of transition and development. Its most important dimension has been to provide active policy support to implement reforms dismantling central planning. This in turn includes designing and providing a stimulus to implement a viable transition strategies and establishing market friendly institutions. Thus, the question is the extent to which Western assistance has made a difference in the course of transition from economic systems based on central planning to those based on competitive markets.

This paper examines links between the economic transition in the former Soviet bloc countries (including states that emerged from the dissolution of the Soviet Union) and Western assistance. Its main focus is on addressing two specific questions: (i) have the Western governments and international institutions supported the most effective strategy of transition in Eastern Europe and FSU?; and (ii) what kind of aid policy can give the best results in terms of recipient countries commitment to effective transition strategy?

Some aspects directly relevant to these two questions have been extensively discussed under the label of the so-called *shock therapy* versus *gradualism*. Proponents of the latter argued in favor of a gradual dismantling of vestiges of central planning, whereas those adhering to shock approach advocated rapid liberalization of prices and hardening of budget constraint for enterprises. The debate climaxed in 1994 when it became apparent that the Russian transition has encountered enormous difficulties. The IMF, World Bank, and Western governments were accused of making several important policy blunders and providing aid that came too late and was ill-targeted [Sachs, 1994a, Sachs, 1994b]. This discussion has clearly pointed to important role that Western aid may play in solving economic problems in post-communist countries and influencing the political process of taking crucial transition decisions.

Therefore, the issue of the aid conditionality and sequencing rather than the detailed specification of financial flows and aid initiatives strikes one as of particular relevance to assess transition strategies. The size and structure of financial flows to transition economies has been extensively discussed elsewhere[2]. Little research has been devoted to the assessment of the role that the Western countries and international institutions have played in the transition. While this

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[1] This paper draws on my two earlier short papers presented at the IIASA Seminar "The Western Assistance to Russia and Eastern Europe", Laxenburg/Austria, November 4-6, 1993; and at the Conference "Managing the World Economy. Fifty Years After Bretton Woods", Institute for International Economics, Washington, DC, May 19-21, 1994. The first version of this paper (under the title "The Role of the International Agencies and the West in the Post-Communist Transition: Some Selected Aspects" was presented at the American Economic Association Convention in Washington, DC, January 7, 1995.

The Policy Research Department, Transition Economies Division of the World Bank provided me with the excellent technical opportunities for preparing this study. I am very grateful to Alan Gelb for many interesting suggestions. Stanley Fischer inspired me to carry out this research. Stimulating discussions with Jeffrey Sachs about the Russia's transition helped me to clarify my own position in relation to aid strategy. Bartłomiej Kamiński, Anders Ślund, Stanisław Gomułka and Lucjan Orłowski gave me very helpful comments to the first, conference version of this paper. Bartłomiej Kamiński helped me also with preparing the publication version. Paper reflects, however, the author's personal opinions only. They should not be attributed to the World Bank, its Board of Directors, its management, or any of its member countries. Author takes also solely the responsibility for the quality of this paper.

[2] See, for example, OECD reports [OECD, 1994a; OECD, 1994b], annual reports of IMF and World Bank as well as a a very interesting study by Kaminski and Wang [1995].

topic is of mostly historical relevance for those countries which have already established the foundations of a market economy, it is of policy relevance for Western assistance of FSU countries which are yet to start this process.

The paper answers the question in its title by first discussing unique features of postcommunist transition in terms of their effectiveness in achieving a quick switch from central planning to markets and spurring economic recovery (Section II). In order to put assistance in perspective Section III provides a brief discussion of the scope, size and structure of financial assistance by international multilateral institutions (the IMF and World Bank) and bilateral donors from OECD countries. Because of the emphasis on policy advice, Section IV is devoted to the assessment of technical assistance, i.e., guidance on economic reform measures. The next two sections deal with the use of conditionality in programs financed by the IMF and the World Bank. The last section is an attempt to link assistance, and assess its significance, to specific features and stages of the transition. Finally, the last section presents general conclusions and recommendations.

The analysis in this paper offers strong support to the following conclusions. First, by far the most important actor in providing assistance during the early stages of the transition is the IMF. IMF-funded programs have played a pivotal role in stimulating each country transition strategy. Apart from macroeconomic significance, its programs provided a strong boost to genuinely-committed reformers in transition economies. Once the goals of economic stabilization are achieved, other actors have the potential to play in institution-developing and sectoral problems.

Second, contrary to a popular view both in the West and post-communist countries that the multilateral institutions have emphasized too much budget cutting and austerity measures, the examination of IMF and World Bank lending record suggests a different picture. In fact, too often conditionalities imposed by the IMF or the World Bank have in fact encouraged adoption of a wrongheaded gradualist approach to macroeconomic stabilization especially in countries of the FSU (former Soviet Union). The experience of transition economies demonstrates that only radical and comprehensive approach results in stabilization and economic recovery.

Third, conditionality contained in many assistance programs was often too soft. Since relatively few countries enjoy sufficient internal consensus and sufficient determination of the part of the new political elites not only to start the serious reforms but also to continue them in a credible manner, it is perhaps the most important aspect of external assistance. Too often Western donors would forget that tough external conditionality can help reformers politically in the region and reduce political and social cost of transition.

Fourth, the quality of technical assistance varied by source. Advise offered by the international financial institutions and most of Western experts (both governmental and non-governmental) have been usually adequate to the task of transition with the exception of an ill-conceived recommendation to support the ruble zone in the former Soviet Union in 1992.

II. Post-Communist Transition and Its Strategy

The post-communist transition is a complex endeavor affecting almost all aspects of the economic and political system. Because of its scale, it differs from both other historical cases such as German and Japanese post-war reconstruction and even the most complex policy reforms in developing countries [Fischer and Gelb, 1991; Balcerowicz, 1994] [3].

In the economic sphere the new democratic governments inherited problems that would determine the agenda of the transition. In a nutshell, they had to built markets from scratch: As Balcerowicz [1994] has noted *"under communist rule [...] capitalism was destroyed and not merely suspended (as in Germany before 1948) or distorted (as in Latin America and India before their respective rounds of economic liberalization)."* Consider that communism lasted more than 40 years in Central and Eastern Europe including the Baltic countries and more than 70 years in the other parts of FSU.

From the view-point of transition, one may identify three most important potential obstacles inherited from communism. These include: first, total or almost total nationalization of the economy have left a very limited role for private saving and implied either explicit prohibition or serious restrictions on private economic activity. To make matters worse, the official systems of education and propaganda tried to convince people of the superiority of state (sometimes referred to as "social" or "all-national") over private ownership.

Second, huge structural distortions stemming from the monopolization, economic autarky, administrative price regulation, and centralized investment decisions. The former communist economies were strongly oriented to domestic and regional markets (the latter through the Council for Mutual Economic Assistance) and were more or less separated from other markets by currency inconvertibility, price controls, trade restrictions, and the state monopoly in foreign trade.

Third, domestic and external macroeconomic disequilibrium prevailed and was especially strong in the last years of the communist regimes, during which they lost their capacity to control economic and social life. Only the former Czechoslovakia, Hungary, and the former German Democratic Republic avoided dramatic macroeconomic crises, but even in these countries (and especially in Hungary) the degree of macroeconomic stability was far off the Western standards.

To deal effectively with these legacies of central planning, post-communist reformers have had to address simultaneously three domains: (a) macro-economic stabilization, (b) liberalization (deregulation) connected with the change in the system of economic institutions and (c) privatization and restructuring.

The experience covering now a period of more than five years offers valuable lessons about the best transition strategy. The available comparative analyses amply demonstrate superiority of a radical, fast and comprehensive variant of transition strategy over other approaches [Ĺslund, 1994; Balcerowicz and Gelb, 1994; Gelb, de Melo and Denizer, 1995; Dąbrowski, 1995]. It shows that from the outset it was a false dilemma. Only the radical and comprehensive reform packages may prevent economic and political crisis, and create prospects for economic recovery. In its best variant, the gradual strategy (such as Hungary) only extends the duration of economic contraction and produce positive results later than the radical ones would have. In its worse variant such as exercised in Romania, Russia, Ukraine or Belarus, it fosters macroeconomic mismanagement and, often, a deep political crisis.

The more detailed analysis shows that the heated debate on shock therapy versus gradualism does not make sense at all, simply because it abstracts from the nature of the individual components of the transition package. For example, the slow and gradual macroeconomic stabilization is not a viable policy especially for countries which entered the

[3] Chile's transition was probably the most comprehensive and radical outside the former communist block. But even Chilean transformation of 1970s and 1980s seems less revolutionary in terms of scope and depth of needed change than that in post-communist countries.

transition process with a big monetary overhang and substantial fiscal and monetary imbalances. The rationality of slow price and trade liberalization is also very doubtful with a possible exception of countries which had more open and deregulated economies before the post-communist transition started and inherited less price and structural distortions (Hungary, former Yugoslavia). The real choice concerns the speed of privatization, more sophisticated institutional changes, and the restructuring of state-owned enterprises. However, most of available arguments (the danger of regulatory and ownership vacuum, negative implications of government interventionism for monetary and fiscal policies, credibility issue and danger of political bargaining and rent-seeking, risk of loosing the unique political window opportunity after collapse of communism, etc.) support fast microeconomic restructuring and privatization rather than a slow one [Balcerowicz, 1994; Dąbrowski, 1995].

III. Review of Official Financial Aid

Financial assistance includes a variety of forms of support: IMF and World Bank loans (including International Finance Corporation projects), EBRD (European Bank for Reconstruction and Development) loans and investment, grants from the European Union under the PHARE and TACIT programs, initiatives of the G-7 and the G-24, bilateral support, trade credits, humanitarian aid, debt rescheduling and reduction agreements with the Paris and London clubs, and others. Also private capital flows play a very important role. To make the picture complete it would be necessary to analyze also capital outflow from the transition countries, especially private capital outflow from the FSU. Because of limited space and low reliability of data I will focus on official capital flows to Central and Eastern Europe, and to the FSU - coming from the IMF and World Bank as well as the bilateral OECD official aid [4].

The IMF support to the transition countries involves basically two types of programs: stand-by arrangements (SBA) and systemic transformation facility (STF). Whereas SBA, in some sense the standard IMF adjustment program, has been used mainly by the Central and Eastern European countries, and Baltic countries, the STF window was created specially for the FSU countries in the beginning of 1993 and extensively exploited by most of them. However, also the slower or delayed (for different reasons) reformers in the Central and Eastern Europe (Romania, Bulgaria, Macedonia, Croatia, and even Slovakia) benefited from the STF. Marginally, other types of programs were also adopted: the Extended Fund Facility (EFF) for Poland and Hungary in 1991 (both unsuccessful) and recently for Lithuania, the first tranche credit for Russia in 1992, the Enhanced Structural Adjustment Facility (ESAF) for Albania and Mongolia in 1993, and Kyrgyzstan in 1994, Compensatory and Contingency Financing Facility for Poland in 1991 (as the component of EFF) and Moldova in 1993. Currently the new idea of the Currency Stabilization Funds, being *de facto* a kind of second SBA, is being discussed by the IMF Executive Board.

Tables 1 and 2 illustrate the size and structure of the IMF financial assistance to the economies in transition in the period of 1990-1994. So far governments of all countries that have made a credible commitment to start the real transition process could use IMF financial facilities. Some others (such as Uzbekistan) are expecting for finalizing the STF negotiations in the early 1995. Countries that have not used IMF financing are in most cases engaged in military conflicts or have not started real reforms yet.

During the last five years IMF has approved programs for transition economies amounted to around 11.5 billions SDR, out of that 3,372.385 millions SDR were approved and disbursed under the STF and 8,154.87 millions SDR were accepted under SBA, EFF, ESAF and CCFF

[4] For an in-depth analysis of private capital flows, especially foreign direct investment - see Kaminski and Wang, 1995.

windows. However, only 3,307.25 millions SDR (40.6% of the total approved amount) were disbursed until April 30, 1994. Some programs barely began and subsequent tranches of loans will be given recipient countries according to agreed schedule and in dependence on results of programs reviews. Part of programs accepted in the past (such as EFF for Poland and Hungary in 1991) was stopped or suspended because recipient countries missed the performance criteria.

The IMF lending rules (the size of financial assistance regulated by the system of quotas) make distribution of financial support quite proportional to the size of country and its economic potential. Some exemptions in plus can be explained by the early start of cooperation with IMF (Poland, Hungary) or by the political will to be closely monitored by this organization (Lithuania). Exemptions in minus, apart earlier mentioned few cases of countries not prepared for cooperation with IMF, concern mainly countries in the relatively good macroeconomic situation not interested in implementing the typical adjustment programs (Czech Republic, Slovenia).

The IMF financial aid can be used mainly for balance of payments support and building up the official international reserves. Part of the STF money can also support indirectly state budget.

The World Bank provides the member countries with three types of loans: general loans, supporting balance of payment and indirectly (through counterpart funds) state budget, sectoral adjustment loans. Table 3 illustrates first type of loans, i.e. SAL, rehabilitation loans, recovery loans, and the critical import loans, approved for the transition economies in a period from the beginning of 1990 to the beginning of 1994. Table 4 contains data concerning sectoral loans related mainly to the financial sector and restructuring (for a period 1990-1994). Table 5 gives information about all other sectoral and project loans approved in the fiscal years 1988-1994.

Although periods of data in each table are not fully compatible we can try to summarize the total amount of the World Bank financial assistance to countries in transition during last 5 years. It gives amount ca. 12 billions USD. Only 3,758 millions (31.4% of total amount) were addressed for general needs, i.e. balance of payment and budget support. The rest of them was covered by sectoral and project loans[5]. I do not dispose the full disbursement data. However, the average level of disbursement usually did not exceed 50-60% during the first year after the approval by the World Bank Board. This happens mainly due to three factors. **First**, most of the lending projects include sequencing (disbursement in several tranches) depended on fulfilling the policy conditions specified in the loan agreement. **Second**, the World Bank money can be spent only according to the established procurement procedures. **Third**, general capacity of economies in transition to accommodate the World Bank loans in the effective way is very limited (see below).

Tables 3-5 show also more geographical concentration than in the case of IMF financial assistance. Two definite leaders, Hungary and Poland, represent countries with the longest experience in cooperation with the World Bank, and the best technically prepared to a very time consuming and bureaucratic process of loan negotiation.

Tables 6 give us a picture on official aid given by governments of 21 OECD countries being member of Development Assistance Committee in the period 1990-1993[6]. The aid statistics includes both bilateral assistance and contribution to the programs carried out by the

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[5] However, the part of sectoral loans can be used for financing the budget expenditures, for example in education and health service.

[6] Among other OECD members Turkey has provided the substantial assistance to the Central Asia countries and Azerbaijan. It amounted 111 million USD (0.07% GDP) in 1991, 171 million USD (0.11% GDP) in 1992 and 260 million USD (0.15% GDP) in 1993.

international organization such as European Community or EBRD. The picture presented in tables 7-8 (geographical distribution and sectoral structure of aid) is not complete. It covers fully only two years - 1991 and 1992. It does not contain the export credit statistics[7], and consequently - private capital flows.

However, even so incomplete a statistical picture leads to three firm observations. First, the total size of official financial aid to the economies in transition has been extremely small - it amounts to 0.04% of GDP of the DAC countries. It is far less then the size of development assistance received by the developing countries (60 billions USD in 1992 - see OECD [1994], p.3). In addition, the financial aid to transition economies has been on the decrease reaching its maximum in 1991. Austria, Germany and Sweden (from 1992 when the Baltic countries started their transition) are the only three countries which made a more substantial and regular effort transferring to transition countries around 0.2% of their GDP.[8]

Second, the composition of aid changed significantly each year. Apart some regular trends (decreasing share of food aid, increasing importance of project and program grants), there were also occasional blimps such as the reduction of the Polish official debt in 1991-1992.

Third, we observe a very big asymmetry in geographical distribution of aid. Poland, as a leader of the economic and political transformation, has received the biggest financial assistance (especially if we include both debt reduction operations here) in both relative and absolute terms (i.e., taking into consideration the size of the national economy). This was mainly due to the earlier mentioned official debt reduction decided by the Paris Club in April 1991.[9] Albania was the second biggest recipient country in relative terms. From 1992 one can observe the evident shift of aid from CEE to FSU (mainly Baltics and Russia). Hungary, although a significant recipient of IMF and World Bank lending programs, received less bilateral assistance. This country never asked for debt rescheduling or debt reduction. Czecho-Slovakia and its successors (especially the Czech Republic) received considerably less than Poland and Hungary partly because they have never applied for it and partly because they were in a far better macroeconomic situation (balanced budget, small public debt, the lack of balance of payment problems). Bulgaria can be seen as opposite extreme to Poland - despite its very ambitious stabilization and liberalization program in 1991, it received little external assistance. Debt reduction came only in July 1994. Bulgaria was the last East European CMEA country who received association agreement with the European Community. Furthermore, this country was hurt by a series of adverse external shocks - the collapse of CMEA trade in 1991, the Gulf crisis in 1990-1991 (in both cases Bulgaria was more depended on this trade than other CMEA countries), and finally by the UN economic sanctions against Yugoslavia. It seems that those unfavorable external factors are at least partly responsible for the crisis of the ambitious transition program in Bulgaria.

Among the FSU countries in the first two years of transition (1992-93) only Russia and the Baltic states seemed to have attracted the attention of the G-7 group, the G-24 group as well as the Bretton Woods institutions. The other new independent states of the FSU have received far

[7] Because of some metological problems with its presentation.

[8] It is worthy to remember that Germany had to make in the same time a huge effort financing the East German transition.

[9] As far as private debt-related assistance is concerned, two recent operations carried out in 1994 by the London Club representing the private banks are noteworthy. Bulgaria received in July 1994 a 46% reduction of the commercial debt (3.8 billions USD out of 8.1 billions USD). Poland signed the agreement with London Club creditors in September 1994 receiving 47-49% debt reduction (6.8 - 7.0 billions USD out of 14.4 billions USD).

less support, partly because they were not prepared to undertake serious reforms (e.g. Ukraine and Belarus as well as the countries involved in military conflicts), and partly because they have probably been perceived by the West as politically less important. CIS countries received in 1992 and in the first half of 1993 far more real economic aid from Russia than from the West. In the situation when the ruble area still existed the Central Bank of Russia (and later the Russian government) financed almost automatically the negative trade balances of FSU countries with Russia. Those countries were also supplied by Russia with oil and gas at prices far below the world level [Dąbrowski, 1993; Granville and Lushin, 1993; Hernandez-Cata, 1993] [10].

From the second half of 1993 the situation started to change radically - both earlier mentioned forms of the Russian assistance started to decline quickly, together with the final collapse of the ruble area and the gradual adjustment of oil and gas prices in real terms (however, this last factor did not disappear completely). CIS countries had to start more serious reforms and real macroeconomic adjustment. They became the more serious clients of Bretton Woods institutions, especially IMF. Kyrgyzstan and Moldova were the first, later joined by Kazakhstan and recently by Ukraine, Armenia, and Georgia. The reorientation of Russian foreign and internal policy (less willingness to cooperate with the West, intervention in Chechnya) and the evident crisis of Russian economic and political reforms seems to shift additionally the attention of G-7 from this country to other post Soviet states.

Looking at the main forms of the Western financial aid to the transition countries it seems obvious that this aid does not meet expectations of the potential recipients. The problem concerns not only the size of financial flows but a better targeting the existing aid. Countries in transition, at least during the first years, need general balance of payments and budget support (connected, of course, with strong conditionality - see section V). Unfortunately, major part of aid has been in the form of commercial credits (for the specific import items from a donor country) or project financing from the World Bank and EBRD. The well targeted sectoral and project financing is very important for the long term restructuring of the economy. However, at the initial stage of transition the capacity to absorb this kind of aid is limited. Unless the macroeconomic stabilization is really successful and hard budget constraints start to function the state owned enterprises (SOEs) are not interested in borrowing, because of uncertain financial prospects. The private sector is still weak and also not prepared to borrow without excessive risk. The banking sector is under restructuring and cannot guarantee effective intermediation. On the other hand, when the stabilization is not successful and financial environment is still soft, the credit absorption can go formally more smoothly but without any real chances for repaying debt in the future.

Most of commercial credits and project loans given by the bilateral donors or international financial institutions is subject to financial guarantees of the government of a recipient country. It means the continuation of government involvement in the direct economic and investment activity and difficulties to make budget constraints for SOEs really tight. Generally, commercial credits (for specific import) do not solve economic problems of recipient countries but, contrary, are rather a by-product of agriculture or industrial interventionism in the donor country.

IV. Technical Assistance

Technical assistance is usually provided in two areas: (i) advice on the general concepts of economic reform, and (ii) advice on specific technical aspects of the transition process. It can be provided by the international organizations (IMF, World Bank, IFC, UNDP, EBRD, OECD,

[10] Both factors were also partly present in Russia economic relations with the Baltic countries.

European Union, etc.), governments of the donor countries, and non-government organizations and voluntary initiatives[11].

The first wave of reforming countries - including Poland, Czecho-Slovakia, Bulgaria, Hungary, Slovenia, Russia, Estonia, and Latvia - have designed their reforms autonomously with only a supplementary support from foreign experts, including IMF and World Bank experts. International organizations and Western governments experts could play a greater role in designing a general transition strategy for countries that have delayed reform when the latter do not have enough experts of their own to do the job. It concerns mainly FSU countries apart from Russia and the Baltics. Non-governmental academic experts can also be useful here.

Almost all the former communist countries have sought assistance in solving their specific technical problems. The organization of the central bank, the use of monetary instruments, the organization of capital markets, tax reform and administration, privatization, and the keeping of national statistics are only few of the areas where help is needed. This kind of assistance is especially important in the former Soviet Union, where few market institutions have survived the communist period. The former Soviet republics must also in many cases build the standard institutions of independent states from the ground up.

The direction and quality of technical assistance given by the international financial institutions and most of Western experts (both governmental and non-governmental) have been in general adequate to the nature and scale of the problems of the transition. However, some specific mistakes were made. Probably the most important was the attempt to support the ruble zone in the former Soviet Union in 1992. Another relates to the reluctance of IMF and Western experts to the idea of a fixed exchange rate regime, especially in countries with strong inflationary inertia and very low demand for domestic currency. Finally, the dearth of ideas how to organize the privatization process in the relatively fast and politically acceptable manner was the common weakness of most of experts both Western and domestic[12].

While guidelines of IMF, World Bank. IFC, OECD or EBRD policy advise can be seen as generally relevant to the real challenge of transition (apart few exemptions mentioned above) the position taken by some other UN agencies, especially by the UN Economic Commission for Europe in Geneva have raised serious objections. The latter has permanently opposed the idea of radical, comprehensive and internally consistent transition package, trying to neglect the importance of tight macroeconomic policy and radical liberalization and promoting a very doubtful gradualist strategy. Fortunately, the real influence of this body in the policy advising sphere was rather symbolic.

The effectiveness of using the technical assistance by the recipient countries is another big issue which deserves at least a short comment. Some disappointment is a quite common feeling among both experts who are involved in the policy advising (especially in FSU countries), and politicians and public opinion in the recipient countries[13]. What are the reasons for it?

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[11] The enormous role of George Soros and his network of charity foundations should be underlined among the last group of initiatives. The Soros-funded organizations support a lot of policy advising and educational activity in the post-communist world as well as democratic organizations and research institutes involved in the political and economic transformation..

[12] However, the last experience with the Rehabilitation Loan negotiations for Ukraine in November 1994, when the World Bank experts pressed very much for adoption of the comprehensive, fast, and really mass privatization program by Ukrainian government, shows that World Bank draw serious lessons from hitherto privatization experience.

[13] I have had the unique personal opportunity to learn this problem from both sides. My **first** experience with foreign advisors was connected with my role in the Polish transition process and had a **passive** character (i.e. I

First, it is the lack of sufficient political determination to implement radical economic reforms in several countries. Sometimes even if the leading reformers declare the intention to go quickly (as Egor Gaidar in Russia in the end of 1991) they do not have sufficient political support and real policy is neither radical nor consistent sufficiently. In this situation the role of foreign advisers is limited from the very beginning. They serve sometimes either as the substitute of a serious transition policy (especially in relation with Western government and international institutions) or as the victims whom unsuccessful politicians can blame publicly.

Second, poor organization of government and the entire state administration is a quite universal situation in the transition economies with enormous concentration of this kind of problems in the FSU and less severe situation in Central Europe, especially in Czech Republic and Hungary. It is one of the most dramatic legacies of the communist regime which influences negatively the speed and effectiveness of all economic and political transition [see Ĺslund, 1994]. It creates, of course, also serious difficulties to organize work of foreign advisers, specify demand for their services, and implement smoothly their recommendations.

Third, sometimes one may observe strong political reservations as to the role of foreign advisers. They are isolated from the real policy discussions, decision making process, important information. Their suggestions are seen with suspicion. It happens especially in some FSU countries where former communist hostility to Western "imperialist" penetration, spying obsession, etc. are still alive. Sometimes extreme nationalist feelings strengthen this phenomenon. The common neocommunist and nationalist rhetoric blaming IMF, World Bank and other "imperialist" influence can effectively affect views of the significant part of post-communist societies. The anti-foreigners attitude and restrictions in relation to external advisers are sometimes connected with the deep incompetence and corrupted practices of post-communist administration that is not interested to open its "secretes" to the people from the outside.

Fourth, there is also a lot of problems on the foreign experts' side, especially in the case of advisers coming not from international organizations. Outbursts of occasional, short-term visits of experts, sometimes competing one with other, who never were engaged before in the post-communist transition are not usually helpful for hosts. A lot of time have to be devoted to give visiting experts the basic information about a country, its economy and implemented reforms without chances to receive any valuable output. The international experience shows that full time advisers permanently staying in the recipient country are the most productive. Part time regular advising (e.g. one week every month) is the second best. It can be also effective if advisors has permanent access to necessary data and information and if they have some junior staff working for him on place. In some cases earlier prepared short visits of consultants invited to solve specific, rather narrow and well defined problems can be seen as exemption of the above rule.

What concerns professional skills, apart theoretical knowledge, some practical experience in policy making or at least in policy advising can increase significantly expert's productivity. The earlier contacts with recipient country are helpful but not necessary. At least passive knowledge of the domestic language seems also to be very important. The active knowledge of this language allows to work together with domestic politicians, civil servants and experts without intervention of interpreter. Experts if want to be really effective should also learn something about history of the country, its culture, ethnic relations as well as try to follow current political events.

The above described difficulties does not undermine general rationality of the foreign technical assistance. They only prove that in some transition countries it is rather difficult to expect immediate positive results. However, even in these less hopeless and most frustrating

was recipient of foreign assistance). My **second** experience is connected with my **active** role as a foreign consultant in Russia (1991-1994), Ukraine (from 1993) and Kyrgyzstan (from 1993).

cases the consequence and patience in advisory and education activity brings positive effects after some period. The most evident example is Ukraine.

There is increasing understanding among FSU countries that only quick, radical and quite complex reforms can allow them to find a way-out from the deep economic and political crisis. Even countries which are in very unfavorable political conditions (military conflicts) such as Armenia or Georgia have become ready to enter a way of serious transition effort. It means that demand for technical assistance will probably increase in the next years.

V. Conditionality

Conditionality is perhaps the most important aspect of external assistance. Relatively few countries enjoy sufficient internal consensus and sufficient determination of the part of the new political elites not only to start the serious reforms but also to continue them in a consequent way. It needs to make a lot of unpopular decisions and permanently avoid populist pressures. Poland was one of these fortunate countries (but only in the first two years of transition); others were Czecho-Slovakia (and later the Czech Republic), Estonia, Latvia, and probably Albania. In all other countries a kind of external pressure, coming mainly from IMF conditionality, was and remains very helpful in keeping economic policy (especially its fiscal and monetary components) reasonably on track. Tough external conditionality can only politically help reformers in the region.

Has IMF and World Bank played this role forcefully enough? The answer is not simple. Even a very brief look at the list of adopted IMF and the World Bank programs (see tables 1-5) gives a very ambiguous picture. Aside from many successful or almost successful programs there are also a lot of failures. Of course, one can say that a big level of risk is immanently connected with this kind of lending. It is true. However, a more careful analysis of both successful and unsuccessful stories gives credence to an unfavorable assessment.

Successful programs were adopted by the Central European and Baltic countries where, as it was mentioned earlier, the political consensus and determination was probably sufficient to start reforms even before the IMF came with financial support and its conditionality (it was exactly the Estonia in 1992). Less optimistic is picture with Eastern European slow reformers (Romania, Bulgaria, and recently Slovakia) where IMF accepted programs that did not seem credible enough and did not yield the expected results.

The problem of credibility is a more complex one. It involves not only the purely formal content of program, i.e. the declared policy targets and their consistency but also the credibility of politicians signing the program. The Western practice that a public declaration of politician is the sufficient proof of his commitment to take the specific action is probably not enough in the post-communist world where forgetting given promises or even open political cheating happens quite often.

However, the international financial institutions still treat policy declarations as a good coin not looking at the reform record of the specific government or political team. Some FSU cases are even more evident than Central and Eastern European ones. Russia's experience with "first tranche" credit in mid-1992 and both tranches of STF (July 1993 and April 1994) provides the best example. All three agreements were violated by the Russian government and the Central Bank of the Russian Federation - first two almost as soon as they were signed, third one - after half a year. Moreover, all these program based on the very soft targets (see below) and probability of their success (even if fully implemented) was very problematic. Yet that did not stop the IMF from discussing the stand-by arrangements with Russia based more less on the similar policy targets.

Belarus and Kazakhstan can be seen as another examples of this doubtful practice. In Belarus the first purchase of STF in August 1993 came exactly in the time when Vyacheslav Kebich government lost the control on macroeconomic policy and Prime Minister himself started very populist presidential election campaign. It means that IMF *de facto* supported nonreform structural policies and macroeconomic populism in this country. In February 1995 Belarus received the second purchase of STF and the idea of stand-by program is under serious consideration of IMF, although the economic policy of the new Belarusian president and government is far from the minimal credibility.

Kazakhstan is probably a less drastic case. The Kazakh president and government declare still the reform orientation and try to make some partial reforms. However, the inflation is still very high and general picture of economic reforms does not justify the rationality of combined STF and stand-by program.

The above examples lead us to question the rationality of the STF idea itself. Even if one accepts the proposal of extending the content and conditionality of typical IMF macroeconomic agreements to systemic arrangements, there are serious doubts as to whether all the conditions applied are ambitious enough to make the transition program really effective. STF programs usually accept inflation targets at 5 to 10 percent per month and budget deficits around 6 to 10 percent of GDP. This type of policy does not guarantee the success in fighting with high inflation. In contrary, it can lead very easy to the chronic inflationary inertia or even to the eruption of hyperinflation. In the unstable macroeconomic environment it is hard to expect also the effective privatization and other institutional reforms. The main reason of irrationality of such a macroeconomic policy is connected with the extremely low monetization of FSU economies. The relation between the broad domestic money and GDP does not exceed 10% (Russia, Ukraine) and in some countries amounts only 2-3% (Central Asia, Caucasian countries). The second argument is linked with the lack of financial markets what makes the monetization of almost all the fiscal deficit (apart the part financed by the foreign aid) unavoidable.

The official argumentation in favor of STF underlies, apart supporting the institutional and structural changes [see e.g. Summers, 1994], its role as a bridge towards SBA and fully blooded stabilization policy. The practice, however, does not support this kind of expectations for at least two reasons. First and foremost, STF programs support in principle gradualist transition strategies despite their demonstrated ineffectiveness both economically and politically (see section II). Second, STF programs do not work also as a bridge to SBA. Even, if the second purchase of STF is connected with the stand-by, the quality of this second component is not high (the example of Kazakhstan). The lending expectations created by the relative easiness of STF money lead usually, via political pressure of recipient countries (but sometimes also of G-7 countries), to softening standard SBA criteria. In several cases (Baltic states, Kyrgyzstan, Romania, Croatia and Bulgaria) STF is treated as additional portion of money to SBA concluded either earlier or in the same time as STF. Table 2 shows also the case when STF was given to the country which had earlier SBA and later, for political reasons, became not able to fulfill the SBA criteria (Slovakia in 1993).

In consequence, the STF became, in practice, an easy money window softening the IMF pressure for responsible macroeconomic management and comprehensive reforms. This type of policy can lead to a loss of the IMF's credibility. If there is a political case for giving some special (i.e. soft) type of financial assistance outside of traditional IMF rules, it should be given on a bilateral or multilateral basis (for example, directly by G-7 governments) rather than through IMF and World Bank channels. That would allow the IMF and World Bank to preserve its image as a tough institutions - an image that seems to be of important international value. Unfortunately, the recent practice (e.g. IMF involvement in solving the Mexican crisis) is going exactly in the opposite directions. For the US government and other Western governments suffering the domestic fiscal problems is politically far more easier to use the IMF or World

Bank "window" than go through complicated procedure of parliamentary appropriation of budget spending.

Experience shows that a policy of "soft" financial assistance, rather than encouraging the acceleration of reforms, actually supports communist or national-populist forces. They only increase their demands. As result, even these "soft" agreements are not usually fulfilled. Such a policy does not help advocates of radical economic reforms who find themselves in a kind of intellectual and political isolation. Argument like "even the IMF agrees for a bigger fiscal deficit and more monetary expansion" used by the advocates of gradualism undermines the political positions of real reformers.

Last but not least, the soft aid and weak fiscal conditions give also some countries more room for military spending or for engaging in aggressive policies towards their neighbors. Such a by-product is very undesirable from the point of view of the international security.

VI. Sequencing

Aid sequencing is closely connected with the issue of conditionality. The foreign financial assistance should come on time, i.e. in the moment when the strategic package of changes is launched. The serious technical assistance should come earlier to help recipient country to prepare the program of a good quality. In purely economic sense the financial assistance is necessary to support fixed exchange rate or even much stronger institutional solution such as currency board. The size of this assistance should depend on the size of the economy and initial macroeconomic conditions. Some countries have suffered extreme adverse external shocks what makes this first decisive package (macroeconomic stabilization and extensive liberalization) extremely difficult. This has related, among others, to countries such as Bulgaria and Albania in Eastern Europe or Kyrgyzstan, Armenia, Baltic states, Ukraine and Belarus in FSU. Countries such as Russia, Kazakhstan, Uzbekistan or Turkmenistan, in principle, have more room for macroeconomic maneuver because they have rich natural resources more easy tradable on the international market than substandard products of manufactured industries.

Transition experience shows that the political window opportunity for radical and complex reform is usually very narrow and short lasting [Balcerowicz, 1994]. Loosing this chance means usually entering the long period of permanent political crisis and macroeconomic chaos with a big difficulty to find the necessary consensus to adopt the relevant policy measures again. The Western aid policy should stimulate the maximal effective using of this political window opportunity and support financially the concrete reform package on time.

In the third section of this paper I mentioned one recent historical case when Western support (not only in financial sphere) came too late and in too limited form. It concerns Bulgaria in 1991 and 1992. There are also opposite cases when financial support came too early in the sense that the credible reform program was not ready yet. I have in mind Russia in last three years[14] but also part of the earlier mentioned STF programs. As it was said earlier, such a policy rather demobilizes political forces from supporting the radical strategy than helps a smooth transition.

In the case of Russia it is absolutely clear that the foreign aid was motivated by some calculations connected with the international politics and short term interests of export lobbies in the donor countries rather than by any clear idea how to stimulate the real economic transition

[14] I present here the completely opposite opinion to the opinion of Jeffrey Sachs who blamed Western governments and IMF for coming in 1992 with an assistance to Russia which was too small and too late [see - Sachs, 1994a, Sachs, 1994b]. The position simalar to Sachs's position has been taken publicly several times by Anders Ĺslund.

to a market economy. The tactical motivation was absolutely clear, for example, in the case of Germany interested mainly in a quick repatriation of the Russian troops from former GDR and trying find a way of the hidden subsidization of East German enterprises. Similar short term calculation one can find also in other G-7 countries, including the United States. De facto such a policy was initiated earlier during Gorbachev *perestroika* when former Soviet Union received some ten billions of US dollars of Western financial aid without any conditionality.

The financial aid is necessary not only in the initial period of reform when the recipient government is implementing the decisive stabilization and liberalization package. The transition experience shows that if this first stage is successful the new serious problems come. These may include a possible second fiscal crisis and difficult to predict problems related to institutional restructuring.

Most of the transition countries after successful stabilization tend to enter the period of a second fiscal crisis because of the tax base (especially profit related taxes) shrinking and exploding social type expenditures. This is the adequate moment for a temporary external support for the budget. This is a more proper time for such aid than during the stage of the initial stabilization. During the latter it is quite easy to balance budget, simply removing subsidies and tax exemptions (what is connected with price liberalization and unification of the exchange rate). If the budget aid comes too early it can only politically derail the necessary fiscal adjustment and stop liberalization process. Additionally, through accumulated debt, it can make the second fiscal crisis even more severe. The well targeted financial aid with strong conditionality can really help transition economies later, in the most difficult fiscal period.

The emphasis during the later stages of the transition is on institution development, restructuring (including banking crisis and privatization) and containing growing social costs of these changes. This is an adequate time for sectoral adjustment and project financing proposed by the World Bank and other development institutions. This is also time where private capital inflows should begin to have more important role in financing the future economic growth.

VII. Conclusion

One of the main findings of this analysis is that well-targeted, timed, designed, and delivered programs with strong conditionalities are a good substitute for the "dollar" amounts of assistance. The challenge is not that of the size of financial inflows but of insisting on recipient governments commitment to implement economic reform measures and observe macroeconomic fundamentals. While immediately after the collapse of communism, there was some uncertainty as to what policies and in what sequence should be followed, the experience of the last five years has largely removed this incertitude.

Yet, despite consensus among economists and analysts of the transition from communism on what policies and approaches work, there is a remarkable timidity displayed by bilateral donors and international financial organizations to impose policy conditionality and execute their implementation. The experience amply demonstrates that only comprehensive and radical policy package can help overcome economic and political crisis. Western governments and international institutions have a stake in supporting a radical and comprehensive strategy of post-communist transition. While it is quite common not only in the Eastern Europe and FSU to criticize the IMF and World Bank for being too tough and putting too much emphasis on macroeconomic stabilization [see e.g. Nuti and Portes, 1993], the analysis of the lending record of both institutions gives the opposite picture: they can be blamed for being too soft in many cases (especially in the FSU) and for supporting de facto the gradualist strategy of transition.

The timing of assistance is of crucial importance. If financial assistance comes too late, the political momentum for the radical reforms can be lost. However, the same may happen if it comes too early, before building up the necessary political consensus around radical reforms. Moreover, the "soft", i.e. weakly conditioned aid creates irrational expectations and erodes the reform determination in countries where such a determination is generally not easy to achieve.

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Tables

Table 1: IMF financial assistance to the transition economies (SBA, EFF and ESAF) - from May 1, 1989 until December 15, 1994, (in millions of SDRs)

Country	Type of program	Date of inception	Date of expiration	Amount borrowed	Amount used[15]
Hungary	SBA	03/14/90	02/20/91	159.21	127.37
Hungary	EFF	02/20/91	09/15/93	1,114.00	557.23
Hungary	SBA	09/15/93	12/14/94	340.00	56.70
Yugoslavia	SBA	03/16/90	09/15/91	460.00	65.70
Croatia	SBA	10/14/94	04/13/96	65.00	*
Poland	SBA	02/05/90	03/04/91	545.00	357.50
Poland	EFF	04/18/91	03/08/93	1,224.00	76.50
Poland	SBA	03/08/93	04/08/94	476.00	357.00
Poland	SBA	08/05/94	03/04/96	545.00	*
Czecho-Slovakia	SBA	01/07/91	04/03/92	619.50	339.25
Czecho-Slovakia	SBA	04/03/92	12/31/92	236.00	36.00
Czech Republic	SBA	03/17/93	03/16/94	177.00	70.00
Slovakia	SBA	07/22/94	01/21/96	116.00	*
Bulgaria	SBA	03/15/91	03/14/92	279.00	279.00
Bulgaria	SBA	04/17/92	04/16/93	155.00	124.00
Bulgaria	SBA	04/11/94	03/31/95	69.74	23.25
Romania	SBA	04/11/91	04/10/92	380.50	318.10
Romania	SBA	05/29/92	03/28/93	314.04	261.70
Romania	SBA	05/11/94	12/11/95	132.00	*
Albania	SBA	08/26/92	07/14/93	20.00	13.12
Albania	ESAF	07/14/93	07/13/96	42.36	16.94
Estonia	SBA	09/16/92	09/15/93	27.90	27.90
Estonia	SBA	10/27/93	03/26/95	11.63	2.33
Latvia	SBA	09/14/92	09/13/93	54.90	54.90

[15] Until April 30, 1994

Latvia	SBA	12/15/93	03/14/95	22.88	-
Lithuania	SBA	10/21/92	09/20/93	56.93	56.93
Lithuania	SBA	10/22/93	10/24/94	25.88	5.18
Lithuania	EFF	10/24/94	10/23/97	135.00	*
Kazakhstan	SBA	01/26/94	01/25/95	123.75	12.37
Kyrgyzstan	SBA	05/12/93	04/11/94	27.09	15.48
Kyrgyzstan	ESAF	07/20/94	07/19/97	71.00	0
Moldova	SBA	12/17/93	03/16/95	51.75	4.50
Moldova	CCFF	1993	1993	13.50	13.50
Mongolia	SBA	10/04/91	12/31/92	22.50	16.25
Mongolia	ESAF	06/25/93	06/24/96	40.81	18.55
TOTAL	*	*	*	8,154.87	3,307.25

SBA - Stand-By Arrangement,

EFF - Extended Fund Facility,

ESAF - Enhanced Structural Adjustment Facility,

CCFF - Compensatory and Contingency Financing Facility

Source: IMF Annual Reports and current data

Table 2: IMF Systemic Transformation Facility (STF) programs 1993-1994, in millions of SDRs

Country	Purchase	Date of start	Amount	Connection with SBA
Kyrgyzstan	I	05/17/1993	16.125	YES
Kyrgyzstan	II	09/23/1993	16.125	YES
Russia	I	07/06/1993	1078.275	NO
Russia	II	04/25/1994	1078.275	NO
Kazakhstan	I	07/28/1993	61.875	NO
Kazakhstan	II	01/31/1994	61.875	YES
Slovakia	I	07/29/1993	64.350	NO
Slovakia	II	07/27/1994	64.350	YES
Belarus	I	08/02/1993	70.100	NO
Moldova	I	09/21/1993	22.500	NO
Moldova	II	12/22/1993	22.500	YES
Lithuania	I	10/27/1993	25.875	YES
Lithuania	II	04/13/1994	25.875	YES
Estonia	I	11/01/1993	11.625	YES
Latvia	I	12/20/1993	22.875	YES
Latvia	II	07/20/1994	22.875	YES
Macedonia	I	02/14/1994	12.400	NO
Bulgaria	I	04/14/1994	116.225	YES
Romania	I	05/16/1994	188.525	YES
Croatia	I	10/19/1994	65.400	YES
Ukraine	I	10/31/1994	249.325	NO
Armenia	I	12/19/1994	16.875	NO
Georgia	I	12/20/1994	27.750	NO
TOTAL	*	*	3,372.385	*

Source: IMF data

Table 3: IBRD and IDA Import Financing Loans and Credits to Transition Countries (in millions of USD)

Country	Loan type	Amount	Date of approval	Real disbursement after 1 year in %
Albania	Critical imports	43	VI.1992	22.0
Belarus	Rehabilitation loan	120	XI.1993	14.7a
Bulgaria	SAL	250	VIII.1991	56.8
Czecho-Slovakia	SAL	450	VI.1991	44.4
Estonia	Rehabilitation loan	30	X.1992	60.9
Hungary	SAL	200	VI.1990	100.0
Hungary	SAL II	250	VI.1991	70.0
Kazakhstan	Rehabilitation loan	180	IX.1993	41.5
Kyrgyzstan	Rehabilitation loan	60	V.1993	60.3
Latvia	Rehabilitation loan	45	X.1992	35.6
Lithuania	Rehabilitation loan	60	X.1992	47.3
Macedonia	Recovery loan	80	II.1994	100.0
Moldova	Rehabilitation loan	60	X.1993	40.4a
Poland	SAL	300	VII.1990	33.3
Romania	Critical imports	150	VI.1991	8.1
Romania	SAL	400	VI.1992	57.7
Russia	Rehabilitation loan	600	VIII.1992	51.1
Slovakia	Recovery loan	80	XI.1993	20.0
Yugoslavia	SAL II	400	IV.1990	*
TOTAL	*	3,758	*	50.2

a - 7 months; b - 9 months

Source: Dervis, Selovsky, and Wallich [1994], p.3. + The World Bank data base

Table 4: The World Bank loans to transition countries, related to financial sector and restructuring (July 1989 to June 1994) in millions USD.

Country	Name of loan	Date of approval	Amount
Hungary	Financial system modernization	IV.1990	66
Poland	Agroindustrial exports development	II.1990	100
Poland	Industrial export development	II.1990	260
Poland	Financial institutions development	VI.1991	200
Poland	Enterprise restructuring and privatiz	VI.1991	280
Bulgaria	Private investment and exports	VI.1993	55
Romania	Industrial development	V.1994	175
Russia	Financial institution development	V.1994	200
Russia	Enterprise restructuring	VI.1994	200
Poland	Enterprise and Financial Sector Adjustm.	V.1993	450
Slovenia	Enterprise and Financial Sector Adjustm.	VI.1993	80
TOTAL	*		2,066

Source: Dervis, Selovsky, and Wallich [1994], p.32. + The World Bank data base.

Table 5: Other World Bank lending projects to transition countries (FY 1988 - 1994) in millions USD

Country	Name of loan	Date of approval	Amount
Albania	Agriculture Sector Adjustment Credit	VI.1993	20.0
Albania	Rural Poverty Alleviation	II.1993	2.4
Albania	Technical Assistance	V.1993	4.0
Albania	Transport / Infrastructure	V.1993	18.0
Armenia	Institution Building	III.1993	12.0
Armenia	Earthquake Reconstruction	II.1994	28.0
Belarus	Institution Building	VII.1993	8.3
Bulgaria	Technical Assistance	VI.1991	17.0
Bulgaria	Energy	III.1993	93.0
Bulgaria	Telecommunication	IV.1993	30.0
Hungary	Agroprocessing	V.1988	70.0
Hungary	Industrial Sector Adjustment Loan	VI.1988	200.0
Hungary	Technology I	VI.1988	50.0
Hungary	Industrial Restructuring III	II.1989	140.0
Hungary	Energy Development	V.1989	110.0
Hungary	Transport II	III.1989	95.0
Hungary	Integrated Agriculture Export	VI.1990	100.0
Hungary	Human Resources	III.1991	150.0
Hungary	Telecommunication II	X.1990	150.0
Hungary	Enterprise Restruct. and Privatization	IV.1992	200.0
Hungary	Product Market Development	VII.1992	100.0
Hungary	Health Service Management	IV.1993	91.0
Hungary	Pension Administration and Health Insurance	IV.1993	132.0
Hungary	Tax Administration Reform	VII.1993	29.0
Kazakhstan	Technical Assistance/ Institution Build.	VIII.1993	38.0
Moldova	Emergency Drought Recovery	III.1993	26.0
Poland	Environmental Management	IV.1990	18.0
Poland	Energy Resources Development	VI.1990	250.0
Poland	Transport	V.1990	153.0
Poland	Agriculture Development	VI.1991	100.0
Poland	Heat Supply Restructuring	VI.1991	340.0
Poland	Employment Promotion Services	VI.1991	100.0
Poland	Telecommunication I	IV.1991	120.0
Poland	Private Enterprise Development	V.1992	60.0

Poland	Health	V.1992	130.0
Poland	Housing	VI.1992	200.0
Poland	Agriculture Sector Adjustment Loan	V.1993	300.0
Poland	Roads	III.1993	150.0
Poland	Forestry Development Project	VII.1993	146.0
Romania	Private Farmer and Enterprise Support	VI.1992	100.0
Romania	Health Service Rehabilitation	X.1991	150.0
Romania	Transport	IV.1993	120.0
Russia	Oil Rehabilitation	VI.1993	610.0
Russia	Highway Rehabilit. and Maintenance	II.1994	300.0
Ukraine	Institution Building	VI.1993	27.0
Yugoslavia	Export Industries	VI.1988	120.0
Yugoslavia	Highway Sector II	X.1987	68.0
Yugoslavia	Istria Water Supply	V.1989	60.0
Yugoslavia	Railways VII	V.1989	138.0
Yugoslavia	Highways Sec.III	VI.1990	292.0
Yugoslavia	Kolubara B. Thermal Power	VI.1991	300.0
TOTAL	*	*	6,133.7

Source: The World Bank data base.

Table 6: Official aid disbursement to the more advanced transition countries[16] by donor countries, 1990-1993

Year	a 1990	1991	1992	1993	1990	1991	1992	1993
Country	in millions USD				as % of donor's GDP			
Australia	5.5	8.5	5.3	5.5	0.00	0.00	0.00	0.00
Austria	85.3	289.9	406.6	389.1	0.05	0.18	0.22	0.21
Belgium	20.7	274.4	134.7	81.4	0.01	0.14	0.06	0.06
Canada	11.4	145.1	259.7	26.9	0.00	0.03	0.05	0.01
Denmark	14.7	65.1	82.0	175.5	0.01	0.05	0.06	0.14
Finland	17.0	118.5	49.9	38.5	0.01	0.10	0.05	0.05
France	75.6	457.0	363.8	605.6	0.01	0.04	0.03	0.05
Germany	473.2	2637.3	3344.4	(2416.0)	0.03	0.16	0.20	0.13
Ireland	4.7	15.3	(10.4)	(8.6)	0.01	0.04	0.02	0.02
Italy	133.4	382.4	333.6	242.2	0.03	0.03	0.02	
Japan	153.0	109.7	238.3	b 529.6	0.01	0.00	0.01	b 0.01
Luxembourg	0.7	4.5	5.2	..	0.01	0.04	0.04	..
Netherlands	61.6	152.2	151.9	..	0.02	0.05	0.05	..
New Zealand	-	0.7	0.9	0.8	-	0.00	0.00	0.00
Norway	21.1	24.6	79.2	76.7	0.02	0.02	0.07	0.08
Portugal	3.6	21.6	17.5	(13.9)	0.01	0.03	0.02	0.02
Spain	24.1	162.3	101.6	(86.6)	0.00	0.03	0.02	0.02
Sweden	2.4	107.5	349.8	(276.4)	0.00	0.05	0.15	0.15
Switzerland	9.1	124.5	125.5	237.4	0.00	0.05	0.05	0.10
UK	258.8	326.6	336.6	285.1	0.03	0.03	0.03	0.03
United States	338.0	1832.0	682.0	1217.0	0.01	0.03	0.01	0.02
TOTAL	1713.9	7259.7	7078.9	(6900.0)	0.01	0.04	0.04	(0.04)

Notes:

a - all CEE, FSU excluded;

b - all transition countries (including less devoloped);

( ) - Incomplete or provisional data

Source: OECD [1994a], table 2; OECD [1994b, table IV-4, p.85 and table 52, p.L1]

[16] According to OECD definition this category includes CEE countries, apart Albania and FY countries, Baltic countries, Russia, Ukraine, Belarus and Moldova. Aid to all other transition countries is recorded together with the aid to devoloping countries and territories [see OECD, 1994b, p.L6).

Table 7: Major recipients of official aid disbursement from OECD countries (1991-1992) in %

Region / Country	1991	1992
CIS×(FSU×apart×Baltics) *of which*	**30**	**47**
Russia	10	29
Ukraine	6	8
Belarus	3	4
Central×and×Eastern Europe (including Baltics) *of which*		
Poland	43	30
Albania	6	6
Romania	6	6
Czecho_Slovakia	7	4
Hungary	12	3
TOTAL	**100**	**100**

Source: OECD [1994a], p.4

Table 8: Share of major components of official aid from the OECD countries to the transition countries (1991-1992), in %.

Type of aid	1991	1992
Project and program grants	15	30
Technical co-operation grants	8	13
Food aid	14	9
Other relief grants	6	5
Debt forgiveness	27	17
Loans (net)	2	5
Contribution to multilateral programs	28	21
TOTAL	100	100

Source: OECD [1994a], p.4

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