

OPINION

Polish Officials Sour On US AID Approach

Janine R. Wedel. Janine R. Wedel is a Fulbright scholar and specialist on Eastern Europe whose latest book, "The Unplanned Society: Poland During and After Communism," was published by Columbia University Press.

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AT a recent Council of Europe meeting in Strasbourg, Polish president Lech Walesa chastised the West for capitalizing on the Polish revolution while failing to provide real help to post-communist Europe. President Walesa gave voice to a simmering resentment in East Europe: that the West should have helped, but instead has betrayed us. The United States, through its assistance policies to the region, is kindling this resentment.

Until recently, Poles and Hungarians - who have received most of the \$2 billion in US aid to Eastern Europe - have been staunchly pro-American.

Two years ago, their new leaders embraced the promise and model of America. Yet after experience with US aid in the form of the "Marriott Brigade" the onslaught of consultants hurtling from five-star hotel to hotel across Eastern Europe - admiration for Americans has cooled. In addition to not helping the East Europeans much, government aid supplied under the Support for East European Democracy (SEED) act is hurting America's image.

The cornerstone of US assistance to post-communist Europe, accounting for more than two-thirds of the grant aid administered through the Agency for International Development (AID) in 1991, is "technical assistance" in such areas as economic restructuring and privatization of state-owned companies. Given that privatization is of immense practical significance to the development of market-driven economies and has come to be seen as a yardstick of progress in the new democracies, it would seem the East Europeans could use all the advice they can get. However, many Polish and Hungarian officials have concluded that their countries are "technically over-assisted" in most areas, as Marek Kozak, a Polish official who monitors foreign aid, put it, and that assistance is doing more harm than good.

Consultants get most of the aid, but are unfamiliar with institutions peculiar to post-communist economies. Over-burdened officials, often working without benefit of trained support staff, complain that they can't do their jobs because they are constantly meeting with consultants.

Assistance is supposed to promote free-market principles, but it sends the opposite message. While preaching "pure capitalism" across East Europe, the private initiative of many Western firms consists of lobbying their own governments for aid contracts. These proponents of the free market tend to seek monopolies and exclusive deals in an environment legally and institutionally ill-equipped to monitor their activities.

A potential conflict of interest lies in the fact that Western consulting firms doing asset valuations are often the same firms helping other clients to buy at the prices these Western firms help set. This undercuts the full value of East European properties. A classified report put out by NIK, the Polish government's chief auditing agency, concluded that accepting the recommendations of consulting firms with respect to asset valuations sometimes resulted in significant losses for enterprises, and harmed the national treasury.

Moreover, rather than participate in an open process, Polish managers are handed hard-wired deals and given signals familiar to them from the old communist way of doing business. Managers of companies undergoing privatization understand that if they use recommended Western firms for asset valuations, the privatization or sale of their companies will go smoothly. Concern grew among the foreign trading companies that make up most of Poland's export potential when the Ministry of Foreign Economic Relations, the agency that oversees them, pushed three AID-supported consortia by placing them at the top of its list.

According to AID official Peter Orr, these consortia, which have been awarded "indefinite quantity contracts"

(IQCs), are expected to receive \$50 million over a three-year period for activities in Eastern Europe. AID funding of the consortia, and the procedures of AID itself, baffle many Polish and Hungarian officials. The Polish government was not consulted about the IQC structure, or the particular firms chosen - and was not even informed after decisions were made.

Stefan Kawalec, former Vice Minister of Finance, says he found out about IQCs after the selection process was completed, and only by accident. The result is, as Mr. Kawalec explained: "A number of consultants are looking for profitable assignments that may be completely unnecessary - the US government is paying them to provide advice to us without asking us, even without informing us." The one time the Ministry of Finance tried to use the IQCs, said Kawalec, it was turned down by Washington.

Technical assistance is part of the European Community's PHARE program and programs such as the British Know-How Fund, but US assistance generally has the worst reputation because it allows the recipients the least leverage to set terms or select experts. As former Vice Minister Kawalec observed, "the same officials flooded with American fact finders are not able to receive money to employ people for long-term implementation."

Although ignoring the input of recipients almost guarantees that aid will be wasted, officials in Warsaw and Budapest complain their suggestions have been ignored, despite AID bureaus in these cities and a stream of fact-finding missions from Washington. And officials in the Polish ministry responsible for assistance coordination have been unable to obtain reliable information on the effective spending in Poland for particular projects - even though the AID office, located in the American Embassy, is just two blocks away. All this has led Minister Jacek Saryusz-Wolski, Poland's chief coordinator of foreign aid, to conclude that the US approach to assistance is, "paternalistic - like a parent gives to a child." This, he says, reinforces the expectation, honed over 40 years of socialism, that someone else will provide.

Equally important, East Europeans are fed up with the eloquent but empty talk of democracy and the "integration" of Europe when the doors remain closed on trade.

What the region needs, its chastened statesmen now say, is not monetary or technical aid, but access to markets. Increasingly, government officials are publicly pointing out the hypocrisy of the West, which complains vociferously about Japanese trade barriers while maintaining many trade barriers on East European export goods, including agricultural commodities, textiles, and high technology products. As Poland's Minister Wolski put it: "It's not credible to give assistance on the one hand and close the door {to trade} on the other."

The repercussions of such criticism in Warsaw or Budapest may not be as benign in Washington. Minister Wolski explained that when people in Poland hear that billions of dollars in aid has come to their country, they want to know what happens to it. Officials such as Wolski, who must answer inquiries from an angry public, think an eruption is inevitable as frustration builds during the tougher times to come.

Meanwhile, in Washington, there is pressure to assist the former Soviet republics, and Congress. Experts are debating how much help to send. Yet the critical lessons from Eastern Europe have not been learned.

Again, AID has been put in charge of delivering assistance. A January meeting held by Secretary of State James Baker to discuss and coordinate aid to the former republics. In keeping with the recent past, again the aid recipients were not invited.

Policymakers should assess whether the assistance they are considering constitutes genuine help - or if it might have undesired consequences in Eastern Europe because it is ill-conceived and ill-executed. Although some aid programs have been effective, the overall strategy for US government assistance clearly needs reconsideration.

DRAWING: Cartoon shows "young Poland" being held by the arms of Uncle Sam., JEFF DANZIGER - STAFF

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