Figure 7.6

How Foreign Firms Invest in Poland

- Establishment of a new joint venture with 100% foreign ownership.
- Creation of a new joint venture with Polish partners: no permission is required. The venture must be legally registered.
- Purchase of shares in privatized Polish enterprises.
- Creation of a joint venture based on the liquidation of a Polish enterprise with the liquidated assets used as the Polish side's contribution to the venture: no permission required.
- Creation of wholly-owned Polish subsidiary of a large multinational corporation: no permission is required, but the company must be legally registered.
- Creation of a foreign-owned bank or insurance company, either as a joint venture or as a wholly-owned subsidiary.
- Establishment of a non-operational representative office: no permission required.
- Outright purchase of a state-owned enterprise: (has only been done a few times). Requires the permission of the Ministry of Ownership Transformation, the Ministry responsible for the enterprise, the Anti-Monopoly Office (where relevant), the company's management and workers. Usually a public auction is announced so competing bids can be submitted. In extraordinary cases the Prime Minister may decide to waive the public auction if the investment promises to be particularly favourable to Poland.

A key element in this process has been Poland's commitments to the International Monetary Fund and its agreements with some of its western government creditors. This has opened the way to fresh credits and guarantees. As a result, the World Bank has committed $US 2.5 billion in new credits for specific restructuring projects (see Figure 7.7). These credits were conditional on the Polish government meeting spending targets agreed upon with the I.M.F Around the middle of 1991, however, it became apparent that the state budget deficit would exceed the limits set in the Agreement. Further credits were suspended pending passage of a new budget bringing the annual state deficit back under a cap of 5 % of GDP. The budget was finally passed in the spring of 1992.

At the same time, an additional $US 3.5 billion worth of credits has been secured through bilateral agreements with various countries (see Figure 7.8). Many western governments support the direction of Poland's reform efforts and they acknowledge that the country will need continuing concrete assistance for those efforts to succeed. West Germany, Poland's biggest trading partner, has promised a $US 1.2 billion package of assistance. The United States Congress has approved allocations of some $US 430 million for East European economic aid. France, Italy, and the United Kingdom have announced similar programs, as have some of the Scandinavian countries. Canada has assembled a program worth $CDN 42 million consisting of food aid, credits and technical assistance, and the European Community has offered Poland some 10 billion ECUs in food aid, investment credits and trade incentives.

Figure 7.7

World Bank Projects in Poland

The World Bank is an important pillar of Polish economic reform. World Bank loans and credits constitute a prime source of financing for investment projects geared to structural changes in the Polish economy. The following are the most important on-going and future programs financed by the World Bank in Poland.

Name of Project	Amount ($US million)	Responsible Authority
Industrial Export Development	$260	National Bank of Poland
Agro-industries Export Development	$100	Bank for Food Economy
Environmental Management	$ 18	Environmental Protection Ministry
Transportation Restructuring	$ 4.8	Ministry of Transportation
Railway Modernization	$145	Polish State Railways (PKP)
Energy Resource Development	$250	Polish Oil and Gas Mining Company
Structural Change	$300	Ministry of Finance
Telecommunications	$120	Polish Post Telegraph and Telephone
Privatization of Agriculture	$100	Ministry of Agriculture
Employment Offices	$100	Ministry of Labour & Social Welfare
Financial Institutions	$200	Ministry of Finance
Privatization	$280	Ministry of Ownership Transformation
Modernization of Heating Industry	$340	Wielkopolski Credit Bank

Source: The Warsaw Voice, September 29, 1991, p.B2.