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Karl-Heinz Kleine and Ernst Thien*

The Role of the IMF and the World Bank in the former Eastern Bloc Countries

Although the main responsibility for carrying out economic reforms in the countries of Central and Eastern Europe lies with these countries themselves, the transformation of the Soviet-style economic system into a market economy must be made easier by support from abroad. In this the International Monetary Fund and the World Bank will play an important part.

The dramatic economic and political changes in Central and Eastern Europe have naturally had an impact on the two multilateral financial institutions, the International Monetary Fund and the World Bank; some of the former Eastern bloc countries involved are already members of these organisations, and in mid-1991 the Soviet Union also applied to join. The effect on the work of the IMF and the World Bank emerged publicly for the first time during the Annual Meetings of the two organisations in Bangkok in October 1991, when the proceedings were dominated by discussion of the economic and political events in the Soviet Union, doubts about the ability of the USSR to service its debts and guessing games about the level of Soviet gold reserves. Traditional agenda items, such as the world economic outlook, the international debt strategy or development priorities in the Third World, were somewhat overshadowed.

There are at least three reasons why the IMF and the World Bank will or must play a greater role in the countries of the former Eastern bloc:

□ In some of the countries involved, the changes are taking place against an extremely unfavourable background (negative economic growth, large budget and balance-of-payments deficits, a heavy burden of external debt, effects of the Gulf conflict and the collapse of Comecon). Since official and private finance from abroad has been unavailable or insufficient, funds will have to come from the multilateral institutions.

□ Secondly, given the budgetary constraints in the major industrial countries, a spreading of the cost of the transformation process would appear to be on the order of the day. The IMF and the World Bank still have spare lending capacity, for the moment at least. That also partly explains the industrial countries' interest in involving the two institutions.

□ Thirdly, although the IMF and the World Bank certainly have no blueprint for converting centrally planned economies into market economies, they do have decades of experience with problem countries and years of experience from co-operation with some of their member countries from the former Eastern bloc; the IMF, in particular, has also closely examined the lessons learned from the establishment of the monetary, economic and social union between the Federal Republic of Germany and the former GDR.

The Transformation Process

The change now taking place in the countries of the former Eastern bloc is nothing less than the transformation of the Soviet-style economic system adopted in most of Central and Eastern Europe in the late forties and early fifties into a market economy. The distinguishing features of the system that prevailed hitherto, which is described as a centrally planned or command economy, are primarily the principles of "social ownership" (the nationalisation of the means of production) and "socialist planning" (the preparation of detailed plans for the use of production factors and the consumption of domestic product). Other aspects are the

* Deutsche Bundesbank, Frankfurt am Main, Germany. The article expresses the private opinion of the authors. The article was finalized at the end of November 1991.

fixing of producer and retail prices for long periods, the monolithic banking system and the conduct of foreign trade via state-owned trading companies.

In a study of the Soviet Union¹ carried out jointly by the IMF, the World Bank, the OECD and the European Bank for Reconstruction and Development (EBRD) at the end of 1990, the key aspects of the transformation process, which apply to other countries as well as the USSR, are summarised as follows:

- Macro-economic stabilisation measures, such as a reduction in the budget deficit, sterilisation of excess money supply, the liberalisation of prices and foreign trade and property reform, are essential components of the transformation process.
- Ancillary measures include social safety nets, such as unemployment benefits and the development of a social security system, wage restraint, the creation of important institutions of a market economy (e. g. the development of a body of law), the establishment of a two-tier banking system and the development of the transport and communications sector.
- The Soviet Union must bear the main burden of the transformation itself. The international community can only support the Soviet Union's own efforts, not replace them. Technical assistance should be granted rapidly and on a large scale, and official (bilateral and multilateral) financial aid should be conditional.
- Official Western financial aid can be granted only for a limited period and in limited amounts. The creation of favourable conditions for private foreign capital must therefore be a priority in the transformation process.

The study leaves no doubt that the transformation process must be tackled boldly, and not gradually. This explains the emphasis on the "social safety net" among the ancillary measures, and also the need to support the transformation process by technical and financial aid from abroad.

The Role of the IMF

The IMF stepped up its activities in Central and Eastern Europe considerably in 1991. It now has credit agreements with all five member countries that previously belonged to Comecon (Bulgaria, Czechoslovakia, Poland, Romania and Hungary). It will grant around US\$ 4 billion in financial aid to these countries in 1991.

The IMF has also helped co-ordinate the financial aid from the Western industrial countries known as the Group

of 24 (G 24). The IMF has always worked closely with the World Bank in this regard, as it has with other international organisations and bodies, such as the EC and the Paris Club.

Of course, US\$ 4 billion could be dismissed as a relatively small sum. If one considers that transfer payments to the new German *Länder* from the Federal German budget alone have amounted to around DM 140 billion in 1991, one realises how much less favourable are the prospects for successful transformation in the Central and Eastern European countries. On the other hand, these countries still have the possibility of cushioning differences in productivity by means of trade and exchange rate measures and, if necessary, of "stretching" the adjustment process. It must also be recognised that the IMF, as a monetary institution, can – as a rule – only provide part of the balance-of-payments finance required. Other lenders are therefore called upon to provide more. The Fund's involvement should act as a catalyst, encouraging other lenders to contribute to the financing.

The IMF's activities in the individual states of Central and Eastern Europe can be summarised as follows:

Poland

Poland, which has been a member of the IMF since 1986, decided at the end of 1989 to introduce a "shock therapy" in view of its burgeoning budget deficit and price rises verging on hyperinflation. The core elements of the treatment were a restrictive wage and credit policy, a fixed exchange rate as a "nominal anchor" (once the currency had been devalued) and wide-ranging liberalisation of prices and foreign trade. This approach won the support of the IMF, which approved a 13-month stand-by credit in February 1990.

In the first half of 1990 encouraging progress was made on the price front and in the balance of payments. However, the sharp decline in output was a serious setback. The Government responded by easing the demand restrictions a little in order to breathe some life back into economic activity. This fuelled inflation, however, and caused the current account to slip into the red. As a result, the last tranche of the IMF stand-by credit could not be drawn.

In April 1991 the Executive Board of the IMF granted Poland a three-year arrangement under the Extended Fund Facility (EFF) with additional contingency arrangements to ease exogenous programme shocks and approved a drawing under the "oil window" of the CCF.² The total package amounted to a maximum of SDR 1,916

¹ IMF et al.: A Study of the Soviet Union, 3 vols., Paris, February 1991.

² The Compensatory and Contingency Fund Facility.

million. One-quarter of the EFF drawings was earmarked to finance debt reduction measures (so-called "set asides").

After conclusion of the EFF arrangement, Poland agreed a debt reduction of 50% with its creditors in the Paris Club. However, a settlement with Poland's Western creditor banks has still not been reached.

The EFF programme began to veer off course soon after it was launched, and the corrective measures proposed by the Government to bring it back on track were not approved by Parliament. As a result, Poland cannot at present make any drawings under the EFF agreement. The IMF staff will discuss the question of the necessary corrective measures again after the recent parliamentary elections and the formation of a new government.

Czechoslovakia

Czechoslovakia only rejoined the IMF in September 1990. As early as January of the following year it was granted IMF financial assistance (stand-by credit, CCF) totalling SDR 1,250 million.

Despite difficult conditions, the programme has been implemented relatively smoothly so far. Czechoslovakia has been able to meet all the programme conditions, the only Eastern European country to do so. The greatest success has been in stabilising prices. The country's relatively small foreign debt is proving an advantage.

Hungary

Hungary has been a member of the International Monetary Fund since 1982. In February 1991 it concluded a three-year EFF arrangement with the Fund worth SDR 1,114 million.

Despite minor deviations from the programme, progress has been comparatively good. Hungary has been more successful than the other former Comecon countries in switching its exports to Western markets. It is also the preferred country for foreign direct investment. In order to maintain its access to the capital markets, Hungary has not sought to restructure its foreign debt, which is substantial. It has been largely successful in this regard.

Bulgaria

Bulgaria has only been a member of the IMF since September 1990. Since March 1991 it has been carrying out an adjustment programme with Fund support. Bulgaria has been affected particularly badly by the collapse of Comecon trade, as has Romania. As a result, its foreign trade has contracted significantly, the budget deficit has

risen and there has been a sharp decline in domestic product and real wages. The situation has been aggravated by the fact that commitments of financial aid by official G 24 donors have been far lower than had been assumed when the programme was launched. Financing problems must therefore be expected, especially in the medium term. Whereas most of the foreign debt is towards private creditors, balance-of-payments financing under the IMF programme has come almost exclusively from official lenders.

Romania

Romania has been a member of the IMF since 1972. The IMF Executive Board approved a 12-month stand-by credit arrangement for SDR 380.5 million in April 1991. A restrictive monetary and incomes policy forms the main plank of the adjustment programme; the external conditions in which it is being carried out are more difficult than had been expected. The almost complete breakdown of intra-regional trade and the comparatively little external financial assistance granted to the country are some of the reasons for the disappointing results that have been achieved. The decline in economic activity continued in 1991, inflation is still a problem and foreign trade prospects have worsened. In addition, it is to be feared that political and social acceptance of the adjustment process might decline.

The Baltic States

The Managing Director of the IMF, Michel Camdessus, attended the conference of the Prime Ministers of Estonia, Lithuania and Latvia in Tallinn at the end of September 1991. Since then, all three countries have officially applied for membership of the Fund. The IMF is expected to complete the necessary stages in the acceptance process as quickly as possible. The Baltic states may become members as early as the spring of 1992. It remains to be seen whether and how these countries will sever their economic links with the remainder of the USSR.

Albania

Albania applied to join the IMF in January 1991 and became the Fund's 156th member on 15th October of that year. In view of the country's very low level of development, the transformation process must virtually begin from scratch. From a global perspective and in overall quantitative terms, however, this should be no more than a minor problem.

Yugoslavia

The civil war has dramatically worsened the country's already pronounced internal and external imbalances.

Normal co-operation with the IMF, including agreement on an adjustment programme, is not possible in the present political circumstances.

USSR

At the world economic summit in Houston in the summer of 1990 the IMF, the World Bank, the OECD and the EBRD were asked to make a comprehensive study of the economic situation in the USSR. As mentioned above, the study was presented at the end of the same year. Despite all the changes that have occurred since, it provides an important indication of the direction the USSR should take in reshaping its economy. At the London economic summit from 15th to 17th July 1991 the heads of state and government of the seven leading industrial countries re-affirmed their resolve to co-operate with the Soviet Union in order to support its efforts to create an open society, a pluralistic democracy and a market economy. President Gorbachev attended the London summit for the first time. The meeting demonstrated to the world that the West is prepared to support the integration of the USSR into the world economy. The leaders announced their intention to grant the USSR "special association" status at the IMF and the World Bank. This was necessary so that the USSR could immediately receive technical support in order to formulate its reform programme and begin the necessary stabilisation of its economy with the assistance of the expertise of the IMF and the other multilateral institutions.

On 15th July 1991 the Soviet Union applied for full membership of the IMF, to the surprise of all those involved. The application is being processed in accordance with the Articles of Agreement of the Fund. This will take some time, however, given the extremely intricate and difficult internal political relationships and the tremendous difficulty in obtaining the detailed economic data required to process a membership application. Contacts with the Soviet Union were broken off for a time as a result of the attempted coup in August 1991, but were resumed immediately afterwards; on 5th October 1991 the Managing Director of the IMF and President Gorbachev signed an agreement on the "special association" between the USSR and the IMF.

The agreement provides for:

the IMF to examine economic developments in the USSR in the same way as for its 156 regular members (Article IV consultations);

the IMF to provide technical assistance, i. e. to support the Soviet authorities in implementing an economic policy according to market principles;

experts from the USSR to be trained in special IMF training courses;

the USSR to receive copies of the regular reports prepared by the IMF on the economic situation in the USSR and the world economic outlook;

Soviet representatives to be invited to meetings of the Executive Board when matters concerning the USSR or the world economy as a whole are discussed. The USSR will also be invited to the Annual Meeting of the IMF;

the above-mentioned facilities to be available to individual Union republics upon application.

In exchange, the Soviet authorities have various obligations; these include in particular:

to provide the regular economic data normally collected from ordinary IMF member countries. These would then be published in the relevant IMF documentation (International Financial Statistics (IFS), the Annual Report on Foreign Exchange Arrangements and Restrictions, the World Economic Outlook Report, etc.);

to allow the IMF to open a permanent office in Moscow;

to grant diplomatic immunities and privileges to IMF staff in the performance of their duties;

possibly to contribute to the cost of the services provided by the Fund.

Association status with the IMF will end as soon as the USSR receives full membership or if the relationship is terminated by either the USSR or the IMF.

The Role of the World Bank

The World Bank,³ or rather the World Bank group,⁴ also has many years' experience of lending to some of the countries in Central and Eastern Europe. In view of the dramatic political changes that took place in 1989 and 1990, it makes sense to consider lending up to that time separately.

IBRD lending to these countries before 1990 was mainly project-oriented and directed towards projects in

³ See also Willi Wapenhans: The Challenge of Economic Reforms in Eastern Europe, in: Finance and Development, Washington, December 1990, pp. 2-5.

⁴ The World Bank group comprises not only the World Bank itself, i. e. the International Bank for Reconstruction and Development (IBRD), but also the International Development Association (IDA), the International Finance Corporation (IFC) and the Multilateral Investment Guarantee Agency (MIGA). Apart from the IDA, which grants credits only to the poorest developing countries, all the World Bank institutions are operating in the countries of Central and Eastern Europe.

infrastructure, industry and agriculture. Only isolated adjustment loans were granted to support economic reform, and those that were should be regarded as experimental. Their only success lay perhaps in making policy-makers in Eastern bloc countries realise at an early stage what the transformation process entailed.

World Bank subsidiaries were also active in Central and Eastern Europe in the period before 1989/90, especially the International Finance Corporation (IFC). The IFC aims to promote the private sector in developing countries by granting loans and taking equity interests. It is clear that the IFC enjoyed only limited success in the eighties, when the first hesitant steps in the transformation process were being taken. On the other hand, it gained experience that may now prove extremely useful.

The IFC launched publicity campaigns about its activities in Hungary in 1985 and Poland in 1987; these gave the IFC an insight into the main needs of the Eastern European markets and governments ideas about how to attract foreign investment, carry out privatisations or assist local firms. These early missions led to the IFC taking loan and equity stakes in the first major foreign

investments in Hungary and Poland. In Yugoslavia, which followed a path of its own as far as economic planning was concerned, the IFC was already able to look back on a long period of active involvement.

The political and economic events of 1989 and 1990 opened up greater opportunities for the World Bank as regards both lending and economic policy dialogue with the countries of Central and Eastern Europe. World Bank loans to Hungary, Poland and Yugoslavia amounted to only about US\$ 0.8 billion in 1989, but rose to US\$ 1.8 billion in 1990. Including Bulgaria, Czechoslovakia and Romania, loan commitments in 1991 already totalled some US\$ 2.9 billion. The World Bank predicts that lending to these countries will amount to as much as US\$ 9 billion between 1991 and 1993. Table 1 summarises IBRD lending to Central and Eastern European countries at 30th June 1991.

During these years of upheaval, IBRD lending was concentrated in the following areas:

- structural adjustment loans for wide-ranging transformation programmes (especially the reform of

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Table 1
World Bank Loans to Central and Eastern European States (as of 30th June 1991)
 (in US \$ million)

| | Loan Commitments | Loans Outstanding |
|---------------------------|-----------------------------------|-------------------|
| Bulgaria | 17 | – |
| Czechoslovakia | 450 | – |
| Hungary | 2,697 (2,893) ^a | 1,544 |
| Poland | 2,209 | 150 |
| Romania | 180 (2,364) ^a | – |
| Yugoslavia | 3,281 (6,114) ^a | 2,080 |
| Memorandum: IBRD total | 143,607 (203,054) ^a | 90,638 |

^a Cumulative total, i.e. the sum of all previous loan commitments.
 Source: World Bank: Annual Report 1991, Washington 1991.

enterprises and privatisation, development of the financial sector and creation of a social security network);

- infrastructure projects to improve the rail and road network and telecommunications;
- energy and environmental projects to achieve more efficient use, production and distribution of energy and to clean up environmental damage;
- loans to export-oriented industries and to finance structural changes in industry.

The IFC was now able to operate more effectively, once state intervention and public ownership had been consigned to the dustbin of economic teaching.

- It opened a dialogue with these countries about legislation on foreign investment, the associated decision-making processes and property law. Joint ventures were set up.
- The IFC helped modernise the financial sector by establishing new institutions, such as banks, insurance companies and leasing companies. It also assisted in drafting stock market regulations and supervisory rules.
- The IFC played a part in the privatisation process, either as adviser or as investor.
- It helped set up small enterprises, either through the establishment of financial intermediaries or the opening of advice centres.

The IFC operates its own offices (resident missions) in Czechoslovakia, Hungary and Poland so that it can react swiftly to initiatives concerning the private sector. An office in Vienna caters for the other countries in the region.

In 1989 and 1990 another subsidiary of the World Bank, the Multilateral Investment Guarantee Agency (MIGA), was also able to become involved. The aim of the MIGA is to encourage the flow of foreign direct investment to less developed countries by providing guarantees against so-called non-commercial risks (such as war or expropriation). The MIGA organised conferences for Western investors and entrepreneurs in Central and Eastern European countries and co-operated with the IFC in establishing a legal framework for foreign direct investment in these countries.

In the light of the main features of the transformation process outlined above and the important division of responsibilities between the IMF and the World Bank, it is possible to predict the nature of World Bank activities in this region in the years to come; given the general objectives of supporting the transition to a market economy, integration into the world economy and the restoration of sustainable economic growth and creditworthiness, and bearing in mind the World Bank's special tasks, World Bank lending is likely to be concentrated on the reform of enterprises, the development of new institutions necessary to operate a market economy, the modernisation and renewal of the infrastructure, the development of social security systems and environmental protection measures.

The scale of planned World Bank loan commitments to Central and Eastern European countries (US\$ 9 billion over the three years 1991-1993 as mentioned above) must nevertheless be regarded as an estimate subject to a wide margin of uncertainty, as it depends on political and economic imponderables and the creditworthiness of the states involved. Project lending is likely to remain the most important means whereby the Bank provides advice, technical assistance and capital (including co-financing) for the transformation process. However, up to 30% of the loan commitments could also take the form of fast disbursing adjustment loans, in other words balance-of-payments assistance.

IFC loans and equity interests in private sector activities in Central and Eastern European countries could amount to around US\$ 500 million in 1991-1993.

Technical assistance from the World Bank to improve the management of key industries (especially in the fields of energy, the environment and finance) is likely also to play a prominent role. Such assistance, which is

sometimes provided in conjunction with project and adjustment loans, will also be geared towards measures to facilitate privatisation and the reform of enterprises. The Bank provides economic policy advice for the transformation process in the context of adjustment loans. Current examples of technical assistance include assistance with shaping the strategy for agrarian reform, with health services and residential construction (especially finance in this regard), and with creating the legal framework for financial intermediaries in Poland. In Hungary and Yugoslavia the Bank has provided advice on the reform of the financial sector, including banking supervision and accounting practices.

As the Articles of Agreement of the World Bank do not provide for "special association" status of the kind granted to the USSR by the IMF, a Technical Cooperation Agreement was signed on 5th November 1991 in Moscow by the World Bank President, Lewis Preston, and the Soviet President, Mikhail Gorbachev, so that the Soviet Union or its republics could be given technical assistance before becoming members of the organisation. The republics can indicate their acceptance of the terms of the Agreement by notifying the World Bank.

The financial basis for the Agreement is a trust fund of US\$ 30 million set up by the Executive Board of the Bank in mid-September 1991, and which will be financed from the Bank's net income.

The Agreement provides, among other things, that periodic exchanges of information on the progress of the technical assistance programme will take place, that a World Bank office may be opened in Moscow, the functions and working conditions of which would be laid down in a separate agreement between the USSR and the Bank, and that the staff engaged on the technical assistance programme will be accorded the immunities and privileges described in the Bank's Articles of Agreement.

The technical assistance programme for the Soviet Union or its constituent republics covers the following activities:

- advice on economic management and economic reforms, especially in regard to the financial system and the financial settlement between the Union and the republics, price liberalisation and trade policy, debt management and banking reform, and statistical records;
- creation of a social security network and assessment of the need for food aid;
- help with the development of the private sector (e. g. privatisation measures, restructuring of state enterprises);

advice in the fields of agriculture, energy and residential construction;

training (especially with regard to economic reform, the development of the financial sector and the private sector).

Conclusions

We have explained why the IMF and the World Bank will play an important part in the transformation taking place in Central and Eastern Europe, by providing both personnel and finance. Nevertheless, both institutions should proceed cautiously. The purpose of the IMF is to provide member countries with short-term credit to bridge temporary balance-of-payments deficits. Financial assistance from the Fund is therefore disbursed quickly and is repayable after a relatively short period, so as to safeguard the revolving nature of the Fund's financial resources. It should be remembered in this connection that the increase in quotas from about SDR 90 to 135 billion, which was decided in mid-1990, has not yet come into effect. Only when it does will the IMF be in a position to meet the financial demands arising from membership by the USSR or its constituent republics without unduly impairing its ability to satisfy the justified credit requirements of other member countries.

On the other hand, if one accepts the view that the problems in Central and Eastern Europe constitute not a liquidity crisis but a large-scale solvency crisis, and that the transformation of the former centrally controlled economies into economies operating according to free market principles will take years if not decades, it is primarily the development institutions such as the World Bank or the new European Bank for Reconstruction and Development in London that should be involved.

Although the World Bank is virtually predestined to play an important role in the transformation process by virtue of its objective of financing long-term development, its present financing capacity should not be overestimated.

The IBRD has a relatively wide scope for lending as a result of the 1988 capital increase, not least because a number of potentially large borrowers did not in fact take up the massive sums available, in some cases because of unsatisfactory progress with adjustment. In mid-1991 the Bank's lending capacity or "headroom" therefore amounted to around US\$ 60 billion (calculated as balance of outstanding loans of about US\$ 91 billion and subscribed capital and reserves totalling some US\$ 151 billion). This figure would come down to approximately US\$ 42 billion if, *ceteris paribus*, all loan commitments were drawn and if member states subscribed their capital shares in full.

Actual lending by the IBRD to Eastern Europe has been modest, compared with the wild estimates of the financial requirements of the transformation process. For example, in the 1991 fiscal year the IBRD approved loans totalling US\$ 16.4 billion, of which – as already mentioned – US\$ 2.9 billion was to member countries in Central and Eastern Europe, with US\$ 1.4 billion being promised to Poland alone.

Assuming the USSR became a member, even loan commitments of perhaps US\$ 3 billion a year to that country would be only modest priming finance. It is questionable whether the IBRD itself could sustain lending on such a scale over a period of five years, for example, as the Bank's policy is to avoid an overconcentration of loans to individual borrowers. Moreover, it would face resistance from other borrowers and from politicians in the industrial countries interested in the financing of developing countries.

The contributions of the IFC and the MIGA would be even less significant in value terms:

□ The capital increase at the IFC from US\$ 1.3 to 2.3 billion should enable the Corporation to increase its loans and equity investments in private enterprises in developing countries by 11-12% a year in the nineties. However, the basis for this growth is a commitment volume of US\$ 1.5 billion in the 1991 fiscal year. The picture is improved only by the fact that in recent years every dollar invested by the IFC has mobilised around 6 dollars out of other financial resources.

□ A similar multiplier can be assumed to apply to the MIGA, which currently has an authorized capital of SDR 1 billion and, in simplified terms, may guarantee non-commercial risks up to a maximum of SDR 1.5 billion (the Statutes allow total guarantees to be increased to SDR 5 billion). Project costs are far higher than the guarantees.

For example, in 1991 the MIGA guaranteed ten projects that led to direct investment totalling US\$ 0.9 billion, whereas the guarantees came to only US\$ 60 million.

In view of the scale of finance required, much will depend on whether lending by the IMF and the World Bank acts as a catalyst, in other words encourages private investors to provide resources relatively quickly and on a large scale to the countries of Central and Eastern Europe. In addition, it must not be forgotten that the main responsibility for carrying out economic reforms lies with the countries themselves. Rapid progress in creating new administrative bodies, and especially in establishing and protecting property rights, is essential to attract private investors. The reform or privatisation of state-owned enterprises and the introduction of financial responsibility and discipline in those remaining in state ownership will play an important role in this. As the transformation process will necessitate at least a temporary reduction in incomes so that there is a realistic prospect of selling the goods that are produced domestically, social acceptance of an adjustment programme agreed with the IMF takes on crucial importance.

The painful adjustment process can only be sustained with the support of the majority of the population. Without their co-operation, the transition to a market economy cannot succeed. The transformation must therefore be made easier by financial support from abroad. This can be provided only partly by the IMF and the World Bank group. The reform countries also need financial assistance from the industrial countries (probably most of all during the initial phase), from other international organisations and naturally first and foremost from private investors and foreign banks. It would also be helpful if the Western economies did not build barriers against imports from Central and Eastern Europe but made their markets more accessible.

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