

Transition to a Market Economy in Eastern Europe



Project Sites Poland, Hungary

1. Background and Objectives of Evaluation

Since 1989, Central and Eastern European countries, including Poland and Hungary, have been in the process of transition from planned economies to market economies. The common goal for these countries has been to gain membership to the European Union (EU).

Based on the framework of the agreement for Poland and Hungary by the G24¹⁾ developed nations, Japan provided these two countries with cooperation focusing on the transition to market economies. Japan's cooperation began with the acceptance of trainees from Poland and Hungary in 1990, followed by an expansion of target countries to Czechoslovakia, Romania, Bulgaria, Yugoslavia, and Albania. At the time of this evaluation, JICA's cooperation in Central and Eastern European countries was led by the acceptance of trainees, and expanded to the dispatch of experts, development studies, project-type technical cooperation, and the Japan Overseas Cooperation Volunteers (JOCV). Currently, grant aid cooperation schemes are also being implemented.

Ten years has passed since the efforts designed to bring market economies to Central and Eastern European countries begun. The transition in Poland, Hungary, the Czech Republic, and Slovakia²⁾ has shown significant progress, and joined the OECD. However, there are countries where economic transition is slow, and still under way.

Against this background, this evaluation targeted past JICA cooperation related to the transition to market economies in Poland and Hungary. The objective is to utilize the evaluation results to improve future cooperation policies related to the transition to market economies in Central and Eastern European countries, and also derive recommendations and lessons to improve the formulation and implementation of future cooperation projects.

2. Evaluated Projects

The following projects were targeted for evaluation:

| Scheme | Name of Project |
|---|---|
| Project-type Cooperation | |
| Poland | The Japanese Cooperation to Support the Formulation of Key Government Policies "Small and Medium Sized Enterprises Development" |
| Hungary | Project-type technical cooperation "The Hungarian Productivity Development Project" |
| Development Study | |
| Poland | Study on Restructuring Plan of Enterprises Controlled by the State |
| | Master Plan Study for Energy Conservation |
| | Study on the National Transport Plan |
| Hungary | Study on Privatization on Polish State Railways |
| | Study on Restructuring of the State-Owned Automobile Parts Company |
| | Feasibility Study on Facility Improvement and Environmental Protection of Borsod Power Plant |
| Group Training (for Poland, Hungary) | |
| Country-focused Training Courses | Production Management |
| | Comprehensive Quality Management |
| | Business Management |
| Country-focused Group Training Courses for Eastern European Countries | Development Finance |
| | Industry Policy in Japan |
| | Macroeconomics |
| | Small Business Policy in Japan |
| | Environment |
| | Prevention of Industrial Pollution |
| | Industrial Pollution Control |
| | Energy Efficiency |
| | Industrial Air Pollution Control Technology |
| | Environmental Administration |
| | Waste Disposal |
| | Sanitation Administration |
| | Foreign Trade Promotion |
| | Agricultural Production and Distribution |
| | General Transportation |
| Telecommunication Business Management | |
| Individual Expert Dispatch | |
| Poland | Fiscal and Financial System |
| | Financial Policy |
| | Insurance |
| Hungary | Research on Air Pollution |

3. Evaluation framework

(1) Studies were carried out concerning the following items related to the transition to market economies in Poland and Hungary.

- 1) Understanding the policies and strategies of the recipient countries
- 2) Obtaining records of cooperation by other donors
- 3) Understanding the progress of the transition to market economies
- 4) Evaluation on JICA's cooperation

① Project Evaluation

Acceptance of trainees as the mainframe of cooperation, development studies, project-type technical cooperation, and individual expert team dispatch were evaluated using five evaluation criteria. Contributing and inhibiting factors were also identified.

② Comprehensive Evaluation

Based on the above 1) to 3) and project evaluation, JICA's cooperation in the transition to a market economy was comprehensively evaluated.

(2) Based on the evaluation of Poland and Hungary, lessons related to improving the future cooperation policies for Central and Eastern Europe, and formulating and implementing of projects were derived.

4. Formation of Study Team

Term Leader/General:

Yoshiaki NISHIMURA, Professor, Economic Research Center, Hitotsubashi University

Trends on Market Economy Transition:

Etsuo YOSHINO, Professor, Graduate School of Economics, Hokkaido University

Cooperation on Market Economy Transition:

Ken YAMADA, Middle East and Europe Division, Regional Department IV, JICA

Evaluation Planning:

Mitsukuni SUGIMOTO, Senior Assistant to the Managing Director of Planning and Evaluation Department, JICA

Trainees Accepted

| JFY | 1989 | 1990 | 1991 | 1992 | 1993 | 1994 | 1995 | 1996 | 1997 | 1998 | 1999 | 2000* | total |
|---------|------|------|------|------|------|------|------|------|------|------|------|-------|-------|
| Hungary | 50 | 94 | 107 | 100 | 79 | 56 | 41 | 27 | 25 | 23 | 26 | 21 | 649 |
| Poland | 50 | 106 | 104 | 98 | 78 | 58 | 51 | 34 | 38 | 36 | 32 | 27 | 702 |

*Figures for JFY00 are estimated

Evaluation Analysis:

Yuji AOKI, Tohmatsu Ltd.

5. Period of Evaluation

2 July 2000 – 5 August 2000

6. Issues on Transition to Market Economy and Degree of Achievement

The transition to a market economy involves a shift from planned economy. Under the market principles, the market functions as an important mechanism in adjusting production and consumption, or supply and demand in the economy. Transition to a market economy involves the following seven issues:

- 1) Privatization of state-owned enterprises
- 2) Liberalization of domestic and foreign transactions, introduction of currency convertibility, and establishment of free competition
- 3) Establishment of a banking sector composed of a central bank and commercial banks
- 4) Establishment of a stock market
- 5) Establishment of a tax system and public finance based on a market economy
- 6) Establishment of other institutions necessary for a market economy to function
- 7) Training of human resources necessary for a market economy

The "Selected Economic Indicators" described in the "Transition Report" (1998) issued by the European Bank for Reconstruction and Development (EBRD) are used to measure the degree of transition to a market economy. According to the indicators, seven countries including Hungary, Poland, the Czech Republic, and Slovakia were regarded as advanced market economy transition countries. Also, as the ratio of production by private sectors in GDP was 80% for Hungary and 70% for Poland in 2000, these two countries have been regarded as the most advanced countries in terms of transition.

1) The G24 are the 24 countries in the Development Assistance Committee (DAC) of the Organization for Economic Development and Cooperation (OECD) and international organizations (the World Bank and the EU).

2) In January 1993, Czechoslovakia was divided into the Czech Republic and Slovakia.

7. Donor Cooperation for Development Policies of Poland and Hungary

(1) Poland

Poland is well on the way to fostering its market economy. The country's figures showed considerable progress compared to other former socialist countries. However, inflation remain high, and privatization of state-owned companies has not been proceeding as originally planned. Furthermore, liquidation, which follows the privatization of state-owned companies, has been causing serious local unemployment problems and large regional income disparities, triggering distortion in the transition process.

Major international organizations supporting Poland are the Poland Hungary Assistance for Restructuring Economy (PHARE) program by the EU, the EBRD, International Bank for Reconstruction and Development (IBRD) under the World Bank Group, and the International Finance Corporation (IFC).

Major aid countries, involved in bilateral assistance other than the top donor Germany, are the U.S., the U.K., and France.

In the ten years from 1990 to 1999, the EU provided funds to Poland for administrative assistance through the PHARE program. This cooperation targeted infrastructure, social development, agriculture, private sector promotion, administrative management, environmental conservation, and the privatization of state-owned enterprises.

The EBRD committed to a grant of EUR 1.17 billion worth of credit, focusing the use of this aid primarily on private sector promotion. Meanwhile, the IBRD has granted US\$3.74 billion worth of credit to Poland since 1990, and the IFC has provided a loan of US\$286 million to private companies, accepting US\$124 million in guarantee after 1989, and also offered US\$147 million in co-financing.

(2) Hungary

The major international organizations providing cooperation to Hungary include the PHARE program by the EU, the World Bank group, the EBRD, and the International Monetary Fund (IMF). Major bilateral donor countries providing institutional and policy advice include the U.S., the U.K., and Germany. Other bilateral donor countries are France, Switzerland, Austria, the Netherlands, Japan, and Canada. In addition, EU member countries have been offering Hungary advice on the accession to the EU.

Through the PHARE program, over EUR 770 million was granted to Hungary from 1990 to 1997. In 1998, a grant of an additional EUR 87 million was committed.

The World Bank had committed to credit totaling US\$3.8 billion up until mid-1998. In addition, the EBRD

pledged to provide EUR 10.3 million worth in technical cooperation for 59 projects from 1991 to 1998.

Programs by the U.S. for Hungary involved a total of US\$244 million through to 1998, and were completed in September 1999. The U.K.'s know-how fund, a technical cooperation program for transition to the market economy and democratization in Central and Eastern Europe, contributed approximately GBP 2 million up until 1998.

8. Characteristics and Achievements of JICA's Cooperation for Eastern European Countries

(1) Background of Cooperation for Eastern European Countries

For Eastern Europe, JICA initially concentrated on its assistance to Poland and Hungary, then, gradually expanded its target countries. Japan has been assisting Central and Eastern European countries whose ultimate goal is to become EU members as part of the donor coordination under the G24 framework. When Japan's cooperation began in 1990, the then Prime Minister Toshiki Kaifu committed to provide the two countries with cooperation totaling US\$1.95 billion (including US\$25 million over five years for technical cooperation). However, compared to the cooperation implemented with large sums provided by international organizations such as the EU (comprises more than 60% of DAC aid volume), Japanese cooperation has carried only a supplementary nature since its commencement.

Central and Eastern Europe countries are classified under the DAC List Part 2³⁾ which are usually not classified as developing countries. However, it was agreed that the ODA budget would be used for the cooperation to these countries since a large demand of the fund would need to be covered in a short period of time. Therefore, Japan has also been counting its cooperation for these countries as ODA.

Cooperation for the transition to a market economy for Central and Eastern Europe countries is distinctive that their premise is in their orientation to unify the EU system. The system has a substantial difference in cultural, social, political, and economic characteristics from those of Japan. Therefore, there were limits to the efficiency of Japanese

³⁾ The OECD's DAC divides countries targeted for aid into Section 1 and Section 2, with Section 1 indicating ODA-targeted countries from the least developed countries to high-income nations, and Section 2 indicating ODA graduates with per capita GNP exceeding that of high-income nations (such as Singapore) and CEEC/NIS (Central Eastern European Countries and Newly Independent States).

technical cooperation that are based on the introduction of Japanese systems and policies, narrowing the possibilities of Japan's recommendations to be accepted. Specifically, Central and Eastern European countries set EU membership as their policy objective, therefore social and economic systems must conform to the EU standards. For this reason, some advice originating from the Japanese system had a very limited scope to be incorporated into their policies.

(2) Prioritized Areas of Cooperation for Poland and Hungary

For Poland and Hungary to respond to the important policies previously described, JICA has held cooperation in the following: 1) policy formulation and institutional building in the areas of fiscal, monetary and industrial policy necessary to further strengthen the market economies to cope with the transition 2) rehabilitation and modernization of economic and social infrastructure worn down under the former socialist administration, and 3) countermeasures to address environmental problems that were not taken seriously during the former socialist administration.

1) Support for Transition to a Market Economy

From the perspective of cooperation for reconstruction of the economy, restructuring of state-owned companies were implemented. In order to support the institutional building and policy formulation, cooperation was specifically extended in the areas of fiscal and monetary systems, insurance, economic and industrial policies, promotion of small-and-medium-sized enterprises, productivity improvement, and investment promotion. The Japanese model of industrialization (production management, business management, quality control, labor management, industrial policies) was introduced as a case applicable to consider the issues of transition to a market economy.

2) Support for Economic Infrastructure:

As for infrastructure, support included restructuring of the organizations concerned and repairing infrastructure such as roads and railways built under the planned economy, through development studies. However, as European donors implemented cooperation for telecommunication and broadcasting, Japanese cooperation in that field was limited to those such as the acceptance of

Achievements of Poland's Development Studies

| Name of Study | Jurisdictional Ministry | Implementing Organization | Study Period |
|--|---|---|-------------------------|
| Feasibility Study on Flue Gas Desulphurization for Kozienice Power Plant | Ministry of Industry | Kozienice Power Plant | Feb. to Mar. 1991 |
| Study on the National Transport Plan | Ministry of Transportation and Maritime Economies | Ministry of Transportation and Maritime Economies | Mar. 1991 to Dec. 1992 |
| Study on Solid Waste Management for Poznan City | Ministry of Physical Planning and Construction | Poznan City | Mar. 1992 to May. 1993 |
| Study on Privatization of Polish State Railways | Ministry of Transportation and Maritime Economies | Poland National Railways | Oct. 1996 to Feb. 1998 |
| Study on Restructuring Plan of Enterprises Controlled by the State | Ministry of Industry and Trade | Mielec Engine Company | Nov. 1996 to Mar. 1997 |
| Master Plan for Energy Conservation | Ministry of Economy | National Energy Conservation Corporation | Mar. 1997 to Mar. 1999 |
| General Plan of Regional Development Study of Konin Province | Strategic Research Center | Konin Province | July. 1997 to Mar. 1998 |

Achievements of Hungary's Development Studies

| Name of Study | Jurisdictional Ministry | Implementing Organization | Study Period |
|--|--|---|-------------------------|
| Study on the Rational Use of Energy | Ministry of Commerce and Industry | Energy Management Safety Corporation | Sept. 1990 to Mar. 1992 |
| Study on Municipal Solid Waste Management in Budapest | Ministry of Environment and Regional Policy | Budapest City | Mar. 1992 to Aug. 1993 |
| Study on Integrated Air Pollution Control Plan for Sajó Valley Area | Ministry of Environment and Regional Policy | Ministry of Environment and Regional Policy | Sept. 1992 to Jan. 1995 |
| Study on Restructuring of the State-owned Automobile Parts Company | Ministry of Industry and Trade | IMAG Corporation | Dec. 1995 to Sept. 1996 |
| Feasibility Study on Facility Improvement and Environmental Protection of Borsod Power Plant | Ministry of Commerce and Industry, Ministry of Environment and Regional Policy | Borsod Power Plant | Feb. 1996 to Jul. 1997 |
| The Study on the Environmental Improvement of Lake Balaton | PM government | PM Lake Balaton Office | Jan. 1997 to Feb. 1999 |

trainees.

3) Support for Environmental Improvement:

The environment had deteriorated under the planned economy due to the insufficiency of environmental policies. JICA cooperation in the environmental field included industrial pollution control intensively implemented through acceptance of trainees, development studies, and expert dispatch. Especially, since Japan's loans to the Central and Eastern European Countries were initially limited to the environmental field, development studies were focused on environmental issues in cooperation with yen loans.

(3) Implementation Structure

1) Establishment of New Cooperation Scheme

a) Country-focused Group Training Courses for Eastern European Countries

JICA established a new scheme to cope with immediate needs for human resource development that would enable a large number of personnel (approximately 700 Poles and 650 Hungarians) to be accepted for training in Japan. The training courses were held exclusively for Central and Eastern Europeans.

b) The Japanese Cooperation to Support the Formulation of Key Government Policies

"The Japanese Cooperation to Support the Formulation of Key Government Policies" was introduced in 1995, with the aim of directly supporting the government agencies that played key roles in establishing fiscal, monetary, and industrial policies for countries in the process of a transition to a market economy.

2) Involvement of Wider Range of Personnel in Japan

Many managers from private sector companies were accepted from Central and Eastern Europe in addition to the conventional government official for the training in Japan. Similarly, experts dispatched from Japan were diversified to include consultants in addition to the usual dispatch of personnel from government organizations, technical research laboratories, and universities in the area of technology. This resulted in an expansion of Japanese organizations supporting ODA, to private-sector companies, think tanks, accounting companies, the service sectors, and the financial sector, all of which previously had little opportunity to participate in cooperation.

3) Establishing Overseas Offices

a) Establishment of JICA Austria Office

When the cooperation to Central and Eastern European countries was initially started, JICA did not have a local overseas office to cover that area. Diplomatic establishments abroad carried out necessary arrangements for the implementation of technical cooperation. To assist these establishments, JICA set up an office in Vienna, Austria that provided logistic support.

b) Establishment of JICA/JOCV Offices in Countries Targeted for Cooperation

In the course of expanding cooperation, JICA/JOCV offices were established in Hungary, Poland, Bulgaria, and Romania following the dispatch of the JOCV. They also supported the implementation of technical cooperation of the diplomatic establishments.



Ex-participant of JICA training program from "The Hungarian Productivity Development Project"

9. Results of Evaluation

Primary activities for JICA in Central and Eastern European countries can be summarized into the following four fields: 1) human resource development through acceptance of trainees, 2) assistance through 'The Japanese Cooperation to Support the Formulation of Key Government Policies', 3) transfer of know-how concerning private business management through dispatch of experts and project-type technical cooperation, and 4) policy recommendation and business management consulting through development studies. All four fields of support were implemented in Poland. In Hungary, all fields with the exception of 2) were implemented. Japan's technical cooperation was ranked second in terms of quantity out of all the OECD members next to Germany, and received high praise from both recipient countries.

(1) Human Resource Development Through Acceptance of Trainees

Between 1990 and 1999, over 600 trainees from Hungary and Poland participated in training in Japan, learning topics related to the transition to a market economy. The Task Force for Training and Human Resources (BKKK) that served as a contact in Poland highly praised the training in Japan.

Furthermore, training in Japan in the environmental field had exceeded 100 trainees within Hungary's Ministry of Environment and Water over the ten years. Compared to training courses in other countries, the number of trainees is larger, the period of training longer, and the training topics more comprehensive. As a result, the trainees could learn Japan's entire environmental protection system and the latest technology.

Since Central and Eastern European countries were not used to receiving cooperation from JICA, acceptance of trainees initially started with the training for administrators and corporate managers. They learned Japan's social, economic, and corporate systems, increasing the senior level personnel's familiarity with Japan. Expert dispatch and development studies were then implemented. This approach was efficient and effective in conducting cooperation by using many cooperation schemes within the same field.

(2) Intellectual Support Through Pivotal Support of Important Policies

'The Japanese Cooperation to Support the Formulation of Key Government Policies' toward Poland's Ministry of Economy, was aimed at strengthening international competitiveness and to assist industrial policies to Polish industry. However, the scope of activities was actually limited to three fields, promotion of small and medium enterprises, regional development, and technical development, because the EU was reluctant to encourage industrial policies in fields other than those mentioned above. Nevertheless, the JICA long-term experts had a good understanding of both these limitations and Poland's economic conditions, and contributed to policy formation based on Japan's experiences. This is observable from many cases in which recommendations by JICA experts were directly reflected in policy documents issued by the Polish government⁴⁾.

In the technical development field, JICA cooperation helped build up a technical information system that served as an intermediary between demand from organizations and supply of technology. Through JICA expert's advice, the Agency of Technology was established. The Department of Economic Strategy, the Ministry of Economy expressed their satisfaction both in terms of quality and quantity of

the cooperation, recognizing the flexibility of the experts' activities as the promoting factor in the cooperation effect. Their realistic advice taking actual conditions into consideration and their acting as in-house advisors were effective and highly praised.

Also in Poland, JICA long-term experts dispatched to the Ministry of Finance gave technical advice on foreign loan issuance and provided knowledge support such as advice on negotiating with the World Bank and the EBRD, which led to the issuance of foreign loans.

(3) Transfer of Corporate Management Know-how Through Expert Dispatch and Project-type Technical Cooperation

Transfer of corporate management know-how was an area where JICA had direct involvement in the transition to a market economy. The project-type technical cooperation, "Hungarian Productivity Center" (HPC), was the most typical case in this regard.

HPC provided technical cooperation through diagnostic checks on enterprises and training of 200 companies over five years, including many foreign-affiliated companies. Foreign capital accounts for 60% of the total capital funds in Hungarian industry, and foreign companies had a definite role in Hungary's transition to a market economy and reconstruction of industries. Of course, foreign-affiliated companies can summon consultants and trainers from their home countries, but it would be costly and the language barrier would be a problem, making the activities of the local HPC further important.

HPC plans to receive further cooperation from JICA and to conduct a third-country training program targeting Central and Eastern Europe, focusing on the promotion of small and medium-size enterprises. As the development of small and medium-size enterprises is essential to achieving an autonomous market economy, this approach is appropriate.

Encouraging the development of small and medium-size enterprises is very important for countries historically lacking experience in the market economy, such as Hungary, particularly given that small and medium-size enterprises occupy 90% of the industry and it is an effective countermeasure for unemployment. Support for this kind of development is crucial. The HPC project indicated that organizations such as the HPC could bear the responsibility for providing support and could actively fulfill the function of management promotion in small and medium-size

⁴⁾ These documents include "Programs supporting the development of regional institutions to promote technical transfer", "Process of long-term industrial policy formation through 2000", and "Economic Activities Act".

enterprises.

(4) Policy Recommendations and Business Management Consulting through Development Studies

In Poland, the "Study on the National Transport Plan," the "Study on Privatization of Polish State Railways," and the "Master Plan Study on Energy Conservation" were carried out and various recommendations were made to the government. For example, recommendations in the "Study on Privatization of Polish State Railways" were widely accepted by the Polish government, and based on these, actual preparation for privatization commenced.

A Hungarian case, the "Study on Restructuring of the State-owned Automotive Parts Company" involved the following: transfer of management technology to IMAG Inc., such as learning cost accounting methods for determining capital investment, offering advice on rationalizing the manufacturing process, and the use of recommendations in the development study report as a handbook. In addition, through this process, IMAG Inc. deepened its understanding of cultural and behavioral differences between Japan and Hungary. IMAG Inc. indicated that this was very useful for doing business with Japanese companies.

Other than the development study targeting IMAG Inc., there are several studies implemented relating to the environment, such as the "Study on Municipal proposals Solid Waste Management in Budapest," the "Feasibility Study on Facility Improvement and Environmental Protection of the Borsod Power Plant," and the "Study on the Integrated Air Pollution Control Plan for the Sajó Valley Area." The study in Budapest produced a useful report for reference, but the Hungarian government was not active in implementing recommended projects due to financial difficulties. Since the Borsod Power Plant was privatized, the recommended projects have not yet been implemented. However, as the government of Hungary must satisfy the EU environmental standards for obtaining EU membership, there is still a good possibility that JICA recommendations will be utilized in the future.

(5) Comprehensive Evaluation

The long-term experts in (2) and (3) acted as in-house advisers, providing support with better understanding of the recipient country gained from their long stay. Advice was practical and appropriate, and this became a key factor in promoting technical transfer. Also, the transfer of knowledge and technology was conducted based on mutual trust built on good human relations, increasing the relevance of this cooperation scheme.

JICA's long-term experts transferred knowledge, such as Japanese information usually harder to obtain compared



Measurement of air pollution ("Study on Integrated Air Pollution Control Plan for Sajó Valley", Hungary)

to Euro-American information due to the language barrier. Some of this information served as important data or viewpoints to which administrators referred in the course of policy formulation, influencing policy documents. The knowledge provided was essentially related to the Japanese model for the economic system built after World War II. Therefore this model could not be directly incorporated into Central and Eastern European countries, given their aim of establishing an economy that would guide them to EU membership, and also their different traditions in labor relationships. However, as described earlier, this does not mean that Japan's experiences were completely irrelevant. There are possibilities that applying a part of Japan's past industrial policies would be quite effective, as shown in the cooperation on productivity improvement. The case in the HPC project at least clarifies that the approach to industrial policies could play an important role in the leading countries in transition. It is also possible to find a link between East Asia's approach including that of Japan, and the approach to industrial policies in the countries in transition.

Despite various constraints, JICA experts could continue to offer appropriate advice in a wide variety of areas. In other words, the most essential point of "Core Competence" in Japan's experience is flexibility.

However, when providing technical cooperation in Central and Eastern European countries, Japan tends to have only a few direct links in building up private sector partnership between local and Japanese companies, as compared to when cooperation is carried out by European and U.S. donors. Since this can weaken the impact of the JICA technical cooperation for the recipient country, it should be improved in the future.

When in transition to a market economy, it is necessary to improve the knowledge and skill of the actors in the market, such as experts from the governments of countries in transition and corporate managers. JICA's contribution

through technical cooperation has significant meaning to this goal.

10. Lessons Learned and Recommendations

The lessons learned and recommendations based on the evaluation results are described as follows.

(1) Lessons Learned

- 1) In a rapidly changing economic environment, there were some cases where a government requested support from Japan, but another donor had already implemented the cooperation while Japan had been in its appraisal procedure. Also, there were other cases where privatization of some counterpart organizations had resulted in cancellation of the project, or cases where privatization of the counterpart institution in the middle of the cooperation period had forced JICA to change the contents of its study ("Feasibility Study on Facility Improvement and Environmental Protection of the Borsod Power Plant" in Hungary). In another case, the content of a development study report became useless due to sudden changes in economic and social conditions, and recommendations were no longer appropriate ("Master Plan Study for Energy Conservation" in Poland). Given these cases, JICA must quickly respond to requests for support by reducing the time taken for appraisal and making final decisions where conditions change rapidly.
- 2) In order to respond to the expectations of countries in transition, it is important to set up ground that attracts direct investments from private Japanese companies, as well as the cooperation at the governmental level. To achieve this, it is necessary to dispatch experts (business management, production management) who have know-how in entering a new market or shifting production sites in collaboration with the private companies. In so doing, related Japanese organizations should also be involved, and aid strategies should be formed. When providing this kind of support, collaborated cooperation with private sector companies, as done by European and US donors, was very efficient. Thus, more ties with the private sector are necessary in Japan's cooperation. From this perspective, dispatching retired corporate employees as senior overseas volunteers to provide guidance in corporate business management and production management should be considered.

(2) Recommendations

- 1) Since legislation promoting decentralization is being established in Central and Eastern European countries

as part of their bid for EU membership, there is a great need for Japanese support to the local governments (training for local government personnel, dispatch of experts). Furthermore, when it comes to environmental cooperation, the experience and expertise of Japan's local governments in the field of environmental conservation is very useful. Knowledge of Japan's local governments should be utilized.

- 2) Of the four countries that have joined the OECD but not the DAC (Poland, Hungary, Czech Republic and Slovenia), Poland and the Czech Republic have started development cooperation to nearby Central and Eastern European countries. At the time of this evaluation study, the Ministry of Finance for Poland was interested in setting up a cooperation agency and had requested Japanese assistance. Therefore, third country training programs and third-party expert dispatch schemes in the market economy transition field that target countries near Poland should be expanded. It would sustain cooperation to the emerging donor countries and their organizations to which Japan had previously offered cooperation.
- 3) In the interest of effectively using the limited funds and resources provided for cooperation of Central and Eastern European countries, the possibility of shifting the focus of cooperation from the abovementioned four countries to other Central and Eastern European countries (Bosnia-Herzegovina, Macedonia, Romania, Bulgaria, Albania and Yugoslavia) should be considered. Future cooperation policies should also be reconsidered given that temporary assistance using the ODA budget is expected to come to an end. It is necessary to review cooperation for Central and Eastern European countries which are included on the DAC List Part 2 (the former Yugoslavia and Albania are on Part 1).
- 4) The support system in each field of specialization should be upgraded, as shown in Poland's important cooperation "Industrial Pollution Control." JICA had set up the Supporting Committee and the committee supported the experts dispatched through provision of technical advice. Furthermore, to accumulate know-how on supporting transition to a market economy implemented beyond boundaries such as in Europe, Central Asia and Indochina, JICA must strengthen its affiliations with Japanese domestic agencies and related organizations. Therefore, it is crucial that JICA train and retain Japanese personnel specialized in support for a transition to a market economy.