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Assessment
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in the
Construction
Sector in
Poland

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GEMINI

GROWTH and EQUITY through MICROENTERPRISE INVESTMENTS and INSTITUTIONS
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Assessment of Policy Issues and Constraints in the Construction Sector in Poland

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PREFACE

Growth and Equity through Microenterprise Investments and Institutions (GEMINI) has an ongoing project with the Government of Poland and the A.I.D. Poland Small Business Program to assist the Polish government to accomplish its small business advocacy objectives. Part of the work of GEMINI/Poland is to help the government to identify and target specific industries whose restructuring and growth offer increased potential for small business development, and to help the government, through policy and regulatory reform, to create an environment that is more positive for enterprise growth in these industries.

Guided in part by a June 1992 GEMINI report on the strengths and limitations of the structure and functions of government entities charged with small and medium enterprise (SME) advocacy and support functions, the Prime Minister and her Council of Ministers appointed a Minister for Entrepreneurship Promotion in July 1992. The minister is charged with the task of creating SME policy and implementing proactive advocacy programs to enable and strengthen SME development in Poland.

The cabinet office of the minister was established in the Council of Ministers in November 1992. At the request of the government, and with the support of the Ministry of Industry and Trade, a Memorandum of Understanding was effected by A.I.D. and the Council of Ministers in December 1992 to transfer the GEMINI project to work under the aegis of the Minister for Entrepreneurship Promotion.

GEMINI helps the minister to promote SME policy and legislation that responds to the needs and the experience of SMEs at the grassroots level. GEMINI assessments of the construction, agribusiness, and financial sectors confirm the willingness of private sector organizations and local development authorities to collaborate with the central government to review, reform, and contribute to the SME policy formation process.

GEMINI's industry-specific research focuses on the scope of small business activity within and access to targeted industry markets and the operational linkages of small business to larger enterprises. The purpose of this research is to identify the constraints and opportunities affecting profitable small business development in the industries analyzed. The results of GEMINI industry analyses are used to formulate policy recommendations, small business assistance strategies, and government or private sector action programs to support small business expansion in Poland.

This report summarizes the results of GEMINI's field research on the construction industry. This research includes two firm-level surveys, reports on field discussions with local government officials and business associations, a special report commissioned on housing finance, and translations of important policy documents and field research reports from public and private Polish institutions. Each contains valuable information on policy and regulatory issues affecting private sector growth in the industry. This report highlights the main issues that emerge, and provides recommendations for action in policy and regulatory reform.

GEMINI's construction industry assessment, even at this initial stage, is creating a new process and strategy for the government in its work on policy reform. The assessment has brought senior government officials into new relationships with representatives of the private sector. Director General Lewinski of the Ministry of Industry and Trade and Director Krezel of the Industrial Development Agency participated in (and helped to organize) meetings with representatives of business associations, trade associations, and local governments. These meetings began a joint, public-private effort to understand the relationship between government policies and the business community and, from this understanding, to develop a policy reform agenda. This dialogue between public and private sector officials, which has been a vital part of the assessment, is as important as the report itself.

GEMINI will review the report with Government of Poland and private sector organizations that have participated in the assessment, to further integrate the information it compiles into its policy findings. The report will help focus the next round of the public-private dialogue, which will yield a final assessment that contains both a detailed policy reform agenda and a mechanism for carrying out this agenda.

TABLE OF CONTENTS

	<u>Page</u>
EXECUTIVE SUMMARY	vii
INTRODUCTION	1
ASSESSMENT RATIONALE	1
METHODOLOGY	2
ASSESSMENT FINDINGS	5
INDUSTRY STRUCTURE AND OPERATION	5
FIRM-LEVEL FINDINGS	5
Staffing	8
Firm premises	8
Equipment	8
Materials	9
Production	9
Sales and marketing	10
Competition	11
Finance	12
POLICY ISSUES	13
LAND	13
Unclear Policies	14
Political Disputes	15
Problematic Public Land Tenders	15
BUILDING TECHNOLOGY	16
Government Procedures	17
Customs and Tax Provisions	17
Trade Licensing Requirements	17
FINANCE AND INVESTMENT	18
Lack of Affordable Credit	18
Inadequate Financing Options	19
Inappropriate Tax and Tariff System	19
Lack of Bankruptcy Provision	20
STRUCTURAL LIMITATIONS OF THE GOVERNMENT	21
RECOMMENDATIONS FOR THE POLISH GOVERNMENT	23
ACTION PLAN	27
ANNEX A: PERSONS CONTACTED	A-1

LIST OF TABLES

Table 1: Construction Firms in the Public and Private Sector	6
Table 2: Development Costs as a Percentage of Selling Price	10

EXECUTIVE SUMMARY

The construction industry is of critical importance to the Polish economy, both as a source of employment and as a supplier of housing, commercial and industrial space, and infrastructure, all of which are in short supply in Poland. Polish private construction enterprises, dominated by small, craft-based firms, existed under Communism. Private business numbers have more than doubled in the last two years, to more than 160,000 registered firms (most of which are sole proprietorships).

Many of these firms, however, drastically reduced or ceased their operations in the past year, partly because of Poland's general economic slowdown but also because of legal and regulatory obstacles to growth. Through extensive consultation with entrepreneurs and government officials, this assessment — conducted by the Growth and Equity through Microenterprise Investments and Institutions (GEMINI) Poland Small Business Project — identified key policy issues and priorities for reform. At the same time, it initiated a dialogue between the public and private sector that until now had not existed in Poland, but that is essential to the process of policy reform.

Construction industry growth depends upon linking land resources with building technology and finance in a timely and efficient manner. Unclear, inconsistently applied, or hostile policies and regulations prevent or retard these linkages in Poland.

- New local authority (*gmina*) control over lands is undermined by limited local resources and unclear policies on localization, making it difficult to determine or award ownership over much of the highest-quality lands;
- Public tenders are often unclear, unstructured, and indecisive, blocking small enterprise access to markets;
- Building regulations are outdated and poorly understood by those who administer them, making building permits difficult to obtain for much new construction;
- Customs and tax systems discourage innovation to improve efficiencies in the industry and discourage capital investment in construction; and
- Lack of affordable credit (because of delays in replacing the old cooperative housing finance system), lack of adequate collateral law, and limitations on foreign investment and foreign-local bank collaboration prevent finance from flowing efficiently to the industry and retard market growth.

In addition, no structure yet exists within the Government of Poland to receive input from representatives of the industry on these problems, integrate these issues into larger economic policy debates, and develop strategies to promote policy change. The Minister for Entrepreneurship Promotion and the Ministry of Industry and Trade, in establishing such a focal point, should give priority to the following actions to support small enterprises in construction:

- Ensure that the new Spatial Planning Act supports small enterprise interests by clarifying authority over land title disposition and by establishing clear rules for public works and construction tenders;
- Promote assistance to *gminas* in land management and in forming public-private partnerships to develop land resources;
- Support fiscal and financial systems policy reform to remove tax disincentives to investment and to unblock barriers to financing of land-based investments;
- Encourage the Ministry of Construction and Spatial Economy to implement rapidly the World Bank Housing Finance Project as an initial step in unblocking housing markets;
- Develop set-aside legislation to guarantee small enterprise participation in public land and public works development, as a means of promoting the restructuring necessary in the industry; and
- Support the creation of new building codes consistent with European Community standards.

Task forces should be created at both the national and the local level, bringing together representatives of government and industry associations to discuss problems and to develop policy alternatives, which the Minister for Entrepreneurship Promotion can then take to the Council of Ministers and Parliament.

This construction assessment has revealed how weaknesses in basic governance block or retard private sector initiative. The absence of management experience in a market economy, combined with a fear of making mistakes (and raising public criticism), paralyzes local government officials, preventing them from forming more productive working relationships with private enterprises. Without some help to this group, much of the support effort directed to the private sector will be wasted.

The government is interested in using U.S. expertise at the central and local administration levels. Although support to the private sector should remain a priority, some additional resources could be devoted to institutional development within key institutions in the public sector (such as the Ministry of Construction and selected *woiwodeships* with high economic development potential), to help widen a few of the bottlenecks that beset much entrepreneurial initiative. A few long-term advisors, wisely placed, could increase the productivity of much of the other assistance offered to private sector institutions.

INTRODUCTION

The importance of the construction industry, including the housing, industrial, commercial, and infrastructure subsectors, in the process of economic restructuring in Poland has been widely researched and analyzed since 1989. Economic, legislative, regulatory, and financing issues that have arisen range from property rights and reprivatization to the transformation of the building materials and construction industries into market-driven sectors dominated by private enterprise.

The formal and informal small business construction sector has mushroomed in the past few years. Between the end of 1990 and mid-1991, the number of small businesses (firms of natural persons) in the construction industry is estimated to have grown nearly 100 percent.¹ By the end of 1991, private construction constituted about 25 percent of GDP (the definition of "private" by the statistical authorities remains under review), but private companies comprised less than 15 percent of all enterprises in the sector. It is also estimated that the private sector was responsible for more than 50 percent of total industry sales.

On the downside, however, many of the new small businesses formed in 1990 ceased operation by the end of 1991. Among the reasons for the small business failures are the lack of credit, rising material costs, imperfect market information, declining government expenditures, and bureaucratic requirements. The growth of the industry is also impeded by declining real wages and much lower levels of business investment in industrial, commercial, and municipal building. In addition, significant legal, regulatory, and financial systems reform must still be addressed.

ASSESSMENT RATIONALE

Despite the problems, the potential for small business growth in the construction and building materials industries is considerable. Market requirements for new types of structures, as well as increased renovation of houses, offices, and commercial buildings, are leading the sector into a new period of growth and expansion.

Faced with serious financial constraints, public sector construction and building material enterprises are being privatized or sold. Others are being restructured into smaller units, which are often better positioned to respond rapidly to a changing and more competitive market. This downsizing has forced state companies to reduce their staff of both skilled and semi-skilled trade persons. An unknown number of these workers are now re-entering the market as private entrepreneurs. Thus the challenge to government in the near and medium term is how to create, implement, and sustain a policy favorable to small business that increases local private investment and employment in the construction industry.

¹A natural person company is a sole proprietorship.

At the same time that this assessment examines the problems and potential of small and medium enterprises (SMEs) in the construction sector, the assessment also provides a focal point for dialogue between the public and private sectors. It offers an opportunity to bring the two groups together on neutral ground created by the government, to discuss specific policy issues and to establish a precedent for constructive cooperation in policy and regulatory reform.

METHODOLOGY

For this assessment, the construction industry was defined to include residential, commercial, and industrial development; physical infrastructure (utilities, communications, and roads); and building equipment and materials manufacturing, transportation, and distribution.

The first phase of this assessment, which took place over a two-week period, was conducted through structured field interviews with those participating in or associated with the construction industry, and through workshops involving representatives of central government, local government, and enterprise managers. The investigators met with 89 private and state-owned enterprises (SOEs), and 24 private sector associations.² Results of the field research were compared with macro data and information compiled from secondary sources (small business, construction, housing, infrastructure, privatization, policy, and economic reports on Poland) to maximize and validate the findings and conclusions. In addition, the impact of current and proposed economic policies, laws, and regulations on SME construction-related operations was evaluated against the empirical results of the field research.

The workshops attracted widespread interest among both business and local government representatives, because in large part of the active involvement of senior officials from government and the Industrial Development Agency in the organization and implementation of the workshops.³ The talks varied in content and intensity, as neither side knew what to expect from an open discussion with the other. There was considerable apprehension, because business and government had spent the past 40 years avoiding each other, and it was difficult to figure out where to begin a dialogue.

In spite of such inhibitions, all sessions yielded much useful information on policy and regulatory constraints facing the industry. More important, they broke the ice between

²Twenty-three firms, to date, have responded to a second questionnaire on competition and cooperation, most of which also participated in the workshops. At the same time, the study benefited from other field research, such as the market research investigation of 152 construction firms in the Swietokrzyski region, and Tamara Arsenault of Peace Corp's examination of housing cooperatives and construction firms in the Plock region.

³Director General Andrzej Lewinski of the Ministry of Trade and Investment was instrumental in the design and implementation of the discussions that took place in Gdansk region, and Director Arkadiusz Kręzel of the Industrial Development Agency organized the meetings in the Bielsko-Biała and Katowice regions.

government and business, and have opened up a valuable new means for developing a program of policy and regulatory reform.

Participants in phase one included:

- Private construction services and distribution companies;
- State-owned manufacturing, construction, and distribution companies;
- Private and public sector construction project developers, managers, and general contractors;
- Building materials and construction equipment manufacturers, importers, and distributors;
- Related government ministries and agencies;
- Local government officials from selected *gminas* and *woiwodeships*;
- Domestic and international donor organizations providing technical or financial assistance to the construction industry; and
- Construction-related business and trade associations.⁴

⁴A list of all persons contacted is found in Annex A.

ASSESSMENT FINDINGS

INDUSTRY STRUCTURE AND OPERATION

The construction industry, as documented in reports from the Central Statistics Office (GUS), consists of firms involved in building materials production, construction, design and engineering supervision, building materials trade, and services. As of June 30 1992, there were 18,222 trading companies in construction, plus 144,215 sole proprietorships.⁵ Of the trading companies, 3,694 (20 percent) are state-owned (in one form or another), and 14,528 (80 percent) are private. The vast majority (76 percent) of these are small firms (with less than 50 employees). The private sector is dominated by these small firms (87 percent), while the state sector still contains a majority of medium and large firms (67 percent).

Poland's industry bears little resemblance to the construction subsector in Western Europe or North America, where the housing market is dominated by small firms, and large firms are mostly in the commercial construction and public works areas. However, the Polish industry is rapidly evolving, with small private firms accounting for a greater and greater proportion of industrial output. Private sector construction firms (trading companies and sole proprietorships) accounted for the majority of total production (more than 62 percent) in 1991, although they provided less than half of total employment (45 percent). More detailed analysis appears in Table 1 below.

FIRM-LEVEL FINDINGS

This assessment used interviews with firms carried out in the Warsaw, Bielsko-Biala, and Kielce areas. These interviews were designed to:

- Define and describe the structure of the industry, emphasizing the role and functions of SMEs;
- Estimate the near- and medium-term trends in demand in the construction industry, and the ability of small business to participate in that market;

⁵The figure for sole partnerships is as of December 31, 1991. Sole proprietorships are treated differently by GUS because the Polish Civil Code differentiates between economic activities "conducted independently by natural persons," and economic activities conducted in one or another form of trading company. All GUS data must be regarded as approximate, as companies are classified as construction firms based upon their initial registration application. Companies starting out in construction, but now working in other areas (such as import-export, unrelated to construction) remain listed under construction firms, while companies moving into construction from other areas would not be listed under the construction heading. It is likely that, due to difficult present market conditions, many firms counted under construction are carrying out little or no construction-related activity.

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Table 1

CONSTRUCTION FIRMS IN THE PUBLIC AND PRIVATE SECTOR

BUSINESS	SOE		COMMUNAL	PRIVATE				FOREIGN		
	State Treasury	Public Legal Persons		Local Private	Co-op	Political Org.	Foundation	JV	Rep.	Craft
BUILDING MATERIALS										
small	36	63	15	1090	50	11	2	75	0	0
medium	2	46	7	52	44	0	0	7	0	0
large	36	344	8	34	31	0	0	6	0	0
BUILDERS										
small	131	218	165	5991	712	126	17	110	3	19
medium	46	207	54	362	197	6	1	6	0	7
large	83	921	86	390	90	6	1	12	0	30
DESIGN OFFICES										
small	36	109	52	1662	110	24	6	7	1	1
medium	3	67	2	24	3	0	0	1	0	0
large	1	96	2	34	3	0	0	0	0	0
TRADERS										
small	15	27	234	512	1862	6	1	24	2	1
medium	6	33	94	15	166	1	0	0	0	0
large	3	54	154	5	273	0	0	0	0	0

BUSINESS	SOE		COMMUNAL	PRIVATE				FOREIGN		
	State Treasury	Public Legal Persons		Local Private	Co-op	Political Org.	Foundation	JV	Rep.	Craft
SERVICES										
small	86	18	0	226	16	13	9	8	8	1
medium	53	18	0	8	1	0	0	1	0	0
large	20	42	1	5	0	0	0	0	0	0
TOTALS										
small	304	435	466	9481	2750	180	35	224	14	22
medium	110	371	157	461	411	7	1	15	0	7
large	143	1457	251	468	397	6	1	18	0	30

Small = 1-50 employees

Medium = 51-100 employees

Large = > 100 employees

- Delineate the vertical and horizontal linkages and the competition between large and small, state-owned and private, and formal and informal small businesses;
- Assess the financing and taxation constraints impeding SME profitability and growth, and determine the opportunities to increase small business investment incentives and access to credit; and
- Determine the assumptions, priorities, and expectations made by small private businesses in the construction industry.

The initial findings were discussed with other entrepreneurs and government officials involved in construction matters during the workshops in the Płock, Gdansk, Bielsko-Biała, and Katowice regions. They also were compared with the findings of the more extensive field research on SMEs in the Swietokrzyski region carried out by the Swietokrzyska Polytechnic. Some additional survey work regarding competition and cooperation within the industry is in progress, and will be reported on in the next phase of this assessment. The volume of sampling is clearly not representative. However, certain consistencies are evident that will assist in the design and implementation of the next phase of this assessment.

Staffing

Most of the companies interviewed had staffing problems. It was consistently stated that finding good workers was difficult. The majority of skilled laborers are working in state-owned enterprises or have left the country to work overseas. Unskilled labor was far more available but unmotivated. In many instances, it was evident that they could make as much money, if not more, collecting unemployment. External factors that exacerbate the labor situation for small private building firms include increased competition requiring such low bids that the offered wages are not attractive to the skilled or ambitious, unstable activity requiring firms to rely heavily upon part-time workers, and excessively high National Insurance wage premiums.

Firm Premises

All but one company interviewed either owned or leased (99 years) the property where their business was located. Buildings were primarily used for material storage or small equipment fabrication and repair. Additional space, whether land or buildings, was consistently stated as available if needed.

Equipment

Most equipment purchased was of Polish origin. Although buying black market machinery was common a few years ago, today most buy from state-owned manufacturers (70-80 percent) or wholesale distributors. Imported equipment is also purchased through these

wholesalers or through specialty retailers. There does not seem to be a shortage or any particular difficulty in obtaining equipment.

Materials

Material purchasing may represent the most advanced transactional dynamics in the construction sector to date. There is clearly direct competition between the state-owned enterprises and the private companies, a trend toward wholesale distribution outlets with a diversified product line, and increasing price and quality sensitivity by the customers.

At first glance, it appears that most of the material manufacturers are state-owned, particularly in the large-volume commodities like cement, sand, lime, and block. Perhaps due to reduced activity, declining profits, and the threat of staff reduction or closure, these enterprises are also rapidly expanding into new products, the distribution business, or both.

Most of the building activity today uses Polish or traditional technology. There are several reasons for this, the two most obvious being the availability of materials and workers who understand and have experience in this type of construction, and a national preference for brick, block, and cement over the perceived temporary nature of wood. This is caused largely by a lack of exposure to high-quality, kiln-dried, pressure-treated wood products and by a lack of confidence in Western construction techniques.

On the other hand, Polish builders and customers do have an appreciation for Western finish work and, for this, imported materials are usually required. One of the more surprising and alarming findings was that imported materials are often of better quality and less expensive than the Polish substitute. This touches upon the area of productivity and its effect on private domestic economic activity, which is beyond the scope of this assessment.

With high transport costs and a history of regional, as opposed to national, trade, most builders interviewed bought their primary materials from the closest manufacturer (almost always state-owned). The remaining items were picked up on a more competitive basis. Unclear and inconsistent tax laws also affect the building material subsector. For example, the newly established wholesalers, who have a complete assortment of materials, tend to be more expensive. One of the reasons for this is that they typically buy their goods from a state-owned manufacturer and therefore must pay the required tax.

Production

Because of the general recession, among other things, both small and large firms were diversifying their services with the hope of attracting more business. Many firms were unable to say what their main line of activity was. For the majority, analyzing the market to identify profitable market niches was considered too limiting and inappropriate. However, the few that were focused and specialized seemed to be better off.

The percentage of equipment used was in all cases well below maximum. The estimated average, from a survey of over 180 construction-related firms conducted by the Kielce University of Technology, was 48.7 percent. There was no indication of efforts to rent out the excess capacity or coordinate with other building companies.

Those questioned indicated a desire for more information on new building materials and technologies. However, when explored in more detail, this usually led to a request for assistance in locating foreign (American) investors or joint venture partners.

One developer who had performed some analysis of construction costs was Curtis-Davis, Ltd. The breakdown in Table 2 was provided by Bradley Davis and represents a single family residential project just south of Warsaw. The houses are made with American technology (wood frame, vinyl siding) in various configurations ranging from detached to 4-plex. The average floor area and selling price is 1,450 square feet and \$105,000, respectively.

Table 2

DEVELOPMENT COSTS AS A PERCENTAGE OF SELLING PRICE

Land	9%
Land Development	22%
Polish Materials	14%
Labor	10%
Imported Materials	14%
Shipping, Customs, and Transport	10%
Tools	1%
Overhead and Profit	20%

One conclusion that is immediately apparent is the excessive cost for land development (22 percent). In America, this is more typically 10-12 percent. This reflects the common problem of insufficient public sector supported infrastructure which will be addressed later in this report.

Sales and Marketing

Without exception, all firms stated that their profits were down from 1991. Most were struggling to maintain the same turnover and contributed this dilemma to the lack of demand, inflation, and taxes. Indeed, their perception is largely true. As one individual said, it is very difficult to achieve a successful capitalist system on Communist wages. With income and wage controls in place to curb inflation, material and product prices are, in many cases, at international levels.

When asked about their customers, it once again became evident that state-owned enterprises and large cooperatives still play a disproportionate role in the dynamics of this industry. Historically, private companies obtained all of their work from one or two such entities. The ideal order was a long-term contract with a state-owned enterprise. Today, the scenario is largely the same. Most of the companies interviewed work only locally (within 100 kilometers) and rely on one or two customers for most of their livelihood. When asked about the future, most anticipated a growth in the private sector but looked to the state and cooperatives to regain strength and provide them work.

Another detrimental aspect of the dependence on state-owned enterprises is that they are notorious for late payment. When all or a significant portion of one's work is with a particular client, they cannot afford to walk off the job. However, there is no regulation or precedent to collect interest on the receivables. Consequently, it is commonplace for the subcontractor to partially finance or subsidize the SOE for up to several months. This, of course, makes debt in any form very dangerous. The method of collection is also random and can only be described as primitive, with the loudest or most persistent voice being the one that is heard.

A rapidly growing segment of private sector construction is in housing. Most of the projects are single family detached residences and are being built for wealthy Poles. Most of the mortgage loan programs are conservative and are being designed for this segment. Although achievable and profitable, this represents a very small percentage of the population. Poland's social infrastructure needs are urgent and include low- and middle-income housing, more and better schools, hospitals, roads, sewage and power plants, and water systems. Although some elements can partially be absorbed in a quasi-private fashion, the question remains what is the near-term minimum investment required.

Competition

With virtually all orders obtained through personal contacts, the concept of competition has yet to be precisely defined in the typical construction business owner's mind. This is partially caused by a regional or local focus with little interest in or access to information about other areas, contracts, or firms.

When asked who their competition was, once again the state-owned enterprises reaffirmed their dominant position in the marketplace. It appears that the large projects are contracted to the large, vertically integrated or once large (X-kombinat) construction companies. Indeed, these are the only firms with experience in such projects. The selection process is based on historical relationships, because anything state supported has little price sensitivity. The much smaller private companies, mostly seeking finish work, are in competition in a classic sense but not in a true market sense. It appears that the developers, aware of this competition, stay with their usual firms but use this emerging competition as an opportunity to reduce their costs (in other words, their offer price).

Within the arena of small private tradesman, builders, and general contractors (usually operating as natural person or civil companies), the availability of unregistered and after-hours workers is an important factor. Without licensing requirements and the ease of tax avoidance, many people, skilled and unskilled, have second or third jobs as freelance construction workers. Like migrant workers in America, they do not pay taxes and can therefore ask for much lower wages. Although it is illegal not to pay taxes, it is not illegal for either the employer or employee to work in this fashion. Obviously, for the registered builder who must report wages and earnings, this provides a most unhealthy form of competition.

The last item to mention is a fairly new regulation requiring certain types of large municipal or state contracts to be awarded through an auction or open bid procedure. Without exception, the companies interviewed expressed animosity and little interest in further participation in such a process as it was well known to be predetermined and corrupt. The company is invariably selected based on personal connections and bribes. It is documented that the going rate for bribes for such work is between 3-5 percent of the contract value.

Finance

Without exception, all seed capital or start-up funds were generated through personal savings or family borrowing. Interestingly enough, most did have outstanding bank loans or a line of credit, though very small. The average term was one year with an interest rate of some 50 percent. Getting a loan was not described as difficult in itself. However, the criteria were, including exceedingly high collateral requirements (up to 200 percent) as well as other guarantees.

The lack of affordable credit required most firms to operate on a cash basis. The result for private housing developers is small projects and exceedingly long construction periods. Because of unstable legal and fiscal policies, planning is short term, with a typical scenario of building one or two units (out of pocket), selling as soon as possible, and repeating the process. The law allows up to one year to reinvest before taxes are due.

POLICY ISSUES

Poland has substantial need for housing but, for the vast majority, there is no demand for the housing the construction industry can now provide. The Ministry of Construction and Spatial Economy estimates that 2.7 million new dwellings are needed to meet the basic housing needs of those now on waiting lists in building cooperatives, but some 40,000 completed flats lie vacant because the customers for which they were produced cannot afford them. Despite Poland's large domestic market for industrial and commercial goods and its key geographic position between the markets of Eastern and Western Europe, activity in commercial and industrial construction and in sorely needed public works and infrastructure development lags behind that of neighboring countries such as former Czechoslovakia and Hungary.

The growth of all enterprises, small to large, within the construction industry depends upon linking three basic ingredients — land, building technology, and finance — in a timely and efficient manner. Unclear, inconsistently applied, or hostile policies and regulations prevent or retard these linkages in Poland. Policy and regulatory obstacles discourage investment and raise construction costs beyond what the market can bear.

Private firms, made up mostly of small and medium enterprises, bear the brunt of these policy problems. The mostly large state-owned construction enterprises and recently commercialized construction enterprises (SOEs in the first stage of privatization, whose shares have been bought by the State Treasury), although suffering from some of these policy problems, have a competitive advantage over private firms from certain aspects of the policy environment.

Land, building technology, and finance, the cornerstones of the construction industry, raise different policy problems.

LAND

Poland possesses considerable private landholdings, unlike many of its neighbors. However, these holdings tend to be small and dispersed, suitable for single family housing or small shops. Market entrepreneurs feel that this market is largely tapped out: these holdings have already been built on or the owners lack money for building initiatives because of the limited availability of capital. Larger tracts suitable for multidwelling or industrial and commercial development, for which foreign and local capital interest exists, remain mostly in public hands. Land use policy problems make this land difficult to obtain, discouraging potential local and foreign investors.

Unclear Policies

Local authority or *gmina* control over lands is undermined by limited local resources and unclear policies on localization, making it difficult to determine or award ownership so that land development through construction can take place on much of the highest-quality lands.

Motivated by a desire to move away from the domination of the center in the previous system, the Government of Poland transferred control over state-owned lands to local authorities. This control has proved difficult to establish in many areas, because:

- Many *gminas* cannot determine what lands they own, because basic survey and mortgage register data is unavailable (or outdated), and they lack the skill and financial resources to survey and catalogue their holdings.

One development firm operating in the Warsaw region lost considerable time and money when it turned out that the *gmina*, although supportive of the project, owned only one-third of the land it had promised. The housing estate plans had to be considerably revised and reduced, contributing new cost and a loss of clients for the housing;

- Those *gminas* that have made progress in ascertaining their holdings still remain uncertain as to what they can do with what they own. The law states that *gminas* cannot undertake any activities on their lands "beyond the needs of their communities," a provision that seems innocuous but that has formed the basis for disputes between *gminas* and local self-governing bodies (municipal and regional).

The Zalony development project in Gdynia has been under consideration for one and a half years, without any clear decision on which developer firm can proceed. *Gmina*-municipality conflicts resulted in one entrepreneur believing he had the right to proceed, only to have the city block the transfer of land to him; and

- Land use decisions must observe existing Master Plans for the region, drawn up under the central planning system. These plans allocate substantial quantities of prime real estate in and around towns and cities to agriculture, and amending them to permit land use for construction is not straightforward. It again involves negotiations between local and regional authorities that often do not proceed smoothly. The Master Plan also restricts the development of privately held lands.⁶

⁶The Anti-Crisis Act (Act on Special Conditions of Realization of Housing Construction in Years 1991-95), approved by the Parliament and expected to be signed by the President soon, enables Municipal Councils to approve "action plans" that can amend, update, and substitute for city Master Plans. Now the *gminas* must reach agreement with their municipalities, as opposed to the central government, over land use changes. Unfortunately, it is at this *gmina*-region interface that much of the political infighting that disrupts construction occurs.

An entrepreneur from Gliwice complained that he had spent the last six months trying to get approvals from Warsaw to build a gas station next to the Katowice-Warsaw highway. His local authorities were supportive, and he didn't understand why this central approval is necessary.

The result of this multiple and confused responsibility is that the highest-potential lands often are not being developed, and titling delays cause losses to developers and builders on lands being developed. Disputes among authorities about land development strategy have caused substantial delays in the Greenery Island development project in Gdansk, which could do much to stimulate the construction industry in that region.

Political Disputes

Political disputes between *gminas* and other authorities make "perpetual usufruct" leasing a dubious proposition for entrepreneurs and financiers, and retard the acquisition of SOE holdings by the private sector. Although, in principle, a 45- or 99-year lessee should have secure assets and development rights, in practice few believe this security exists.

Entrepreneurs cite cases in which one authority agrees to terms and prices for land acquisition, and another steps in to renegotiate after development has begun. An entrepreneur in Gdansk paid his *gmina* in full for a 45-year lease for his company's land, only to have the city change the price and challenge his right to continue operations.

In Bielsko-Biala, many companies that, at the encouragement of their local *gminas*, have leased and renovated dilapidated industrial premises belonging to struggling state-owned enterprises, find it difficult or impossible to purchase the titles to these properties. The regional government (*woiwodeship*), which owns the SOE, insists upon payment for both the land and the improved building. The entrepreneurs find that the more they put into the leased property, the more it will cost them to acquire it.

In Warsaw and some other cities, an additional problem is reprivatization rights of prewar owners of lands, which have yet to be resolved. The BUDEXPO permanent exhibition of building materials and technology finds part of its 99-year leaseholding threatened by possible repossession, which is delaying its expansion plans.

Problematic Public Land Tenders

A public offering should be a means for resolving issues over the disposition of public lands quickly and clearly. This seems rarely to be the case in Poland. Reasons for this include:

- *Gminas* have limited capabilities in land use planning and general economic development planning. Many put land on the market before resolving larger issues of what sort of community they wish to build and how they can best use land as an asset to realize their plans. This leads to tenders that are vague in terms of what type

of development is desired, what terms of land transfer are possible, and on what basis the winner will be selected;

- Conscious of their limitations and their concern over challenges to their land use decisions from other authorities, *gminas* contribute to disruption in the tendering process. For example, terms are altered during the offer process, award decisions are reviewed or overturned, or no awards are made at all; and
- Although in major cities the competition has become more active and open, in smaller towns entrepreneurs complain that a few (usually state-owned or recently commercialized) firms receive all the awards. SMEs in Bielsko-Biala and Kielce complained of a few large firms crowding out all others and refusing to subcontract, even when the smaller firms could do the jobs more cheaply. Large SOEs and recently commercialized SOEs still remain beyond competition for certain clients. Entrepreneurs in Warsaw, Gdansk, and Torun noted that large housing cooperatives tend to limit their bidding invitations to such large firms, but also remarked that the co-ops are building less and less nowadays.

Continuing to use the same firms (and avoiding using private firms) reduces the risk of the *gmina's* decision being challenged by other authorities. At the same time, it is alleged that some of these SOEs commonly lowball tenders, counting on renegotiating at a later date with the *gminas* and on present abilities to limit obligations to their creditor banks. Entrepreneurs in all locations visited said that renegotiation of prices after work had started was common practice.

Private firms, too, probably engage in anticompetitive practices. The manager of a large SOE in Siedlce complained of private firms winning tenders through bribes, and other SOE heads complained of ruthless competition, in which private firms paid little regard to real costs.⁷

BUILDING TECHNOLOGY

Government policy acknowledges the need to reform the construction process itself to produce the lower cost, lower maintenance buildings the markets require. This involves changing building materials and construction techniques. The greater the dissemination of new technology, the more the construction SMEs, which do not have substantial investments in the old technology, will benefit. The main policy obstacles to this dissemination are found in the areas of government procedures, tax provisions, and trade licensing requirements.

⁷see SMG/KRC, Housing Construction Sector in Poland, July 1991, Siedlce interviews.

Government Procedures

The system for awarding building permits is unclear and time-consuming. This discourages innovation. *Gminas* often don't have staff that understand the existing building laws and hesitate to grant permits, particularly for projects involving new materials or designs. A developer in the Warsaw area had to drastically modify house plans in his estate, losing usable floor space and raising construction costs, when the local building inspector refused to allow water heaters to be sited in garages (a standard practice in many countries). The reason given was that drafts could put out the pilot light, but the modern boilers did not use a pilot light. The inspector refused to believe this was possible.

Procedures on community consultation are unclear or not followed resulting in cases, as reported by an entrepreneur from Gdansk, in which the *gmina* initially approved construction, only for a higher authority to halt it in response to public protests. Projects involving new approaches run a higher risk of attracting this political interest and controversy.

Building codes do not exist for many new materials and obtaining certificates approving their use is difficult. The Centre for Information on Building Materials reports that materials that have European Community certificates can receive expedited approvals in some areas, but this is due to good will, not good policy.

Customs and Tax Provisions

The turnover tax requires importers of new materials to pay duties upon delivery of goods, rather than after receipt of payment for their use in construction. At the same time, the tax holidays awarded many importers discourage the production of some of these new building materials in Poland.

Local manufacturers, paying full taxes on their facilities, local raw materials supplies, factory equipment, and turnover, face competition from importers paying none of these. This eliminates Poland's comparative advantage as a raw material source, and penalizes enterprises investing the most in the local economy, using local natural resources.

Trade Licensing Requirements

The absence of trade licensing requirements retards improvement of skills and quality. The schools that offered training through the Crafts Chambers were closed a few years ago. Without any form of trade or licensing requirement, it is difficult to develop the skills for working with new materials and designs or an appreciation of quality control.

The absence of licenses means that small contract and subcontract work will continue to be awarded by means of personal contacts (rather than qualifications), making it difficult for new firms that have invested in professional training to gain access to these markets, and encouraging, indirectly, the use of unregistered and after-hours activity.

FINANCE AND INVESTMENT

Construction depends on a stable supply of finance, delivered through credits from financial institutions and many other forms. Polish SMEs suffer from fiscal policies that discourage the long-term investment that construction requires.

Lack of Affordable Credit

Lack of affordable credit paralyzes the housing market. The old cooperative housing finance system, containing 20 percent downpayment subsidies and 40-year, 6 percent loans for purchasers, was abolished in 1990, but nothing has taken its place. Despite the high priority given to housing in negotiations between the Government of Poland, donors, and lender agencies, the large programs designed to jump-start housing and construction finance have not begun. Differences over policy between the new government and aid agencies may further delay the implementation of programs of the World Bank, A.I.D., and other donors in this area.

Changes in the Ministry of Construction promise a rough ride for World Bank, A.I.D., and the European Bank for Reconstruction and Development (EBRD) programs. The new guard is concerned that, in the short term, these programs will be affordable to only a small minority of Poles seeking new housing. The ministry wants to begin new programs, based on contract savings and low-cost, state-owned rental housing and targeted at the lower and middle end of the market.

At the same time, the Vice Minister has rejected any notion of government subsidization of housing construction, preferring to work with private sector enterprises to lower construction costs through technological innovation. She wishes to promote the expansion of the private construction market, but does not want the ministry to be seen to be concentrating on satisfying needs of the better-off Polish citizens. She feels that the ministry could benefit from expatriate assistance (and U.S. advisors, in particular) in housing finance and developer training, and in designing and implementing all its new programs.

The PKO Bank has launched a new mortgage program following the outlines of the above schemes, but uptake is limited. PKO's program lacks the coupling of developer and mortgage finance necessary to provide new, more affordable properties for borrowers. The vast majority of Polish households do not earn sufficient income to obtain mortgages sufficient to purchase the properties currently on the market, which were built for purchase under the former, heavily subsidized cooperative housing system. In Plock, rising interest rates have forced some of the early users of the PKO package to sell their construction plots because they were no longer affordable.

Inadequate Financing Options

The lack of an adequate collateral law, restrictions on foreign investment in land, and limitations on foreign-local bank collaboration through guarantees narrow developers' financing options. Difficulties in using land as collateral make Polish financial institutions wary of investments in construction, even when land titles are clear.

Foreign finance of construction is constrained by the inability (and unwillingness, because of collateral problems) of Polish banks to issue guarantees for loans to developers. Developers in both Warsaw and Gdansk who had loan proposals approved by foreign banks for projects in progress, and with substantial customer deposits, could not obtain the guarantees required to obtain the loans. Technically such guarantees are illegal under present banking law, and Polish banks lack the skill and experience necessary to manage such services.

Even basic banking services involving foreign capital can be difficult to obtain. An entrepreneur in Cieszyn reports that his bank does not credit his account for direct wire transfers from his clients' banks until it receives an additional letter certifying that the transfer has been made. This takes an additional 1-3 weeks.

Inappropriate Tax and Tariff System

The tax and tariff collection system penalizes local capital investment. Tax obligations calculated upon services rendered, as opposed to payments received, impose undue hardships on private developers and contractors. Levying tax on invoices, rather than on receipts, was not an issue under the old system, but it is a nightmare for currently operating construction enterprises that often must invest up front to provide services to clients. Current economic problems have made it difficult for clients (state clients, in particular), to meet payments on schedule, which further extends the entrepreneur's financial risks. A firm in Ostroienka was forced to stop work on several of its projects because it could not cover its tax obligations on late payments.

When an entrepreneur has to import a building material for a job, a double penalty is created by the imposition of a turnover tax on top of the invoice tax. The tax system discourages the performing of services except where paid in full before work starts, a condition very few clients can meet.

Frequent changes in tax regulations impose disproportionate hardships on small firms, which cannot maintain accountant staff to keep up. Craft enterprises, in particular, have been hard hit by instability in tax regulations. They used to be assessed a lump sum tax payment, paid regardless of income. The entrepreneur faced problems during low-work years, but there was no need to maintain detailed records. Now records are compulsory, and most craftsmen can't cope with them. They can pay for accounting help, but under the present system the accountant holds no responsibility for this work. With no assistance forthcoming in this area, many firms are opting out of the formal system. The prospect of the new VAT system (to begin

in June 1993) frightens small businesses. With little information provided to date on how it will work, it threatens yet another series of costly adjustments.

The program of tax holidays encourages short-term investment in trade, and undermines investment in construction and building materials production. The tax holidays offered in 1988-1989 have severely distorted competition and investment in construction. They reward quick turnover operations, so it is preferable to become a building materials importer rather than to remain a builder or materials manufacturer.

The limited duration of the holidays offer penalized established firms and forestalled new companies that might be created today by those wishing to leave larger firms. The holidays were awarded to start-up firms only, which penalized the large number of Polish private construction companies and workshops already in existence. Companies that had a proved record of service found themselves competing on unequal terms with non-tax-paying firms.

Unstable and inconsistently applied tariff regulations discourage technological innovation through importation of new machinery. An entrepreneur in Bielsko-Biala agreed to import tile fabrication machinery in early 1991. In August 1991 the tariff regulations were changed, and he was informed that he would owe Z 5 billion in duties. He went to the Ministry of Finance and was told not to worry, building materials production activities like his would receive an exemption from import duty. Despite this assurance, his trucks were stopped at the border and he was forced to pay the duty. He is still trying to recover this money, and he has abandoned plans for further upgrading of his facilities, which utilize high-grade local raw materials to produce tiles with both domestic and export market potential.

The absence of tax credits for investment further discourages long-term return activities like construction. Many countries use forms of investment tax credits to stimulate industries like construction, whose growth can have a ripple effect through the larger economy. The Polish government reduced its tax revenues through its tax holidays policy, limiting its options to use the tax system in this way to encourage economically productive activities. The holidays offer reward without responsibility. Investment credits offer delays in tax obligations, in compensation for specific actions taken that are determined to be economically useful.

National insurance obligations at present rates discourage employment creation in what should be a labor-intensive industry. The ZUS payment of 47 percent of salary adversely affects a firm's capacity to pay reasonable wages, which in turn affects the caliber of staff and subsequent level of productivity.

Lack of Bankruptcy Provision

The absence of Chapter 11-type bankruptcy provisions turns short-term, cash-flow difficulties into insoluble problems, preventing firms from working out solutions. When a Polish firm cannot meet its debts to the Treasury, it takes on further debt through a system of punitive fines. This leads some to say "in the West you have Chapter 11, in Poland we have Catch-22."

The entrepreneur has no option to reorganize affairs and reschedule payments. Debt mounts as management options decline.

STRUCTURAL LIMITATIONS OF THE GOVERNMENT

A final policy issue is the government's structural limitations. A basic structural constraint exists in the policy arena. There is, as yet, no part of the Government of Poland authorized and capable to play an advocacy role on behalf of SMEs in this and other industries. There is no body to:

- Receive input regularly from representatives of SMEs in the industry on policy and regulatory problems and opportunities;⁸
- Develop strategies in the Council of Ministers to promote legislation and regulatory change favorable to SMEs, and to investors in SMEs;
- Integrate SME construction industry issues into larger SME policy debates and legislation;
- Promote the development of new financing opportunities for SMEs;
- Coordinate technical training programs to promote skill and technological improvement in this important industry; and
- Promote the development and dissemination of market information for SMEs in construction.

⁸Government has tended to dictate to business associations, rather than to work with them. A case in point is the legislation under consideration concerning Chambers of Craft. Representatives from chambers visited by the team complained that the bill now in the Senate, which proposes national chambers funded by the state budget, bears little relation to how they have always operated, or wish to operate.

RECOMMENDATIONS FOR THE POLISH GOVERNMENT

In this section, the GEMINI/Poland project presents its recommendations for further action by the government and, in particular, by the Ministry of Industry and the Minister for Entrepreneurship Promotion. Through this construction industry assessment that was carried out in phase one, a reasonable understanding has been gained of how the subsector is structured and what constraints affect small business development in this area. At the same time, a discussion has been initiated between government and private sector officials on how policies and regulations are helping and hindering (mostly hindering) private sector growth. The nine recommendations outlined below concern what specific policy matters should be addressed and how the Ministry of Industry and the Minister for Entrepreneurship Promotion can use the public-private dialogue to develop policy alternatives.

1. Support the development of alternative ways to increase developer and contractor access to finance, given the delays in housing finance assistance. Start with an investigation of the feasibility of establishing a loan guarantee mechanism as a means of overcoming the collateral gap and unblocking potential local and foreign credit resources.
2. Ensure that the new Spatial Planning Act supports SME interests by:
 - Clarifying authority over land titles among authorities, so that *gminas* can proceed to assess their resources and plan their development; and
 - Establishing clear rules for the conduct and award of tenders for land allocation and development, to put competition on a more even basis, and to facilitate decision making by local authorities.⁹
3. Promote assistance to *gminas* in using land development as an instrument of larger economic development strategy:
 - Support plans by A.I.D./Regional Housing and Urban Development Office and others to provide consultancy support in land inventory, land use management, and planning;
 - At the same time, urge that this work make capacity building at the *gmina* and *woiwodeship* level a priority. Focusing on a few regions and creating sound examples of private-public partnerships in land planning and development will be more useful than providing technical assistance wherever it is requested; and
 - Encourage the addition of experts in local economic development agency management (in Europe or North America) to teams of urban planners working in these projects.

⁹As noted by the World Bank, the latest version of the act, now before Parliament, contains measures inconsistent with measures being taken in the Anti-Crisis Act to remove obstacles to the land development and housing market development.

These experts can play a valuable role in teaching local authorities how partnerships with private interests can be structured, and how local authorities can put their financial and other assets to more effective use through fiscal and institutional reform.

4. Support the rapid implementation of the World Bank Housing Finance Project:
 - The Government of Poland is right to insist that housing support projects should address the needs of the vast majority of Poles living in inadequate conditions, but delaying this project is not the way to help these people. This initiative, and the parallel funding from A.I.D. and EBRD, should proceed, and negotiation should start on new assistance for alternative programs of housing and construction finance, such as those proposed in the Housing Memorial; and
 - The competitive bidding guidelines, removed from the latest version of the project document, should be reinstated to safeguard SME interests in the projects receiving development finance.

5. Develop new legislation for SMEs that mandates SME participation in public land development:
 - Require the setting aside of a certain percentage of the value of public land development projects (as presented in tender responses) for firms with less than 50 employees. This will encourage subcontracting by larger, mostly state-owned firms and their vertical disintegration. It may encourage ambitious employees within state firms to form their own private companies, negotiating with the parent company over the purchase of equipment, plant, and staff. This would facilitate the privatization process.

6. Set up an SME regulatory reform task force, with the following initial functions:
 - Support the new Collateral Law legislation being prepared under the Institutional Reform and the Informal Sector (IRIS) Project. Although political instability will continue to undermine investor confidence in leasing arrangements, this new law is necessary to enable lease assets to be recognized, while *gminas* and other authorities develop more harmonious working relationships;
 - Develop alternatives to the tax holiday system of investment tax credits; develop other tax incentives for the adoption of new, more energy efficient, ecologically sound construction technologies in new and existing buildings;
 - Develop a new bankruptcy law to provide entrepreneurs with means for resolving short-term cash-flow problems; and
 - Provide information on current tax obligations and implications for SMEs of VAT and other proposed reforms to business associations.

7. Support the creation of new building codes that permit the use of all materials conforming to European Community standards.
8. Support the creation of task forces on regional economic development, where officials from *gminas* and *woiwodeships* can meet periodically with representatives of private sector associations to discuss land development plans and strategies. These would not be decision-making bodies, but would be a means of improving SME participation in land use decisions.
9. Support the creation of a task force on national construction policy issues, involving the Minister for Entrepreneurship Promotion, the Minister of Construction and Spatial Planning, and representatives of national private sector associations, to provide a counterpart to the regional forums and to ensure that issues raised at the regional level are heard in Warsaw.

The construction assessment shows how weaknesses in basic governance block or retard private sector initiative. The absence of management experience in a market economy, combined with a fear of making mistakes (and raising public criticism), paralyzes local government officials, preventing them from forming more productive working relationships with private enterprises. Without some help to this group, much of the direct-to-the-private sector support effort will be wasted.

There is interest in the government in using U.S. expertise at the central and local administration levels. Although support to the private sector should remain a priority, additional resources should be devoted to institutional development within key institutions in the public sector (for example, the Ministry of Construction and selected *woiwodeships* with high economic development potential) to help widen a few of the bottlenecks that beset much entrepreneurial initiative. A few long-term advisors, wisely placed, could increase the productivity of much of the other assistance offered private sector institutions.

ACTION PLAN

At the local or *gmina* level:

- Organize a private sector group containing a range of construction entrepreneurs (builders, developers, wholesalers, and members drawn from existing private sector organizations and building trades associations);
- Form a task force with group and municipal or *gmina* officials to help expedite (and provide private sector input to) *gmina* land use and development planning, specifying zoning decisions and priorities for public land sale, lease, and joint venture development;
- Working through the same group, produce a Construction Market Information Report, based on a land use and development plan, which the office of the Minister for Entrepreneurship Promotion can release through Polish and foreign investor information channels;
- Organize a seminar on new building technologies, at which local building inspectors and entrepreneurs can exchange information on proper installation and operation of new equipment (and thus reduce delays in obtaining permits for building using new technologies);
- Develop a task force to produce guidelines for conduct of public tenders for land development and construction projects, and to form tender review panel, containing *gmina* and private sector members (to consider protests); and
- Issue periodic bulletins to the minister's office on central government policy and regulatory issues restricting local enterprise and market development.

At the central government level:

- Link local groups through creation of construction trades network, and organize distribution of local reports to members and key GOP officials;
- Compile a list of legal and regulatory problems reported from the local groups. Consider the creation of a Golden Fleece-type of public presentation of government regulatory problems;¹⁰

¹⁰The Golden Fleece award was created by a U.S. Senator to expose areas of government waste, through the use of monthly awards for outstanding examples of waste. The publicity obtained by the program encouraged groups from around the country to submit information about public spending problems. In Poland the award would be not for government waste itself, but for government regulations

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- **Produce information bulletins on the Polish construction market, based on input from local groups, to make Polish and foreign investors more aware of development opportunities; and**
- **Incorporate wider regulatory issues raised (such as unfair tenders) into larger small business and regulatory reforms through the development of a Small Business Act.**

that cause entrepreneurs to waste the most time and money.

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ANNEX A
PERSONS CONTACTED

CONTACTS - BIELSKO-BIALA

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30

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15

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A. Czech, Polskie Towarzystwo Ekonomiczne Katowice (Polish Economic Society, Katowice).

A. Zochowski, Rolniczo-Handlowa Izba Gospodarcza "Samopomoc Chlopska" (Farmers' Self-Help Chamber).

G. Karnas and J. Stein, Zrzeszenie Prywatnego Handlu i Usług Katowice (Association of Private Service and Trade, Katowice).

A. Sidlo, Zrzeszenie Transportu Prywatnego Katowice (Association of Private Transporters, Katowice).

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27

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40

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4

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43

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8. "Ecuador Micro-Enterprise Sector Assessment: Summary Report." John H. Magill and Donald A. Swanson. GEMINI Technical Report No. 8. April 1991. \$10.20.

45

9. "Ecuador Micro-Enterprise Sector Assessment: Financial Markets and the Micro- and Small-scale Enterprise Sector." Richard Meyer, John Porges, Martha Rose, and Jean Gilson. GEMINI Technical Report No. 9. March 1991. \$16.00
10. "Ecuador Micro-Enterprise Sector Assessment: Policy Framework." Bruce H. Herrick, Gustavo A. Marquez, and Joseph F. Burke. GEMINI Technical Report No. 10. March 1991. \$11.30.
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13. "A Monitoring and Evaluation System for Peace Corps' Small Business Development Program." David M. Callihan. GEMINI Technical Report No. 13. [not available for general circulation]
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- *15. "An Evaluation of the Institutional Aspects of Financial Institutions Development Project, Phase I in Indonesia." John F. Gadway, Tantri M. H. Gadway, and Jacob Sardi. GEMINI Technical Report No. 15. March 1991. \$8.80.
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- *19. "Women in the BPD and Unit Desa Financial Services Programs: Lessons from Two Impact Studies in Indonesia." Sharon L. Holt. GEMINI Technical Report No. 19. September 1991. \$3.80.
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