



Prime Minister

Foreign and Commonwealth Office

London SW1A 2AH

5 February 1990

I think this shows that the Know-How Fund is a good start.
 Sea Charles, perhaps Bernard could draw on some of the prep.
Eastern Europe This letter to brief

Thank you for your letter of 24 January reporting Rupert Murdoch's conversation with the Prime Minister.

We are already extremely active in providing training and advice for Poland. Over 50 projects have already been launched under the Know-How Fund. I enclose lists of the projects underway or already completed. You will see that there is a heavy concentration on the financial/banking field. I believe that we have the edge over other donors in this area. The City is particularly well placed to help and we have already developed a close relationship with the Polish Ministry of Finance and with the Privatisation Agency. A mission led by Kate Mortimer has produced an impressive report which will form the basis for activity in this area for the foreseeable future. The Poles are very satisfied with this assistance.

Management training is also a high priority. The British Council have been closely involved in this area since the Fund was established. We have held seminars in Poland and a group of senior directors of Polish management schools came here last year on a study tour. Up to 50 young managers will visit Britain before the end of March on a two-month training programme, and many more will follow. We are working with the BBC and British Council on training programmes for broadcasters and journalists.

The fund for Hungary (£25m) will come into operation in April. It too is likely to concentrate on banking/finance, although Hungary's needs are likely to be somewhat different from Poland's. Know-How Fund help for the other countries will be phased in as each demonstrates that it is fully committed to reform.

We agree on the importance of improving the quality of administration throughout Eastern Europe and that we have particular knowledge to offer. Especially during the transition to new structures, the East Europeans will have to rely heavily on the quality of their civil servants. We have already been asked by the Poles to help with the training of their diplomats and the Romanians would like our advice on restructuring their Foreign Office. We intend to respond positively to both these requests and any others which follow in the areas of the bureaucracy.

CCP
6/2.



The Know-How Fund is already financing many inward visits to Britain, for example by journalists, managers and parliamentarians. We are currently planning further visits by parliamentary officials, lawyers, local government officials and educators. For the countries which do not yet have a Know-How Fund, the COI are increasing the quota of visits. In this way we shall fund seminars over the next three months to introduce young politicians from Bulgaria, the GDR, Czechoslovakia and Romania to our political and parliamentary practices.

You asked about coordination of our assistance. Mr Waldegrave has ministerial responsibility for the Know-How Fund and has established an advisory board of experts, including businessmen and industrialists, to help him. The Know-How Funds and other aid activities are administered by a joint Diplomacy Wing/ODA Unit which reports to Mr Waldegrave and the advisory board. Within the FCO, our assistance will be supervised by our new Assistant Under Secretary of State for Eastern Europe and the Soviet Union, Michael Tait. He will liaise closely with John Kerby in the ODA, since much of the money is on their vote. The activities of all interested Departments within Whitehall will be coordinated at senior official level by the new Cabinet Office Committee, MISC 144 and at ministerial level, a ministerial committee about which the Prime Minister has been consulted separately.

I am copying this letter to John Gieve (HMT), Martin Stanley (DTI), Myles Wickstead (ODA) and Sonia Phippard (Cabinet Office).

John,
 Stephen Wall
 (J S Wall)
 Private Secretary

C D Powell Esq
 10 Downing Street

POLAND: ANNOTATED LIST OF ACTIVITIES APPROVED UNDER THE
KNOW-HOW FUND FOR POLAND AS AT 12 JANUARY

Title: Foreign Investment Agency
Description: Four seminars on corporate finance, and financial
and management accounting
Status: Completed
Cost: £56,000

Title: Bank Handlowy
Description: Two seminars on Treasury management and an
introduction to capital markets
Status: Completed
Cost: £34,000

Title: Free Market Mission
Description: High level project identification mission in the
banking and finance sector
Status: Completed
Cost: £113,000

Title: Finance and the City of London
Description: Course in financial institutions for 20 Polish
visitors
Status: To be held in February
Cost: £61,000

Title: Office technician and accountancy staff training
Description: Project identification mission for training of
accountancy staff
Status: Completed
Cost: £29,000

Title: Privatisation conference
Description: Conference
Status: Completed
Cost: £33,000

Title: Job Ownership
Description: Study tour of UK employee-owned businesses
Status: Completed
Cost: £12,000

Title: Warszawskie Zaklady Telewizyjne (WZT)
Description: Pilot consultancy on employee ownership
Status: Underway
Cost: £12,000

Title: Management Study tour
Description: Directors of Polish management education schools to
undertake two-week UK study tour
Status: Completed
Cost: £31,000

Title: Management seminars

Description: Seminars on marketing and export promotion
Status: To be implemented
Cost: £23,000

Title: Young management graduates
Description: Two month programme at Strathclyde
Status: To be implemented
Cost: £222,000

Title: Management educators
Description: Training of trainers at Strathclyde
Status: To be implemented
Cost: £251,000

Title: Visiting lecturers
Description: Tours of Polish management schools by invited
British specialists
Status: To be implemented
Cost: £56,000

Title: Fishery management
Description: Three month programme at Hull for Polish fishery
managers
Status: Underway
Cost: £133,000

Title: Farmer/Co-operatives training
Description: Identification and implementation of training
programme for managers of cooperatives
Status: Underway
Cost: £50,000

Title: English for management
Description: Identification visit
Status: Completed
Cost: £10,000

Title: Management libraries
Description: provision of basic library of management texts to
key Polish educational institutions
Status: Underway
Cost: £129,000

Title: WK & AM consultants
Description: Assessment of potential productivity improvements at
three Polish plants
Status: Underway
Cost: £30,000

Title: Financial seminars
Description: Raising the awareness of how Western financial institutions work
Status: Underway
Cost: £172,000

Title: Electricity sector
Description: Reconnaissance mission
Status: Completed
Cost: £10,000

Title: IBRD social security mission
Description: Secondment of two UK experts to a IBRD mission to look at the social aspects of economic adjustment
Status: Underway
Cost: £13,000

Title: Blood plasma
Description: Feasibility study for establishment of a blood fractionation plant
Status: Underway
Cost: £140,000

Title: Data Processing
Description: Adaption of Polish econometric model to meet IMF specifications
Status: Completed
Cost: £22,000

Title: Economic Adviser
Description: Appointment of a macro-economic adviser to the Minister of Finance
Status: Underway
Cost: £80,000

Title: Equipment for Ministry of Finance
Description: Provision of office machinery
Status: To be implemented
Cost: £50,000

Title: Coal industry training
Description: Training in colliery management techniques
Status: Underway
Cost: £38,000

Title: Cracow tourism study
Description: Recommendation of immediate measures to help Cracow cope with the coming tourist season, and development of longer-term proposals
Status: Underway
Cost: £37,000

Title: Agros dried vegetables
Description: Recommendations for productivity improvements in this enterprise
Status: Underway
Cost: £55,000

Title: Company doctor training
Description: Training Polish consultants in techniques of company analysis
Status: To be implemented
Cost: £11,000

Title: Conference on demonopolisation
Description: Discussion of methods and experiences of demonopolisation in relation to the process of economic and political decision taking
Status: To be implemented
Cost: £11,000

Title: Book industry training
Description: Pilot project to assess the training needs of the Polish book industry
Status: To be implemented
Cost: £17,200

Title: Post-experience training for journalists
Description: Academic plus practical attachments
Status: To be implemented
Cost: £29,000

Title: Local government assistance
Description: Preparation for local government elections in June
Status: Underway
Cost: £170,000

Title: Seminars for Polish MPs
Description: Introduction to British parliamentary concepts
Status: Completed
Cost: £15,000

Title: Media training
Description: Training organised by BBC World Service
Status: To be implemented
Cost: £130,000

POLAND: ESTIMATES OF DISBURSEMENTS
(£'000)

	1989/90	1990/91	1991/92	1992/93	1993/94	1994/95	TOTAL
			19-Jan-90				

POLAND: ESTIMATES OF DISBURSEMENTS
(£'000)

	1989/90	1990/91	1991/92	1992/93	1993/94	1994/95	TOTAL
BANKING AND FINANCE							
Foreign Investment Agency	59.5						59.5
Bank Handlowy	34.1						34.1
Free Market Mission	113.4						113.4
City Finance course	61.3						61.3
Privatisation assistance	65.8						65.8
Public awareness campaign	2.0						2.0
Job Ownership study	11.5						11.5
WZT consultancy	11.5						11.5
Establishment of capital markets	6.0						6.0
Conference on demonopolisation	11.3						11.3
Financial seminars	172.1						172.1
LSE capital markets seminar	8.0						8.0
TOTAL	556.5	0.0	0.0	0.0	0.0	0.0	556.5
MANAGEMENT AND ACCOUNTANCY							
Accountancy assistance	28.8						28.8
Management study tour	30.9						30.9
Management Seminars	22.5						22.5
Young management graduates	222.1						222.1
Management Educators	251.3						251.3
Visiting lecturers	55.8						55.8
Furnel management training	167.2						167.2
English for management	9.8						9.8
Management school libraries	128.8						128.8
TOTAL	917.2	0.0	0.0	0.0	0.0	0.0	917.2
MACROECONOMIC ADVICE							
London economic conference	8.2						8.2
IBRD social security mission	13.0						13.0
IMF/Data processing	21.8						21.8
Economic Adviser	20.0	47.0					67.0
Equipment for Finance Ministry	50.0						50.0
TOTAL	113.0	47.0	0.0	0.0	0.0	0.0	160.0
AGRICULTURE, FISHERIES AND FORESTRY							
Fishery management	132.5						132.5
Sector PIN							
Farming/Cooperatives training	50.4						50.4

POLAND: ESTIMATES OF DISBURSEMENTS
(£ '000)

	1989/90	1990/91	1991/92	1992/93	1993/94	1994/95	TOTAL
TOTAL	182.8	0.0	0.0	0.0	0.0	0.0	182.8
INDUSTRY							
UK & AM	30.0						30.0
Agros vegetable study	55.0						55.0
National business services	2.0						2.0
TOTAL	87.0	0.0	0.0	0.0	0.0	0.0	87.0
ENERGY							
Electricity sector mission	10.0						10.0
Coal industry training	38.0						38.0
TOTAL	48.0	0.0	0.0	0.0	0.0	0.0	48.0
EDUCATION AND ELT							
Book sector PIM							
TOTAL							
HEALTH							
Blood plasma study		139.4					139.4
TOTAL	0.0	139.4	0.0	0.0	0.0	0.0	139.4
TOURISM							
Cracow study		34.0					34.0
Sector needs analysis							
TOTAL	0.0	34.0	0.0	0.0	0.0	0.0	34.0
GENERAL							
Training programme		500.0	550.0	600.0	750.0	700.0	3100.0
Book presentation programme		100.0	100.0	100.0	100.0	100.0	500.0
Academic links		100.0	100.0	100.0	100.0	100.0	500.0
HOMGS		20.0	20.0	20.0	20.0	20.0	100.0
HOMSPS		50.0	100.0	100.0	100.0	100.0	450.0
TOTAL	0.0	770.0	870.0	920.0	1070.0	1020.0	5982.4
POLITICAL/DEMOCRACY							
Anglo/Polish legal association	7.5						7.5
Book industry training	17.2						17.2
Journalists	28.7						28.7
Local government assistance	40.0	130.0					170.0
Rule of law	3.0						3.0
Restructuring Polish TV	3.0						3.0
World Service/Media	20.0	110.0					130.0
Seminars for Polish MPs	14.6						14.6

POLAND: ESTIMATES OF DISBURSEMENTS
(£'000)

	1989/90	1990/91	1991/92	1992/93	1993/94	1994/95	TOTAL
Warsaw political conference	1.4						1.4
TOTAL	135.5	240.0	0.0	0.0	0.0	0.0	375.5
[C] ADMINISTRATION							
Travel by Unit officials	10.0	10.0					20.0
Advisory services	10.0	30.0	30.0	30.0	30.0	30.0	160.0
TOTAL	20.0	40.0	30.0	30.0	30.0	30.0	180.0
GRAND TOTAL	2060.0	1270.4	900.0	950.0	1100.0	1050.0	8632.8
AID FRAMEWORK	3000.0	10000.0	10000.0	10000.0	10000.0	7000.0	50000.0

POSSIBLE PROJECTS							
Export Development Bank		400.0	200.0				600.0
Accountancy assistance		275.0					275.0
IBRD consultancies		1000.0					1000.0
Electricity audit		280.0					280.0
TOTAL		1955.0	200.0	0.0	0.0	0.0	2155.0
TOTAL INCLUDING POSSIBLES	2060.0	3225.4	1100.0	950.0	1100.0	1050.0	10787.8

BALANCE FOR DISBURSEMENT (EXCLUDING POSSIBLES)	940.0	8729.6	9100.0	9050.0	8900.0	5950.0	41367.2
AID VOTE	1924.5	1030.4	900.0	950.0	1100.0	1050.0	8257.3
DIPLOMATIC WING VOTE	135.5	240.0	0.0	0.0	0.0	0.0	375.5