



The World Bank in Poland

Country Snapshot



An overview of the World Bank's work in Poland

October 2018

POLAND	2017
Population, million	38.0
GDP, current US\$ billion	524.7
GDP per capita, current US\$	13,817
Life Expectancy at birth, years (2015)	77.5

At a Glance

- Poland is one of the fastest-growing economies in the European Union, with inflation under control, a record low unemployment rate, and strong wage growth.
- The three main challenges ahead for Poland are a shortage of labor in the economy, a structural weakening in public finances, and the upcoming political calendar, all of which may keep public spending at elevated levels.
- The World Bank Group's new Country Partnership Framework for Poland concentrates the Bank's engagement on key remaining development challenges, including the health care system, environmental threats, and regional convergence.

Country Context

Poland's economy continues to perform strongly. Real GDP growth is expected to reach 4.7% in 2018, driven by domestic consumption and accelerating investments.

Unemployment at below 4% is the second-lowest rate in the 28-member European Union (EU). Poverty and shared prosperity indicators continue to improve in light of surging private consumption that is supported by a tight labor market and government social programs.

The three main challenges ahead for Poland are a shortage of labor in the economy, a structural weakening in public finances, and the upcoming political calendar.

The shortage of labor will eventually weigh heavily on GDP growth and be exacerbated by the retirement of a significant part of the workforce. A scarcity of workers could negatively affect production capacities and investment, thus heightening pressure on the Government to encourage immigration, which would likely come primarily from Ukraine.

The Government's spending plans, which include increases in social benefits and public investment as well as a reduction in the statutory retirement age, could erode the structure of public finances.

Strengthening the fiscal position might be difficult given that local, presidential, and parliamentary elections are scheduled to be held within 18 months.

The World Bank and Poland

Since the 1990s, the World Bank has been one of the most prominent development institutions in Poland, providing a total of US\$16 billion in loans and implementing a number of advisory projects.

Poland's relationship with the Bank is both a partnership of choice and a two-way knowledge collaboration. It is based on the recognition that the Bank's presence in the country continues to generate value added for both sides: for Poland through access to financial and knowledge services, and for the World Bank through a strengthened relationship with a high-income country.

The World Bank Group's new Country Partnership Framework (CPF) for Poland concentrates the Group's engagement on key remaining development problems, including the health care system, environmental threats, and regional convergence.

Key Engagement

The World Bank program in Poland consists of two ongoing lending operations (flood management projects), and knowledge and advisory products that help the country address its crucial development challenges, including in the areas of health and regional disparities.

Health

Since 2013, Poland's Ministry of Health, the National Health Fund (NFZ), and the World Bank have been working together to introduce enhanced service delivery integration across all levels of care and all types of providers in Poland.

The partnership with the World Bank allows for the sharing of evidence-based resources, such as experiences in the design and implementation of integrated care systems.

At the start of 2018, the World Bank and the NFZ began implementing integrated care in

WORLD BANK PORTFOLIO

No. of Projects: 2

Lending: \$688 Million

Reimbursable Advisory Services: 3 (\$1.34 Million)

Trust Funds: 2 (\$2.9 million)

the primary health care system with the aim of ensuring that diagnostic, therapeutic, and rehabilitation care is focused on patient needs.

Under the new agreement, Bank experts will monitor and evaluate the implementation of a pilot project that covers 300,000 people countrywide, contributing to a better quality and greater scope of services for patients.

Catching-Up Regions

To respond to the challenge that many Polish regions have not fully experienced the country's development opportunities, the World Bank implements a "Catching-Up Regions" initiative. The project supports Poland's less-developed regions in a number of areas: fostering science-business cooperation, strengthening vocational education, boosting local entrepreneurship, and improving the energy efficiency of single family houses.

The World Bank works hand in hand with national and regional authorities, providing knowledge and practical expertise to help overcome bottlenecks that the regions themselves have identified.

Recent Economic Developments

Poland's GDP grew by 5.2% in the first half of 2018, driven primarily by growing domestic demand and accelerating investments.

Private consumption grew by 4.8%, fueled by a strong labor market, with a 6.7% hike in salaries as well as an increase in social spending, mainly for the Family 500+ program.

Compared to previous years, government consumption is also gaining momentum. Gross fixed investments continue to recover after a major decline in 2016 caused by a cyclical fall in EU-funded projects, a reduced inflow of foreign direct investment, and elevated political risks.

Increased government investments, especially at the local level, influenced by the approaching elections and a higher absorption of EU funding, have both contributed to the rebound of total investments.

Consumer prices rose by an average of 1.7% in the second quarter of 2018, affected by higher oil prices, a weaker zloty, and a booming real estate sector.

Long-term unemployment dropped to approximately 400,000, the lowest number since the economic and political transition in 1989. Employment rates have continued to rise, and labor shortages have started to affect business activity.

It is estimated that poverty and shared prosperity indicators continued to improve in 2017 in light of surging private consumption supported by a tight labor market and government social programs.

Economic Outlook

Economic growth may reach 4.7% in 2018, driven by both private and government consumption as well as investments.

The previous projection of 2018 real GDP growth has been revised upward by 0.1 percentage point due to the stronger performance of consumption demand and rising investments.

Household spending is set to continue to grow, fueled by higher state spending on pensions and social benefits.

However, as the positive effects of the Family 500+ program are fading and not fully offset by increased salaries, the contribution of private consumption to GDP is expected to fall in the coming years.

Public spending is likely to remain strong, supported by EU funds and by the political cycle leading up to local elections in 2018 and general elections in 2019.

Overall, economic growth is expected to slow to 3.9% in 2019 and 3.6% in 2020.

Fiscal performance remains a challenge despite the sound budget position so far. The general government deficit is expected to be about 1.6% of GDP in 2018, safely below the 3% EU threshold.

Spending is likely to rise due to higher government consumption, local pre-election investments, and the decision to roll back the planned increase in the retirement age.

Project Spotlight

Odra-Vistula Flood Management Project



Embankments need to be strengthened to protect people and their homes.



World Bank mission visiting a project site.

attention to Poland's longest river, the Vistula, where the needs are still high. In 2015, the Government launched the Odra-Vistula Flood Management Project. Its development objective is to increase access to flood protection for people living in selected areas of the Odra and the Upper Vistula river basins, and to strengthen the institutional capacity of the Government to mitigate flood events more effectively.

The total project costs are US\$1.317 million, with World Bank financing amounting to US\$504 million. The project implementation period is eight years. Subsequent contracts for civil works and technical assistance are being signed and are currently under implementation.

The "Country Snapshot" is a bi-annual update, highlighting the country's recent developments, economic outlook and major overview of the World Bank's partnership with the country. You can find the latest updates at <http://www.worldbank.org/poland>

CONTACTS

Warsaw

+48-22-520-80-00

Warsaw Financial Center,
53 Emilia Plater Street,
00-113 Warsaw, Poland.

More about the World Bank in Poland

Data:

<http://data.worldbank.org/country/poland>

Projects:

<http://www.worldbank.org/en/country/poland/projects>

Research:

<http://www.worldbank.org/en/country/poland/research>

News:

<http://www.worldbank.org/en/country/poland/news>

@WorldBankPoland

