

The World Bank in Poland Country Snapshot



An overview of the World Bank's work in Poland

October 2019

POLAND	2018
Population, million	38.0
GDP, current US\$ billion	585.5
GDP per capita, current US\$	15,418
Life Expectancy at birth, years (2017)	77.9

At a Glance

- Poland's economy continues to perform robustly, with real GDP growth reaching 5.1 percent in 2018, driven by domestic consumption and a pickup in investment.
- The pace of growth is projected to subside in the coming years in the face of a tightening labor market and slowing growth in the rest of the European Union.
- Labor shortages and expansionary fiscal policies are the main challenges to sustained growth in the medium term.
- The World Bank Group's new Country Partnership Framework for Poland concentrates the Bank's engagement on the key remaining development challenges, including the health care system, environmental threats, and regional convergence.

Country Context

Poland is now among the fastest-growing economies in the European Union (EU). Household consumption, fueled by expected increases in budgetary expenditures, a tight labor market, and rising wages, continues to grow.

This, together with continuing low interest rates and the execution of EU funds-related investments, will help sustain Poland's economic growth prospects in the near term.

The two main challenges ahead for Poland are a shortage of labor and expansionary measures encouraged by the political calendar.

The shortage of labor will eventually weigh heavily on potential GDP growth and be exacerbated by the early retirement of an increasing share of the workforce. Poland is at an advanced stage in its demographic transition; its working-age population is already shrinking and is forecast to further decline in the coming years.

A dense political calendar, with EU, presidential, and general elections taking place within one year, has inspired a range of expansionary policies.

Proposed measures to increase social benefits, lower tax rates, and inflate the cost of pension payments will put pressure on public finances. Due to the political cost of reversing these policies, they will weigh on Poland's fiscal position.

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.

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Key Engagement

The World Bank program in Poland focuses on helping the country address its crucial development challenges, including in the areas of air pollution and health.

Air Pollution

Despite significant efforts to reduce harmful air emissions during and after the economic transition in the 1990s, Poland remains home to many of the most polluted cities in the EU. The World Bank is supporting Poland in the design of implementation and financial mechanisms for a National Program for Anti-Smog and Energy Efficiency.

The challenge to implementing a national program lies in the need to develop a scalable system, given that there are about 4.5 million single family buildings (SFBs) in Poland that need to replace heat sources and implement thermal retrofitting.

WORLD BANK PORTFOLIO

No. of Projects: 2

Lending: \$688 Million

Reimbursable Advisory Services: 2 (\$1.47 Million)

Trust Fund-Financed Advisory Services and

Analytics: 6 (\$3.41 Million)

According to the World Bank, the most efficient way to reduce air pollution is to create a national scheme that would provide SFBs with substantial public subsidies and financing from commercial banks.

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.

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

Recent Economic Developments

Poland's GDP grew by 5.1 percent in 2018, driven by expanding domestic consumption and high investments. Private consumption was fueled by a strong labor market, increases in average salaries, and social programs such as "Family 500+."

Increased government investments, substantially influenced by local elections held in 2018, the higher absorption of EU funding, and the inflow of foreign direct investment, have contributed to the acceleration of total investments.

On the production side, industry, transportation, and construction were the key drivers of growth, while the agriculture sector declined following a summer drought.

The general government deficit for 2018 amounted to 0.4 percent of GDP, while the debt-to-GDP ratio decreased to 48.9 percent. Consumer prices rose by a modest 1.6 percent in 2018, thanks to low core inflation.

The current account balance returned to a deficit in 2018. The labor market has further tightened, partly due to strong labor demand, policies that have affected the labor supply, and a decline in the working-age population linked to aging.

The poverty rate, using the upper-middle-income class line of US\$5.50 per day (2011 purchasing power parity) is estimated to have declined from 2.7 percent in 2015 to 2.0 percent in 2018.

Economic Outlook

Amid the economic slowdown in the EU, Poland's GDP growth may reach 4.3 percent in 2019, driven by persistently strong domestic consumption and higher-than-expected investments.

Household consumption expenditures are set to continue to grow, fueled by an expansion of the Family 500+ program, additional pension payments, and a strong labor market.

However, as the impact of new social programs on consumption is likely to be smaller than the initial effects of "Family 500+" due to rising prices (the consumer price index is likely to reach almost 3 percent in 2020), the contribution of private consumption to GDP growth is expected to fall in the coming years.

Low interest rates and the low availability of EU funds are expected to support private investments.

Despite the uncertain economic perspectives of Germany and the United Kingdom (which together account for approximately a third of Poland's exports), exports expanded by 4.9 percent in the first half of 2019 and are expected to result in a positive trade balance and a modest current account surplus.

In the medium term, economic growth is forecast to decelerate to 3.6 percent in 2020 and 3.3 percent in 2021. Nonetheless, rising real incomes are expected to lead to further declines in poverty.



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Project Spotlight

Odra-Vistula Flood Management Project



Opening ceremony for the new flood embankments, Vistula River.

The World Bank has been partnering with Poland to strengthen the national flood protection system and secure the lives, health, and property of citizens since 1997, when the devastating “Millennium Floods” struck the country.

This natural disaster reminded Poland of its intrinsic vulnerability to

flooding caused by the mountainous and hilly landscape and by decades of neglect.

In 20 years, thanks to World Bank support, a considerable stretch of the Odra River has been secured, while Wrocław, one-third of which was flooded in 1997, today is a vibrant European city.

After significant investments along the Odra River, the Government shifted its 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.



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

Data:

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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>