Country Partnership Framework for

POLAND

for the period FY19-24

WORLD BANK GROUP

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Europe: Central, South & Baltics Country Management Unit
Europe and Central Asia

The International Finance Corporation
Europe and Central Asia

The Multilateral Investment Guarantee Agency

CONTENTS

Currency equivalents

Exchange Rate Effective
Currency Unit = Zloty (PLN)
US$1 = 3.575 PLN (as of May 4, 2018)

Abbreviations and Acronyms

AQM	Air Quality Management
ASA	Advisory Services and Analytics
B40	Bottom 40 percent of the population
BB	Bank Budget
CAP	Clean Air Program
CEB	Council of Europe Development Bank
CEPR	Centre for Economic Policy Research
CGE	Computable General Equilibrium
CLR	Completion and Learning Review
COP	Conference of the Parties
CPF	Country Partnership Framework
CPS	Country Partnership Strategy
CTF	Clean Technology Fund
DB	Doing Business
DEC	Development Economics
DG Regio	Directorate General for Regional and Urban Policy
DP	Development Program
DPL	Development Policy Loan
DPO	Development Policy Operation
EBRD	European Bank for Reconstruction and Development
EC	European Commission
ECA	Europe and Central Asia
EDP	Excessive Deficit Procedure
EIB	European Investment Bank
EMPF	Econometric Model of Public Finance
ESI	European Structural and Investment
ESW	Economic and Sector Work
ETS	Emission Trading System
EU	European Union
EUR	Euro
FDI	Foreign Direct Investment
FSA	Financial Sector Assessment
FSAP	Financial Sector Assessment Program
FSRU	Floating Storage and Regasification Unit
FY	Fiscal Year
GDDKiA	General Directorate for National Roads and Motorways
GDP	Gross Domestic Product
GEF	Global Environment Facility
GFDRR	Global Facility for Disaster Reduction and Recovery
GHG	Greenhouse Gas
GPGs	Global Public Goods
HEIs	Higher Education Instututions
IBRD	International Bank for Reconstruction and Development
ICR	Implementation Completion Report
ICRR	Implementation Completion and Results Report
IDA	International Development Association
IDF	Institutional Development Fund
IDS	Integrated Delivery System
IE	Impact Evaluation
IEG	Independent Evaluation Group
IFC	International Finance Corporation
IMF	International Monetary Fund
IPF	Investment Project Financing
IPPF	Infrastructure Project Preparation Facility
KED	Knowledge, Education and Development
LAC	Latin America and the Caribbean

LGU	Local Government Unit
LTC	Long Term Care
M&E	Monitoring and Evaluation
MENA	Middle East and North Africa
MFD	Maximizing Finance for Development
MFMod	Micro-Fiscal Model
MIC	Middle Income Country
MIGA	Multilateral Investment Guarantee Agency
MNC	Multinational Corporations
MoF	Ministry of Finance
MRA	Mutual Recognition Agreement
MSHE	Ministry of Science and Higher Education
MSME	Micro, Small, and Medium Enterprises
NAWA	National Agency for Academic Exchange
NCBiR	National Center for Research and Development
NDC	Nationally Determined Contribution
NFZ	National Health Fund
NGOs	Non-Governmental Organizations
NPL	Non-Preforming Loan
OECD	Organization for Economic Co-operation and Development
OP	Operational Program
OPCS	Operations Policy and Country Services
ORFPP	Odra River Flood Protection Project
PFM	Public Financial Management
PforR	Program for Results
PiS	Law and Justice Party
PLR	Performance and Learning Review
PM	Particulate Matter
PPP	Public-Private Partnership
PROST	Pension Reform Options Simulation Toolkit
QA	Quality Assurance
R&D	Research and Development
RAS	Reimbursable Advisory Services
RDS	Responsible Development Strategy
RIS	Research and Innovation Strategies
SCD	Systematic Country Diagnostic
SFB	Single Family Buildings
SMEs	Small and Medium Enterprises
SOE	State-Owned Enterprise
SORT	Systematic Operations Risk-rating Tool
SRSS	Structural Reform Support Service
TA	Technical Assistance
TF	Trust Fund
TFP	Total Factor Productivity
UMICs	Upper Middle Income Countries
USD	United States Dollar
WB	The World Bank
WBG	The World Bank Group
WDR	World Development Report
WHO	World Health Organization

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I. INTRODUCTION

1. **Poland has reached high-income status over a relatively short period of time, an experience with potential lessons for other countries.** Few middle-income countries have witnessed such consistent broad-based growth – both fast and stable (on average 3.6 percent over the last decade). This transition benefited from a consistent set of policies that promoted productivity increases and strengthening of institutions, focused on the benefits of European Union (EU) membership, invested in human capital, encouraged entrepreneurship and emphasized sound macroeconomic management. Growth over this period also had a positive impact on shared prosperity, as the per capita consumption of the bottom 40 percent grew at an annualized rate of 0.7 percent between 2009 and 2014, slightly faster than the average for the total population.

2. **However, Poland's development path still faces vulnerabilities – and to consolidate gains and address the complex challenges of the future will require strong institutions.** The recent Systematic Country Diagnostic (SCD) assesses Poland's most critical institutional constraints and identifies priorities where targeted support could further boost shared prosperity in a sustainable manner. First, Poland is the fastest aging society in Europe - 35 percent of the population will be over 65 by 2030. These dramatic demographic shifts, combined with the rapid pace of global technological change, call for effective institutional solutions. Second, as overall income levels continue to converge to those of the EU, it will be important to address risks to increasing inequality. Especially significant are the disparities between regions and with local communities where needs are the greatest and institutional capacity is relatively weak. Some regions in Poland are among the 20 poorest in the European Union. Third, sustainable management of natural resources, including water and air quality management, is fundamental to the well-being of Poland's citizens. The country is home to 33 of the 50 most polluted cities in Europe and accelerating the transition to a low-emissions economy will require both innovative solutions and strong institutions to deliver results.

3. **Given Poland's achievements, but also its remaining institutional challenges, this Country Partnership Framework (CPF) makes a marked departure from previous WBG engagements.** Drawing on the SCD assessment, the CPF proposes a highly selective framework for engagement and limited IBRD borrowing. Future WBG activities would have to demonstrate that it builds essential institutional capacity and/or demonstrates clear IFC additionality.

WBG financing would be assessed using the following filters: (i) developing innovative solutions that benefit the most poor and vulnerable; (ii) maximizing finance for development (including catalyzing private sector investment or leveraging additional resources); and/or (iii) contributing to regional and global public goods. The analytical work program would be delivered primarily through reimbursable advisory services (RAS). In line with the lessons learned from previous WBG engagement, the WBG would promote potential knowledge spillovers and share lessons on effective development solutions with other countries. Consistent with IFC 3.0, IFC will focus on delivering innovative private sector solutions across areas of engagement and maximizing opportunities for WBG synergies.

4. **The design of the CPF results framework is based on the SCD's institutional assessment and is fully consistent with the Government's Strategy for Responsible Development that places people at the center of its development agenda.** The CPF objectives are well-aligned with key government priorities where the WBG can bring added-value, either through its technical expertise or its ability to design and implement innovative programs informed by global best-practice. The CPF program proposes six specific objectives in three focus areas: i) Human capital investments and entrepreneurship for the 21st century; ii) advanced policy-making for growth and inclusion; and iii) resilience to environmental and global risks.

5. **The CPF will be cover a six-year period (FY19-24) with Progress and Learning Reviews (PLR) planned for every two to three years.** This approach is appropriate for a CPF program that features a strong RAS engagement, where results and knowledge spillovers can take time to materialize. The PLRs will be used to update the Results Matrix and allow for fine-turning of WBG results and an adaptive management of the knowledge program.

II. ECONOMIC DEVELOPMENTS

6. **Poland has been one of the fastest growing economies in Europe.** Since Poland's transition to a market economy, per capita GDP growth has been fast and stable, moving it from middle- to high-income status in less than 15 years. Poland was the only country in the European Union (EU) to avoid recession during the 2008-09 global financial crisis, and continued to grow faster than its regional peers at an average of 3.6 percent (2007-2016), converging rapidly to and reaching just above 70 percent of average EU GDP per capita by end-2016. Much of this performance can be linked to deft macroeconomic management, including the use of fiscal buffers, allowing the value of the currency to adjust flexibly to external shocks and the efficient and effective take up of available EU funds for investment.[1]

Box 1. European Structural and Investment (ESI) Funds

After joining the EU in 2004, Poland quickly became the largest recipient of EU structural funds, and has been successful at leveraging EU accession as an external anchor for institutional reforms. Over the 2014-20 period, EUR 86 billion in European Structural and Investment (ESI) Funds have been allocated to Poland. With an additional EUR 18.8 billion in budget contributions, a total of EUR 104.8 billion in ESI funds will be allocated through 24 national and regional programs. Some of the investment priorities for the funds match those to be supported by prospective WBG interventions in Poland, including: promoting social inclusion by adapting education to labor market needs; supporting a shift to a low- emissions economy; putting in place efficient infrastructures to achieve energy and climate change objectives; and improving employability of young people.

EU membership has provided the basis for the sustained commitment, coordination, and cooperation necessary to implement a wide-ranging policy reform agenda over the last decade.

7. **Poland's economic fundamentals are solid, with strong growth accompanied by low inflation and relatively low levels of public debt, but record low unemployment and strong wage growth suggest that the economy could be operating close to its potential.** Real GDP growth accelerated in 2017 to 4.6 percent year-on-year from 3.0 percent in 2016. Private consumption remained the main driver, boosted by robust real income growth due to a record low

1. A recent WB report drew attention to Poland's remarkable, fast transition to high-income status, while also highlighting vulnerabilities related to remaining institutional gaps: See World Bank Group. 2017. *Lessons from Poland, Insights for Poland: A Sustainable and Inclusive Transition to High Income Status.* World Bank, Washington, DC.

unemployment rate of 5 percent, real wage growth, and the stimulus from the full impact of the Family 500+ benefit program introduced in April 2016. While public investment rebounded strongly, private investment recovery is still underway. The labor market is increasingly tight, and firms are reportedly facing shortages of labor. Immigration, particularly from Ukraine, has helped to mitigate growing wage pressures. Nevertheless, by end-2017, wage growth had accelerated to 7.3 percent in nominal terms from 3.8 percent in 2016.

8. **Medium-term growth prospects will most likely be shaped by labor market and productivity drivers.** With deteriorating demographics and the rollback in the statutory retirement age, the Polish working-age population, which has been declining by 1 percent annually since 2012, is expected to shrink by 40 percent by 2060, resulting in more than doubling of the old-age dependency ratio, eventually putting pressure on health services and pension system finances. In addition, signs of emerging skill mismatches point to potential misallocation of labor with adverse effects for productivity. Total Factor Productivity (TFP) growth in Poland has slowed significantly after the global financial crisis, falling from an average of 2.4 percent over 2003–07 to barely 1 percent on average over 2013–16. Prior to 2008, strong TFP growth was supported by the rapid institutional and structural transformation of the economy and by Poland's integration into the EU economic space and European supply chains. Over the medium term, growth is expected to gradually moderate towards potential growth rates of about 3.0 percent, supported by EU-funded investments, growth in capital accumulation, and moderate TFP gains.

Table 1. **Key Economic Indicators, 2007-1019**

	2012	2013	2014	2015	2016	2017	2018f	2019f	2020f
Real economy	Annual percentage change, unless otherwise indicated								
GDP (billion EUR)	389.3	394.7	410.9	430.1	426.0	462.9	494.6	518.5	552.4
Real GDP	1.6	1.4	3.3	3.8	2.9	4.6	4.2	3.7	3.5
Unemployment (ILO definition)	10.1	10.3	9.0	7.5	6.2	5.1	4.2	3.2	2.4
CPI (harmonized, average)	3.6	1.0	0.1	-1.0	-0.6	2.0	2.3	2.5	2.5
Fiscal Accounts	Percent of GDP, unless otherwise indicated								
Revenues	39.1	38.5	38.7	38.9	38.7	40.2	40.1	39.4	39.0
Expenditures	42.9	42.6	42.3	41.6	41.2	41.8	42.1	41.9	41.9
General Government Balance	-3.7	-4.1	-3.6	-2.6	-2.5	-1.6	-2.0	-2.5	-2.9
Primary balance	-1.1	-1.6	-1.6	-0.9	-0.8	0.2	-0.3	-0.8	-1.1
General Government Debt (ESA 2010)	53.7	55.7	50.3	51.1	54.2	50.6	51.7	51.0	50.7
Monetary Accounts	Annual percentage change, unless otherwise indicated								
Exchange Rate to EUR (average)	4.19	4.20	4.19	4.18	4.36	4.26	4.24	4.30	4.30
Interest (key policy interest rate, eop)	4.25	2.50	2.00	1.50	1.50	1.50	1.50	1.50	1.50
Balance of Payment	Percent of GDP, unless otherwise indicated								
Current Account Balance	-3.7	-1.3	-2.1	-0.5	-0.3	0.1	-0.3	-0.3	-0.1
Direct Investment, net	1.2	0.8	2.4	1.9	1.1	1.0	1.5	1.6	1.5

9. **Fiscal pressures are likely to mount over the medium term.** While tax collection has been very strong on the back of strong growth and a tightening of tax administration efforts, the general government deficit is set to widen again in 2018-2019 to about 3.0 percent of GDP reflecting the roll-back of the retirement age and higher co-financing of EU-funded capital spending. With the labor market already tight and demographic forces pointing to further supply pressures, inflation, while still relatively low, is likely to reappear as unit labor costs rise. In the absence of monetary policy action, this excess demand could also spill over to the external accounts.

10. **The financial sector is performing well.** The banking sector is well capitalized, with much higher capital than required by Basel III. Lending is keeping pace with growth and economic activity, but low interest rates are putting pressure on banking profitability. Household debt is relatively low at 36.3 percent of GDP in the first quarter of 2017, compared with 58.1 percent of GDP in the euro area, and home prices are roughly stable and low relative to incomes. The risk of excessive demand is contained by macro-prudential regulation, such as the maximum loan-to- value ratio of 80 percent.

11. **Poland enjoys access to international markets and there are no debt sustainability concerns at this point.** The country has been rated at investment grade since 1996. Current yields are relatively low, both for both domestic and international markets.[2] The last international bond issuance took place in January 2018 for a EUR 1 billion Green Bond (8.5-year maturity, at a yield of 1.153 percent) and was substantially oversubscribed. Overall public debt to GDP has come down to less than 50 percent of GDP in Poland, though this trend could be reversed over the long term, given the expected increase in fiscal pressures as mentioned above.

2. The 20-year bond issued last March had a yield of 2.198 percent. Domestic currency benchmark bond (10-year maturity) is yielding 3 percent.

III. POVERTY AND SHARED PROSPERITY TRENDS

12. **Poland's economic growth has been inclusive over the past decade.** Employment and earnings have increased for all income groups, which led to a substantial reduction in poverty and stronger-than-average growth of the bottom 40 percent of the distribution. Throughout these changes, the Gini income inequality coefficient did not increase. Poland has one of the lowest Gini coefficients among "new high-income countries" (countries that have become high-income since 2000, World Bank 2017), with potential policy lessons for other countries.[3]

13. **National poverty and shared prosperity indicators have continued to improve in 2017.** Improvements have been driven by strong private consumption supported by a strong labor market and the continuation of the Family 500+ program. Overall poverty is expected to have declined from 2.65 percent in 2015 to 1.65 percent in 2016 using the $5.50/day 2011 PPP poverty line. The 8 percent increase in the minimum wage that took effect in 2017 is expected to have increased the incomes of the bottom of the distribution, which has been so far only modestly offset by rising prices.

14. **Regional disparities, however, raise serious concerns on how to improve outcomes for the Bottom 40 percent.** The maps above show notable differences in poverty rates in Eastern Poland relative to the rest of the country. These regions also lag behind in other indicators of wellbeing, including education attainment, unemployment rates and health outcomes (see paragraph 17).[4]

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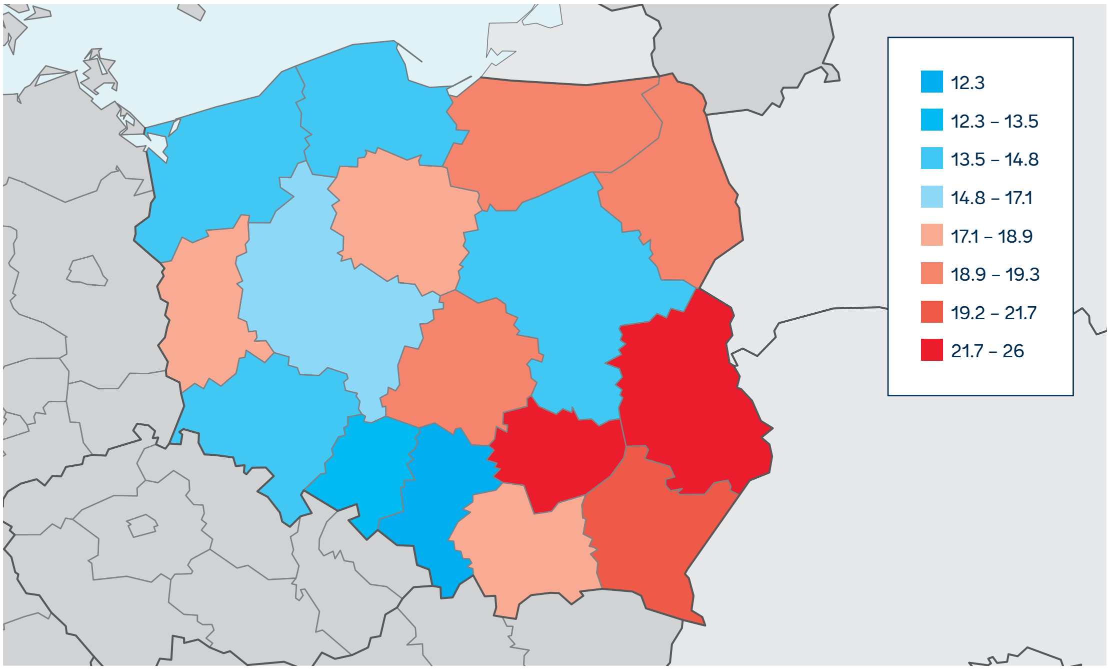
3. World Bank Group. 2017. *Lessons from Poland, Insights for Poland: A Sustainable and Inclusive Transition to High Income Status*. World Bank, Washington, DC.

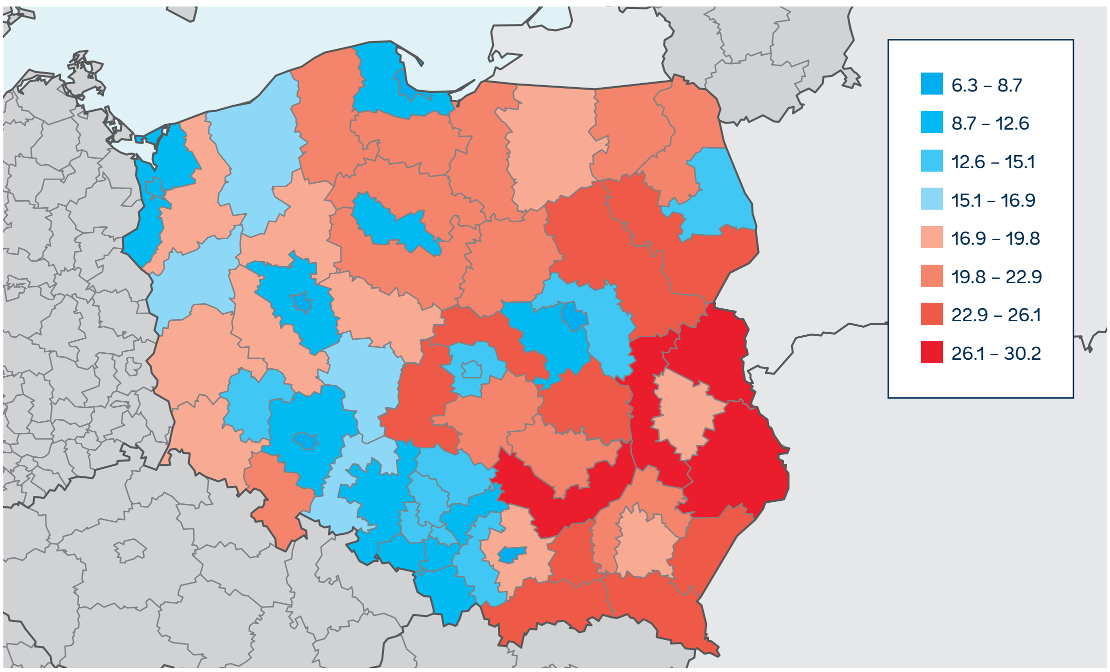
4. See the WB study on "Pinpointing Poverty in Poland" which measures poverty by using relative-income poverty lines through the EU's AROPE indicator (At Risk of Poverty or Social Exclusion): http://documents.worldbank.org/curated/en/236151468000626055/pdf/104012-BRI-PUBLIC-ADD-SERIES-Poverty-in-Europe- DOI-10-1596-K8685.pdf

Figure 1. **Regional disparities in Poverty Rates in Poland**

a. Voivodships (NUTS 2)



b. Statistical subregions (NUTS 3)



Source: Estimates using data from the 2011 EU-SILC and the 2011 Census of Population and Housing collected by the Central Statistical Office of Poland.

Note: The risk of poverty rates are defined using the EU standar of 60 percent of median national equivalized income after social transfers. The NUTS (Nomenclature des Unités Territoriales Statistiques) classification is a hierarchical system of dividing up the economic territory of the European Union for the development of regional statistics, regional socioeconomic analysis, and the framing of EU regional policies. To date the NUTS 2 classification has been used for determining eligibility for aid from European Structural Funds. Below the NUTS 3 classification areas are defined according to Local Administrative Units (LAU). Most EU member states have LAU 1 and LAU 2 divisions, but some only have LAU2.

IV. CHALLENGES TO CONSOLIDATING POLAND'S FUTURE PROSPERITY[5]

15. **The SCD recognizes Poland's commendable progress in strengthening its institutions, yet also points to the importance of a "Strategic, Effective and Accountable State" to consolidate gains and set the country on a path towards sustainable IBRD graduation.** During recent decades, the process of EU accession and then EU membership provided a clear coordination mechanism that enabled the rapid transformation of the country. As Poland moves to consolidate these gains, the urgency to close institutional gaps with some of its EU peers would require a systematic approach to base policy formulation on evidence, and evaluate initiatives to inform course correction. Meeting the fiscal, social, and environmental challenges to sustain Poland's growth model will require a new consensus. Citizen engagement also has a critical role in driving the process of societal transformation and institutional change, and building a national dialogue that facilitates agreements on how best to address difficult trade-offs over the longer-term.

16. **The SCD provides an assessment of the institutional weaknesses that hamper Poland's ability to deliver shared prosperity for all its citizens, particularly the most vulnerable.**[6] Poland faces critical institutional challenges at two levels: (i) key impediments at the national level along some of the critical paths towards shared prosperity; and (ii) significant variations *within* the country, with many sub-national governments (especially in less developed regions) not having the level of institutional strength and capacity that national averages may suggest.

5. Section IV draws from the *Systematic Country Diagnostic for Poland: Toward a Strategic, Effective and Accountable State.*

6. Additional critical insights on these institutional gaps are provided by the following recent WBG study: World Bank Group. 2017. *Lessons from Poland, Insights for Poland: A Sustainable and Inclusive Transition to High Income Status.* World Bank, Washington, DC.

17. **At the national level, discrepancies between laws on the books and the performance of laws in practice often limit the effectiveness of institutions.** This is visible in several areas highlighted in the SCD:
   - Firms in more innovative and faster-developing sectors of the economy face skill shortages due to the inability of higher education institutions to coordinate and fully engage with private sector actors. The higher education system needs stronger institutions to coordinate with the private sector and improve its capacity to design and implement training programs and to activate groups of learners currently underrepresented in adult education.
   - Institutional shortcomings in the health care system contribute to inadequate access and care for Poland's rapidly aging society, and include inefficiencies, poor coordination, and fragmentation of responsibilities and accountability.
   - Although business legislation often follows best practice, there are important limitations in the implementation of insolvency rulings, enforce contracts promptly, protect property rights, and register business partnerships. Related to this, regulatory uncertainty remains a critical concern to the private sector.
   - Budget institutions require strengthening to improve accountability: Poland does not produce consolidated financial statements, and public investment needs to be better coordinated with the absorption of EU funds.
   - Finally, while the transition to a low-emissions economy is a critical issue, and there exist key strategic documents at the sectoral level, developing a holistic and coordinated cross-sectoral approach to address this challenge has proved challenging.

18. **The SCD also identifies a wide variance in institutional quality at the sub-national level.** As a result, location determines opportunities for people and for firms in a way that affects outcomes, such as in the following:
   - Almost 40 percent of investment using EU funds are implemented by local governments, many of which do not have the administrative, operational, and management capacity to carry out large infrastructure projects with high efficiency and value added.
   - At the national level, starting a new business takes on average one month, but it can take as long as 42 days in Szczecin (compared to an EU average of 11.6 days). To obtain construction permits, cities such as Gdańsk, Gorzow Wielkopolski and Kraków would rank among the bottom fourth globally.
   - Access to healthcare in Poland varies significantly by place of residence, with the number of cases waiting for an appointment in clinics varying from 9 per 1,000 population to 30 across Polish regions in 2014. Similarly, wait time for cataract surgery is over two years in eight regions, while in the Lubuskie region, it is less than a year.
   - Institutional and planning inadequacies mean that households in poorer urban areas in Poland are exposed to worse air pollution. This situation is aggravated by the use of low-quality heaters in the poorest households.

19. **Addressing the remaining institutional constraints will be critical to confront the complex challenges on the horizon.** First, dramatic demographic shifts will place an increasing strain on the health care and pension systems and create labor force constraints. The accelerated pace of global technological change (including automation) will require innovation-led approaches to growth to generate greater opportunities for people (skills) and firms (conducive business and innovation environment).[7] Second, there remain significant disparities on shared prosperity between regions and local communities - including in human capital out-

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7. Ridao-Cano and Bodewig (2018), *Growing United: Upgrading Europe's Convergence Machine*, Washington: World Bank

comes. Finally, with climate change exacerbating the environmental externalities of growth, sustainable management of natural resources, including water and air quality management will be particularly important for Poland's future and its contributions to delivering regional and global public goods.

Impact of Demographic Trends and Demands of a Modern Economy

20. **Poland is undergoing profound demographic change.** With birth rates among the lowest in the EU and persistent emigration, the Polish working-age population has been declining by 1 percent annually since 2012. Poland is also aging: the number of those aged 65 and over is projected to more than double: from 22 percent in 2012 to 55 percent in 2050. This will result in a stark increase in the old-age dependency ratio, which will in turn increase healthcare and pension- related spending. The policy response to population aging and demographic decline is to boost labor productivity as well as raise the employment rate of female and older workers and extend working lives. Investing in human capital for better health and education outcomes is central to this agenda.

21. **Skilling up the current and future workforce remains a long-term priority.** Equipping the labor force for accelerating technological change and the requirements of an innovation-led growth strategy requires continued emphasis on strengthening cognitive and socio-emotional foundation skills through early childhood development as well as basic education and technical skills, including through quality higher education, vocational training and lifelong learning. Sustained basic education reforms over the last two decades have helped Poland emerge as one of the leading countries in the Program for International Student Assessment (PISA) – an important achievement to build on in further adapting the education system to changing needs. However, recent results show that socioeconomic background and location still matter for performance in primary and secondary education.

22. **Innovation-led growth will require frontier researchers and strong, competitive universities.** Poland has had a substantial increase in the proportion of university graduates, but declining birth rates have induced a continuous decrease in student enrollment which is likely to impact the institutional landscape over the medium to long term. Looking ahead, increased demand for skills driven by technological change could aggravate the existing skills divide, as jobs will increasingly require advanced cognitive tasks. To ensure that modernization happens in an inclusive way, adults will need to continue to learn new skills and update their knowledge to adapt to changing demands. Unfortunately, a large proportion of the adult population lacks basic skills by comparison with other countries. Reducing the existing skills divide and improving the quality and relevance of education provision and adult learning will be needed, alongside a strategy to improve the quality and relevance of tertiary education to ensure shared prosperity going forward. To do this successfully will require coordinated and concerted efforts by education providers, the private sector and government.

23. **Upgrading firm capabilities will become increasingly important in the new economy.** To maintain and accelerate the pace of convergence firms in Poland need to invest more in research and development and technology absorption and create a conducive business and innovation environment. However, firm innovation and business expenditure on R&D is constrained by an incomplete innovation ecosystem. Venture capital finance is underdeveloped

and business-science collaboration limited. With the end of the 2014-2020 EU budget period in sight, Poland will be under increased pressure to review its innovation support programs and prioritize the ones which crowd in the most private investment. It will also need to address conventional constraints to firm entry, expansion and exit such as contract enforcement, access to credit, state control, and regulatory uncertainty.

24. **More broadly, improving the quality of Poland's growth model will require addressing several challenges and creating space for more private-sector led investments.** Continued economic growth and convergence with higher income countries in the EU calls for a stronger private sector. The private sector investment rate in Poland is among the lowest in the EU. Enhancing competition as a driver of innovation and higher productivity is a focus of the SCD, which identifies the relatively large role of the state as a major constraint on competition. Foreign Direct Investment (FDI) has helped to raise productivity, however mounting overregulation and increased policy uncertainty is a major deterrent for boosting this further.

25. **Low employment rates among women and older workers point to the need to remove barriers and to balance effective social protection with employment activation incentives.** Barriers to mobility are limiting the access of sizeable segments of the labor force to the most productive jobs, especially for women, the elderly and rural residents. Looking forward, addressing barriers to female labor participation will be key to achieve Poland's growth and shared prosperity objectives. Inactivity among women is driven by early retirement, lack of care services for children, and sick or elderly dependents. It is therefore important to attend to the availability of affordable childcare and long-term care, flexible working schedules, urban housing, and transport opportunities to unleash this potential. Poland's tax and social benefit system can also play a role to support the poor while providing incentives for activation.

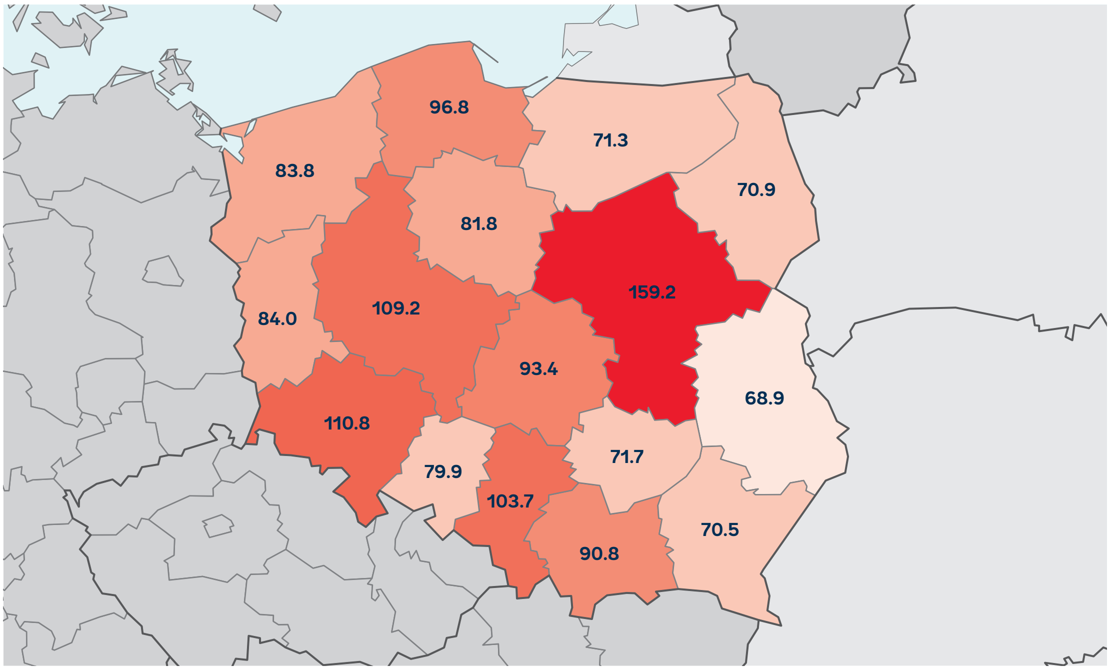
26. **Improving the health of its aging population will be a central challenge for government.** The challenge is to create an effective, responsive and integrated model of service delivery that not only guarantees equity, availability and quality but also significantly enhances patient experience within the health care system. Currently, access to care largely depends on an individual's place of residence, education or wealth level, with potentially important impacts on equity. The lower life expectancy, and considerably higher mortality and morbidity of individuals in lower income household quintiles relative to those in upper income quintiles, calls for an urgent rebalancing in the resources allocated to production and delivery of health services across regions and socioeconomic groups. This in turn would require rethinking in both the salience and flow of funds within the health system in the country, across regions to address supply-side inequities and across services to respond to the demands of an aging population, and to alleviate the pressure aging represents on the adult population. Indeed, access to high-quality health services will continue to be an important determinant of inclusion and effectiveness, which depends critically on strengthened and more strategic public institutions.

Growing regional disparities

27. **Growing regional disparities pose significant challenges for shared prosperity.** Eastern regions in Poland—with a relatively large share of small-scale farming—have significantly lower per-capita GDP, productivity (see Figure 2). These regions lag across several indicators, including education attainment levels, as well as higher poverty and unemployment rates. Analysis of the most disadvantaged groups in the labor market in Poland suggests that gender[8], along with geography, are critical dimensions of labor market exclusion. Of the population that is either persistently out of work or with weak labor attachment, more than half are inactive women with no recent work experience and often with care responsibilities; around 7 percent are women in rural areas.

Figure 2. **Gross Domestic Product per Capita, by region**

(current prices, 2016)*, Poland = 100



* Preliminary estimate

28. **Poland's less-developed regions face a two-fold challenge.** On the on hand, they are in the early stages of the transformation process and have a large share of the population in low productivity agriculture. On the other hand, these regions are looking to move quickly up the value ladder in the manufacturing and service sectors. To meet these challenges, agriculture productivity must increase and opportunities in industries and services expand. This will require strengthening human capital but also designing and implementing strategies to develop sectors where regional comparative advantage exist, which has proven difficult for some municipalities with weak institutional capacity. Given the importance of agglomeration in supporting innovation, regional authorities should be encouraged to adopt a compre-

8. Please see Annex 4 based two sources that serve as Country Gender Assessments: (i) European Parliament (2016). *Women's Rights and Gender Equality. The Policy on gender Equality in Poland. Update*; and World Bank (2016). *Republic of Poland. Social Inclusion in Poland: Key Challenges and Opportunities for Support*.

hensive vision that profits from synergies across interventions and creates platforms for the private sector to engage and create opportunities for employment. Indications are that some regions are underperforming compared to their potential, with serious consequences for the future well-being of its citizens.

29. **To meet this challenge, resources devoted to less-developed regions would need to be used more effectively in meeting their specific needs.** Disparities in income across regions are mirrored in disparities in human capital outcomes, stemming in part from disparities that emerge in earlier stages in education. For instance, urban-rural differences in math, reading and science scores through PISA were significant relative to the rest of the EU. Similarly, access to health care depends on place of residence with service quality varying dramatically across Polish regions. Average wages are roughly 30 percent lower in less-developed regions, reflecting differences in productivity as well as structural problems that perpetuate these disparities through out-migration of skilled labor. In addition, businesses face different environments in terms of the ease of conducting business because of differences in services, regulations, access to the judiciary, and access to finance. Addressing these challenges call for more effective institutions at the local level that, jointly with the private sector and communities, tailor solutions that will allow less-developed regions to profit from existing opportunities.

30. **The focus on investments in less-developed regions should center around building the capacity of local actors.** Although the less-developed regions have so far been the beneficiaries of most EU funding, the evidence shows that more urbanized and developed municipalities and counties within those regions have received a larger share of EU funds than the rest. Continued investments in less-developed areas could focus on improving education and health outcomes, and on promoting private sector development policies that start with building the capacity of local actors. The coordination function of the Polish government through strengthened institutions will be critical to promote common expectations and investments of both the public and private sector actors across regions.

Environmental and Climate-related Threats

31. **Environmental sustainability is necessary to sustain growth and foster inclusion.** Poland is aware that its current growth model entails environmental costs. The existing coal-based energy mix, fast-rising transport emissions, and insufficient energy efficiency represent daunting challenges for lowering greenhouse gas (GHG) emissions in line with Poland's global commitments.

32. **The health impacts of Poland's air quality problem concern the entire population, although poor households are affected the most.** Poland's elevated levels of particle pollution (PM2.5) have led to premature mortality rates among the highest in EU Member states (46,020 in 2014). A significant source of particle matter pollution is the burning of poor quality coal, wood and domestic waste in boilers in residential and industrial buildings, which remain disconnected from district heating and gas supply systems. The 4.6 million people affected by energy poverty are particularly exposed to health impacts of poor air quality and are also incapable of affording better insulation or boiler replacement.

33. **Progress on improving air quality can pave the way to a more sustainable growth path.** Global experience shows that the "grow now and clean up later" model entails social and environmental costs which end up impinging on economic potential. In addition to residential

and industrial pollution, Poland's high growth rates will exacerbate the impact of fast-growth energy intensive sectors, such as transport, affecting the attractiveness of Polish cities' to workers and entrepreneurs and decreasing their role as growth drivers. Finally, reducing the carbon intensity of the economy will require changes in its energy mix and making progress in transitioning out of coal.

34. **Improved water management would help mitigate the effects of climate change.** Poland ranks among the most water stressed countries in the EU. The country depends heavily on surface water, which is characterized by major spatial and seasonal variability, yet the total capacity of reservoirs does not exceed 6 percent of total annual water drainage. As a result, Poland has a significant vulnerability to floods and droughts. Careful management with respect to early-warning preparedness for water-related disasters (such as floods and droughts) and rapid disaster response are essential to minimizing fatalities and economic damage. According to the SCD, the dual challenges for Poland are likely to be increased severity of weather and reduced water availability.

V. LESSONS FROM THE CPS COMPLETION AND LEARNING REVIEW (CLR)

35. **The Bank's floods engagement in Poland is demonstrating clear additionality and relevance of the WBG in higher-income countries.** The WBG has been an active partner on flood protection since the devastating 1997 floods, initially focusing on emergency recovery and helping the country shift towards a much more integrated floods management approach. Through this engagement, it has brought a unique comparative advantage in design and implementation support that goes beyond providing financing and building infrastructure. First, the Bank designed the necessary inner-city floods control works in the town of Wrocław to include new promenades and floodable public areas, and in so revitalized the riverfront, increased the value of the cultural heritage and promoted a significant urban regeneration. Second, it strengthened capacity of institutions across several dimensions, i.e., to prepare complex investments in compliance with EU directives, build capacity across government institutions, and improve national standards on safeguards, financial management and procurement standards. Third, given its design and implementation expertise, the WBG was able to crowd-in substantial international co- financing. Increased climate variability worldwide has led to renewed pressure from flooding for many Bank clients, and Poland's path to modern flood management offers a strong potential for replicability and lessons learned for other countries.

36. **Poland can play a prominent role as a "knowledge exporter", but a concerted effort is needed to maximize this potential.** The WBG has worked with Poland address complex challenges that are relevant for other countries, for example: (a) reinforcing fiscal sustainability through the adoption of a fiscal rule and complementary work on taxation and public expenditure (reforms using this knowledge have been adopted in Latin America); (b) supporting lagging regions to design and implement programs that promote economic opportunities (this is now a model for other EU countries, with the potential to inform programs in other regions); and (c) developing national and regional innovation policies and building institutional capacity for technology transfers that improve competitiveness (this led to development of tools

that are being used in the South and East Asia regions). The work program in Poland represent themes that resonate with global challenges and offers a unique opportunity to learn from implementing innovative reforms with a sophisticated client. Efforts could be made to better structure and improve monitoring of knowledge transfers; and, to this end, the new CPF proposes to identify a selective set of "knowledge products" to promote an active exchange for the benefit of other WBG clients.

37. **There are still opportunities in Poland for IFC to deliver innovative private sector solutions, implement market transactions with demonstration effect, support low-carbon green growth, and upgrade the capacity of domestic firms to compete globally.** IFC activities expanded beyond initial expectations over the past CPS period, signaling that it remains relevant in Poland and there is scope for activities that further the WBG's Twin Goals. IFC has been successful in developing innovative products, including for financial sector deepening (particularly in underserved segments and for women entrepreneurs) as well as to promote investments in less developed regions. IFC has supported the climate agenda including investments in green energy and the first issuance of a green bond by the private sector in Poland, in 2017. Looking forward, there are opportunities to strengthen WBG collaboration to create synergies across different areas where both IFC and the Bank are currently engaged. There is potential to work together more proactively to seek opportunities to apply the Maximizing Financing for Development (MFD) approach, by supporting projects using commercial finance and innovative financial instruments. A clear and selective strategy would help reinforce a focused WBG program with greater potential for impact in joint areas.

38. **While Development Policy Lending (DPL) played a role during the last CPS to mitigate the impact of global economic and financial shocks and protect vulnerable groups, the CPF does not foresee any DPL operations.** The DPL series was appropriate as an important market signal after the financial sector crisis, supporting complex long-term structural priorities and restoring fiscal buffers. The DPLs created space for policy dialogue and enabled innovative analytical and advisory work, including on a reimbursable basis. An example is the "permanent expenditure rule", which helped to maintain fiscal prudence and achieve long-term sustainability of public finances. Given the country's economic performance no future DPL operations are envisioned at this time. However, DPO support could be warranted in the event of an adverse shock.

VI. WORLD BANK GROUP PARTNERSHIP FRAMEWORK

i. Alignment and Selectivity of Proposed WBG Country Partnership Framework FY19-24

39. **This CPF is designed to ensure a highly selective and well-coordinated WBG Program maximizing the impact of WBG resources, with objectives that address key remaining institutional gaps.** The CPF is aligned with government priorities, is grounded in the evidence base of the SCD, and contributes to the WBG corporate goals of ending poverty and boosting shared prosperity. The CPF introduces filters to maximize the use of WBG capital and promote regional and global knowledge spillovers. All WBG activities would seek to build essential institutional capacity and/or demonstrate clear IFC additionality. Finally, the CPF features a One WBG approach and a mainstreamed WBG approach to innovation in terms of delivering innovative public and private sector solutions fit for the future.

40. **The CPF objectives are squarely aligned with government priorities and consistent with feedback received from key stakeholders.** The Government Program is articulated in the Strategy for Responsible Development (see Annex 2), which has a forward-looking focus on innovation, inclusive growth and a more efficient state. This is reinforced by the presentation to Parliament in December 2017 which emphasized the following government priorities: (i) investing in human capital; (ii) addressing environmental sustainability; and (iii) strengthening companies and entrepreneurship. These priorities were broadly confirmed by the outcomes of CPF consultation process among government and key stakeholders, which revealed specific areas of potential WBG cooperation with the highest value for Poland, i.e., improving air quality and energy efficiency, and modernizing the health and higher education systems.[9]

41. **The proposed scope and focus of the CPF are grounded in the evidence-base presented in the SCD.** The SCD presented nine policy priorities for Poland organized in a "three- ways approach" to ending extreme poverty and boosting shared prosperity, notably: (i) growth;

9. Paragraph 81 describes the approach to CPF consultations for the identification of priorities and selectivity filters.

(ii) inclusion; and (iii) resilience (see Annex 3). Table 2 below maps the CPF objectives to the SCD priority areas. There are some policy priorities that the authorities are addressing without international support, including from the WBG. These include, for example, the design and implementation of new social assistance programs; third-pillar pension system reforms; amendments to the labor code; and issues related to judicial reform and the corporate governance of state enterprises. The WBG will continue to monitor developments in these areas, and could consider future entry points, subject to alignment with the criteria set forth in this CPF.

Table 2. **Link between SCD Priority Areas and CPF Objectives**

SCD Priority Areas	Link to CPF Objective
Enhance competition and remove barriers to entrepreneurship and private sector investment through an enabling regulatory environment, improved efficiency of the judiciary; and policy predictability, consistency and transparency	• Promote entrepreneurship and modernize higher education • Enable and facilitate regional convergence
Shift to a more strategic public investment policy, improving the efficiency of EU funds and enhancing R&D policy	• Advance Evidence Based Design of Policy and Institutions • Enable and facilitate regional convergence
Ensure sound macro policies and countercyclical monetary and fiscal policy and make public finance more transparent, effective and efficient	• Advance Evidence Based Design of Policy and Institutions
Improve skills of the workforce, ensuring equal opportunities and improved quality and relevance of education provision and adult learning possibilities across income deciles and regions	• Promote entrepreneurship and modernize higher education • Enable and facilitate regional convergence
Improve access and quality of health care services through better organization and coordination and more efficient use of human and financial resources	• Develop an efficient health care system for a rapidly aging society
Increase labor force participation through improved quality and availability of child and elderly care services	
Reduce labor market barriers by simplifying labor regulations; improving maintenance, investment and management of road and rail infrastructure; and ensuring affordable housing	• Advance Evidence Based Design of Policy and Institutions Enable and facilitate regional convergence
Ensure sustainability of the pensions system through promotion of longer working lives, in particular for women, and promotion of private pension savings	
Manage the transition to low-emissions economy and strengthen water management	• Improve energy efficiency and air quality in selected urban centers • Build resilience to climate-related events

42. **The CPF introduces filters for proposed IBRD lending and IFC investments, so as to maximize the use of WBG financial resources.**[10] The Government has expressed a preference to retain access to the entire range of WBG instruments, at this time (see Annex 5). WBG engagement will have to demonstrate that it builds essential institutional capacity and/or clear IFC additionality. In addition, the CPF proposes that one (or more) of the following filters is met to ensure WBG additionality:

10. The selectivity principles apply only to proposed IBRD lending and IFC investment.

- **Developing innovative solutions that benefit the poorest and most vulnerable.** Interventions would likely address shared prosperity and inequality challenges, and could include, for example, sub-national level lending to support municipalities and/or companies that lag significantly from national averages.
- **Catalyzing private sector investment and leveraging resources.** The WBG can work with Poland to develop innovative approaches for creating markets and new financial instruments that would not be possible without WBG involvement, and play a catalytic role to crowd-in necessary financing from other development partners (including the European Union).
- **Contributing to Global Public Goods.** The WBG can support Poland in achieving its global targets related to climate change. Interventions may include support to low carbon investments in energy, transport and urban development – starting with addressing Poland's energy efficiency and air quality goals – and feature approaches and technologies with the potential to be scaled-up or replicated.

43. **The above filters are fully consistent with IFC 3.0.** IFC's strategy for highly-advanced countries like Poland emphasize the additionality and development impact of its very selective interventions, specifically to: (i) deliver innovative private sector solutions; (ii) develop inclusive business models that target underserved groups including women, youth, the urban poor and SMEs; (iii) maximize finance for development by crowding in private sector financing in viable projects; and (iv) advance the climate change agenda; (v) support companies operating in less developed regions; and (v) help firms be competitive in regional and global markets. These principles are embedded in the CPF strategy and within the proposed filters.

44. **MIGA will consider supporting investments which contribute to the CPF objectives.** Through its political risk insurance and credit enhancement products, MIGA could support high impact projects which support priority areas such as climate change and growth in lagging regions. MIGA will consider the selectivity criteria for any potential projects in Poland in order to maintain a consistent approach across the WBG.

45. **This CPF proposes a new approach to innovation that would create opportunities for leveraging technology and implementing innovative public and private sector solutions.** All WBG engagements would embed a forward-looking perspective, including to assure the best use of resources and facilitate the contribution of the private sector towards development outcomes. In relevant cases, the WBG will also explore opportunities to deploy the Maximizing Financing for Development (MFD) initiative to spur innovative financial solutions. This could include to support government efforts to identify and implement sector policy reforms that create an environment to unlock opportunities and attract private sector investments, as well as to design solutions with the potential to be scaled-up quickly. The WBG will also continue to support government efforts to design innovative public sector solutions that leverage technology, including, for example, in the health sector and in flood prevention infrastructure (see below).

ii. Objectives of the World Bank Group Partnership Framework

46. **This CPF marks a departure from previous WBG engagements for Poland— concentrating the proposed engagement sharply on key remaining institutional constraints, using WBG resources to catalyze change and identifying opportunities for knowledge spillovers.** Lessons learned from implementing the previous CPS points to the added-value the WBG can bring through lending and knowledge products, even for high-income countries with access to other international partners. As a result, the CPF proposes six objectives in three focus areas that reflect the most complex development challenges facing Poland: (i) human capital investments and entrepreneurship for the 21st century; (ii) advanced policy-making for growth and inclusion; and (iii) resilience to environmental and global threats. As mentioned above, the WBG will seek to apply innovative public and private sector solutions across all objectives.

Figure 3. **WBG Focus Areas and Objectives**

Human capital investments and entrepreneurship for the 21st century

47. Poland faces two connected challenges with critical implications for the country's human capital. The first is an aging profile that is one of the most pronounced in Europe, with implications for longevity, the changing world of work, and quality-of-life issues. Fostering the capabilities that enable wellbeing in older age will be important to meet the demands of the 21st century. The Government has placed a high priority on reforming its current health care system to meet the changing health care needs, and has sought Bank support for designing an efficient and innovative approach to integrated care that addresses key institutional constraints.

48. Second, Poland is focusing on skilling up its current and future workforce, with an emphasis on higher education reforms, to adapt to accelerating technological change and sustain its continuing economic modernization. The Government is implementing programs with support from European Structural and Investment Funds (ESIF) to strengthen innovation and entrepreneurship, which will be an increasingly important driver of job creation and productivity boosts in the future. Investing more and more efficiently in people will help to prepare Poland for the economy of the future and achieve the country's shared prosperity goals.

49. The WBG will help address both challenges through a variety of RAS, IFC instruments and externally-financed engagements aimed at developing an efficient patient-response people-centered integrated care delivery system, which takes into consideration current health system constraints and the demands of an aging society; and promoting entrepreneurship and modernizing higher education. Promoting entrepreneurship would include IFC's investments in support of SMEs, including women entrepreneurs, capital market and venture capital investments, and in outbound private investments from Poland to less-developed countries.

Objective 1.
Develop an efficient health care system for a rapidly aging society

50. **Poland has a relatively young population compared to other European countries.** Only 11 percent of the population are aged 65 to 79 and 3.9 percent of the population are above 80 years of age, which is below the EU average of 13.4 percent and 5.1 percent of the population respectively in 2014 (Eurostat 2014). However, less than half of the years lived after age 65 are spent free of disability. In addition, Poland is beginning to experience a rapid aging of the population due to increases in life-expectancy and a persistently low fertility rate over the past two decades. As a result, the number of people 65 years of age and above is expected to increase by 5.4 million—slightly more than one-third of the total population in 2050. At the same time, the proportion of the oldest population (80 years and above) is estimated to more than double, and account for 10 percent of the total population in 2050 (GUS 2016).

51. **Mortality and morbidity rates are above the EU average, with cardiovascular diseases and lung cancer being the biggest causes of mortality.** While life expectancy in Poland is expected to increase, large inequalities exist, with women expecting to outlive men by as much as ten years among the lowest-educated populations. Relative to EU averages, Poland spends less on health and its facilities employ fewer medical personnel. The health care system suffers from poor coordination, fragmentation of responsibilities and accountability, and is generally inefficient. Community-based services for long term care of the elderly are under-developed

and family support systems are rapidly disintegrating. All these challenges have implications for productive aging and pose huge demands on a system aspiring to EU standards on financing, provision and delivery of quality health care for all.

52. **The Government of Poland has passed a new Primary Health Care Act in November 2017 and is committed to significantly increasing health financing by 2020.** A new model of integrated care systems that is currently emerging in Poland focuses not only on integration of healthcare provision and providers across levels of care, but on the essential links between healthcare providers, patients and their families: the "customer-centered health system of the 21st century". Such an integrated approach to healthcare suggests a triple focus – individual-centric, population-impact-wide and systems-wide – as it aims to, simultaneously, improve the health customer's experience with receiving prevention and care services, improve population health, and reduce costs. This will be particularly challenging given health care system inefficiencies and institutional disparities in service delivery across regions (see Box 2). In this complex environment, close monitoring, support and evaluation of the efforts from the individual, population and system point of view will be key elements of the health system development process, including creation of incentives, tools and methods to support this transformation.

53. **The Bank has been supporting the Government on a detailed work plan to monitor the implementation of an integrated care system.** This work includes efforts to improve coordination and reduce fragmentation of responsibilities and accountability across levels of care. A recently completed RAS proposed three models for integrated health care, and a follow-up RAS would support evaluating the implementation of pilots going forward which will require novel methods of monitoring and economic evaluations to facilitate addressing the challenges of developing, identifying, documenting, and reproducing complex interventions. Going forward, support would include providing the Government with the evidence on determining the effect of the pilot on the household service utilization and evaluating the capacity of providers to deliver quality services, with the end goal of determining economic feasibility of scaling up integrated care for Poland. There is a strong institutional capacity dimension to this work in terms of building a new service delivery model across health stakeholders.

Box 2. WBG Support for Health Care Model in Poland has Positive Externalities

The Bank has played an advisory role to develop models, tools and financing options for a modern and cost-effective Long-Term Care system through a RAS engagement. In 2016 the Bank produced a first analytical piece and set of recommendations for a long-term care strategy. Leveraging a partnership with a global working group on Long Term Care and TF resources, in 2018 the Bank plans to conduct a knowledge-exchange conference on international experiences in cross-sectoral coordination and financing of LTC, co-organized with the Ministries of Family, Health, and the Chancellery of the President. Long Term Care sits at the intersection of two of Poland's and other MICs priorities: adequate care for an aging population, and increasing the economic participation of women. LTC systems that are attentive to both the needs of the care giver as well as the care provider can fulfill both targets, as well as incentivize the development of economic opportunities for women in the care sector. This is a nascent but growing business line of high interest for many MICs and Upper MICs that are fast-approaching OECD demographics. Innovative work developed from the Polish engagement will provide important knowledge spillovers to engage MICs in other regions including LAC, MENA, and East Asia.

54. **Poland is at the forefront of translating the science of integrated care to practice.** The implementation of the integrated care pilot is a significant scale (300,000 patients) and provides a unique opportunity to develop global knowledge. The Bank's work on integrated health care delivery models in Poland has led to the production of a large and rich documentation

of theory and practice of innovations in health care delivery. The Bank is, together with eminent thinkers, researchers, practitioners and policy makers, developing a virtual platform to facilitate the sharing of knowledge, solutions and experiences in strengthening primary health care, the process of enhancing patient's experience and service delivery models for the benefit of other countries looking to shift to an integrated care model.

55. **There are significant opportunities for innovations in delivery of health services.** The bedrock of these changes is the concept of people-centered integrated care, which shifts the emphasis from providers to patients and closes the gap in knowledge between the two. This shift has begun in Poland, but there is an urgent need to leverage technology at scale in order to sustain larger volumes and higher levels of interaction. The Bank will work closely with the National Health Fund and Ministry of Health to fast-track a digital revolution in health care, as part of its continued dialogue and engagement through RAS services.

56. Results under this objective will be achieved primarily through a programmatic RAS approach, however there may be potential for a WBG financing instrument that could leverage a modest IBRD contribution to catalyze other resources, including from the private sector.

Objective 2.
Promote entrepreneurship and modernize higher education

57. **Poland is undertaking reforms to make its private sector more dynamic and modernize its higher education system.** Both are essential to boosting innovation and labor productivity. The WBG has a long-standing collaboration with the Government of Poland in promoting entrepreneurship, including for innovation policy, and IFC support for innovation and firms' competitiveness, as well as to invest in human capital more directly by enhancing skills and labor market opportunities. Investing in human capital for the new economy, including to promote entrepreneurship, will be important to sustain economic convergence in the face of the demographic and future of work transition.

58. **The WBG will prioritize support to crowd in private initiatives, particularly related to financial markets, innovation, and the business environment.** For instance, supporting the diversification of the financial sector through capital market development or venture capital could create space for greater entrepreneurship opportunities. A better understanding of the effectiveness and efficiency of public innovation support programs could help the Government to prioritize interventions that mobilize private expenditures on innovation, and build institutional capacity to deliver results. Support on addressing remaining gaps in the country's business environment, such as contract enforcement, state control of enterprises, product market regulation or regulatory uncertainty, would allow to resolve coordination failures and remove inefficiencies and distortions which hold back entrepreneurship. The WBG is well placed to support the Government in addressing these remaining institutional challenges, including at the local level.

59. **IFC will focus on delivering innovative private sector solutions.** Poland is a sophisticated client with the potential to develop innovative financial instruments and mobilize private funds that are critical for country's sustained strong growth as well as could serve as a model for other WBG client countries. Hence, IFC will continue to prioritize development of local bond markets and innovative instruments such as green bonds, where it has had some success, as well as covered bonds and securitization of new asset classes with significant demonstration effect

in the country as well as broader in the region. IFC would also seek to make a contribution to increase the availability of scarce equity-based finance in the country, including investments in and co-investments with leading private equity funds and venture capital funds—as a way of promoting entrepreneurship, particularly in less-developed regions. IFC has already provided access to finance to underserved segments, such as SMEs and to women entrepreneurs in particular. Going forward, there would be an increased focus on supporting innovators and leaders in digital finance, and projects that help boost innovation and technological upgrades in Poland's corporate sector (for e.g., high-tech, high-precision manufacturing and IT).

60. **IFC has strong comparative advantage to support increased competitiveness of leading Polish companies and help them invest outside the country.** The Global Investment Competitiveness Report (2017/2018) provides evidence that outward FDI brings significant benefits to its home economies (e.g., improved efficiency though economy of scale, competition in host countries, and knowledge transfers/innovation). Currently, Poland's outbound FDI is limited to about a dozen of EU countries. IFC could support the international competitiveness of Polish companies by helping them become more productive and expand domestically and abroad, particularly outside their nearby European markets. IFC will explore opportunities to selectively support consolidation of companies, particularly in manufacturing and agribusiness, ultimately aiming to facilitate emergence of larger firms which could compete and expand globally or regionally.

61. **Promoting the private sector will not yield the desired results without modernizing the higher education sector.** The Polish higher education system needs to adapt to accelerating technological change and the evolving skill and innovation needs in a fast-changing economy. At the same time, declining student numbers that have increased pressure on Higher Education Institutions (HEIs) to secure sufficient enrolment numbers, especially in the private sector of higher education. Going forward, the sector will need to ensure that universities remain competitive and deliver on research outputs and innovation while maintaining and equitable approach to higher education which also serves regional needs. In 2016/17, the Government of Poland initiated a comprehensive process in the higher education sector to develop a "Higher Education Law 2.0". This process included the development of ideas for key policy reform areas within higher education and a country-wide consultation process. An important goal of the process is the strengthening and increased visibility of Polish higher education and research in an international environment, to make funding more performance-oriented and ensure the attractiveness of doctoral training.

62. WBG support for this objective would be delivered through IFC investments and WBG advisory support, including through a RAS under discussion to modernize the higher education system including: higher education financing, advancing and measuring excellence in teaching and building skills that link to private sector needs in an environment of accelerated technological change.

Advanced Policy-Making for Growth and Inclusion

63. **The SCD highlights the importance of effective and accountable institutions to ensure prosperity for all of Poland's citizens in the future.** At the national level, strong and effective institutions are needed with the capacity to address challenges, propose alternatives and carry out a transparent and informed national dialogue. At the regional and local levels of government, the ability of institutions to design and implement programs has been a constraint to addressing regional inequality and lack of economic opportunity. The WBG has been working with the EC to promote effective ESIF absorption, including through the Catching Up Regions Initiative with DG Regio, through an approach that builds capacity in less-developed regions to identify and design solutions that address the constraints and opportunities for growth.

64. **At the national level, the WBG has long been a trusted partner of the Government to support evidence-based policy making and inform course-correction.** The Bank value is in supporting design, implementation and scale-up of solutions to complex challenges, and by emphasizing how policies can impact the wellbeing of the Bottom 40 percent. This work is often innovative in nature and has served as an example for other WBG client countries (see Box 3).

65. **The CPF proposes two objectives to build strong institutions in support of shared prosperity, and create space for private sector solutions.** The first objective is to facilitate regional convergence through local institutions capable of addressing constraints to economic opportunities, including promoting opportunities for the private sector. The second supports the national government in the use of evidence for public policy decision-making. Enhancing the capacity of the state will also, in turn, contribute to a more competitive environment for private investment and innovation.

Objective 3.
Enable and facilitate regional convergence

66. **Persisting spatial disparities represent a formidable challenge to shared prosperity.** The significant divergence in economic outcomes among Poland's sixteen regions (voivodships) impacts the well-being of its citizens (see para 17 above). Average GDP per capita in the Mazowieckie voivodship is 159 percent higher than the national average, whilst it is only two thirds of that in Lubelskie ($8,458 per capita). About 20 percent of Poland's population (5.2 million) live in the regions with GDP per capital below 75 percent of the national average. Some of the regions located in the Eastern part of the country are among the 20 poorest regions of the EU-27.

67. **The success of Poland's growth model relies on its spatial inclusiveness.** Poland's regions operate within a common legal and institutional framework but their economic development has been uneven. Leveraging their endowments and overcoming bottlenecks calls for a nuanced approach, through which each region's development objectives are carefully adjusted to their needs and resources. Significant gaps exist in the delivery of education and training services, in business environment as well as the effective utilization of R&D capacities by businesses. Furthermore, nationwide issues such as air pollution, and aging are more acute in regions where capacity is often the weakest, including in areas such as spatial planning and urban management. Incorporating a lagging regions lens into mainstream policy making can lead to expanding opportunities in these regions, but also a more sustainable growth path for

the country at large. Enhancing local level capacity is in line with the SCD's focus on building a strategic, effective and accountable state for growth and shared prosperity.

68. **The WBG is working with the EC to support lagging regions in stimulating inclusive and sustainable growth.** The "Catching up Regions initiative" (Box 3 and Annex 6) is characterized by targeted and implementation-oriented technical support in a range of fields. The priorities are identified through an entrepreneurial discovery process including regional stakeholders but also central government and EC representatives, based on their potential for results and scalability. These implementation-focused activities build the capacity of local administration and improve the absorption, management and impact of EU funding. Matching the WBG's operational and technical assistance at the regional level with EU resources has proven a useful new method of cooperation, and the approach is now being replicated outside Poland.

69. **The Bank is also supporting activities at the national level related to subnational finance.** Specifically, it would improve the design of equalization transfers at the central level to make them more equitable; as well as providing direct support to local authorities via mini- spending review for selected regions. The WBG has also done work on subnational debt management, and multiannual fiscal forecasting (strengthening admin capacity of local governments to manage debt). These are pilot activities with potential to scale-up with other funding sources RAS or TF. There are also EC-funded activities to support tax administration at the central level (i.e., how to collect and increase compliance) as well as regional work on tax incentives for corporate sectors to invest.

Box 3. Catching-up Regions – A Pilot Approach developed with the European Commission

The Bank was approached by the European Commission (EC) in 2016 to address growth constraints in less developed regions of Poland, as part of a broader EU initiative. The Bank was selected for its operational expertise and global knowledge to help design and implement solutions to improve the effectiveness of EC Structural Funds. Specific activities have been identified across several areas to unlock growth potential: vocational education (investing in people), technology transfer and R&D collaboration, energy efficiency and smog, business environment and SME support (setting up a company, support services, less frequent inspections), spatial planning. This represents an innovative approach to collaboration in a complex multi-level governance system.

70. **The WBG engagement will address institutional gaps at the local level and explore innovative public and private sector solutions.** The SCD notes the discrepancy between the law as written and applied, lags in judiciary proceedings, and a regulatory framework that varies significantly across regions. The decrease in EU funding after 2020 will call for a stronger role of, the private sector in driving innovation and growth. The WB and IFC are well placed to address certain shortcomings, particularly in the financial sector (see below), supporting the competitiveness of Poland's firms abroad, sub-national Doing Business advisory, creating greater conditions for private sector participation in infrastructure (see below), as well as investing in human capital to boost productivity. IFC will continue to target companies with significant presence in Poland's less developed regions and/or extensive reach to SMEs through their supply chains.

71. **The increasing focus on engaging at the local level creates new opportunities for subnational lending and WBG collaboration.** IFC will explore opportunities to provide financing at the sub-national level to support investments by creditworthy municipalities in infrastructure projects and strengthen their financial management capacity. Because creditworthy

municipalities can borrow from IFC without a sovereign guarantee, it would help address fiscal pressures in the anticipated environment of continued demand for long-term financing and declining availability of EU resources. IFC will also consider helping select municipalities undertake local currency bond emissions.

Objective 4.
Advance Evidence Based Design of Policy and Institutions

72. **In Europe, confidence in public institutions are below pre-crisis levels, with growing concerns for how public policies favor select interest groups.** While this can be partly attributed to the legacy of the crisis, it has been exacerbated by the perception that government reforms are ineffective, not implemented properly, and do not consider the likely winners and losers of public policies in a transparent manner. The policy-making environment has also become more complex, with a growing number of non-traditional actors from civil society, and questions about the impact of different types of influence on policy directions. Strengthening dialogue with citizens through participative policymaking processes, and enhancing the Government's capacity to choose the most appropriate policies among various options - are key to re-connect governments with their citizens and foster more inclusive and sustainable growth.

73. **The Government has frequently sought WBG just-in-time support to help design policies and institutions, inform course corrections, build capacity, and measure and monitor impact.** The SCD emphasizes that managing the transition toward innovation-led, sustainable and inclusive growth will require a more strategic, effective and accountable state; and building capacity for informed policy design and measuring and evaluating impact will be critical to sustain Poland's high-income status over the long term. The Government finances WBG support primarily with RAS activities, as well as using targeted Trust Funds (see Box 4).

74. **WBG support to policy design would also include exploring innovative private sector solutions, such as scaling up private sector participation in infrastructure.** IFC will explore opportunities to facilitate private sector investment and improve service delivery by supporting well-structured PPPs and concessions, including at the sub-national level in smaller scale PPP projects which can improve delivery of essential public services and contribute to the climate change agenda (e.g., healthcare services provision, early childhood services, urban transport, public utilities, etc.). This work may require suggesting improvements in the PPP regulatory framework as well as enhancing implementation capacity within the public sector. Subject to client demand, the latter could be supported through IBRD technical assistance and advisory services.

75. **Having a stand-alone CPF objective on evidence-based policy making will help the WBG better measure and keep track of activities with the potential for regional and global knowledge spillovers.** The CPF proposes to strengthen the capacity to track results and better identify innovations to strengthen the contribution of the Polish experience to other countries. Regarding Bank products, the CPF proposes to introduce an annual review of ongoing and recently completed ASA to assess impact. This would be captured in the results framework, including potential for knowledge spillovers. The CPF would also share experiences with other high-income countries in the process of consolidating their gains, such as Chile, to refine approaches for measuring impact of ASA products.

Box 4. **Poland values the WBG's Technical Assistance to inform policy-making**

The Bank is currently supporting government efforts to improve the effectiveness and efficiency of public policies through several RAS and Trust Funded engagements:

Support to develop economic models that can help to evaluate the impact of policies on shared prosperity e.g., tax-benefit microsimulations, fiscal CGE model for reform of labor market institutions, interactive system for econometric model of public finance. The last two activities have been financed from the EC's Structural Reform Support (SRSS) Program and aim at supporting the Polish Government in strengthening technical capacity of people inside the public administration in economic modeling for fiscal and structural policies. The activities support the teams in the Ministry of Finance in charge of evidence-based policy analysis in the development of the modeling tools and applying them to evaluate ex-ante policy proposals and institutional changes, in the implementation of comprehensive budget and labor market reforms in Poland (new taxation of temporary labor contracts) as well as help them improving the quality of the economic forecasts.

Building capacity on impact evaluation in regional and local labor offices to measure the impact of employment programs and improve their effectiveness. In 2017, a RAS agreement with the Ministry of Development financed capacity building workshops and follow-up TA for local and regional labor offices on principles of design and implementation of impact evaluation. More than 100 participants from several regions attended, and, for the first time in Poland, three experimental impact evaluations are now under execution in the 3 local labor offices. This engagement sparked demand for further capacity building and a follow-up RAS is currently under preparation. This second RAS will scale-up capacity building efforts to more regions, and provide TA for up to six new evaluations, including a Bank- executed evaluation of the effectiveness of a financing-for-results program of the EU to be implemented in Podkarpatie - the Polish region with the highest rate of youth unemployment.

Performance tools and behavioral insights aimed at improving the efficiency and effectiveness of public policies and institutions have been a core of WBG engagement in Poland. Spending reviews process along with a pilot spending review that focus on policy support to low income families have been developed by the Bank to help the government to better control expenditure and improve prioritization. Since then, the SR become a part of budgetary process in Poland. The use of behavioral insights is also taking root in Poland, similar to many OECD countries, mostly to improve policy implementation. The Bank has worked with the Government to apply behavioral insights to PIT compliance. There worked showed that there is potential for its use across the whole policy cycle, especially for designing and evaluating policies and institutions.

Strengthening innovation support policies and measure impact from recent investments. This has included several analytical and advisory projects since 2013. The WBG has also worked closely with the National Center for R&D (NCBiR) to enhance their capacity for evaluating program impact. Currently the Bank is supporting the Government in measuring the return on public investment in research and innovation, with financing from the EU. This includes developing a comprehensive evaluation methodology, which will be applied to 2007-2013 EU-funded innovation programs. It also helps assess and improve current support instruments, ultimately providing data to policymakers at the EU, national, and regional levels to guide future innovation expenditure targeting. The methodology is serving as a model for other countries.

Resilience to environmental and global threats

76. **Environmental degradation and changing weather patterns are threatening the sustainability of Poland's economic achievements.** In addition to deteriorating health outcomes, air pollution affects the economic potential of urban agglomerations, which increasingly face unprecedented climate related risks with the potential for devastating destruction. Fortunately, there is increasing awareness and the need to build resilience and protect citizens. While the political economy of change can be difficult, these challenges will remain over the long-term and will require complex solutions and the adoption of new technologies. Most recently, the Government has made a strong public commitment to addressing air quality, including through an energy efficiency program designed with World Bank support. In addition to continue its support to the Poland's flood management program, the Bank is providing advisory servic1997es on economically effective air quality management policies, and assessing options to support the reduction in the carbon intensity of its energy mix. The Bank

will support Poland leverage the COP24 to be held in Katowice in December 2018 to create momentum for these policies, adopt globally tested solutions and help other client countries benefit through knowledge spillovers.

77. **Under this area, CPF proposes two objectives that respond to national needs and priorities, resonate with the Global Public Goods (GPGs) filter for new financing and where the WBG has a recognized comparative advantage.** The first objective targets improving the energy efficiency and air quality of urban centers supported through a planned new financial instrument. The intervention has scaling-up potential and opens the door for a broader dialogue on the options to address the threats that Poland's current energy mix poses for the environment. The second builds on on-going efforts to increase resilience to potential high levels of flooding around the Odra and Vistula River, seeking to protect the livelihoods of around 15 million people.

Objective 5.
Improve energy efficiency and air quality in selected urban centers

78. **Poland's economy is among the most polluted and least carbon efficient in the EU.**[11] The concentrations of particulate matter in large cities remain high and well above the WHO Air Quality Guidelines and less stringent European Union limit value.[12] It is a cause of premature mortality and morbidity associated with heart disease, stroke, lung cancer, chronic obstructive pulmonary disease, and respiratory illness. There is a clear recognition among top policy makers that tackling the problem of air pollution is crucial for enhancing the quality of life, strengthening competitiveness and reinforcing the achievement of objectives of Poland's global climate related commitments.

79. **The Government has formulated several mandates and regulatory policy frameworks to address issues of air quality, with so far limited success.** To date, interventions to reduce air pollution have focused primarily on the residential sector.[13] However, the implementation of measures like adoption of energy efficient boilers, switching to cleaner fuels, thermal retrofits of buildings, and transitioning to district heating systems has been a major challenge for single family buildings (SFBs) which are among the largest contributors of air pollution and are often owned by poor households. Most recently, the Government adopted a Clean Air Program (CAP), demonstrating a commitment to addressing air pollution at the highest political level. The CAP comprises 14 recommendations addressing technical standards for boilers, regulations on solid fuel quality standards, funding for air quality improvement, educational awareness and other areas.

80. **The WBG is helping develop options and design financial instruments for reducing air pollution from and improving energy efficiency in poor SFBs in two regions – Malopolskie and Slaskie and non-poor SFBs across Poland.** The objective is to recommend measures to switch from coal to cleaner fuels, replace inefficient polluting heating boilers, and under-

11. Poland had the highest concentration of PM2.5 of all the 28 EU Member States, and the second highest concentration of PM10 and Benzo[a]pyrene or BaP, a product of incomplete combustion.11 Particulate matter pollution, primarily PM2.5, is the most documented air pollutant globally for its harmful effects on human health.

12. WHO Air Quality Guidelines (10 μg/m³) and the less stringent European Union limit value (25 μg/m³)

13. The passage of an Anti-Smog Law in 2015 allowed local governments to adopt local air quality regulations and establish parameters for stoves and fuels. The recent wave of anti-smog resolutions at regional levels has also led to an increased impetus to take actions at scale.

take thermal retrofit of houses to reduce air pollution and improve energy efficiency in SFBs, and develop financing mechanisms and instruments to implement these measures. Financial instruments also have the potential to leverage public and commercial financing, and have a positive impact on improving local air quality in particularly polluted cities, and contribute to Poland's climate mitigation goals.

81. **The WBG is also conducting analytical work to support an integrated approach to air quality management in Poland.** The objective is to identify priorities and interventions for air quality management (AQM) and inform the Government's decision-making process. This work will help to develop an air quality management approach that takes into account all key sources, addresses institutional and policy challenges, and identifies economically effective interventions to reduce air pollution.

82. **As part of its support to Poland's goals for the COP24, the WBG is developing analytical work to inform its energy transition away from coal and towards a low-carbon path, in line with the country's NDC objectives.** In addition to its work on enabling energy transitions, the WBG's presence at COP24 will aim at ramping up global ambition on NDC implementation; crowding in more private finance for climate investments; and highlighting the climate migration repercussions of inaction.

83. **To support Poland in its contribution to climate change mitigation, IFC is promoting energy and broader resource efficiency investments and will support diversification of energy supply toward renewable energy.** Specifically, IFC will provide long-term finance to financial intermediaries to help expand lending for climate-related projects[14] and promote issuance of green bonds by private sector.[15] IFC will seek direct financing of the corporate sector (e.g. in manufacturing, agribusiness and logistics) to help reduce energy and resource intensity and pollution. At the municipal level, IFC will explore opportunities to support energy efficient municipal buildings, thermo-modernization, waste-to-power, and street lighting projects. IFC will also consider direct investments in renewable energy projects, including wind and solar. This might require upstream work on the regulatory framework to make these projects conducive for private participation and financing, which could be supported by IBRD's technical advice.

84. **The design of a financial instrument aimed at reducing air pollution and improve energy efficiency is expected to leverage modest IBRD resources to attract additional private and concessional financing.** Improving local infrastructure service delivery and energy efficiency could also be supported by IFC investments. The proposed WBG engagement could include IBRD lending (indicative amount $300m), which would meet all three filters for new financing by having: (i) an important public health impact benefiting the poor; (ii) the potential to catalyze significant resources through an MFD approach; and (iii) a contribution to climate change mitigation (GPG).

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14. For example, energy and resource efficiency, residential energy efficiency, green mortgages, renewable energy, etc.

15. By March 2018 there has been only one green bond issued by the private sector in Poland (Santander BZ WBK Bank). This issuance succeeded in part through IFC financial backing and structuring expertise.

Objective 6.
Build resilience to climate-related events

85. **Mitigating the impact of floods more effectively is essential to promoting shared prosperity, economic competitiveness, and equity and inclusion.** Poland is highly exposed to climate-related events, including fluctuating rain patterns with high probability of events that significantly affect the economy and human lives. In the last 30 years, floods, storms and extreme temperature events have cost 2,274 lives, directly affected 348,975 people and damages total more than USD8 billion. Extreme heat events have resulted (cumulatively) in the greatest loss of life. The catastrophic 1997 flood accounts for almost half the damage costs and have highlighted the vulnerabilities of large manufacturing, commercial, and touristic centers, many of which are located along transport corridors and in Poland's most productive agricultural area. These events impact industrial and agricultural output, and deteriorate the investment climate, and thus, reduce the sustainability of Poland's economic and social development. Moreover, sub-regions that are impacted by floods the most score at higher-than-average poverty rates. Floods are likely to increase in frequency and magnitude in the future due to climate change.

86. **The WBG takes a comprehensive and holistic approach to flood management combining infrastructure investments with policy measures and institutional arrangements that support performance.** This is determined to be critical for long-term, sustainable, social, economic, and environment development of the affected areas. Bank projects are currently supporting three distinct areas with improved flood management infrastructure and related measures. Flood risk management is integrated into comprehensive water resource management plans considering the socioeconomic realities, water uses, and vulnerabilities and risks at the river basin level.

Box 5. A 20 year Engagement on Flood Management in Poland

The 20 year engagement on flood management in Poland represents a global example to be replicated both in terms of the specific kinds of interventions and the sequence of investments. Underlying this engagement, which was initiated following the devastating 1997 floods, is the principle that completely controlling floods is often unrealistic and that investments should focus on flood risk management aimed at enabling communities to 'live with floods' instead of controlling them, minimizing risks and losses, and improving preparedness and response to flood disasters. That is, a comprehensive and holistic approach to flood management has underpinned this engagement.

Moreover, the evolution of investments in the various sub-basins in Poland is exemplar of the importance of proper sequencing of structural (e.g. dikes, dry polders) and non-structural (e.g. forecasting tools, monitoring equipment, radars) solutions. A certain level of foundational infrastructure is required initially to reduce the most extreme risks first before the full benefits of non-structural interventions can be realized and deliver benefits. The sequence of flood projects in Poland engagement has demonstrated this clearly and can serve as a model for others. Finally, what this engagement also serves to demonstrate is the leveraging potential that long-term investments in flood management can bring, particularly in urban centers (e.g. tourism, land value enhancement, recreation).

87. **Floods management assets have a typical useful life of at least 50 to 100 years.** To remain fit for purpose and avoid becoming stranded assets, they must be conceived not only for today's demands, but also consider that climatic conditions, socio-economic and spatial development and technological advances will change over their lifespan. The Bank's floods management engagement supports the government in building its regulatory, technical and planning capacity as well as adopting new investment approaches to repurpose existing assets and develop more resilient future ones. For example, the new loan includes a significant effort

in developing long-term floods management plans that account for climate change projections, and link these to land use planning restrictions. For example, in urban environments the floods structures have been built to merge into the city's fabric through the development of attractive, multi-purpose spaces that deliver a clear touristic value while also protecting existing property.

88. The two IBRD operations (Odra River Flood Protection Project (US$184m) and scaling up Odra Vistula Flood Management project (US$504m), which are co-financed with EC and the CEB), would support this objective, and may open opportunities for a broader dialogue on climate change as well as other WBG instruments to build resilience.

VII. IMPLEMENTING THE FY19-24 COUNTRY PARTNERSHIP STRATEGY

89. **The CPF marks a departure from previous WBG engagements for Poland— concentrating IBRD sharply on key remaining problems, and identifying greater opportunities for knowledge spillovers.** This CPF represents a significant reduction in the level of direct WBG financing, as well as selectivity filters to ensure modest and targeted lending operations with clear additionality, it also features a growing, but selective RAS program. IFC will be selective and will focus on delivering innovative private sector solutions, developing inclusive business models, and crowding-in private sector financing in viable projects.

90. **The current IBRD portfolio reflects good examples of citizen engagement efforts.** Citizen engagement activities related to the Flood prevention project involved working with various stakeholders (e.g., local bishops, conservators, local businesses, etc.) on works prepared in the heart of the city. There was also a positive resettlement experience for the Raciborz dry polder which involved engagement with the resettled population to ensure the new village met expectations, including on design of the new church and sports field. Given the high level of satisfaction with this sensitive resettlement process and historic preservation, this was considered good practice, and any future IBRD investments would include similar mechanisms and opportunities to engage during preparation and implementation.

91. **The WBG is playing a complementary and distinct role from other development partners, including EC institutions.** The Bank and the EC have partnered on a program to unleash growth constraints in lesser developed regions in Poland, where the Bank brings value addition through its operational expertise and global knowledge. A scale-able pilot has been created with potential to improve the effectiveness of implementing EC Structural Funds within Poland (see Annex 6). The Bank has also partnered to measure the impact of specific EC programs, such as the return of investment in Innovation. The EIB co-finances EU-funded projects, and the Bank maintains close coordination in select areas, including energy efficiency and health where they also have exposures. There is a growing interest to partner with the

Bank due to technical support to improve design and implementation. For example, the Bank has partnered with the Council of Europe Bank to leverage significant resources and coordinate investments on the flood protection work. The EBRD focuses 90 percent of its interventions on the private sector, so there is scope for cooperation with IFC. Recent IMF technical assistance has focused on tax administration issues and, on the financial assistance side, in early November 2017 the Government ended its flexible credit line (8.2 billion euros). In terms of advisory work, the Bank provides a unique comparative advantage.

Table 3. **Current and Indicative IBRD Program (By Source and FY)**

<table>
<tr><th>Human capital investments and entrepreneurship for the 21st century</th><th>Advanced Policy-Making for Growth and Inclusion</th><th>Resilience to environmental and global threats</th></tr>
<tr><td>Health Integrated Care
(RAS, FY17 and FY18)</td><td colspan="2">Odra River Basin Flood Protection
(IBRD, FY08)</td></tr>
<tr><td></td><td colspan="2">Odra-Vistula Flood Management Project
(IBRD, FY16)</td></tr>
<tr><td>Higher Education
(RAS, FY18)</td><td>Catching up Regions
(TF, FY17-19)</td><td>Green Investment Scheme
(TF, FY13)</td></tr>
<tr><td></td><td>Subnational Finance Management
(RAS, FY18)</td><td>Air Quality
(BB, FY18)</td></tr>
<tr><td></td><td colspan="2">Energy Efficiency
(IBRD, FY19)</td></tr>
<tr><td colspan="2">Return on Investment on Innovation
(TF, FY18)</td><td></td></tr>
<tr><td colspan="2">Capacity building on Impact Evaluation of Youth Employment Programs
(RAS, FY17 and FY18)</td><td></td></tr>
<tr><td colspan="2">Fairness and Efficiency: Reforming Fiscal Equalization in Poland
(RAS, FY17 and FY18)</td><td></td></tr>
<tr><td></td><td>Pension Liabilities
(RAS, FY17)</td><td></td></tr>
<tr><td colspan="2">Subnational Spending Review
(BB, FY19)</td><td></td></tr>
<tr><td></td><td>Internet-based MFMod System for Poland for Economic and Fiscal Forecasts.
(SRSS TF, FY18)</td><td></td></tr>
<tr><td></td><td>Fiscal CGE model for Labor Market and Fiscal Reform
(SRSS TF, FY18)</td><td></td></tr>
</table>

92. **The CPF priorities, objectives and selectivity filters have benefitted from extensive consultations as part of both the preparation of the SCD and the CPF.** A wide range of stakeholders, including from the public administration (both national and local level), international community, the private sector, civil society and academia had a chance to share their views about the key development challenges for Poland and how the WBG can help address these challenges. Consultations allowed the World Bank Group to understand that the CPF's priorities, namely human capital, strong institutions and environmental resilience respond well to Polish society's expectations. WBG's selective approach, however, was sometimes met with disappointment, particularly across civil society and NGOs who pointed to a number of

challenges the CPF does not address, including governance and policies related to increased migration. The consultations process leveraged non-traditional tools of communication, including Twitter that worked as a platform for exchanging ideas and sharing multimedia products with views and observations that were able to reach a broader set of stakeholders, including young students and entrepreneurs.

93. **The CPF will be implemented over a six-year period (FY19-24) with Progress and Learning Reviews (PLR) planned every two to three years.** This approach is appropriate for a CPF program that features a strong RAS engagement, where results can take time to materialize and potential knowledge spillovers can be difficult to promote and capture effectively. The PLRs will be used to update the Results Matrix, which in its initial design includes some indicative activities, and allow for refining of results, as well as active monitoring of the knowledge program. Given the indicative nature of IFC investments it would also provide an opportunity for closer collaboration towards shared objectives. Finally, the PLRs will also report on progress of the CPF's support to institutional strengthening and discussions on potential graduation.

VIII. MANAGING RISKS TO THE CPF PROGRAM

94. **The overall risk to achieving the CPF objectives is moderate.** All risk categories using the Bank's Standardized Operations Risk-rating tool (SORT) are rated at a low to moderate risk. Given WBG interventions are highly selective and focused in specialized areas, the approach to risk mitigation will be tailored to the respective activities and coordinated among the relevant WBG institutions.

95. **The main risks to implementation of the CPF are related to the complex nature of the program that the WBG is supporting.** The WBG's interventions would to a large extent consist of RASs, the results of which would be in the form of designing programs and strengthening institutional capacity, and likely materialize over the medium- to longer term. The results chains between the CPF objectives and the corresponding set of interventions are therefore expected to be more ambitious and tenuous than in a "traditional" WBG program with large financing operations. In addition, implementation of the ongoing portfolio could be affected by recent changes to sector strategy and institutional arrangements. These implementation risks will be mitigated by intense project supervision, and a strategic dialogue with government counterparts on the use of knowledge work outcomes for reform design and implementation.

96. **The current Law and Justice Party (PiS) Government took office in November 2015 after a campaign platform centered on inclusive economic growth, and a focus on the poorer segments of society.** The Government introduced several important, if occasionally controversial, policy changes at the beginning of the administration. Some were welcomed, including the new child benefit scheme (Family 500+); others, such as changes to the judiciary system, have impacted relations with the European Commission. Most recently, the Government has strengthened its focus on investing in human capital (including health care and higher education) and on improving air quality. Given the strong alignment of the CPF objectives with the government priorities, political and governance risks are considered moderate for the proposed WBG Program.

97. **The continued significant role of the state remains a challenge that cuts across several sectors and constrains a greater role for the private sector in the economy.** The single most important unresolved challenge weighing on product market competition is the significant role of state-owned enterprises (SOEs), which account for almost half of all revenues of the biggest enterprises listed on the stock exchange. For instance, the state owns about 36 percent of the financial sector assets. This could have an impact on the WBG program, particularly for creating space for private sector participation in addressing development challenges. Work undertaken under objective 2 (promoting entrepreneurship) and objective 4 (evidence based solutions) would mitigate this risk, by promoting pragmatic solutions to creating such space.

98. **The fiduciary risks for the current Bank program remain moderate.** Financial management of the two large flood protection projects is relying mostly on country systems, including also project audits performed by National Audit Office. Performance of the financial management remains satisfactory and the overall fiduciary risk from Poland's public financial management system (PFM) is moderate. On public procurement, which is based on EU Directives with the most recent update in 2014, there is relatively strong implementation capacity in the current Bank's financed projects. Fiduciary risks will be mitigated by enhanced supervision for the flood protection projects.

Table 4. The Bank's Standardized Operations Risk-rating tool (SORT)

Risk Categories		Rating
1. Political and governance		Moderate
2. Macroeconomic		Low
3. Sector strategies and policies		Moderate
4. Technical design of project or program		Low
5. Institutional Capacity for Implementation		Moderate
6. Fiduciary		Moderate
7. Environment and social		Low
8. Stakeholders		Low
	Overall	Moderate

Annex 1.

CPF Results Matrix Poland FY2019-2024

Focus Area 1. **Human capital investments and entrepreneurship for the 2st century**

Statement of CPF Objective 1: **Develop an efficient health care model for a rapidly aging society**

Intervention Logic

Population aging and a high prevalence of non-communicable diseases place a new set of challenges for health services in Poland, by increasing and altering the demand for care. This will require a different strategy and one that enables productive aging. Poland's health system is poorly prepared to effectively respond to these challenges, and will require strengthening of its institutions to address significant inefficiencies, poor coordination across and within levels of care, and fragmentation of responsibilities and accountability.

The Government is placing health sector reforms at the top of its agenda: It is working to strengthen primary health care based on a new Primary Health Care Act and is committed to significantly increasing health financing by 2020. Moreover, it is developing a new model for integrated care with tighter links between healthcare providers, patients and their families.

The WBG will support the Government to build, pilot, and launch integrated health system that facilitates access, emphasizes prevention, reduces costs and could serve as a model and inform and help address similar issues in other countries. To facilitate transfer of knowledge the Bank will look for opportunities to share experience from the implementation of the Integrated Care Pilot.

WBG support is provided through reimbursable advisory services.

CPF Objective Indicators	Supplementary Progress Indicators	WBG Program
Adoption of an economically feasible plan for scaling up integrated care Baseline: 0 (2019) Target: 1 (2024)	POZ+ model operational and serving 300,000 patients (December 2019) Platform established to share knowledge with other countries facing similar issues	Monitoring and evaluation of the integrated care model in Poland (RAS)

Statement of CPF Objective 2: **Promote Entrepreneurship and Modernize Higher Education**

Intervention Logic

The SCD emphasizes the importance for Poland to pursue an innovation driven economy. One of the highest priorities is to ensure the institutions and mechanisms are in place to facilitate entrepreneurship and to mobilize market resources to finance investment, innovation and research. Poland faces several gaps in this regard. Although entrepreneurial spirit is not lacking, the enabling environment does not contribute to harnessing that potential, especially in today's world of rapidly changing technologies and opportunities. Going forward, it is important, first, to evaluate and learn from the various mechanisms used to channel EU funds towards innovation. This evaluation can inform further fine-tuning to direct available resources in the most

effective way. Second, while access to finance is not a major constraint in Poland, venture capital still lags more advanced high income countries and the lack of a diversified capital market limits potential for innovation led-growth. Broadly, Poland needs a financial sector that support innovation. This is even more relevant given expected decrease in EU funding after 2020. Third, the depth and variety of skills in the country has also been identified as a constraint to innovation. The Polish higher education system needs to adapt to accelerating technological change and the evolving skill and innovation needs in a fast-changing economy. Reforms in the key areas of governance, quality assurance (QA) and financing during 2009–12 have strengthened stewardship of the state alongside autonomy and accountability of HEIs. In 2016/17, the Government of Poland initiated a comprehensive process in the higher education sector to develop a "Higher Education Law 2.0". This process included the development of ideas for key policy reform areas within higher education and a country-wide consultation process. An important goal of the process is the strengthening and increased visibility of Polish higher education and research in an international environment.

The WBG and IFC are well placed to address some of these shortcomings. The Bank has a long-standing engagement in support of innovation and IFC will deliver innovative private sector solutions across all areas to increase equity based finance and to promote innovation and resource/energy efficiency in both strategic industries and in delivery of urban services and infrastructure. Both institutions have ample experience in the design of PPP legal and institutional frameworks as well as undertaking transactions including in the energy sector with a focus on climate change.

The WBG will support the Government through a RAS in developing policy and institutional support to modernize the higher education system. IFC is engaged through innovative mechanisms such as green bonds. IFC will also contribute to increased availability of equity-based finance in the country by investing in leading private equity funds and venture capital funds. IFC will also seek ways to support innovators and leaders in digital finance (financial institutions and fintech). Finally, IFC will maintain focus on providing access to finance to underserved segments such as SMEs, particularly in less developed regions, and women entrepreneurs. IFC's engagements, particularly those aimed at capital market development, will be aligned with the recommendations of IBRD analytical and surveillance work such as FSAP which is currently underway. The Bank will provide a supportive role, particularly as it relates to regulation and skills.

CPF Objective Indicators	Supplementary Progress Indicators	WBG Program
Number of outbound investments from Poland to other countries supported by IFC's operations (2016:0; 2020: at least 2) Number of MSME reach with financial services by financial institutions supported by IFC Baseline: 67,000 (FY17) Target: 100,000 (FY23) *of which* SME owned by women entrepreneurs and reached by financial institutions supported by IFC: Baseline: 14,000 (FY17 Target: 20,000 (FY2023) Number of mid-size high-growth companies supported through private equity funds invested by IFC: Baseline: 6 (FY17) Target: 25 (FY23)	Mapping of Polish companies with internationalization potential concluded by 2020 (IFC) Evaluation of use of EC funds for innovation under the OP 2007-2013 completed. [Methodology for the assessment of potential applications to capture excellence in teaching and learning at Polish universities is established]	IFC: • Financing to financial intermediaries and real sector companies • IFC Equity in Private equity/ venture funds Trust Fund Returns for Investment on Innovation Higher Education RAS (under discussion) and indicators to be developed at PLR stage.

Focus Area 2. **Advanced Policy-Making for Growth and Inclusion**

Statement of CPF Objective 3: **Enable and facilitate regional convergence**

Intervention Logic

There are persisting income disparities among Poland's regions. For example, the most advanced Mazowieckie voivodship (with Warszawa) is 159 percent of average GDP per capita in the country, the least advanced Lubelskie – 69 percent which is comparable to such countries as Brazil, Mexico, Russia, and Romania. About 20 percent of Poland's population (5.2 million) live in the regions with GDP per capital below 75 percent of the national average. Some of the regions located in the Eastern part of the country are among the 20 poorest regions of the EU-27. The lower development level translates into lower fiscal capacity of local governments units limiting their capacity to provide good quality of public services.

There are gaps in a wide variety of fronts that include quality of education, air quality, the business environment, etc. These limitations result in a lack of opportunities for private investment and link to broader markets.

These issues are a priority for both the Government and the European Commission. The 2020 Program provides financing for lagging regions, including Poland, and has created pilots to ensure effectiveness in use of resources. The approach includes working to build local government capacity.

The WBG is supporting local governments to use the resources and also develop institutions to address gaps. The Bank's engagement has focused on capacity building and changing systems, for e.g., targeted implementation-focus technical assistance in several fields that had been selected in a close collaboration with regional authorities and other key stakeholders (including national ministries, EC, academia, NGOs etc.).

IFC will support financial sector to expand mortgage financing in Poland's least developed frontier regions. IFC could consider a leading advisory role at the sub-national level in smaller scale PPP projects which can improve delivery of essential public services and contribute to the climate change agenda (e.g., healthcare services provision, early childhood services, urban transport, public utilities, etc.). IFC will explore opportunities to provide financing at the sub-national level to support creditworthy municipalities to invest in infrastructure project, and strengthen their financial management capacity, prioritizing smaller urban centers and less developed regions of Poland.

CPF Objective Indicators	Supplementary Progress Indicators	WBG Program
Expand Catching Up Region Approach to at least two additional regions in Poland Develop pilot engagement on sustainable cities agenda with at least one municipality (IFC) Develop framework to track progress in impact of allocated resources in lagging regions:	Established a pilot engagement on sustainable cities agenda with at least one municipality by 2021 Assessment of individual fiscal capacity for select cities prepared Baseline: 0 municipalities (2018 Target: 1500 municipalities (2019)	WBG: Catching Up Regions financed with EC Trust Fund Spending Review at Subnational Level Impact Evaluation on Youth Employment RAS on Equalization Transfer [RAS on Higher Education] [Energy Efficiency Instrument] IFC Subnational Finance IFC advisory services through it cities platform

CPF Objective Indicators	Supplementary Progress Indicators	WBG Program
Fiscal transfers are allocated in pro-poor manner (as measured by the Lorenz curve) *Source: Spending Review at subnational level*		

Statement of CPF Objective 4: **Advance Evidence Based Design of Policy and Institutions**

Intervention Logic

While Poland has made great strides in many areas and has aligned its institutions to comply with many EU standards, some gaps remain. Addressing these would better position the country to consolidate gains over the last decade, ensure benefits are shared and be ready to address future challenges related to aging, labor market shortages, climate change etc. For example, over the last decade Poland has launched multiple policy initiatives on innovation, and is now seeking to take stock of these efforts to better inform future policies.

The State maintains a dominant presence in the economy. For instance, the State Enterprise sector is large in several sectors limiting competition and precluding private sector to grow. The scope for participating and contributing in infrastructure is limited and legal framework for Public Private Partnerships (PPPs) needs to improve. Mounting overregulation and increased policy uncertainty are deterrents for boosting private economic activity, including Foreign Direct Investment. There remains ample scope for improving the capacity of the state to enable the mobilization of the resources for development, and favoring the development of an even more dynamic private sector.

The Government has long valued the WBGs advice and technical assistant in discrete areas to develop innovative approaches, including to design measures to strengthen institutions for macro- and fiscal policy-making. It also values the Bank's focus on measuring the impact of programs to identify gaps and inform course corrections, as well as its implicit focus on the Bottom 40 and productivity agenda. The WBG will maintain an active dialogue with the authorities on the institutional innovations needed to facilitate the broad engagement of all stakeholders in addressing the challenges Poland will be facing.

IFC will explore opportunities to facilitate private sector investment and improve service delivery by supporting well-structured PPPs and concessions. The ongoing Bank portfolio includes several instruments, primarily financed with RAS and TF resources, most of which have been just in time responses to critical real-time policy challenges.

CPF Objective Indicators	Supplementary Progress Indicators	WBG Program
Budgetary forecasts for the convergence program include sensitivity analysis. *(Source: EMPF Model)* In-house capacity in MOF to conduct simulations of various policy options by using the upgraded CGE modeling to evaluate policy choices *(Source: Fiscal CGE Model)*	Upgraded capacity for forecasting as measured by delivery of new tools (internet based MfMmod system) Expansion of the fiscal CGE model as evidenced by a policy paper that conducts simulations of new policies.	Return on Investment in Innovation (TF) Capacity Building on Impact Evaluation of Youth Employment Programs (TF) Pension Liabilities (RAS) Subnational Spending Review (BB) Evidence-based knowledge-based policy development (Fiscal) (SRSS) IFC and IBRD: Enhance capacity of Government to mobilize resources for development (including PPP)

Focus Area 3. **Resilience to environmental and global issues**

Statement of CPF Objective 5: **Improve energy efficiency and air quality in selected urban centers**

Intervention Logic

The quality of the air in Poland, particularly in urban centers, is the worst in Europe. This is a result of multiple factors including an energy supply mix dependent on coal, transport challenges and inefficient energy use in industry and households.

The Government has formulated several mandates and regulatory policy frameworks to address issues of air quality, supported by funds, which has resulted in limited successes. There is a clear recognition amongst top policy makers that tackling the problem of air pollution is crucial for enhancing the quality of life of Polish citizens, strengthening competitiveness and reinforcing the achievement of objectives of Poland's global climate related strategies and commitments through the EU NDC and ETS regimes, particularly significant in the context of the COP which will be in Poland next year. To date, interventions to reduce air pollution have focused primarily on the residential sector. The passage of an Anti-Smog Law in 2015 allowed local governments to adopt local air quality regulations and establish parameters for stoves and fuels. The recent wave of anti-smog resolutions at regional levels has led to an increased impetus to take actions at scale. However, the implementation of measures like adoption of energy efficient boilers, switching to cleaner fuels, improving energy use through thermal retrofits of buildings, and transitioning to district heating systems has been a major challenge for single family buildings, particularly those owned by the poor households, which has emerged as the largest contributor of air pollution in some of the regions. Most recently, the Government adopted a Clean Air Program (CAP), demonstrating its commitment to addressing air pollution at the highest political level. The CAP comprises fourteen recommendations addressing technical standards for boilers, regulations on solid fuel quality standards, funding for air quality improvement, educational awareness and other areas.

The WBG is helping to design financial instruments for improving Energy Efficiency in SFBs in two regions – Malopolskie and Slaskie. The objective is to create incentives for SFB households to implement measures that would lead to more efficient use of energy and switch to cleaner fuels. Financial instruments also have the potential to leverage public and commercial finance interventions to reduce the energy costs for the poor, and have a positive impact in improving local air quality in particularly polluted cities and contribute to the climate change agenda. IFC will provide long-term finance to financial intermediaries to help expand lending for climate-related projects and promote issuance of green bonds by private sector.

The WBG is conducting analytical work to support an integrated approach to air quality management in Poland. The objective is to identify priorities and interventions for air quality management (AQM) in Poland and inform the government's decision-making on AQM. This work will help to inform an air quality management approach that takes into account all key sources, addresses institutional and policy challenges, with a view to identify economically effective interventions to reduce air pollution.

CPF Objective Indicators	Supplementary Progress Indicators	WBG Program
Number of households that would see efficiency gains in their dwellings Particulates emission reduction from boiler replacement in single family buildings in the two pilot regions of Malopolskie and Slaskie, as mandated in the anti-smog resolutions in these two regions – 43,000 tons in three years during the CPF period. Green mortgage market in Poland created through first ever green covered bond by a mortgage bank Options prepared for an Integrated approach to Air Quality (Air Quality ASA)	IFC issuance of the first green bond covered by a mortgage bank in Poland.	Energy Efficiency ASA Coal Transition ASA Air Quality ASA IFC: Climate Bonds and financing to financial intermediaries

Statement of CPF Objective 6: **Build Resilience to Climate Related Events**

Intervention Logic

Poland is highly exposed to climate-related events, including fluctuating rain patterns with high probability of events that significantly affect the economy and human lives. In the last 30 years, floods, storms and extreme temperature events have cost 2,274 lives, directly affected 348,975 people and damages total more than USD8 billion. The catastrophic 1997 flood accounts for almost half the damage costs and the affected populations. Extreme heat events have resulted (cumulatively) in the greatest loss of life.

The Government has a long-standing partnership with the WBG on flood prevention in the Odra region focused on Wrocław and surrounding areas. Work so far is providing full protection of the population of Wrocław (650,000). These are efforts relevant not only to Poland but to the region, with important lessons for other countries with increasing incidence of climate-related events [and the Bank will make an effort to better capture these results].

Under this CPF the work on the initial project will be completed and will be well underway in the second project to develop a system that can manage unusually high levels of river flows that occur with low probability for a population of 15 million.

CPF Objective Indicators	Supplementary Progress Indicators	WBG Program
People benefiting from enhanced flood protection and forecast up to the highest target level envisaged in the two projects: Baseline: 650,000 people in Wrocław (2018) Target: 15 million people (2024)	*Construction of the dry polder in Raciborz under the Odra Project is completed* Baseline: Construction ongoing (2018) Target: Construction completed (2020) *One (of two) Flood Operation Centers under the Odra/Vistla Project established and functional* Baseline: 0 Flood Operation Centers operational (2018) Target: 1 Flood Operation Centers operational (2020)	WBG: Odra River Flood Protection Project Odra Vistula Flood Management Project IFC: Climate Bonds

Annex 2.
The Government Program

1. **The Government's "Strategy For Responsible Development" outlines plans for the country's future development.** The strategy combines strategic and operational dimensions, and includes supporting inclusive growth; enhancing economic competitiveness through innovations; and creating a more efficient state, among its priorities.

2. **The focus on inclusive growth includes equal access to high-quality services that enable a larger share of Polish citizens to benefit from their increased income and enhance quality of life.** This pillar is based on social solidarity and sustainable development, aiming to distribute profits from economic growth equally. It includes territorially sustainable development that entails the development of all territories, with a focus on lagging regions, by strengthening their endogenous potentials. This requires an efficient and tailored regional policy with actions aimed at economic activation, the development of local labor markets and the facilitation of the access to public services that maximizes local potential and sub-regional economies.

3. **The Government's objective to achieve enhanced competitiveness and maintain steady productivity growth is through strengthening technological and industrial ecosystems.** The Government plans to support development of innovative firms focused on selected areas and technologies, offering new tax incentives for businesses conducting research and development work and enabling universities to set up companies to manage research infrastructure. Elimination of existing development barriers (legislative, organizational and institutional) is also a priority.

4. **The pillar focused on a more efficient state aims to improve the quality of established law and its implementation.** The Government wants to improve the effectiveness of public institutions, strengthen the management system of developmental processes and use information and communication technologies in public administration and communication with citizens. Concrete actions include further deregulation and improvements in legislative processes. Institutional reform is focused on creating pro-development public institutions with a focus on results (this includes development of the system for monitoring and evaluation of public policies to improvement its accuracy, efficiency and effectiveness). Institutional reform is focused on creating pro-development public institutions with a focus on results (this includes development of the system for monitoring and evaluation of public policies to improvement its accuracy, efficiency and effectiveness). This is particularly important to improve the efficiency and effectiveness of EU funds.

5. **The Government's focus on inclusive growth is aligned with the Twin Goals, and its objectives are consistent with the recommendations put forward in the SCD.** Government actions proposed would also be supplemented by new infrastructure projects and regulatory and institutional actions in areas that are key for the development of human and social capital, including education, culture and health; the production and distribution of energy; and protecting the environment over the long term in a sustainable manner.

Annex 3.
The Systematic Country Diagnostic

1. **The Systematic Country Diagnostic (SCD) argues that a new level of sophistication is required for Poland to meet the challenges of a rapidly aging population and evolving global economy.** The main pathways include: (a) investing in people, ensuring that they can engage productively, and guaranteeing their mobility; (b) developing an innovation-led growth model and an enabling investment environment; and (c) ensuring the fiscal, environmental, and social sustainability of policies. Progress in each of these areas will require a new consensus across state and non-state actors to evaluate trade-offs and ensure consistency of policies. The private sector will also need to play a greater role in moving to a more sophisticated and innovative economy. Finally, a focus on closing institutional gaps with peer and more advanced countries would help to lock in gains and enable sustainable progress to higher levels of income and welfare.

2. **Ensuring inclusive growth remains a challenge, accentuated by the aging of the population and rapidly evolving technologies.** Promoting opportunities and inclusion calls for removing barriers in access to health services, health literacy, skills and education, labor mobility and social assistance. Improving the health of the population requires a more effective and integrated model of service delivery that guarantees its availability and quality and addresses the demands of a rapidly aging population. Equipping the labor force for the requirements of an innovation-led growth strategy requires continued emphasis on strengthening cognitive and social skills through early childhood and basic education and technical skills through quality higher education, vocational training and lifelong learning. Barriers to mobility are limiting the access of sizeable segments of the labor force to the most productive jobs, especially for women, the elderly and rural residents. Hence, the need to attend to the availability of affordable childcare, flexible working schedules, urban housing, transport, and apprenticeship opportunities. Fiscal and social policies will need to continue to complement labor incomes through policies that address the needs of the most vulnerable while providing incentives for activation and productivity improvements.

3. **Continued productivity growth will depend on Poland's ability to transition to an innovation-led growth model.** Further increases in productivity depend on Poland's ability to transition to an innovation-led growth model as the opportunities from the reallocation of productive factors that drove nearly three decades of fast and stable growth are dwindling. The private sector can contribute greatly to an innovation led strategy under an enabling environment that fosters fair competition and contestability, nurtures the availability of a broad spectrum of skills, encourages tertiary education to deepen attention to research, and enables the emergence of a more risk-friendly, equity-based finance. The state needs to play a more strategic role, beyond its service delivery and regulatory function, by making sound public investment and research and development (R&D) policy decisions as well as by using European Union (EU) funding more efficiently. Connecting the lagging regions of the country to the markets and opportunities already available in Poland and Europe will contribute to further economic growth, strengthen institutions and consolidate inclusiveness. Countercyclical monetary and fiscal policy and managing public finances effectively remain prerequisites for growth.

Table A3.1. **Poland SCD Priorities**

Renewed Social Consensus and a More Strategic and Effective State		
Inclusion	Growth	Sustainability
1. Health care 2. Skills 3. Labor force participation 4. Worker mobility	5. Competition 6. Strategic public investment 7. Sound macro/fiscal	8. Adequate pensions 9. Transition to low-emissions economy and water management

4. **To grow sustainably, a new consensus will be needed to confront fiscal, social, and environmental challenges.** Poland's environmental sustainability challenges are dominated by the need to move to a low-emissions economy, closing one of the largest gaps in Europe, and building resilience against natural events, especially floods. Making progress in reducing carbon emissions can begin by addressing critical targets such as improving the air quality, which is now seriously affecting health in urban centers. Over the longer-term, an assessment of the sources of emissions would have to consider the role and impact of coal and the technological and institutional options to curtail its impact on emissions. Large investments and management improvements will be needed to buttress the resilience of the country to severe rains, which are likely to occur with increased frequency due to climate change. Given the demographic trends, achieving long-term fiscal and social sustainability faces difficult trade-offs between delivering a pension replacement rate that is socially acceptable while maintaining fiscal sustainability. Addressing sustainability challenges will increase pressure on public finances and call for difficult trade-offs that require transparent and inclusive public debate.

5. **Managing the transition toward innovation-led, sustainable and inclusive growth will require a strategic, effective and accountable state.** During recent decades, the process of EU accession and then EU membership provided a clear coordination mechanism that enabled the rapid transformation of the country. As Poland moves to consolidate these gains, the urgency to close institutional gaps with high performing EU and OECD countries is a priority. The capacity to articulate policy options informed by evidence, and to evaluate initiatives to inform course correction, emerges as critical for a national dialogue that facilitates agreements on how best to address difficult trade-offs over the longer-term.

Annex 4.
Poland's Key Challenges to Gender Equality

1. Poland has taken important steps with regards to legislation, institutional arrangements and policy programs on gender equality, particularly in terms of political participation, access to different forms of employment, and reconciliation of work and family life. Improvements took place during the last five years, some due to the incorporation of the EU directives, and include establishing an electoral gender quota system, extending the duration of (the basic) maternity leave to 20 weeks, introduction of paternity leave and increase in the accessibility of pre-school education.

2. However, despite the commendable advances in shared prosperity and in the legal and institutional framework, women still show systematically poorer outcomes than men across significant dimensions. Gender disparities are particularly pressing given that Poland is one of the fastest-aging countries in the EU. Demographic changes will reduce the available labor force and challenge the existing health and social protection systems, reason why it is important to boost economic participation, especially for women (because of differences in life expectancy by sex, most of the elderly over age 75 in Poland are expected to be women).

The central challenges to gender equality are summarized as follows:

3. There are persistent important differences in the pool of graduates by fields of study across gender, which translate into the labor market as sex segregation by sectors of employment. Although gender segregation by fields of study is less pronounced in Poland than the EU, female graduates dominate the "traditionally female" fields of health and education with shares higher than 70 percent, as compared to the lower shares of female graduates (41 percent) in STEM fields. These patterns translate into female employment concentrating in those same sectors, while male employment dominating in infrastructure and manufacturing sector. This is problematic to the extent that job opportunities and wages associated with the latter fields are greater.

4. Poland has one of the lowest female labor force participation rates in the EU which, in a context of fast ageing, makes it an imperative to better use the labor resources among the currently adult population. Although important steps have been taken to improve the quality in employment contracts (temporary employment is an issue), disparities in participation persist as 62 percent of Polish women are economically active compared to 76 percent of men; this, in spite the fact that the tertiary education rates are higher among women than men in Poland. Among the employed ones, there is a 20 percent gender wage gap in Poland, which cannot be explained by different characteristics and occupations of men and women. To adapt to skill-biased technological changes, Poland will need to improve the quality of its labor force. Unfortunately, adult learning opportunities remain scarce, and training opportunities concentrate among permanent workers.

5. Analysis of the most disadvantaged groups in the labor market in Poland suggests that gender, along with geography, are critical dimensions of labor market exclusion. Of the population that is either persistently out of work or with weak labor attachment, more than half are inactive women with no recent work experience and often with care responsibilities, and around 7 percent are women in rural areas.

6. Inactivity among women is mainly driven by three barriers to employment: early retirement; lack of care services for **children and sick or elderly dependents; and legal, regulatory, and social constraints.**

   - *Retirement*. Twenty-two percent of inactive women are retired, compared with 14 percent in the EU-28. Inactivity among older Polish women (and men) is likely to be amplified by the recent reversal of the reform that increased retirement age for both women and men.

   - *Care work and lack of care services.* While the rate of inactivity due to caretaking duties is decreasing in the EU, it is gaining importance in Poland and it is potentially related to the growing number of elderly who require care. Caregiving and other family or personal duties account for 31 percent of female inactivity. Mothers or grandmothers are almost exclusively the providers which is consistent with the low coverage of children in institutionalized care. Similarly, access to long-term care facilities remains low, and there is strong preference to provide long-term care within families (they provide 80 percent of this type of care at home).

   - *Social norms and social constraints.* The Labor Code guarantees equal treatment and non-discrimination on the labor market. Yet, women report being subject to barriers to entering the labor market, including the difficulty in reconciling care duties with work in a context where many employers discriminate against mothers, and the cost of and access to transportation to better paying jobs.

7. Accentuated by the recent policy that rolled back retirement ages, women are projected to experience a dramatic decline in their replacement rate (from already low levels for both men and women). Projections indicate that the replacement ratio—the average pension benefit divided by the average wage of contributors— is expected to fall from 48 to 30 percent (meaning, the average pension benefit will be only 30 percent of the average wage). The impact on women is more severe as female retirement ages (before the rollback) were expected a seven-year increase compared to a two-year increase for men. This is making women to be more dependent on voluntary-saving schemes, which is unrealistic in a context of lower rates of economic activity.

8. Women's agency remains comparatively weak. According to international comparisons, Poles are not significantly more conservative with regard to gender roles than other nations in Eastern Europe. However, in comparison to other EU countries, gender stereotypes and a conservative view of the family seem to prevail: according to the latest Eurobarometer survey, as much as 77% of Poles agree with the statement that the most important role of a woman is to take care of the home and the family.

9. Since 2011, an electoral gender quota system was adopted for parliamentary and local elections. While the new system led to a considerable increase in female candidates, as of 2016 female members of Parliament still represented less than a quarter (27 percent) of all seats in the Parliament.

10. With the opening of the national borders, the phenomenon of human trafficking has become a much more severe problem in post-communist countries. Poland is a source, transit and destination country for both men and women subjected to conditions of forced labor or sex trafficking. Moreover, the country is mentioned as the 6th country of origin of migrant sex workers in the whole of Europe.

Box A4.1. **Poland's key Challenges to Gender Equality**

Poland has taken important steps with regards to its legal and institutional framework, as well as policy programs on gender equality. Improvements took place during the last five years, some due to the incorporation of the EU directives, and include an electoral gender quota system, extended duration of the basic maternity leave, introduction of paternity leave and increase in the accessibility of pre-school education.

However, despite these commendable advances, women still show systematically poorer outcomes than men across significant dimensions with demographic changes exacerbating inequality. Poland is one of the fastest-aging countries in the EU and, given differences in life expectancy, most of the elderly over age 75 are expected to be women. Demographic changes will reduce the available labor force and challenge the existing health and social protection systems.

Poland has one of the lowest female labor force participation rates in the EU which, in a context of fast ageing, makes it an imperative to better use the labor resources. While 62 percent of women are economically active, the share is 76 percent for men. Among the employed, there is a 20 percent gender wage gap, which cannot be explained by differences in characteristics and occupations of men and women. In addition, although gender segregation by fields of study is less pronounced in Poland than the EU, female graduates dominate the fields of health and education which translates into female employment concentrating in these sectors.

Inactivity among women is mainly driven by:

(i) Early Retirement. Twenty-two percent of inactive women are retired, and it can be amplified after the recent rollback in retirement age. (ii) Care work. Caregiving and other family duties account for 31 percent of female inactivity. The coverage of institutionalized childcare and long-term care is low, and families are almost exclusively the providers.

(iii) Social norms and social constraints, including the difficulty in reconciling care duties with work, and the cost of and access to transportation to better paying jobs.

Accentuated by the rollback in retirement ages, women are projected to experience a dramatic decline in their replacement rate (from already low levels for both men and women), becoming dependent on voluntary-saving schemes which is unrealistic in a context of high inactivity.

Women's agency remains comparatively weak. In comparison to other EU countries, gender stereotypes and a conservative view of the family seem to prevail. As much as 77% of Poles agree with the statement that the most important role of a woman is to take care of the home and the family. And, despite an electoral gender quota system, women represented less than a quarter (27 percent) of all seats in the Parliament as of 2016.

In lieu of the gender assessments, these are the documents on which this summary is based:

European Parliament (2016). Women's Rights and Gender Equality. The Policy on gender Equality in Poland. Update. http://www.europarl.europa.eu/RegData/etudes/STUD/2016/571372/IPOL_STU(2016)571372_EN.pdf

World Bank (2016). Republic of Poland. Social Inclusion in Poland: Key Challenges and Opportunities for Support. https://openknowledge.worldbank.org/bitstream/handle/10986/24728/Republic0of0Po0tunities0for0support.pdf?sequence=1&isAllowed=y

Annex 5.
CPF Consultations

1. The IBRD and IFC country teams undertook consultations for the preparation of the CPF with numerous stakeholders, including central government, regional public administration, the international community, private sector and civil society.

2. The consultations suggest that the WBG development support should be focused on policy advice and technical assistance in areas that require most urgent attention, namely innovation, labor market, environment sustainability and regional disparities. The WBG selectivity criteria were endorsed by the representatives of the National Bank of Poland and the Ministry of Finance. The Ministry of Finance said that with the cost of IBRD lending being relatively high, currently, the IBRD lending maybe needed only to a limited degree, and with targeting on specific investment projects or reforms. Representatives of the Ministry of Finance confirmed that they would like Poland to retain access to the entire range of WBG instruments as there are certain development areas the Group's financing combined with advisory services may bring considerable additionality. Both Ministry of Finance and the National Bank of Poland confirmed they would not like Poland to graduate from the WBG.

3. Meetings with the international financial institutions, namely the EIB and the EBRD, were largely devoted to potential areas of mutual cooperation with the WBG, including how to leverage different financial resources for best development outcomes in Poland. In that context, energy efficiency and air pollution were brought up, two specific areas where the WBG can play an important role in convening different parties and bringing international expertise, as confirmed by the representatives of both institutions.

4. So-called 'convening power' of the WBG and its ability to help policymakers respond to most comprehensive socio-economic challenges of Poland, including of environmental sustainability, health sector, or higher education, were seen as key add-value of WBG's engagement with a high-income country by civil society and academia. Representatives of Poland's leading think-tanks and NGOs expressed, however, some disappointment that the WBG is too selective in its operations approach in Poland. They were raising serious development problems Poland is now facing, including migration policy or governance, which are not enumerated in the new CPF's priorities and objectives. Some stakeholders, especially those who have already worked with the WBG, noted that given lower capacity of public administration and relatively big disparities in income and growth prospects, the WBG should continue its efforts to close development gaps between Polish regions, based on best practices from the ongoing Catching-Up Regions initiatives that cover Poland's most lagging regions.

5. IFC role in supporting the development of banking sector in Poland has been praised by the private sector. IFC should continue investing in instruments that would provide financial institutions with both liquidity and capital, including through e.g. covered bonds, subordinated debt and/or instruments that take away (or reduce) credit risk on the banks' side. Supporting international competitiveness and - in particular - foreign expansion of Polish companies was seen as one of the areas that may need support from the WBG as it is still in nascent stage and many undertakings are not bankable. Specialized state agencies (like PFR Foreign Expansion Fund) are ready to partner with IFC in supporting a foreign expansion of Polish companies. PPP was indicated as an interesting area for IFC engagement. Discussions with the private sector pointed at several limitations existing in the PPP market, including the presence of EU

structural funds (so far preventing PPP market from growth), very limited local expertise and DIY approach of local authorities when performing PPPs and consequently limited track-record of PPP projects in Poland.

6. In addition to traditional face-to-face consultations, the WBG conducted online consultations via standard World Bank Group's consultations portal and Twitter, that was used as a platform to exchange ideas about Poland's key development challenges and future WBG's role under the new CPF. A set of multimedia products have been prepared to highlight, for example, key WBG stakeholders presenting their views on the matter. This made the consultations process more engaging and captured the views of a large number of citizens.

Annex 6.
Poland's Catching-up Regions (CuR) Initiative

Catching-Up Regions (CuR) is an initiative funded by the European Commission's DG Regio and implemented by the World Bank in selected regions of Poland that are lagging behind in terms of their income level and development challenges. The purpose of the project is to identify constraints to growth in these regions, and to provide targeted assistance and actions, aiming to unlock their growth potential.

The lagging regions are assisted, involving a broad range of stakeholders (regional and local administrations, educational institutions, business support institutions, SMEs, entrepreneurs, investors, NGOs, IFIs) to help respond to concrete needs they have. This is meant to maximize the impact of regional investments.

The World Bank plays a multidisciplinary role in the implementation – it gives its technical and operational expertise, works as an honest broker and uses its convening power to bring several external partners to one decision table.

This approach is an example of World Bank agility in that it aims at designing and testing targeted multi-sector solutions in a short period of time, using an iterative process that focuses on achieving tangible results. First, the stakeholders describe a desired outcome that can be achieved within a specific time period (in Poland this was 12 months). The participating regions played a leading role in identifying the outcomes to be achieved. Then on the basis of a joint discussion, the stakeholders agreed on actions needed to achieve the goals. These actions initially have a general nature and stakeholders gradually add more details throughout the design phase. Regular Steering Committee meetings serve the purpose of discussing, accepting and/or modifying plans towards more detailed solutions. Often the solutions, for example developing financial instruments to promote energy efficiency, can create opportunities to crowd-in other sources of public or private financing, and serve to improve the absorption and impact of EC Structural Funds.

The initial model is in its third phase and has been scaled up to include additional regions. The EC has expressed an interest in supporting similar models for less developed regions in other countries including Romania, Slovakia and there is also the potential to expand this approach to other WBG clients.

There are several lessons that can be learned from the successful implementation of the initiative:

1. **Bottom-up selection of engagement areas.** Stakeholders' buy-in is necessary for designing and implementing a successful program. This can be achieved by strong engagement of the participants from the very outset of the program e.g. by identification of the key developmental bottlenecks, description of desired outcomes and planning of instruments and activities that will help overcome the bottlenecks. The World Bank decided to engage into areas where it has a comparative advantage.

2. **Narrow and specific scope within a limited time frame.** The proposed program has to be focused, though ambitious. Clear definition of the results and outputs within the given time are the must. The involved stakeholders have to be able to influence the change that is to be achieved.

3. **Implementation-oriented activities.** The proposed activities do not result in a written report with recommendations. The main purpose of the program is to bring about a tangible change. For that reason, the project focuses on implementation; counterparts, topics and timeframe are chosen to enable achieving this tangible impact.

4. **Regular Steering Committee Meetings.** The purpose of the Steering Committee meetings is to go beyond progress reports, and directly discuss with relevant stakeholders key outstanding issues, ways to overcome the issues, and proposed deadlines to deliver on committed outcomes.

5. **Strong leadership and focus on results.** No matter how well defined the scope of work is, without strong leadership and focus on results, it is difficult to have an impact. This requires a proper involvement on the Bank side, the EC side, and the end beneficiary side (the RDAs, the county councils, and the local administrations).

6. **Identifying the right experts.** Advisory work is highly idiosyncratic and often requires the mobilization of a large number of international and local experts that can deliver of very specific tasks.

7. **Local coordination.** An effort of this kind is difficult to complete without strong local coordination. An understanding of the local context, frequent communication with the program stakeholders, coordination of activities, are difficult to undertake without a good local team.

8. **Buy-in and involvement of regional and local stakeholders.** Development cannot be done for someone, but by someone. As such, it is important that the World Bank and the European Commission play the role of the facilitator, the convener, and the coordinator, while regional and local stakeholders are the ones driving the process. In this respect, it is important to identify from the outset beneficiaries that are willing, ready and able to take part in such an initiative. Potentially, a competitive process can be encouraged.

9. **Integration with existing operational programs and strategies.** While the actions that will be targeted under the Program can be distinct and well-defined, it is important that they are not designed independently of existing strategies and programs, and rather in a complementary fashion – i.e. they should help achieve some of the key issues proposed in the existing national and regional strategies, programs, and plans

10. **Flexibility of program objectives.** Development is rarely a straight-arrow shot and requires frequent adjustments to new realities and priorities. This requires some flexibility when defining program objectives, as well as some operational flexibility when program realities require it.

Annex 7.

Poland Completion and Learning Review of the FY14-17 Country Partnership Strategy

Introduction

1. This document presents the Completion and Learning Review (CLR) for Poland's FY14-FY17 Country Partnership Strategy (CPS), presented to the Board 2013/08/06, and amended by the Performance and Learning Review (PLR) of 2016/09/13. The CLR adheres to the Joint IEG OPCS Guidelines.

2. The Poland CPS was structured around 10 objectives within four strategic areas of engagement, namely: (i)Economic Competitiveness, (ii) Equity and Inclusion, (iii) Climate Action, and (iv) Poland as a Global Development Partner. The CPS foresaw an increased IFC engagement after a period of limited activities during FY00-FY13. The CPS design took on board lessons from the previous CPS, including the importance of knowledge generation and alignment with the EC program.

3. The CLR rates the delivery of outcomes as satisfactory. Out of the ten objectives, seven have been achieved and three have been mostly achieved. The WBG performance rating is good. The PLR adjustments reflected the progress in performance and the changes in operating environment, including a new government. The risks were well identified and adequately mitigated. The CPS implementation has contributed valuable lessons for the WBG operations in Poland and other client countries.

I. Economic, social and political developments during the CPS

4. Over the CPS period, Poland continued to close the income gap with the EU10, breaking a downward trend that saw an economic slowdown from 4.5 percent in 2011 to 1.4 percent in 2013. Economic growth rebounded to 3.3 percent in 2014 and 3.9 percent in 2015. It remained robust at 2.6 percent in 2016 and the estimate for 2017 is 3.6 percent helped by strong consumption and higher public investment boosted by EU funds. Expanding employment and income opportunities have tightened the labor market, driving unemployment to historical lows. A tight labor market and a record-high capacity utilization signal an economy operating at, or above, potential. Poverty, measured at 2005 $5 PPP, stands at around 7 percent (2015), lower than in other countries in the region (e.g., Croatia and Hungary). Economic growth remains inclusive. Labor force participation has increased, especially among the elderly.

5. In 2013, Poland's structural fiscal balance exceeded the EU's Excessive Deficit Procedure (EDP) limit of 3 percent of GDP. Since then, the authorities brought under control the deficit, which at 2.4 percent of GDP in 2016 hit the lowest level since the global financial crisis. The forecast for 2017 is a budget deficit of around 3.0 percent of GDP. The government has made successful efforts at revenue mobilization, but social policies are increasing pressure on public expenditures. After expanding up to 2013 and reaching 55.7 percent of GDP, general govern-

ment debt as a percentage of GDP declined to 50.6% in 2017. Poland has contained inflation pressures, but they remain a potential concern.

6. The 2014-2020 European Union (EU) budget for implementing the cohesion policy in Poland amounts to EUR 82.5 billion, higher than the 2007-2013 allocation of 57 billion euros, which Poland absorbed in its entirety. The 2014-2020 EU allocation shifted focus from hard infrastructure towards systemic aspects of competitiveness, innovation and entrepreneurship. The main programs are: Infrastructure and Environment, Smart Growth, Knowledge, Education and Growth, Digital Poland, Eastern Poland, Technical Assistance, and Regional operational programs.

7. The Law and Justice Party (PiS) won political victories in May 2015 (presidential elections) and October 2015 (parliamentary elections). It became the first party to govern without a coalition since 1989. The party took office in November 2015; its policies emphasize economic inclusion. In February 2017, the government adopted the Responsible Development Strategy (RDS), which aims for strong sustainable and inclusive growth through reindustrialization, development of innovative firms and SMEs, international expansion, mobilizing capital for development, supporting social and regional development and increasing the efficiency of institutions.

II. Achievement of Objectives

8. This section takes stock of the achievement of the objectives set by the CPS and updated with the Progress Learning Review (PLR). Given that the WBG engagement in Poland is knowledge intensive; and WBG financing is modest, it can be challenging to formulate outcome indicators that adequately capture the impact of the WBG Program. As highlighted by the preceding CLR, knowledge products or technical assistance often deliver intermediate outputs whose development or transformational impact is intermediated by other actors or events. As a result, this CLR provides additional evidence of the contribution of the WBG to the delivery of objectives beyond the indicators selected by the CPS and the PLR (see Annex A7.1).

Table A7.1. **Poland FY14-FY17 CPS Pillars, Objectives Rating**

Objectives	Rating
Strategic Area of Engagement I: Economic Competitiveness	Satisfactory
Objective 1: Enhanced business environment	Mostly Achieved
Objective 2: Increased innovativeness	Achieved
Objective 3: Effective public finance	Achieved
Strategic Area of Engagement II: Equity and Inclusion	Satisfactory
Objective 4: Inclusive and effective labor markets	Achieved
Objective 5: Balanced regional development	Achieved
Objective 6: Integrated Health Delivery	Mostly Achieved
Strategic Area of Engagement III: Climate Action	Satisfactory
Objective 7: Informed climate change policy	Achieved

Objectives	Rating
Objective 8: Enhanced protection against floods	Mostly Achieved
Objective 9: Road safety enhanced	Achieved
Strategic Area of Engagement IV: Poland as a Global Development Partner	Satisfactory
Objective 10: Contribution to development cooperation and global public goods	Achieved

Strategic Area of Engagement I: Economic Competitiveness

Objective 1. **Enhanced business environment**

9. **This CLR rates Objective 1 as Mostly Achieved.** The target on the time needed to obtain a construction permit was surpassed. The specific target on days needed for opening a business was not met, although overall progress on opening a business has been made. The PLR dropped the indicator on obtaining an electricity connection, but here substantial progress has also been made.[1]The overall business environment has been enhanced, as evidenced by an increase from 55th in DB13 to 24th in DB17, the fastest progress in the ECA region. The authorities have relied on Doing Business indicators to benchmark and track progress of their initiatives, which has provided a results orientation to their efforts.

10. The time to obtain a construction permit decreased from 301 days in DB13 to 152 in DB17 below the target of 200 days set by the CPS/PLR. The number of procedures decreased from 18 in DB13 to 12 in DB17, and the cost of dealing with construction permits went down from 1 percent of the investment in DB13 to 0.4 percent of the investment in DB17. The RAS on construction permits was used by the Ministry of Infrastructure in the preparation of the Construction Code, released for public consultations in September 2016. World Bank TA then helped to stay the course. An example is the BB-funded review of Construction Law amendments.[2]

11. On starting a business, Poland's ranking improved from 124 DB13 to 107 DB17 by eliminating the requirement to register new companies at the National Labor Inspectorate and the National Sanitary Inspectorate (DB2014.) However, the number of days to start a business, the indicator under the CPS/PLR, increased from 32 days in DB13 to 37 days in DB17 despite the introduction of an electronic option for registering a business.[3] However, since DB reports on the dominant procedure (more than 50 percent), which has been the manual process, the gains from electronic filing are yet to be reflected in the Doing Business ranking.[4] Related to improving the business environment, the Bank supported the Ministry of Justice[5] in tightening

1. That target was dropped at the PLR stage as the Government decided to proceed on its own.

2. The Bank reviewed amendments to the construction code in early 2015 (BB) and advised on potential solutions for the construction permit framework in late 2015 (RAS). RAS Construction Permits (FY16); BB Construction Code – review of amendments (FY15). Other relevant instruments included DPL 1 and DPL2- Resilience and Growth Development Policy Loan (FY14&FY15).

3. The support to the government to open a business was provided under TA / RAS Business Regulatory Environment; TA Doing Business (FY13-FY17); RAS Doing Business Poland 2015 (FY15), ESW Public Policy Notes (FY16) and the DPL 1 and DPL2- Resilience and Growth Development Policy Loan (FY14&FY15).

4. Doing Business estimates corresponds to economy's largest business city, Warsaw. According to Doing Business in Poland 2015, eight cities required less days than Warsaw to open a business; the number of days in Poznan had dropped to eight.

5. RAS Contract Enforcement (FY13)

procedures on contract enforcement to help speed up settling disputes between companies. Poland made notable progress in trading across borders, where it ranks first in the world.

12. An important engagement, not reflected in the results framework, has been the first Polish edition of the subnational Doing Business (RAS), which benchmarked 18 regional capital cities,[6] finding notable dispersions across regions and indicators. The effort of the Government has been on reaching nationwide the standard set by the best performing regions. The Bank supported this through its work in lagging regions, working on business registration (see Objective 5). The Bank also supported the Government and professional stakeholders in enhancing a sustainable regulatory and institutional framework for financial reporting, backed by a RAS funded by the Swiss Government.[7] This technical assistance helps apply the EU Acquis Communautaire and international standards in corporate sector accounting and auditing, a key element of the market infrastructure and transparency needed to support investment and lending activities

Objective 2. **Increased innovativeness**

13. **Objective 2 has been achieved.** The results indicator—approval of the Smart Growth Operational Program (OP)—was delivered. The Bank contributed to the preparation of the Smart Growth OP, and its subsequent implementation. To WBG delivered sequential support from design to implementation. A Bank DEC evaluation of some of the approaches implemented finds positive results.[8] The Bank is now developing a comprehensive evaluation methodology, which will be applied to 2007-2013 EU-funded innovation programs. IFC's engagements in the financial and real sectors complemented IBRD's activities and made a significant contribution to this objective. According to the Global Competitiveness Report, Poland's position improved from 42 from 2013-2014 to 36 in 2016-2017. Moreover, ranking on the sub-component on Innovativeness went from 65 to 40 during the same period. Progress has been noted in public and private expenditures in research and development as a percentage of GDP as well as the knowledge intensity of the economy.[9]

14. The Smart Growth OP, approved in 2014, is guiding Poland's support for innovation during the period 2014-2020, in the context of the EU Financial Perspective. This OP finances and encourages private sector-led innovation, with emphasis on SMEs and the introduction of non-grant mechanisms. The Bank has worked with the Polish authorities to fit the EC guidelines on Smart Growth to the local reality.

15. First, the Bank reviewed the 2007-2013 OP (infrastructure and environment), and drew lessons.[10] Second, building on these lessons, the Bank advised Poland in the preparation of the

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6. Doing Business in Poland 2015.

7. RAS Financial Reporting Technical Assistance Program (ongoing, FY17)

8. See Bruhn, Miriam and McKenzie, David "Can grants to consortia spur innovation and science-industry collaboration? Regression-discontinuity evidence from Poland." January 2017 CEPR Discussion Paper No. DP 11765.

9. On the progress that has made on innovation, see: "European Innovation Scorecard, 2017", the European Commission. Poland remains a moderate innovator. However, between 2010 and 2016, advances are considerable in several areas. On the R&D in the business sector, Poland went from 14 percent to 38 percent relative to the EU. Likewise, regarding an innovation friendly environment, Poland went from 45 percent to 84 percent relative to the EU. The country has been working on these areas during the CPS period.

10. Early on in the period support included RAS Ex Ante Assessment of Financial Instruments of the OP Infrastructure and Environment (FY13). The findings of the review were published as "Poland Enterprise Innovation Support Review" --- World Bank Publication.

Smart Growth OP2014- 2020 that assigned Poland EC support for 10 billion euros.[11] Third, additional resources for innovation became available in the Regional OP, but access to these resources were conditioned on regional strategies meeting minimum standards. The Bank advised the Government in the review of its regional strategies and provided recommendations on criteria to evaluate them. Furthermore, the Bank supported directly the preparation of several regional strategies.[12] Fourth, the EC engaged the Bank in proposing options and mechanisms for the identification of sectors, activities and firms with high innovation potential and barriers that limit their potential. Working with the national government the Bank prepared design options for identifying priority areas of support using the resources provided under the Smart Growth OP and a menu of mechanisms for supporting them, drawing on the expertise of leaders in the field.[13] Fifth, the Bank provided guidance to National Center for Research and Development in Poland (NCBiR) to enhance the efficiency and effectiveness of its R&D Programs.[14] Lastly, the 1st and 2nd Resilience and Growth DPL FY14&15) coalesced these efforts and supported the legal and regulatory landscape for innovation. Support has continued through analytical work on Innovation Ecosystems; and Public Policy Notes ESW (FY16).

16. IFC contributed to the Objective 2 by supporting development of the private equity industry and providing long-term finance to the financial intermediaries. While Poland's financial system has been expanding rapidly, equity-based finance remains scarce. In FY15, IFC invested in the Polish affiliate of the regional private equity fund financing mid-size high-growth Polish companies which have limited access to equity instruments that finance riskier innovative activities. The fund already invested in six companies operating in consumer logistics, retail, and apparel sector as well as in a company providing liquidity enhancement solutions for SMEs. IFC also identified several potential market players to be supported in the future. In the banking sector, IFC promoted innovation by supporting introduction of new financial products. IFC was an anchor investor in a first ever green bond issued by the private sector. IFC also channeled funds to MSMEs, earmarked for gender and lagging regions, through loan products to two leading leasing entities.

17. IFC also contributed by financing foreign companies to expand to Poland. In FY17, IFC financed a producer of architectural and automotive glass, one of the global leaders with significant presence in the emerging markets. To stay competitive in the market, the company will introduce a new energy efficient technology, equipment upgrades and R&D geared to the improvements of the manufacturing processes in Poland and other emerging markets. In addition, IFC provided two loans to a vertically integrated global grain processing and trading company, to improve its energy and resource efficiency standards and support sustainable practices among farmers in its supply chain. The recent IFC update to the Board on its engagement with multinational corporations (MNC)[15], provides concrete evidence of significant

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11. Support provided through Review of Smart Growth Operational Program (FY14) The recommendations from the review were published as "Poland-Smart Growth Operational Program Review." ---World Bank Publication, 2014.

12. RAS Review of RIS3s (innovation strategies) in Poland. Summary of the findings is found in "Review of the National and Regional Research and Innovation Strategies for Smart Specialization in Poland." Washington, DC. World Bank. See: and; RAS RIS3 (innovation strategy) in Swietokrzyskie region (FY14). The TF with DC Regio under implementation maintains a focus on innovation at the level of the catching up regions.

13. RAS Entrepreneurial Discovery and Needs Assessment (FY16). The findings and the recommendations were published as "Toward an innovative Poland; The entrepreneurial discovery analysis" a World Bank Publication

14. RAS Guidance to NCBR to Enhance Efficiency and Effectiveness of its R&D Programs (FY17);

15. "Multinational Corporations: Important Partners of IFC to Increase Development Impact and Foster Global Economic Integration", Board update, September 2017

positive spillovers of MNC investments, including technology transfer, productivity gains and creation of better quality jobs.

Objective 3. **Effective public finance**

18. **Objective 3 has been achieved.** The fiscal rule has been adopted, and complementary support on taxes and expenditure has been provided. The support on Behavioral Taxation has contributed to increase the number of compliant taxpayers and revenues.

19. In line with the indicators introduced under the PLR, a "permanent fiscal rule" has been adopted. Fiscal outcomes improved as Poland moved to comply with EU's Excessive Deficit Procedure (EDP) ceiling of 3 percent of GDP. On taxation, the Bank has been advising the adoption of innovative tax administration schemes, drawing on behavioral economic tools—Tax collection behavioral experiment (FY15). The pilots designed under this initiative have been assessed; they made a positive contribution to revenue mobilization and have informed similar efforts in other countries.[16] Peer-to-peer knowledge events have helped the Government to advance the reform agenda in tax policy and administration. On public expenditure, the Bank worked with the Ministry of Finance in designing and testing a spending review process to enhance spending efficiency. The spending review focusing on low income families' support considered a wide range of efficiency and value-for-money options, including measures to reduce funding and to change the policy mix. Also, the Bank supported the Polish Government's effort in PFM reforms, including Polish public-sector accounting. Moreover, Bank support included awareness raising and capacity building activities to galvanize high-level support for public sector budget and accounting reform.

20. The Resilience and Growth DPL I and II (FY14/15) supported the adoption of the fiscal rule, which is innovative and has been informing similar efforts in other countries. Other work relevant to this objective are: (ESW) Is Poland Saving Enough? (FY14); ESW Poland Saving for Growth and Prosperous Aging; (TA) Poland Public Spending Review Program (FY15); (TA) Regional Development Support – Mid-Term Financial Forecasts (FY15); TA Euro Adoption Preparedness (FY15); a Public Finance Work on Poland (ongoing FY17); RAS Financial Reporting Program (ongoing, FY17); ESW Regional Economic Review (FY16); TA Poland Pension Liability Calculation (PROST) (FY16); ESW Public Policy Notes (FY16).[17]

21. IFC's support for the structuring and financing of public-private partnership (PPP) projects in the road sector and healthcare, which potentially would have contributed to this objective, has not materialized, due to the ample availability of concessional resources for EU structural funds, as well as certain deficiencies in the PPP regulatory framework. Taking into account the expected setback in the flow of EU concessional finance after 2021, creating space for PPP instruments in the country remains an area of opportunity.

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16. For a description of the design and assessment of results see: "Applying Behavioral Insights to Poland to Increase Tax Collection", June 2017, Marco Hernandez, Julian Jamison, Ewa Korczyc, Nina Mazar and Roberto Sormani, World Bank.

17. The PLR revised the goal indicators dropping progress towards introducing an accounting system for farmers in order to facilitate taxation because support in this this area stopped. An intended RAS to support cost-efficiency of courts did not materialize.

Strategic Area of Engagement II: Equity and Inclusion

Objective 4. **Inclusive and effective labor markets**

22. **Objective 4 has been achieved.** The OP Knowledge, Education and Development (KED) was adopted in 2014 and the WBG has contributed to its implementation with positive results that include increased labor force participation amongst the elderly and other difficult to employ groups. Also, employment vulnerability has decreased, as measured by the increase in permanent jobs. IFC's operations contributed to this objective by expanding access to finance for underserved segments of the economy, including women entrepreneurs and MSMEs, with a focus on less developed regions of Poland. IFC's investments in real sector supported creation and preservation of jobs, including high-skilled ones.

23. The OP KED, approved in 2014 under the 2020 EU Financial Perspective, provided an opening for WBG involvement in support of inclusion through the labor market especially for older workers, women and youth. The First and Second Resilience and Growth DPL series supported introducing amendments to the Law on Early Childcare to facilitate parents re-joining the labor force. It also supported strengthening job- seeker services and promoting flexible employment through the enactment to the Law on Promotion on Employment and Labor market institutions in 2014, which introduced instruments to support re-employment, youth employment and employment over 50. The instruments include telecommuting grants, hiring subsidies, loans for new jobs and startups, and regional training programs. Within the context of the DPL series the regulation for professions was simplified lowering barriers for youth to enter the labor markets. These efforts have lowered barriers to labor force participation of women, youth and older workers and have complemented labor demand to deliver enhanced labor market outcomes.

24. In addition to the support provided through the DPL series, the Bank engaged in knowledge sharing (policy notes, event and diagnostic reports) that informed introduction and design of labor market reforms to support equity and inclusion such as policy changes to reduce labor market duality, support low income families or long-term learning for aging society. Specific instruments included ESW Regional Aging Flagship (FY15); TA Activation and Employment Promotion (FY16); TA Social Inclusion (FY16); Poland Jobs Dialogue (FY16); BB Integrated Family Support (FY16); Spending Review of Low Income Family Support (FY15); RAS Impact Evaluation of Youth Employment; and, ESW Public Policy Notes (FY16). A second RAS IE Youth Employment Program is under preparation to measure impact of policy initiatives and inform course corrections.[18]

25. IFC support for the financial intermediaries targeting underserved segments of economy, including MSMEs in less developed regions of Poland and women entrepreneurs, contributed to Objective 4. Women entrepreneurs have made a significant contribution to the economic growth in Poland, as they account for 34 percent of all entrepreneurs. However, access to finance continues to be a major impediment for women- owned MSMEs growth, with an estimated gap in their financing needs of US$16 billion. To address it, IFC has provided senior loans to leading financial intermediaries with the proceeds earmarked for on-lending to

18. The Bank work can be grouped in (a) labor market duality and labor market regulations; (b) public employment services and active labor market policies; (c) evaluation and labor policies, and (d) social inclusion and social spending. The Bank deliver 28 products including papers, training, and feedback on policy initiatives. The work conveyed the experience of relevant countries in critical issues of labor market design, inclusion, public sector policy, etc.

women-owned MSMEs. It has been an important first step in promoting gender finance in a country where no specific gender products have been devised to date. In addition, IFC's financing to financial intermediaries contributed to reducing regional disparities, as it was earmarked for on-lending in less developed regions of Poland through IFC's client banks presence in those regions.

26. IFC's investments in the real sector also contributed to Objective 4 by supporting job creation and preservation. IFC financing to a glass manufacturer, supported preservation of 3,500 existing jobs and is the expected to further increase the total employment by about 6 percent, mostly in high-skilled labor segment. Also, IFC's investment in a private equity fund contributes to this objective – the investee companies of the fund employ about 2,000 people, two third of them are headquartered in smaller cities. IFC financing to a regional agriculture commodity trader, benefited local farmers through increased availability of in-kind pre- financing as well as cutting edge agronomical advice. IFC provided risk capital to a global company with ability to create global value chains that can employ thousands of people while developing logistics and infrastructure, to expand in new markets including Poland.

Objective 5: Balanced regional development

27. **Objective 5 has been achieved.** The WBG delivered the target supporting the design of five regional strategies and, in addition, it has become directly engaged in helping improve the use of EC funds in two pilot lagging regions (see below). Three projects, under a first phase of the pilot engagement, have been completed. The second phase is under implementation and a third is planned. IFC engagement in the financial sector have focused on lagging regions. At least five key regional planning instruments (i.e., regional development strategies, regional operational programs, or subnational medium term fiscal plans), prepared with Bank support, are under implementation. First, the Bank helped strengthen the capacity for strategic planning through the preparation of regional development strategies. Support (ESW/TA) went to the Lubelskie and Slaskie regions in preparing and reviewing their regional development strategies, which are under implementation. Second, the Bank advised (RAS[19]) Swietokrzyskie in the review and design of its regional innovation strategy, which was the basis for developing the region's innovation ecosystem. Third, four regional capitals in Eastern Poland participated in the pilot project on preparing Green Urban Transport Solutions led by the Bank (ESW/TA).[20] Fourth, the Bank reviewed (ESW/TA) an inter-regional development strategy for Eastern Poland for the period 2014-2020 that guides the Eastern Poland Operational Program.[21] Fifth, Bank's TA support provided to the Ministry of Finance helped analyze challenges of local government units in mid-term fiscal forecasting and prepared recommendations for a more coordinated system of fiscal data gathering and analysis.[22]

28. The EC OP Development of Eastern Poland, adopted in 2014 for two billion euros, seeks to reduce income gap of the lagging regions. Concerned about the effectiveness of this initiative, the EC chose the WBG for implementing the two Polish pilots in the Swietokrzyskie and

19. RAS RIS3 (innovation strategy) in Swietokrzyskie region (FY14)

20. TA Green Urban Transport Solutions for Sub National Governments (FY16)

21. A ex ante review of the Eastern Poland Development Strategy; TA Subnational Development – review of Slaskie regional development strategy (FY13).

22. TA Regional Development Support – Mid-Term Financial Forecasts (FY15).

Podkarpackie regions.[23] The Bank is playing an enabling role in the identification of projects, the design of solutions, and the evaluation of impact. The agendas for these pilots are tightly linked to existing OPs and objectives under the CPS. The activities undertaken during a nine-month period and in close cooperation with the local authorities included: (a) Podkarpackie Center for Innovation; (b) Swietokrzyskie: Vocational Education and Training; (c) Podkarpackie and Swietokrzyskie: Activating Entrepreneurship in Deprived Areas; and (d) Podkarpackie and Swietokrzyskie: Easier Business Registration.[24] The EC extended support for a second and a third phase is planned. This bottom-up approach helps to identify the institutional reforms needed, and prioritize investments for impact. The leadership of the local authorities in the identification, design and implementation of the pilot activities enhances ownership and chances for success. The approach also creates platforms for scaling up engagement so that the development of the lagging regions contributes both to economic expansion and social inclusion. The impact is likely to be broad, as the EC plans to apply the lessons learned in other lagging regions of Europe.

29. Most of IFC's engagements contributed to less developed regions of Poland, one of IFC's principles of engagement in higher income countries. For example, two out of three loans to financial intermediaries were aimed for on-lending in less developed regions of Poland. The Private equity fund where IFC invested, supports companies originated from smaller Polish cities. IFC's glass manufacturer client company, with contemplated expansion of service centers to underdeveloped regions of Poland, is expected to create more employment opportunities in those areas.

Objective 6. **Integrated Health Delivery**

30. **Objective 6 has been mostly achieved.** Three health models for integrated primary health care have been designed and the Government selected one to pilot implementation (see below). A second RAS has been signed to support implementation. The Bank also contributed to the drafting of the Health Services Law, which has been approved by Parliament and lays the foundation for a more fundamental reform.

31. The EC supported health sector reform through the OP KED 2014-2020. When an investment loan to support the modernization of the hospital network in targeted areas did not materialize, the Bank, with the advice of Government, remained engaged in the health sector through advisory support on integrated healthcare delivery to enhance coordination of services provided to patients. The PLR redefined Objective 6 accordingly to reflect a RAS engagement.

32. During the CPF period three (3) models on integrated health delivery have been prepared through a RAS engagement, delivered and approved by the Ministry of Health (MoH) and National Heath Fund Steering Committee.[25] They are a part of the MoH strategy towards a national integrated care delivery system. While the client accepted all three models, and is also working on others, the Bank and Government agreed on a approach to pilot poten-

23. On the selection of the pilot areas and their characteristics, see: "Poland Catching-Up Regions: Key Regional Development Dynamics", 2017 and joint publication of the Government of Poland, Swietokrzyskie Voivodeship, Wojewodztwo Podkarpackie, and the World Bank.

24. Regarding details on the design of the activities, outcomes and lessons, see: "The European Commission's Catching-up Regions Initiative in Poland—An Overview." May 2017. European Commission, Ministry of Economic Development of Poland and World Bank.

25. RAS Integrated Health Care (FY17) signed up with the National Health Fund (NFZ).

tial models sequentially beginning with one of the three prepared (POZ+) which has already begun implementation. The Government is following the Bank proposal and agreed with the NHF and MoH on a scale of approx. 300,000 patients to be covered. The pilot for this model of integrated care (POZ+) will be implemented by NHF only in the selected 45 primary health care facilities (out of total 10,000). The Bank also recently signed a second RAS to support implementation of the pilot approach designed to date, and inform course corrections, ensuring sustainability of WBG efforts to date.

33. This is a RAS undertaken in partnership with the Government where, during implementation, a mutually agreed decision was taken to move sequentially for better impact. Given all models were accepted, and piloting has begun sequentially, this objective could be considered achieved, however it is rated mostly achieved simply because the given indicator was not strictly met as articulated in the PLR. In fact, given the size of the pilot (300,000 patients) and the complexity of the experiment (45 primary health care facilities) one pilot was deemed sufficient for launching and the follow-up RAS would track and evaluate the pilot. Moreover, the first RAS also contributed to the drafting of a Health Services Law that has been approved in 2017. The Health Services Law will enable scaling up nationally the pilots prepared under the RAS. Bank engagement has also led to a better understanding of the consequence of aging through ESW Regional Aging Flagship (FY15) and MRA Long Term Care Strategy for Poland (FY15).

34. As noted in the PLR, IFC, through its Public Private Partnerships (PPP) transaction advisory, assessed ten healthcare projects proposed by the Ministry of Development's PPP platform and sought to structure three hospitals projects as PPP (financing, building/refurbishing hospital facilities). The PPP project preparation was expected to be financed by the EBRD Infrastructure Project Preparation Facility (IPPF). However, the Government preferred to use cheaper EU grant financing for advisory.

Strategic Area of Engagement III: Climate Action

Objective 7. **Informed climate change policy**

35. **Objective 7 has been achieved.** The Bank has informed the climate change dialogue by modelling the potential impact of alternative policies on the economy. IFC has issued green bonds and all its agribusiness and manufacturing projects have incorporated energy efficiency components.

36. Poland has one of the least emissions-efficient economies in Europe. To respond to powerful constituencies opposing energy reforms, the Government sought a better understanding of the impact of climate change polices on the overall economy, especially the impact on growth prospects and relevant macroeconomic aggregates. The aim was to compare policy options and evaluate their trade-offs. During the CPS period, the WBG helped build capacity for macroeconomic modeling of climate policy decisions, and climate change strategy-making. Government capacity to ground its climate policy on strong empirical evidence has improved. Specifically, an economic model has been prepared to assess the impact of climate policy on the overall economy. The model has been transferred to the authorities and training has been provided. Finally, last year the Kobize Emissions Center got a sizeable grant to 2020 from the EU's LIFE program on the continuation of the modeling work on climate policy by the Center for Climate Policy Analysis, which was created in our project. The funding is for further

development of the macro model PLACE and construction of several sectoral models. This also confirms that the project proved its sustainable impact on the technical capacity in evidence-based policy analysis inside the public administration. Poland has reduced greenhouse gases (GHC) emissions (GHG) from 2010 to 2015.

37. Support came through TA Building Economic Modeling Capacity for Climate Policy Analysis (FY12-15) and IDF grant on low emissions Strategy (FY12-FY16). The Bank has also administered the Green Investment Scheme TF (P117333) helping to retrofit public buildings.

38. In line with the principles of IFC's engagement in higher income countries, climate action has been a priority for IFC in Poland. In fact, the majority of IFC's projects had a climate component. In FY17, IFC played an important role as the anchor investor in the country's first private sector green bond issued by a client bank. Also, in all its agribusiness and manufacturing sectors projects, IFC has incorporated an energy efficiency component.

Objective 8. **Enhanced protection against floods**

39. **Objective 8 has been mostly achieved.** The protection of the target population against once-in-a- lifetime flood levels.[26] Wrocław and surrounding vicinities, has increased by 40 percent, but it remains below the target set in the supporting project, due to implementation delays that could not be foreseen, such as addressing geological faults. Important by-products include enhancing the capacity of various levels of government in working together towards common goals, implementing large infrastructure projects, enhancing urban development, safeguarding implementation and creating a sound platform to scale-up protection for a much larger population (15 million).

40. The target under the CPS for Objective #8 was to reduce the exposure to high level floods of around 2.5 million people living in Wrocław and vicinities by lowering peak water levels through strategic investments. The protection of the population has gone from a baseline of 2,200 cubic meters per second as of 1997 to 3,100 cubic meters/second now (2017), a forty percent increase, but still below the project's target of 3,600 m^3/s. Reaching the desired level will come when a supporting reservoir, which is needed to extend full protection beyond Wrocław, is completed.[27] The population living in Wrocław is fully protected, though. In addition, the target, under the supporting project, of linking flood forecasting to the management of the system has been completed. Support for Objective 8 is being provided through the Odra River Flood Protection Project (ORFPP), which is being extended for two years to accompany the partners in the full completion of the works, following the request of the Government. Project implementation has been delayed by unexpected geological challenges, which required changing designs and technologies for the construction of the adjunct dam. The scope of this project is immense from the viewpoint of the size of the works, the financial resources required, the institutional coordination both across providers of finance and technical assistance and the local implementing agencies. Design and implementation of this initiative holds valuable lessons and learning for all the partners involved.

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26. The floods of 1997 showed how a once-in-a-lifetime event can have devastating and lasting impact on large segments of the population. The challenge for Poland was to rebuild the damaged infrastructure and set in place a 'new" system of works capable of managing high water flows with the potential to devastate. Early-on after 1997, the Bank supported Poland in meeting this challenge.

27. See Project ISR May 2017.

41. Building on advances under the Odra project, a second operation the Odra-Vistula Flood Management Project, is under implementation to provide flood management infrastructure to the Middle and Lower Odra, the Nysa Kłodzka Valley, and selected parts of the Upper Vistula. The project is co-financed with the Council of Europe Development Bank (CEB) and the European Commission. A total of around 15 million people will be covered under the two projects.

Objective 9. **Road safety enhanced**

42. **Objective 9 has been achieved.** Road safety has improved since 2013, with both accidents and fatalities decreasing in line with the expectations under the PLR set for 2015. The target indicators were met in 2015 and have continued to improve, and, for 2017, the number of accidents, 32,705, is below the 2015 target, 32,967. Likewise, the number of fatalities in 2017, 2,810, has come below the 2015 target, 2,938.

43. When engagement in railways reform did not materialize, the dialogue and work with the Government moved towards road safety and the PLR revised Objective 9 to focus on institution building and reducing accidents and fatalities. The Bank supported the development of the National Road Safety Program 2020 and preparation and monitoring of the rolling bi-annual Implementation Plans. In addition, it has undertaken a comprehensive review of road safety management capacity, developed detailed recommendations to improve the road safety data system, road safety education, the Agency for Road Safety, and road safety funding. It has also reviewed the performance of transport systems in Eastern Poland and assisted in policy development on metropolitan tariffs integration across different public transport modes.

44. Supporting activities include: A (national roads administration) Road Safety Practices Review; TA Poland Road Safety Technical Support (ongoing FY15); RAS GDDKiA Road Safety Practices Review (FY16) for GDDKiA (national road administration); RAS Road Safety Capacity Development (FY16) for the National Road Safety Council; Korean Green Growth TF funded TA on Piloting Green Urban Transport Solutions in Transport Sector in Poland (FY14- ongoing).

Strategic Area of Engagement IV: Poland as a Global Development Partner

Objective 10. **Contribution to development cooperation and global public goods**

45. **Objective 10 has been achieved.** The targets as set by the PLR have been delivered: The preparation and dissemination of "Lessons from Poland, insights for Poland"; and, two knowledge sharing events on specific areas were organized with Eastern Partnership countries on a cost-sharing basis in Warsaw (June 2014) and Tbilisi (June 2015).

46. The PLR adjusted the indicator on Goal 10 to reflect the preparation and dissemination of "Lessons from Poland, insights for Poland" viewed as a critical milestone in advancing the agenda on development cooperation and public goods.[28] That Report has been completed and published. It presents an overview of Poland's transition to a higher-income and identifies key

28. The first Law framing development cooperation efforts in Poland was passed in late 2011. Poland was then a new actor on the global development scene and its rising prominence in the EU and globally, as well as the its positive experience in transitioning to a high-income market economy offered opportunities for informing international debates, sharing successful economic transition experience, and providing increased amounts of financing to support global development efforts.

lessons valuable for countries seeking to break away from the so-called middle-income trap. The lessons are relevant for Poland to consolidate the hard-won status by addressing remaining institutional gaps, enhancing productivity, furthering inclusion and achieving sustainability. Knowledge sharing events on specific areas were organized with Eastern Partnership countries on a cost-sharing basis in Warsaw (June 2014) and Tbilisi (June 2015); on national audit system with Georgia, Azerbaijan, China; on aspects of the national health system – Mongolia; energy efficiency – Belarus. Poland has doubled its contribution to IDA, albeit from a low base. The instruments have been: TA Poland as a Global Partner (FY11-15); Lessons of experience from the Polish transition (series of policy notes); ESW Lessons Learned from Poland, Insights for Poland (FY17).

47. IFC supported expansion of Polish companies abroad. IFC has organized two conferences for the largest exporters trying to help Polish companies to become regional players. In 2016, IFC provided finance to a leading Polish distressed debt investor, to purchase portfolio of non-performing loans issued by a Romanian subsidiary of a large regional bank. IFC played key role in providing an attractive mechanism for NPL resolution, providing liquidity and mobilizing funds from the private sector. IFC worked proactively with Polish business sector representatives and relevant government agendas to identify opportunities to internationalize Polish corporates through dedicated financing, advisory and insurance package. However, IFC's contemplated support to the expansion of Polish companies abroad has not materialized as expected. It was, to a large extent, underlined by a lack of business opportunities as the emerging markets with interest for Polish companies, including the Western Balkans and Ukraine, experienced economic downturn over the past several years. Efforts will continue as part of the proposed CPF.

Summary

48. **This CLR rates the achievement of development outcomes as satisfactory.** Of the ten objectives, seven have been achieved and three have been mostly achieved. The WBG has supported the implementation of the EC Poland program (2014-2020), notably in business environment and innovation, regional development and labor market inclusion. Support for fiscal stability through the DPL has contributed to the resilience of the economy. The level of protection of the Wrocław population to potential flooding of the Odra river has increased with IBRD engagement. Contributions in health, road safety and analysis of the impact of climate change in the economy have been delivered through RASs, with potential for scale-up engagement in the future. Progress on Poland emerging as a global partner has been positive, in line with PLR expectations.

III. World Bank Group Performance

Design

49. The design of the CPS was relevant to the challenges Poland faced, its forward-looking country vision, and its partnership with the EU. Poland faced challenges to further progress on growth and inclusion and buttress resilience to both economic and climate related events. At the time of CPS Board (July 2013), the pace of poverty reduction had slowed down since the global 2008/2009 crisis, with a negative impact on the income of the Bottom 40 percent (B40). Poland's economy was also facing strong headwinds from the deteriorated external environment. The slowing economy burdened macroeconomic management, while the institutional transformation of the Polish economy remained unfinished. Regional inequalities were notable and a source of concern. Closing the income gap with the EU called for maintaining the pace of productivity growth through improved allocation of resources and greater innovation. Additional concerns included the rapid aging of the population, the low emissions-efficiency of the economy and remaining gender imbalances.

50. Within this context, the CPS overarching goals were: (i) to foster sustainable income growth for the bottom 40 percent of the population within the context of Poland's economic convergence process within the EU, and of the "smart, sustainable, and inclusive growth" agenda, and (ii) to promote and support Poland's role as a global development partner and to learn from the Poland program for the benefit of other client countries. Four Strategic Areas of Engagement covered Economic Competitiveness, Equity and Inclusion, Climate Action and Poland as a Global Development Partner. The focus on lagging regions, labor market access and health were directly aligned with the WBG corporate goals, and, indirectly, supported more resilient fiscal institutions and work on business environment and productivity. The CPS document discussed this alignment in detail. The CPS engaged selectively only in those areas where it could add the most value, in line with its overall strategy. WBG interventions during the CPS period were consistent with principles for engaging in UMICs, including the role of RAS instruments, which played a dominant role in the delivery of objectives. In the aftermath of the financial crisis, the DPL series was effective in supporting reforms to consolidate gains towards the achievement of several objectives—fiscal, innovation, labor market, etc.

51. The program design built on the lessons of the previous engagement: (a) the continued relevance of the demand for WBG knowledge services to provide independent expert advice, tailor solutions to local circumstances; (b) the need for alignment with the EU strategy; (c) continuously adjusting to an evolving demand to remain relevant; and, (d) the challenge of designing the results framework results from stand-alone knowledge activities. This meant a program that was well aligned with the EC engagement, that combined lending and knowledge work, and proposed a flexible approach to allow for continuous fine-tuning during implementation.

Implementation

52. The CPS FY14-17 continued financial engagement in tandem with knowledge services. Three operations were approved. Two DPLs to help recovery from the crisis—Resilience and Growth DPL1 and DPL2, and one large infrastructure for flood prevention—Odra-Vistula Flood Management Project, which built on the Wrocław Flood Management Project, under implementation at the start of the CPS. A total of $2,572m commitments were approved, slightly below CPS lending expectations.

53. The CPS provided targeted technical assistance on macroeconomic analysis, employment, environment and modeling for climate change. Also, it delivered support for the preparation of "Lessons from Poland, insights for Poland" a flagship effort that contributed to CPS objectives. A selected number of well targeted Trust Funds and RAS helped deliver the program, especially as some of the intended lending operations did not happen (e.g., health, transport and social assistance). In addition, the RAS and TF component of the program was key to the delivery of objectives on business environment, lagging regions and innovation. This work also contributed to the preparation of the Systematic Country Diagnostic (SCD).

54. During the CPS period, IFC program contributed to the WBG strategic objectives of competitiveness, climate action, and inclusion. IFC's total investment program reached about US$475 million (see Annex A7.4). Thus, IFC's outstanding exposure to Poland has increased from US$14 million at the end of FY13 to US$394 million at the end of FY17, or US$438 million considering Poland's share in financing in global/regional projects (see Annexes A7.5 and A7.6). Investments in the financial sector accounted for about 80 percent of the program totaling to around US$390 million, including: investments in two senior loans to leading financial intermediaries earmarked for gender/SME finance and underdeveloped regions; a green bond to one of the leading banks (first green bond ever issued by a private company in Poland); and an equity investment in a private equity fund, focusing on midsize high growth Polish companies. The rest of the program was in agribusiness and manufacturing sectors and included: two projects to support regional expansion, working capital needs and improvements in environmental and social standards of a global agro commodity trader with significant operations in Poland; a loan to finance the expansion and energy efficiency improvements in the production process of one of the leading glass producers for automotive and construction industries, and; financing to support the expansion of a South African company to Central Europe, including to Poland, in consumer goods distribution business. Due to the relatively young age of IFC's current portfolio, no IEG evaluations have been undertaken during the current strategy cycle.

55. IFC's operations were well aligned with the overall strategic objectives of the WBG in Poland, complementing IBRD's lending and analytical work. As IFC's program have been maturing, a number of areas for potential joint WBG engagements have been identified, including infrastructure finance and financial sector development and they will be explored in the proposed CPF.

56. Since the CPS was presented to the Board (July 2013) IEG has validated one ICR for projects in Poland. The First Policy Development Loan was rated as satisfactory for development outcomes. IEG's ICRR highlighted the value of knowledge and analytical strengths in a high-income country like Poland, the positive role ownership and alignment with the economic governance framework of the EU.

57. Ownership by two government (s) was strong, as the CPS program was aligned with the longer-term priorities and complex needs of the country. Moreover, the partnership with the EC is productive and has deepened over the CPS period (nine of the ten goals are directly aligned to the Poland-EC partnership; and EC resources contributed to the RAS and TF program). The initial expectations on lending did not materialize because the availability of alternative financing and/or the limited absorption capacity of financial resources given the fiscal constraints. Given the relevance of the CPS objectives for the government agenda, support was provided through other means, such as RAS operations.

58. The CPS adjusted to shifting circumstances. First, when expected lending operations did not materialize, the WBG kept the goals and used other instruments to achieve them. Second, moving forward with a PLR shortly after elections, rather than to delay while the dialogue with the new government matured, helped to advance objectives. Third, the IFC has been flexible in rekindling the program in the face of considerable uncertainty, further compounded by the lack of a local presence. This flexibility has paid-off.

59. The risks identified by the CPS and the remedies to mitigate them were on target. The CPS frontloaded interventions needed to deliver results to help manage the potential impact of 2015 Parliamentary elections, which indeed led to a change of governing party. The PLR allowed time to bring to fruition the program underway, prepare the SCD and set the basis for a new CPF. The approach has opened space to advance the dialogue with the authorities in preparation of the next CPF. Poland managed to grow and generate income and employment opportunities despite the laggard economic performance of the Eurozone, the second risk foreseen. CPS support for fiscal management was consistent with maintaining a propitious macroeconomic environment to anchor good performance.

60. Social resistance to reform, the third risk, materialized somewhat with the change in government, whose policies favor a stronger take on inclusion but have led to reversals in areas like pensions and education. The fiscal pressures from these policies are being compensated by support to government efforts on tax policy and tax administration, and more efficient public expenditure. Lastly, implementation risks were noted and considered low, given strong fiduciary controls. However, implementation of the Odra Projects continued to suffer some delays due to the change in administration, the shifting responsibilities of some units and institutions, and the nature of the project which includes large public works that had to address unexpected geological challenges.

61. **The CLR rates the WBG performance as Good.** The CPS design was aligned with Poland's longer term priorities, the Government Program, the EC strategy and built on areas where the WBG has a clear comparative advantage. The WBG mix of instruments leveraged knowledge and lending operations effectively. When some of the projected lending operations did not materialize, analytical and RAS work supported the advancement of CPS objectives.

IV. Lessons

62. **The Bank's IBRD engagement in Poland has demonstrated clear additionality and relevance of the WBG in higher-income countries.** The WBG has been an active partner on flood protection since the devastating 1997 floods, and has brought a unique comparative advantage in design and implementation support that included: (i) supporting completion of the inner city (Wrocław) works in a way that preserved cultural heritage and contributed to an urban regeneration; (ii) strengthening the capacity of the public administration to prepare complex investments in compliance with EU directives; (iii) managing cross-sector complex issues that helped build capacity across government institutions; (iv) improving national standards on safeguards, financial management and procurement standards—its resettlement processes which were considered global best-practice in this operation; and (v) crowding-in EU and another international co- financing. Given the increased frequency of climate-related events such as flooding, this work also has strong potential for replicability and lessons learned for other countries.

63. **Poland can play a prominent role as a "knowledge exporter", but a concerted effort is needed to do maximize this potential.** The WBG has helped Poland to address complex challenges that are relevant for other countries, including: (a) reinforcing fiscal sustainability through the adoption of a fiscal rule and complementary work on taxation and public expenditure; (b) supporting the lagging regions of Poland to design and implement programs that promote economic opportunities; (c) developing the institutional infrastructure to foster innovation, critical for adapting to an evolving global economy; and (d) addressing human capital constraints related to an aging population. These themes resonate with regional and global challenges, and address institutional weaknesses that support Poland's convergence with higher-income countries in Europe. However, Poland's efforts to transfer knowledge remains unstructured, and the WBG capacity to measure potential knowledge spillovers has been weak. As such, the new CPF proposes to identify a selective set of "knowledge products" to promote an active exchange for the benefit of other WBG clients, including in the health sector. The EC could also be an active participant in this initiative, given its extensive and active engagement in Poland and the potential of the Catching-Up program for regional spillovers.

64. **Development Policy Lending (DPL) can play an important role to mitigate the impact of global economic and financial shocks and protect vulnerable groups.** The DPL series was appropriate as an important market signal after the financial sector crisis and played a key role in supporting complex long- term structural priorities and restoring fiscal buffers. The DPLs created space for policy dialogue and enabled innovative analytical and advisory work, including on a reimbursable basis. An example is the permanent expenditure rule, sophisticated and at the same time relatively easy to build apolitical ownership, this helped to maintain fiscal prudence and achieve long-term sustainability of public finances. Given the country's economic performance, and in the absence of a large adverse external shock, no future DPL operations are envisioned as part of the proposed CPF.

65. **The potential for IFC's continuing role in Poland is significant in product design, the mobilization of private sector investment, and upgrading the capacity of domestic firms to compete globally.** IFC activities expanded beyond initial expectations over the CPS period, signaling a significant potential that remains relevant for achieving the Twin Goals including: financial sector deepening particularly in underserved segments, investments in less developed regions, investments in green energy, more efficient delivery though public-private partnership and support for the development of sustainable cities. Strengthening WBG collaboration would help create much needed synergy across engagements, such as in innovation, maximizing the WBG impact in the country. As the program grows, the WBG institutions will work together more proactively to seek opportunities to apply the "MFD/cascade approach" by supporting projects using commercial finance and private sector solutions where appropriate. It will also share selectivity principles to ensure a focused WBG program with a greater potential for impact.

Annex A7.1.

CLR Results Matrix (as updated by the PLR)

CPS Objectives and Indicators		Instruments and Partners	Lessons
	Strategic Area of Engagement I: Economic Competitiveness		
Goal 1: Enhanced business environment Significantly improved performance as measured under the Doing Business methodology in starting a business (time reduced from 32 days to 21 days), and construction permits (time reduced from 301 days to 200 days).	**Mostly Achieved** Indicator status: • Days to obtain a construction permit: 153 days DB2018--*Met* • Days to start a business—37 days DB2018—*not Met.* *Relevant but not in the PLR* • Days to get an electricity connection—122 days DB2018—*Met* (some WBG support provide through generic Doing Business Poland RAS) • Insolvency ranking improved from 37 in DB2013 to 22 in DB18 (an additional indicator that measures the objective of supporting Poland in strengthening the Business Environment, particularly in areas of weakness such as insolvency) Under the 2014-2017 CPS Poland closed the gap to the developed world on the ease of dealing with construction permits. The number of procedures decreased from 18 in DB13 to 12 in DB2017 (the average in OECD countries per DB2017). The cost of dealing with construction permits went down from 1 percent of the investment in DB13 to 0.4 percent of the investment (less than the average for OECD countries) in DB17. The Ministry of Infrastructure used the RAS on construction permits in the preparation of the Construction Code, released for public consultations in September 2016. The Bank reviewed amendments to the construction code in early 2015 (BB) and advised on potential solutions for the construction permit framework in late 2015 (RAS). On starting a business, Poland's ranking improved from 124 DB2013 to 107 DB2017 by eliminating the requirement to register new companies at the National Labor Inspectorate and the National Sanitary Inspectorate (DB2014) However, the number of days to start a business increased despite the introduction of an electronic option for registering a business, which is gaining ground. The precise information is 2012 – 15.43 percent; 2013 – 26.44 percent; 2014 – 31.47 percent; 2015 – 47.25 percent. It was presented as background documentation accompanying recent amendments to the Commercial Code. These amendments (together with background documents) were approved by Cabinet in January 2017 and enacted in Parliament in April 2017. An official summary of this law together with statistics is available here: https://bip.kprm.gov.pl/kpr/form/r2464,Projekt-ustawy-o-zmianie-ustawy-Kodeks- spolek-handlowych-ustawy-Kodeks-postepowa.html The documents approved by Cabinet are available here: http://legislacja.gov.pl/projekt/12289001/katalog/12374268#12374268 The estimate is that online registration is half as costly, four times faster, and there is less risk to have the application returned. The gains from electronic filing are yet to be reflected in the Doing Business ranking, which reflects the economy's largest business city, Warsaw. According to Doing Business in Poland 2015, eight cities required less days than Warsaw to open a business and the number of days to open a business in Poznan had dropped to eight. DPL I and II supported a new insolvency law that favors restructuring. DB ranking improved from 37 in 2013 to 22 in 2018. Poland posted significant progress in obtaining an electricity connection: the ranking of the country went from 137 in DB13 to 46 in DB17. The PLR dropped the indicator on obtaining an electricity connection because expected Bank support did not materialize at the level that had initially been expected. The first Polish edition of the subnational Doing Business (RAS) benchmarked 18 regional capital cities--Doing Business in Poland 2015. This diagnosis found a notable dispersion across regions and indicators, which called for tailoring solutions to local circumstances as has been done when working with local authorities and stakeholders in lagging regions. The focus has been on reaching nationwide the standard set by the best performing regions. The Bank supported the Ministry of Justice RAS Contract Enforcement (FY13) in tightening procedures regarding contract enforcement with the aim of speeding up settling disputes between companies. The Bank supported	**WBG** Multisectoral DPL 1 and DPL2-Resilience and Growth Development Policy Loan (FY14&FY15) RAS Doing Business Poland 2015 (FY15) RAS Construction Permits (FY16) RAS Financial Reporting Program (ongoing, FY17) RAS Contract Enforcement (FY13) ESW Public Policy Notes (FY16) TA Doing Business (FY13-FY17) BB Construction Code – review of amendments (FY15) TF with DG Regio (FY16-FY17) **Partners** Swiss Development Cooperation (funding the Financial Reporting Technical Assistance Program)	High government ownership of the business improvement agenda has moved reform forward smoothly. Working directly with the regions has enhanced the quality of the work, given the regional differences in the quality of the business environment.

CPS Objectives and Indicators		Instruments and Partners	Lessons
	the Government and professional stakeholders in enhancing a sustainable regulatory and institutional framework for financial reporting, backed by a RAS funded by the Swiss Government. RAS Financial Reporting Technical Assistance Program (ongoing, FY17). This technical assistance helps effectively apply the EU Acquis Communautaire and international standards in corporate sector accounting and auditing which is a key element of the market infrastructure and transparency needed to support investment and lending activities and economic growth. **This CLR rates Objective 1 as mostly achieved**. Doing Business went from 55th in DB2013 to 24th in DB2017, the fastest progress in the ECA region. The overall business environment has been enhanced. The Bank contributed to registering a property, facilitating insolvency and some to connecting to electricity. Targets on opening a business were not met, but ranking improved.		
Goal 2: Increased innovativeness Instrument to effectively support private sector-led innovation (including an increased focus on SMEs and the introduction of non-grant mechanisms) adopted and used under the upcoming EU Financial Perspective.	**Achieved** <u>Indicator Status:</u> Instrument in place—OP 2014-2020 (Smart-Growth) under the EU financial perspective was approved and is in place. *Met* The Smart Growth OP, approved in 2014, is guiding Poland's support for innovation during the period 2014-2020, in the context of the EU Financial Perspective. This OP finances and encourages private sector-led innovation, with emphasis on SMEs and the introduction of non-grant mechanisms. The Bank engaged sequentially in supporting the preparation and the implementation of the Smart Growth OP. Lastly, the 1st and 2nd Resilience and Growth DPL FY14&15) coalesced these efforts and supported the legal and regulatory landscape for innovation. Support has continued through analytical work on Innovation Ecosystems; and Public Policy Notes ESW (FY16). The IFC contributed to the Objective 2 by supporting development of the private equity industry and providing long-term finance to the financial intermediaries. Equity finance remains scarce in Poland. In FY15, IFC invested in the Polish affiliate of the regional private equity fund focusing on investment in mid-size high-growth Polish companies which reportedly have limited access to equity instruments that finance riskier innovative activities. The fund already invested in six companies operating in consumer logistics, retail, and apparel sector as well as in a company providing liquidity enhancement solutions for SMEs rarely offered by other financial institutions. IFC also identified several potential market players to be supported in the future. In the banking sector, the IFC promoted innovation by supporting introduction of new financial products. IFC was an anchor investor in two different bond issuances by one of the leading banks, one earmarked for gender and MSME finance and the other a green bond. Both bond issuances were first of the kind in the country. IFC also contributed to this objective by financing foreign companies to expand to Poland. In FY17, IFC financed a producer of architectural and automotive glass, one of the global leaders with significant presence in the emerging markets. To stay competitive in the market, the company will introduce a new energy efficient technology, equipment upgrades and R&D geared to the improvements of the manufacturing processes in Poland and other emerging markets. In addition, IFC provided two loans to a vertically integrated global grain processing and trading company, to improve its energy and resource efficiency standards and support sustainable practices among farmers in its supply chain. The recent IFC update to the Board on its engagement with multinational corporations (MNC) -- "Multinational Corporations: Important Partners of IFC to Increase Development Impact and Foster Global Economic Integration", Board update, September 2017 --, provides concrete evidence of significant positive spillovers of MNC investments, including technology transfer, productivity gains and creation of better quality jobs. A Bank DEC evaluation of the some of the approaches implemented finds positive results. Available evaluations indicate the allocation of the Smart Growth funds have had a positive impact. See Bruhn, Miriam and McKenzie, David "Can grants to consortia spur innovation and science-industry collaboration? Regression-discontinuity evidence from Poland." January, 2017 CEPR Discussion Paper No. DP 11765. The WBG has worked closely with the National Center for R&D (NCBiR) to enhance their capacity for evaluating program impact. Currently the Bank is supporting the Government in measuring the return on public investment in research and innovation, with financing from the EU. This includes developing	**WBG** Multisectoral DPL 1 and 2 - The First Resilience and Growth Development Policy Loan (FY14&15) ESW Innovation Ecosystems RAS Entrepreneurial Discovery and Needs Assessment (FY16) RAS Review of RIS3s (innovation strategies) in Poland and review of Smart Growth Operational Program (FY14) RAS RIS3 (innovation strategy) in Swietokrzyskie region (FY14) TA M&E of RIS3/ Smart Specializations (FY14) RAS Ex ante Assessment of Financial Instruments of the OP Infrastructure and Environment (FY13) RAS Guidance to NCBR to Enhance Efficiency and Effectiveness of its R&D Programs (ongoing, FY17) ESW Public Policy Notes (FY16) TF with DG Regio (FY16-FY17)	The experience in the area of innovation shows how the WBG can support the process from evaluation to design and implementation using sequential ASA work. However, and this is important, the sequence of RASs cannot be pre- programmed as it is more effective if it emerges from a bottom-up process led in close collaboration with local counterparts.

CPS Objectives and Indicators		Instruments and Partners	Lessons
	a comprehensive evaluation methodology, which will be applied to 2007-2013 EU-funded innovation programs. It also helps assess and improve current support instruments, ultimately providing data to policymakers at the EU, national, and regional levels to guide future innovation expenditure targeting. The methodology is expected to serve as a model for other countries. According to the Global Competitiveness Report Poland's position improved from 42 to 36 overall from 2013-2014 to 2016-2017 and innovativeness from 65 to 40. See also ICR to DPLI and II, December 2017 on increase in R&D expenditure increases, page 27. **Objective 2 has been achieved.** The results indicator—approval of the Smart Growth OP and continued operation—was met. The Bank contributed to the preparation of the Smart Growth OP, and its subsequent implementation. The WBG delivered sequential support progressing from design to implementation and then to monitoring and evaluation. The WBG has supported the evaluation of the previous OP, provided recommendations for the design of the Smart Growth OP, it has worked on the regional innovation strategies, it provided detailed recommendations on the selection of sectors and activities, to allocate the Smart Growth Funds. IFC's engagements in the financial and real sectors complemented IBRD's activities and made a significant contribution to this objective.	**IFC** IFC financing for projects focused on MSMEs outside of Poland's largest cities. IFC assistance may include a gender component for on- lending to women- owned/ managed SMEs and to agribusiness focused SMEs. IFC financing to regional telecommunications project to enhance increased connectivity **Partners** EC (funding innovation support programs under the upcoming Financial Perspective) BGK Lewiatan (Association of Employers)	
Goal 3: Effective public finance Expenditure rule in place ensuring the sustainability of fiscal deficit reduction and compliance with the EEP. Behavioral taxation pilots conducted and assessed.	**Achieved** <u>Indicator Status:</u> • Expenditure rule is in place and binding. *Met.* • Behavioral taxation pilots have been delivered as part of broader effort to improve revenue performance and compliance. The experiment contributed to revenue increases. The pilot assessed positively. *Met.* Poland had corrected its excessive fiscal deficit and the corresponding excessive deficit procedure was closed in 2015. In 2016 the general government deficit narrowed to a 1.6 percent of GDP, a record low, after hitting 2.5 percent in 2016. (in both years it was safely below 3% of GDP triggering EDP). Poland also increased tax compliance See Table 1, European COMMISSION STAFF WORKING DOCUMENT Country Report Poland 2018. https://ec.europa.eu/info/sites/info/files/2018-european-semester-country- report-poland-en_1.pdf . For a description of the design and assessment of results see: "Applying Behavioral Insights to Poland to Increase Tax Collection", June 2017, Marco Hernandez, Julian Jamison, Ewa Korczyc, Nina Mazar and Roberto Sormani, World Bank. Pilot results information is included in this document. Personal Income Taxpayers that were late in payment were targeted. The evidence shows that the experiment increased the payment rate, the payment amount per taxpayer, and reduced tax liabilities. The most successful informed letter yielded a 20.8% increase in the number of compliant taxpayers and it would have generated 54% more revenues compared to the standard approach if sent to all delinquent taxpayers. It has contributed to better performance of Pit revenues. The behavioral work was one of the element of the broader strategy of the government to improve compliance. The recent Country Report of EC shows that changes to the tax system and tax administration yielded higher revenues. Examples of peer-to-peer events in tax policy and tax administration: December 2015 International experience with tax system IT, GTT, Slovakia; Slovakia tax visit for deputy MOF Raczkowski Slovakia MOF; Tax Debate: How to Bridge VAT and CIT Gaps in Poland. Insights from International Experience, June 2016 GTT, Univ. of Leeds, Ministry of Treasury; General Meeting of the EU Tax	**WBG** Multisectoral DPL1 and 2 (FY14/15) ESW Is Poland Saving Enough (FY14) ESW Poland Saving for Growth and Prosperous Aging TA Poland Public Spending Review Program (FY15) ESW Social Sectors Service Delivery TA Regional Development Support – Mid-Term Financial Forecasts (FY15) TA Euro Adoption Preparedness (FY15) TA Public Finance Work on Poland (ongoing FY17) RAS Financial Reporting Program (completed FY17)	Objective 3 was aligned with a high priority of government. The Bank combined various instruments both for dialogue and technical assistance successfully. The positive impact of the taxation behavioral pilot signals the high capacity for absorption in Poland for innovative work.

CPS Objectives and Indicators		Instruments and Partners	Lessons
	Authorities: Tightening the VAT System in the EU, September 2016, Gdańsk, GTT, University of Leeds. Note: Work on public expenditure efficiency was delivered but not captured by the indicators. Neither was work on equalization transfers. Relevant knowledge transfer events included: 1) International Conference to share experience in design of fiscal equalization system, delivered at the conference presenting fiscal equalization in Germany, Switzerland, Canada and Denmark, and 2) Just in time technical assistance to design equalization reform---Background paper describing fiscal equalization in Poland (pre-reform status), PPT presentation outlining key principles of a new system for Poland, a draft justification to the key assumptions of a reformed system. **Objective 3 was achieved:** expenditure rule in place and binding, PIT pilots contributing to better compliance and more revenues.	Tax collection behavioral experiment (FY15) ESW Regional Economic Review (FY16) TA Poland Pension Liability Calculation (PROST) (FY16) ESW Public Policy Notes (FY16) **Partners** EC (engaged in a policy dialogue under the Excessive Deficit Procedure) IMF (engaged in a policy dialogue under regular monitoring activities, and financing a Flexible Credit Line)	
Strategic Area of Engagement II: Equity and Inclusion			
Goal 4: Inclusive and effective labor market Instrument designed to effectively support inclusion through the labor market (especially for older workers, women, and youth) adopted and used under the upcoming EU Financial Perspective	**Achieved** Indicator Status: The Instrument is in place under the EU Financial perspective - Knowledge, Education and Development (KED) OP that is covering inclusive labor markets. *Met.* Bank has supported legal reforms to facilitate labor market access. Implementation of the reforms is having an impact reducing instability of the labor market and improving market outcomes for groups (women, elderly, youth) at risk. The multifaceted support to improving the operation of the labor market is described in ICR to DPLI and II, December 2017—section on labor market resilience and market provision. After the DPL series, the TA continued to advise on the issue of labor market duality, which was a priority for the incoming government and the EC. The reforms that the government undertook to the labor code to reduce the differential in costs between labor and civil law contracts was followed by a reduced utilization of civil law contracts and by an increase in the use of term and open-ended labor contracts. This was aided also by a tightening in the labor market during a period of high growth. Labor force participation rates have been increasing for both men and women, according to EUROSTAT. See also relevant sections from European COMMISSION STAFF WORKING DOCUMENT Country Report Poland 2018. https://ec.europa.eu/info/sites/info/files/2018-european-semester-country-report- poland-en_1.pdf . IFC job creation via Private Equity projects focused on MSMEs, leasing and financing of MSMEs and other IFC projects in telecommunications and agribusiness focused on less developed regions of Poland. **Objective 4 was achieved**, OP in place and intensive and extensive Bank support to implementation, with positive results on the ground.	**WBG** DPL 1 and DPL2– Labor Market Pillar (labor market deregulation) ESW Regional Aging Flagship (FY15); TA Activation and Employment Promotion (FY16) TA Social Inclusion (FY16) Poland Jobs Dialogue (FY16) BB Integrated Family Support (FY16) Spending Review of Low Income Family Support (FY15) RAS Impact Evaluation of Youth ESW Public Policy Notes (FY16)	Support for the implementation of KED OP has combined multiple Bank instruments and contributed to the design of schemes to incorporate the elderly, women and youth to the labor markets. Several of these initiatives have become law.
Goal 5: Balanced regional development at least five key regional planning instruments	**Achieved** Indicator Status: Five key regional planning instruments prepared with Bank support are under implementation. *Met* Swietokrzyskie region research and innovation strategy 2014-2020 (approved 2014)	Regional Development Support – Review of regional strategies (2 strategies Slaskie and Development of	The work with the regions opened the possibility to deepen thematic engagements, such as business

CPS Objectives and Indicators		Instruments and Partners	Lessons
(i.e., regional development strategies, regional operational programs, or subnational medium term fiscal plans), prepared with Bank support, under implementation.	http://www.spinno.pl/rsi/aktualnosci/31-swietokrzyska-strategia-badan-i-innowacyjnosci- ris3-przyjeta-uchwala-sejmiku Lubelskie Region Development Strategy 2014-2020 (with 2030 perspective) (adopted 2014) https://rpo.lubelskie.pl/dokument-11-strategia_rozwoju_wojewodztwa.html Slaskie Region Development Strategy 2020+ (approved 2013) http://www.slaskie.pl/strona_n.php?jezyk=pl&grupa=3&dzi=1334141717&id_menu=566 Development of Eastern Poland Strategy till 2020 (adopted 2013) http://prawo.sejm.gov.pl/isap.nsf/download.xsp/WMP20130000641/O/M20130641.pdf Transport investment plans for the City of Lublin and Bialystok and updated urban transport strategies. Reports available on demand. In addition, the Bank has been working with the EU in two pilots to increase absorption and impact of the EU funds in lagging region—Regional OP. The pilots are informing policy in other lagging regions of Poland as well as other lagging regions of Europe. The first set of pilots has been completed. A new one has commenced. IFC financing for financial markets projects focused on MSMEs outside of Poland's largest cities, regional telecommunications project and a sustainable agribusiness project in less developed regions of Poland. **Objective 5 achieved:** Indicators met and expectations exceeded, with high learning potential for Poland and beyond.	Eastern Poland) P127443TA Review of RIS3s (innovation strategies) in Poland and review of Smart Growth OP. P148388RAS RIS3 (innovation strategy) in Swietokrzyskie region – support is review the project of and preparation of the innovation strategy. P145109/ P145107 RAS M&E of RIS3/ Smart Specializations – support on creating a M&E system for innovation strategies, P153474TA Regional Development Support – Mid-Term Financial Forecasts, P147841 TA Green Urban Transport Solutions for Sub National Governments P148489 TA Poland Catching-up Regions, P131821 TF TF with DG Regio – health component (will be signed FY16	environment, innovation, labor market (training), rather than move into new areas. This approach aids effectiveness, especially given the small size of the Bank teams. The work on lagging regions open the door for the Bank directly on the ground with the local government, thus enhancing its capacity to learn and contribute. The resulting experience is applicable to other regions and countries.
Goal 6: Integrated Health Delivery At least three (3) pilots on integrated health delivery launched.	**Mostly Achieved** <u>Indicator status:</u> Three integrated health delivery models have been designed and accepted by the Government. The first one is under implementation, the next two will be implemented sequentially and build on each other. *Met*. Pilot Model 1, Pilot Model 2, and Pilot Model 3 implementation manuals are available as World Bank Publications, 2017. They were prepared with the support of RAS Integrated Health Care (FY17) and accepted by the Government. The Bank conducted systematic reviews of the key domains of the Integrated Delivery System (IDS) program and worked on building capacity in managing the IDS program to help achieve better integration of health care. The Bank also facilitated knowledge sharing on health maps and investments plans with high level workshops including the participation of representatives of the Ministry of Health, European Commission, national health stakeholders, academics and government representatives from other countries. In 2018, the National Health Fund (NFZ) and the World Bank will commence	**WBG** RAS Integrated Health Care (FY17) ESW Regional Aging Flagship (FY15) MRA Long Term Care Strategy for Poland (FY15) TF with DG Regio (FY16-FY17) **Partners** EC	The flexibility shown by the Government and the WBG when an intended HealthProject did not materialize paid off as the work on Integrated Health Delivery has contributed to the drafting of a Health Services Law that has been approved in 2017. To some extent a RAS is a

CPS Objectives and Indicators		Instruments and Partners	Lessons
	implementing integrated care in primary healthcare in Poland. World Bank experts will monitor and evaluate the implementation of a pilot project that will cover 300,000 patients countrywide, contributing to better quality and greater scope of services offered by the Polish healthcare system. During the course of implementation, the Government and Bank agreed that the other two pilots would be best implemented after the results of the first pilot, in order to allow fine-tuning of designs and operational strategies. Work in designing the pilots has informed preparation of a Health Law that has been approved by Parliament (2017). **Objective 6 has been Mostly Achieved (as measured by the PLR Indicator):** Three Model Pilots have been designed with manuals published; the Government accepted all three. However, Government and Bank decided jointly that it was best to proceed sequentially to learn from one pilot and take stock. POZ+ has been selected for implementation and launched in 2018, covering 300,000 patients. A 2nd RAS has been signed to support implementation.		learning instrument, and can include course corrections during implementation. Setting narrow targets may be misleading as a measure of impact.
Strategic Area of Engagement III: Climate Action			
Goal 7: Informed climate change policy Economic model to assess the impact on the overall economy of climate change-related policy options in use.	**Achieved** <u>Indicator Status:</u> Economic Model delivered, training provided and is being used. *Met* The macro model PLACE is available as MOF working paper at MOF's website. Several policy papers prepared for the Government by the Bank experts jointly with representatives of the institutions involved were prepared and are available upon request. The training on modeling was provided on regular basis during the project, with full-day sessions twice a week. Discussions are under way for a follow-up RAS, upon client request, confirming that the project proved its sustainable impact on the technical capacity in evidence-based policy analysis inside the public administration. Furthermore, in 2017, the Kobize Emissions Center received a sizeable grant to 2020 from the EU's LIFE program on the continuation of the modeling work on climate policy by the Center for Climate Policy Analysis, which was created in the Bank's project. The funding finances further development of the macro model PLACE and construction of several sectoral models. The latest available data for GHGs is 2015. The time series for 1996- 2015, from Eurostat, shows absolute decoupling of emissions from economic growth. The economy was growing every year but GHG emissions either declined or remained stable (with some exceptions). IFC issued Green bonds. **Objective 7 has been achieved.** The economic model has been prepared and delivered. The Government has disseminated it. It is being used to access policy, and efforts are underway to further perfect and develop the model(s). Poland continues to decrease Green House Emissions.	**WBG** TA Building Economic Modeling Capacity for Climate Policy Analysis (FY12-15) IDF grant on low emissions Strategy (FY12-16) **IFC** IFC organized a Green bonds conference for the Polish financial sector in June 2016. **Partners** EC (engaged in a dialogue on climate change objectives and policies)	The engagement in climate change is an example of how to knowledge to affect opinion and policy when vested interests block change.
Goal 8: Enhanced protection against floods Reduction in risk for about 2.5 million people in the Wrocław area and for urban centers upstream of Wrocław against 1-in- 1000 years flood episodes, such as the 1997 flood.	**Mostly Achieved** <u>Indicator Status:</u> Protection measured by the capacity to manage flood levels has increased by 40 percent since the 2007. Full Protection has been achieved for the population living in Wrocław. Protection for the urban centers upstream from Wrocław has increased, but full protection requires completion of works (dam), which have been delayed due to geological challenges not initially foreseen. *Mostly Met* The target under the CPS for Objective #8 was to reduce the exposure of around 2.5 million people living in Wrocław and vicinities by lowering peak water levels through strategic investments. The degree of protection of exposed population of Wrocław and surroundings to floods improved during the CPS, going from a baseline of 2,200 cubic meters per second as of 1997 to 3,100 cubic meters/second now (2017), a forty percent increase, but still below the project's target of 3,600 m^3/s. Reaching the desired level will come when remaining works to finish a supporting reservoir, which is needed to extend full protection beyond Wrocław, is completed. (See Project ISR May 2017) In addition, the CPS target, linking flood forecasting to the management of the system has been completed The Odra River Flood Protection Project (ORFPP), which is being extended for two years, following the request of the Government that the Bank accompanies other partners in the completion of the works. Project implementation has been delayed by unexpected geological challenges, which required changing designs	**WBG** IPF Odra River Flood Protection project (ongoing FY18) IPF Odra-Vistula Flood Management Project (ongoing FY24) **Partners** EC and CEB (co-financing the Odra Project)	The long-term Bank engagement in enhancing the protection against floods in Wrocław has made multiple and direct contributions in various areas, including (a) management of large projects; (b) safeguard compliance; (c) combing hard engineering with urban development and beautification works; and (d) institutional

CPS Objectives and Indicators		Instruments and Partners	Lessons
	and technologies for the construction of the adjunct dam, needed for full protection of the population outside Wrocław. The scope of this project is immense in the size of the works, the financial resources required, the institutional coordination both across providers of finance and technical assistance and the local implementing agencies. Design and implementation of this initiative holds valuable lessons and learning for all the partners involved. Important side-products of the project include significant urban improvements in Wrocław given that the works have preserved the historical sights. The follow-up Odra-Vistula Flood Management Project, under implementation, will provide three additional district areas. A total of around 15 million people will be covered under the two projects. The project is co-financed with the Council of Europe Development Bank (CEB) and the EC. **Objective 8 has been Mostly Achieved.** The City of Wrocław is fully protected, but full protection for the surrounding areas requires completion of a damn, which has been delayed due to geological complications. Project has generated major spillover effects including in the urban development of Wrocław.		coordination. This engagement is an example how strategically selected interventions can have important positive spill-over impact.
Goal 9: Road safety enhanced Number of road accidents decreased according to SEWIK BASE (Crash Injury Data Base held by Police): Baseline (2013): 35,847 accidents and 3,357 fatalities (2015): accidents 32,967 and 2,938 fatalities	**Achieved** <u>Indicator status:</u> The targets set by the PLR has been met in 2015. The number of crashes were 32, 967 and the number of fatalities 2,938. *Met* Progress has continued since 2015, as the corresponding statistics for 2017 show: crashes— 32,705, and fatalities—2,810. The source of this information is: Police and Secretariat of National Road Safety Council websites and regular annual reports. The data is quite reliable and compiled based on Police crash data collected at each crash site for the last 20+years for all crashes involving fatalities and injuries. **Objective 9 has been achieved.** Targets have been met and surpassed.	**WBG** TA Poland Road Safety Technical Support (FY15) RAS GDDKiA Road Safety Practices Review (FY16) for GDDKiA (national road administration) RAS Road Safety Capacity Development (FY16) for the National Road Safety Council Korean Green Growth TF funded TA on Piloting Green Urban Transport Solutions in Poland (FY14) **Partners** EC, Swiss aid, and Budget.	The shift of focus towards road safety at the PLR stage captured the impact of an institutional building agenda, which has had with positive impact on the ground.
Strategic Area of Engagement IV: Poland as a Global Development Partner			
Goal 10: Contribution to development cooperation and global public goods • "Lessons from Poland, insights for Poland" completed and disseminated. • At least two knowledge events with Eastern Partnership countries held.	**Achieved** <u>Indicator Status:</u> • Lessons from Poland, insights for Poland has been completed and disseminated. Met • More than two knowledge exchange events have been carried out. *Met* http://hdl.handle.net/10986/28960 Find here "Lessons from Poland" Two knowledge exchange conferences with the Eastern Partnership countries (Tbilisi Jun 2015 and Warsaw Jun 2014) and experience sharing on national audit system with Georgia, Azerbaijan, China; on aspects of the national health system – Mongolia; energy efficiency – Belarus IFC has organized two conferences for the largest exporters trying to help Polish companies to become regional players. IFC is already working with Polish financial companies in neighboring countries and expects to increase the number of regional clients. Poland has doubled its IDA contribution. Objective 10 has been achieved. Targets have been met. Poland is making a contribution to inform others about its development experience and lessons to avoid the middle-income trap. Events to exchange knowledge with other countries have taken place.	**WBG** TA Poland as a Global Partner (FY11-15) Lessons of experience from the Polish transition (series of policy notes) ESW Lessons Learned from Poland, Insights for Poland (FY17) **Partners:** Ministry of Foreign Affairs	The CPS expectations on Poland's role as a global development partner proved ambitious. This is built gradually not only through an internal constituency but through development of an architecture through which to channel technical assistance and tailor products to the characteristics of potential beneficiaries.

Annex A7.2.

Planned Lending Activities and Actual Deliveries (as updated in the PLR)

Code	Project Name	IBRD Lending Program			
		Amount ($m)		Board Approval	
		Planned	Approved	Planned	Approved
FY07					
P086768	Odra River Basin Flood Protection	184	184	FY07	FY07
FY15					
P146243	Resilience and Growth Development Policy Loan	965	965	FY15	FY15
FY16					
P147460	Odra-Vistula Flood Management Project	504	504	FY16	FY16
P149781	Poland Growth and Resilience DPL2	1,000	1,000	FY16	FY16

Annex A7.3.

Planned Non-Lending Activities and Actual Deliveries

Project ID	Product line (ESW, RAS, TA, BB etc.)	Project Name	FY Delivered
P118173	ESW	Lubelskie: Support for Regional Development Strategy	FY12
P131736	TA	Doing Business	FY13
P131787	RAS	Contract Enforcement	FY13
P078250	Carbon Offset	POLAND - Stargard Geothermal Project (PCF)	FY14
P127443	TA	Regional Development Support – Review of regional strategies	FY14
P143626	ESW	Poland: saving and growth	FY14
P143627	ESW	Is Poland Saving Enough?	FY14
P145109 P145107	RAS	Review of RIS3s (innovation strategies) in Poland and review of Smart Growth Operational Program	FY14
P146072	RAS	Ex ante Assessment of Financial Instruments of the OP Infrastructure and Environment	FY14
P146072	TA	Ex-Ante Assessment of Financial Instruments for Low-Carbon and Solid Waste Infrastructure Investments	FY14
P148388	RAS	RIS3 (innovation strategy) in Swietokrzyskie region	FY14

Project ID	Product line (ESW, RAS, TA, BB etc.)	Project Name	FY Delivered
P153474	TA	M&E of RIS3/Smart Specializations	FY14
P130088	TA	Poland as a Global Partner	FY15
P132519	BB	Construction Code – review of amendments	FY15
P132529	TA	Tackling Social Exclusion in Poland: diagnostics and technical assistance to support effective spending of European Social Funds	FY15
P132781	TA	Strategic Support to Subnational Governments in the Health Sector	FY15
P143120	TA	Building Economic Modeling Capacity for Climate Policy Analysis	FY15
P143978	ESW	ECA Regional Aging Flagship	FY15
P147841	TA	Regional Development Support – Mid-Term Financial Forecasts	FY15
P147903	TA	Euro Adoption support	FY15
P149111	RAS	Doing Business Poland 2015	FY15
P148020	TA	Poland Jobs Dialogue	FY16
P148022	TA	Poland Activation and Employment Promotion	FY16
P148489	TA	Green Urban Transport Solutions for Sub National Governments	FY16
P150185	TA	Poland Public Spending Review Program	FY16
P150188	RAS	Entrepreneurial Discovery and Needs Assessment	FY16
P151200	TA	Poland Social Inclusion TA	FY16
P151668	ESW	Regional Economic Report	FY16
P151677	RAS	Poland: Low Emissions Reimbursable Advisory Services (P151677)	FY16
P156047	TA	Poland Long Term Care Strategy Preparation	FY16
P156600	RAS	Construction Permits	FY16
P156650	ESW	Poland Policy Notes 2015 - How Poland can accelerate growth with inclusion	FY16
P157015	TA	GDDKiA Road Safety Practices Review	FY16
P158537	TA	Poland Pension Liability Calculation	FY16
P131821	TF	Poland Catching-up Regions	FY16-19
P120361	RAS	Financial Reporting Program	FY17
P147652	RAS	Guidance to NCBR to Enhance Efficiency and Effectiveness of its R&D Programs	FY17
P150558	TA	TA Poland Road Safety Technical Support	FY17
P154754	RAS	IPSAS - Public Sector Accounting and Financial Reporting Enhancement (SECO-POLAND)	FY17
P156326	ESW	Lessons Learned from Poland, Insights for Poland	FY17

Project ID	Product line (ESW, RAS, TA, BB etc.)	Project Name	FY Delivered
P157538	TA	Public Finance Work on Poland; Tax collection behavioral experiment	FY17
P158179	BB	Poland Innovation and Business Environment	FY17
P160303	TA	Health Financing & Delivery Innovations	FY17
P163091	TA	Poland Health System reform	FY17
P117333	Carbon Offset	PL - GIS – Green Investment Scheme	FY18
P153244	RAS	Integrated Health Service Delivery	FY18
P159728	TA	Capacity building on Impact Evaluation of Youth Employment Programs	FY18
P157814	TF	Return on investment on innovation spending	FY19
P165713	ASA	Air Quality Management - Poland	FY19

Annex A7.4.

IFC Investment program during FY14-FY17

FY	Sector	Client	Strategic objectives	Status	US$ m
FY15	Agribusiness	Soufflet Group*	Food security/Cross-border	Disbursed	11
FY15	Private Equity	Concordia	Private Equity	Disbursed	17
FY16	Banking	Raiffeisen-Leasing	MSME/Frontier	Disbursed	75
FY16	Agribusiness	Soufflet Group*	Food security/Cross-border	Disbursed	11
FY17	Banking	Bank Zachodni	Climate/Green Bond	Disbursed	150
FY17	Banking	Bank Zachodni Leasing	Gender/MSME/Frontier/Bond	Disbursed	150
FY17	Agribusiness	Axzon	Food security/Cross-border	Cancelled	11
FY17	Manufacturing	Bounty*	Consumer goods/Cross-border	Disbursed	5
FY17	Manufacturing	Pilkington*	Manufacturing/Cross-border	Disbursed	45
				TOTAL	475

* Regional/Global project with a component in Poland; US$ amount is an estimate; in portfolio, these projects are tracked under the world/regional/sub-regional umbrella

Annex A7.5.

IFC Committed and Outstanding Portfolio in Poland, US# million

Project name and number	FY13-end						FY17-end					
	Committed			Outstanding			Committed			Outstanding		
	Equity	Loan	Total	Equity	Loan	Total	Equity	Loan	Total	Equity	Loan	Total
38703-DCM BZ WBK bond	-	-	-	-	-	-	-	156	156	-	156	156
38099-BZ WBK Leasing	-	-	-	-	-	-	-	154	154	-	154	154
37365-RLPL SL	-	-	-	-	-	-	-	75	75	-	75	75
28890-FM Poland	3	7	10	2	7	9	-	-	-	-	-	-
Financial Sector	**3**	**7**	**10**	**2**	**7**	**9**	**-**	**386**	**386**	**-**	**386**	**386**
37858-Axzon Corp Loan	-	-	-	-	-	-	-	11	11	-	-	-
23521-Lidl Poland	-	5	5	-	5	5	-	-	-	-	-	-
Agribusiness	**-**	**5**	**5**	**-**	**5**	**5**	**-**	**11**	**11**	**-**	**-**	**-**
36207-21 Concordia	-	-	-	-	-	-	17	-	17	8	-	8
Funds	**0**	**-**	**0**	**0**	**-**	**0**	**17**	**-**	**17**	**8**	**-**	**8**
Total Poland	**3**	**12**	**15**	**2**	**12**	**14**	**17**	**397**	**414**	**8**	**386**	**394**

Annex A7.6.

Estimated Poland's Share of the IFC Committed and Outstanding Portfolio in Global and Regional Projects, US# million

Project name and number	Industry	Instru-ment Type	Overall project		Estimated Poland's component	
			Committed	Outstanding	Committed	Outstanding
34759-Soufflet 2	Agribusiness	Loan	51	-	9	-
38083-Soufflet LT	Agribusiness	Loan	34	34	11	11
38743-Bounty	Agribusiness	Loan	22	22	5	5
38822-Pilkington IV	Manufacturing	Loan	100	70	40	28
Total			208	126	65	44

IBRD 33467R

MARCH 2007