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PROJECT PERFORMANCE ASSESSMENT REPORT

POLAND

Public Finance, Resilience and Growth Development Policy Loans

Report No. 135878
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Report No.:135878

PROJECT PERFORMANCE ASSESSMENT REPORT

POLAND

FIRST PUBLIC FINANCE DEVELOPMENT POLICY LOAN
(IBRD – 81860, June 2012)

SECOND PUBLIC FINANCE DEVELOPMENT POLICY LOAN
(IBRD – 82730, June 2013)

FIRST RESILIENCE AND GROWTH DEVELOPMENT POLICY LOAN
(IBRD – 83840, January 2014)

SECOND RESILIENCE AND GROWTH DEVELOPMENT POLICY LOAN
(IBRD – 85220, July 2015)

April 26, 2019

Human Development and Economic Management

Independent Evaluation Group

Currency Equivalents (annual averages)

Currency Unit = Polish Zloty (Zl)

2012	$1.00	Zl 3.39
2013	$1.00	Zl 3.18
2014	$1.00	Zl 3.38
2015	$1.00	Zl 3.76
2016	$1.00	Zl 3.95
2017	$1.00	Zl 3.54

Abbreviations

CPS	Country Partnership Strategy
DPL	development policy loan
EC	European Commission
EU	European Union
FCL	flexible credit line
GDP	gross domestic product
IBRD	International Bank for Reconstruction and Development
ICR	Implementation Completion and Results Report
IEG	Independent Evaluation Group
IMF	International Monetary Fund
M&E	monitoring and evaluation
PPAR	Project Performance Assessment Report
RAS	reimbursable advisory services

All dollar amounts are U.S. dollars unless otherwise indicated.

Fiscal Year

Government: January 1 – December 31

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This report was prepared by Felix Oppong with support from Nils Fostvedt and Clay Wescott, who assessed the four development policy loans in October 2018. The report was peer reviewed by Ismail Arslan and Željko Bogetić and panel reviewed by Robert Lacey. Patricia Acevedo provided administrative support.

Principal Ratings

First and Second Public Finance Development Policy Loans

Indicator	ICR*	ICR Review*	PPAR
Outcome	Satisfactory	Satisfactory	Satisfactory
Risk to development outcome	Moderate	Moderate	Low
Bank performance	Satisfactory	Satisfactory	Satisfactory
Borrower performance	Satisfactory	Satisfactory	Moderately satisfactory

Note: The Implementation Completion and Results Report (ICR) is a self-evaluation by the responsible Global Practice. The ICR Review is an intermediate Independent Evaluation Group product that seeks to independently validate the findings of the ICR. PPAR = Project Performance Assessment Report.

First and Second Resilience and Growth Development Policy Loans

Indicator	ICR*	ICR Review*	PPAR
Outcome	Satisfactory	Satisfactory	Moderately satisfactory
Risk to development outcome	Moderate	Moderate	Moderate
Bank performance	Satisfactory	Satisfactory	Satisfactory
Borrower performance	Satisfactory	Satisfactory	Satisfactory

Note: The Implementation Completion and Results Report (ICR) is a self-evaluation by the responsible Global Practice. The ICR Review is an intermediate Independent Evaluation Group product that seeks to independently validate the findings of the ICR. PPAR = Project Performance Assessment Report.

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IEG Mission: Improving World Bank Group development results through excellence in independent evaluation.

About This Report

The Independent Evaluation Group (IEG) assesses the programs and activities of the World Bank for two purposes: first, to ensure the integrity of the World Bank's self-evaluation process and to verify that the World Bank's work is producing the expected results, and second, to help develop improved directions, policies, and procedures through the dissemination of lessons drawn from experience. As part of this work, IEG annually assesses 20–25 percent of the World Bank's lending operations through fieldwork. In selecting operations for assessment, preference is given to those that are innovative, large, or complex; those that are relevant to upcoming studies or country evaluations; those for which executive directors or World Bank management have requested assessments; and those that are likely to generate important lessons.

To prepare a Project Performance Assessment Report (PPAR), IEG staff examine project files and other documents, visit the borrowing country to discuss the operation with the government and other in-country stakeholders, interview World Bank staff and other donor agency staff both at headquarters and in local offices as appropriate, and apply other evaluative methods as needed.

Each PPAR is subject to technical peer review, internal IEG panel review, and management approval. Once cleared internally, the PPAR is commented on by the responsible World Bank Country Management Unit. The PPAR is also sent to the borrower for review. IEG incorporates both World Bank and borrower comments as appropriate, and the borrower's comments are attached to the document sent to the World Bank's Board of Executive Directors. After an assessment report is sent to the Board, it is disclosed to the public.

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Risk to development outcome: The risk, at the time of evaluation, that development outcomes (or expected outcomes) will not be maintained (or realized). *Possible ratings for risk to development outcome:* high, significant, moderate, negligible to low, and not evaluable.

Bank performance: The extent to which services provided by the World Bank ensured quality at entry of the operation and supported effective implementation through appropriate supervision (including ensuring adequate transition arrangements for regular operation of supported activities after loan or credit closing toward the achievement of development outcomes). The rating has two dimensions: quality at entry and quality of supervision. *Possible ratings for Bank performance:* highly satisfactory, satisfactory, moderately satisfactory, moderately unsatisfactory, unsatisfactory, and highly unsatisfactory.

Borrower performance: The extent to which the borrower (including the government and implementing agency or agencies) ensured quality of preparation and implementation and complied with covenants and agreements toward the achievement of development outcomes. The rating has two dimensions: government performance and implementing agency(ies) performance. *Possible ratings for borrower performance:* highly satisfactory, satisfactory, moderately satisfactory, moderately unsatisfactory, unsatisfactory, and highly unsatisfactory.

Preface

This Project Performance Assessment Report (PPAR) evaluates four lending operations implemented in Poland from 2012 to 2016. The total amount of the operations was $4.21 billion. The first two, the "Public Finance Development Policy Loan" (DPL) series, totaled $2.29 billion. The Board of Executive Directors approved two single-tranche International Bank for Reconstruction and Development loans of €750 million ($920.3 million) and €1.0 billion ($1.3 billion) to Poland on June 19, 2012, and June 18, 2013, respectively. The loans fully disbursed and closed on schedule, on June 30, 2013, and June 30, 2014, respectively. The second series, entitled "Resilience and Growth," had a total amount of $1.92 billion. The Board approved two single-tranche International Bank for Reconstruction and Development loans of €700 million ($965.8 million) and €921.7 million ($1 billion) to Poland on April 24, 2014, and June 26, 2015, respectively. The loans fully disbursed and closed on schedule, on December 31, 2015, and December 31, 2016, respectively.

The development objectives of the first series were to support Poland's fiscal consolidation agenda while strengthening fiscal institutions and improving the efficiency and sustainability of social spending. The objectives of the second series were to enhance macroeconomic resilience, strengthen labor market flexibility and employment promotion, and improve private sector competitiveness and innovation.

The Independent Evaluation Group (IEG) prepared this report based on interviews, a review of World Bank files, and documents and data collected during a field visit to Poland in October 2018. The mission met with World Bank staff, government officials, representatives of the European Commission and the International Monetary Fund and academia. The evaluation also draws from interviews with the task team leaders and the World Bank Country Manager for Poland. The two series followed three budget support operations, which provided $4.047 billion to Poland between 2008 and 2010 and focused on public finance and employment creation and private sector development.

IEG gratefully acknowledges the cooperation and assistance of all stakeholders as well as the support of the World Bank country office in Poland.

Following standard IEG procedures, a copy of the draft PPAR was sent to the borrower for comments. These comments were taken into account and included in appendix K.

Summary

This Project Performance Assessment Report (PPAR) assesses the extent to which two programmatic public finance and growth development policy lending operations (of two operations each) implemented between 2012 and 2016 achieved their development objectives (First Public Finance Development Policy Loan [P127433]; Second Public Finance Development Policy Loans [P130459]; First Resilience and Growth Development Policy Loan [P146243]; and Second Resilience and Growth Development Policy Loans [P149781]). The PPAR assesses the objectives of the series using additional documentary evidence not cited in the Implementation Completion and Results Report (ICR), and information from interviews with World Bank staff, government officials, and other stakeholders. It focuses on sustainability of the results and on lessons for wider application.

The two series and their associated nonlending products and technical assistance activities were the means through which the World Bank supported fiscal consolidation, policy modifications, and institutional strengthening. The development objectives of the public finance series were to support the country's fiscal consolidation agenda while strengthening fiscal institutions and improving the efficiency and sustainability of social spending. The objectives of the resilience and growth operations were to enhance macroeconomic resilience, strengthen labor market flexibility and employment promotion, and improve private sector competitiveness and innovation.

The development objectives were **highly relevant.** They were aligned with the National Development Strategy 2020, especially strategic area II on the competitive economy, with the Europe 2020 Strategy of the European Union (EU) to achieve sustainable, smart, and inclusive growth, and with the goals of the World Bank Group's Country Partnership Strategies for FY09–13 and FY14–17, in particular, the overarching objective to improve public financial management systems, public sector reform, and strengthen the business environment. The objectives' level of ambition was reasonable, given the country context.

Relevance of design is rated **substantial.** For the most part, a logical causal chain existed among prior actions, other measures supported by the series, and the intended outcomes. The operations were accompanied by a substantial amount of timely, demand-driven advisory services and technical assistance. The financial support they offered provided an important market signal and reinforced the credibility of the government's commitment to reform. The macroeconomic framework was adequate at the time of preparation. Weaknesses identified in the design include unclear formulation of some prior actions, inadequate results indicators to measure the achievement of some

objectives and the use of process- rather than outcome-oriented indicators in the second operation in the series.

Efficacy in pursuing the three objectives related to fiscal consolidation and resilience is rated **high** (for enhancing macroeconomic resilience) and **substantial** (for fiscal consolidation and strengthening fiscal institutions). All fiscal deficit and public sector debt reduction targets were met or exceeded, and the government continued to deepen reforms, with enhanced results. Achievement of the other three objectives (more efficient and sustainable social spending, a more flexible labor market, and enhanced competitiveness and innovation is rated modest. There was no indicator related to the crucial need to raise the pension age; attribution of labor market results to the measures supported is weak; and only two out of five innovation-related targets were met, with little evidence of enhanced competitiveness.

The overall outcome for the first series is rated s**atisfactory**, and that of the second is rated **moderately satisfactory.** The risk to development outcome is rated **low** for the public finance series but **moderate** for the resilience and growth series. Most of the actions supported by the two series correspond to current government priorities. However, efforts to achieve longer-term reform in the labor market, and with respect to innovation and competitiveness, were weak. Risks related to labor market inefficiencies may require the government to increase social expenditure and continue to reform the labor market.

Bank performance is rated **satisfactory.** World Bank staff responded to the requests of the government to provide prompt technical assistance when it was needed. Important analytical work underpinned a fruitful policy dialogue. After these series, the World Bank worked with the government to encourage reimbursable advisory services (RAS) as a new World Bank product line in Poland.

Borrower performance is rated **moderately satisfactory** for the first series and **satisfactory** for the second. The capacity of government staff participating in policy dialogue and implementation of the series was high. Government counterparts worked closely with World Bank teams, drawing on the expertise of World Bank specialists in support of evidence-based policy making. The reversal of the retirement age, which was supported in the first series, signaled a lack of political consensus.

Major Findings

The findings in the PPAR are as follows:

- The World Bank could have supported Poland with less funding while achieving similar results. The mission could not find a credible justification for the volume of financing extended to Poland except to encourage a more continuous policy dialogue. A trade-off between the size of the policy loan and the strength of the reforms implemented was not apparent in the case of Poland. Additional information provided by the World Bank country team indicated that the series financed about 2 percent of Poland's gross financing needs, and reforms supported by the DPL series encompassed a highly relevant and difficult agenda, including an increase in the retirement age, fiscal consolidation, establishment of a fiscal rule, and deregulation of professions. The evidence suggests that the government was already committed to implementing these reforms. World Bank financing does not appear to have been the main reason the reforms were implemented.

- The reversal of the reform to unify the pension age for both men and women and its associated political sensitivity indicate that more consultation with political groups, civil society organizations, and unions might have been helpful before the implementation of the reform. The mission observed that the issue of retirement age reform remains unresolved in Poland.

- When a country adopts countercyclical fiscal policy, care must be taken with subsequent fiscal stabilization measures. In the case of Poland, the reversal of the countercyclical fiscal policies successfully reduced the fiscal deficits and public debt, although economic growth declined briefly before returning to its long-term path. Movements in the fiscal deficit and output gap between 2011 and 2017 suggested an appropriate countercyclical fiscal stance.

- A flexible approach to dialogue with countries approaching graduation from International Bank for Reconstruction and Development borrowing could improve the policy dialogue and enable it to gain trust. The decision to allow Poland to graduate later was greatly appreciated by the authorities, and it enhanced trust.

- Effective coordination between local and international World Bank staff when dealing with clients is essential in building trust with client governments. In the

case of Poland, timely responses from staff were valued by the Ministry of Finance and considered a good practice.

- Even when a programmatic series of development policy operations does not succeed in addressing a significant issue, government policy can still be informed by appropriate knowledge products after the series closes, in this case, with respect to tax evasion issues. The World Bank produced an analytical product on tax evasion (an issue not addressed by either series) that was influential according to information provided by current government officials.

Lessons

Development policy lending can help mitigate global economic and financial shocks and protect vulnerable groups in high-income countries when accompanied with timely, high-quality, and responsive technical assistance that supports the reforms. The series were appropriate to reinforce the credibility of the authorities' commitment to reform, while providing technical solutions for the reform program's design and implementation. The development policy loans enabled dialogue on important reforms the government was undertaking based on its analytical and advisory work.

Where a high-income country is required to implement constitutional provisions or agreed reforms with a regional body, providing support for the implementation of such reforms is likely to enhance the likelihood of success. In the case of Poland, policies limiting fiscal deficits and overall debt levels were required both by EU agreements and constitutional provisions. Though these policies were complex, the government committed to implementing them because of the importance of the EU accession agenda to Poland's economy. However, policies not required by the EU were more easily reversed, for example, the increase in the retirement age.

RAS are a promising tool for engaging governments in high-income countries when Bank Group staff demonstrate the capacity to produce timely and high-quality analytical products in response to government requests. In the case of Poland, the government appreciated the quality and responsiveness of World Bank staff to their analytical needs. However, World Bank adjustment to the different business model could have been better managed. Staff had the (sometimes difficult) task of explaining to the government why the World Bank needed to charge high-income clients for services while still requiring sole source procurement and retaining intellectual property rights. The World Bank and government are now working together to make RAS mutually beneficial and a new tool for engagement.

Coordinating with other partners in situations where the World Bank is not the largest stakeholder is important for successful implementation of reforms. In the case of Poland,

the European Commission and the International Monetary Fund are the dominant development partners providing more funds or guaranteed resources to the government.

Analyzing the political cost of implementing proposed reform measures is an important part of policy lending. Such an analysis would have been particularly useful in relation to the pension and labor market reforms these two series attempted to support. It is notable that Finance Ministry staff requested such advice in the future to guide the implementation of new reforms.

Emanuela Di Gropello
Acting Director
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1. Background and Context

1.1 Poland has made impressive progress toward creating a modern, market-based economy and successfully managing its integration into the European Union (EU) in 2004. To meet EU convergence criteria, the country needed to maintain sound and sustainable public finances, price stability, and long-term interest rate and exchange rate stability. The four operations evaluated in this PPAR are the second and third of three series (comprising seven operations) that extended about $8.2 billion in financing to Poland between 2008 and 2015 to assist the country to improve public finance, strengthen resilience, and meet EU requirements.

1.2 The two Implementation Completion and Results Reports (ICRs) and Independent Evaluation Group validation reports (Implementation Completion and Results Report Reviews, ICR Reviews) assessed the outcomes of the two series as **satisfactory.** In so doing they emphasized the importance of extensive analytical work and technical assistance activities as the key factors for success of the operations. Poland is a high-income and high-capacity country, which raises the question, "Why would Poland, on the verge of [International Bank for Reconstruction and Development] graduation in 2008, borrow large amounts from the World Bank and continue to request its knowledge products and services to implement reforms?" Could Poland have achieved the same results with less World Bank financing or by using different World Bank instruments (such as reimbursable advisory services [RAS]) or simply by borrowing from other sources? By providing answers to this question, this PPAR attempts to better understand the factors that contributed to Poland's satisfactory results and derive lessons that could be applied elsewhere.[1]

1.3 A coalition of the center-right Civic Platform and the agrarian Polish Peasants' parties governed between 2007 and 2015. Its priorities were to strengthen public finances to maintain economic resilience, safeguard financial sector stability, and support private sector growth.

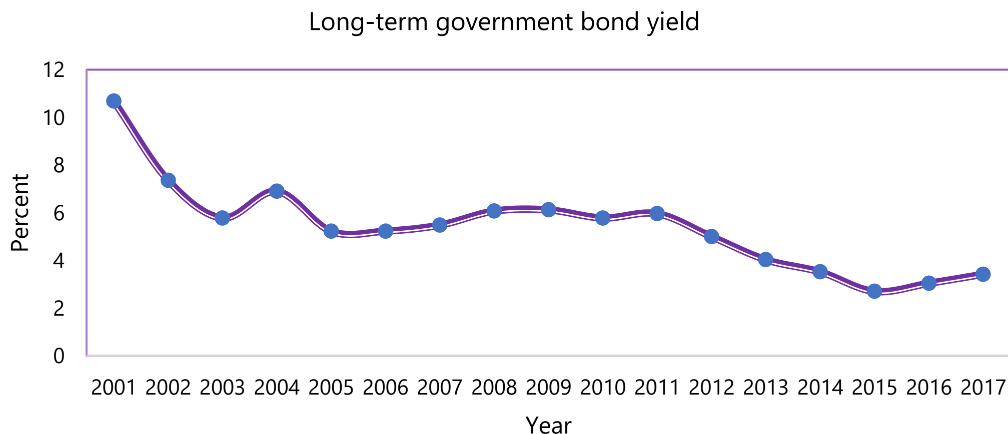
1.4 In 2007, Poland was meeting the debt, deficit, inflation, and interest rate criteria of the Maastricht Treaty. However, in 2008, growth slowed markedly. Revenue collections weakened, and social contributions fell, while simultaneously expenditures on social benefits and personal income tax relief for families and pensioners (which were generously indexed) increased. The fiscal deficit rose from 1.7 percent of gross domestic product (GDP) to 3.6 percent in 2008 and increased further to 7.3 percent in 2009 (table 1.1). The government responded with a supplementary budget in mid-2009 and entered into a flexible credit line (FCL) arrangement with the International Monetary Fund (IMF). The FCL was an "insurance policy," extended by the IMF on the basis of their

endorsement of existing policies and past reforms. While continuing to draw on EU funds, Poland also requested World Bank assistance. The external support enabled the government to adopt automatic stabilizers (reducing revenue, increasing social expenditures). Consequently, and although the fiscal deficit remained high at 7.3 percent of GDP in 2010, Poland was the only EU member country whose economy grew during the 2008 global economic crisis.

1.5 After the transition from communism, Poland developed a corps of competent civil servants through transparent and competitive civil service entry and promotion. These professionals proved capable of designing and implementing a politically sensitive reform program, making good use of the World Bank's knowledge services and products (see appendix D).

1.6 The Ministry of Finance informed the PPAR mission that partnering with the World Bank to implement reforms during and after the global economic crisis boosted market confidence in government policies. This was evident in annual bond yields (figure 1.1). The annual average long-term Polish government bond yield declined as the country received additional financing. Average bond yields stabilized at about 6 percent between 2008 and 2011, but the average yield reached 2.7 percent in 2015 (indicating positive market conditions), before rising modestly to 3.42 percent by the end of 2017.[2]

Figure 1.1. Evolution of Long-Term Government Bond Yield in Poland



Source: Capital Market Statistics, Poland.

Table 1.1. Fiscal and Key Macroeconomic Indicators
(percent of GDP, unless otherwise indicated)

Indicator	2007	2008	2009	2010	2011	2012	2013	2014	2015	2016	2017
Overall balance	–1.9	–3.6	–7.3	–7.3	–4.8	–3.7	–4.1	–3.6	–2.6	–2.3	–1.7
Primary balance	0.3	–1.5	–4.8	–4.9	–2.3	–1.1	–1.6	–1.7	–0.9	–0.6	–0.1
Total revenue and grants	41.4	40.7	37.8	38.5	39.1	39.1	38.5	38.6	38.9	38.8	39.6
Tax revenues	22.6	22.7	19.9	20.4	20.5	19.9	19.5	19.5	19.7	20.5	21.0
Nontax revenues	5.5	5.4	5.2	5.0	4.7	5.0	4.7	4.7	4.6	3.9	3.9
Social insurance contributions	12.8	12.2	12.1	11.9	12.2	13.0	13.4	13.2	13.5	13.8	13.9
Others	0.5	0.4	0.5	1.3	1.7	1.3	1.0	1.2	1.1	0.6	0.7
Total expenditure	43.2	44.3	45.0	45.8	43.9	42.9	42.6	42.3	41.6	41.1	41.2
Current expenditures	38.1	38.7	39.1	39.5	37.2	37.4	37.8	37.0	36.5	37.3	36.7
Wages and compensation	10.5	10.8	11.0	11.0	10.5	10.3	10.4	10.4	10.2	10.2	10.1
Goods and services	6.1	6.3	6.0	6.4	5.8	5.8	5.8	5.9	5.9	5.7	5.7
Interest payments	2.2	2.1	2.5	2.5	2.5	2.7	2.5	1.9	1.8	1.7	1.6
Current transfers	18.3	18.3	18.7	18.6	17.7	18.1	18.6	18.3	18.3	19.1	18.8
Social assistance	16.0	16.0	16.5	16.6	15.6	15.9	16.4	16.3	16.2	17.2	17.0
Pensions	14.2	14.0	14.5	14.6	13.9	14.0	14.5	14.4	14.3	15.3	15.1
Other social transfers	1.8	1.9	2.0	1.9	1.8	1.9	1.9	1.9	1.9	1.9	1.9
Other transfers	2.3	2.4	2.1	2.0	2.1	2.2	2.2	2.0	2.1	1.9	1.8
Capital expenditures	5.1	5.6	6.0	6.3	6.7	5.4	4.8	5.3	5.0	3.9	4.6
Capital investments	4.6	4.8	5.1	5.7	5.9	4.8	4.2	4.6	4.4	3.3	3.8
Capital transfers	0.6	0.9	0.9	0.6	0.7	0.7	0.6	0.7	0.6	0.5	0.8
Memorandum items											
Real GDP	7.0	4.2	2.8	3.6	5.0	1.6	1.4	3.3	3.8	2.9	4.6
Unemployment rate *(percent of total labor force)*	9.6	7.1	8.2	9.6	9.6	10.1	10.3	9.0	7.5	6.2	4.9
Inflation, average consumer prices	2.5	4.2	3.5	2.6	4.3	3.7	0.9	0.0	–0.9	–0.6	2.0
Long-term government bond yield	5.48	6.07	6.12	5.78	5.96	5	4.03	3.52	2.7	3.04	3.42
General government gross debt (EU definition)	44.2	46.3	49.4	53.1	54.1	53.7	55.7	50.4	51.3	54.2	50.6
General government gross debt (national definition)	44.4	46.5	48.8	51.7	52.0	51.6	53.2	48.1	48.7	51.9	48.4

Source: Eurostat data, with World Bank staff calculations.
Note: EU = European Union; GDP = gross domestic product.

2. Public Finance Development Policy Loans

Relevance of the Objectives and Design

Relevance of the Objectives

2.1 This programmatic series of two operations was the second of three-development policy loan (DPL) packages provided to the government of Poland between 2008 and 2016. The series provided €1.75 billion (about $2.3 billion) between 2012 and 2014 in support of Poland's fiscal consolidation effort. Program documents stated that the overarching development objectives were "to support Poland's fiscal consolidation agenda, while strengthening fiscal institutions and improving the efficiency and sustainability of social spending." The three specific development objectives cited were

- **Objective 1: Consolidating public finances** to ensure a steady decline of the fiscal deficit to stabilize, and over the medium term, reduce public debt;
- **Objective 2: Strengthening fiscal institutions** to ingrain a prudent fiscal stance over the medium term (including at the subnational level); and
- **Objective 3: Advancing long-term structural fiscal reforms** to secure the sustainability of social spending in view of Poland's demographic challenge.

2.2 The development objectives were aligned with the Medium-Term National Development Strategy 2020 in effect for the duration of the series, especially with strategic area II on developing a competitive economy (Council of Ministers 2012). The objectives were also consistent with the goals of the World Bank Group's Country Partnership Strategy (CPS) for FY09–13 (World Bank 2009). The series and its associated nonlending products and technical assistance were the means through which the World Bank provided support to the government on public finance (see table 2.1; for analytical underpinnings, see appendix G).

2.3 The DPL series spanned two World Bank country strategies for Poland. These were the CPS (2009–13) of June 2009 and the Poland CPS (FY14–17) of July 2013. In 2011, the CPS was reviewed to assess progress toward achieving the objectives. The pillars of the CPS (2009) remained unchanged in the CPS Progress Report (World Bank 2011) and continued to be relevant to the series. The 2009 CPS provided the framework for cooperation during FY09–11. It had four pillars: social spatial inclusion, public sector reform, growth and competitiveness, and regional and global public goods. The objectives of the DPLs were consistent with these pillars, especially the pillar on public sector reform, which reflected amendments to the Public Finance Act in 2011.[3] The CPS

Progress Report noted that the World Bank had planned to lend about $1 billion to Poland annually, accompanied by fee-based knowledge and advisory products. It highlighted fiscal consolidation and strengthening fiscal institutions as some of Poland's main economic policy challenges (World Bank 2011, 3). In addition, the World Bank aimed to further deepen its subnational support to Poland's less developed regions.

Table 2.1. Interrelationship between Objectives of the Public Finance Development Policy Loans and World Bank and Government Strategies

NDS 2020: Strategic Area II – Competitive Economy	CPS (FY09–13)	CPS (FY14–17)	Public Finance DPLs
Objective I.2. Providing funds for development activities	Pillar 2: Public sector reform	Strategic engagement area 1: economic competitiveness: goal 3 on effective public finance	Consolidating public finances Strengthening fiscal institutions
Objective I.3. Improvement of the conditions for satisfying the individual needs and activity of citizens	Pillar 2: Public sector reform	Strategic engagement area 1: economic competitiveness: goal 3 on effective public finance Strategic engagement 2: goal 5: balanced regional development	Strengthening fiscal institutions Advancing long-term structural fiscal reforms
Objective II.1. Strengthening macroeconomic stability	Pillar 2: Public sector reform	Strategic engagement area 1: economic competitiveness: goal 3 on effective public finance	Consolidating public finances
Objective II.2. Growth of the efficiency of the economy	Pillar 3: Growth and competitiveness Pillar 4: Global and regional public goods – financial sector stability	Strategic engagement area 1: economic competitiveness: goal 3. Strategic engagement area 2: equity and inclusion – goal 6 effective public finance and reformed health care for an aging society	Strengthening fiscal institutions Advancing long-term structural fiscal reforms
Objective II.3. Increasing the innovativeness of the economy	Pillar 1: Social and spatial inclusion	CPS objective 1: enhanced business environment CPS objective 2: increased innovativeness	Advancing long-term structural fiscal reforms

Sources: World Bank 2009 and 2013b.
Note: CPS = Country Partnership Strategy; DPL = development policy loan; NDS = National Development Strategy.

2.4 The objective to strengthen fiscal institutions was acknowledged by the CPS FY09–13 when it noted the need to enhance the quality of public finance to meet the obligations under the EU Stability and Growth Pact, and to promote competitiveness and improve service delivery. It identified performance-based budgeting, public investment planning, and medium-term fiscal frameworks as areas that would benefit from World Bank assistance. Given that local governments are major stakeholders responsible for the provision of public services using EU funds in Poland, the operations supported debt management and fiscal forecasting.

2.5 The CPS Progress Report noted that Poland had crossed the high-income threshold and had stable access to international capital markets but was still interested in accessing a range of World Bank services, including lending. It highlighted the government's preference for a gradual reduction in World Bank lending and a switch to fee-based knowledge and advisory services.

2.6 Relevance of objectives to Poland's development priorities and challenges is rated **high.**

Relevance of the Design of the Public Finance Development Policy Loans

2.7 The relevance of design is rated **substantial.** A package of World Bank support (prior actions, policy dialogue, analytical products, technical assistance) was linked with support from other key partners, including the European Commission (EC), IMF, European Bank for Reconstruction and Development, European Investment Bank, and the Organisation for Economic Co-operation and Development. Prior actions were linked to the expected institutional changes required by the EC and the government's medium-term objectives. They also addressed critical challenges facing the government, which included ensuring fiscal consolidation, sustaining public finances, boosting confidence in the financial market, and strengthening fiscal institutions.

2.8 The series provided credibility for the government's reforms. EC budgetary benchmarks applied to Poland as an EU member country. The scale of financial resources from the DPLs, combined with the FCL from the IMF, were important signals to financial markets of the credibility (see figure 1.1) of the country's reform strategy, and facilitated access to private financial markets. The lending instrument (DPL) was appropriate given its policy focus and considering the relatively high-capacity public administration.

2.9 The World Bank added value by helping Poland implement institutional reforms required by the EC and through the provision of significant financial support at a time when the country was emerging from the global financial crisis and needed a combination of financial inflows, advisory services, and technical assistance.

2.10 The relevance of some of the prior actions to achieving the objectives is mixed. Prior actions for the first objective (fiscal consolidation) were vaguely formulated demanding the enactment of budget laws in 2012 and 2013 to meet the requirements of the EU excessive deficit procedure. They could have benefited from greater specification to guide the government on the specific reforms needed for the objective to be achieved, drawing on the available analytical work of the World Bank. Also, the prior actions of the second objective (strengthening fiscal institutions) were either narrowly limited to only subnational government interventions,[4] or were too process oriented, for example, requiring interministerial consultation for a draft law on bank resolution. The main risk associated with such prior actions is nonimplementation of the underlying reform, which would require getting the banking resolution law passed.[5]

2.11 The objectives of consolidating public finances, strengthening fiscal institutions, and long-term fiscal reforms were clearly stated but their implementation was not well monitored. The theory of change was undermined by inadequate metrics for the second and third objectives. Indicators that could have measured the strength of fiscal institutions and long-term structural reforms were not included in the results framework.[6]

2.12 Overall, there was a logical causal link between prior actions and intended results. However, the results indicators in the monitoring and evaluation (M&E) framework of the series considered only one of two critical indicators of the EU excessive deficit procedure, the other being the debt-to-GDP ratio. By design, the prior actions influenced the results of the other critical indicator (fiscal deficit to GDP), but it is not clear why the results framework did not capture it. Given Poland's high fiscal deficit resulting from countercyclical policies in the wake of the financial crisis, the indicator was highly relevant. Continued growth during the crisis was stimulated by high budget deficits in 2009 and 2010 (7.3 percent of GDP in both years). Poland's fiscal deficit was too important to the program objectives to have been left out of the results framework.

Implementation of the Public Finance Development Policy Loans

2.13 The series of DPLs was closely coordinated with the IMF and EC. Staff of the World Bank, IMF, and EC consulted closely on macroeconomic, fiscal, and structural reforms. The evolution of the World Bank's program in Poland between 2008 and 2017 against the background of regional and national developments is shown in figure 2.1.

2.14 The series consisted of two single-tranche International Bank for Reconstruction and Development loans: DPL1 for €750 million ($991.4 million equivalent) was approved in June 2012, and DPL2 for €1 billion ($1,307.8 million) was approved in June 2013. The total program amounted to €1.75 billion (about $2.3 billion equivalent). Both loans

were fully disbursed and closed as scheduled, on June 30, 2013, and June 30, 2014, respectively (figure 2.2). The mission did not find a strong justification for the size of the loan to Poland. Bank staff argue that, while the loans created opportunity for enhanced policy dialogue, they also note that, while related, there is no direct correlation between the size of a loan, size of the economy and the magnitude of the reforms supported. Indeed, given that Poland needed to pursue the reforms supported by the series as part of EU requirements, the trade-off between the provision of financing for the budget and the strength of the reform was not apparent in the case of Poland. Additional information provided by the World Bank country team indicated that the policy loans financed 2 percent of the Poland's gross financing needs, though the reforms supported by the series were highly relevant and difficult including an increase in the retirement age, fiscal consolidation, establishment of a fiscal rule, and deregulation of professions. The evidence suggests that World Bank financing was not the main reason the reforms were implemented.

2.15 The World Bank is a relatively small player in Poland in terms of financing.[7] Though the DPL financing was large compared with other public finance–related loans to other World Bank clients, the size of the DPL to Poland was relatively small compared with GDP. The CPS (FY14–17) notes that Poland received large amounts (€68.7 billion, 2007–13) of EU funds (in the form of grants) and substantial financing from the European Investment Bank (in the form of subsidized loans). The World Bank's total financing during the previous CPS (FY09–13) amounted to $6 billion. This was seen to have restricted the World Bank to supporting already-proposed reforms rather than advocating for new ones.

2.16 In 2011, the IMF Executive Board approved an FCL arrangement for $30 billion. The IMF Board concluded in a 2012 review that Poland had met the criteria for access to additional FCL resources.[8] In January 2013, the amount was increased to $33.8 billion. In 2015, the FCL was reduced to $23 billion, reflecting the effectiveness of the reforms already undertaken in helping to weather the crisis. These IMF-supported arrangements gave the government greater flexibility in responding to the global crisis while preserving favorable access to international capital markets. However, the World Bank country team argued that the government's engagement with the IMF for policy advice and capacity building was smaller than with the World Bank after the FCL arrangement expired.

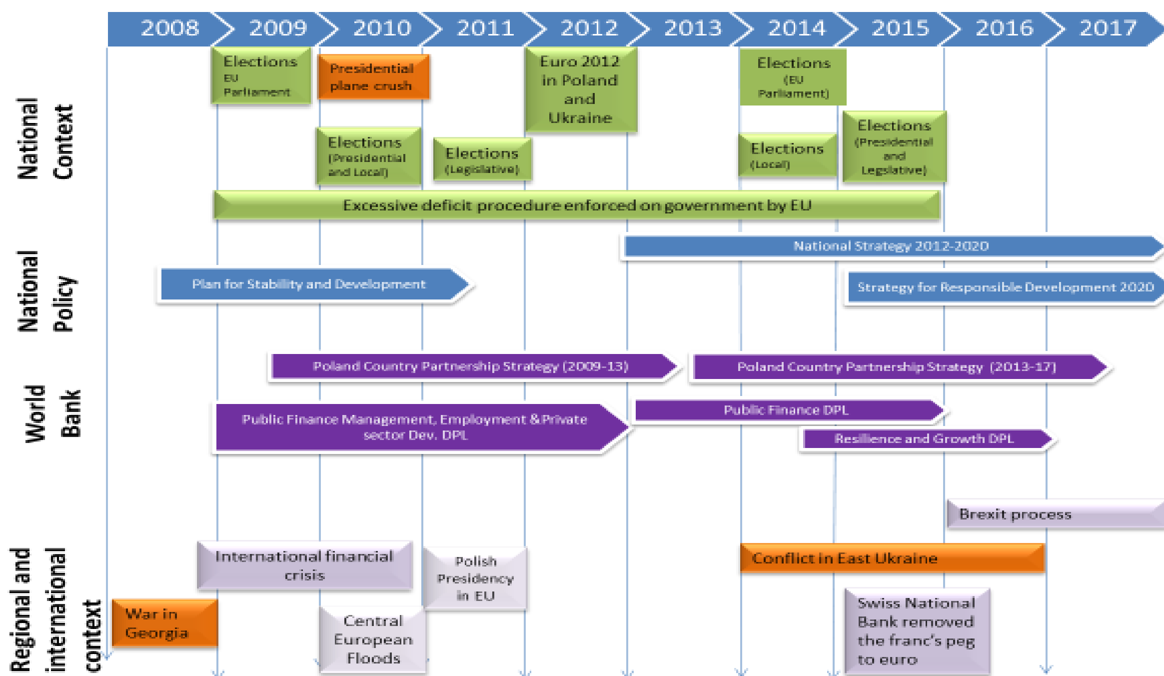
2.17 Legislative reforms supported by the series were subjected to rigorous domestic debate, but this did not guarantee sufficient political consensus for all reforms. Because public consultations are compulsory by law for all new policy initiatives, the government subjected all program-related legislative measures and reforms to thorough consultation with social partners, civil society, and influential stakeholders in Poland.9 The series required the government to enact budget laws in line with the fiscal rule and make amendments to the pension laws, value-added tax (VAT) law and Public Finance Act.

Nevertheless, at least some of the fiscal laws passed (such as that of the retirement age) were vulnerable to reversal by future governments.

2.18 The prior actions (listed in appendix E) included some major steps (such as pension reform and enacting an annual budget in line with the EU excessive deficit procedure), and some important procedural steps (such as preparing for the approval of the permanent fiscal rule). However, some actions were of modest importance for the public finances (for example, detailed changes in welfare legislation).

2.19 By the time the second operation (DPL2) was appraised, in May 2013, the economy had become more seriously affected by the protracted recession in the Euro area, exacerbated by weakening of global and domestic demand. This raised the question of whether fiscal consolidation might be premature or too aggressive. Growth slowed to 1.6 percent in 2012 and further to 1.4 percent in 2013. In response, the World Bank developed a follow-up series to tackle reforms related to macroeconomic resilience, such as setting a stabilizing expenditure rule and improving the tax compliance of foreign companies. It also addressed reforms that were affecting growth in Poland, such as the labor market inflexibility, employment, and innovation.

Figure 2.1. Evolution of Country Context in Poland



Source: Developed with Poland country office staff.

Safeguards Compliance

2.20 There were no safeguards triggered by the public finance DPL series.

Financial Management and Procurement

2.21 No issues were reported to the mission.

3. Achievement of Objectives: Public Finance Development Policy Loan Series

3.1 The series supported the following three objectives as articulated in program documents of the series:

- **Objective 1:** Consolidating public finances to ensure a steady decline of the fiscal deficit to stabilize, and over the medium term, reduce public debt;
- **Objective 2:** Strengthening fiscal institutions to ingrain a prudent fiscal stance over the medium term (including at the subnational level); and
- **Objective 3:** Advancing long-term structural fiscal reforms to secure the sustainability of social spending in view of Poland's demographic challenge.

Objective 1: Consolidating Public Finances

3.2 Two prior actions were adopted in 2012 and 2013 to support the achievement of the first objective. The government enacted budget laws for 2012 and 2013 in line with the requirements of the EU's excessive deficit procedure, which requires members to correct excessive fiscal positions (see table 3.1). The two key values that constitute a breach and could trigger the excessive deficit procedure were (i) a general government deficit above 3 percent of GDP, and (ii) gross government debt more than 60 percent of GDP. In either case, member states are required to take corrective measures based on deadlines agreed with the EU. In the case of Poland, the results indicator for the DPL series required the public debt-to-GDP ratio (national definition) to stabilize at about its 2011 level (not more than 54 percent of GDP) by end 2013. Although the results indicator on public debt was appropriate, the series should have included an additional indicator measuring the decline in the fiscal deficit.

Table 3.1. Matrix of Prior Actions, Results Indicators, and Outcomes for Objective 1

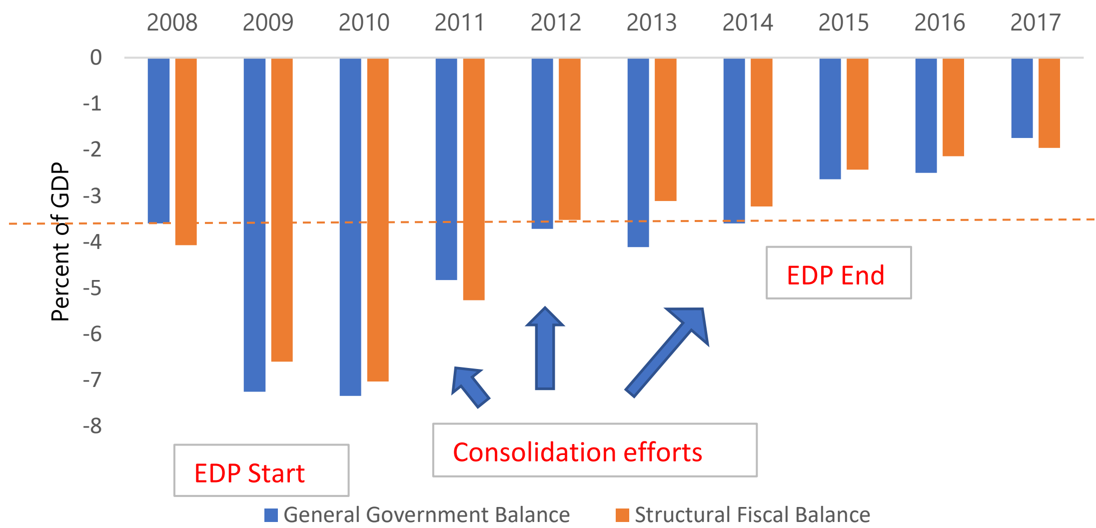
Development Policy Loan Prior Actions	Results Indicators and Targets	Outcome of Indicators (Achievement)
Prior action 1: Enact a budget law for 2012 in line with the requirements of the EU Excessive Deficit Procedure	Public debt-to-GDP ratio (national definition) to stabilize at about the 2011 level (not higher than 54 percent of GDP) by end 2013.	Met: Public debt-to-GDP ratio peaked in 2013 at 53.2 percent (national definition) and was down to 48.5 percent by 2017.
Prior action 2: Enact a budget law for 2013 in line with the requirements of the EU excessive deficit procedure		

Figure 3.1. Gross Public Debt in Poland

Source: Ministry of Finance, Poland.

3.3 Public debt fell below the critical EU reference figure of 54 percent of GDP in 2015, two years later than targeted under the program. The decline cannot be attributed to the fiscal adjustments.[10] Nonetheless, by 2017 debt had fallen to 48.4 percent, while the fiscal deficit was 1.7 percent of GDP. These developments were achieved through adjustments in both current and capital expenditures (revenues were relatively stable until 2016), without sacrificing real GDP growth, despite protracted recession in neighboring countries.[11] The sustained reduction in the fiscal deficit that led to Poland meeting the EU convergence criteria by 2015 was considered in rating this objective (see table 1.1 and figure 3.2). This contributed to the sustainability of the fiscal adjustments over the medium term. Efficacy in achieving this objective is rated **substantial.**

Figure 3.2. Fiscal Deficits



Source: Eurostat statistics.

Objective 2: Strengthening Fiscal Institutions

3.4 The prior actions that supported the objective to strengthen fiscal institutions are presented in table 3.2. Of four prior actions, three were related to fiscal institutions and one was related to the financial sector.

3.5 Three of the four prior actions were relevant to the objective. The two prior actions—on deficit limitation followed by enactment of amendments to the Public Finance Act to strengthen local government multiyear forecasting—corresponded to the indicator as shown in table 3.2 and were mainly focused on subnational reform, while the other (a relatively weak process-oriented prior action in the second operation) focused on the design of assumptions for a permanent fiscal rule. The series focused on limiting growth in local government debt, reducing fiscal liability by strengthening the financial system, and reinforcing rules constraining growth of public expenditures. Sound local government finances are especially important to Poland's fiscal position, given their responsibility for public service provision using substantial EU funding (mostly grants). The only results indicator for these four prior actions was the ratio of local government debt to GDP. This did not capture the full extent of local government financial reform, and still less other fiscal institutional enhancements supported by the series.[12] To this extent, the objective should have either focused on subnational governments or other results indicators should have been included to monitor the impact of the other three prior actions.

3.6 The World Bank missed the opportunity to pursue important fiscal reforms for which it had analytical work. The CPS FY09–13 (page 29) identified performance-based budgeting, public investment planning, and medium-term fiscal frameworks as important to strengthening fiscal institutions in Poland. Further, the 2010 Public Expenditure Review provided credible analyses on these topics including cash transfers and expenditure-based adjustments. The PPAR mission confirmed that these areas are still relevant to Poland. However, the series did not pursue any prior actions in these areas. Instead, the IMF took the lead in providing technical assistance for development of a medium-term budgeting framework in 2017 to improve the credibility of the annual budgets.

Table 3.2. Matrix of Prior Actions, Results Indicators, and Outcomes for Objective 2

Pillar II: Strengthening Fiscal Institutions	Results Indicators (Targets)	Outcome of Indicators (Achievement)
Prior action 1: Council of Ministers adopts plans for gradual implementation of deficit limitations of local governments as indicated in its Convergence Program Update 2012	Local governments' debt-to-GDP ratio (ESA 95 definition) to be stabilized at or below the 2011 baseline of 4.3 percent of GDP	Met: Local government debt-to-GDP ratio stood at 4.2 percent in 2013 and 2014, and then dropped further to 3.2 percent by 2018
Prior action 2: Enact amendments to the Public Finance Act to strengthen the quality of local governments' multiyear financial forecasts and start implementation by introducing a template and periodic reporting requirements		
Prior action 3: Ministry of Finance sends for interministerial consultations the draft law on bank resolution to strengthen the stability of its financial system		
Prior action 4: Ministry of Finance designs assumptions for the permanent fiscal rule to limit growth of public expenditure to trend GDP (when at MTO) to foster compliance with the EU requirements under the ratified Treaty on Stability, Coordination and Governance in the Economic and Monetary Union.		

Sources: World Bank 2012 and 2013a.
Note: ESA = European System of Accounts; EU = European Union; GDP = Gross domestic product; MTO = medium-term objective.

3.7 The ratio of local government debt to GDP stood at 4.2 percent in 2013 and 2014, and then dropped to 3.2 percent by 2018 (exceeding the target of 4.3 percent). This result reflects both the support of the series and World Bank technical assistance to build forecasting and debt management capacity at the local level. After the series, fiscal institutions related to subnational debt further improved. The debt provisions for local governments as of 2017 indicate progressive attention to the capacity of debt management institutions. This helped contribute to the limitation of local debt service to 15 percent of planned budget revenues and limiting total debt to 60 percent of total revenue.

3.8 The efficacy of efforts to achieve this objective is rated **substantial.**

Objective 3: Advancing Long-Term Structural Fiscal Reforms

3.9 Table 3.3 presents prior actions, results indicators, and outcome achieved regarding this objective. Two out of three indicator targets were met.

3.10 One of the key areas to the government's strategy was to promote social and territorial cohesion that would improve efficiency of expenditure on social services as well as improve the social security system (Council of Ministers 2012, 139). The most important single measure was to increase the statutory retirement age by three months per year culminating in 67 years in 2040. However, there was no indicator to measure this, and no explanation of its omission in program documents. The policy was initiated in 2012 but reversed by the government that took office in 2015. The reform was described to the PPAR mission as "good policy but bad politics." It is unclear whether more could have been done to garner public support. Reduced pension privileges for uniformed services was also significant, with the abolition of earlier retirement alone expected to save 0.4 percent of GDP. A further 0.5 percent of GDP was anticipated from the transfer of net assets from the Open Pension Fund to the State Social Security Institution. Nevertheless, expenditure on pensions rose 14 percent of GDP in 2012 to 15.1 percent in 2017, reversing gains made in 2014 and 2015.[13] This was largely offset by social insurance contributions which increased from 13.0 percent of GDP in 2012 to 13.9 percent in 2017.

3.11 Other initiatives showed mixed results. The social security fund deficit target was not met because of larger relief granted to parents, coupled with more people applying for social services. Hospital arrears, caused by inadequate pricing, over-investment and previously increased salaries for doctors and nurses were reduced as anticipated. The Senior Health Specialist of the World Bank confirmed that the program had provided an adequate legal framework for restructuring hospital finances, and as a result this was the first time the politically sensitive issue of hospital arrears had been addressed. However, figure 3.3 shows that the major reductions in arrears in relation to

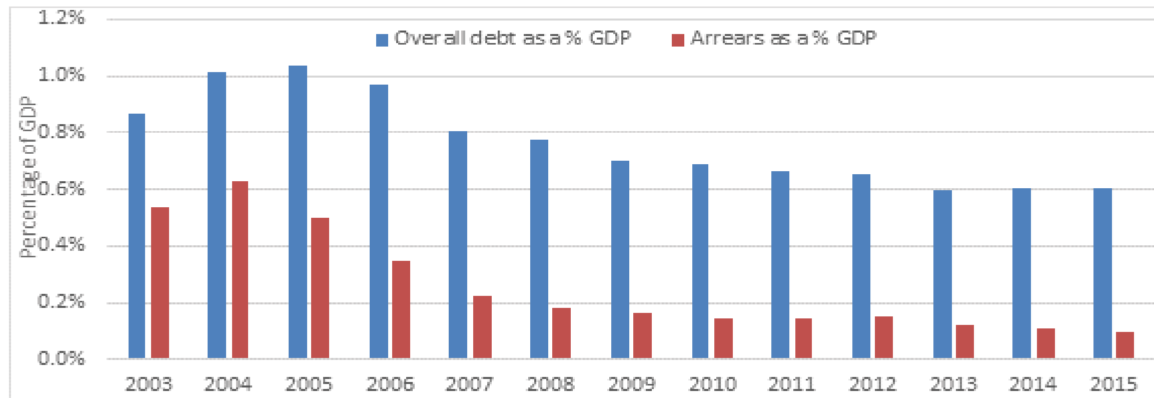
GDP occurred before the program, and that they rose again in 2016 after slight declines in the two preceding years. The last-resort minimum-income benefit for a "typical" poor family measured by Eurostat's "at-risk-of-poverty" threshold rose in 2017 compared with the 2011 baseline. The outcome target was thus achieved, but attribution of the fall in the percentage of people at risk of falling into poverty (see figure 3.4) to the DPL series is questionable, since this was influenced by a wide range of government policies. There are significant issues with sustainability.

Table 3.3. Matrix of Prior Actions, Results Indicators, and Outcome for Objective 3

Pillar III: Advancing Long-Term Fiscal Reforms	Results Indicator	Outcome of Indicators
Prior action 1: Enact amendments to the law on pensions to increase statutory retirement age and start implementation Prior action 2: Council of Ministers adopts and submits to Parliament draft amendments to the Law on Pensions for the increase of the statutory retirement age Prior action 3: Council of Ministers adopts and submits to Parliament draft amendments to the pensions legislation on uniformed services to increase length of service and introduce minimum retirement age	(i) Ratio of social security fund deficit to GDP reduced to lower than the 2010 baseline of 0.2 percent of GDP in 2013	(i) Not met: Ratio of social security fund deficit to GDP reached 0.5 percent of GDP in 2013
Prior action 4: Enact the Law on Therapeutic Activity to (i) make local governments and other public entities that own health facilities accountable for their financial results; and (ii) advance the agenda of hospital corporatization and restructuring Prior action 5: Enact the Law on Farmers Health Insurance Contributions Prior action 6: Council of Ministers adopts and submits to Parliament draft amendments to the Law on Family Benefits to improve targeting of the child-birth allowance Prior action 7: Enact amendments to the pension legislation on uniformed services to increase length of service and introduce minimum retirement age	ii) Hospital arrears reduced to or below zł2.2 billion from 2011 baseline of zł2.4 billion	(ii) Met: Hospital arrears reached zł2.2 billion in 2013 and zł1.6 billion in March 2018
Prior action 8: Enact amendments to social assistance and family benefits legislations to (i) increase the income threshold for the last-resort minimum-income social assistance benefit that tops up the incomes of the poorest; and (ii) improve targeting of the benefit for caregivers of disabled dependents	(iii) The last-resort minimum-income benefit for a "typical" poor family is improved to above the 2011 baseline of 36 percent of the Eurostat "at-risk-of-poverty" threshold	(iii) Met: 46 percent of the at-risk-of-poverty threshold in 2013

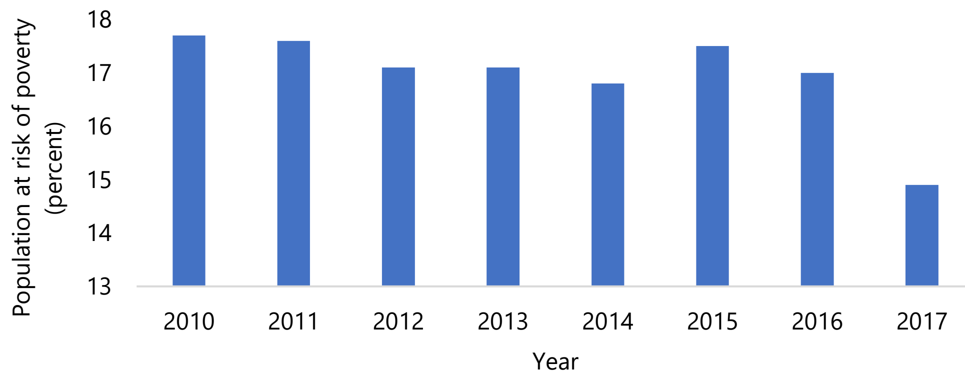
Source: World Bank 2012 and 2013a.

Figure 3.3. Hospital Arrears as a Percent of GDP



Source: Source: World Bank staff calculations.

Figure 3.4. Risk of Poverty in Poland



Source: Eurostat Statistics.

3.12 The efficacy of efforts to achieve this objective is rated **modest.**

4. Ratings of the Public Finance Development Policy Loan Series

Outcomes

4.1 The overall outcome is rated **satisfactory.**

4.2 The objectives of the series were highly relevant, being closely aligned with the strategies of the government and the World Bank. The relevance of design is rated substantial. There was a satisfactory relationship between prior actions and the first two objectives, but the result indicators did not fully measure achievement of the objectives.

The operations supported three objectives, the first of which is rated substantial owing to sustained reforms on fiscal consolidation, the second is rated substantial given the lack of clear evidence of attributable improvements in debt-related issues at the subnational level, and the third is rated modest because several important policy reforms were not sustained.

Risk to Development Outcome

4.3 Risk to development outcomes is rated **low.**

4.4 Fiscal policy reversals in the current political environment appear unlikely because the policies supported by the series, such as the fiscal rule, are in line with both national and EU priorities that reportedly have broad public support. The current government was also closely involved in the preparation of the Country Partnership Framework FY19–24 approved by the Board in June 2018, showing its commitment to continued engagement with the World Bank.

4.5 The authorities have continued building on the work of the DPL series through initiatives such as improved communication with taxpayers to reduce costs and improve compliance, more streamlined budget preparation, budget classification and accounting, and taxation of nonstandard employment contracts. The World Bank has continued to provide technical support, addressing issues such as sequencing of budget reform, links between customs and other tax administration institutions, and macro-fiscal forecasting. This work is supported by four new RAS contracts, funded under a new EU facility (World Bank 2018b).

Bank Performance

4.6 Bank performance is rated **satisfactory.**

Quality at Entry

4.7 Quality at entry is rated **satisfactory.**

4.8 The design of the series was supported by sound analytical work, listed in appendix G, which shows activities before and during these two programmatic series. This work addressed issues for which the World Bank had comparative advantage, and for which there was government demand. Technical assistance efforts were either initiated or completed before the operation and informed the policy dialogue in areas supported by the DPL series.

4.9 The World Bank worked closely with the Polish authorities; as a result, DPL content (including objectives and prior actions) was agreed on and aligned to important economic issues and the government strategy. Some of the prior actions, such as those

supporting fiscal consolidation, could have been better explained in program documentation. Both previous and current governments expressed strong commitment to partnership and policy dialogue with the World Bank, noting the importance of the World Bank's nonlending knowledge work and technical assistance during the implementation of the series and thereafter. The World Bank liaised closely with the IMF and EC, including through meetings in Brussels, subsequently influencing the choice of prior actions and areas covered by the series.

Quality of Supervision

4.10 Quality of supervision is rated **satisfactory.**

4.11 Both country office and headquarters staff were involved in policy dialogue throughout implementation while providing technical assistance where necessary. The country context required rapid and responsive interactions with staff of the Ministry of Finance and with subnational governments on technical issues. The ICR Reviews rated the quality of the ICR "Substantial," noting that it provides clear evidence regarding implementation.

4.12 World Bank staff were prompt in addressing new challenges by, for example, replacing some triggers and selecting new prior actions during the second operation of the series. The Implementation Status and Results Report after the first operation and several back to office reports provide evidence of a continuous productive dialogue throughout the implementation of the series leading to the design of a follow-up series on resilience and growth (2014–16).

Borrower Performance

4.13 Borrower performance is rated **moderately satisfactory.**

Government Performance

4.14 Government performance is rated **moderately satisfactory.**

4.15 The government took seriously its commitments and ensured continued policy dialogue that addressed implementation challenges such as identifying actions already captured by other broad government reforms and possible delays or modifications (see appendix F). Government counterparts worked closely with World Bank teams, drawing on the expertise of World Bank specialists in support of evidence-based policy. The reversal of the pension reforms by the government in 2015 indicates that policy makers had not reached a consensus on the direction of pension reforms on retirement age before it was accepted as a prior action.

Monitoring and Evaluation

4.16 The quality of M&E is rated **substantial.**

Design

4.17 The results frameworks for the two DPLs were simple, with baselines and targets, three objectives, and five indicators. Two of the triggers (on fiscal rule and local government multiyear forecasting) were further clarified as prior actions, while two others were dropped (legislations to establish a tariff agency and to introduce income accounting for farmers). In one case, the trigger requiring the enactment of the permanent fiscal rule was weakened when the associated prior action required only that the Ministry of Finance "design assumptions" for the permanent fiscal rule. These modifications did not significantly weaken the overall program.

4.18 The main weaknesses of the results framework were the lack of clarity of some prior actions and results indicators,14 and the use of results indicators that did not fully capture the reforms supported. The results framework could have been improved with a few more indicators to better capture the outcomes of all three objectives. The results framework could have shown more systematically the expected longer-term impact of the non–public finance reforms.

Implementation

4.19 Former staff of the Ministry of Finance and World Bank staff were of the view that there were regular discussions and monitoring of results. In addition, the implementation status and results of the series indicate consistent monitoring and reporting of results. The World Bank also produced monthly operational summaries that listed names of staff in the Ministry of Finance who were involved with implementation. Back to office reports indicate that the World Bank teams discussed the medium-term priorities of government and coordinated with the Ministry of Finance. The ICR for the two operations was issued within 12 months of the closing of DPL2. It noted important lessons and findings, some of which stressed the need for DPL engagement in high-income countries to be based on shared priorities and quality analytical work, focused on areas relevant to governments, and rooted in country-specific agendas.

Use

4.20 The government and World Bank staff used data and information provided by M&E processes to inform follow-on work, including assistance from the IMF, and some knowledge products that were delivered. Back to office reports indicated progress the government was making toward achieving triggers in the first DPL operation.

5. Resilience and Growth Development Policy Loans

Relevance of the Objectives and Design

Relevance of Objectives

5.1 The relevance of objectives is rated **high.** This operation is the third in three series provided to the government of Poland between 2008 and 2016. The resilience and growth DPL series tackled some of the most difficult areas critical for economic resilience and medium- and long-term shared prosperity (for analytical underpinnings, see appendix H). The program documents stated that the overarching development objectives of the two operations were "to enhance macroeconomic resilience, strengthen labor market flexibility and employment promotion, and improve private sector competitiveness and innovation."

5.2 The two operations had specific objectives that were identical to the pillars, and well aligned with each other. The three specific objectives were

- **Objective 1: Enhancing macroeconomic resilience** by reducing the general government fiscal deficit and debt levels toward the medium-term objective of a structural fiscal deficit of 1 percent of GDP and bolstering macro-prudential oversight.
- **Objective 2: Labor market resilience and employment promotion** to reduce obstacles to job creation and promote access to employment opportunities, especially among vulnerable groups.
- **Objective 3: Enhancing private sector resilience, promoting competitiveness and innovation** by reducing unnecessary regulatory burdens for private sector development, and by creating better institutional arrangements and support for innovation.

5.3 The objectives were aligned to the government's National Development Strategy 2020 (Council of Ministers 2012) and the World Bank Group's CPS for FY14–17 (World Bank 2013b) as shown in table 5.1.

Table 5.1. Matrix of Interrelationships between Objectives of Operations of the Growth and Resilience Development Policy Loans and Strategies of the World Bank and Government

NDS 2020: Strategic Area II: Competitive Economy; Strategic Area III: Social and Territorial Cohesion	CPS (FY14–17)	Resilience and Growth DPLs
Objective II.1. Strengthening macroeconomic stability	CPS Objective 3: Effective public finance	Enhancing macroeconomic resilience
Objective II.2. Growth of the efficiency of the economy	CPS Objective 3: Effective public finance	Enhancing macroeconomic resilience
Objective II.3. Increasing the innovativeness of the economy	CPS Objective 1: Enhanced business environment CPS Objective 2: Increased innovativeness	Enhancing private sector resilience, promoting competitiveness and innovation
Objective II.4. Human capital development	CPS Objective 4: Inclusive and effective labor market	Labor market resilience and employment promotion
Objective II.5. Increasing the use of digital technologies Objective III.2. Providing access and specific standards of public services	CPS Objective 2: Increased innovativeness	Enhancing private sector resilience, promoting competitiveness and innovation

Sources: World Bank 2014 and 2015b.
Note: CPS = Country Partnership Strategy; DPL = development policy loan; NDS = National Development Strategy.

5.4 When the prior actions were implemented, real GDP growth was 1.4 percent (2013), down from more than 7 percent in 2007. The fiscal deficit was 4.1 percent of GDP, up from 1.9 percent in 2007. Unfavorable fiscal conditions had led the EC to extend Poland's excessive deficit procedure after it had exceeded the 3 percent Maastricht deficit limit in 2008.[15] A consensus emerged among the government, the World Bank, IMF, and EC on the need for structural reforms to strengthen macroeconomic fundamentals, public finance, and growth performance, to develop a more competitive labor market, and to encourage private investment by enhancing the enabling environment for business. These requirements, which became the objectives of the series, aimed not only to maintain fiscal and financial stability in the short term, but also to build macroeconomic resilience over the medium- to long-term. The objectives were challenging, but the level of ambition was reasonable given relatively high government capacity to design a strong reform program, to understand the political dynamics needed to support it, and to ensure effective implementation once reforms were adopted.

Relevance of the Design of the Resilience and Growth Series

5.5 The relevance of design is rated **substantial.**

5.6 The results framework benefited from clearly stated objectives and prior actions that were supported by analytical products, and results indicators that had baselines and targets. The series had 18 prior actions and 9 results indicators that had a causal link to the objectives of the series (see appendix J). There were adequate follow-up prior actions in the second operation to support the achievement of the objectives. However, the second operation introduced a prior action that required the borrower to issue three inaugural calls for proposals in support of research and development, and innovative projects. This prior action could have been better introduced during the first operation to enable the World Bank to measure the expected impact by the closing of the series. In this case, the contribution of the prior action to achieving the series objectives was unclear and there was no corresponding results indicator measuring the outcome of the action. Its added value is questionable.

5.7 Changes in the triggers proposed during the first operation did not substantially weaken the causal chain in the results framework. The first operation outlined nine indicative triggers for the proposed subsequent operation. Of these, three indicative triggers became prior actions for DPL2, one was dropped (but met), one prior action was added to the program, and five triggers were amended or modified. The PPAR mission did not find evidence that the General Anti-Avoidance rule had been incorporated into the Tax Code as recommended by the ICR of the series; the substitution of the trigger did not, however, weaken the results framework given that the new prior action also aimed to strengthen tax compliance. Similarly, dropping the trigger that aimed at establishing a framework for orderly liquidation of banks (law on Bank Guaranteed Fund) did not reduce the robustness of the design given that the replacement amended the covered Bonds and Mortgages Banks, and Banking laws (capital requirements Directives) that were equally relevant, addressing similar issues within the financial sector.

5.8 The macroeconomic framework was adequate at the time of approval. The operations followed a public finance DPL series that had supported reforms aimed at reducing the fiscal deficit and public debt.[16] The objectives of the series under review were linked in a clear and convincing causal chain with intended outcomes, although in some areas such as reforms to promote flexible employment and to deregulate access to professions, the measures were insufficient on their own and could not be expected to achieve their objectives in the near term.

5.9 A package of World Bank support (DPLs, policy dialogue, analytical products, technical assistance) was interwoven with interventions from other key development

partners, including the EC, IMF, European Bank for Reconstruction and Development, European Investment Bank, and Organisation for Economic Co-operation and Development. The EC set out benchmarks for Poland that were obligatory for EU member countries (Białek and Oleksiuk 2016). The other partners provided Poland with needed technical support and other resources to help meet EC targets. The lending instrument (DPL) was appropriate as part of the overall assistance package and aligned with government priorities.[17] The financing provided through the DPL series, along with an arrangement under the IMF's FCL, provided important market signals (figure 1.1 shows that the long-term bond yield fell after 2012) after the financial sector crisis, reinforced the credibility of the authorities' commitment to reform, and facilitated access to technical advice. Indeed, the main value added of World Bank support consisted of its expertise and knowledge products that were placed at the government's disposal in a timely manner. Various current and previous government officials interviewed acknowledged that the financing from the World Bank was not critical given the other, cheaper financing options from the EU.

5.10 Poland pursued fiscal consolidation after the global financial crisis had subsided in 2012, which reduced real GDP growth. Within this context, the Minister of Finance found external validation from the World Bank helpful in convincing its populace and the Council of Ministers that difficult reforms were credible and necessary. A former Minister of Finance indicated that the World Bank's support helped his ministry to get important reforms approved at the Council of Ministers.

Implementation

5.11 All prior actions were implemented in a timely manner. The substance of the prior actions was adequately aligned to either analytical work or technical assistance that the World Bank provided. Table 5.2 provides a list of analytical products and their links to the series.

Table 5.2. Selected Technical Assistance and Analytical Products Supporting the Series

Technical Assistance and Analytical Work	Link to the Series
Public Expenditure Review (PER 2010)	Enhancing macroeconomic resilience: Provides fiscal impact simulation on expenditure items, pensions, social assistance, wage bill. It also discusses ways to strengthen the fiscal framework through expenditure ceilings.
Forecasting Local Government Finances with an Excel Tool for Operationalizing the Stabilizing Expenditure Rule (SER)	Revising existing methods of projecting local government revenues and spending and selecting homogeneous categories of revenue and expenditures.
Europe 2020: Fueling Growth and Competitiveness in Poland through Employment, Skills, and Innovation, Economic and Sector Work (2011)	Labor market resilience and employment: Provides analytical basis on labor market trends and patterns, skills demand, skills supply, technology absorption and innovation in Poland.
Toward Greater Social Inclusion in Poland—A Qualitative Assessment in Three Regions (ESW 2013)	Labor market resilience and employment: Linked to prior action second DPL supporting increases in family benefits and reduction in the effective tax wedge. Advisory Services and Analytics discusses impact of labor market on social inclusion.
Subnational Debt Market in Poland – Status and Challenges of Development (2013) Poland Managing Subnational Debt Sustainability (2013)	Enhancing macroeconomic resilience: These reports discuss challenges with the subnational debt market in Poland, in relation to the fiscal rules, and the opportunities available to effectively tap into local markets.
Toward an Innovative Poland: The Entrepreneurial Discovery Process and Business Needs Analysis (2015)	Supported reform on Innovation, Research and Development, and Smart Growth operations program.

Sources: World Bank 2014 and 2015b.

Safeguards Compliance

5.12 There were no safeguards triggered by the series.

Financial Management and Procurement

5.13 No issues were reported to the mission.

6. Achievement of Objectives: Resilience and Growth Development Policy Loan Series

Objective 1: Enhancing Macroeconomic Resilience

6.1 Table 6.1 lists prior actions, targets, and results related to this objective. Prior actions aimed to enhance revenue, control expenditure, and strengthen banking regulation. All three targets were achieved. The fiscal deficit fell from 4.1 percent of GDP (revised Eurostat estimate) in 2013 to 2.3 percent in 2015, surpassing the target of 3.2 percent. Continued fiscal consolidation led to further reductions in the fiscal deficit,

to 1.7 percent in 2017, better than the 2.9 percent foreseen in the 2017 Convergence Program approved by the government.

6.2 The Ministry of Finance assured the PPAR mission that the government that took office in 2015 remained committed to implementing the permanent fiscal rule. The rule was adopted in 2014 through amendments to the Public Finance Act. It limits growth of public expenditures to trends of GDP growth to foster compliance with Poland's obligations, deriving from the treaty on the functioning of the EU in budgetary policy. The rule has an escape clause that allows the governments to automatically suspend the adjustment mechanism should the economy face severe economic shocks that require anticyclical fiscal responses. The Public Finance Act sets out two thresholds for public debt—55 percent of GDP and 60 percent—with breaches to thresholds automatically triggering successively more restrictive deficit cuts. The rule was acknowledged by the 2018 EC Convergence report and was still in place at the end of 2018. The EC Convergence report (2018: 96) notes that Poland's economic situation and growth performance have created favorable conditions for a structural and permanent fiscal consolidation.

6.3 Public debt was reduced from 55.7 percent in 2013 to 51.3 percent in 2015, achieving the target of "lower than 52 percent." Debt increased to 54.2 percent of GDP in 2016 but declined again to 50.6 percent in 2017.[18] The 2018 EC Convergence Report notes that the decrease in debt in 2017 was driven by "fiscal deficits and valuation effects reflecting the fluctuation of the zloty exchange rate, as around one-third of the Polish debt was denominated in foreign currencies."

6.4 The Central Bank confirmed that the adoption of the Capital Requirement Regulation and Directive is helping to maintain capital standards, mitigate financial risks, and improve the capital regulation regime. The amendment to the Act on Covered Bonds and Mortgage Banks reduces liquidity risks borne by banks that provide mortgages, where short-term deposits are used to finance long-term assets. Thus, the amendment supported a new source of capital that increased security of banks and limited the risk of insolvency.

6.5 The PPAR mission observed that the package of assistance from the World Bank (lending, technical assistance, analytical work, policy dialogue) was of great value in supporting fiscal consolidation during a difficult period. World Bank support helped increase awareness of the need to reduce the fiscal deficit and facilitated the adoption of the fiscal rule at a time when growth was slowing (GDP growth dropped from 5 percent in 2011 to 1.4 percent in 2013, the year before the first loan of the series was approved).[19] The fiscal consolidation is enhancing macroeconomic resilience in Poland based on sustained improvement in macroeconomic indicators and the composition of revenue

and expenditures. In the light of this and considering that targets measuring the achievement of this objective were met and the government continued to deepen reforms supported by the series, the efficacy of measures supporting this objective is rated **high**.

Table 6.1. Results Framework Supporting the First Objective of the Resilience and Growth Series

Development Policy Loan Prior Actions	Results Indicators (Targets)	Outcome of Indicators (Achievement)
Prior action 1: Enact amendments to the Public Finance Act to introduce a permanent fiscal rule limiting growth of public expenditures to trend GDP growth to foster compliance with its obligations deriving from the Treaty on the Functioning of the European Union in the area of budgetary policy; and (ii) the Budget Law for 2014 in line with the new permanent fiscal rule as set forth in the Public Finance Act.Prior action 2: Enact amendments to the Law on Value-Added Taxes (VAT) to defer reduction in VAT rates in 2014–16 to support fiscal consolidation. Prior action 3: Enact an amendment to the Public Finance Act implementing a fiscal rule for local governments to ensure debt sustainability at the local level and effective absorption of European Union funds. Prior action 4: Enact Budget Law for 2015 in accordance with the stabilizing expenditure rule set forth in the Public Finance Act, limiting growth of public expenditures to trend GDP growth to foster compliance with the provisions set forth in the Treaty on the Functioning of the European Union in the area of budgetary policy. Prior action 5: Strengthen tax compliance of controlled foreign companies, through the enactment of amendments to the laws on personal and corporate income tax. Prior action 6: The Council of Ministers has approved: (i) the draft amendments to the Law on Covered Bonds and Mortgage Banks; and (ii) the Draft amendments to the Banking Law, which amendments will enable the borrower to implement the European Union Capital Requirements Directive No. 2013/36/EU.	Fiscal deficit (as percent of GDP) reduced from 4.1 percent to 3.2 percent. Public debt (EU definition as percent of GDP) reduced below 52 percent by 2015. Issuance of mortgage bank (covered) bonds.	Met: Yes: 2.3 percent in 2015 Met: Yes: 51.1 percent in 2015 Met: Yes: mortgage backed securities more than two times higher than 2013

Source: World Bank 2014 and 2015b.

Objective 2: Labor Market Resilience and Employment Promotion

6.6 Table 6.2 presents prior actions, results indicators, and outcomes achieved for this objective. Given the six supporting prior actions, the World Bank should have employed multiple indicators to measure the achievement of this objective but only one was used, which did not fully capture the essence of the six prior actions.

Table 6.2. Result Framework Supporting Objective on Labor Market Resilience and Employment Promotion

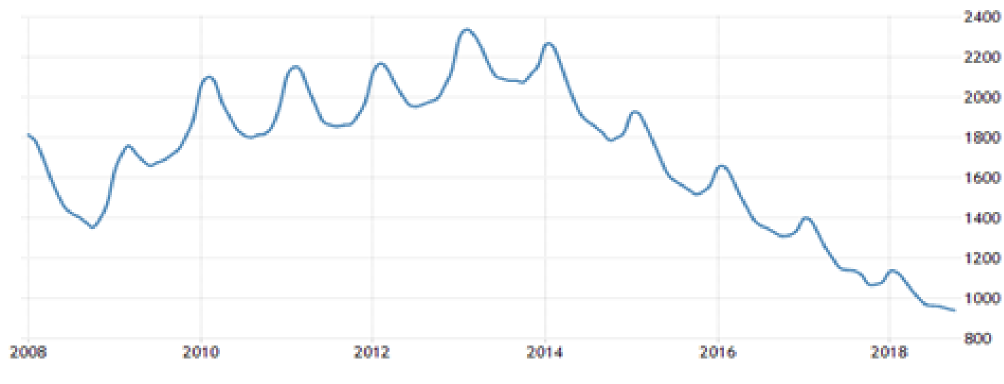
Development Policy Loan Prior Actions	Results Indicators (Targets)	Outcome of Indicators (Achievement)
Prior action 1: Enact amendments to the Labor Code to increase flexibility of labor markets by extension of the calculation period for employees' working time. Prior action 2: Strengthen job-seeker services and promote flexible employment through the enactment of the law amending the Law on Promotion of Employment and Labor Market Institutions. Prior action 3: (i) Implement the first professions deregulation tranche through enactment of the Law Amending Laws on Access to Certain Professions thereby deregulating access to 51 professions; and (ii) approve, through a Decision of its Council of Ministers, the draft Law on the Easing of Access to Certain Regulated Professions and the draft Law Amending Laws on Access Conditions to Certain Professions for the second and third professions deregulation tranches. Prior action 4: Deregulate about 195 professions by (i) deregulating access to 91 professions (second professions deregulation tranche) through the enactment of the Law on the Easing of Access to Certain Regulated Professions, and (ii) submitting to Parliament a draft Law Amending Laws on Access Conditions to Certain Professions for the purpose of approving the third profession deregulation tranche which will cover 104 professions. Prior action 5: Enact amendments to the Law on Early Childcare to facilitate return of parents to the labor market.	Number of registered long-term unemployed reduced by at least 30 thousand, by 2015.	Met: Reduced by 307,340.

Sources: World Bank 2014 and 2015b.

6.7 Although the number of long-term unemployed decreased by 307,340 from 1,315,297 in 2013 to 1,007,958 in 2015, greatly exceeding the target (see figure 6.1), the results indicator was not well chosen. A better indicator might have been that in the 2013 CPS: the percentage of the working age population in employment. This would have

better reflected the low participation rates among older workers, women, and youth and would have been better aligned with the objective. The link between long-term unemployment and the series-supported measures is unclear, particularly in the short to medium term; economic, demographic, social, and legal factors also influence long-term unemployment.20 The fall in long-term unemployment has also been associated with a steady and pronounced decline in the total number of unemployed persons since 2011 (see figure 6.2). This, in turn, has been associated with rapid economic growth, an increasing skill shortage, and an ever-greater reliance on temporary and fixed-term contracts accompanied by rises in real compensation (World Bank 2017c, 167).

Figure 6.1. Unemployed Individuals in Poland (thousands)



Source: Trading Economics; available at https://tradingeconomics.com/poland/unemployed-persons.

Figure 6.2. Long-Term Unemployment Rate, 2008–18

Source: Trading Economics; available at https://tradingeconomics.com/poland/long-term-unemployment-rate.

6.8 The legal amendment that promotes job-seeker services in public employment agencies (for example, provision of detailed information on available jobs, assistance in application and presentational skills, fitting opportunities to profiles) was intended to

align Polish services with those in other Organisation for Economic Co-operation and Development countries. The provision of such services would require, among other things, the development of job-seeker profiles, and this was planned as a measure supported by the series. However, the government elected in 2015 considered profiling was a violation of human rights and overturned this reform to fulfill a campaign promise.[21.]

6.9 Overall, there has been a lack of political support for labor market deregulation since the 2015 elections. The ICR states that the government planned an evaluation strategy to measure the progress of implementation of the measures taken to improve labor market flexibility. The PPAR mission was unable to schedule meetings with those knowledgeable on these matters. The mission did not receive responses to most of the labor market–related questions sent to the authorities. Given the paucity of regulatory change, it seems likely that rapid economic growth has been mainly responsible for the unprecedented low levels of unemployment currently experienced in Poland. For these reasons, efficacy of the measures supporting the second objective is rated **modest.**

Objective 3: Enhancing Private Sector Resilience and Promoting Competitiveness

6.10 Prior actions, targets, and achievements are shown in table 6.3. Out of five indicators and targets, two were met and three were not at the time of the PPAR mission.

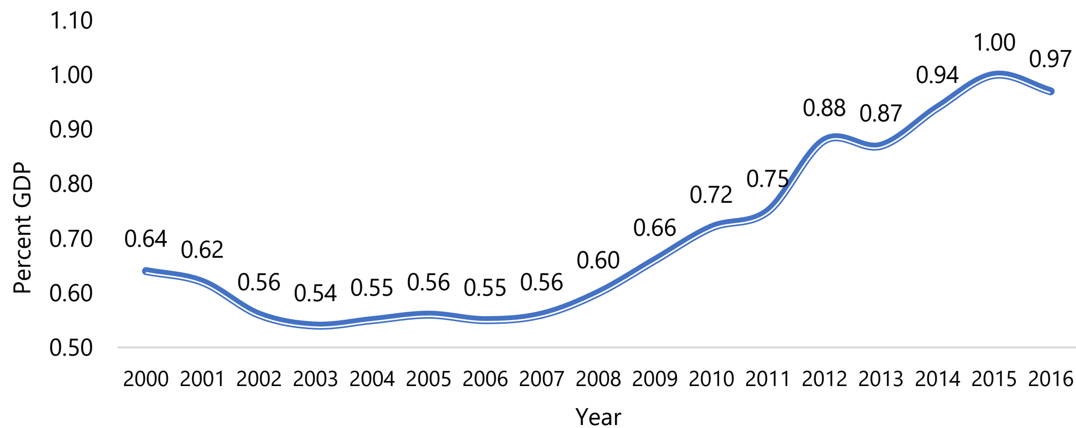
6.11 Results under this objective were less than fully convincing. The goal of increasing private sector resilience through greater innovation was certainly relevant, given that Poland was reputed to be one of the four least resilient economies in the EU as noted by the ICR of the Resilience and Growth DPL series (page 26). The indicator—an increase from 2014 in research and development spending as a share of GDP—was achieved with a lag (figure 6.3). However, the indicator is intrinsically unsatisfactory in that it measures an input to innovation rather than increased innovation per se. Evidence regarding the latter is mixed. Nevertheless, Poland's ranking in innovation capability among the 140 countries included in the World Economic Forum's Global Competitiveness Index went from 72 (score of 3.26) in the 2014/15 report to 38 (score 48.7) in 2018 (World Economic Forum 2014, 2018).

Table 6.3. Results Framework for Enhancing Private Sector Resilience and Promoting Competitiveness

Development Policy Loan Prior Actions	Results Indicators and Targets	Outcome of Indicators
Prior action 1: Resolution by the Cabinet of Ministers to approve Poland's Enterprise Development Program to create clearer institutional arrangements and increase support for early stage innovation and technological startups to enhance innovation through focused support programs in this area.	Reduction in the time it takes to start a business to 25 days.	Not met: Traditional application time is 37 days. However, online application is less than a day.
Prior action 2: Decision by the Cabinet of Ministers to approve a concept ("assumptions") of a new General Restructuring Law dealing with insolvency and restructuring in the corporate sector.	Reduction in the time it takes to obtain a construction permit to 140 days.	Not met. In 2018, the time required was 153 days.
Prior action 3: Submission to the Cabinet of Ministers' standing committee a draft Law on Facilitating Access to Business Activity (alternatively referred to as "Fourth Deregulation Law") and through a Decision of the Council of Ministers approval of draft amendments to the Law on the National Court Register aimed at improving the business environment through streamlined procedures, including port clearance, business startups, and enterprise transactions.		
Prior Action # 4: Through the National Center for Research and Development issue three inaugural open calls for proposals for research and development and innovation projects and programs in accordance with the Smart Growth Operational Program to guide the European Union cofinanced programs with more focused, streamlined, and business-centered programs.	Total research and development spending (as a percent of GDP) increased to 1 percent by 2014.	Not Met: Target was not met in 2014, temporarily met in 2015 but not sustained.
Prior action 5: Enact the Law on General Restructuring, which introduces an insolvency and restructuring legal framework for the corporate sector.	Issuance of mortgage bank (covered) bonds.	Met
Prior action 6: Creation of "one-stop-shops" for quick business registration through the enactment of the amendments to the law on National Court Register and enactment of amendments to the Construction Law to ease issuance of construction permits.	Simplified restructuring permitted.	Met

Sources: World Bank 2014 and 2015b.

Figure 6.3. Gross Domestic Expenditure on Research and Development as a Percentage of GDP in Poland, 2000–16



Source: Statista Accounts; available at https://www.statista.com/statistics/420993/gross-domestic-expenditure-on-research-and-development-gdp-poland/.

6.12 There were almost no prior actions to increase competitiveness supported by the series. The indicators under this objective—reductions in the time needed to start a business or obtain a construction permit, easing enterprise restructuring—are standard measures of an improved business climate but are poor measures of competitiveness. Competitiveness is a poorly defined and multidimensional indicator. The relative improvement in Poland's competitiveness ranking in the World Economic Forum reports (from 41 in 2014 to 37 in 2018) is hardly overwhelming evidence of a more competitive economy, and in any case the link to the series-supported actions is less than robust.

6.13 Two out of five results indicator targets related to this objective were met. The first target was a planned reduction in the time needed to start a business from 32 days in 2013 to 25 days in 2016. While using traditional manual processes, it took 37 days to start a business in 2018 (World Bank 2018c). However, using an online platform managed by the Ministry of Entrepreneurship and Technology (www.firma.gov.pl) a business could potentially be registered in less than a day (assuming that the applicant already possesses required documents, including identification cards, insurance, and so forth). The proportion of new business registrations using this platform could not be determined, but staff of the International Finance Corporation who were interviewed were of the view that most new businesses could use it. However, the target was set based on the traditional application process time and thus the target is considered not met.

6.14 The second target was to reduce the time to obtain a construction permit from 161 days (2013) to 141 days (2016). In 2018, the time required was 153 days, short of the

target (World Bank 2018c). The new law shortened the administrative procedures preceding the commencement of construction works and introduced a time limit for local authorities to file comments on planned investments that require permits. However, the changes were still being implemented at the time of the mission and have yet to be reflected in the nationwide assessments.

6.15 The third target, permitting simplified financial restructuring, was met with the introduction of the new insolvency law of May 15, 2015, which reduced processes and compliance costs when firms are restructured. The 2003 Restructuring Law and the Bankruptcy Law are the two main laws that have guided insolvency in Poland since 2016. The two laws not only regulate companies that are insolvent but provide a comprehensive set of rules of conduct used in cases of insolvency or threat of insolvency of the debtor (Niewczas and Mientkiewicz 2017).

6.16 The fourth target of increasing research and development spending from 0.88 percent of GDP (2013) to 1 percent (2014) was achieved in 2015 (figure 6.3), a year behind schedule. However, it fell back marginally in 2016. The indicator measures an input to innovation rather than innovation per se, for which there is mixed evidence. The EC encouraged innovation processes including the Smart Growth Operation Program,[22] supported by the World Bank through technical assistance and analytical work in the context of the DPL series.[23] Although there are highly innovative Polish companies such as CD Project, Europe's leading video gaming firm, innovation is slow to take off in other sectors. The close ties between business and academia that promote innovation in other countries have yet to develop in Poland, where universities retain ownership of any intellectual property produced by their staff, thus removing the individual profit motive for collaboration between faculty and business.

6.17 Efficacy of the measures supporting this objective is rated **modest**, given that only two out of five indicators were met, which are not enough to lead to the achievement of enhanced private sector resilience and competitiveness.

7. Ratings for the Resilience and Growth Development Policy Loan Series

Outcome

7.1 Outcome is rated **moderately satisfactory.** The objectives of the series were highly relevant, being closely aligned with the strategies of the government and the World Bank. The relevance of design is rated **substantial,** on balance. In most cases, the relationship between the activities supported by the loans and intended outcomes was clear and convincing, though less so in some cases. The macroeconomic framework

during the series was satisfactory. For the objective of enhancing macroeconomic resilience, efficacy of the program measures is assessed as **high.** Fiscal deficit and debt reduction targets were met, and the government continued to deepen the reforms and enhance results after the series was concluded. For the other objectives—labor market resilience and employment promotion, and private sector resilience and competitiveness—efficacy of the associated measures is assessed as **modest.** The objective to achieve competitiveness was rather vague and not supported by the results framework.

Risk to Development Outcome

7.2 Fiscal policy reversals in the current political environment appear unlikely because the policies supported by the series, such as the fiscal rule, are in line with both national and EU priorities that reportedly have broad public support. Also, Poland has developed a good track record in macroeconomic management, and the current government has shown no inclination to deviate from the policies that proved successful for most of the past decades.

7.3 The authorities have continued building on the reforms supported by the DPL series through improved communication with taxpayers to reduce costs and improve compliance, streamlined budget preparation, budget classification and accounting, and taxation of nonstandard employment contracts. The World Bank has continued to provide technical support, to improve sequencing of budget reform, strengthen links between customs and other tax administration institutions, and improve macro-fiscal forecasting (see appendix I). This work will be extended through four new RAS engagements, funded under a new EU facility (World Bank 2018b).

7.4 The government elected in 2015 has demonstrated its support for the broad goals of the series, especially sound fiscal management, and a vibrant private sector. However, there has been some backtracking on labor market reforms.

7.5 Among the key goals of the current government is shared prosperity, one of the two overarching aims of the World Bank. An indicator of Poland's progress in this regard is Oxfam's (2018) Commitment to Reducing Inequality index.[24] By this measure, Poland is not a strong performer, ranked 20 out of 157 countries, compared with other EU countries.

7.6 The risk to developments outcomes is assessed as **moderate.**

Bank Performance

7.7 Bank performance is rated **satisfactory.**

Quality at Entry

7.8 Quality at entry is rated **satisfactory.** A challenge faced by the World Bank in policy dialogue with high-income countries on the brink of graduation is that need for the World Bank's financial support is rarely pressing. Poland appreciates the benefit of World Bank financing, but it could have raised the same funding from alternative sources, possibly at a lower cost. The FCL provided by the IMF, although never drawn on, was larger and likely more important in building credibility for Poland with global markets.

7.9 The Ministry of Finance indicated that the greatest advantage for Poland was that the series was accompanied by high-quality analytical work and associated workshops, addressing issues for which the World Bank had a comparative advantage, such as in strengthening public financial management and promoting employment, competitiveness, and innovation. Technical assistance efforts, both formal and informal, informed the policy dialogue in DPL-supported areas.

Quality of Supervision

7.10 Quality of supervision is rated **satisfactory.** World Bank staff were prompt in addressing requests the government made for technical advice. For example, an important analytical study was completed while the operation was under way looking at the growing use of short-term employment contracts; this work remains relevant to the development of labor market reform efforts.

7.11 Some of the analytical work was supported by RAS engagements. Some were paid for directly by the government, and some were funded from structural funds from the EC. The government initially resisted paying for the World Bank's work because other partners did not charge for their work (for example, IMF, EC) as had the World Bank up to this point. The government also questioned why World Bank RAS was competing with the private sector, why the World Bank should be exempt from competitive procurement, and why the World Bank should own the intellectual rights to the final product. The World Bank team explained the reasons for these procedures, and eventually the authorities accepted them. Another difficulty with the RAS modality was that World Bank staff needed to work in different ways when the government was funding their work. Also, the World Bank found it difficult to estimate the pricing for RAS work when initial agreements were brief, and client demands for more work often arose once initial work was under way. However, the World Bank and government worked together to resolve these challenges, and four new RAS engagements were under preparation at the time of the PPAR mission.

7.12 The World Bank country team noted that RAS engagements have become increasingly important to the Bank's business model in Poland. They expressed the view that combining Development Policy loans with technical assistance (in the form of RAS) helped build trust and government confidence in the World Bank's ability to deliver quality and relevant knowledge. In that sense, the series facilitated a gradual transition of the World Bank's business model in Poland – from a borrower to a fee-paying client. When the DPL series closed, the World Bank's track record helped increase demand for additional RAS engagements. This experience offers potentially useful lessons for other International Bank for Reconstruction and Development clients, who are close to graduation.

Borrower Performance

7.13 Borrower performance is rated **satisfactory.** Government staff in key positions for policy dialogue and implementation of this DPL series were of high quality, enabled in part by relatively high salaries in the Ministry of Finance, and mainly position-based, competitive recruitment with positions open to external and internal applicants. This was particularly true of staff from the Ministry of Finance and the National Bank of Poland; other ministries have lower salaries. Government counterparts worked closely with World Bank teams, drawing on the expertise of World Bank specialists in support of evidence-based policy making.

Monitoring and Evaluation

7.14 M&E is rated **substantial.**

Design

7.15 Eight results indicators were developed to measure achievements of objectives for the series. Most were relevant and well designed. However, the sole outcome indicator for the second objective—the number of long-term unemployed—was inadequate because it would likely take many years for the policy changes supported to affect the indicator. The use of "spending on research and development" as an indicator for innovation under the third objective does not measure whether this spending translated into actual innovation; however, there are few obvious outcome-oriented indicators that would show measurable changes in the short term. The objective to promote competitiveness could have been better defined and measured.

7.16 The operations were supported by analytical products (see table 5.2), including additional work prepared during the series. These addressed issues for which the World Bank had comparative advantage, such as strengthening public finance, promoting employment, and encouraging competitiveness and innovation. Technical assistance also informed the policy dialogue in DPL-supported areas. Technical assistance financed

from the World Bank's budget was blended with RAS financed by the EU through the Polish government to ensure buy-in.

Implementation

7.17 The government carried out regular monitoring of performance against results indicators and discussed findings on a regular basis with World Bank teams. The World Bank supported this with timely assessments of impact (for example, Brown 2015; Lis 2015). Some of the original targets were revised during implementation. For instance, the quantitative target for the fiscal deficit was revised from 3.0 percent of GDP in the originally approved program to 3.2 percent (to be achieved by 2015) while the baseline was revised downwards from 4.5 percent of GDP to 4.1 percent in 2013 because of changes in the Eurostat definition. Another revision introduced a gender dimension into one indicator: the target for registered long-term unemployed (reduction by at least 30 thousand) was revised to "reduction by at least 30 thousand—of which two-thirds would be women)".

Use

7.18 Data and information provided by the M&E processes, including the ICR, helped inform follow-on work, including the public finance technical assistance by the IMF, and the many nonlending knowledge products that were delivered.

8. Findings and Lessons

Findings

8.1 The mission has the following findings:

- The World Bank could have achieved the same results with less lending. The mission could not find a credible justification for the volume of funds extended to Poland except the view that this was required to ensure continuous policy dialogue. However, this is somewhat at odds with views expressed by government officials indicating that their decision to opt for a development policy loan was based on a desire to work with a credible development partner who could provide strong analytical work rather than provide budget support.

- The reversal of the reform to unify the pension age for both men and women and its associated political sensitivity indicate that more consultation with political groups, civil society organizations, and unions would have been helpful before the implementation of the reform. This was also suggested by responses from former staff of the Ministry of Finance and other stakeholders. However, the extent to which such consultations would have enabled the reform to be

sustained is unclear. The mission was of the opinion that the pension measure was a significant factor in the outcome of the 2015 elections.

- When a country adopts countercyclical fiscal policy, care must be taken on the timing of its withdrawal. In the case of Poland, the reversal of the countercyclical fiscal policies successfully reduced the fiscal deficits and public debt, while economic growth declined briefly before returning to its long-term path. Movements in the fiscal deficit and output gap between 2011 and 2017 suggested an appropriate countercyclical fiscal stance.

- A flexible approach to graduation can improve the policy dialogue and build trust. The decision to delay Poland's graduation from International Bank for Reconstruction and Development borrowing was highly appreciated by the authorities. Poland trusts the World Bank to produce high-quality and cutting-edge analytic work (including just-in-time technical assistance and customized analytic notes). This trust has contributed to the decision to make use of RAS beyond the DPL series.

- Effective coordination between World Bank staff in-country and at headquarters when dealing with clients that require face-to face-support is essential in building trust with client governments. In the case of Poland, timely responses from staff were valued by the Ministry of Finance and considered a good practice. In addition, the mission was informed by a former deputy Minister of Finance that the role of the World Bank helped create awareness of the need to undertake reforms because World Bank teams provided convincing evidence of the need for reforms such as the implementation of the fiscal rule.

- Even when a DPL series does not succeed in addressing a significant issue, government policy can still be informed by appropriate knowledge products after the series closes, in this case, tax evasion issues. The World Bank produced an analytical product on tax evasion (which neither series attempted to tackle) which was influential according to government officials. The product, entitled Applying Behavioral Insights to Improve Tax Collection: Experimental Evidence from Poland, received a President's Innovation Award within the World Bank (Hernandez et al. 2017). It helped fill an important knowledge gap, and thus helped the government collect more revenue in the context of countercyclical policy. The importance of further cutting-edge technical assistance on tax policy and administration cannot be overemphasized.

- The World Bank coordinated well with both institutions during the design and implementation of the two series. Their representatives confirmed having regular

inputs to the World Bank's work and contributing to the dissemination of the same.

- The main benefit of both series was not the cost-efficiency of World Bank financing at a time of crisis but supporting reforms with international knowledge that helped mitigate the impact of crises and to make the economy more resilient to shocks.

Lessons

8.2 The Independent Evaluation Group draws the following lessons:

- Development policy lending can help mitigate global economic and financial shocks and protect vulnerable groups in high-income countries when accompanied with timely, high-quality, and responsive technical assistance that supports the reforms. The series were appropriate to reinforce the credibility of the authorities' commitment to reform, while providing technical solutions for the reform program's design and implementation. The DPLs enabled dialogue on important reforms the government was undertaking based on its analytical and advisory work.

- Where a high-income country is required to implement constitutional provisions, or agreed reforms with a regional body, providing support for the implementation of such reforms is likely to enhance the likelihood of success. In the case of Poland, policies limiting fiscal deficits and overall debt levels were required both by EU agreements and constitutional provisions. Though these policies were complex, the government committed to implementing them because of the importance of EU accession agenda to Poland's economy. However, policies not so required by the EU were more easily reversed, for example, the increase in the retirement age.

- RAS are a promising tool for engaging governments in high-income countries when Bank Group staff demonstrate the capacity to produce timely and high-quality analytical products in response to government requests. In the case of Poland, the government appreciated the quality and responsiveness of World Bank staff to their analytical needs. However, World Bank adjustment to the different business model could have been better managed. Staff had the (sometimes difficult) task of explaining to the government why the World Bank needed to charge high-income clients for services, while still requiring sole source procurement and retaining intellectual property rights. The World Bank and government are now working together to make RAS mutually beneficial and a new tool for engagement.

- Coordinating with other partners in situations where the World Bank is not the largest stakeholder is important for successful implementation of reforms. In the case of Poland, the EC and the IMF are the dominant development partners providing more funds or guaranteed resources to the government.
- Analyzing the political cost of implementing proposed reform measures is an important part of policy lending. Such an analysis would have been particularly useful in relation to the pension and labor market reforms these two series attempted to support. It is notable that Ministry of Finance staff requested such advice in the future to guide the implementation of new reforms.

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[1] Applicable to category C and D countries: https://www.worldbank.org/en/news/press-release/2018/07/13/changes-in-ibrd-loan-pricing-effective-july-1-2018.

[2] https://www.statista.com/statistics/576319/capital-market-interest-rate-poland-europe/.

[3] The Country Partnership Strategy Progress Report notes that the government had amended the Public Finance Act to introduce medium-term and performance-based budgeting and limited growth in discretionary budget spending, including on wages, as recommended in the Public Expenditure Review (World Bank 2011, 7).

[4] Especially in the case of the second objective, which, although the objective was general, the actions pointed more to the subnational government reforms.

[5] The resilience and growth series supported the enactment of a slightly different law on general restructuring that introduced an insolvency and restructuring legal framework.

[6] For instance, the primary balance (which measures the extent to which debt is being accumulated), performance of multiyear forecast measured by the deviation between budgets' outturn and forecast (to show the extent to which fiscal institutions are improving), fiscal risks, fiscal sustainability of the pension system, and fiscal cost of pensions on government.

[7] The Country Partnership Strategy for FY14–17 makes this point strongly to support the magnitude of the World Bank's financing, to give it a place at the table (World Bank 2013b).

[8] The program document for the first public finance development policy loan (DPL) indicates that the International Monetary Fund Executive Board approved a two-year flexible credit line arrangement of $30 billion (World Bank 2012, 10).

[9] The program document for the first public finance DPL describes the consultation process for all legislative measures and reforms (World Bank 2012, 25). Ministry of Finance staff confirmed this assertion during the mission.

[10] Because the fiscal deficits were relatively the same in 2012 and 2014, and even rose in 2013 (see table 1.1).

[11] Real gross domestic product growth increased from 1.6 in 2012 to 3.3 percent in 2014, increasing thereafter to 4.6 in 2017.

[12] For example, subnational fiscal forecasting, the implementation of the subnational fiscal rule, the law on bank resolution, and limiting public expenditure growth to the average of real GDP in eight consecutive years starting from 2015.

[13] First full year of expected impact.

[14] Results indicator 5 could have been better formulated or explained. There are issues of internal validity with that indicator.

[15] The excessive deficit procedure started when Poland's general government deficit reached 3.9 percent in 2008, deviating from the 3 percent reference point. The European Commission report on Poland (the stability and Growth PACT, 2008) required Poland to consolidate public finances.

[16] The public finance DPL series supported the consolidation of public finances to ensure a steady decline in fiscal deficit and public debt.

[17] The program document for the resilience and growth DPL shows that the series was linked to the National Development Strategy 2020 (World Bank 2014, 10). This claim was verified.

[18] Based on the European Commission definition, the gross government debt was reduced from 55.7 percent in 2013 to 50.6 percent in 2017.

[19] The Minister of Finance presented the fiscal rule to the Council of Ministers as part of a program agreed with the World Bank, the International Monetary Fund, and the European Union.

[20] Long-term unemployment is using the European Union definition as a period of at least a year, but less than two years, during which a person registered by the labor market is unable to find a job.

[21] The profiling by public employment services had led to different services offered to different categories of unemployed: for example, those unable to work because of disabilities, and those able to work but out of a job. Most public employment services in OECD countries use profiling as a way of offering better-targeted services. The overturning of profiling in this case was therefore a setback for effective administration.

[22] The program finances research and development spending and works to improve links between business and cutting-edge science to boost the innovativeness and competitiveness of Polish businesses.

[23] For example, *Toward an Innovative Poland: The Entrepreneurial Discovery Process and Business Needs Analysis* (World Bank 2015).

[24] The Commitment to Reducing Inequality index is compiled from three components, and on one of these, social spending, Poland is ranked higher than other peer countries, such as Austria, Belgium, Luxembourg, and the Netherlands. On another component, labor rights and wages, Poland is not the best. Poland's rank on the third component, taxation policies, is very low, and well below most peer countries.

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Appendix A. Basic Data Sheet

First and Second Public Finance Development Policy Loans (IBRD-81860-P127433) (IBRD-82730-P130459)

Table A.1. Key Program Data

Financing	Appraisal Estimate *($, millions)*	Actual or Current Estimate *($, millions)*	Actual as Percent of Appraisal Estimate
First Public Finance Development Policy Loan (IBRD-81860)			
Total project costs	991.40	920.33	92.83
Loan amount	991.40	920.33	92.83
Cofinancing	0	0	0
Cancellation	0	0	0
Second Public Finance Development Policy Loan (IBRD – 82730)			
Total project costs	1,307.8	1,327.05	101.47
Loan amount	1,307.8	1,327.05	101.47
Cofinancing	0	0	0
Cancellation	0	0	0

Table A.2. Program Dates

Event	Original	Actual
First Public Finance Development Policy Loan (IBRD-81860)		
Concept review	12/15/2011	12/15/2011
Negotiations	05/07/2012	05/07/2012
Board approval	06/19/2012	06/19/2012
Signing	07/16/2012	07/16/2012
Effectiveness	07/16/2012	07/16/2012
Closing date	06/30/2013	06/30/2013
Second Public Finance Development Policy Loan (IBRD – 82730)		
Concept review	11/27/2012	11/27/2012
Negotiations	05/07/2013	05/07/2013
Board approval	06/18/2013	06/18/2013
Signing	07/11/2013	07/11/2013
Effectiveness	07/11/2013	07/11/2013
Closing date	06/30/2014	06/30/2014

Table A.3. Staff Time and Cost

Stage of Program Cycle	World Bank Budget Only	
	Staff time (*no. weeks*)	Cost[a] (*$, thousands*)
First Public Finance Development Policy Loan (IBRD-81860)		
Lending		
FY12	47.1	204.8
Total	47.1	204.8
Second Public Finance Development Policy Loan (IBRD – 82730)		
Lending		
FY13	43.9	234.8
Supervision		
FY14	2.5	7.2
Total	46.4	242.01

a. Including travel and consultant costs.

Table A.4. Task Team Members

Name	Title[a]	Unit
Public Finance Development Policy Loan (IBRD 81860-82730)		
Lending		
Yvonne Tsikata	Sector Director	SECVP
Mamta Murthi	Country Director	GGIVP
Satu Kahkonen	Sector Manager	ECCEE
Galina A. Vincelette	Task Team Leader-Senior Economist	
Ewa Korczyc	Co-Task Team Leader-Economist	GMTLC
John Balafoutis	Lead Financial Officer	FABBK
Agnes Couffinhal	Senior Economist	GHN03
Daria Goldstein	Lead Counsel	LEGLE
Marcin Piatkowski	Senior Economist	GFCPN
Wolfhart Pohl	Lead Environmental Specialist	GENE1
John D. Pollner	Lead Financial Sector Economist	GFCLC
Marc Robinson	Consultant	GGOEP
Nisha Singh	Senior Financial Officer	TROIM
Emilia Skrok	Co-Task Team Leader-Senior Economist	GMTE3
Kenneth Simler	Senior Economist	GPV02
Victoria Strokova	Senior Economist	Unit: GSP08
Ramya Sundaram	Senior Economist	GSP01

Name	Title[a]	Unit
Iwona Warzecha	Senior Financial Management Specialist	GGOEW
Mukes Chawla	Adviser	GHNDR
Kirsten Burghardt Propst	Senior Counsel	LEGDF
Emily Sinnott	Program Leader	LCC7C
Malgorzata Michnowska	Program Assistant	ECCPL
Maria Andreina Clower	Program Assistant	ECCEE
Public Finance Development Policy Loan (IBRD 81860-82730)		
Supervision or ICR		
Ivailo Izvorski	Manager	GMTD4
Galina A. Vincelette	Task Team Leader (Operation)	
Matija Laco	Task Team Leader (ICR)	GFCEE

Note: ICR = Implementation Completion and Results Report.
a. At time of appraisal and closure, respectively.

Table A.5. Other Project Data

Borrower or Executing Agency

Follow-on Operations

Operation	Credit no.	Amount *($, millions)*	Board Date
First Resilience and Growth Development Policy Loan	IBRD-83840-P146243	899.01	07/01/2014
Second Resilience and Growth Development Policy Loan	IBRD-85220-P149781	1,025	07/23/2015

First and Second Resilience and Growth Development Policy Loans (IBRD-83840-P146243) (IBRD-85220-P149781)

Table A.6. Key Program Data

Financing	Appraisal Estimate *($, millions)*	Actual or Current Estimate *($, millions)*	Actual as Percent of Appraisal Estimate
Resilience and Growth Development Policy Loan (IBRD-83840)			
Total project costs	965.80	899.01	93.09
Loan amount	965.80	899.01	93.09
Cofinancing	0	0	0
Cancellation	0	0	0

Financing	Appraisal Estimate *($, millions)*	Actual or Current Estimate *($, millions)*	Actual as Percent of Appraisal Estimate
Resilience and Growth Development Policy Loan (IBRD-85220)			
Total project costs	1,000	1,025	102.5
Loan amount	1,000	1,025	102.5
Cofinancing	0	0	0
Cancellations	0	0	0

Table A.7. Program Dates

Event	Original	Actual
First Resilience and Growth Development Policy Loan (IBRD-83840)		
Concept review	11/26/2013	11/26/2013
Negotiations	04/07/2014	04/11/2014
Board approval	07/01/2014	07/01/2014
Signing	08/28/2014	08/28/2014
Effectiveness	09/04/2014	09/04/2014
Closing date	12/31/2015	12/31/2015
Second Resilience and Growth Development Policy Loan (IBRD-85220)		
Concept Review	02/13/2015	02/13/2015
Negotiations	06/17/2015	06/17/2015
Board Approval	07/23/2015	07/23/2015
Signing	08/27/2015	08/27/2015
Effectiveness	09/07/2015	09/07/2015
Closing date	12/31/2016	12/31/2016

Table A.8. Staff Time and Cost

	World Bank Budget Only	
Stage of Program Cycle	Staff Time *(no. weeks)*	Cost[a] *($, thousands)*
First Resilience and Growth Development Policy Loan (IBRD-83840)		
Lending		
FY14	39.63	152.02
FY15	9.60	48.33
Total	49.23	200.35

Second Resilience and Growth Development Policy Loan (IBRD-85220)		
Lending		
FY15	37.62	207.29
Supervision or ICR		
FY17	4.67	39.93
Total	42.29	247.22

Note: ICR = Implementation Completion and Results Report.
a. Including travel and consultant costs.

Table A.9. Task Team Members

Name	Title[a]	Unit
Second Resilience and Growth Development Policy Loan (IBRD-83840-85220)		
Lending		
Theo Thomas	Task Team Leader-Economic Adviser	OPSCE
Ewa Joanna Korczyc	Co-Task Team Leader-Young Professional	GMTLC
Roberta Gatti	Chief Economist	GGHVP
Jan Rutkowski	Lead Economist	GSP05
Marcin Piatkowski	Senior Economist	GFCPN
John D. Pollner	Lead Financial Sector Economist	GFCLC
Nistha Sinha	Senior Economist	GPV05
Emilia Skrok	Senior Economist	GMTE3
Isfandyar Zaman Khan	Program Leader	GFCEE
Kenneth Simler	Senior Economist	GPV02
Alexandru Cojocaru	Senior Economist	GPV03
Matija Laco	Operations Officer	GFCEE
Fernando Montes-Negret	Consultant	GFCEE
Loic Chiquier	Senior Adviser	GFCD5
Robert H. Montgomery	Lead Environment Specialist	GENLC
Jorge E. Villegas	Senior Social Development	CEGI1
Maria Andreina Clower	Program Assistant	ECCEE
Agnieszka Boratynska	Program Assistant	ECCPL
Barbara Ziołkowska	Senior Procurement Specialist	GGOPC
Iwona Warzecha	Senior Financial Management Specialist	GGOEW

Name	Title[a]	Unit
Second Resilience and Growth Development Policy Loan (IBRD-83840-85220)		
Supervision or ICR		
Emilia Skrok	Task Team Leader-Senior Economist	GMTE3
Barbara Ziołkowska	Senior Procurement Specialist	GGOPC
Iwona Warzecha	Senior Financial Management Specialist	GGOEW

Note: ICR = Implementation Completion and Results Report.
a. At time of appraisal and closure, respectively.

Appendix B. Working with a High-Income Client

Poland is an interesting case of a client needing less of the World Bank's financial support. This raises the question of how Poland should interact with the World Bank and other member countries.

This PPAR discussed the introduction of reimbursable advisory services, and this is one way that the World Bank can continue to provide its expertise to the country. In addition, there are various channels through which Poland can contribute its own expertise to other member governments, and the World Bank should encourage this. For example, government accountants have contributed Poland's experience in adopting International Public Sector Accounting Standards (IPSAS) during several workshops on lessons learned, in cooperation with the IPSAS Board, Eurostat, and the Zurich Academy for Applied Science. Many are of the view that it is better to gain experience from Poland, which has only recently adopted the standard, than from another country much more advanced, such as the United Kingdom.

The National School of Public Administration told the PPAR mission about many international cooperation initiatives under way. For example, the government of Serbia recently visited the School to see how they operate and intends to set up a similar unit in Serbia. Countries such as Kosovo have come to them for advice on bringing their institutions up to European Union standards. They organize internships with officials from Eastern partnership countries and offer an anticorruption course for officials from Ukraine.

The PPAR mission was also told of a climate analysis center in Poland. It was set up initially to help Polish ministries determine the impact of European Union climate measures in their sectors. The goal is to expand this to a regional center.

Poland's first Multiannual Development Cooperation Program was adopted in March 2012 by the Council of Ministers. There are two priorities for 2012–15: (i) democracy and human rights and (ii) political and economic transformation.

The concept is to take the example of Poland's successful transition from an authoritarian regime and centrally planned economy to democracy and a free market, and to bring this to other countries at an earlier stage of the process. There are two priority regions for this work: (i) Eastern Partnership (Eastern European) countries and (ii) selected countries of Africa, Asia, and the Middle East (including countries of East Africa and North Africa, Afghanistan, Kirgizstan, Tajikistan, as well as the West Bank and the Gaza Strip).[1]

These are all areas where the World Bank could more deeply engage with Polish authorities and help build a strong foundation for continued cooperation with Poland. Malaysia is a good peer country to consider where the World Bank has continued a strong relationship with the country long after graduation.

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[1] Ministry of Foreign Affairs, Polish Development Cooperation (undated). Warsaw: Ministry of Foreign Affairs. https://www.msz.gov.pl/en/foreign_policy/polish_aid/humanitarian_aid/polish_aid.

Appendix C. List of Persons Met

Ministry of Finance

Tomasz Skurzewski, Deputy Director, International Cooperation Dep.

Jacek Dominik, Counselor General, International Cooperation Dep.

Elżbieta Fiszer, Chief Expert, International Cooperation Dep

Sławomir Dudek, Director, Macroeconomic Policy Department

Marek Szczerbak, Deputy Director, Debt Department

Damian Szotek, Head of the Unit, International Cooperation

Central Bank – Narodowy Bank Polski

Paweł Samecki, Member of the Board, National Bank of Poland, NBP

Agata Łagowska, Director, International Cooperation Department, NBP

Romuald Szymczak, Head of Division, International Financial Institutions

World Bank Group

Mr. Carlos Pinerua, Country Manager – Poland

Ms. Anita M. Schwarz, Lead Economist

Emilia Skrok, Senior Economist

Mr. Truman G. Packard – Lead Economist

Ms. Iwona Warzecha – Senior Financial Specialist

Mr. Michal Tulwin, Research Analyst (MTI), Warsaw

Ms. Anna Kozieł, Senior Health Specialist

Mr. Piotr Matczuk – International Finance Corporation Country Advisor, Poland

Giorgio Valentini, Manager, GGCGR (RAS Unit)

Jaime Rafael de Pinies Bianchi, Program Manager, GGCGR (RAS Unit)

National School of Public Administration

Dr. Wojciech Federczyk, Director of KSAP

Ms Aleksandra Orłowska, Director's Office KSAP

Ms Anna Paszka, Head of the Intramural Training Centre, KSAP

Ms Aleksandra Baldy, Development and Continuous Training Centre, KSAP

Others

Dr. Mateusz Szczurek, Associate Director, Regional Lead Economist, European Bank for Reconstruction and Development—(Former Minister of Finance)

Mr. Jan Rutkowski, Director, Policy Research – Labor Economist

Mr. Ludwik Kotecki – Poland Capital Summit – Coalition for Strategic Mindset

Mr. Robert Sierhej – Senior Economist, International Monetary Fund, Poland

Mr. Tomasz Gibas – Economic Analyst – Political Reporting and Policy Analysis – European Commission

Mr. Pradeep K. Mitra, Senior Consultant

Appendix D. The Public Administration Context

Any assessment of Poland's reform program needs to consider the nature and quality of its civil service. The reforms of the development policy operations under review were significantly influenced by civil servants in Poland. Indeed, high-quality professionalism is needed to design appropriate reforms, to understand the political dynamics needed to support them, and to ensure effective implementation once reforms are adopted. [1]

Poland has professionalized its administration since the fall of the communist regime in 1989. The Constitution provides for a public service "to ensure a professional, diligent, impartial and politically neutral discharge of the state's obligations." A National School of Public Administration was set up in 1990 based on the model of the French Ecole National d'Administration to educate nonpolitical professionals for higher positions. This had little initial impact, as few graduates reached higher positions, and about half left after their five years of obligatory employment; however, impact has increased over time. Different governments varied in their administrative vision, with some pushing for merit-based selection and promotion, and others for political appointments to key managerial positions. With the Civil Service Act (2008), many (though not all) of the provisions for competitive, merit-based selection were reinstated. There is also extensive short-term training provided to civil servants through the National School of Public Administration and other providers. As a result of these and other factors, Poland's Supreme Audit Office gave a positive assessment of transparency and competitiveness of entry into the civil service and professional development in 2011 and found it much improved from 2004.

Poland's civil service is a hybrid system, combining career-based and position-based models. In the former, candidates are selected for general competencies, and then promoted and trained to fill higher-level positions. There are two entry points into this stream. An average 300 to 400 applicants apply each year to compete for the available positions. Applicants must have a master's degree and be 32 years of age or younger. First, about 40 students graduate each year from an 18-month course at the National School of Public Administration. The intake was reduced from 60 to 40 in 2017 for budgetary reasons. Graduates are required to work at least five years in the public service and are assured positions in the career civil service until retirement age. The second entry point is through competitive examinations offered each year. To take the examinations, one needs at least three years' experience in the public service. About 3,000 public administrators each year have taken the examination in recent years. Those with the highest grades are assured positions in the career service; the actual number taken depends on funds availability in the budget and can range from 50 to 1,000. Less than 6 percent of the civil service corps are civil servants in the career-based system,

who either passed an exam or graduated from the National School of Public Administration.

The rest are civil service employees hired on various contractual arrangements. Candidates apply for specific posts, and most recruitment is open to both internal and external candidates. Although, these officers are not guaranteed to keep their jobs, a high proportion of them stay until retirement. Poland is one of the highest adopters of a position-based system among Organisation for Economic Co-operation and Development (OECD) members.

Poland has a higher proportion of senior women civil servants than most other OECD countries, with women making up about 70 percent of the corps, compared with an OECD average of about 49 percent (2009), and 46 percent of senior managers compared with an OECD average of 35 percent. Only Hungary has a slightly higher percentage of female civil servants. Poland's civil service corps is younger than the OECD average (27 percent older than 50 compared with OECD average of 34 percent), but the older age group is rising, necessitating greater consideration of succession planning.

The high presence of females and the lower average age are signs that civil service pay is low relative to comparators in the dynamic private sector. In addition, pay setting is up to individual ministries, leading to considerable differences within the civil service: in 2010, middle managers in the Ministry of Justice were paid 38 percent more than peers in the Ministry of Education, and professions in the Ministry of Finance 19 percent more than peers in the Ministry of Health. A 2011 draft Strategy for Human Resource Management in the Civil Service called for improvements in linking pay with performance, aiming to reduce turnover and improve motivation.

With the election of a new government in 2015, there have been further changes. The law on civil service was amended, now providing that senior positions in the civil service were not always required to use open and competitive recruitment. The mission was not able to determine what proportion of new senior positions since then had been competitively recruited.

Overall, Poland has built up a much-improved civil service since the transition from communism almost 30 years ago. The service uses mainly transparent, competitive measures for entry and promotion into a hybrid system, combining career-based and position-based models. The National School of Public Administration has a key role with the former but also an important role in standard setting and training for the entire service. It is crucial that this institution is given the greatest possible exposure to good practices in civil service management in high performing countries around the world,

and enough resources to build these practices into Poland's civil service whenever appropriate.

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[1] This appendix draws from OECD (2013) and Zybala (2017), and from an extensive briefing to the PPAR mission by senior staff of the National School of Public Administration.

Appendix E. Prior Actions for the Public Finance Development Policy Loan Series

The prior actions for the Public Finance Development Policy Loan series included some major steps (such as pension reform and enacting an annual budget in line with the EU excessive deficit procedure), and some important procedural steps (such as preparing for the approval of the permanent fiscal rule; table E.1). However, some actions were of modest importance for the public finances (for example, detailed changes in welfare legislation).

Table E.1. Prior Actions for the Public Finance Development Policy Loan Series

First Public Finance DPL Prior Actions	Second Public Finance DPL Prior Actions
Pillar I: Consolidating Public Finances	
Prior Action 1: Enact a Budget Law for 2012 in line with the requirements of the EU excessive deficit	Prior Action 1: Enact a Budget Law for 2013 in line with the requirements of the EU excessive deficit procedure.
Pillar II: Strengthening Fiscal Institutions	
Prior Action 1: Council of Ministers adopts plans for gradual implementation of deficit limitations of local governments as indicated in its Convergence Program Update 2012.	Prior Action 1: Enact amendments to the Public Finance Act to strengthen the quality of local governments' multiyear financial forecasts and start implementation by introducing a template and periodic reporting requirements.
	Prior Action 2: Ministry of Finance designs assumptions for the permanent fiscal rule to limit growth of public expenditure to trend GDP (when at Medium Term Objective) to foster compliance with the EU requirements under the ratified Treaty on Stability, Coordination and Governance in the Economic and Monetary Union.
	Prior Action 3: Ministry of Finance sends for interministerial consultations the draft law on bank resolution to strengthen the stability of its financial system.
Pillar III: Advancing Long-Term Fiscal Reforms	
Prior Action 1: Council of Ministers adopts and submits to Parliament draft amendments to the Law on Pensions for the increase of the statutory retirement age.	Prior Action 1: Enact amendments to the law on pensions to increase statutory retirement age and start implementation.

First Public Finance DPL Prior Actions	Second Public Finance DPL Prior Actions
Prior Action 2: Council of Ministers adopts and submits to Parliament draft amendments to the pensions legislation on uniformed services to increase length of service and introduce minimum retirement age.	Prior Action 2: Enact amendments to the pension legislation on uniformed services to increase length of service and introduce minimum retirement age.
Prior Action 3: Enact the Law on Therapeutic Activity to (i) make local governments and other public entities that own health facilities accountable for their financial results; and (ii) advance the agenda of hospital corporatization and restructuring.	Prior Action # 3: Enact amendments to social assistance and family benefits legislations to (i) increase the income threshold for the last-resort minimum-income social assistance benefit that tops up the incomes of the poorest; and (ii) improve targeting of the benefit for caregivers of
Prior Action 4: Enact the Law on Farmers Health Insurance Contributions.	
Prior Action 5: Council of Ministers adopts and submits to Parliament draft amendments to the Law on Family Benefits to improve targeting of the child-birth allowance.	

Note: DPL = development policy loan.

Appendix F. Identification of Already-Captured, Modified, or Delayed Actions

The government of Poland took seriously its commitments and ensured continued policy dialogue that addressed implementation challenges such as identifying actions already captured by other broad government reforms and possible delays or modifications (table F.1)

Table F.1. Triggers and Prior Actions Added or Reformulated during the Second Operation of the Public Finance Series

Indicative Triggers in DPL1	DPL2 Prior Actions	Action or Reasons
Enact amendments to the Public Finance Act to introduce a cap on the aggregate deficit of local governments.	Enact amendments to the Public Finance Act to strengthen the quality of local governments' multiyear financial forecasts and start implementation by introducing a template and periodic reporting requirements.	Reformulated to reflect new government priority on local governments
Enact a permanent fiscal rule to limit growth of public expenditures to trend GDP growth (when at Medium Term Objective).	Ministry of Finance designs assumptions for the permanent fiscal rule to limit growth of public expenditure to trend GDP (when at MTO) to foster compliance with the EU requirements under the ratified Treaty on Stability, Coordination and Governance in the European Monetary Union.	Reformulated to signal government commitment to EU requirement
Ministry of Finance sends for interministerial consultations the draft law on bank resolution to strengthen the stability of its financial system.		Added to avoid costly recapitalization and bail-out associated with bank resolutions

Note: DPL = development policy loan; EU = European Union; GDP = gross domestic product.

Appendix G. Analytical Underpinnings of the Public Finance Development Policy Loan Series

Objective 1: Consolidating Public Finances

Public expenditure review (PER 2010): focused on fiscal consolidation.

European Union (EU) New Member States Regular Economic Reports (RERs 2012 and 2013): on deficit control, debt stabilization and gradual debt reduction.

Launch of BOOST database

Objective 2: Strengthening Fiscal Institutions

PER (2010) on strengthening the fiscal framework through expenditure ceilings, and medium-term expenditure frameworks.

Fiscal Rules Policy Note and advice on subnational rules and the permanent expenditure rule (2012).

Technical assistance on debt management for local governments, including on fiscal risks and fiscal rules for local government (2013).

Technical assistance on developing the manual for local governments to increase their forecasting capacity.

Technical assistance on the bank insolvency regime.

World Bank-IMF 2013 Financial Sector Assessment Program recommendation on bank resolution.

Objective 3: Advancing Long-Term Fiscal Reforms

PER (2010) on parametric changes to pension system.

Policy paper on the implications of the global financial crisis on mandatory pension systems in the Europe and Central Asia Region

Policy notes on the poverty and social aspect of raising the retirement age in Poland (2013)

Technical assistance/training for the government on a simulation tool for pension reform

Policy note on pensions reform stock-taking in the new EU member states

Regional Study on Pensions (2013), which includes Poland, on the importance of reducing early retirement and pension adequacy

Technical assistance Activation and Skills for Employability and Protection

Policy note on drivers of in-work poverty in Poland

Social assistance policy notes on in-work support through tax credits or cash benefits Improve targeting of safety nets.

Policy note on the poverty and social aspect of social assistance reforms in Poland (2013)

Appendix H. Analytical Underpinnings of the Resilience and Growth Series

Resilience and Growth Development Policy Loan Series

Objective 1: Enhancing Macroeconomic Resilience

Public Expenditure Review (PER 2010): on needed fiscal consolidation and on strengthening fiscal framework through expenditure ceilings;

Fiscal Rules Policy Note and advice on the subnational rule and the permanent expenditure rule (2012);

European Union (EU) New Member States Regular Economic Reports (RERs 2011–): on deficit control, debt stabilization, and gradual debt reduction;

Public Pay Review (technical assistance) (2013);

Debt management workshop for subnational governments (2012);

Technical assistance on debt management for local governments, including on fiscal risks, fiscal rules, and debt management (2013);

Technical assistance on multiyear financial forecasts of local governments;

ROSC – Financial Sector Assessment Program (2013);

Technical assistance support for the design of a new fiscal equalization formula (2014–15) and on medium-term fiscal financial forecasting; and

Tax incidence review (as part of the support to the government's Spending Review of support to low-income families).

Objective 2: Labor Market Resilience and Employment

Europe 2020. Fueling Growth and Competitiveness in Poland through Employment, Skills, and Innovation (Economic and Sector Work, 2011);

Employment Entrepreneurship and Human Capital Development, PL2-PL3 (FY9–10);

Human Capital Development Strategy (HCDS) Technical assistance, including workshop on Lifelong Learning (FY12);

Toward greater social inclusion in Poland—a qualitative assessment in three regions (Economic and Sector Work, 2013);

Support to Ministry of Justice in developing methodology for impact evaluation of professions deregulation on the labor market;

Dialogue with the Ministry of Labor on the productive employment and labor market duality agenda.

Activation and public employment services Policy Note;

Several workshops with international experiences to strengthen some of the existing policies in the field of promotion of employment and better labor market institution;

Technical assistance support to the government's Spending Review of support to low-income families; and

Technical assistance on labor market duality.

Objective 3: Enhancing Private Sector Resilience and Promoting Competitiveness

Europe 2020: Fueling Growth and Competitiveness in Poland through Employment, Skills, and Innovation, (Economic and Sector Work, 2011);

Poland Enterprise Innovation Support Review (2012);

Review of the national Smart Growth Operational Program for the Ministry of Infrastructure and Development (MID) (2013–14);

Technical assistance: assessment of quality, coherence, and fulfillment of ex ante conditionalities for national and regional Research and Innovation Strategies (RIS3), (2013);

External evaluation of selected innovation support programs with NCBR (2014);

Policy Note: Toward a stronger contract enforcement and insolvency in Poland (Technical assistance, reimbursable advisory services [RAS]), completed in FY13;

Improving the business regulatory environment in five Doing Business areas where Poland lagged the most (technical assistance, RAS); and

Review of Public Enterprise Innovation Support Systems (Technical assistance).

Appendix I. Fiscal Technical Assistance

The World Bank continues to provide technical support to Poland to improve sequencing of budget reform, strengthen links between customs and other tax administration institutions, and improve macro-fiscal forecasting (table I.1).

Table I.1. Fiscal Technical Assistance in FY16–17, by Objective

Activity	Collaboration	Output	Staff Involved
FY16			
Objective 1: Fiscal due diligence			
Background note on fiscal trends analyzing how fiscal trends in Poland compare with peers and presenting fiscal scenarios	Global Tax Team (GTT)	Technical Note	Kąsek, Rabiega, Moreno-Dodson
Joint work with other Global Practices on the analysis of the Family 500+ program	SPL GP, POV GP	Technical Note	Inchauste, Goraus, Kąsek
Policy paper on economic effects of the statutory retirement age roll-back in Poland, based on PROST model, started FY16, completed May 2017	SPL GP, Polish CSO	Policy Paper	Wiener, Gąska, Kąsek
Objective 2: Client engagement, fiscal policy dialogue			
Netherlands Bureau for Economic Policy Analysis (CPB), November 2015	CPB	PPTs	CPB experts, Kąsek
International experience with tax system IT, December 2015	GTT, Slovakia	PPT	Stern, Engelschlank, Marcincin, Kąsek
Behavioral tax experiment in two regions in FY15, 2016	MFM behavioral team	Working Paper	Korczyc, Hernandez, Sormani, Skrok, Brockmeyer
Behavioral tax experiment – nationwide deployment in FY16, June 2017	MFM behavioral team	Working Paper	Korczyc, Hernandez, Jamison, Mazar, Sormani, Skrok
Workshop on determinants of low fertility in Europe. Insights for Poland after Introduction of Family 500+, April 2016	POV GP, OECD, Polish academics	PPTs	OECD expert, Kąsek, Inchauste, Sinnott, Malarski
Slovakia tax visit for deputy Minister of Finance Raczkowski	Slovakia MOF	PPTs	Kąsek
Tax Debate: How to Bridge VAT and CIT Gaps in Poland. Insights from International Experience, June 2016	GTT, Univ. of Leeds, Ministry of Treasury	PPTs	De la Feria, Moreno-Dodson, Kąsek, Malarski
General Meeting of the EU Tax Authorities: Tightening the VAT System in the EU, September 2016, Gdańsk	GTT, University of Leeds	PPTs	De la Feria, Kąsek, Moreno-Dodson

Activity	Collaboration	Output	Staff Involved
FY17			
Objective 3: Budget reform			
International workshop on budget classification and accounting held on November 8–9, 2016	GOV GP	PPTs	Kąsek, Ahern, Grafl, Robinson, Warzecha, Malarski
Implementation guide for the reform of the budget system, January 2017	GOV GP, IMF	Report	Robinson, Kąsek, Ahern, Grafl, Warzecha, Malarski
Mapping of the current Polish budget classification and charts of accounts, April 2017	GOV GP	PPT	Silins, Kąsek, Warzecha, Malarski
Practical guide for integrating budget classification and chart of accounts, April 2017	GOV GP	Note	Silins, Kąsek, Warzecha, Malarski
Objective 4: Tax reform			
Integration of tax and customs administrations, implementation of the GAAR closure, October 2016	Global Tax Team	BTOR	Junquera-Varela, Kąsek, Malarski
Fiscal CGE model and paper on labor tax wedge, through June 2017	MFM Macro Modeling, MOF	Policy Paper, Model code	Boratyński, Prihardini, Kąsek, Rabiega
International conference on integration of tax and customs administration, February 2017	Global Tax Team	PPTs	Junquera-Varela, Kąsek, Malarski
Objective 5: Strengthening of collaboration			
Note on trends and performance of public investment	NBP	Technical Note	Kotecki, Laco, Skrok
Technical work on strengthening macro-structural modeling capacity in the Ministry of Finance	MFM Macro Modeling	PPT, Model Interface	Burns, Prihardini, Kąsek

Appendix J. Prior Actions for the Resilience and Growth Development Policy Loans

The Resilience and Growth Development Policy Loan series had clearly stated objectives and prior actions supported by analytical products, and results indicators that had baselines and targets. The series had 18 prior actions (table J.1)

Table J.1. Prior Actions for the First and Second Operations of the Resilience and Growth Development Policy Loans

Development Policy Loan 1 Prior Actions	Development Policy Loan 2 Prior Actions
Pillar I: Enhancing Macroeconomic Resilience	
Prior Action 1: Enact amendments to the Public Finance Act to introduce a permanent fiscal rule limiting growth of public expenditures to trend GDP growth to foster compliance with its obligations deriving from the Treaty on the Functioning of the European Union in the area of budgetary policy; and (ii) the Budget Law for 2014 in line with the new permanent fiscal rule as set forth in the Public Finance Act.	Prior Action # 1: Enact Budget Law for 2015 in accordance with the stabilizing expenditure rule set forth in the Public Finance Act, limiting growth of public expenditures to trend gross domestic product (GDP) growth to foster compliance with the provisions set forth in the Treaty on the Functioning of the European Union in the area of budgetary policy.
Prior Action 2: Enact amendments to the Law on VAT to defer reduction in VAT rates in 2014–16 to support fiscal consolidation.	Prior Action 2: Strengthen tax compliance of controlled foreign companies, through the enactment of amendments to the laws on personal and corporate income tax.
Prior Action 3: Enact an amendment to the Public Finance Act implementing a fiscal rule for local governments to ensure debt sustainability at the local level and effective absorption of European Union funds.	Prior Action 3: The Council of Ministers has approved: (i) the Draft amendments to the Law on Covered Bonds and Mortgage Banks; and (ii) the Draft amendments to the Banking Law, which amendments will enable the borrower to implement the European Union Capital Requirements Directive No. 2013/36/EU.
Pillar II: Labor Market Resilience and Employment Promotion	
Prior Action 1: Enact amendments to the Labor Code to increase flexibility of labor markets by extension of the calculation period for employees' working time.	Prior Action 1: Strengthen job-seeker services and promote flexible employment through the enactment of the law amending the Law on Promotion of Employment and Labor Market Institutions.
Prior Action 2: (i) implement the first professions deregulation tranche through enactment of the Law Amending Laws on Access to Certain Professions thereby deregulating access to 51 professions; and (ii) approve, through a Decision of its Council of Ministers, the draft Law on the Easing of Access to Certain Regulated Professions and the draft Law Amending Laws on Access Conditions to	Prior Action 2: Deregulate around 195 professions by (i) deregulating access to 91 professions (second professions deregulation tranche) through the enactment of the Law on the Easing of Access to Certain Regulated Professions, and (ii) submitting to Parliament a draft Law Amending Laws on Access Conditions to Certain Professions for the purpose of approving the third profession deregulation tranche which will cover 104 professions.

Development Policy Loan 1 Prior Actions	Development Policy Loan 2 Prior Actions
Certain Professions for the second and third professions deregulation tranches.	
Prior Action 3: Enact amendments to the Law on Early Childcare to facilitate return of parents to the labor market.	Prior Action 3: Amend the child tax credit to increase support for families with more than one child and reduced the effective tax wedge for such families on low incomes, through the enactment of amendments to the Law on Personal Income Taxation.
Pillar III: Enhancing Private Sector Resilience and Promoting Competitiveness	
Prior Action 1: Resolution by the Cabinet of Ministers to approve Poland's Enterprise Development Program to create clearer institutional arrangements and increase support for early stage innovation and technological startups to enhance innovation through focused support programs in this area.	Prior Action 1: Through the NCBR issue three inaugural open calls for proposals for research and development and innovation projects and programs in accordance with the Smart Growth Operational Program to guide the European Union cofinanced programs with more focused, streamlined, and business-centered programs.
Prior Action 2: Decision by the Cabinet of Ministers to approve a concept ("assumptions") of a new General Restructuring Law dealing with insolvency and restructuring in the corporate sector.	Prior Action # 2: Enact the Law on General Restructuring, which introduces an insolvency and restructuring legal framework for the corporate sector.

Appendix K. Borrower Comments

I would like to thank you for the draft Project Performance Assessment Report, which you have sent on April 4, 2019. Here are some comments:

Page 1—we suggest adding the word *debt* in the sentence: *In 2007, Poland was meeting the* ***debt,*** *deficit, inflation and interest rate criteria of the Maastricht Treaty.*

Page 3 – Table 1.1. In our opinion other data should be included:

General government gross debt (EU definition)	44.2	46.3	49.4	53.1	54.1	53.7	55.7	50.4	51.3	54.2	50.6
General government gross debt (national definition)	44.4	46.5	48.8	51.7	52.0	51.6	53.2	48.1	48.7	51.9	48.4

Page 12, Figure 3.1: *Gross Public Debt in Poland (percent of GDP)*—the target regards the national definition of public debt, not the European Union (EU) definition. However, the graph presents debt-to-GDP ratios according to EU definition.

Page 12, paragraph 3.3: You wrote: *Public debt fell below the critical EU reference figure of 54 percent of GDP in 2015, two years later than targeted under the program. The decline cannot be attributed to the fiscal adjustments.* In fact, public debt (according to national definition) in 2012–17 remained below the World Bank reference value of 54 percent of GDP. The EU reference value of public debt-to-GDP ratio is 60 percent.

Page 28, Table 6.1: Regarding *Results Indicators (Targets)* – we suggest the following revision: Public debt (*EU definition* as percent of GDP) reduced below 52 percent by 2015.

Pages 29–30: We suggest changing the numbers: *Public debt (EU definition) was reduced from 55.7 percent in 2013 to* ***51.3 percent*** *in 2015, achieving the target of "lower than 52 percent." While debt increased to 54.2 percent of GDP in 2016, it declined again to* ***50.6*** *percent in 2017.*

Page Xii – I suggest changing the wording to read: *In the case of Poland, the EU (through the EU budget and EIB loans) and the IMF (through the access to the FCL instrument from 2009 till 2017) are the dominant development partners providing more funds or guaranteed resources to the government.*

I would like to ask that you consider removing the following sentences removed from the report:

Page xiii—*During the mission, current and past government officials expressed opposing views on retirement age reforms*.

Page 41 point 8.1.b—The mission was informed by both past and current officials of the Ministry of Finance that the pension measure was a significant factor in the outcome of the 2015 elections.

Finally, I am a bit concerned about relatively long time between the beginning of the period covered by the report (2012) and the start of your assessment (2018). This has sometimes affected our ability to provide extensive answers to your questions because of the unavailability of staff who left the ministry over the years. I am also not sure if this sentence is factually correct: "The decision to allow Poland to graduate later…". It is slightly different from the wording in the recent CPF.

Kind regards,

Tomasz Skurzewski,
Deputy Director,
International Cooperation Dep.