

**PROGRAM INFORMATION DOCUMENT (PID)
CONCEPT STAGE**

February 13, 2015
Report No.: AB7709

Operation Name	Second Resilience and Growth Development Policy Loan
Region	EUROPE AND CENTRAL ASIA
Country	Poland
Sector	General public administration sector (50%); General industry and trade sector (30%); Banking (20%)
Operation ID	P149781
Lending Instrument	Development Policy Lending
Borrower(s)	GOVERNMENT OF POLAND
Implementing Agency	Ministry of Finance ul. Swietokrzyska 12 Warszawa Poland 00-916 Tel: (48-22) 694-5555 Fax: (48-22) 694-4177 tomasz.skurzewski@mofnet.gov.pl
Date PID Prepared	February 6, 2015
Estimated Date of Appraisal	April 14, 2015
Estimated Date of Board Approval	June 25, 2015
Corporate Review Decision	Following the concept review, the decision was taken to proceed with the preparation of the operation.

I. Key development issues and rationale for Bank involvement

Strengthening public finances, sustaining economic growth and facilitating job creation are the key priorities of the Polish Government. Over the past few years, significant progress has been achieved in strengthening Poland's institutional framework, in particular in the area of fiscal and financial sector institutions and social spending.

This DPL is set to support further reforms in the area of public finances, labor markets, financial and private sector development. They are aimed at lifting growth potential through increased fiscal and institutional resilience and improved competitiveness.

II. Proposed Objective(s)

This proposed second loan in a programmatic series of two development policy loans is aimed at strengthening Poland's institutional resilience to promote economic growth, which is key to fostering shared prosperity and particularly income growth for the bottom forty percent of the population.

The DPL supported reforms are designed to help bolster Poland's economic recovery by creating a dynamic economy able to weather future shocks. The DPL supported measures will also help create the needed fiscal space to increase investments in infrastructure and

human capital to support sustained growth, as well as to respond to future shocks. While restoring job growth requires strong economic growth, structural reforms are also critical for reducing barriers and promoting participation, especially given Poland's historically high structural unemployment rate. While Poland remains well positioned to benefit from the gradual pick-up in the growth rates of its main trading partners, the DPL also supports measures to reduce administrative burden and measures, such as the insolvency and restructuring regime, and the macro prudential and financial sector risk management framework that would allow it to cope with future shocks.

The authorities value the support of the Bank through policy lending for several reasons: it embeds technical advice for reform design; it signals the Government's commitment to key structural reforms; it establishes a time table to anchor the reform process; and it comes with lower transactions costs and longer maturity than investment lending.

III. Preliminary Description

The programmatic DPL is structured around three pillars: (i) enhancing fiscal resilience, by reducing the general government fiscal deficit and debt levels toward the Medium Term Objective (MTO); (ii) strengthening labor market resilience and employment promotion; and (iii) enhancing private sector resilience and promoting competitiveness.

The proposed DPL measures to be supported under each pillar are as follows:

Pillar 1: Enhancing fiscal resilience: A well-managed fiscal consolidation remains a top priority for the government, to provide sufficient counter-cyclical buffers while promoting expenditure efficiency. Structural reforms in the public finances – in particularly implementation of a new permanent fiscal (expenditure) rule for the central government and new debt rules for the local governments, as well as a prudent budget for 2015, will contribute to ongoing fiscal consolidation efforts. These will enhance Poland's fiscal resilience by putting public debt on a downward path.

Pillar 2: Strengthening labor market resilience and employment promotion: While restoring job growth requires strong economic growth, structural reforms are also critical for reducing structural barriers and promoting participation, especially given Poland's historically high structural unemployment rate. The Government has launched reforms aimed at supporting employment by increasing the flexibility of the Labor Code, deregulating access to certain professions, and facilitating labor market (re-)entry for young mothers. The Government has also started implementation of a comprehensive reform of its Public Employment Services to support job seekers through better profiling and targeting.

Pillar 3: Enhancing private sector resilience and promoting competitiveness: Based on previous reforms that have strengthened competitiveness, Poland remains well positioned to benefit from the gradual pick-up in the growth rates of its main trading partners. However, further measures are needed to reduce administrative burdens and to complete reforms in critical areas, such as the insolvency regime. The authorities continue to work on the legal frameworks for macro-prudential supervision and corporate restructuring. There are also initiatives to create one-stop shops for business start-ups and to reduce other barriers to doing business, including in obtaining construction permits. These reforms will enable the business sector to better take advantages of future growth opportunities.

IV. Poverty and Social Impacts and Environment Aspects

Poverty and Social Impacts

The overall poverty and social impacts of policy measures supported under this DPL series are expected to be positive. Several of the policy measures will improve the living standards of the poor, both directly through reforms to unemployment services and the reduction of restrictive labor practices and indirectly through improved stability and solvency of public finances, which increases the scope to smooth economic downturns, and measures to enhance the business environment for sustained growth.

Environment Aspects

The specific policies supported by the DPL series are not likely to have significant effects on Poland's environment, forests, water resources, habitats or other natural resources.

V. Tentative financing

Source:	(\$m.)
Borrower	0
International Bank for Reconstruction and Development	800
Borrower/Recipient	
IBRD	
Others (specify)	
	Total

VI. Contact point

World Bank

Contact: Theo David Thomas

Title: Lead Economist and Sector Leader, PREM

Tel: 5786+497 / 32-2-504-0997

Fax:

Email: tthomas3@worldbank.org

Location: Brussels, Belgium (IBRD)

Borrower

Contact:

Title:

Tel:

Email:

VII. For more information contact:

The InfoShop

The World Bank

1818 H Street, NW

Washington, D.C. 20433

Telephone: (202) 458-4500

Fax: (202) 522-1500

Web: <http://www.worldbank.org/infoshop>