



NBP

Narodowy Bank Polski

Paweł Szalamacha

Past and current reform strategies in Poland

Vienna / November 20-21, 2017

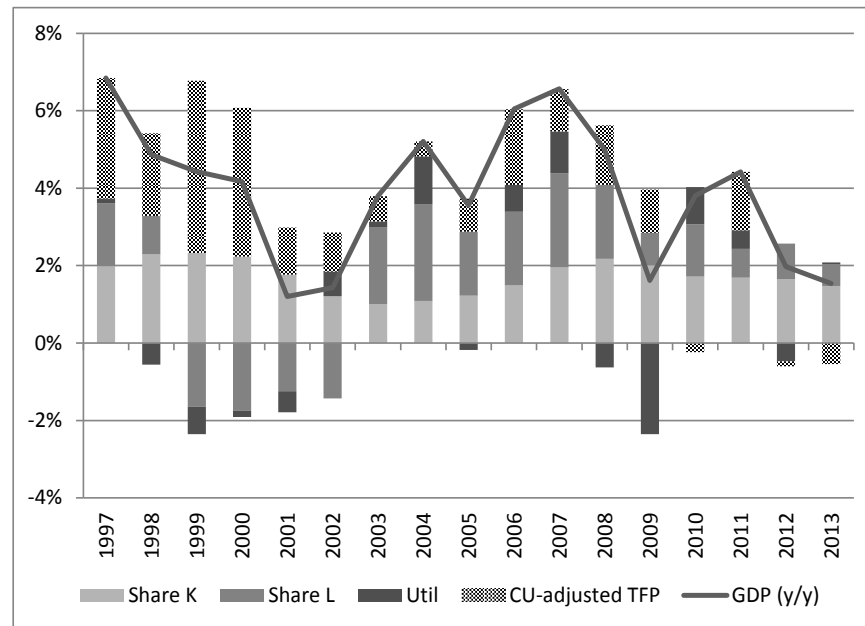


In the last decade, Poland's growth has been strongly fueled by real convergence mechanisms

- Capital accumulation (including FDI)
- Human capital accumulation
- Technology diffusion (partly through GVC)

GDP growth decomposition for Poland, 1996-2013

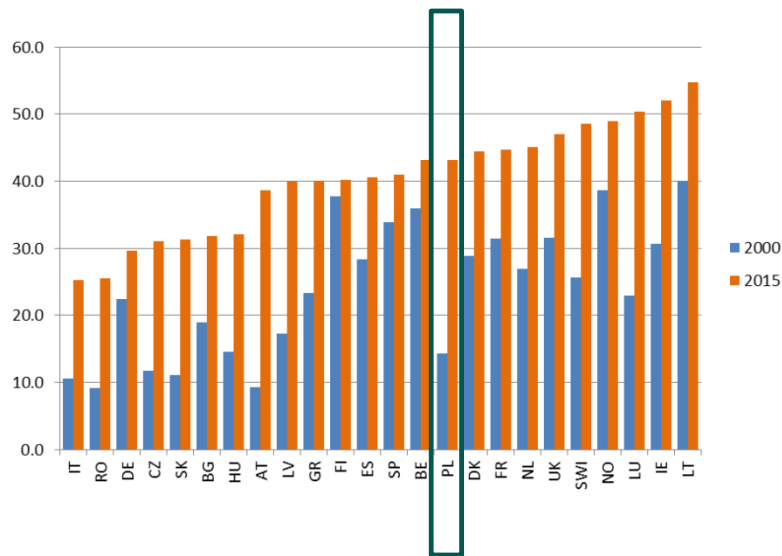
	Measure	Share
Capital	Quantity	41.5%
	Composition	2.6%
Labor	Quantity	-0.8%
	Composition	20.9%
Others	Factor utilization	-0.3%
	TFP	36.1%



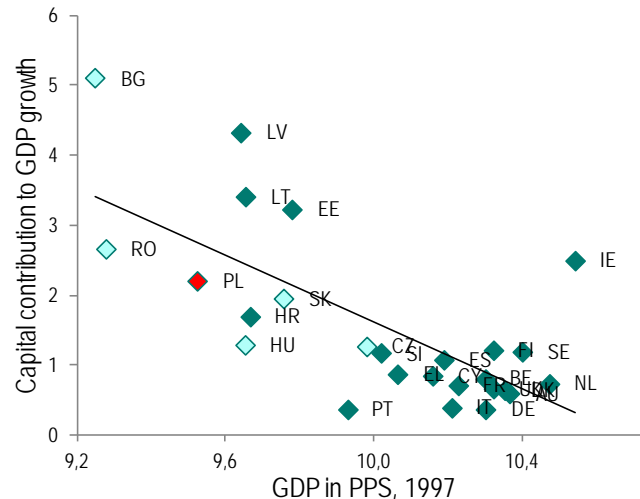
Source: Gradzewicz et al. (2017), "Poland's Uninterrupted Growth Performance: New Growth Accounting Evidence", Post-Communist Economies, forthcoming

However, a substantial part of the catching-up potential has been due to a relatively low starting point

Percentage of persons with higher education at age 25-29 is already above EU average



High contributions of physical capital to GDP growth are possible only at early stages of convergence

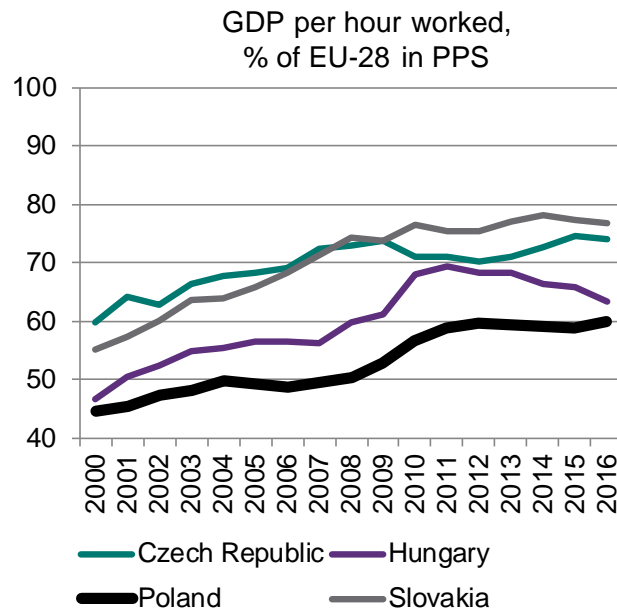
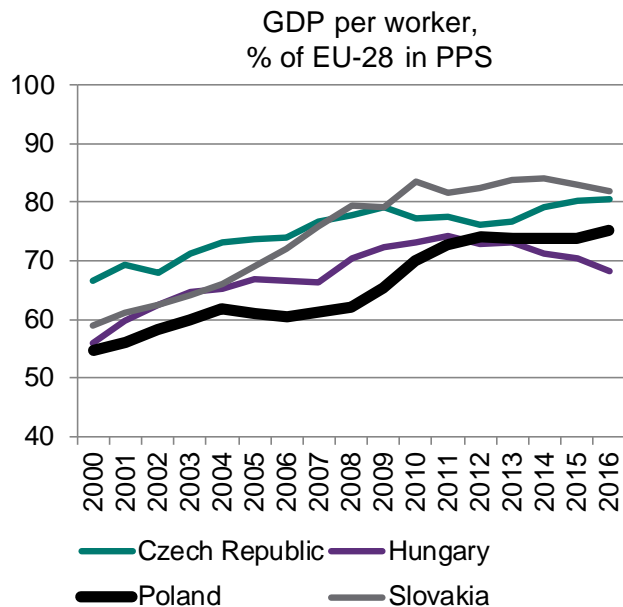


Source: NBP computations based on Eurostat data

Growth-enhancing reforms were driven by long-run planning only to a very limited extent

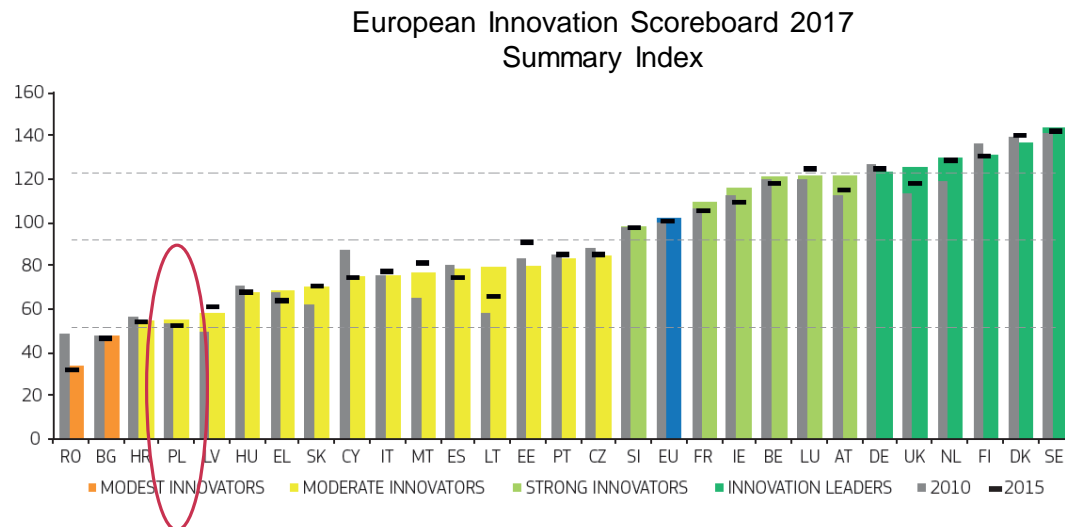
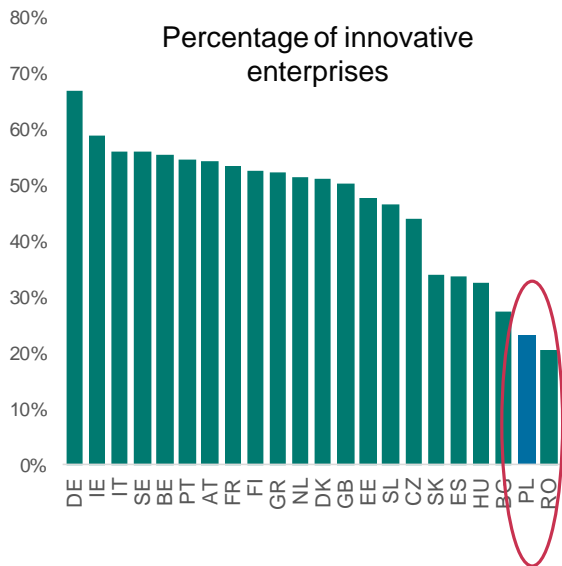
- **Short-run goal #1: Economic transformation**
 - Market reform package, L. Balcerowicz (1989-90)
 - *Strategy for Poland*, G. Kołodko (1994-1997)
- **Short-run goal #2: EU accession (May 2004)**
 - Reforms aimed at satisfying EU requirements
- **Long-run planning had limited impact on the growth processes**
 - Program for Tidying Up and Limiting Public Spending, J. Hausner (2004)
 - Report on Development and Regional Policy, G. Gęsicka (2007)
- *Polska 2030* report, M. Boni (2009)
 - Ten challenges
 1. Growth and competitiveness
 2. Demographic situation
 3. Labor market participation and flexibility of labor resources
 4. Appropriate infrastructure potential
 5. Energy and climate safety
 6. Knowledge-based economy and development of intellectual capital
 7. Solidarity and regional cohesion
 8. Improving social cohesion
 9. Efficient state
 10. Increasing Poland's social capital
 - The report had a *Green paper* status
 - Objective: to initiate public debate on development challenges faced by Poland

Real convergence is a powerful source of growth only for backward economies. At the current stage, Poland needs a long-run development plan based on other engines of growth, such as innovation



Source: NBP computations based on Eurostat data

Poland recognizes the need to improve innovation capacity but little progress has been observed at the aggregate level so far



Source: Community Innovation Survey, Eurostat

Source: European Innovation Scoreboard 2017, Main report

Perspectives for improving Poland's innovation capacity in the future are shaped by a few key advantages and barriers

■ Advantages

- Proximity to the EU market
- GVC participation
- Human capital (PISA)
- ICT and business services sectors
- EU funds
- Entrepreneurship

■ Barriers

- Research centers
- Social trust
- Technology gap
- Human capital (PIAAC)
- Demographics

Source: NBP (2016), Potencjał innowacyjny gospodarki: uwarunkowania, determinanty, perspektywy [Innovation potential of the economy: conditions, determinants, perspectives].

To increase innovation potential, multiple steps have to be taken

- **NBP suggestions for the short run (<8 years): removing bottlenecks**
 - Better coordination of strategies and programs
 - Improvement of information flow
 - Better financing of innovative firms at early stages of development
 - Uniform, objective evaluation
 - Tax deductions on R&D
 - Simpler procedures and lower sanctions on bankruptcy
 - Easier access to professional services
 - Increased efficiency of technology transfer centers
- **Medium run issues (8-20 years)**
 - Product market competitiveness
 - Labor market competitiveness
 - Cooperation between firms and universities
 - Clusters, sci-tech parks, incubators
- **Long run issues (>20 years)**
 - Technology gap
 - Human capital
 - Social capital, including social trust

Source: NBP (2016), Potencjał innowacyjny gospodarki: uwarunkowania, determinanty, perspektywy [Innovation potential of the economy: conditions, determinants, perspectives].

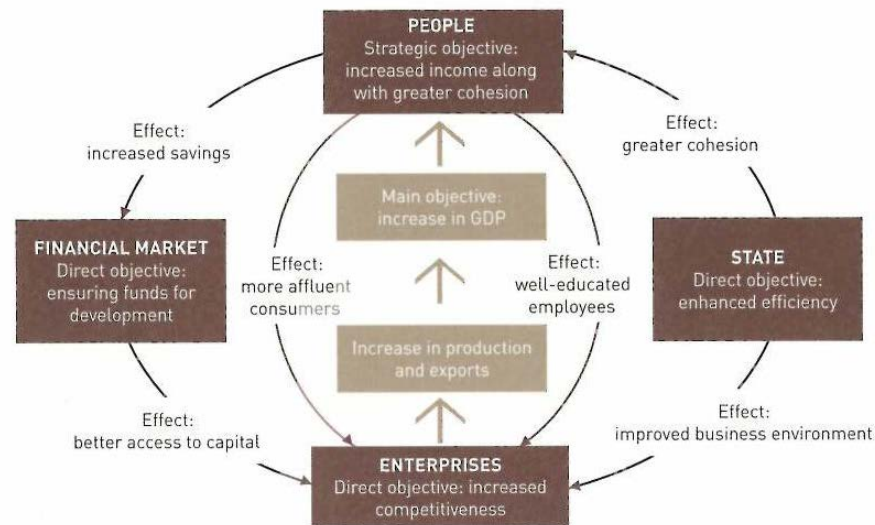
Strategy for Responsible Development is an overarching development plan for Poland until 2020 (with a perspective to 2030)

■ 5 pillars of the reform

- Reindustrialization
- Innovative firms
- Capital for development
- Exports expansion
- Social and regional development
- *Bonus pillar*: efficient public sector

■ First steps (2016-17)

- Tax credits on R&D
- Targeted public procurement
- *White Book on Innovation* (2016)
- *Start in Poland* program (since 2016)
- National Revenue Administration which unifies 3 institutions
 - Reduced misallocation of resources
 - Result: a 15% y/y increase in tax collection (Mar-Aug)



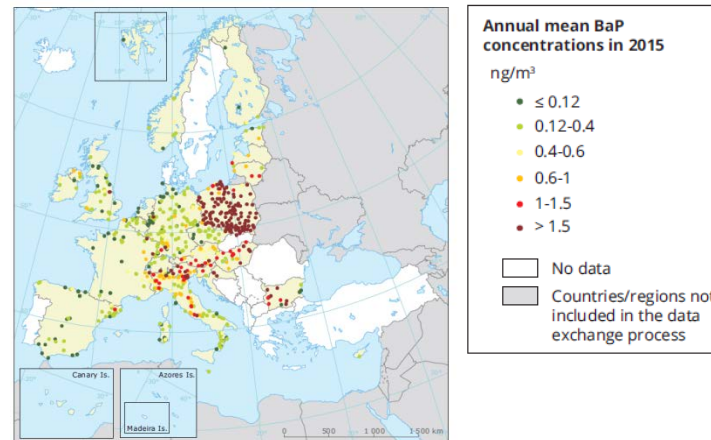
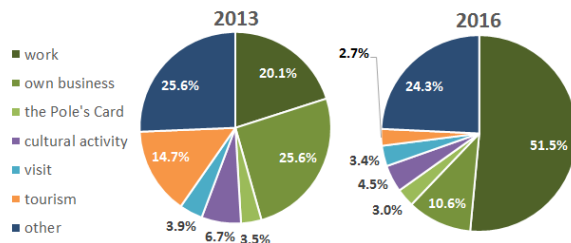
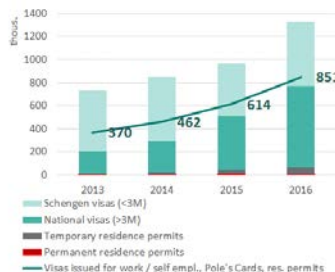
Source: Polish Ministry of Development.

There are also several other important policies aimed at improving Poland's growth potential

- Demographic policy
 - Family 500 Plus
 - Transfers to families with 2+ children
 - 2016: >17 billion PLN (0.9% of GDP)
 - 2017Q1: 6 billion PLN (0.3% of GDP)

- Unresolved issues include
 - Reversal of increased obligatory retirement age (from 67 back to 60/65)
 - Social trust, which remains very low
 - Inefficient agriculture
 - Environmental issues, e.g. air quality

■ Inflow of immigrants from Ukraine



Source: European Environment Agency, Air Quality in Europe – 2017 report.

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