

## TABLE OF CONTENTS

ASSESSMENT AND RECOMMENDATIONS .....	7
I. RECENT ECONOMIC DEVELOPMENTS .....	16
A sharp slowdown .....	16
High unemployment .....	22
Declining inflation .....	26
Improving external imbalance .....	30
Potential output .....	31
Looking forward .....	33
II. MACROECONOMIC POLICIES .....	36
Monetary management .....	36
The fiscal stance .....	43
Summing up .....	55
III. IMPROVING THE EFFICIENCY AND SUSTAINABILITY OF PUBLIC EXPENDITURE .....	56
Public expenditure in Poland .....	56
Expenditure management .....	65
Agenda for public expenditure reform .....	75
Summing up .....	88
IV. IMPLEMENTING STRUCTURAL REFORM: A REVIEW OF PROGRESS .....	91
Harvesting the benefits of a market-based economy .....	91
Fostering employment expansion .....	118
GLOSSARY OF ACRONYMS .....	124
NOTES .....	125
BIBLIOGRAPHY .....	134

### *Annexe*

#### I. Chronology

## List of boxes

Box 1. The <i>Entrepreneurship-Development-Employment</i> medium term plan .....	53
Box 2. Debt restructuring and its principal impacts on debt-servicing costs .....	63
Box 3. Fiscal relations between levels of government in Poland .....	66
Box 4. Enforcing the constitutional limit on public debt .....	67
Box 5. Extrabudgetary institutions .....	70
Box 6. Concession-based motorway construction .....	85
Box 7. Summary of recommendations .....	89
Box 8. Status of the privatisation process in Poland.....	106

## List of Tables

1.	Quarterly gross domestic product
2.	Value added by sector
3.	Sources of unemployment
4.	Recent unemployment trends
5.	Wage and productivity developments
6.	The public-private wage sector gap
7.	Balance of payments on a cash basis
8.	Short-term projections
9.	Various measures of the stance of fiscal policy
10.	Government accounts
11.	Expenditures and revenues of the social security fund
12.	Cyclically adjusted deficit
13.	Public debt and privatisation revenues
14.	Policy simulations
15.	International comparison of public expenditure categories
16.	Tax expenditures
17.	State guarantees
18.	Transitory costs
19.	Sub-national government revenue by source
20.	Personal transfers, selected indicators
21.	Structural surveillance
22.	Size of the private sector
23.	Largest privatisation
24.	Registration procedures
25.	Breakdown of social security contributions

## List of figures

1.	Key indicators
2.	Investment performance
3.	Sectoral shares in value added
4.	Employment, unemployment and labour force
5.	Regional unemployment rates
6.	Regional unemployment and road infrastructure
7.	Inflation performance

8. Effective exchange rate, the trade balance and the current account
9. Potential output
10. Business indicators
11. Inflation and the NBP's inflation targets
12. Interest rate developments
13. Yield curves
14. Exchange rate
15. Monetary conditions
16. Taylor rule
17. Trends in public expenditure
18. Public spending in international comparison
19. General government outlays by economic category
20. Expenditure shares by level of government
21. Budget structure of general government
22. Reliability of monthly central government accounts
23. Social assistance and work incentives
24. Distributional impact of non-standard VAT tax expenditures
25. Domestic and international coal prices
26. Progress in privatisation in selected transition economies
27. Insolvency in Poland
28. Earnings distributions in selected OECD countries
29. Minimum wages