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Statement by the Hon. **PIOTR NOWAK,**
Alternate Governor of the Bank for **THE REPUBLIC OF POLAND**

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In 2019 the global economic expansion, while continuing, has slowed in all major economies, following a period of economic activity exceeding potential growth. Strong labor markets in advanced economies, progress in financial technology as well as an accommodative policy stance in a number of countries, have supported global growth. However, this support is offset by negative developments and increasing risks which also weaken the outlook for global growth. Risks are interconnected and could amplify each other. In particular the mounting trade tensions are the main source of concern. Even if direct effects of raised tariffs and other trade barriers may be limited so far, they have already increased uncertainty about the future of international trade. Escalating tensions are taking an increasing toll on confidence and investment, adding to policy uncertainty. They could also trigger a sharp tightening of global financial conditions with strong adverse effects for emerging economies, particularly for those highly indebted. In parallel to global risks there are a number of regional risks like geopolitical risks in the Middle East or risks inside the European Union related to Brexit.

Against this background, growth of the global economy becomes increasingly dependent on prudent, predictable, timely and well- calibrated policies designed to enhance economic and financial resilience, secure sustainable growth, promote inclusion as well as structural reforms needed to boost productivity. Mitigating and resolving trade tensions remains the major policy priority. An application of the appropriate policy mix is also among key challenges. As monetary policy faces limitations and its overburdening should be avoided, fiscal policy should support expansion where fiscal space allows. Otherwise, fiscal policy has to be prudent and designed primarily to address debt vulnerabilities. It should also avoid pro-cyclicality. The financial regulatory agenda should be completed and implemented whereas structural reforms remain essential for raising productivity, labor supply and potential growth. Upgrading international frameworks and cooperation is essential. Policymakers should act in a cooperative and concerted manner to address risks and challenges and to support robust and inclusive growth, with adequate attention to social issues.

Amid these global uncertainties and risks, Poland’s economy continues its robust, sustainable and inclusive expansion. Private consumption and investments were driving a healthy growth of over 5% in 2018, the fastest since 2007 and among the highest in the EU. For 2019 and 2020 GDP growth is projected at around 4%. Sustainable public finance is demonstrated by the plan to have a balanced state budget in 2020, for the first time in 25 years. Positive trends on the labor market, with unemployment at record low levels, prudent fiscal and monetary policies as well as sound financial sector are instrumental in enhancing economic and financial resilience and supporting expansion. Growth inequalities are being reduced through various social benefits programs and increased spending.

IMF surveillance plays an essential role in prevention against crises. In 2019 the Fund has made further progress in strengthening both macroeconomic and financial surveillance which will feed into the Comprehensive Surveillance Review (CSR) and into the Review of the Financial Stability Assessment Program (FSAP), both to be completed in 2020. Confronting risks and uncertainties, pre-empting and mitigating spill-overs, ensuring sustainability as well as integrated policy advice should be broad priorities of macroeconomic surveillance. Macro-criticality of reforms should be the key to including structural reforms into Fund's surveillance. Strengthening financial surveillance is particularly important. There is a case to enhance its quality and scope, including through a closer integration of FSAPs and Article IV consultations, a more flexible and risk-based approach to FSAPs and better tailoring them to country circumstances. Decision on the list of Systemically Important Financial Systems (SIFS) should strike an appropriate balance between comprehensiveness, quality and frequency of assessments as well as implications for Fund resources. Enhancing assessment of the effectiveness of the policy mix between monetary, exchange rate, macro-prudential and capital flow management policies is relevant for achieving sustainable growth in the environment of rising spill-overs and extending and deepening international linkages. Developing the new work stream on the Integrated Policy framework to is a good step towards this objective.

We remain committed to a strong, quota-based and adequately resourced IMF to maintain confidence in its ability to carry out its mandate and to preserve its role at the center of the global financial safety net. We aim at maintaining the current Fund resource envelope, subject to a satisfactory agreement on the adequate burden sharing. However, due to the incoming expiration of the temporary borrowing agreements, IMF resources are set to decline. An adequate quota increase could be the best solution to fill in this gap and it is regrettable that no compromise on a quota increase could be reached in the context of the 15 General Review of Quotas (GRQ). A general increase in quotas could have led to a realignment of quota shares for the most underrepresented members and strengthened IMF governance. Given the importance of ensuring the Fund remain adequately resourced, Poland approved an extension of the 2016 bilateral borrowing arrangements (BBAs) for another year. We also expect that under the 16 GRQ, the adequacy of quotas and the mix of quota and borrowed resources will be revisited as well as the realignment of quota shares based on the review quota formula will take place.

Tackling high global debt levels is an important challenge for the world economy as well as for the Fund. The build-up of debt vulnerabilities is of particular concern in many low income countries, especially in light of large investment needs in those countries. In that regard the ongoing work on debt sustainability and debt transparency remains key. Enhancing debt management practices as well as extending debt coverage are instrumental for sustainability and transparency. We welcome the multipronged approach launched by the IMF and the World Bank for addressing emerging debt vulnerabilities and we look forward to the report on the implementation of the IMF-WB recommendations on the operational guidelines, especially in the area of information sharing and transparency. We also acknowledge the work of the private sector to develop "Voluntary Principles for Debt Transparency" for private creditors. As debt sustainability is a shared responsibility, this work usefully complements efforts on the part of public sector lenders and borrowers.

While global economic growth is forecast to ease, challenges for the World Bank Group (WBG) and its clients are increasing. Stronger growth is essential for reducing poverty and improving living standards as well as for an effective support for achieving the 2030 sustainable development and climate agendas. However, heightened debt levels, subdued investment and sharp currency depreciations are holding many development countries back from achieving their growth potential. Countries affected by fragility, conflict and violence face particular challenges in reducing poverty and meeting other Sustainable Development Goals. This requires a continuous and comprehensive WBG engagement in providing development knowledge and mobilising resources needed for their implementation. In addition, the World Bank Group is facing unprecedented global megatrends such as climate change, international trade tensions, demographic trends and technological shifts which also need to be addressed. Those trends present interlinked challenges as well as opportunities for the whole Group. They call for a further implementation of the Forward Look and enhanced collaboration and coordination with other development players, including UN agencies and regional MDBs. All sources of finance and expertise have to be systematically leveraged to use the opportunities, mitigate risks and cope with aforementioned challenges.

We highly appreciate the recent World Bank Group's initiatives addressing the most pertinent areas of global economic and development agenda.

We welcome *The World Development Report 2020 - Trading for Development in the Age of the Global Value Chains,* which examines whether there is still a path to development through Global Value Chains and assesses their influence on growth, jobs, poverty, inequality and environment. More generally, the Report may help provide important intellectual leadership in understanding the impact of the Global Value Chains and trade on global development. It should also help improve the WBG offer for client countries, in particular as regards support for regional integration. The continuous focus on the development of human capital remains essential. We find particularly encouraging that over 60 countries (including Poland) across the whole income spectrum have joined the Human Capital Project under which the Human Capital Index has been created. The Human Capital Index was launched to link human capital outcomes with the productivity of the next generation. This has serious implications for jobs and for the economic transformation agenda. We look forward to further development of this timely exercise.

We commend the World Bank Group's increasing attention to the weighty issue of Jobs and Economic Transformation which is of particular importance for both the IDA beneficiaries and IDA donors. It correctly and adequately underscores the need not only for job creation but also for job quality and would welcome the continuation of work in these areas.

Over the years Poland has emerged on the international arena as a reliable development partner contributing financially to the joint efforts of the international community designed to deal with the international challenges. It transpires also at the World Bank Group, where we increased our financial contribution to the IDA18 replenishment by twofold as compared to IDA17. Poland also took part in the Bank's capital increase and has already completed the national procedures regarding the subscription of IBRD shares. Moreover, by the end of the year we are planning to join the Mobility and Logistics Multi-Donor Trust Fund.

We highly value our cooperation with the World Bank Group and see a potential of its future development. It refers not only to implementing the Country Partnership Framework but also to providing Poland's expertise to other countries, and working on further strengthening Poland's role as a development partner.