BOARDS OF GOVERNORS • 2007 ANNUAL MEETINGS • WASHINGTON, D.C.

WORLD BANK GROUP

INTERNATIONAL BANK FOR RECONSTRUCTION AND DEVELOPMENT
INTERNATIONAL FINANCE CORPORATION
INTERNATIONAL DEVELOPMENT ASSOCIATION
INTERNATIONAL CENTRE FOR SETTLEMENT OF INVESTMENT DISPUTES
MULTILATERAL INVESTMENT GUARANTEE AGENCY

J

INTERNATIONAL MONETARY FUND

Press Release No. 12
October 22, 2007

Statement by the Hon. **ARKADIUSZ HUZAREK,**
Alternate Governor of the Fund for **THE REPUBLIC OF POLAND,**
at the Joint Annual Discussion

Statement by the Hon. Arkadiusz Huzarek,
Alternate Governor of the Fund for the Republic of Poland,
at the Joint Annual Discussion

For a relatively long period, the global economy has been experiencing a **sustained, strong growth**, accompanied by moderate inflation and robust growth of international trade. It is also worth emphasizing that the geographic base of the world growth has broadened and its volatility has visibly declined.

Growth pattern **rebalancing** is among the prominent features of the performance of the global economy over the 2000s. The driving forces of global growth have been shifting towards emerging market and developing countries, with many of these economies participating in the process. They now account for a substantial share of the world growth. Several most dynamic emerging economies are increasingly playing a systemic role in the global economy. The rebalancing process also shows the capability of Central European economies to use the opportunities and to cope with the challenges of economic integration and globalization.

Since the April WEO, the balance of risks to the global economy has clearly shifted to the downside. Recent **turbulence in the financial markets**, which originated from the US sub-prime mortgage market, is a major downside risk to the global growth. The tightening of financial conditions, prompted by re-pricing of risk, can be seen as restoration of more sustainable price levels and more discipline to the credit markets. However, the risk of a protracted financial markets adjustment may lead to a visible slowing down of the global growth. This perspective might be reinforced by a set of other risks, such as volatile oil markets, disorderly unwinding of global imbalances, protectionist sentiments or geopolitical conflicts.

Against this background**, Central European** countries are a strong component in the growth pattern of emerging economies. The robust growth is the outcome of substantial structural and macro-policy improvements as well as of strengthening integration with the European Union. The main risk for Central Europe would be a slowdown in the Euro area whereas in case of the risk from the financial markets, a big and sudden shift in sentiment producing a flight to safety would disturb the growth of emerging European economies. In this context, a responsible fiscal policy, sizeable foreign exchange reserves in relation to gross external financing requirements and an appropriate exchange rate regime are helpful in cushioning the real economy from financial volatility. Improving prudential and banking supervision and the visible progress in the soundness of the banking sector are significant as well.

Recent developments in the global economy call for a clear and determined IMF action. It has to be emphasized that the Fund has been and is responding to those challenges, including by an adoption and implementation of the Medium- Term Strategy. However, further action by the IMF is necessary.

The Fund’s **surveillance** has to cope with strong challenges. A thorough analysis of the role of the financial sector and its closer integration with the macroeconomic assessments is a step in the right direction. More emphasis could be put by the Fund on the issues of complex financial instruments and institutions that deal with them. It is also highly relevant to strengthen surveillance of systemically important economies and exchange rates which helps better integrate bilateral with multilateral surveillance. In this respect, Poland welcomes the adoption of the 2007 Decision on Bilateral Surveillance over Members’ Policies. It is instrumental in upgrading the principles of the Fund’s bilateral surveillance. The 2007 Decision should help to reduce misalignments in exchange rates more effectively and thus positively contribute to international stability.

We also acknowledge the conclusion of the first round of multilateral consultations on global imbalances. This new procedure well complements other instruments of the IMF multilateral surveillance. The main players involved in the global imbalances have agreed on policy responses necessary for the orderly unwinding of imbalances. A significant issue that lies ahead for the Fund is the monitoring and assessment of the implementation of country plans.

Quota and voice is a prominent issue among the IMF **governance reforms.** These reforms should strengthen the credibility of the Fund as a global financial institution. It is very significant to timely agree on the reform of quota and voice, aiming at ensuring fair and adequate representation for all IMF members. Simultaneously, the reform should set adequate incentives to pursue policies consistent with the IMF principles. Poland is in favor of a transparent, principle-based quota formula, with a clear and strong rationale in economic terms. We consider compression as a useful instrument of rebalancing the quota distribution between advanced and emerging economies as well as we see an adequate increase in basic votes as a way of enhancing representation of low income countries.

Efforts aimed at developing a new income model for the IMF are needed to provide medium term sustainability of the Fund’s financing. Whereas we consider the proposals of the Crockett report as correctly diversifying IMF sources of income, we also believe that they should be integrated with the analysis of Fund’s expenditures.

Profound changes in the global economy and in the architecture of aid flows call for refocusing and enhancing the IMF – World Bank collaboration. Whereas we support procedural recommendations of the Joint Management Action Plan, we also see as reasonable going beyond these recommendations and focusing on a clearer division of labor between the two institutions. In that regard, it is important that the Fund is involved in tasks that fall within its core competences.