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Statement by the Hon. **PAWEL SAMECKI**,
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Statement by the Hon. Pawel Samecki,

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on Behalf of the Hon. Adam Glapinski, Governor of the Bank for the Republic of Poland

In 2016 the global economic recovery is progressing, yet growth remains modest and its outlook is uncertain. Despite record-low interest rates, most advanced economies continue to confront significant investment slack, low productivity growth and weak financial sector balance sheets in selected economies. Recent developments – including very low inflation and declining trade flows – confirm subdued global activity. New factors, such as the outcome of the UK vote on leaving the European Union, imply an increase in economic, political and institutional uncertainty. Further downside risks, such as the persistent slowdown in major developing countries, geopolitical tensions or acts of terrorism pose additional challenges to macroeconomic policy and weigh on medium-term growth prospects.

Given this fragile and uncertain global environment, we need well-designed and coordinated policies, which effectively combine monetary, fiscal and structural tools and catalyse new drivers for sustainable and inclusive growth. Moreover, we should strive to open up new horizons for development that serve the needs of all countries and societies in a globalized economy.

The continued shifts in the global economic landscape affect the European economy. Despite improved crisis management and important progress achieved since the euro zone crisis, Europe still faces economic, financial and political challenges, as some legacies of the crisis remain, while new problems have emerged. The European Union continues its efforts to reduce unemployment, bolster investment and strengthen financial sector balance sheets. Much has been done, but the ultimate effects of the measures undertaken are still to be seen. Reinvigorating growth potential and reviving economic optimism across the EU requires growth-friendly macroeconomic policies and accelerated structural reforms. Improving and coordinating macroprudential policy frameworks could also be useful in removing a burden of unresolved issues in banking sectors in several EU Member States. By stimulating convergence across the Member States, we could perpetuate the effects of our individual and coordinated policies.

In today's environment of high global uncertainty, Poland remains one of the top economic performers among the EU Member States and its regional peers. Record low unemployment and steadily rising consumption, as well as strong and well-capitalised financial system, support healthy economic expansion. Stability-oriented macroeconomic policies help to keep economic growth close to potential and limit the risks of financial imbalances. Polish authorities are also increasing their efforts to boost long-term investment, reduce income-inequality and promote sustainable and inclusive growth.

Yet, we are more than certain that given the scale and range of the global challenges, neither regional nor local action is enough to tackle today's challenges. An efficient global response will not be possible without strong and well-equipped international financial institutions which play an equally important role at the time of preparing precautionary measures as well as when it comes to taking concrete and quick remedial action.

Against this background, we continue to strongly support the active role of the International Monetary Fund (IMF) in fulfilling its mandate of ensuring global stability. 2016 has already been a particularly important time for the Fund. It is with great satisfaction that we welcomed – in January 2016 – the long-awaited entry into force of the 2010 IMF quota and governance reform. It allowed the Fund not only to significantly bolster its financial resources, but first and foremost was a major step toward better reflecting the increasing role of dynamic emerging markets and developing countries in the IMF's governance structure. We are certain it has further reinforced the credibility, effectiveness, and legitimacy of the Fund. Another historic event was the inclusion, as of 1 October 2016, of the Chinese renminbi (RMB) into the SDR basket.

Poland has always been an advocate of an adequately resourced IMF, which enables the Fund to play a central role in the global financial safety net and provides confidence to its members and financial markets, especially against the prevailing global uncertainty.

At the same time, we have reiterated that the quotas are and should remain the basic source of the Fund's financing, while the bilateral and multilateral financing is additional and temporary in its character, assisting the Fund to efficiently react when risks materialize. With this in mind, Narodowy Bank Polski has joined the global efforts to strengthen the Fund's financial capacities as a participant of both the New Arrangements to Borrow (NAB) and the Borrowing Bilateral Arrangements (BBA).

While the work on the future of the BBAs has already advanced within the Fund, we have expressed our readiness to consider committing the resources under the extended BBAs and look forward to discussing the details with the Fund. Moreover, as the current NAB decision is set to expire, we also await the commencement of the discussion on the terms of its possible renewal.

While the work on the IMF resources has significantly developed, as illustrated above, we also welcome the fact that it is carried out in parallel with discussions on the new lending toolkit of the Fund. We look forward to this debate unfolding in the coming months and hope to achieve an outcome which will further improve the current global financial safety net. While analysing the possible improvements of the current lending toolkit, it would be of key importance to build on what we have achieved so far and take into account the experience already gathered by the countries directly involved. In this regard, as a beneficiary of the FCL arrangement, Poland is willing to share its successful experience and insights.

As regards the global development agenda, it was in 2015 that we made important decisions that will impact our work in many years to come, with the highlight being the adoption of the Sustainable Development Goals (SDGs). We strongly supported the World Bank Group (WBG) as an active participant in those ambitious global efforts which has been pursuing its own twin goals, and its actions aimed at increasing its readiness to tackle new emerging challenges. Now, we sincerely hope that 2016 will be remembered in the WBG history as the year of implementation and keeping our promises.

Moving along the paths defined in the SDGs, the WBG has been preparing its overall response and strengthening its role within the global development community. We note with satisfaction that the ambitious Lima Roadmap endorsed by the Governors in 2015 has been steadily filled with content over the recent months.

The challenging yet successfully concluded negotiations on the dynamic formula are instrumental in moving forward with our work on the Selective Capital Increase (SCI) planned for next year. We hope that the SCI discussion will enable us to ensure equitable shareholding and will not result in taking a step back from what we have achieved so far in aligning the balance of voting power among shareholders.

Another key area where the outcome will define the future of the concessional lending is the process of the IDA 18 replenishment negotiations. It also includes, in broader terms, efforts aimed at an overall ability to mobilize development finance. Mindful of the scale of challenges ahead, we are aware that the successful conclusion of the IDA 18 will be instrumental and show the commitment to the development agenda.

Finally, we welcome the comprehensive analytical work on the role of the WBG in the future (Forward Look exercise to be concluded at the current AM), which has inspired us to think ahead, going beyond the daily business of the Bank. Based on our recent experience with this exercise, we believe that this type of mature reflection should become regular WBG practice, perhaps lesser in scale, though repeated on a regular basis.

We also note with satisfaction the recent approval of the Environmental and Social Framework (ESF), and we remain confident that the implementation of the safeguards will ensure the highest possible social and environmental standards of the Bank's operations, while contributing to strengthening borrowers' own institutions and procedures.

Yes, a lot has been done, yet the Lima Roadmap and its challenges continue. By no means must we become complacent. In order to make the most of our efforts, we should build on past achievements. It is crucial that we avoid the reverse effect where the most recent flow of changes negates the former, painfully crafted advances. It is relevant, among others, in the context of the dynamic formula implementation, as stated above.

Some of these efforts are reactive in nature, enhancing the Bank's readiness to deal with the consequences of the current events (as for instance the migration and refugee flows, which are unprecedented in recent history). Others are of a more visionary character,

focusing on preparing the Bank to face the future challenges. Among them are such complex and interrelated themes as the challenges posed by the *fragility, conflict and violence*, as well as the risks related to climate change.

Over the last decades, the Bretton Woods institutions have significantly contributed to world prosperity and stability. They still have an important role to play in meeting the challenges that are ahead of us. Poland has always been an engaged supporter of the multilateral system and an active member of the Bank and the Fund. We are more than certain that without the active involvement of the IMF and the WBG, the appropriate functioning of the international economic and monetary system, as well as the implementation of the ambitious 2030 Sustainable Development Agenda will not be possible. Therefore, we will further support efforts aimed at strengthening both institutions and increasing their capacity to assist all member states in coping with various kinds of economic, political and social challenges.