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Statement by the Hon. **PAWEL SAMECKI**,
Governor of the Bank for **THE REPUBLIC OF POLAND**

Statement by the Hon. Pawel Samecki,
Governor of the Bank for the Republic of Poland

In 2018 the global economic expansion continues, with the growth rate remaining steady at the highest level since the rebound from the global financial crisis. The ongoing recovery has helped lift employment and income and offered a window of opportunity to rebuild fiscal buffers and advance the structural policies needed to boost resilience, productivity and medium to long-term growth. However, over the past few months growth paths have diverged across countries and regions, downside risks have been increasing, and the window of opportunity for policies and reforms may be narrowing.

Uncertainties about future trading relations are likely to weigh on global economic momentum. Furthermore, in the context of elevated policy uncertainty, financial market conditions in advanced economies could tighten rapidly, leading to disruptive portfolio adjustments, sharp exchange rate movements, and further reductions in capital inflows to emerging markets. The vulnerability of the global economy to a possible tightening of financial market conditions is critical as public and private debt levels are very high in a number of countries. Last but not least, fiscal easing in a number of countries could raise the risk of overheating, triggering further global spillovers. Given these risks and challenges, there is an urgency for reviving multilateral cooperation to tackle them effectively.

In today's uncertain global environment, the Polish economy continues to rank in the top among the EU Member States and within the region. Robust household consumption as well as a sound and well-capitalised financial system support healthy economic expansion of around 5% for 2018 as a whole. Prudent fiscal and monetary policies help to maintain macroeconomic balances and limit the risk of overheating. The Polish authorities are successfully continuing their efforts to promote sustainable and inclusive growth, and reduce income inequality.

Taking into account the lingering trade policy uncertainties, geopolitical tensions and tighter financial conditions, we recognise that the International Monetary Fund (IMF) continues to play a key role in safeguarding the stability of the international financial system. Therefore, we support the commitment by the IMFC and G20 to further strengthen the global financial safety net (GFSN) with an adequately resourced IMF at its centre.

Poland has been advocating the view that only an adequately resourced IMF is able to respond effectively to potential crises through meeting the financial needs of its members. Thus, we appreciate the joint efforts made by the IMF and bilateral creditors to bolster the Fund's overall lending capacity through Bilateral Borrowing Agreements, which along with the New Arrangements to Borrow, constitute a temporary – yet significant – supplement to quota resources. In this respect, we are pleased to note that Narodowy Bank Polski, the central bank of Poland, continues to maintain its financial commitment to both the above-mentioned initiatives.

At the same time, we have reiterated that the quotas are and should remain the basic source of the Fund's financing. In this vein, we are committed to working towards the completion of the 15th General Review of Quotas by the agreed deadline. Therefore, the discussion should be well sequenced while all its elements should be treated as a package. This process should be fully anchored in the IMF, while taking into account the interests of all the members. Given its scale and complexity, we fully understand that a broad compromise will be required on the part of the entire membership of the Fund.

One of the themes that has gained a lot of traction in the global economic agenda over recent months is the dynamic development of new financial technologies (fintech). On the one hand we recognize the wide-ranging opportunities they offer, but on the other hand, we cannot ignore the potential risks to the financial stability they might pose. To that end, we agree that the central banks and financial supervisors should effectively monitor fintech developments and implement a consistent legal and regulatory framework to mitigate potential risks to the financial stability. As regards Poland, both Narodowy Bank Polski and the Polish Financial Supervision Authority monitor the development of the fintech market, in particular in view of the stability of the domestic financial system and the development of the payment area. Special attention has also been given to the cryptocurrencies market with – among others – an information campaign being launched to warn potential users against the risks associated with virtual currencies.

In a more global dimension, we appreciate and support the IMF and the World Bank's engagement in analysing fintech development and its implications on the member states. Against this background, we welcome the joint effort of both institutions to develop the *Bali Fintech Agenda*, which provides key considerations for policymakers and the international community regarding the benefits and risks of fintech.

Another important challenge for the world economy as well as for the IMF – as the anchor for international financial stability – is to tackle rising global debt levels. The rapid increase in debt in some emerging and developing countries poses risk to the stability of the global financial system and calls for greater multilateral cooperation in promoting sustainable financing practices.

We are certain that in this regard the IMF can be instrumental in enhancing debt transparency and sustainability by providing advice and technical assistance to member countries on designing and implementing prudent debt policies and sound public financial management. The Fund's role in surveillance and issuing early warnings of global vulnerabilities cannot be underestimated.

In this context, we welcome the joint document by the World Bank and the IMF on *Debt Vulnerabilities* presented during the 2018 Annual Meetings. We strongly believe that it will not only help to inform our discussions on this prominent issue inside both institutions, but will also contribute to a further strengthening of joint global efforts to effectively address this challenge.

As regards the World Bank Group's agenda, we still remember well the outcome of the difficult negotiations on the capital package agreed last spring. Its aim was to enable the World Bank Group (WBG) to continue its unique mission of eliminating extreme poverty

and boost shared prosperity and effectively support the achievement of the 2030 development agenda. The challenge ahead is to timely implement our commitments and carefully monitor the use of the increased resources to achieve the maximum added value. The responsibility in this regard belongs both to the staff and the shareholders.

Having completed the reform process, the WBG may now focus its full attention and resources on the achievement of the twin goals as well as other key priorities.

A financially stronger World Bank Group is to face unprecedented global challenges which call for rethinking the traditional development models. The challenges, understood both as opportunities and risks, stem from the fourth industrial revolution that is unwinding in front of us. The topics chosen by the WBG and the documents for our discussions during the 2018 Annual Meetings confirm that there is a good understanding of the key future challenges and the Bank's role in addressing them. They present a coherent vision of the economic and social changes that need to be taken into account. We very much welcome that the emerging new approach to development remains rooted in the mission and mandate of the WBG. We believe that developing human capital may significantly help the Bank in achieving its twin goals, and needs to be at the centre of our efforts both at global, regional and country levels. The Human Capital Project stresses the comprehensive nature of human capital development – which is why it requires “whole-of-government strategies”. Action is needed on many fronts, recognizing the roles of households, governments, and non-state actors in human capital formation. Finally, the efforts to improve the Bank's focus on such global challenges as disruptive technologies, financial innovations or the debt vulnerabilities also contribute to strengthening the Bank's role and relevance among global development partners.

In parallel to these discussions at the global level, the new Country Partnership Framework (CPF) for Poland was prepared and finally adopted on 5 June 2018. It was the first CPF that operationalized the new approach of the WBG, providing value for its clients across the whole income spectrum. While actively cooperating with the WBG staff on preparing this comprehensive document, we shared the conviction that the World Bank can still make a significant contribution towards Poland's economic and social development, help close the remaining transition gaps, and reduce regional disparities. It is of key importance that the WBG remains highly responsive and flexible towards the needs of its clients, providing them with the opportunity for contingency financing, should such a need arise.

We welcome the fact that the CPF is well aligned with the Polish Government's Strategy for Responsible Development (by focusing on unlocking the growth potential of catching-up regions, investing in human capital, increasing energy efficiency, tackling the issue of air pollution, improving the efficiency of the healthcare system, and addressing the demographic challenges).

2018 is a special year for Poland as we celebrate 100 years of regaining independence. This past century was a tumultuous one in our history, with periods of fast development and rebuilding wealth only to be disrupted by war; periods of social unrest and economic crises; and dealing with totalitarian regimes and the setbacks of centrally planned economy. Yet, the Polish spirit prevailed. Due to the exemplary resilience of our society, its concerted

efforts and determination – following an unprecedented socio-economic and political transition – Poland has evolved to achieve the status of a modern high income economy. The World Bank Group has been involved in this process, with delivering financing, technical assistance and advisory services. Poland over the years has emerged on the international arena as a reliable development partner contributing financially to the joint efforts of the international community to deal with the global challenges of today.