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Statement by the Hon. **MATEUSZ MORAWIECKI,**
Governor of the Fund for the **REPUBLIC OF POLAND**

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Since the 2016 Annual Meetings we have seen the world economy progressing its recovery. Global cyclical upturn is gaining momentum and is set to continue at a somewhat higher speed in the near term. Cross border trade flows, manufacturing output as well as headline measures of employment have improved in most economies, helped by firmer domestic demand and strengthened private sector confidence. Growth is also becoming more broad-based. Nevertheless, current upturn still remains moderate, exposed to risks and needs to be transformed into durable and sustainable recovery.

Furthermore, the upswing in global growth can be attributed to the coincidence of a number of specific, supportive factors at a global level, including still very low interest rates, an expansionary fiscal policy, an increasing level of corporates' profitability as well as persistently low oil prices. In addition, global benign financing conditions are also very supportive: low volatility, robust investor confidence, recovering equity prices and narrowing bond spreads. These conditions encourage capital to flow to emerging countries and pave the way for their economic recovery. It cannot, however, be excluded that some of these factors will be weaker or disappear.

Global outlook is exposed to several risks, particularly in the near and long term. In a number of advanced economies persistently low core inflation continues despite an increase in demand and creates risk of a downward shift of long term inflation expectations. Sizeable uncertainty is also associated with the process of normalization of the US monetary policy, due to its implications for the rest of the world. Favorable global financing conditions encourage an increased leverage and create credit and liquidity risks and are becoming vulnerable to abrupt reversals. It is of high importance that efforts to strengthen financial regulation and supervisions undertaken in the recent years are not reversed. Finally, two other major risks have to be underscored. First, it is a deteriorating environment for continued globalization which is increasingly blamed by many citizens in advanced economies for their unfulfilled expectations and persistent inequality in particular. Second, low productivity growth is preventing higher levels of global output growth, particularly as rapidly aging population is weighing on the longer term trajectory of productivity and output growth.

A comprehensive and collective policy response is needed to manage those risks and to make growth stronger, more inclusive, sustainable and resilient. Current favorable macroeconomic situation and its positive near term outlook provide a window of opportunity for policy makers to cope with these challenges. Given little room for the central banks' actions to support growth in many major economies, fiscal policy is becoming particularly important. It should be, in principle, calibrated with cyclical conditions. It must ensure fiscal buffers but also efforts are needed to make it growth and distribution friendly as much as possible. Macroeconomic policy cannot replace structural reforms which are absolutely critical for growth of productivity and for potential output.

Developments in the global economy affect European economies. The EU economic recovery is expected to gather speed this year and projections of the GDP growth for 2017 and 2018 have been revised upwards. The EU's ongoing expansion is becoming more broad based across member states and sectors. An improving European performance is particularly noteworthy as several EU economies have been hardly hit by the global crisis and are still overcoming its legacies, including problems in the banking sectors. The EU authorities are committed to pursue structural reforms which will modernize economies, to encourage investment, to ensure fiscal stability and to deepen monetary integration. Poland believes that one of the burning tasks for the EU, and also globally, is to address the issue of tax evasion. It is essential that we all undertake coordinated efforts, with the IMF and OECD contributing to analyzing and designing the tools and policies aimed at addressing these issues. The revenues that belong to the states and their citizens should be taken away from multinational corporations utilizing various loopholes to avoid paying taxes.

Against this background, Poland strongly supports activities of the Fund aimed, in line with its mandate, to ensure global stability. The policy advice should be focused on helping countries take advantage of the cyclical tailwinds and proceed with reforms. We continue to support the three-pronged approach with the key role of structural reforms in lifting growth prospects and enhancing resilience. We also believe that the Managing Director's Global Policy Agenda sets right policy priorities at this juncture. The forthcoming Interim Comprehensive Surveillance Review should assess the implementation of the 2014 Triennial Surveillance Review and help shape the subsequent review. While taking note of the Fund's proposal on program design in currency unions we recognize that the country surveillance should take due note of linkages among IMF members participating in monetary unions and of the specific institutional, legal and financial frameworks of the unions. More broadly, we believe that the collaboration between the Fund and regional financing arrangements should be stronger and based on rules of synergy and comparative advantage.

An uncertain global outlook highlights the issue of IMF resources and toolkit. An adequately resourced Fund as the central component of the global financial safety net, plays a critical role in crisis prevention and resolution. The IMF is and should remain a quota-based institution. We look forward to completing the 15 General Quota Review within the agreed deadlines. The NAB and bilateral loans - which the Polish central bank participates in - provide important backstop resources of temporary and extraordinary nature. While the NAB has been activated ten times proving to be a flexible and effective tool for crisis management, bilateral loans have never been used and continue to serve as a third line of defense.

Against this background and bearing in mind the NAB's deactivation in February 2016 as well as expiration of bilateral loans in 2020 at the latest, we note that adequate IMF resources are instrumental for fulfilling its mandate and building up market confidence. We are of the view that the adoption of a new Policy Coordination Instrument will enhance the effectiveness of the Fund's toolkit and of the global financial safety net as well. We also look forward to completing discussions on a proposal of the new Short Term Liquidity Swap.

Poland continues its robust economic performance. GDP growth is one of the highest among large EU economies. It is driven mostly by the increasing private consumption, improvements in labor market and favorable consumer sentiment. It is also supported by higher social transfers, which are designed to contribute to make economic growth more inclusive. Prudent fiscal and monetary policies are instrumental for maintaining macroeconomic balances. Banking sector is sound and resilient and external position is sustainable. Poland's potential growth is one of the highest among EU economies and is supported by all factors, i.e. by labor supply, capital accumulation and total factor productivity. Poland's robust economic performance is supported by the Flexible Credit Line provided by the IMF. The FCL is a valuable additional insurance against external shocks. The subsequently reduced access limit to the facility confirms Poland's strong commitment to gradually and orderly exit the FCL once external conditions allow.

As regards the World Bank Group, the triple challenge of completing the shareholding review and the IBRD and IFC general and selective capital increases will continue to be at the center of our actions in the incoming months. We are aware that building consensus on such a complex and ambitious package is a difficult exercise, which on the one hand, will need to carefully balance the interests of all shareholders, while on the other, to ensure that WBG will come out a more efficient, stronger and adequately resourced institution able to pursue its mandate. Consequently, the final set of decisions needs to be based upon a comprehensive picture embracing such strategic issues as the evolving role of the WBG in the global development policy system, the estimated demand for the financial resources of the Bank, and finally, the financial contributions of each shareholder.

The coming months will also be very active taking into account Poland's relations with the WBG, as the framework for our future medium- to long-term cooperation is going to be finalized. The recently completed Systematic Country Diagnostic presents Poland's economic and social transition as a development success story: broad-based productivity growth over the past decade has translated into remarkable progress in poverty reduction and shared prosperity. At the same time, it elaborates on fields where further actions are necessary: including implementing an innovation-led growth model, meeting the demographic challenge or ensuring fiscal and social sustainability. With this analytical stage completed, now we look forward to concluding the work on the Country Partnership Framework for Poland which will outline the specific key areas of the Bank's further engagement in our country. I am certain that it will succeed to clearly present the continued added value of the Bank's activities in Poland, while implementing the strategic goals of the Forward Look and assisting our country in achieving sustainable and inclusive economic growth.

We are proud that Poland has been pursuing the path of an emerging development partner of the World Bank Group. In the spirit of global solidarity, Poland decided to double its IDA contribution during the recently completed IDA18 Replenishment. We highly value the IDA's critical role in the development agenda and strongly support it in continuing its unique mandate and making a visible mark in the global fight with poverty.

We are ready to share more broadly – in cooperation with the World Bank - the know-how of our experts on Poland's successful transition. The success of the report Lessons from Poland - recently prepared by the World Bank - is a promising sign in this regard. It contains a very useful basis for transfer of knowledge from Poland to other transition and developing countries regarding the successful economic transformation. We hope its potential can be used to avail of our experience within the broader WBG membership.