

The contents of this document are preliminary and subject to change.

GRAY/22/520

February 16, 2022

**Statement by Mr. Moreno and Ms. Moral Betere on Republic of Poland  
(Preliminary)  
Executive Board Meeting  
February 18, 2022**

We thank staff for their insightful report and the timely selection of issues. We also thank Mr. Trabinski and Mr. Piasecki for their informative Buff statement, and we associate ourselves with the statement by Mr. Pösö. We generally share staff's assessment, which broadly concurs with that of the authorities, and would like to make the following comments.

**Strong policy support measures are underpinning Poland's swift recovery.** Although uncertainty remains high, Poland's robust growth is expected to continue thanks to the strong policy support allowed by the ample pre-pandemic fiscal buffers. Fundamentals remain strong, including adequate foreign exchange reserves, robust corporate balance sheets, and a strong labor market. Nonetheless, inflationary pressures and the still low vaccination rate pose a risk to the economic outlook. In the medium term, the EU funds will play a major role in the recovery and will be crucial in reorienting the economy towards a greener, more inclusive, digital, and productive economy. In this regard, as staff, we encourage authorities to resolve outstanding disputes with the EU in order to avoid delays in the disbursement of funds.

**Better targeted policy support should continue until the recovery is firmly underway.** We welcome that supportive measures have become increasingly targeted but note that some of the expenditures have been channeled through off-budget funds; going forward, these practices should be avoided to improve transparency. In the medium term, Poland should rebuild its buffers against potential shocks and long-term budget pressures, including population aging. *We would welcome staff's comments on the SOE strategy, given their high number.*

**The tighter monetary policy stance has been appropriate, as has the normalization of financial sector policies to preserve financial stability.** We commend the National Bank of

Poland (NBP) for its decisive actions in light of the increasing inflationary pressures. We concur with staff that further actions may be needed if inflation pressures persist. The Polish banking sector has remained resilient thanks to support measures and prudent lending and provisioning practices. Legal risks linked to FX mortgages continue to pose challenges to the banking sector, particularly to the smaller banks. In this vein, we welcome recent efforts to engage in voluntary agreements with clients to reduce uncertainty. *Finally, on the “Capital Markets Development Strategy”, could staff comment on its evolution and whether it provides financing access for SME companies during the recovery as envisaged in the previous art IV consultation?*

**EU funds will help to foster structural reforms with a focus on increasing productivity and supporting a greener, more inclusive and digital economy.** We concur with staff on the need for a structural transformation to increase long-term growth and convergence within the UE. Reforms should aim at addressing labor shortages, enhancing investment, and fostering a greener and more digital economy. On the labor market, reforms should aim at increasing participation rates and facilitating the reallocation of resources to high-productivity sectors. On the investment front, we welcome the authorities’ commitment to strengthen the public investment management system and supervision in line with staff’s recommendations as highlighted in Mr. Trabinski’s Buff; it will be key to improving the investment climate, including regulatory certainty. In regard to the green transition, decarbonization efforts will require substantial resources to cover the distributional impact of the transition. Here, we welcome the recent creation of an Energy Transformation Fund (ETF) as well as the potential of the resources coming from the Next Generation EU.

With these comments, we wish the Polish authorities all the best in their future endeavors.