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February 1, 2021

**Statement by Ms. Levonian, Mr. O'Brolchain, and Mr. Mooney on Republic of Poland
(Preliminary)
Executive Board Meeting
February 3, 2021**

We thank staff for their comprehensive report, and Messrs. Trabinski and Piasecki for their helpful Buff statement. Although the Polish economy has been severely impacted by the COVID-19 pandemic, its initial low public debt provided substantial policy space. Therefore, Poland is well positioned for the recovery, which will be bolstered by Next Generation EU funding. We agree with the thrust of staff's assessment and offer the following points for emphasis.

Targeted fiscal supports should continue until the recovery is underway. We welcome the authorities' sectoral focus in relation to the second wave of the pandemic, particularly the measures to further support SMEs. In this regard, we positively note that agencies implementing crisis programs will be subject to ex-post audits. We welcome the authorities' ongoing efforts to improve tax compliance and tax collection efficiency, which will be strengthened by the ongoing move towards enhanced digitalization.

We welcome the measures that the banks have taken to help preserve bank liquidity, maintain the supply of credit, and prepare to absorb inevitable credit losses, as outlined in Table 2. We positively note that banks can absorb significant increases in NPLs without breaching capital requirements. We note the uncertainty around legal risks pertaining to foreign-currency denominated mortgages, and welcome the authorities' requirement that banks hold additional capital against these risks. On AML/CFT, we welcome the newly enhanced independence of the KNF, which has permitted more robust supervisory oversight in this area.

A successful transition to a clean energy economy is a key challenge going forward, and we agree with staff that the Next Generation EU funding will be crucial in this regard. As staff have noted, effective coordination between the central government, which owns most coal mines, and local authorities, will be key to the productive utilization of these funds. We welcome the "Governmental Fund for Local Investments", as outlined in the Buff, aimed

at the improvement of infrastructure such as local roads, bridges, education infrastructure, and communal facilities. We note the negative impact on female employment rates in Poland as a result of the pandemic. *Can staff clarify if the authorities have taken any recent actions to encourage further female labor force participation?*