GRAY/21/335

February 1, 2021

Statement by Mr. Bhalla and Mr. Singh on Republic of Poland
(Preliminary)
Executive Board Meeting
February 3, 2021

1. We thank the staff for an analytical report and Mr. Trabinski and Mr. Piasecki for their insightful Buff statement.

2. We broadly agree with the staff appraisal. The pandemic-led recession in Poland is estimated to be among the least severe in the EU as the strategy of well-targeted policy support seems to have contained the damaging effects on employment and bankruptcies. Since the non-financial corporate sector entered the pandemic with much less leverage than its European peers, it may provide a favourable ground for the economic recovery to take hold.

3. A predominantly above the line fiscal stimulus seems to have made a direct dent on the slowing growth and jobs in the backdrop of moderate debt levels compared with its EU peers. Direct financial support, besides credit guarantees, aimed at protecting the microenterprises and facilitating wider access to credit seem to have played an important role in protecting jobs and make Poland distinct from many other EME peers. *Regarding the monetary policy stimulus, it would be instructive to understand the net effect of asset purchases by the central bank as a sizeable part of the treasury bonds and government-guaranteed securities purchased by the central banks were subsequently sterilized.*

4. It is well known that the labour market has been worst affected by the pandemic across the EMEs. Though Poland's labor markets have shown resilience, a high level of youth and unskilled labour unemployment is a worrisome feature and seems to be playing out in most EMEs. It would be useful to analyze whether this has to do with the fact that these two categories are mostly engaged in informal sectors and highly cyclical activities viz., accommodation and food services, construction, repair, and wholesale and retail trade. *It may be interesting to understand how far the stimulus measures by the authorities have been successful in preventing the job losses for these two categories.*

5. The decarbonization targets for Poland seem to be ambitious and costly given a high share of coal-powered energy, and the transition from coal energy also necessitating a transition of workers employed in the industry. Like many other EMEs and less developed countries, for a non-disruptive transition, there will be a massive demand for investment in cleaner fuel plants and technology, which will require a significantly higher scale of financing and technology transfer from the developed countries. *We would like to understand the impasse in meeting the demand of Poland by the EU partners for scaling up funding for meeting the daunting transitions of climate change.*

6. With these comments, we wish the authorities all success in their future endeavors.