Ministerstwo
Finansów

Statement by Mr. Mateusz Szczurek, Minister of Finance of Poland
Addis Ababa, July 14, 2015

Mister Chairman,

Excellencies,

Distinguished guests,

Over the past 15 years we achieved significant progress towards the Millennium Development Goals in a number of areas. We see decreased mortality rates among mothers and children, reduced number of deaths caused by malaria, AIDS and tuberculosis. Nevertheless, we all recognise the need to meet much wider and universal challenge, such as sustainable development and prosperity.

The need for action seems increasingly urgent when we look at the tragic events at the Mediterranean sea a few months ago resulting from thousands of people trying to escape poverty and armed conflicts in North Africa. This provides clear evidence that something needs to be done to address the root causes of these migratory flows in this region and elsewhere.

Soon the discussion on the new set of goals – the SDGs - will be finalized. While these goals are multifaceted, economic growth is of fundamental importance to meet them all. No-one in this hall has a perfect recipe for durable growth. Conditions enabling growth are country specific, they are also time-dependent. This means each one of us needs to identify priorities and relevant action plans, overcome obstacles and find opportunities for our citizens. Sometimes the right strategy will involve seeking international assistance. International community can definitely help, and not just through financial support, but most importantly by providing best practices, lessons learnt and good incentives.

Once you get your local policies right, funding is very rarely a problem. Looking beyond traditional development model based on public finance is needed. Private investment, both domestic and international is crucial for durable growth. Various mechanisms may be used to facilitate it, including through the involvement of international financial institutions like the World Bank or EIB. In this context it is important that IFIs regularly liaise with one another to avoid possible overlap of the projects. Focus should be kept on access to finance for SMEs and microfinance initiatives in the developing countries with the purpose of stimulating job creation, private sector growth and supporting the development of local financial markets.

Speaking as a minister of finance, I would dare to say that we tend to focus too much on financial flows between developed and developing countries and on setting and then trying to meet the numerical targets.

I am convinced that the duty of advanced countries is far greater than financial assistance. It is creating an environment which is conducive for growth and development for all countries in the world. This involves trade facilitation, easier migration and scholarship arrangements, controls on arms sale, fighting tax fraud and money laundering in all countries, even if they generate short term gain for the developed economies. I would add to this facilitating and reducing cost of remittances transfers, preventing “environment damage exports”, ruthless fight with corruption, even if it is happening on foreign soil. Let me just mention one issue in more detail.

International cooperation in the area of taxation and combating illicit financial flows is necessary in the globalized economy. Ensuring compliance with the best standards in tax policy, as well as the introduction of laws aimed at combating tax avoidance and tax evasion, avoidance of harmful tax practices and harmful tax competition should be a priority for all countries. Their application in developing countries will allow them to mobilize more resources needed to address their development needs. An example of such an international cooperation is the agreement on avoidance of double taxation which I signed with Minister of Finance of our host, Ethiopia, yesterday.

I am proud to say, my own country’s experience provides a good example of things done right. Just three decades ago, following 40 years of a communist rule, Polish government was bankrupt. Political changes put us on a path to free market and a democratic society. Rapid income convergence from really low level allowed significant improvement in most aspects of people’s lives.

26 years after the start of our transformation, our GDP is four times higher and exports – ten times higher. From being a Paris Club debtor we became a regular issuer of international bonds and also a lender to countries in need of financing.

Until 2004 Poland was still classified as a recipient of international assistance. Then in 2004 we joined the European Union and became a full-time contributor to development aid. Development cooperation is one the most important areas of the European Union's external relations and the EU is the biggest aid donor in the world, providing more than half of the global Official Development Assistance (ODA). In 2014 the EU had provided 58 billion euro in ODA, i.e. 0.42% of its GNI. Monterrey consensus and recent commitments point to a collective target of 0.7% of GNI.

Poland takes part in the financing of the EU-assistance through the EU budget and in the framework of the European Development Fund. Poland spends 440 million US dollars annually on development aid. Since the accession to the EU Polish ODA increased almost threefold. Along with other New Member States, we pledged to strive to spend 0.33% of GNI on development aid by 2030.

Today we provide not only financial assistance but also undertake projects aimed at sharing our transition experience in such areas as public sector reform, procurement, fighting corruption and money laundering, as well as education reform and local government decentralization. We believe that these projects can make a real difference whether at a local or national level. One of our priorities in the framework of the policy coherence for development in 2016-2020 will be combating illicit financial flows.

Let me end with a word of caution. For those of you, who are middle-income, or less developed countries anxiously trying to get your societies to the higher-income club, beware. Poland is in this club, and migration can still remain a major problem. Aspirations often grow faster than the economy or wages. In 2004-2007 we lost 5% of our population this way, while there are countries in the European Union that lost as much as 20%! Even once income convergence to the richest countries is complete, you still need to worry about income and wealth inequality, obesity, unemployment and incentives for work, population decline, as well as retirement arrangements. The strive for a better society never ends.