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Statement by the Hon. **ANDRZEJ DOMAŃSKI,**
Governor of the Fund and the IBRD for the **REPUBLIC OF POLAND**

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We are gathering at the 2024 Annual Meetings of the International Monetary Fund and the World Bank Group at a time of continuing global challenges that are testing the international community and its ability to act together. Against this backdrop, I do hope that the discussions in various formats in Washington will contribute to our collective response and strengthen global solidarity. It is only through collaboration and the use of our collective wits that we will be able to solve the seemingly intractable problems.

The global economic outlook is steadying amid ongoing economic uncertainty. There are reasons for cautious optimism, including easing inflation and signs of resilience in global trade, but the economy is stabilising at its weakest level in decades and many vulnerabilities remain unaddressed. Moreover, the protracted sluggishness of global growth, compounded by heightened political volatility, leaves many countries prone to economic shocks. The ongoing brutal Russian war against Ukraine and rising geopolitical tensions including the developments in the Middle East, coupled with the ongoing supply chain realignments and increasing geo-economic fragmentation, continue to negatively impact the global economy, not least in emerging and developing economies.

Decisive global and national policy efforts are, therefore, needed to address these pressing challenges. At the global level, priorities include safeguarding trade, supporting digital and green transitions, providing debt relief and improving food, water and energy security. The persistence of inflation risks underscores the need for monetary policy to remain focused on price stability. High debt levels and high debt servicing costs will require policymakers to find ways to sustainably boost investment while ensuring fiscal sustainability. To achieve development goals and support long-term growth, structural policies are needed to raise productivity, improve the efficiency of public investment, build human capital and close gender gaps in the labour market. Taking this into account, a pro-competition regulatory environment is essential. However, according to the OECD, the pace of regulatory reform has slowed in recent years, missing an important opportunity to revive the sluggish productivity growth.

In this context, there is an ongoing debate in the EU on the competitiveness gap between the EU and the rest of the world. This debate is focused on stimulating investment and cutting excessive red tape. The European economy is already largely financed by banks rather than capital markets. In the EU, banks account for 90% of household debt and 70% of corporate debt. By comparison, in the US these figures are only 40% and 20% respectively. The overarching problem is over-regulation. Rather than focusing on implementing increasing regulatory requirements, capital market infrastructure should be used to provide capital to the economy. Further integration of capital markets is an opportunity to increase the EU's capital liquidity and market attractiveness, though it also increases the risk of peripheralization of capital. It is, therefore, necessary to adopt a pan-European perspective.

Turning to the Bretton Woods Institutions, let me sincerely thank the heads of the World Bank Group and the International Monetary Fund for their leadership and excellent cooperation in these turbulent times, and for their valuable contribution to helping member countries overcome structural headwinds and multiple challenges. As the world was recovering from the COVID-19 pandemic, Russia's unprovoked military invasion of Ukraine caused a devastating impact on the global economy and led to further immense human suffering and tragic loss of life. In this regard, I would also like to express our gratitude to both institutions and their member countries for their support to Ukraine and its neighbours.

For many developing countries, external factors - including risks rising from climate change, armed conflicts, and tight financial conditions - are putting significant pressure on public finances, while access to private and official bilateral funding is reduced. Combined with other structural domestic challenges, this can constrain and deter public and private investment. The Bretton Woods Institutions and other International Financial Institutions (IFIs) should enhance partnership and work closely together to address these development challenges, combining growth-enhancing policies, domestic resource mobilisation, capacity building, targeted concessional financing, private capital flows and, where necessary, debt management support. In particular, attracting private capital is crucial as it can help raise productivity and increase aggregate effective demand by addressing long-standing capital shortages and imbalances, thereby reducing public debt vulnerabilities directly through growth and indirectly through increased hard currency inflows. However, private capital flow is hampered when there is no appropriate business environment, transparent regulations and public institutions. Thus, these factor plus country sustainability are crucial to attract and leverage private capital, without which financing the huge needs of developing countries is impossible. Close cooperation between IFIs is essential to avoid overlap and duplication and to allow IFIs to fully use their competitive advantages and their catalytic role, according to their respective mandates.

We see merit in helping countries address high debt vulnerabilities in a comprehensive manner as they need to address their debt challenges as a matter of priority. We strongly support the IMF work on debt-related issues, including work towards more effectively coordinated case-by-case debt treatments under the Common Framework and beyond. We also welcome the IMF's initiative, together with the World Bank, for a holistic 3-pillar approach. To make this proposal more complementary, it should also include policy conditionality, taking into account that sound macroeconomic policies are key to addressing the root causes of debt vulnerabilities. Moreover, the proposal should not focus only on liquidity problems. In cases of unsustainable debt, timely debt restructuring is essential. We therefore support an approach that addresses both liquidity and solvency challenges.

Poland has always supported the strengthening of the IMF’s unique role at the centre of Global Financial Safety Nets by using its authority and mandate, the full range of its lending toolkit and other instruments aimed at maintaining global financial and macroeconomic stability. Currently, time is of the essence given the agreed deadline of 15 November 2024 to complete domestic procedures and provide national consents to the respective quota increases, New Arrangements to Borrow rollback and Transitional Arrangements for Bilateral Borrowing. I am pleased that Poland was one of the first countries to deliver on this package. Going forward, we will work constructively on possible approaches to guide a realignment of IMF quota shares, as agreed in the IMFC Chair's statement in October 2023, in the context of the 17th General Review of Quotas by June 2025. In our view, the current formula has worked well and is meeting the objectives of the realignment. We very much welcome the creation of a 25th chair for sub-Saharan Africa, which will improve the overall balance of regional representation at the IMF Executive Board. I am also pleased with the Fund's expansion and welcome Liechtenstein as the 191st member of the IMF.

We welcome the holistic review of IMF charges and surcharges on policies that affect the overall cost of borrowing from the IMF. We recognise that some adjustments to these policies are warranted in light of the sharp rise in global interest rates and the increase in the Fund's income. We also take note of the staff's assessment that the Fund's income outlook for the coming years remains robust and that the target of SDR 25 billion in precautionary balances by the end of the financial year 2024 has been achieved. We recall that any review of the IMF charges and surcharges policies needs to consider that these are an integral part of the Fund’s credit risk management framework which establishes the generation of income to protect the Fund’s balance sheet and provides price-based incentives for prudent borrowing and early repayment, thereby helping to preserve the revolving nature of IMF resources and the overall objectives of IMF lending. In this regard, we emphasize the importance of assessing borrowing and lending policies in a holistic manner.

We believe that a combination of financing and lending policy measures is needed to achieve the self-sustaining lending capacity of the Poverty Reduction and Growth Trust (PRGT). In our view, support to the PRGT will need to be highly catalytic. To this end, borrowing countries should strengthen policy frameworks, including through full implementation of programmes, strong domestic resource mobilisation and sound debt management. We support the introduction of a differentiated interest rate structure as an appropriate mechanism to tailor financing costs across beneficiary countries, while maintaining the concessional nature of PRGT lending. We agree on the need to preserve the most favourable terms for the poorest members. We are open to work on viable solutions, consistent with the Articles of Agreement, to adequately finance the PRGT subsidy account and ensure the self-sustainability of the PRGT in the medium term. Gold sales should be the preferred option, as they could provide significant and stable resources in the medium to long term.

As the world in 2024 is still facing an unprecedented series of global multi-crises, it is our collective responsibility to achieve new ambitious MDBs targets. This requires bold, unconventional and decisive action by the MDBs in the broader context of reforming the global development architecture. The MDBs, including the World Bank Group, are currently deeply engaged in processes to review their fundamentals, such as mission, operating model and financing. While these processes are managed individually, given the specificities of each MDBs, they should collectively contribute to the creation of a coherent, appropriate and relevant global system. In this context, we support the World Bank Group's efforts under the WBG Evolution, as we need better and more effective WBG to address global challenges and maximize development impact.

We welcome progress on balance sheet optimization measures and on innovative financial instruments as well as on WBG Corporate Scorecard to enhance the focus on impact. In this context we endorse a package of four measures that will, on one hand, increase the lending capacity of the WBG by USD 30bn in next 10 years (by lowering Equity to Loan ratio from 19% to 18%) and improve financing conditions for the client countries (by reforming the IBRD pricing), while on the other hand strengthen the bank’s capital adequacy framework (through the adoption of a Framework of Restoration Measures and Enhanced Callable Capital). We believe that reviewing the pricing of IBRD loans could be accompanied by rationalisation of non-price conditions that affect the overall cost of financing and hence demand. For example, we believe that the requirement for a government guarantee (required of public sector entities and local governments) could be reviewed. Similarly, the requirements for additional audits and inspections could also be re-evaluated as they place an unnecessary burden on the beneficiaries.

We also commend the World Bank's efforts in compiling and publishing the first edition of the B-Ready Report. It is legitimate to resume benchmarking the business environment and investment climate in the world's economies. The new methodology and format of the report provide a useful reference point and incentive for governments to implement business-friendly reforms. We support the One WBG approach and the six Global Challenge Programs, designed to tackle key global issues with greater scale, speed and impact by bringing together the public and private sector arms of the Group for a more effective crowd-in of public and private sector solutions and financing.

We support the agenda for the shareholding review starting in January 2025. The selection of the shareholding benchmark is an important prerequisite for the upcoming review. While we are open to considering all options, we see merit in aligning Bank and International Financial Corporation shareholding. We see the post-2018 IBRD shareholding benchmark as the simplest solution. While we recognise the ongoing work on private sector indicators, there is a need to better understand the proposal to use them as a benchmark. We should avoid a benchmark that runs counter to the interests of developing and transition countries with less developed private sectors and ensure that such a benchmark is consistent with the Lima Principles.

The International Development Association (IDA) plays a crucial role within the World Bank Group, especially in the current context of overlapping global crises. IDA's action have gained significant importance as they offer a vital opportunity for addressing pressing challenges and enabling countries to return to a sustainable development path. We are particularly interested in exploring how we can support IDA's efforts, given our own experience as a country in overcoming crises and achieving growth. We are hopeful that the 21st replenishment of IDA is successful and contributes to creating lasting positive impacts for the world's most vulnerable regions.

Finally, I would like to thank Managing Director Kristalina Georgieva and President Ajay Banga, as well as the Staff of the Bank and the Fund, for their hard work and dedication, especially over the past challenging months, and I look forward to continued fruitful cooperation in building a more prosperous, sustainable and inclusive world for all.