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Statement by the Hon. **PAWEL SAMECKI,**
Governor of the Bank for the **REPUBLIC OF POLAND,**
at the Joint Annual Discussion

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Governor of the Bank for the Republic of Poland,
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Dear Mr. President, Dear Mr. Managing Director, Mr. Chairman, Distinguished Delegates, Ladies and Gentlemen,

It is a great honor for me to participate in the Annual Meetings of the World Bank and International Monetary Fund. It is extremely important to gather here and I am grateful to the staff of the Bank and the Fund for their efforts in organizing this event.

When we met last year, we reflected on potential risks linked to the turmoil on financial markets. Today we know that most of these risks have turned, unfortunately, into real problems that we need to face. We are observing diminishing confidence to and within the banking sector, massive support actions by central banks and governments, as well as decreasing growth rates across the developed world.

Developing economies have been rather resilient, but they are still faced with the huge challenges of food and oil prices. Inflation has reached double digit rates in many parts of the world. Tighter credit and liquidity conditions are expected to limit investments. These problems complicate significantly the task of monetary authorities worldwide. They may also slow the pace of growth that has helped in lifting many people out of poverty in the last decade. In brief, we have just entered a global uncertainty, and although the roots of the problems lie in the policies and behavior of financial entities in certain countries, the global institutions should help put things back to order.

The severity of the current financial turmoil showed that there was no clear warning system that could have identified symptoms of forthcoming turbulences and help mitigate negative spillovers. Such a system would require effective regulations for financial sector and cooperation between national financial supervisors. At the same time, the depth of the crisis provoked an intensive debate on how far the national institutions can go with using taxpayer’s money for reforming country financial systems. Nevertheless, the uncertainty surrounding the potential economic consequences calls for rethinking the role of the global institutions. The question arises how challenges linked to the international consequences of internal financial crises should be monitored and analyzed.

There is a crucial role to play for the International Monetary Fund in restoring confidence and proper functioning of the world financial markets. It is important to underline the Fund's role that is to be based on effective surveillance. This should cover fundamental macroeconomic linkages between the financial sector and the real economy. The IMF’s cooperation with the Financial Stability Forum should result in a strengthen prudential financial regulatory framework implemented and adhered to across the whole membership. Against this backdrop we consider the Financial Sector Assessment Programs (FSAP) to be one of the key elements in the Fund's toolbox which provides the governments with clear guidance on preventing and coping with the crisis. As a sign of the importance of the FSAPs we note that the FSAP-recommended enhancement of the cross-border cooperation between the national financial regulators has been thoroughly tested in the recent days.

The Polish financial system still appears to be highly resilient to the turmoil, with no evidence of contagion effects. Nevertheless, there are risks that the slowdown in the euro area will negatively impact the near term growth prospects of all Central and Eastern European countries.

Unfortunately, the problems of the financial markets have coincided with a global rise in oil and food prices, as well as with the need to counteract global warming. We highly appreciate the World Bank Group's work on global public goods, and, in particular, on reconciling development and climate issues. We welcome the country-led, knowledge-based and results–oriented approach presented in the Bank's Strategic Framework. We share the opinion that taking steps against climate change should not compromise progress towards achieving the Millennium Development Goals. It should also take into account the specific situation of both developed and developing countries that heavily depend on carbon-intensive energy sector.

Global development issues are broadly related to the global governance. We welcome the process of the reform at the Bretton Woods institutions, with its objective to enhance the voice and representation of developing and transition countries. We also note with satisfaction the ongoing IMF governance reform, as well as the review of the Fund's lending framework, which aim at reducing overlaps and making financial instruments more coherent.

Thanking once again the staff of both the Bank and the Fund for their work, I believe that these Annual Meetings will conclude in providing guidelines necessary to find appropriate solutions to the economic challenges we currently face.