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Statement by the Hon. **MAREK BELKA,**
Governor of the Bank for the **REPUBLIC OF POLAND**

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We are meeting in Tokyo at the time when the slow global recovery is still subject to significant downside risks. The prospects for the world economy are still burdened by the ongoing financial crisis, the return of recessionary tendencies in the euro area, the hesitant recovery in other advanced economies and the weakening of growth in emerging market economies. The risk of reaching so-called 'fiscal cliff' in the United States is yet another source of uncertainty. High commodity prices, concerns about high public and private debt, unfinished deleveraging processes and rising unemployment rates are all factors that negatively affect market confidence and the prospects for a strong and sustainable recovery. The developing countries continue to grow at a much faster pace than the advanced economies but the recent slowdown in some key emerging markets shows that they too are not immune to adverse spillovers from the high income countries. In some cases, the slowing economy may also reflect the need to strengthen the supply response in view of the emerging capacity constraints.

Against this background, the economic growth in Central and Eastern Europe (CEE), after a relatively solid recovery following the 2008-2009 recession, started to slow down in the second half of 2011. The average annual GDP growth declined to 1.7% in the first half of 2012, compared to 3.6% in the first half of 2011. This slowdown is mostly the result of weakening external demand, but it also reflects deteriorating domestic conditions. The recession forecast for the euro area will certainly weaken the outlook for the CEE economies by slowing the export growth which was the main factor supporting recovery in 2010-2011. The ongoing fiscal consolidation in most CEE countries, the deteriorating conditions in their labour markets and the negative impact of foreign bank deleveraging on access to external financing will not allow the domestic demand to fully compensate for weaker exports. Some moderate improvement in growth dynamics can only be expected for 2013.

Poland has so far managed to avoid the most serious risks. The economy fared well throughout the crisis, with robust and well-balanced growth in 2011. Despite a fiscal adjustment and challenging external conditions, real GDP expanded by a solid 4.3% in 2011, driven by a strong rebound in fixed investment and net exports. However, due to Poland's strong economic links to the rest of Europe and relatively large external financing needs, adverse spillovers pose non-negligible risks to the economy.

The global nature of the risks to the recovery from crisis, the spillovers effects, the complexity of problems affecting the world economy, they all call for coordinated efforts on a global scale. The international community has already responded to these challenges by implementing a number of measures, both on a global and regional scale, aimed at fostering growth, stabilizing financial markets and enhancing resilience. But more still needs to be done. This important gathering of IMF and World Bank Governors, as well as business and NGOs representatives constitutes yet another opportunity to further advance the work on solutions to the problems and challenges we all share.

Poland has been actively supporting regional and multilateral responses to the global crisis. We acknowledge the important role of the Fund, the World Bank Group and other international financial institutions in the efforts to effectively respond to the global crisis and pave the way to restoring a well-balanced and sustainable global growth.

With this in mind, Poland has been supporting the efforts to enhance the IMF's capacity to effectively and timely address the challenges facing its members and the whole international monetary and financial system. Since November 2011, the National Bank of Poland has been a participant in the expanded New Arrangements to Borrow. Poland is also among the countries that declared their willingness to take part in the process of increasing the IMF resources through the provision of bilateral loans. It will significantly enhance both the Fund's crisis prevention capacity and its ability to respond to the potential financing needs of its members.

The current crisis has also increased the risk of a disorderly deleveraging of parent banks in Western Europe vis-à-vis their affiliates in the countries of Central, Eastern and

Southeastern Europe (CESEE). A good example of a timely response to this challenge is the Vienna Initiative 2.0, which builds upon the success of the Vienna Initiative 1.0 that helped avoid the risk of a potentially region-wide systemic crisis in emerging Europe's banking system at the height of the global financial crisis of 2008/2009.

Re-launched in 2012, in response to the renewed risks for the region from the Eurozone crisis, the Vienna Initiative 2.0 is a unique forum that brings together International Financial Institutions (IMF, EIB, WB, EBRD); EU institutions (EC, ECB, EBA, ESRB); home and host country regulators, central bank and fiscal authorities; as well as the largest cross-border banking groups operating in the EBRD region. It focuses on fostering home and host authority coordination in support of stable cross-border banking. Its main aim is to help avoid disorderly deleveraging, resolve potential cross-border financial stability issues and achieve policy actions that best serve the joint interests of home and host countries.

While discussing the challenges we all face, the Bank should be commended for having chosen Jobs as the topic of this year's World Development Report. We see the need to place this issue at the center of multilateral dialogue and address the role of jobs both as regards generating GDP growth and as a key component of development policies and poverty reduction strategies. The answer to the question of how economic policy targets can contribute to increasing employment in sectors that are crucial to long-term growth and broader development objectives is of key importance at any time (not exclusively in time of crisis).

There is no doubt that by leveraging the results of its own research and by sharing the accumulated knowledge, the World Bank Group can play an important role in providing a comprehensive diagnosis and assisting countries in their efforts to create jobs that are beneficial to development. However, when undertaking these global efforts, it is important to keep in mind there is no one-size-fits-all policy advice suitable for every country and the proposed solutions have always to reflect the economic, social and political realities of a given country. There is a need to ensure good coordination and an effective exchange of information between all international institutions providing advice and support in the area of job creation.

Last but not least, it is important to address the issue of the Middle Income Countries (MICs). These countries, which still benefit substantially from the World Bank Group's assistance, constitute both immense opportunities as well as some important challenges for the global development policy. The MICs provide already a very substantial contribution to global growth and wealth creation, but at the same time they still shelter the largest part of the world's poor. The Bank and the Fund need to continue to offer the MICs the financial and policy support to enhance their growth prospects and help them reach broader development objectives, in particular in reducing poverty.