

*Opening Remarks - Philippe Le Houerou, World Bank Vice-President for Europe and Central Asia
ECA Economic Update Press Briefing, Istanbul, October 3, 2009*

Thank you all for coming today. We are meeting at a very difficult time for the region of Eastern Europe and Central Asia.

For many people living in this region, the global economic crisis has literally hit home.

Just before coming to Istanbul, I visited Ukraine and Russia, which are both being hit hard by the crisis and where GDP is expected to experience sharp drops in 2009.

In Moscow, I gave a speech to an investors' conference and I compared the September 2008 financial crisis to a heart attack.

G-20 countries have helped to stabilize the world economy. To counter the intense financial crisis and colossal collapse of global demand, we have witnessed an aggressive and coordinated global loosening of monetary and fiscal policies. This has helped to avoid a major depression, and we are now seeing signs of recovery.

The crisis hit Emerging Europe and Central Asia hard, although some countries, such as Poland, have fared better than others.

What started as a financial crisis has become a social and human crisis. Just as banks were under stress, families are now the ones under severe stress as they see breadwinners lose their jobs and have trouble paying their bills.

It is important to recall that the global crisis has come on the heels of the food and fuel crises, which had already weakened people in the region by reducing their purchasing power. Today, rising poverty and unemployment are pushing households into poverty and making things even harder for those already poor.

Already, unemployment in the region has increased from 8.3 million in 2008 to 11.4 million in 2009.

Also, poverty is growing. Instead of falling by 15 million in 2009 as projected before the crisis, the number of people who are poor or vulnerable to poverty is expected to rise by about 15 million.

Today, the patient is slowly recovering. Much of the world is getting good economic news this autumn. But the question is how long the recovery will be. One danger today is that we may get into a weak, jobless recovery.

Post-Crisis Will Look Different

As you can see from the slide behind me, the financing needs in Emerging Europe and Central Asia are the highest of any region of the world – by a long shot.

As the impact of the stimulus packages dissipate at the global level, the private sector will need to take over as the engine of economic recovery and growth.

The post-crisis world is likely to be more competitive. The very high inflows of capital of previous years are not likely to return to the same levels. Adjusting to this world will be a challenge for many countries in the world and certainly in the region.

In this context, the role of the international financial institutions is to help countries get back in gear. For us in the World Bank, this means essentially focusing our support to governments on four key areas:

- First, cleaning up the banking sector so that banks can provide a lifeline for firms and businesses to grow and create jobs,
- Second, improving the business climate to attract private capital flows,
- Third, making public spending more efficient so that the benefits reach working families,
- And fourth, continuing to finance key public investments in infrastructure.

This is the basic message I will share with finance ministers from many of the countries in the region as I meet them during the next few days.

That is it from my side. I want to turn over now to Indermit who will go more in depth on the crisis and how it is affecting countries in the region.

-###-