

Warsaw, August 18, 2006

Statement of Leszek Balcerowicz

In connection with public pronouncements of some members of the „banking” investigation commission, who represent the governing coalition, I state as follows:

- I. The politicians’ announcements of establishing Investigation Commission turned up just after Mr. Cezary Mech was lawfully excluded from the meeting of the Commission for Banking Supervision which took place on March 8, 2006. The Investigation Commission itself was established on March 24, 2006 and it coincided with the last phase of examining the application of Unicredito for approval for exercising ownership rights at the General Meeting of BPH bank shareholders and before making decision on that issue. The Chairperson of the Commission, Mr. Artur Zawisza pointed at actions of the Commission for Banking Supervision as a „direct cause of” establishing this Commission (interview given to the Ist programme of the Polish Radio on May 15, 2006). In this connection it should be recognised that retaliation for the exclusion of Cezary Mech from the CBS works, the fact that the CBS did not surrender to political pressures put on it at earlier stages of the proceedings and intention to

put political pressure on CBS before the decision is made are the real causes of the establishment of the Investigation Commission, and not published “irregularities” in the area of banking supervision or bank privatisation, or the alleged conflict of interests. Those arguments appeared in public statements of some representatives of the governing cast as a trial of justifying the decision which was made for completely different reasons.

It should be reminded that the decision on establishing the commission was taken despite negative opinions of experts – constitutionalists. It causes a significant risk of undermining real independence of the central bank which is a necessary guard of monetary stability. Every future President of the National Bank of Poland should be conscious that decisions contradictory to the expectations of politicians may expose him/her to a burdensome hearing in front of an investigation commission appointed for whichever reasons. We do not have to do here with any personal problem but with a fundamental, constitutional one. In the course of unlimited (brake-deprived) political fight threats for constitutional basis of money stability are created.

It is worth reminding that as a reaction to the decisions of the Commission for Banking Supervision the works on liquidation of independent banking supervision speeded up; this time despite a warning from the European Central Bank and International Monetary Fund. The required act was adopted in a pace and mode which made any substantial discussion impossible. In such a way

another menace for the resistance of our economy to shocks – and no one country is free from them - has been created.

II. The composition of the „banking” commission has been set up in such a way that it is possible now for the governing coalition to vote through any motions related to the examined issues and any conclusions. In such a way basis for a triumph of a part-truth over simple truth has been created.

In addition to that the conclusions–judgements are publicly formulated just at the beginning of the commission’s activity. Is there any different way to treat the pronouncement of the Chairperson of the commission saying that: „One thing is sure: the commission has its skeleton in the cupboard. This is unsound banking system. We have to establish how the crime was committed” (the meeting of the investigation commission, May 9, 2006). This was accompanied by similar statements of some other members of the commission representing the governing cast.

The principle that conclusions appear at the end of any explanations is a rudimentary principle of every honest investigative proceedings, to say nothing of juridical proceedings. So, we have to do here both with party-truth and party-idea of justice.

III. This party-idea of truth and justice have been also manifesting since the beginning of the commission’s operations in attempts at producing a false image

which is to justify the thesis of the existing conflict of interests which is supposed to concern me. Such a manipulation is particularly visible in statements of the Chairperson of the commission.

1. A. Zawisza repeatedly used the term „Balcerowicz’ foundation” stating that "this is commonly used name” (among other things on March 14, this year in his speech at the Sejm). He did not present any evidence for this, because such evidence does not exist. The use itself of such wording is to create – in a clearly manipulative way – a false impression that together with my wife we manage the CASE scientific institute on daily basis. Whereas, as it results from public announcements, which are compliant with the actual state, since 1997 I have not been active in any bodies of CASE. Such an accusation is as valid as its false basis is. Based on this false principle it is easy to formulate accusation of conflict of interests.

2. In his pronouncements A. Zawisza entirely passes over issues of decision making procedures in the Commission for Banking Supervision (CBS) and the General Inspectorate of Banking Supervision (GIBS); trying this way to create a false impression that the decisions within the confines of the banking supervision could have been made arbitrarily and individually by the Chairperson of the Commission for Banking Supervision, thus there was „a

conflict of interests”. Whereas the procedures adopted by the National Bank of Poland eliminated and still eliminate such a possibility:

- Every application related to a bank gets to a professional executive body of CBS – namely CIBS.
- The application is transferred by the GIBS management to a proper office where the application is analysed. The office collects necessary documentation and - if it is required - consults the issue with other offices and the legal department. As a result of the whole process a document is produced. It includes a synthetic description of proceedings carried out by GIBS, evidence and proposal of a solution (a recommendation). Several or more than ten employees are responsible for the preparation of this document. They sign on respective documents.
- The decisions are only made based on the discussed document. Core decisions are taken by a multi-person body – the Commission for Banking Supervision. It consists of: the NBP President, the Minister of Finance, a representative of the President of the Republic of Poland, the Chairperson of the Management Board of the Bank Guarantee Fund, the Chairperson of Polish Securities and Exchange Commission, a representative of the Minister of Finance, the General Inspector of Banking Supervision.

– The whole procedure of preparation and decision making process is based on formal rules and all stages of the decision making process are transparent (documented). In addition to that banking supervision operation procedures are subject to internal control by specialised NBP units.

3. A. Zawisza – in his pronouncements – tries to create false impression that the scientific activity of the CASE institute is financed mainly by banks. Whereas information sources (CASE web site), used by A. Zawisza in a manipulative way – as it may be seen, explicitly show that bank funds constituted a marginal part of total external funds raised by CASE. In 2005 it was 8.28 % of the budget. The European Commission (25.3 %) and the United Nations Development Program (17.78 %) are much more important fund donators. The Bank resources were used to finance scientific scholarships, public seminars, scientific research and banking sector related publications.

IV. The conflict of interest imputations should not hide the authentic problem, namely what kind of organisations are operating in non-governmental sector and what is the role played there by politicians. Well, two types should be distinguished here. Organisations of the first type raise finance mainly from one or several sources (public in particular) and they do not have documented results of their external activity. Such organisations may be called organisation of

internal benefit as one may assume that they serve only to provide finance for people related to them.

The second type of organisations has different sources of finance (including the fact that they benefit from public finance in very limited extend) and they operate externally to a large extend and the effects they achieve are documented and well recognised. Only such organisations are worth to be called organisations of social benefit. Only such organizations contribute to the creation of a civic society. It would be good if the politicians and free media presented to the public information about the type of organisations the representative of our public life were and are involved in. This will minister its true transparency. Surely it will serve it better than advocating the party-idea of truth and justice.

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