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**THE WORLD BANK**

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## **NEWS RELEASE**

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### **Crisis hurting developing world, G-20 must restore confidence- Zoellick**

*Forecast sees sharp slowdown in growth in developing world, putting poor at risk*

**London, March 31, 2009** — World Bank Group President **Robert B. Zoellick** said there would be a sharp slowdown in economic growth in the developing world this year, putting more poor people at risk, and the Group of 20 must not shrink from combining ideas and actions to restore confidence in the world economy.

Speaking at a Thomson Reuters Newsmaker in London, **Zoellick** said many of the immediate challenges of the crisis could be addressed if the Group of 20 reformed and empowered existing international institutions to help resist protectionism, evaluate the effectiveness of stimulus packages, and monitor banking reforms.

“This is not a moment for complacency. It is not a day for expressing false confidence that all has been done that can be done. It is not a time for narrow nationalist or even regional responses. The one certitude we can draw from events over the past year is our inability to predict what is to come, and how it may trigger other unexpected events,” **Zoellick** said in his speech ahead of the G-20 summit in London.

**Zoellick** said new data from the World Bank showed that economic growth in developing countries would slow sharply to 2.1 percent in 2009, a more than three percentage point decline from last year. Growth would actually decline in Central and Eastern Europe, Central Asia, and Latin America and the Caribbean. An estimated 53 million more people would be trapped in poverty this year, subsisting on less than \$1.25 a day, because of the crisis. The world economy would contract by 1.7 percent this year compared to growth of 1.9 percent in 2008 – the first global decline since World War II. Global trade in goods and services would fall six percent this year, the largest decline in 80 years.

Poor people in developing countries had far less of a cushion to protect them against the effects of the crisis. “In London, Washington, and Paris people talk of bonuses or no bonuses. In parts of Africa, South Asia, and Latin America, the struggle is for food or no food,” **Zoellick** said.

Citing World Bank initiatives in microfinance, infrastructure and bank capitalizations, **Zoellick** said it was important for governments, international institutions, civil society, and the private sector to mobilize resources and constantly innovate.

As an example of the World Bank's latest innovation, **Zoellick** said he hoped the G-20 would endorse a new \$50 billion Global Trade Liquidity Program. The program combines a \$1 billion investment from the World Bank with financing from governments and regional development banks. These public funds can be leveraged by a risk-sharing arrangement with major private sector partners, such as Standard Chartered, Standard Bank, and Rabobank.

"G-20 backing will help us gain more momentum, thereby increasing support," **Zoellick** said.

**Zoellick** noted that those who had recognized the scale of today's crisis were calling for new global governance regimes. But the immediate challenge is to reform, empower, and use existing institutions more effectively, including by giving developing countries more representation.

"If leaders are serious about creating new global responsibilities or governance, let them start by modernizing multilateralism to empower the WTO, the IMF, and the World Bank Group to monitor national policies," **Zoellick** said. "Bringing sunlight to national decision-making would contribute to transparency, accountability, and consistency across national policies."

**Zoellick** said leaders should learn from previous economic crises in Latin America in the 1980s and Asia in the 1990s and not repeat the mistake of ignoring the plight of the most vulnerable. Developing countries needed to be part of the global solution to the global crisis.

"Isn't it time to institutionalize support for the most vulnerable during crises, especially those not of their own making?" said **Zoellick**, who has proposed that developed countries allocate 0.7 percent of the stimulus packages to a Vulnerability Fund for developing countries. "A commitment to put in place structures to support and fund safety nets for those most at risk would go a long way to show that this G-group will not endorse a two tier world – with summits for financial systems, and silence for the poor."

"We have seen over the last six decades how markets can lift hundreds of millions of people out of poverty while expanding freedom. But we have also seen how unfettered greed and recklessness can squander those very gains," **Zoellick** said. "For the 21st Century, we need market economies with a human face. Human market economies must recognize their responsibility to the individual and society."

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