World Bank launches $2 bn Fast-Track Facility for World's Poorest Countries Coping with Global Financial Crisis

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W**ashingtonDC, December 10, 2008 –** The World Bank Group yesterday announced the creation of a $ 2 billion fast-track facility to speed up grants and long-term, interest-free loans to help the world's poorest countries cope with the impact of the global financial crisis.

The International Development Association (IDA) Financial Crisis Response Fast-Track Facility, approved on Tuesday by the World Bank's Board of Executive Directors, will allow the Bank Group to provide rapid funding for social safety nets, infrastructure, education, and health.

"The poorest people will be hit the hardest by the crisis that is likely to get worse next year. Our Global Economic Prospects report projects developing country growth will be 4.5 percent next year, down from 7.9 percent in 2007. We want to help countries manage this downturn with rapid financing to help minimize its impacts and by assisting them in designing supportive policies," said World Bank Group President **Robert B. Zoellick**.

The facility would fast-track an initial $2 billion of the $42 bn of IDA15 resources available to 78 of the world's poorest countries over the coming three years.

"We cannot afford business as usual. We need a human rescue package, not just a financial rescue package – and we need a new rapid response capability to make sure the money gets quickly to where it is most needed. Already 100 million people have been driven into poverty as a result of high food and fuel prices, and we estimate that a 1 percent decline in developing country growth rates will trap 20 million more people in poverty.," said **Zoellick**.

The facility will foster rapid Bank response to the pressing needs of IDA countries based on more swift World Bank analysis of those needs. It will finance expenditures needed to maintain economic stability and sustain growth, address volatility, and protect the poor. Operational responses will include funding budget expenditures in infrastructure services, education, and health and social safety nets.

"We hope that our development partners will also benefit from our early assessment of what these countries need to help anticipate, pre-empt and manage the crisis," said Managing Director, **Ngozi Okonjo Iweala**. *"Most importantly, we hope that this facility can help leverage additional resources from other development partners to address this crisis."*

The new IDA Facility builds on the Food Crisis facility created earlier this year to support countries hit hard by the food crisis. Last month the Bank Group announced 3 other initiatives to help confront the financial crisis including a doubling of the Global Trade Finance Program to $3 billion, a global equity fund , supported by the Government of Japan to recapitalize distressed banks, and a new facility to provide roll-over financing to existing, viable, privately funded infrastructure projects facing financial distress.

Background:

The full impact of the global financial crisis will hit IDA countries later than higher-income countries, but the development costs will be higher there. In low-income countries the financial sector is less well integrated into global financial markets; therefore, the direct effect on the financial sector will be significant only in countries with plans to access markets and those with high foreign bank presence.

The impact in other countries, largely indirect, will be felt through: slower investments; reduced remittances; reduced tourism receipts; reduced availability of credit, such as trade finance; falling terms of trade; and slower export growth (global trade is projected to decline in 2009, for the first time since 1982). The impact of the crisis in developed countries may also lead to shortfalls in bilateral aid flows, making economies that were already fragile less able to cope with internal vulnerabilities and development needs.

IDA and Blend countries that can demonstrate a significant impact from the crisis would be eligible. The facility would be based on strong country analysis focusing on (a) the impact of the financial crisis on household welfare, growth, capital flows, financial sector, trade finance, infrastructure development, employment, balance of payments, and government budget, financing, and debt sustainability; (b) government plans for policy response; and (c) financing needed to address the impacts while maintaining expenditures in key sectors, including the social sectors and infrastructure.

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