The Impact of Global Financial Crisis and the World Bank's Response

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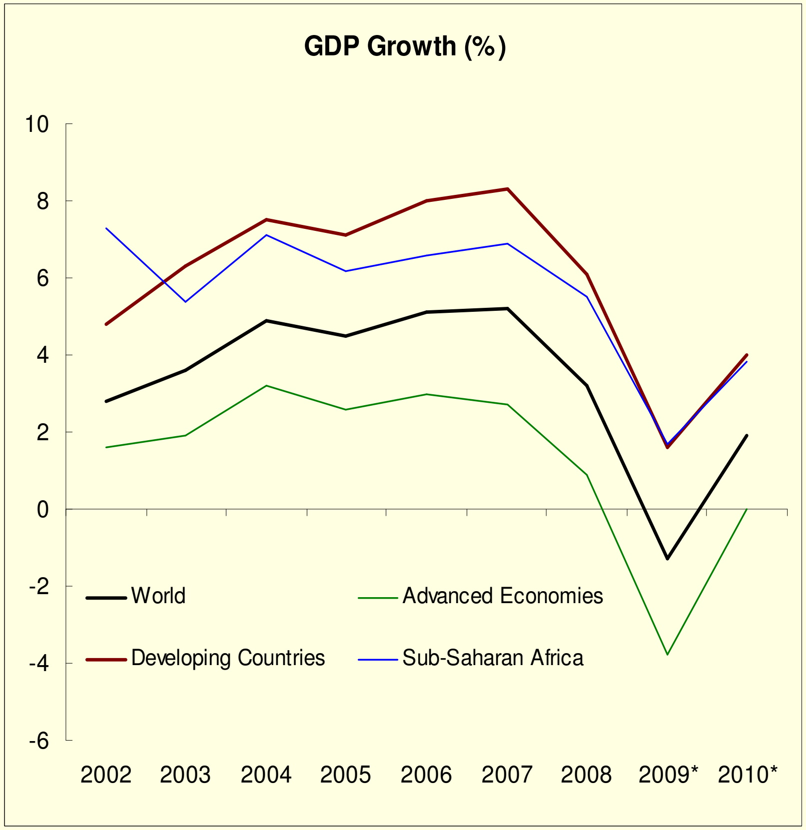
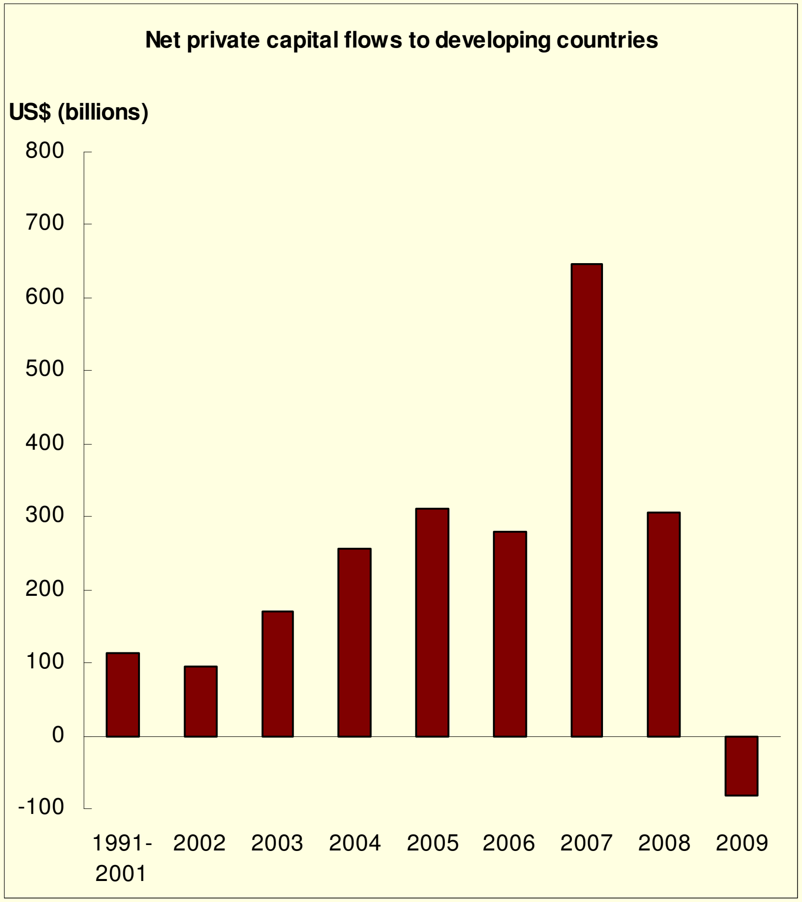
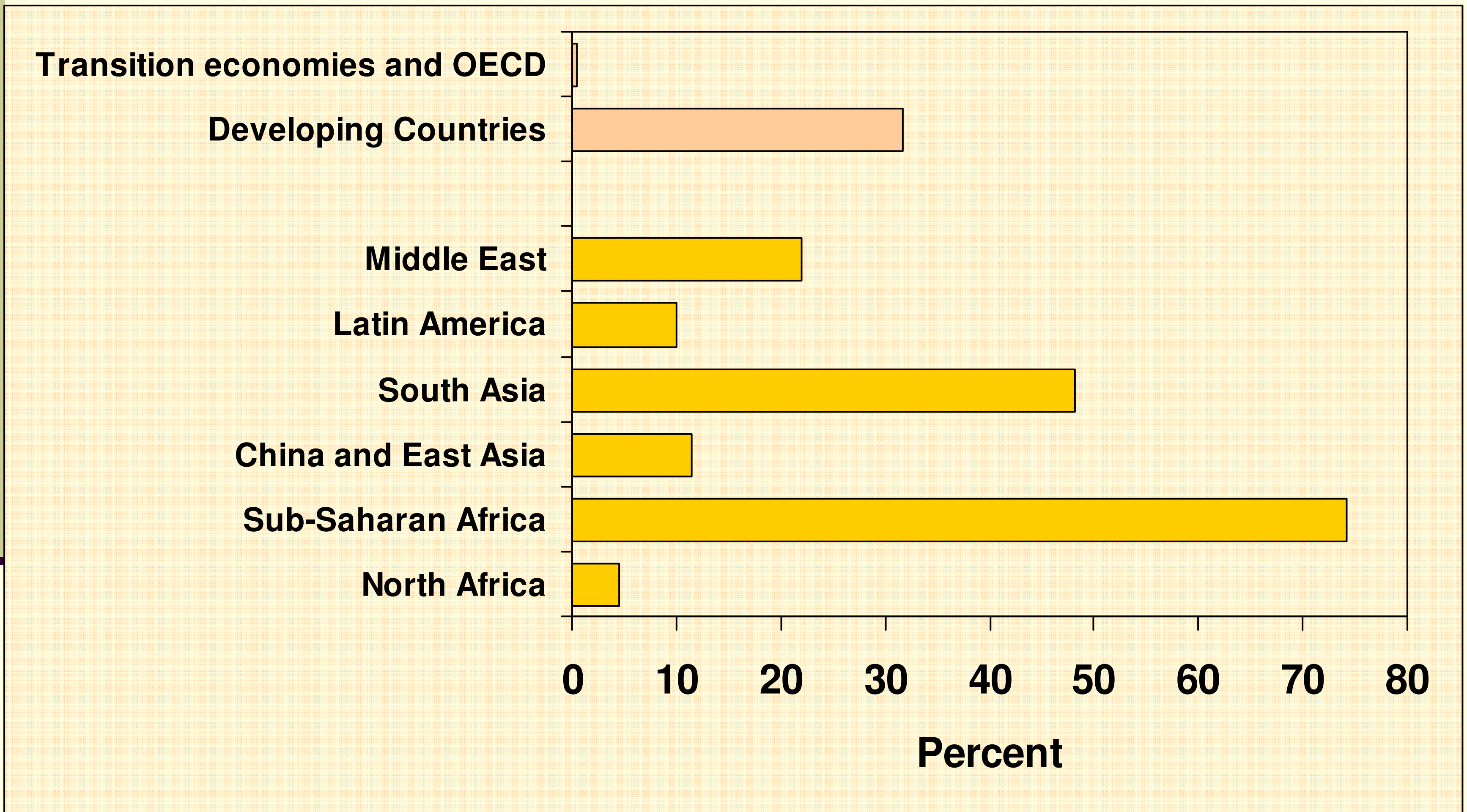
Financial crisis: private capital flows to developing countries are in steep decline
Real crisis: economic growth in developing countries is plummeting





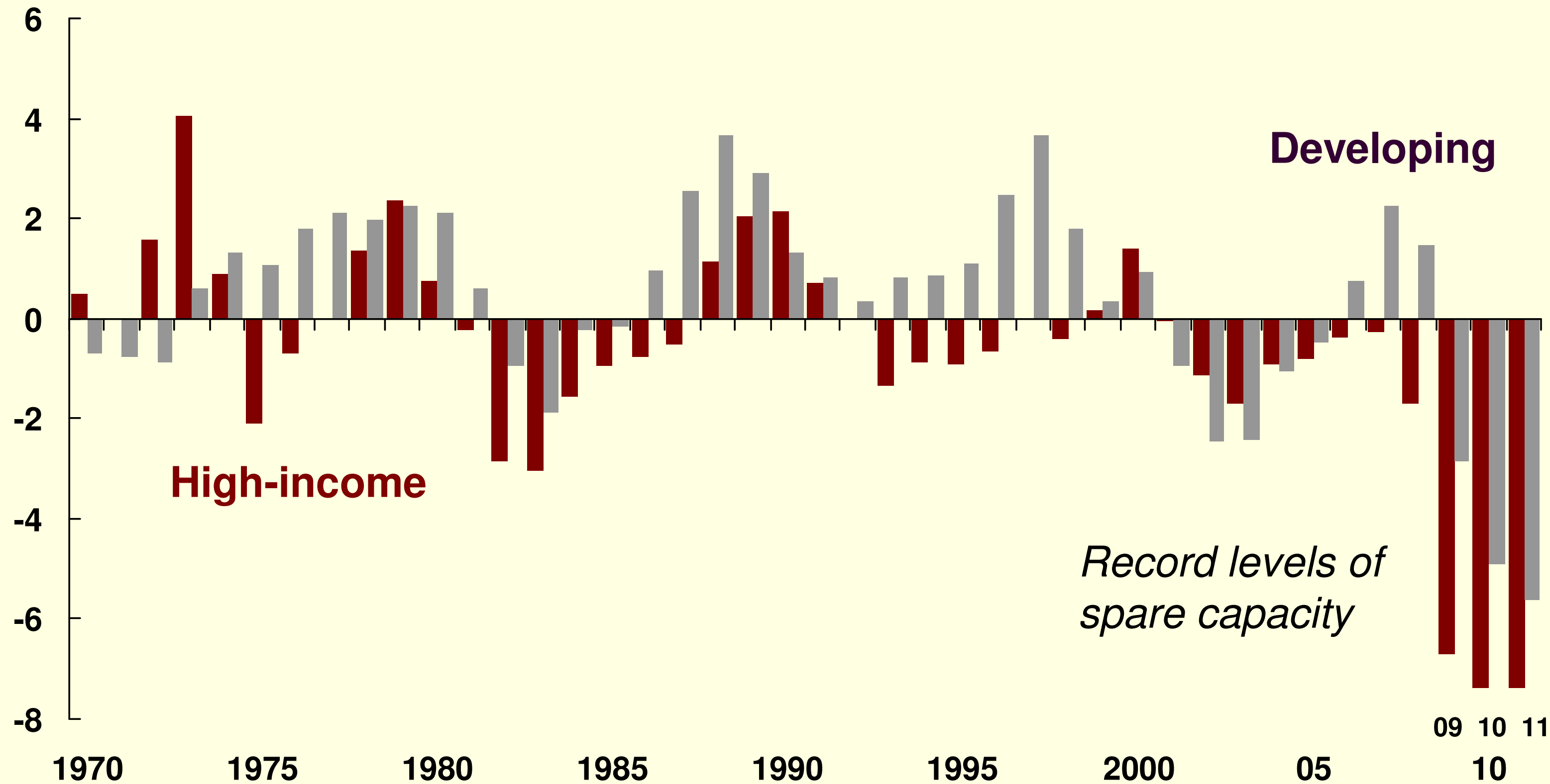
One-third of developing world's population is without access to electricity

Population without access to electricity, 2005



High global excess capacity: even if growth returns, GDP will remain below potential

Output gap (difference between actual and potential GDP) as % of potential GDP



A Collective Approach

The Vulnerability Fund
0.7 Percent of Packages

(Stimulus –additional resources- can be channeled through any agency)

- Bilateral Organizations
- United Nations Organizations
- Multilateral Development Banks
- Non-Governmental Organizations

International financial institutions must have adequate resources for crisis response

- IFIs have a key role in bridging the large financing gap now faced by developing countries
- Recent G-20 decisions are an important step in equipping IFIs with the necessary resources

IMF	■ Tripling of available resources to $750 billion ■ SDR allocation equivalent to $250 billion ■ A new Flexible Credit Line ■ Doubling of concessional lending capacity
World Bank Group	■ Near tripling of IBRD lending to $100 billion over next 3 years ■ Fast-tracking of commitments within IDA15 total of $42 billion ■ Scaled-up private sector support from IFC and MIGA ■ WBG crisis response has three priorities: social safety nets; infrastructure; and support to private sector, especially SMEs ■ Further review of financial capacity, including capital adequacy