

World Bank in \$100bn aid push

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The World Bank is set to provide up to \$100bn in new aid to developing countries, amid fears that the spreading effects of the financial crisis could devastate poorer and middle-income states.

Ahead of an international summit on the crisis this weekend, Robert Zoellick, World Bank president, said it would be an "error of historic proportions" to ignore the interests of developing states whose projected growth rates have been slashed in the wake of the crisis.

As requests for aid continued to come in from around the world, he forecast the Bank would provide up to \$100bn in loans over the next three years through its International Bank for Reconstruction and Development arm. He said the IBRD would increase loans available for developing countries to more than \$35bn this year, up from about \$16bn planned a few months ago. Last year, such aid totalled \$13.5bn.

"You are seeing countries that had very good, sound macroeconomic programmes – Mexico, Indonesia – that are in a position where... they are not at financial risk but they are worried about... getting financing," Mr Zoellick said. "These are the types of countries – Colombia, others – that we are offering as much support as we can."

Underlying his concern, Mr Zoellick said global trade was projected to contract next year for the first time since 1982, while developing countries' growth, which had been expected to reach 6.4 per cent in 2009, was now projected to be 4.5 per cent. On Tuesday the MSCI emerging markets index fell 5.2 per cent.

The World Bank estimates that each percentage point decline in developing country growth rates pushes an additional 20m people into poverty.

The problems facing the world economy and renewed risk aversion among investors were further highlighted on Tuesday when global stocks fell sharply and the yen gained appreciably against the euro.

Mr Zoellick added it was particularly important to ensure that countries maintained social safety nets, infrastructure investment for the future, and were able to capitalise troubled banks and finance trade.

He said the World Bank would seek to "front load" a separate \$42bn in aid available to the world's poorest countries.

"Many of these lower and middle-income countries don't have much fiscal space: much of it has been used up in trying to buffer the effects of the food price crisis," said Eswar Prasad, an expert in the global economy at Brookings Institution, a Washington DC-based think-tank. "It's a question of whether the financial crisis is going to make life desperate or just difficult."

He cited the Philippines, Vietnam and sub-Saharan countries as being on the brink, while noting that petrol producers such as Venezuela and Mexico were suffering from the fall in oil prices.

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