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Financial Crisis Must Not Overshadow Needs of the Poor Says IFC's Thunell

Frankfurt, Germany, November 20, 2008 —While the world struggles with the global financial crisis, the needs of the poor must not be forgotten, IFC Executive Vice President and CEO Lars Thunell said at the German World Bank Forum.

“The private sector will be critical for growth, job creation, and expanding access to basic services like electricity, water, health, and education, as government revenues decline,” he said.

Now in its tenth year, the Forum is hosted by the World Bank Group and Germany and is attended by representatives from the world of politics, business, and civil society who discuss global development and economics. It was the first year IFC and its work with the private sector was featured by the forum.

Global leaders now struggling to contain the financial crisis must keep in mind the world's poorest will suffer most as government revenues decline and unemployment rises, Thunell said. Tight budgets will likely result in lower spending on health and education, and more lives will be lost to malnutrition and disease.

“The crisis has a human cost,” he said. “For the poorest and most vulnerable in developing countries, this crisis is life-threatening.”

A real economic slowdown in developing countries has already begun, Thunell said. During a visit to Asia earlier this month, Thunell said he saw evidence of that slowdown in several countries. Textile exporters in Cambodia reported falling orders. Investors were pulling out of large investment projects, and even microfinance firms were seeing their credit lines dry up. Tourism was down, as were remittances, he added.

Access to finance for the underserved in developing and emerging economies is essential, Thunell said. He added he was pleased with the recent G20 pledge to help provide that access through international financial institutions. A key to maintaining the recent gains in poverty reduction will depend on the ability to stimulate private sector activity.

In IDA and post-conflict countries, public-private partnerships have been crucial, Thunell noted.

IFC's response to the crisis includes:

- An increase to the Global Trade Finance program by \$500 million. IFC plans to double this facility to a total \$3.0 billion.
- A recapitalization fund of around \$3 billion to help smaller developing countries which lack resources to shore up their banking systems. Japan announced it would contribute \$2 billion to this fund.

- A proposed new facility to protect viable long-term infrastructure projects from interruptions in financing
- A retooling of advisory services to help small and medium enterprises, which account for the vast majority of jobs in developing countries
- And working with the World Bank on new or expanded advisory services in risk management, payments and remittances, credit bureaus, and trade logistics

“We hope to combine our funding with contributions from some of our member governments to keep these projects going until private financing comes back,” said Thunell.

The goal of IFC’s efforts is to keep the real sector working as the financial crisis evolves into a full economic crisis, he added. “At the same time, IFC continues to support our clients in the financial sector who are on the front lines of this crisis.”