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INTERVIEW-World Bank wants more stimulus from G20
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By Silvia Aloisi

ROME, March 10 (Reuters) **-** There is room for more stimulus packages to shorten the global recession and G20 countries should now show leadership to hopefully ensure an economic improvement this year, a senior World Bank official said.

Danny Leipziger, the World Bank's vice president for poverty reduction and economic management, said ahead of a meeting of G20 finance ministers that G20 nations should go "to the limits of what they can do" to help regenerate global demand.

"This is the time for the G20 to show leadership to try to restore confidence in the financial markets and indicate that they are going to coordinate and provide sufficient stimulus so that the recession hopefully begins to turn around at the end of 2009," he told Reuters in an interview on Tuesday.

"It's really a political decision, whether or not to step up to the plate and try to limit the damage of this recession. Because it's not just a cycle, it's a meltdown," he said.

Finance ministers from the G20 group of rich nations and big emerging powers meet this weekend in Britain to prepare for a summit in London on April 2, where leaders hope to present a united front in tackling the worst economic crisis in decades.

But differences have emerged over the need for more government intervention to boost demand, with Europe dismissing calls by top U.S. officials for other countries to step up spending to fight the recession.

World Bank President Robert B. Zoellick will attend the G20 meeting near London and Leipziger's department acts as a policy "sherpa" for such gatherings.

"The World Bank doesn't tell sovereign states what to do. All we can do is highlight that we are in a situation that is unprecedented. And in unprecedented situations you would expect countries to go to the limits of what they can do," he said.

"The IMF in December suggested a (global) stimulus package of about 2 per cent of GDP, at the moment stimulus packages for 2009 add up to 1.4 (percent). So I think we still have room for additional stimulus," said Leipziger.

CONCERN FOR POORER COUNTRIES

The World Bank projects global GDP is likely to fall in 2009, for the first time since the end of World War II.

The Bank, which spends billions of dollars annually to fight poverty in developing countries, fears that the recession will hit hard poorer nations as aid flows by the rich world -- already below target -- dry up.

It has called for wealthier countries to pledge 0.7 percent of their stimulus packages to a "vulnerability fund" for helping those nations that cannot afford bailouts and deficits. Leipziger said that could amount to between $10 and $12 billion "which will help, but is still a drop in the bucket." "The role of the World Bank in the G20 is in part to be the voice of the countries that are not in the G20 but that are affected by the crisis, a crisis that emerged not because of something that they did," he said.

"Obviously (richer) countries are looking after themselves at the moment, but you can also set back development by a decade if you don't step up and try to help countries finance some of the really desperate needs that they have."

The Bank estimates that developing countries, hit by lower trade income, slower remittances from overseas workers and falling commodity prices, could face a financing gap of $270-$700 billion this year.
(Reporting by Silvia Aloisi; Editing by Ron Askew)