

KNOWLEDGE *for* CHANGE

Annual Report 2010



Rethinking Development

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Mission Statement

By undertaking research and data collection in key development areas and on emerging topics, the Knowledge for Change Program supports the development of effective policies and programs in developing countries with an aim to reduce poverty, and promote growth and sustainable development.



Foreword

As I write this note, we have just closed the books on the first phase of the Knowledge for Change Program (KCP). This report will highlight the accomplishments and the results of this successful program. We are looking back on eight years of landmark research and analytical work that have helped shape the development debate, and had important influence on development policies around the world. A total of 101 research projects have been completed, spanning a broad range of development themes such as Improving Women's Health in Africa (featured in this report), International Migration and Remittances, Biofuels and Sustainable Development, and many more.

However, we cannot rest on our laurels and look back at past accomplishments. The current global economic crisis has highlighted the need to start to rethink development and the approaches chosen to reduce poverty and achieve sustainable development. The Washington Consensus in retrospect seems to have shortfalls. The global crisis has actually given us an opportunity not only to identify new areas of research on how to help developing countries cope with the challenges of the crisis and prevent similar crises in the future, but also on how to bring sustainable and inclusive growth to developing countries. The World Bank's mandate is poverty reduction. Its dream is a world free of poverty. Long-term sustainable and inclusive growth is the driving force for poverty reduction. The decision by the KCP partners to establish a fourth window on Economic Development and Structural Change in the second phase of the KCP (KCP II) was precisely to address the elusive question of what triggers growth and the mechanics and determinants of economic growth. The research program under the fourth window will look into the economic transformation that we know is needed to move a developing country from one stage of development to another, and we will try to identify good cases and lessons from countries that made such successful

transformations and achieved record growth and a reduction in poverty rates over a sustained period.

We are very pleased to announce that Australia, Canada, Denmark, Finland, Sweden, and the UK have returned to KCP II. We are also delighted to welcome two new members, China and Singapore. Canada, China, Denmark, Singapore, and the UK have also made their first contributions to the new KCP II window on 'Economic Development and Structural Change'. This is indeed a very interesting time to be part of this important partnership and we are looking forward to broaden it into new areas and are welcoming additional partners.

Finally, I would like to thank the Government of Norway for its kind offer to host the 2010 Consultative Group meeting in Oslo on November 1, 2010, and I want to end this note by expressing my sincere gratitude to all KCP partners for their generous support and valuable intellectual contributions. I look forward to seeing you in Oslo.



Justin Yifu Lin
Senior Vice President
and Chief Economist
The World Bank

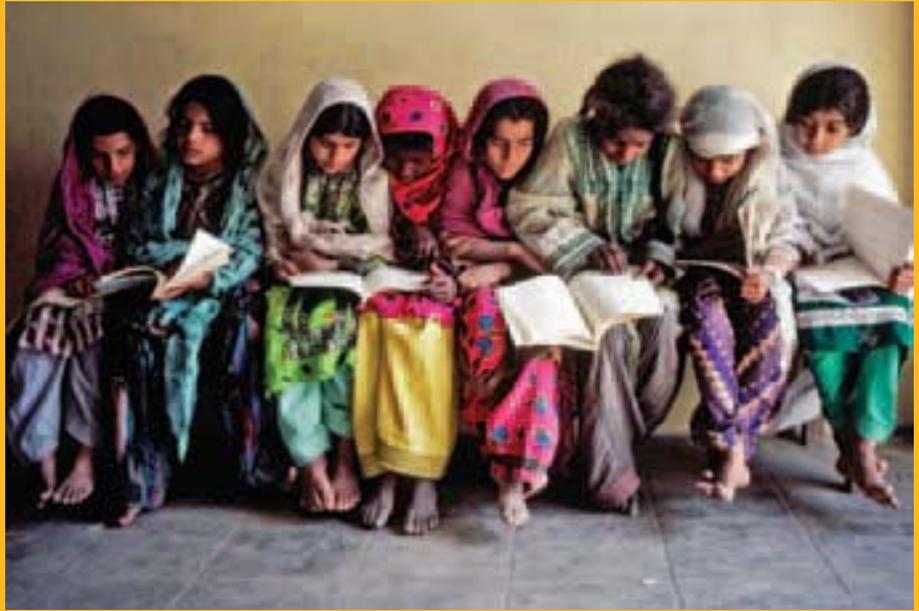




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Message from the World Bank's Research Director

*“Give a man a fish and he will eat for a day.
Teach a man to fish and he will eat for a lifetime.”*

—K'ung Fu-tzu (Confucius), circa 500 BC

The World Bank plays an important role in producing public goods for development research—the data and software that are essential for empirical research and evidence-based policy making. I would like to use this KCP Annual Report as an opportunity to outline some of our ideas on how the World Bank’s research department can better serve that role.

The conventional “retailing model” for research, including at the World Bank, entails that researchers investigate a specific issue over a period and produce a research product—a paper or volume—on their findings. This is then disseminated to the public, including to other researchers and policy makers. The World Bank is a world leader in producing such retail products, on a wide range of development issues.¹

Many things have changed since this model first emerged. Although the World Bank remains a leading institution in research on development economics, it is only one institution in the global context, and the vast majority of researchers working on development economics are not affiliated with the World Bank. In addition, new development thinking and experience in the wider academic and development community are increasingly found in developing countries themselves, although there can still be long lags between the introduction of new theories and methods (on the one hand) and

their application to real-world problems (on the other).

The public is also more demanding of openness and transparency from institutions such as the World Bank. And dramatic changes in information technology have made that openness more feasible than ever before. However, in keeping with much academic research, the World Bank’s analytic work (in both research and operations) often lacks transparency—not least among those who would be affected most by the policies derived from those analyses. Civil society groups have often been suspicious that advocacy was being dressed up as analytics, given that there are large entry costs to replicating and understanding the analysis.

It is time then to think more seriously about a supplementary “wholesaling model,” in which the emphasis switches to producing the tools for others to do the research themselves and providing open access to those tools.



Martin Ravallion
Director, Development
Research Group
The World Bank

¹ See “The World Bank’s Publication Record,” by Martin Ravallion and Adam Wagstaff (Policy Research Working Paper 5374, World Bank, Washington DC).

“It is time then to think more seriously about a supplementary “wholesaling model,” in which the emphasis switches to producing the tools for others to do the research themselves and providing open access to those tools.”

—Martin Ravallion

There are three objectives for this initiative. This first is to empower researchers in developing countries to do better research for informing development policy and development practice. This switches the focus of the traditional “capacity-building” model from the task of “teaching the lessons from past research” to facilitating new learning in specific contexts.

Success in this endeavor will also help in a second, longer-term goal of greatly expanding opportunities for a “collaborative retailing model” in which World Bank staff can work more closely with colleagues in developing countries as full peers, to the benefit of both.

The third goal is to help ensure that policy analysis is more open and transparent.

How can these goals be achieved? An effective wholesaling model for research will combine open access to data with open access to the analytic tools used to draw policy implications from those data. The subjects of development policy will become more engaged in the research and be less divorced from the analysis that underpins those policies. The science of policy analysis (naturally dominated by economics) is increasingly sophisticated in its theories and methods. An institution such as the World Bank can play an important role in reducing the costs of understanding even the most sophisticated policy analysis, also given that technical capabilities have increased among key stakeholders.

An example can be found in the research department’s new product, **ADePT**. This is an innovative software program designed to simplify and speed

up the production of standardized tables and graphs in many areas of economic analysis, focusing particularly on the World Bank’s analytic work at the country and regional levels. ADePT extracts indicators from micro-level surveys and presents them in a print-ready form. Analytical reports that used to take months to produce can now be automatically generated within minutes. ADePT is a free, stand-alone program, available for download to anyone in the world.

ADePT currently includes modules on poverty, labor, health, education, inequality, social protection, and gender. We are working on modules on nutrition, targeting, and micro-simulations. The ADePT interface has been translated into several languages. A series of books that explain the practical applications of each module is in production. We are also developing training courses based on ADePT. Several thousand users in the World Bank and around the world use ADePT for their work and the user base is growing fast. There is much demand for new ADePT modules and extensions to existing modules, and we hope to draw on KCP funding for future expansion.

ADePT takes the data as given, although it can help expose problems in those data. We are also working on improving our data products in line with the wholesaling research idea. The research department’s long-standing **Living Standards Measurement Study (LSMS)** is explicitly built on the principles that research economists are in the best position to design useful household surveys—useful in informing the policy issues that economists need to advise on in developing countries—and that the data sets produced should be accessible to the public.

A vast amount of development research, including in developing countries, has been based on the LSMS survey data sets, which now cover 60 countries. (The KCP has supported the LSMS.) As the number and complexity of survey data sets increase, it is becoming more difficult for users to find the surveys that contain the data they need. A new web-based



tool, the LSMS survey finder, addresses this problem by providing users with an intuitive interface so they can quickly identify the right data for their needs.

Another example of how technology can help create a more open research environment, in which users of the World Bank’s research can replicate its findings, is found in the high-profile global poverty monitoring work done by the research department. This has been a long-standing research project, aiming to produce the most credible data on the World Bank’s progress in attaining its over-arching objective of poverty reduction. Until a few years ago, the great many people who use the World Bank’s “\$1 a day” poverty counts could not replicate the calculations, or try different assumptions, such as about purchasing power parity rates or poverty lines. **PovcalNet** was devised by the research department (with KCP support) to address this problem. It is an online analytical tool for global poverty and inequality analysis. Users can replicate the World Bank’s global poverty measures from the primary data drawn from 700 household surveys and choose their own poverty line, purchasing power parity exchange rates, and aggregation groups. PovcalNet is widely used for research and as an important educational tool for students of development economics. PovcalNet is a major source for many secondary tabulations of poverty and inequality data, including the *World Development Indicators*.

There are a number of differences between the production process for such analytic, data-based tools and the more familiar products of the retailing model for research. Tool development is typically a longer-term effort, for which continuity is key to success. The work invariably involves teams, rather than individuals. Software development also requires a sufficiently large user base, which takes time to develop. It requires constant effort to support, improve, and update it—without which the software tools will die and the data will lose relevance. It also requires support in dissemination, marketing, training, and (crucially) user support.



The retailing and wholesaling models are complements, not substitutes. Useful tools for research can best be developed by researchers in the practice of solving real-world problems and writing papers on the results. That is how most innovations in methodology have happened. It is also essential for quality assurance, since the retailed research products must pass critical peer review. And close connectivity between retailing and wholesaling functions helps ensure that the tools conform to best practices based on the relevant technical literatures. Wholesale research tools of wide relevance are most likely to be produced and maintained by researchers who are actively engaged in analysis that utilizes these data.

The World Bank’s researchers will continue to play a crucial role in developing the ideas and methods that are needed for better development policy making. The retailing model will remain central to the efforts of the World Bank’s research department going forward. However, we need to explore new ways of wholesaling our ideas and methods appropriate to the changing world in which we work, and in so doing expand opportunities for fuller partnerships with counterparts in the developing world.

M Ravallion





Looking Back at the First Chapter of the KCP

Retrospective: 2002–2009

This report marks a milestone for the first phase of the Knowledge for Change Program (KCP I). A unique initiative of the World Bank, the KCP remains the only global trust-funded program to exclusively support research activities.

When the KCP became operational in 2002, it had two members—Finland and the United Kingdom—that provided an initial contribution of USD 1.6 million. Since then, the KCP has evolved from its pilot stage to a full-fledged dynamic program within the World Bank’s research framework. A total of 14 donors became what we call the “friends of the KCP.” They include Australia, Canada, Denmark, the European Commission, Finland, France, the International Fund for Agricultural Development (IFAD), Japan, the Netherlands, Norway, Sweden, Switzerland, the United Kingdom, and ABN/AMRO Bank. Before the KCP, there were several smaller trust funds for research, which were not properly structured. The KCP was specifically set up to rationalize the system and to bring about a better and fairer allocation of research funds. The idea was to pool various funds and intellectual resources to have a transparent process where applications were reviewed and compared in a competitive process. These features have transformed the KCP into a strategic tool of the World Bank that allows it to move quickly into emerging areas and new challenges in development policy and research. The KCP has been used to fund innovative research and help answer difficult development questions. The first phase of the KCP was extended to July

2010 to allow ongoing projects to be completed, and to use up allocated funds. The Program has been able to utilize its resources successfully. Of the USD 24 million that was invested by the KCP partners, there is less than USD 100,000 to be returned to the donors.

The KCP was initially organized around the two-pillar strategy² of the World Bank at that time. However, it became evident that important development challenges where actions in one country would affect other countries could not be tackled within the two-pillar strategy. Therefore, in 2005 the KCP partners decided to add a third window on Global Public Goods to promote research in areas such as Climate Change and Global Pandemics. Hence, the KCP came to consist of three trust funds to fund research, analysis, and data collection. The overall aim, as stated in the KCP Charter, was to act as an effective, transparent, and efficient vehicle for the pooling of intellectual and financial resources for data collection, analysis, and research supporting poverty reduction and sustainable development. Moreover, the KCP was used to encourage and improve dialogue with partner agencies, developing country clients, and other interested parties. The KCP also had an

² Empowering Poor People and Improving the Investment Climate

important subsidiary objective—capacity building through assistance in the development of data collection, analysis, and research capacity in client countries.

The KCP finances projects within the World Bank's overall research agenda, including new areas and those in which up-to-date study and analysis are required. The research agenda emerges from discussions with a wide range of interested parties, including the KCP donors during the annual Consultative Group meetings. Established as a source of much-needed research financing, the demand for KCP funds outweighed the Program's ability to fund every proposed project. On average, the allocations provided to projects were just under half the funds requested. We anticipate continued high demand for financing in phase II of the KCP. The strategic importance of the KCP is that it can be mobilized very quickly to respond to unforeseen challenges, such as global financial crises in which the KCP has funded new projects that will assess the causes of the crises, the likely impacts on poverty and human development, and the appropriate policy responses. Similarly, the KCP was used to quickly build a research program on International Migration, Remittances, and the Brain Gain when a group of leading industrialized countries and other development partners asked the World Bank to contribute toward a better understanding of the impact of international migration in developing countries. The KCP-funded research program produced three landmark books on migration and created the largest database on the Brain Drain, which is widely used by researchers all over the world.

The three research trust funds established under the first phase of the KCP—the *Poverty Dynamics and Basic Service Delivery* Trust Fund, the *Investment Climate & Trade and Integration* Trust Fund, and the *Global Public Goods* Trust Fund—will continue in the next phase, KCP II, with an additional fourth window on *Economic Development and Structural Change*. These funds will offer opportu-

nities to donors to support knowledge generation in areas of strategic interest to them, and to express strong preference for a particular task such as the *World Development Report*. In keeping with the KCP Charter, funded research products are disseminated widely in both donor and client countries. KCP-funded products include databases and websites, conferences and workshops, electronic newsletters, and published papers. Major publications such as the *World Development Report* have benefited significantly from KCP support. In this report, we are pleased to feature the main accomplishments of KCP I as of July 2010, which marked the closing of Phase I.

Of the 101 KCP-funded projects completed in this first phase, 45 were related to the core themes of Poverty and Basic Service Delivery. An additional 46 projects were completed on topics related to Growth, Investment Climate, Trade, and Integration. Under the third window on Global Public Goods, which was introduced in 2006, 10 projects were completed in the first phase of the KCP.

The accomplishments so far would not have been possible without the support of the 14 KCP partners. The following paragraphs describe some of the KCP projects that had major impacts on the development debate and development policies. (See KCP Annual Reports from prior years for highlights of other important activities at www.worldbank.org/kcp.)

The early work on absenteeism in both the education and health sectors has helped shape policies to improve service delivery in several developing countries in these sectors. KCP projects such as Piloting a Micro Survey Approach to Health Care Provisions in Poor Countries, User Fees in Health Care: An Evaluation of Two Near Natural Experiments of Abolition of User Fees in Africa, Background Studies for the *2004 World Development Report*, and Improving Educational Outcomes through Choice and Decentralized Management were ground-



breaking in their contributions to understanding the mechanics of making services work for the poor.

Other studies such as the *World Development Report 2006: Equity and Development and Increasing Access to Land by the Rural Poor in India* suggest that equity matters for development. Equal opportunities in access to education, health services, and land rights are all having a positive effect on development. Both KCP-funded research projects have and will continue to have an impact on policies in developing countries that are aiming at reducing unequal opportunities both within and across nations.

The extensive research agenda on trade and development funded by the KCP was designed to better understand the role of international trade in development, growth, and poverty reduction. KCP funding was also used to develop policy tools—such as the *World Integrated Trade Solution (WITS)*—that allow policy makers and academics from developing countries to access data on trade flows and tariffs, and to run simulations. The purpose of WITS was to build capacity and help developing country trade negotiators to become better negotiators. The KCP-funded project Agricultural Trade Policy produced the award winning book *Global Agricultural Trade and Developing Countries* (World Bank). Other projects in the KCP portfolio on trade are: Impact of Liberalization in Textiles and Apparel on Developing Countries; Developing Countries and WTO Dispute Settlement, Assessment and Lessons from the Experience to Date; and Agricultural WTO Trade and Reforms and Their Impact on Poverty: Consumption and Income Effects, Kenya – Diagnostic Trade Integration Study.

The KCP was instrumental in quickly funding and building a research agenda on the investment climate and its role in a country's growth prospects. The KCP helped fund the World Bank's *Investment Climate Enterprise Survey database*, which was at the cutting edge of disaggregated information on



policy and institutional variables as well as firm performance measures for 80,000 firms in more than 100 developing countries. There are a growing number of researchers using the database as it continues to grow and attract interest. The KCP-funded research spin-off “Doing Business” has been instrumental in improving the business climate in many developing countries. Several KCP projects funded this work, including the *World Development Report 2005: Investment Climate, Growth and Poverty*.

In 2005, the KCP donors agreed to add a third window on Global Public Goods to help investigate issues of a global dimension that require collective action and coordination across countries and to address the lack of action in a few countries that could undermine the benefits for all. Climate change is such a topic that requires a globally coordinated effort. The KCP has funded seven research projects related to climate change and the environment. The next section (The KCP in 2010) provides more details about some of them, since most were completed only in 2010. In 2007, the KCP-funded *Policy Research Report “At Loggerheads? Agricultural Expansion, Poverty Reduction, and Environment in the Tropic Forests”* was pub-



lished and widely disseminated. Its most topical policy contribution was to explain in detail the rationale for promoting reduced deforestation as a means of combating climate change, and to propose mechanisms for tapping carbon finance to promote forest conservation, sustainable land use, and reduced greenhouse gas emissions in developing countries. Other important research reports on climate change include the *World Development Report 2010: Climate Change and Development*, and *Climate Mitigation, Adaptation, and Sustainable Development: Risks, Benefits and Institutions*.

Pandemics are another global concern that requires international coordination for action to be effective. The KCP has funded three research projects on this theme: Understanding Disease Control of Highly Pathogenic Avian Influenza; The Social and Economic Impacts of Influenza Epidemics and

Polices to Contain Them; and Improving Malaria Outcomes through Evidence-based Program Design: A Multi-country Initiative to Support the World Bank's Program for Malaria Control.

Another important milestone was the 2007 **KCP Program Evaluation** by the two distinguished Professors Arne Bigsten and Dick Durevall of the Gothenburg School of Economics. The evaluators made a thorough evaluation of completed and ongoing KCP-funded projects at the time. They also interviewed several KCP partners as well as World Bank staff. They had access to all documentation of the KCP program, including previously evaluated KCP projects from 2005. (See the excerpt from the evaluation report in Box 1. The entire report is available on the KCP website at www.worldbank.org/kcp.)



Box 1. 2007 Program Evaluation of the KCP

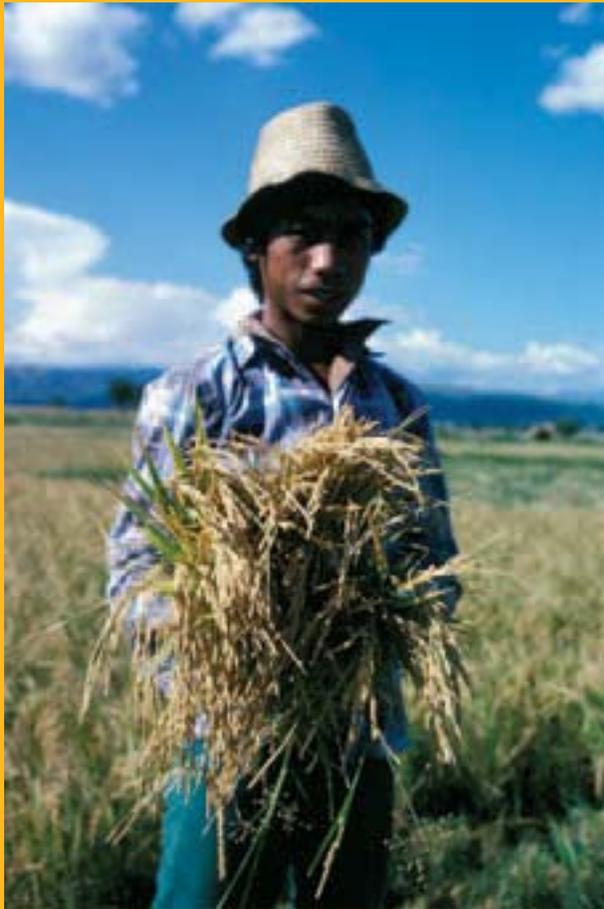
“Our overall view is that the KCP has worked well. All the completed and ongoing research projects are in line with the thematic areas specified in the Charter. Moreover, many of the projects have achieved very good results, and some are outstanding. Apart from substantial contributions with regard to analysis and publications, there have also been major achievements with regard to data collection and the development of policy analysis tools. There is a broad consensus that there is a shortage of research funds, which KCP has helped to alleviate.

Funding from the KCP has produced value added over and above what regular research funding gives. First, the KCP governance structure ensures that there is little research for purely academic reasons, i.e. with little policy relevance. Second, there are scale effects both because of the critical mass of researchers at the Bank—by far the largest research group in development economics—and since researchers can draw on World Bank resources. One example of the latter is the advantage World Bank researchers have when doing policy impact evaluations, since these can benefit a lot if researchers are

involved in the policy projects from the beginning. Third, the research activities of the Bank also have positive external effects on the wider research community by providing access to data and other resources, as well as extensive direct collaboration. Fourth, dissemination of results is taken much more seriously than usually is the case among researchers, where it often is limited to presentations at purely academic conferences and publications in scientific journals.

There is a perception among several donors that the KCP has not been strong enough on capacity building. Yet, it is not clear that the KCP has failed to meet this objective. Capacity building is a subsidiary objective, which means that it does not have to be included in all projects. And many of the projects have involved researchers and consultants from client countries and in some cases training has been the aim of the project. Still, it seems clear that capacity building is treated as a secondary objective.”

—Arne Bigsten and Dick Durevall, KCP Program Evaluators





The KCP in 2010

The Eighth Consultative Group Meeting

In November 2009, the KCP partners gathered in London for the eighth Consultative Group (CG) meeting hosted by the Department for International Development (DfID) of the United Kingdom. The CG meeting included participants from six member countries: Canada, Finland, Japan, Sweden, Switzerland, and the United Kingdom. Singapore participated as an observer. The World Bank was represented by Mr. Justin Lin, World Bank Chief Economist and Senior Vice President, who chaired the meeting.

He was joined by senior staff from the Development Economics Vice Presidency (DEC). World Bank speakers made presentations on various topics, such as key findings of KCP research in 2009, *World Development Report 2010: Climate Change and Development*, *World Development Report 2011: Conflict, Security, and Development*, the *Economic Development and Structural Change Program*, and future research directions of the KCP. Productive discussions ensued among the World Bank staff and participants following the presentations. In addition, the financial status of the KCP was presented by the KCP Program Manager, who highlighted the closing down of KCP I on July 31, 2010 and that contributions totaling \$23.9 million were received from KCP donors since the Program's inception.

The participants stressed the importance that the KCP plays in funding development-oriented research topics, particularly on the global financial crisis. The World Bank also expressed its appreciation to the KCP donors for their continued support of Bank research activities. The World Bank emphasized that a lot more research is needed to address important development issues, and reiterated its commitment to undertake research in top-

ics that are relevant to poverty reduction, growth, and sustainable development for the benefit of the development community at large. More information on the discussions during the eighth CG meeting in London can be found at www.worldbank.org/kcp.

Program Highlights in 2010

Of the 101 completed KCP I research projects (see financials on page 51), 43 were completed in 2010 since the last annual report. This section provides highlights of the completed activities.

The **Trust Fund for Poverty Dynamics and Basic Service Delivery** supported research on a broad range of topics, including *Aid Effectiveness* (see Box 2), the *African Green Revolution*, *World Development Report 2009: Reshaping Economic Geography*, *Improving Women's Health in Africa* (featured in Annex 2), *Measuring and Understanding the Impacts of Development Projects*, *World Development Report 2011: Conflict, Security, and Development* (also featured in Annex 2), and many more.

The KCP also supported the study on *African Green Revolution, Finding Ways to Boost Produc-*

tivity, a timely follow-up on the successful *World Development Report 2008: Agriculture for Development*, which the KCP also supported. In recent years, governments have shown renewed interest in agriculture and food security, an interest that has grown following the sharp spike in food prices in 2008. Boosting farm productivity is a core component of most national and international efforts to reduce poverty and provide food security, including efforts by the World Bank Group. In turn, these policies largely follow the approach taken during Asia's successful Green Revolution and emphasize modern varieties of staple crops grown by smallholders. Collectively, the study provides policy makers and the development community at large a more complete view of how Asian-based approaches should

be modified to suit Africa's diverse agricultural sector. The studies fill a gap in the World Bank's research efforts in this area, following the successful release of the *2008 World Development Report*. The research has resulted in a pipeline of working papers that are in various stages of publication and review that will continue to advance discussions in the coming years. An edited volume based on this research is planned as well.

Another completed research project, *Evaluating the Effectiveness of Sustainable Land Management Interventions in Ethiopia*, builds on existing and ongoing research activities with the objective to assess the long-term impact of the rural land registration certification program in Ethiopia. There is now a

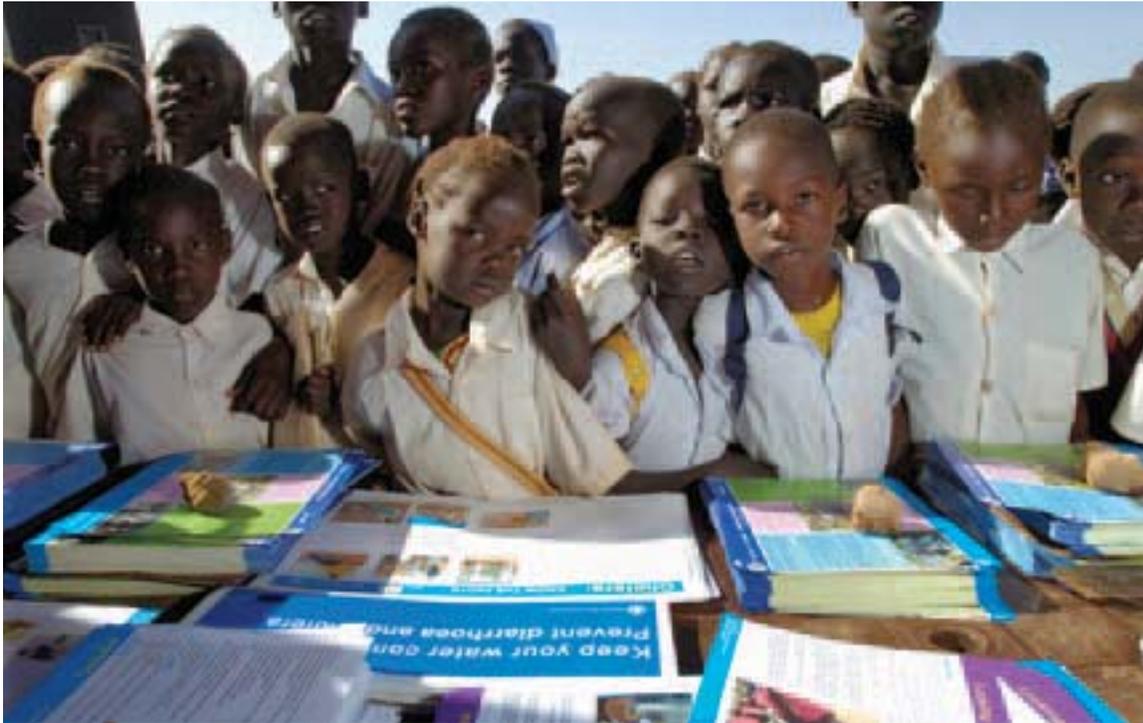
Box 2. Aid Effectiveness: How Unpredictable Aid Influences Service Delivery

The aim of the research was to examine in-depth the problem of aid predictability at the aggregate and sector level, drawing on evidence from three or more highly aid-dependent countries. The particular focus was on addressing issues of aid expectations, reliability of aid, type of aid, and timing (short and medium term), as well as how fragmentation and donor coordination impact the predictability of aid resources. The findings of the research will contribute to the dialogue on how aid can be made more effective.

One of the studies, "Can Donor Coordination Solve the Aid Proliferation Problem?" demonstrates theoretically how donor proliferation leads to inefficient aid supply in the recipient country because of the free-riding problem faced by the donors. The empirical evidence supports this theoretical prediction. These findings in turn raise the question of whether current efforts with regard to donor coordination in the international aid community can actually solve the aid proliferation problem. Since the free-rider problem arises due to the presence of multiple donors who are motivated by self-

interest, the mere coordination of aid, such as general budget support, will not automatically provide a solution for the sub-optimality of aid provision unless there is a fundamental change in the incentives for aid provision. Another study, "Donor Fragmentation," presents cross-country evidence suggesting that fragmented aid can reduce the quality of public administration in aid recipients, distort public expenditure allocations, and impair progress on public budgetary management reform efforts.

These studies imply that a given level of aid in a recipient country should in general be provided by a smaller number of donors (i.e., greater geographic concentration by donors). This has been questioned by some scholars who equate concentrated aid with monopoly power on the part of donors. Another KCP-funded study, "Is Too Little Donor Proliferation Dangerous?" tests for the possibility that lower fragmentation is associated with donor monopoly power, as measured by the practice of aid tying. They find the opposite result: donors are more likely to tie aid, other things equal, in recipients with higher fragmentation.

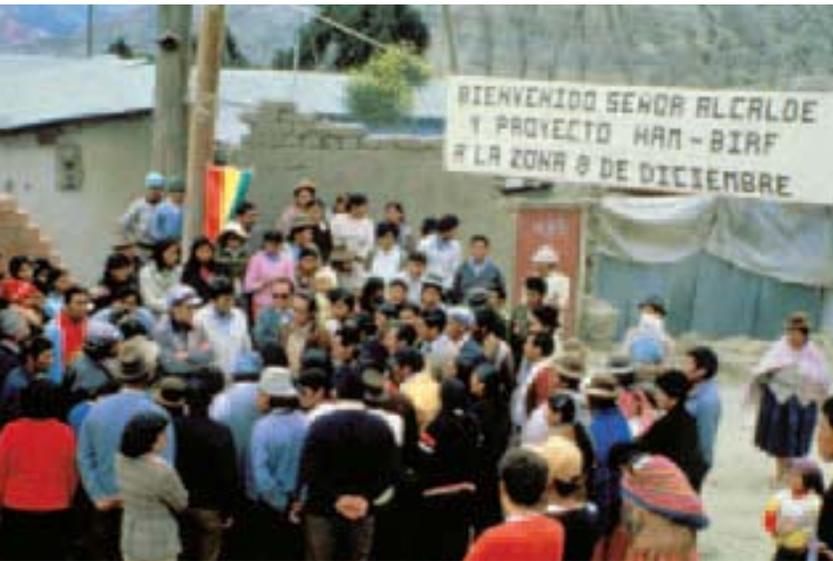


growing consensus that, even in rural African contexts where individual titling of land may not be desirable or feasible and use of land as a collateral for credit is at best a distant possibility, providing poor land owners or users with options to have their rights documented can yield significant benefits. However, there have been doubts regarding the technical, institutional, and political feasibility of land law reforms that have been carried out to give legal recognition to customary rights, strengthen women's property rights, and establish processes for documentary evidence that is less costly than titles. This project is of broad interest to the development community in general as land is a key asset for rural households in poor countries. It is thus clear that land-related investment to increase agricultural productivity and sustainability, and better-functioning land markets are of critical importance for growth and poverty reduction.

In a follow-up study to *World Development Report 2006: Equity and Development*, the project *Are Op-*

portunity Profiles Useful to Inform Policy Decisions? looked at the usefulness of creating opportunity profiles to help guide policy makers. Modern political philosophy and economics have highlighted a distinction between inequality of outcomes and inequality of opportunities. The latter is often judged to be more morally objectionable than the former and it has also been claimed that unequal opportunities may lead to efficiency losses for the economy as a whole, and to the poor in particular (the *2006 World Development Report*). In ongoing work on inequality of educational opportunity across countries, it was discovered that significant cross-country variation exists in the levels and shares of learning inequalities associated with a broad set of circumstance variables.

Another interesting research project that benefitted from the KCP is the forthcoming *Policy Research Report "Localizing Development: Has Participation Worked?"* The literature on decentralized targeting identifies a central trade-off: the advantages of lo-



cal information versus the hazards of local capture. The evidence appears on balance to indicate that the latter can overwhelm the former in many cases. Although local actors do have better information about preferences and eligibility, the case for greater local accountability is far more vexed. Communities that have greater wealth inequality do much worse, as do communities where caste, race, and gender disparities are important and where ethnic heterogeneity is substantial. The evidence also points to substantial levels of graft and theft in programs that decentralize resource allocation to the local level and these also worsen with local inequality. There is little evidence, overall, of any self-correcting mechanism through which community-based targeting counteracts the potential capture of public resources in unequal communities. Instead, the bulk of the available evidence suggests that the more unequal the initial distribution of assets is, the better positioned the non-poor are to capture the benefits of external efforts to help the poor.

The **Trust Fund for Investment Climate & Trade and Integration** has a strong focus on economic growth, which is essential to achieving the Millennium Development Goals (MDGs). Investment climate is central to the growth agenda as it addresses the main sources of growth—increasing local and for-

ign investment, trade, improving efficiency, and enhancing productivity. In 2010 a large number of KCP projects were completed, including *Barriers to Banking*, *International Migration and Remittances*, *Growth Effects of Public Investment*, *New Research on Firm Informality*, *Worldwide Governance Indicators* (see Box 3), and *Macroeconomic Volatility: Causes and Consequences*, among others.

The project on *Barriers to Banking* found that there is a strong association between barriers and measures of (i) restrictions on bank activities and on entry, (ii) bank disclosure practices and media freedom, and (iii) development of physical infrastructure. In particular, barriers are higher in countries where there are more stringent restrictions on bank activities and entry, less disclosure and media freedom, and poorly developed physical infrastructure. Bank customers seem to face higher barriers to credit services in banking systems that are predominantly government-owned, whereas more foreign bank participation is associated with lower barriers in deposit services. In terms of bank characteristics and their association with barriers, the project found that larger banks seem to impose lower barriers on bank customers, perhaps because they are better positioned to exploit economies of scale and scope.

The KCP funded several research projects on *International Migration*. The projects under this research theme produced key findings and developed the most extensive international migration database constructed to date on migration flows (see Box 4). The database utilizes more than a thousand national censuses and population registers to estimate a complete global origin-destination migration matrix for each decade over the period 1960–2000. The database comprises every nation-state, major territory, and dependency across the globe.

The informal sector is large in most developing countries, and national governments as well as many development agencies support the implementation of policies and projects designed to



Box 3. Worldwide Governance Indicators

The objective of this project was to construct cross-country indicators of governance and to analyze the links between specific policy interventions and governance outcomes using cross-country data. This project was concerned with the development, updating, and application of cross-country indicators of governance. The importance of good governance for development in general, and aid effectiveness in particular, is widely recognized by both donor and recipient countries. Recognizing this, there is intense interest in developing and deploying operationally-useful governance indicators to design governance reform strategies, monitor their progress, and enable policy-relevant research on governance issues. The research team has produced two annual updates of the Worldwide Governance Indicators (WGI) data set, reporting data on six broad dimensions of governance for more than 200 countries since 199, namely: Voice and Accountability, Political Stability and Absence of Violence, Government Effectiveness, Regulatory Quality, Rule of Law, and Control of Corruption.

The WGI report explicit margins of error that are intended to prevent users from making

superficial comparisons, emphasizing overly-precise ranking, or over-interpreting small differences in governance scores between countries and over time. Such explicit recognition of unavoidable imprecision in any measure of governance or the investment climate is a key feature of the WGI.

- The WGI continues to be among the most widely-used cross-country measures of governance available.
- The WGI are used as a tool for research, analysis, and advocacy regarding governance issues.
- The WGI are also frequently used in the academic community. Based on Google Scholar, the WGI papers have attracted approximately 5,000 citations in academic papers in the past five years and have been downloaded 72,000 times from SSRN, the leading economics working paper archive.

Finally, the project produced two new research working papers on (i) the links between specific disaggregated governance indicators and governance outcomes, and (ii) the impact of corruption on confidence in public institutions.

promote the formalization of firms. The KCP-funded survey *New Research on Firm Informality* was designed to address the various issues and understand what it takes to get firms to formalize. The study (i) examined how far it could reconcile self-reported profits and reports of revenue minus expenses through more detailed questions; (ii) examined recall errors in sales, and reported on the results of experiments that randomly allocated account books to firms; and (iii) asked firms how much firms like theirs underreport sales in surveys like this one, and had research assistants observe the firms at random 15–16 times during a month to provide measures for comparison. The results suggest that firms are making rational decisions with regard to registration, and that the benefits of re-

maining informal are perceived as relatively modest by most of the enterprises. The results are not consistent with the view that formalization is largely the result of burdensome registration costs, and that firms suffer from their informal status.

The KCP-funded project *Growth Effects of Public Investment* studied infrastructure development, a perennial centerpiece of development strategies, and never more so than now (e.g., in light of the well-known association between China’s growth and its massive infrastructure investments). Although substantial research corroborates the importance of infrastructure for growth, there is increasing awareness that infrastructure investment is particularly vulnerable to rent-seeking and other behavior that

degrades the transformation of investment into actual infrastructure (and not only in poorer countries). The project used a new and unique database of infrastructure investment and stocks to show that, in fact, corruption and dysfunctional bureaucracy drive a large wedge between the two: where corruption is high and bureaucracies are dysfunctional, infrastructure investment yields significantly smaller improvements in infrastructure stocks. That is, either because of rent-seeking or arbitrary and inefficient government oversight of infrastructure development, infrastructure costs are higher.

The **Trust Fund for Global Public Goods** supported research in pressing development challenges such as climate change and global pandemics, which was especially relevant, considering the recent food crisis and the current spikes in wheat

prices. The KCP-funded research project *Biofuels and Sustainable Development* looked at the links between crops grown for fuel and crops grown for food. Recent increases in production of crop-based (or first-generation) biofuels have engendered increasing concerns about potential conflicts with food supplies and land protection, as well as disputes over greenhouse gas reductions. This has heightened a sense of urgency around the development of biofuels produced from non-food biomass (second-generation biofuels). This study reviews the economic potential and environmental implications of production of second-generation biofuels from a variety of various feedstocks.

Mitigating Climate Change by Avoiding Lock-ins to High Carbon Energy Systems was one of several KCP projects that were set up to analyze mitiga-

Box 4. Highlights of the International Migration Research Findings

- On determinants of migration, the research found that a large migration network increases the probability of other community members migrating.
- Another finding relates to the determinants of internal and international migration from rural Mexico to the United States. Migration from rural Mexico to the United States increased from 8 percent of the rural population in 1980 to 15 percent in 2002, while the percentage of internal migrants increased from 5 to 14 percent.
- On migration and brain drain, the report found evidence of massive brain drain (defined as the rate of migration among highly skilled workers) from small poor nations in the Caribbean and Africa.
- In close relation to brain drain, the research explored the issue of “brain waste,” which is defined as the placement of educated immigrants in unskilled jobs. The study found that there are striking differences in the labor market placement among highly educated immigrants from different countries, even after controlling for their age, experience, and education. Specifically, immigrants from Latin America and Eastern Europe are more likely to end up in unskilled jobs in the United States compared with immigrants from Asia, the Middle East, and Africa.
- On migration and foreign direct investment (FDI), it was noted that that U.S. FDI abroad is positively correlated with the presence of migrants from the host country. The data further indicate that the relationship between FDI and migration is driven by the presence of migrants with a college education.
- On temporary migration, the report found that removing barriers to labor mobility could generate huge social benefit/cost ratios that are considerably higher than the direct economic ones quantified in the study, even without factoring in their contribution to alleviating several of the other challenges identified, including malnutrition, disease, poor education, and air pollution.



tion and adaptation strategies. This particular research investigated various aspects of climate change mitigation, in particular by studying transition paths to renewable energy systems and other forms of clean energy production. The research results sought to expand knowledge of alternative pathways toward clean energy production in order to inform World Bank strategies and the growing number and size of operations in this area. Research activities also sought to contribute to aspects of the World Bank's climate change research agenda such as carbon finance, identification of potential climate change impacts, and adaptation to changing climate regimes.

Another KCP project in the third window completed in 2010 was *Global Warming and Developing Countries: An Economy-wide Perspective*, which used current econometric models to provide an assessment of the medium- and long-term economy-wide impacts of global warming and climate change for developing countries and to develop tools to evaluate adaptation and mitigation policies. One of the key initial results is that global warming appears to be accelerating compared with recent and widely disseminated reports, including the Intergovernmental Panel on Climate Change's (IPCC) Fourth Assessment Report.

The aim of the KCP-funded project *Options for Cleaner Energy in Developing Countries: Electrification in Africa* was to identify the potential for various sources of clean renewable electricity in Africa, estimate costs of production and transmission for both renewable and conventional grid electricity, compare across energy sources and draw conclusions as to possible future investment paths. The research found that even with optimistic assumed improvements in the economics of off-grid renewables over the next 15-20 years, renewables would be competitive in rural areas (cheaper than grid extension), but costlier than grid-based supply in more concentrated urban areas. This is a finding of major significance for future energy sector planning in Afri-



ca, and the work has been noted with great interest within the Africa regional department as a basis for follow-up analysis. A working paper produced for this KCP project recently appeared in *Energy Policy*.

Another important research project under the Global Public Goods window is *Improving Malaria Outcomes through Evidence-based Program Design: A Multi-country Initiative to Support the World Bank's Booster Program for Malaria Control*. The overall objective of this work is to help malaria-burdened countries move to evidence-based programs to improve malaria outcomes. It has generated evidence on effective approaches to increase demand and utilization of anti-malarial services such as long-lasting insecticide treated nets and effective anti-malarial medication using the first-line treatment regime, Artemisinin-based combination therapies. In addition, the project has built evaluation capacity in the Program countries and contributed to secure longer-term effectiveness of World Bank supported malaria programs in reducing malaria morbidity and mortality through the application of evidence-based program design. As a result of the research project, three rounds of multi-country workshops brought together a dozen country delegations from Ministries of Health and National Malaria Control Programs, World Bank operational and research staff, and researchers from several academic institutions to learn about impact valuation, share their experiences in malaria control, and integrate these findings in their malaria and health system strengthening programs.





Rethinking Development

Development economics, both within and outside the World Bank, faces new challenges in its quest to inform development policy making. Much has been learned about development from research and operational experience. Development data are more available and accessible than in the past. Even before the current global crisis, there was a sense that the course of development economics needed rethinking. The crisis has only made this more compelling.

Sustainable economic development entails structural transformation from resource-based to industrial economies and then to a post-industrial stage. Surprisingly few developing countries have completed this transformation in the post World War II period. Many developing countries have continued to be dependent on agriculture and primary product exports, or failed to diversify their manufacturing base beyond a narrow range of traditional goods. Why have some countries been able to move from a low-income agrarian economy to middle-income and even high-income industrial status, while others remain seemingly trapped in dire poverty, or stuck at the middle-income stage?

The transformation from primarily agricultural or resource-based economies into more diversified, labor-intensive industrialization has been a critical step in the development of most successful economies. This Program would pay particular attention to country experiences in the Africa region, where this transformation has been uneven. In Africa, infrastructure scale-up needs to be the basis for the transformation that is being sought, since a move to more industrialized economies would not be possible without it.

Rationale for the Program

“Growth entails a structural transformation of the economy, from agriculture to manufacturing, from a

rural workforce to an urban one,” says the Growth Commission Report. Most successful developing countries, including the majority of the 13 successful economies identified in the report, have expanded their manufacturing base and moved into more sophisticated industrial products. One related question is whether this stylized fact will continue to hold in the future.

An implication of this research agenda is the need for differentiated policy recommendations for countries at different stages of development. One must move from the realization that no “one size fits all” to “which policies for which stage of transformation?” Policies are likely to differ across income levels as to the scope of effective fiscal stimulus, the role of the government, and innovation policy. Policy advice for countries moving from a low-income agrarian economy to a middle-income industrial economy is likely to differ from the advice for those stuck in a “middle-income trap,” if such traps indeed exist. Countries that are well-endowed with a rich natural resource base also face different policy problems, some related to Dutch disease and others to the need to develop a sustainable strategy, diversify their production base, and ensure against commodity shocks.

An important question related to this agenda is what should be the respective responsibilities of the market, the state, and the private sector in sus-



taining the dynamics of economic transformation. What roles (both positive and negative) do markets and states play in the transformation? How do political economy and governance factors constrain the scope for effective public action in promoting structural transformation? What should be the role of infrastructure, and who should provide it?

The answers may vary, depending on political leadership and the ability of governance structures to withstand capture by powerful elites. A competitive market should be the economy's fundamental mechanism for resource allocation. Only such a market can generate prices that reflect the relative scarcity of goods and factors and so guide firms to enter (and exit) industries and to choose appropriate technologies according to the economy's comparative advantage. In the process of industrial upgrading and economic transformation, "hard" infrastructure as well as social and economic institutions, or "soft" infrastructure, need improvement for the economy to achieve x-efficiency. The dynamic transformation requires information and coordinated investments, and many externalities may arise. Market failures abound and the state has a role to play in the process. State failures (including an inability to correct market failures) are also abundant.

The role of the state in promoting industry has been a highly contentious area. Most governments attempt to promote industry, yet evaluations have been few and rarely rigorous. There is a pressing need for new research efforts to evaluate these policies. An important research question is whether to directly encourage transformation by focusing on "discovery" of new sectors of comparative advantage, or by simply working with existing industries and clusters to deal directly with the coordination failures that limit their productivity and expansion.

Components

Patterns of Industrialization

Structural transformation and technological upgrading play a key role in the development process. The shift of resources out of traditional agriculture and other low-productivity primary activities, and the expansion of "modern" sectors have been at the core of the sustained productivity gains that characterize economic development. Moreover, rising productivity accounts for a large, if not the major, fraction of long-term growth. While these facts have long been widely recognized, over the past two decades mainstream development economics has paid only limited attention to the role of structural transformation. Thus, the first research project will examine key dimensions of structural transformation using both sector- and firm-level data. This is of interest to the World Bank in shaping the policy dialogue with governments as they seek to support job creation and the development of their private sectors.

The central question of this research is: Under what conditions do industrial policies benefit society at large? And, to what extent are these conditions affected by the reality that the decision process and implementation of industrial policies are subject to considerable uncertainty? Are there viable



alternatives that may perform better in promoting economic growth and social welfare? To answer these questions requires first to develop an analytical framework that captures the informational problems and the trade-offs that policy makers face when choosing policies and implementing them in practice.

Country Case Studies: Successes, Failures, and Exit Strategies

The second project will use a country case-study approach to dig deeply into the strategies and policies that were most responsible for development success or failure. The framework from the first project, *Patterns of Industrialization*, will provide a structure and discipline for country studies, while the case-study approach will provide rich detail not available from the multi-country statistical analysis.

The research will look at active policies that some countries have used to enable firms to exploit endowments and even build future sources of new comparative advantage. The key policy issue is how to move toward a more efficient and developmentally appropriate industrial structure. Past research has too often taken distortionary policies as exogenous to the economy’s structure—and thus easily within the control of reformist policy makers—rather than recognizing them as the endogenous result of the government’s previous broader indus-



trialization strategy. One priority is to better understand how a country shifts away (or not) from an industrial structure that is distorted as a result of government’s attempts to develop industries that, at a given time, were inconsistent with the country’s comparative advantage.

Optimal Financial Structure

The third project will investigate how the optimal financial structure in a developing country depends on the country’s level of industrialization and development. The nature of productive activity, size of the capital requirement, nature of risk, and ability to bear different kinds of risk will vary depending on a country’s development level.

Since the financial sector’s purpose is, in large part, to finance productive activity and share risk, it seems logical that the optimal financial structure will also vary with the development level. Industries at the technological frontier in developed countries—pharmaceuticals, for example—often involve high-risk investments with very large upfront costs, which imply a certain optimal financing structure that relies on well-developed equity markets and large internationally integrated banks or other institutions able to price and spread risk.

This area warrants much more study, particularly on the question of what structure is most appropriate for different types of countries. This part of the project will be based largely on cross-country empirical studies of the association between finance, development level, and patterns of industrial growth. The research will investigate potential costs and benefits associated with different financial structures, paying attention to both access and stability dimensions. The project will consider political economy issues, as well as the historical experience of developing countries in this area. It will also include cross-country empirical studies of the association between financial structures and economic outcomes, both at the country and firm levels.

The Process of Industrialization in Sub-Saharan Africa

The development struggles of Sub-Saharan Africa are well known, but it is perhaps less well understood how little progress there has been in industrialization. This fourth project will focus on why so many African countries have not transitioned to industrialized economies, which have historically been essential to sustained development, and what can be done to facilitate the transition.

Past research has often focused on why there are so few successful manufacturing exporters in Africa, but this is actually a second-stage question. Countries need to be able to produce competitive-

ly for domestic markets before they can hope to compete internationally. This research project will focus on how to remove the barriers to the emergence of a manufacturing sector, and the importance of those relating to social capital as well as to infrastructure and the business climate.

This research project will use a country case-study approach, looking at both successful and unsuccessful attempts to establish new manufacturing industries—cases in which, for whatever reason, some African economies do not produce even simple, labor-intensive goods that seem to have few start-up costs and have sufficiently large domestic markets.

Box 5. KCP and Open Data

The World Bank has decided to go beyond the traditional research capacity-building models that “teach lessons from past research” to a model that “facilitates new learning in specific contexts” by providing free access to development data and the analytical research tools that the Bank itself is using for its research and analysis.

The tools and the data will allow local researchers and policy analysts in client countries to build their own research and come to internally derived conclusions and policy advice. The idea is that knowledge and policy advice generated within a country or a region may have a greater impact on local policy makers and political leaders.

The KCP is helping to build these tools and collect the data that are now freely available to anyone in the world.

These important steps are part of a larger effort to increase access to information at the World Bank, which means that researchers, journalists, nongovernmental organizations (NGOs), entrepreneurs, and school children alike will be able to tap into the World Bank’s databases via a new website, data.worldbank.org.

The World Bank’s President, Robert B. Zoellick, said in a speech earlier this year that, “It’s important to make the data and knowledge of the World Bank available to everyone, and that statistics tell the story of people in developing and emerging countries and can play an important part in helping to overcome poverty.”

The real power of open data is the enormous opportunity to turn data and analytical tools into knowledge and useful applications to enhance the transparency and ultimately the accountability of all actors in development. It will ultimately empower citizens to get more directly involved in the development process.

The KCP has been used extensively to gather and build data sets on a wide range of indicators such as the Living Standards Measurement Study (LSMS), access to finance, international migration, international remittances, and much more. Freely offering both the data and the analytical tools that the Bank possesses to anyone in the world is a true public good that has been accomplished with the help of the KCP.



Additional Requirements for Data

Discussions with World Bank researchers have produced a consensus on the set of indicators needed for structural analysis of economies. Some data are available through the World Bank's internal data warehouse, *Development Data Platform (DDP)*; others need to be obtained and put into a common format for use with other data sets. Key databases that are of critical importance to the Program are described below.

Value-added by industry. The *World Development Indicators (WDI) database* provides aggregate data for agriculture, industry, manufacturing, and services. Finer breakdowns may be available for some countries from the UN National Accounts database. At the very least, separate series on construction and business services would be desirable. United Nations Industrial Development Organization (UNIDO) data on output, investment, value added, and wages by two-digit ISIC sectors are available in the WDI. Inputs as well as outputs by industrial sector would be useful for disentangling questions about the ultimate origins of globalized products and for documenting the different levels of technology employed by countries at different levels of development (and different positions along the supply chain). Input-output tables and other special studies may be available for some countries.

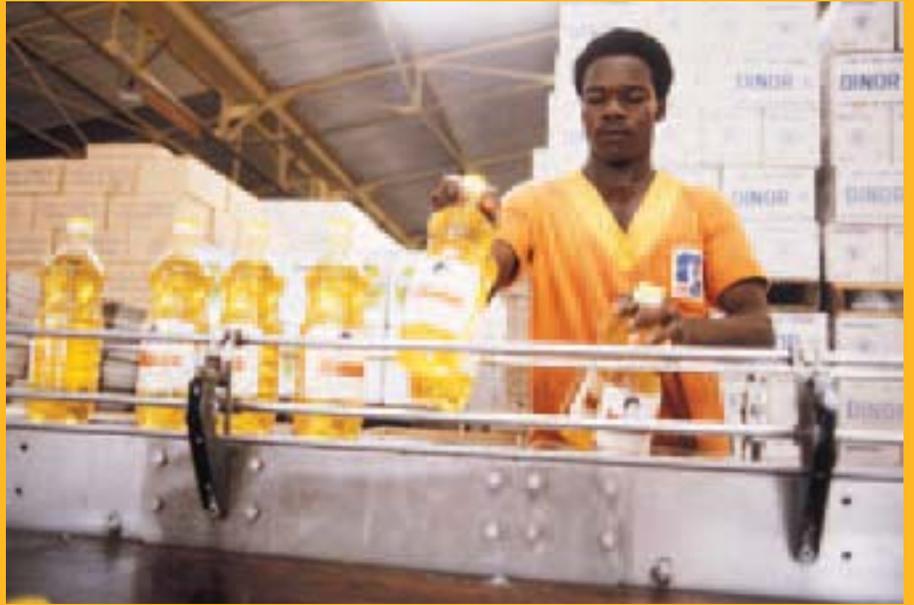
Labor force data. Comprehensive labor market data are available from the International Labor Organization (ILO) Laborstat database (in DDP) and its Key Indicators of the Labor Market (available online and on CD-ROM). The ILO is currently reorganizing its statistical program and has expressed willingness to work with the World Bank on improving access and coverage. Estimates of total factor productivity are available from the UNIDO World Productivity Database for 112 countries for 1960–2000. It is currently being updated. The OECD also produces labor productivity, total factor productivity, and employment data for OECD/European Union countries; in addi-

tion, the ILO's Key Indicators of the Labor Market includes estimates of labor productivity, wages, and employment.

Knowledge Dissemination

Each of the research components is expected to result in published outputs, including working papers, articles, and synthesis volumes. Particular attention will be paid to making sure that data collected by the Program will be made available to the public as part of the World Bank's Open Data Initiative (see Box 5), which is funded in part by the KCP. The outputs will also be available in local languages. The work is expected to feed into a series of high-level discussions involving policy makers to re-evaluate and refine analysis of the roles of the state and market in development, as in the work of the Growth Commission. This will aim to contribute to a more balanced, empirically-based consensus and will be facilitated by close links with the World Bank Institute's planned development debates.

More is envisaged to ensure that informed debate also includes client countries and other stakeholders. This will require developing policy-focused outputs, including good practice notes and facilitating the exchange of experience, especially (but not only) between Africa and Asia. Engagement and the opportunity to compare approaches will build capacity in strategic approaches to development, especially those related to finance and industry. In addition, the comparative case studies of policy success and failure will draw, as far as possible, on local consultants. They will then be available to help inform their own country's policies, including through in-country dissemination and discussion workshops that will be included as a key component of the cases.





Future Research Directions of KCP Phase II

In thinking about future priorities, it is natural to build on the lessons from past research, to identify important knowledge gaps in light of current needs. One of the generic themes about future directions is the belief that not enough attention has been given to the need for differentiated policy recommendations for countries at different stages of development. Differences between countries in (*inter alia*) physical and human capital endowments and their distribution, and associated differences in the evolution of production activities at different points in the development process, lead to the need for different implications regarding the appropriate institutions and policy frameworks. This theme cuts across all areas of development policy making.

There is a dearth of research on development strategy, including on the policies and mechanisms that have been used by some fast-growing countries to accelerate economic transformation. Greater emphasis on development strategy must be balanced against the now well-understood fact that there is no “one size fits all” solution to the challenge of promoting growth and overcoming poverty (both from one country to the next, and from one time period to the next). It is important to understand the specific opportunities, circumstances, and constraints facing lagging countries in an increasingly globalized world.

The subject of development economics needs to return to tackling the big questions of how to sustain economic growth and how to eliminate poverty, but to do so with all the power that the subject's data and analytic tools can now provide. A key premise for such a research agenda is to recognize that the analytical framework for countries at different stages of development needs to be different and that the policies appropriate for different countries may not be the same.

What then are the key researchable questions that the World Bank and KCP II should give highest priority in the future? Four major sets of problems merit high priority: (i) achieving efficient economic transformation, which also means the ability to tailor policy advice to different stages of development; (ii) broadening opportunities to ensure that all individuals can participate in the benefits of, and contribute to, such transformation; (iii) dealing with emerging new global challenges related to risk and vulnerability; and (iv) assessing the effectiveness and results of development efforts, including external assistance. Each of these themes has implications for both analysis and data, as summarized in Table 1. Each of these themes is also linked with certain country types—the World Bank's “clients”—as indicated in Table 1. The discussion below elaborates.

First, there is a need to better understand the roles of states, markets, and the private sector in promoting the transformation of economies. Why have some countries been able to achieve sustained growth and address environ-



mental degradation, while others appear to remain trapped in dire poverty? The Growth Commission identified 13 countries that were able to maintain high sustained growth over 25 years. Why so few? How do countries transform their economies in an environmentally friendly way and in the process reduce poverty and provide employment opportunities for all? To address these fundamental questions requires a deeper understanding of the process of how economic transformation evolves. Economic transformation is central to the *Rethinking Development Program* described in page 19 of this Annual Report and which underpins the research directions of the KCP.

Second, there is a need to better understand how access to economic opportunities can be broadened to ensure rapid poverty reduction and human development. Inequalities of opportunity lie at the heart of inequitable growth processes in developing countries. Lack of access to opportunities, particularly for investing in education, health, and other forms of human capital, stifles growth and makes the growth that does occur less effective in reducing poverty. The large differences in the rate of progress against poverty at a given rate of growth that one sees across countries can be linked both theoretically and empirically to inequality. On the data side, advances in the measurement of inequality of opportunity can help us see how societies have expanded opportunities to their populations.

Ensuring ***better services for poor people*** is key. However, across countries, social outcomes are only weakly related to development spending in the social sectors and, in many countries, additional spending on social services is subordinated to other priorities. Understanding why similar programs work better in some countries than others and identifying the binding constraints to better service delivery are research priorities.

One important direction for future research is experimenting with information dissemination interventions and transparency to strengthen the incentives of providers and governments. Quite diverse results are obtained from different types of information provision and across different political contexts. Information availability has large implications for accountability and is a likely candidate for reform. Research needs to focus on ways in which information can be strengthened to improve governance.

A promising direction is impact evaluations that alter *institutional* arrangements in the market for education and health care. Another important area for research is ***gender equity***, the focus of the 2012



Table 1. Research Agenda: Looking Forward

	ANALYSIS	DATA
1. Transformations	<ul style="list-style-type: none"> Understanding the relationship between change in an economy's structure and broader development goals, including poverty reduction, the roles of states, markets, and the private sector in promoting economic transformation. Appropriate policies at each stage of development. Governance issues for industrial upgrading and structural change. The role of agriculture versus other sectors; sector priorities and trade-offs. 	<ul style="list-style-type: none"> Macro data, especially on sector composition of output. Better data on infrastructure investments. Better data on policy interventions over time. Firm-level data, especially to study productivity growth and firm-industry dynamics. Informal sector data, to analyze the factors behind entry into and exit from informality. Household-level data (archival and new) to link to welfare outcomes <i>and to</i> integrate with macroeconomic/sector/ public finance data, including sub-national.
Relevant country types: Low-income, predominantly agrarian or resource-rich economies seeking to move into middle-income status; middle-income economies seeking to upgrade industries and diversify from manufacturing into services.		
2. Opportunities	<ul style="list-style-type: none"> Better understanding of why some countries and places attain faster poverty reduction and more inclusive development than others at a given rate of economic growth. Governance challenges in assuring better education, health, and social protection. Information to strengthen provider incentives. Policies to enhance access to finance. More inclusive global integration and/or regional integration, linked to global markets. 	<ul style="list-style-type: none"> Household, facility-level, public expenditure tracking, service delivery data. Data disaggregated by gender. Financial services data. New measures of inequality of opportunity.
Relevant country types: High levels of inequality and/or slow rates of poverty reduction; poor performance in moving toward MDGs; regions with low levels of educational attainment and high infant mortality rates.		
3. Risks	<ul style="list-style-type: none"> More effective and cost-efficient social protection, including more automatic stabilizers in poor countries. Fragile and conflict-ridden states. Managing new environmental risks. Addressing financial-sector vulnerabilities. Global governance reform and policies to support new multi-polar growth and interconnected risk. Managing macro-financial risks posed by globalization. 	<ul style="list-style-type: none"> Panel data sets tracking the same households or firms over time. Addressing core data weaknesses in fragile states. Better data on environmental and natural resource risk factors, their consequences, and the costs of amelioration. Data on trade flows and trade policies; made available at no cost.
Relevant country types: Fragile states, resource-rich economies, and regions exposed to extreme weather conditions such as floods or drought; regions highly integrated with global trade, financial markets, or movement of people.		
4. Results	<ul style="list-style-type: none"> Developing reliable measures of country performance, including benchmarking and identifying comparators. Broader approach to evaluation, drawing on richer economic modeling, more diverse types of data, multiple disciplines, and tailored to strategic knowledge gaps in the above areas. 	<ul style="list-style-type: none"> New types of data (mixed qualitative-quantitative methods). New modeling tools suitable for non-assigned interventions. Different types of results measures (rates of return, poverty, and other human development indicators).
Relevant country types: All developing countries; countries with a high share of aid to GDP; regions where aid results are weak.		

World Development Report. Gender disparities in rights, access to resources and economic opportunity, and voice and political participation vary across and within countries but remain pervasive worldwide.

Broad **access to financial services** is crucial for inclusive growth. There is a need to assess and evaluate the channels through which access to finance can contribute to more pro-poor growth processes, such as promoting entrepreneurship, innovation, and the process of technology adoption. The role of financial literacy and gender differences in this process should also receive greater attention.



There is a need to pay closer attention to the role of the private sector in ensuring global gains from international integration. In the 2000s, foreign direct investment (FDI) inflows were the single largest source of capital for developing countries and a critical input for technology transfer in developing country firms. The International Finance Corporation (IFC) has played an important role as a catalyst for these activities. Indeed, the IFC and DEC's research department are both exploring important questions about the right policies to attract and retain FDI, without disadvantaging domestic firms. The issue is also critical for Africa, which needs to encourage foreign investment inflows and yet protect its valuable resources for posterity. Foreign investment, as well as mobilizing private savings, can also play a potentially important role in promoting adaptation to and mitigation of climate change.

Unequal opportunities for development are also generated by weak incentives for political actors to make decisions in the interests of citizens generally. There is a need to advance the understanding of the sources of such adverse political incentives, how to shape development interventions that moderate these incentives, and, when this is not possible, how to design interventions that equalize opportunities in an unsupportive political environment.

Third, there is a need to meet new global challenges related to dealing with the uninsured risks facing economies and people. Recent history has confirmed that a large fraction of the developing world's population remains vulnerable to shocks. Developing countries are asking themselves how the most recent crisis, which is generating continuing uncertainty, will affect their growth prospects. They are also asking what they can do to protect themselves going forward. New research has been launched to assess what factors have helped countries achieve resiliency to this ongoing crisis. Preliminary results from KCP research suggest that many developing countries were much



better prepared to respond to this crisis, in part because of higher fiscal surpluses, a better build-up of reserves, lower inflation, and avoidance of currency mismatches that could have led to exchange rate speculation and insolvency.

Assessing the impact on poverty and well-being of such events is difficult and, when data are collected, they are often difficult to interpret. There is a need to better understand how shocks affect populations, seeking to highlight the way societies can re-emerge from such setbacks and resume long-term paths of poverty and inequality decline. New paradigms are needed that allow countries to incorporate risk into policy recommendations, allowing policies “wobble room” to face unanticipated shocks, and new research into identifying **safety nets at reasonable costs** is in order.

Most countries, including those that have experienced rapid development success underpinned by financial deepening, have suffered from finan-

cial crises interrupting the growth process, and sometimes setting back progress for a decade or more. Heightened risks at the level of the individual firm and households have reinforced the role of financial instruments and markets for hedging and managing risk also at this micro level. Risk management, including crisis prevention, needs to become a central part of the research agenda on financial development. Building on past work, further effort is needed to investigate the impact of supervision strategies as well as the impact of compliance with Basel Core Principles on bank stability, the interaction of bank insolvency resolution and deposit insurance policies, and the impact of financial globalization on bank efficiency and access to financial services.

Within this category of research questions, greater attention also needs to be given to better understanding the development possibilities in **fragile and conflict-affected states** and in the **global commons**, especially looking at more efficient and



environmentally sound energy and water use in a growing and rapidly urbanizing world, measures by developing countries to better mitigate and adapt to the effects of climate change, and new challenges posed by food security as demand for food is expected to grow substantially over the next half century.

Fourth, there is a need for a broader approach to the task of assessing development effectiveness. The development community is increasingly focused on *results*. How should evaluations be conducted and how can delivery mechanisms be improved to generate better results? This controversial topic is of particular interest for the development community, including the World Bank.

At the macro level, research has long had an important role in creating the tools, especially the data, needed for monitoring overall development effectiveness at the country and sub-national levels. (For example, the World Bank's global poverty monitoring effort has been housed in research units since it began in 1990.) The ability to learn from country experiences rests heavily on the quality of that data. There is still much work to be done in improving these data, such as in reducing comparability problems, understanding data inconsistencies, reducing biases in data collection, and better linking across types of data. At the more micro level, credible *evaluations* of development policies and projects (both *ex ante* and *ex post*) are accompanied by continuing methodological and data-related challenges.

A wide range of careful ex-post impact evaluations have been launched by DEC, examining a multiplicity of interventions. The World Bank's special role is in evaluations with governments, which poses special opportunities and constraints (such as concerning what methods are politically feasible). A distinctive feature of the World Bank's evaluative research is that linkages between the specific intervention and the rest of the (public and private) service system get extra attention. However, there has been less progress on ex-ante evaluation, including improving the data inputs to traditional cost-benefit analysis. For example, there is little known about the implicit prices (shadow prices and wages) that should guide project choice in poor countries. The retreat from cost-benefit analysis among development agencies has stemmed in part from lack of credible knowledge about key inputs to cost-benefit analysis, notably for quantifying and valuing benefits. There should be a menu of evaluation approaches, including *ex-ante* cost-benefit analysis, impact evaluation, and other *ex-post* approaches to assessing aid effectiveness.

In the longer term, there are important challenges associated with assessing aid in a more comprehensive and systematic way, both at the World Bank and elsewhere. Looking forward, the task of addressing the most pressing knowledge gaps facing the developing world today will require that researchers remain open on the most appropriate theoretical starting points and empirical methodologies; the policy question should drive the research agenda, and not the researcher's disciplinary background or favorite method.



KCP Finances

KCP I

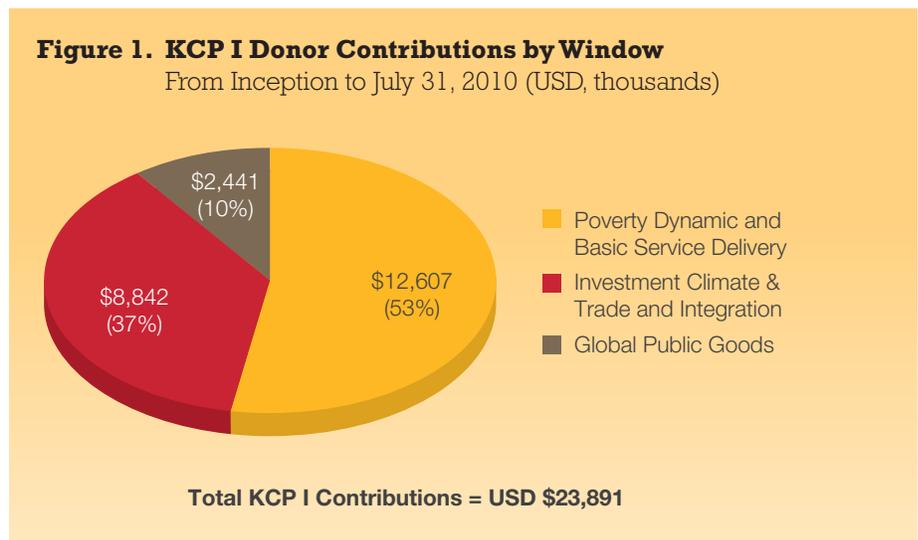
Donor Contributions

The first phase of the KCP, which closed on July 31, 2010, received total contributions of USD 23.9 million from 14 donors (see Annex 1, Table A.1, page 39). The Poverty Dynamics and Basic Service Delivery Trust Fund received 53 percent; the Investment Climate & Trade and Integration Trust Fund, 37 percent; and the Global Public Goods Trust Fund, 10 percent (see Figure 1).

These allocations were applied mainly in accordance with donor preferences as indicated in the trust fund administration agreement, with the exception of a few pledges that gave discretion to the World Bank for their distribution among the three KCP I windows. These flexible contributions were allocated based on the demand for research funding as approved by the KCP Internal Management Committee. Finland and the United Kingdom, the Program's founding donors, were also its largest contributors with donations of USD 5.7 million and USD 5.6 million, respectively. The other KCP I partners were Australia, Canada, Denmark, France, IFAD, Japan, Norway, Sweden, Switzerland, the European Commission, the Netherlands, and ABN/AMRO Bank.

Total investment income accrued from inception to July 31, 2010 was close to USD 1.3 million. This amount was earned from undisbursed funds and was credited back to the Program and made

available for project allocations. Residual funds for completed and cancelled projects were returned to their respective windows and also made available for project funding. In order to assist in the defrayment of administration costs and other expenses incurred, the Bank deducted 5 percent from the donor contributions in accordance with the provisions of the trust fund administration agreement.



Project Portfolio

A total of USD 23.9 million, adjusted for investment income and the administration fee, was available for project funding. The Poverty Dynamics and Basic Service Delivery Trust Fund, with 45 projects, had total net allocations of USD 12.6 million (52 percent); the Investment Climate & Trade and Integration Trust Fund had 46 projects with net allocation of USD 8.8 million (37 percent); and the Global Public Goods Trust Fund had 10 projects with USD 2.5 million (11 percent). For the complete list of projects and their year of completion, see Annex 1, Table A.3, pages 41–46. The progress and completion reports are available on the KCP website (www.worldbank.org/kcp). Annex 1, Table A.6, pages 51–53, provides a separate list of the 43 projects completed in FY2010.

Expenditures

Actual expenditures for the 101 KCP I completed projects amounted to USD 23.8 million (see Table 2) or 99.6 percent of the project portfolio funds. Consultant Fees and Contractual Services accounted for the largest share of expense line items at 79 percent. These represented the costs of hiring international and local experts with specialized skills and knowledge in specific fields. Approxi-

mately 7 percent was disbursed for co-terminus staff who worked full time exclusively for activities such as the *World Development Reports*. About 6 percent was spent for travel-related expenses of consultants engaged in project activities. Finally, close to 8 percent was utilized for media, workshop and other costs such as printing, publishing, and conferences.

Program Closure

The World Bank's Trust Funds Accounting Division performs a final review of the KCP I accounts, and a calculation of the residual funds. These will be refunded in due course on a pro-rata basis to all contributing donors in accordance with the terms of the administration agreement.

KCP II

Donor Contributions and Pledges

As of June 30, 2010 and since it became operational in December 2008, the KCP II has received USD 6.85 million in cash contributions from four donors, namely, Finland, the United Kingdom, Australia, and Sweden (see Annex 1, Table A.2, page 40). **Finland**, as the KCP II's first signing

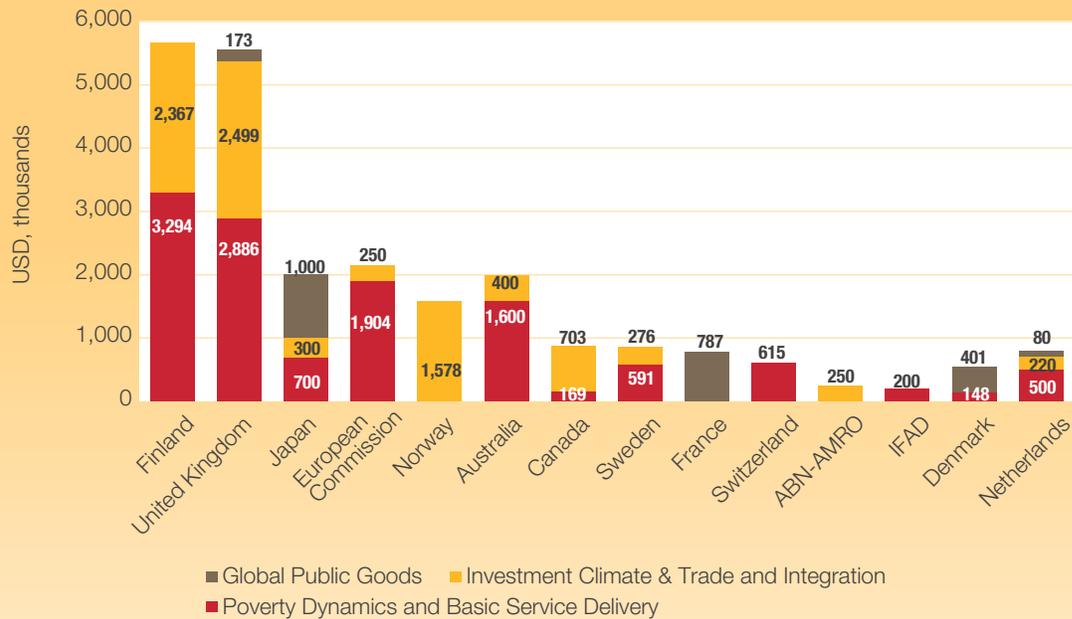
Table 2. KCP I Expense Categories

EXPENSE CATEGORY	POVERTY DYNAMICS AND BASIC SERVICE DELIVERY	INVESTMENT CLIMATE & TRADE AND INTEGRATION	GLOBAL PUBLIC GOODS	TOTAL	%
Consultant fees and contractual services	8,911,689	8,002,695	1,862,532	18,776,916	79%
Co-terminus costs	1,303,101	44,183	301,745	1,649,029	7%
Media & workshops	972,024	292,595	184,004	1,448,623	6%
Travel	980,801	330,105	39,925	1,350,831	6%
Other expenses	351,050	123,691	133,051	607,792	2%
Total	12,518,665	8,793,269	2,521,257	23,833,191	100%

Source: Program Administration Unit.

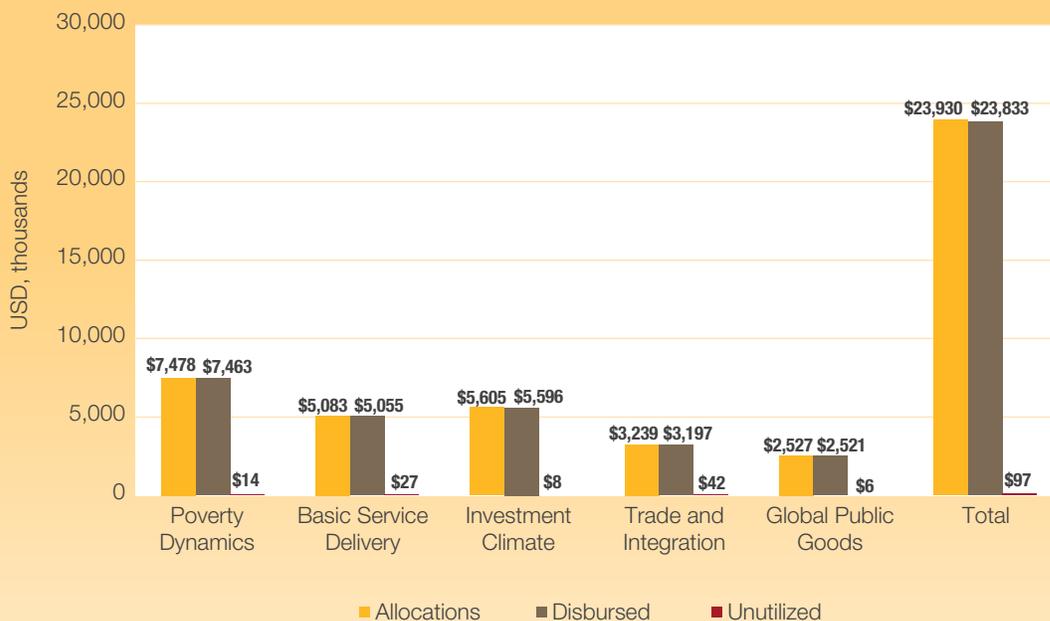


Figure 2. KCP I Contributions Received by Donor
From Inception to July 31, 2010 (USD, thousands)



Source: Program Administration Unit.

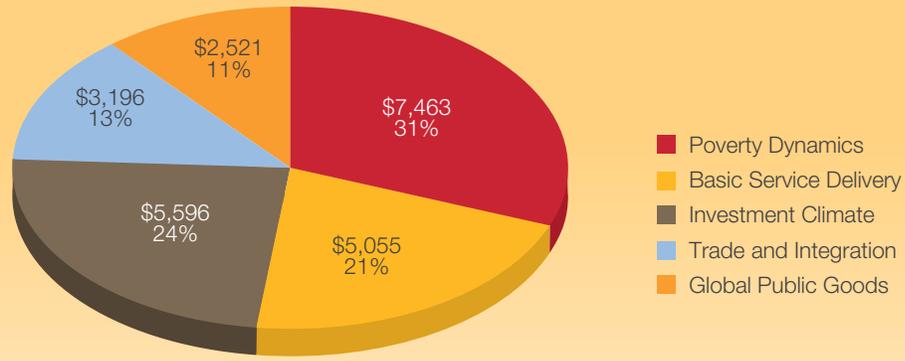
Figure 3. KCP I Allocations and Disbursements
From Inception to July 31, 2010 (USD, thousands)



Source: Program Administration Unit.

Figure 4. KCP I Disbursements by Theme

From Inception to July 31, 2010 (USD, thousands)

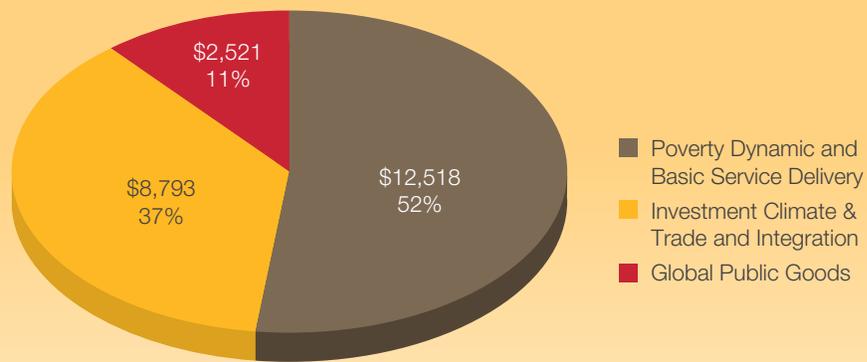


Total = USD 23,833

Source: Program Administration Unit.

Figure 5. KCP I Disbursements by Window

From Inception to July 31, 2010 (USD, thousands)

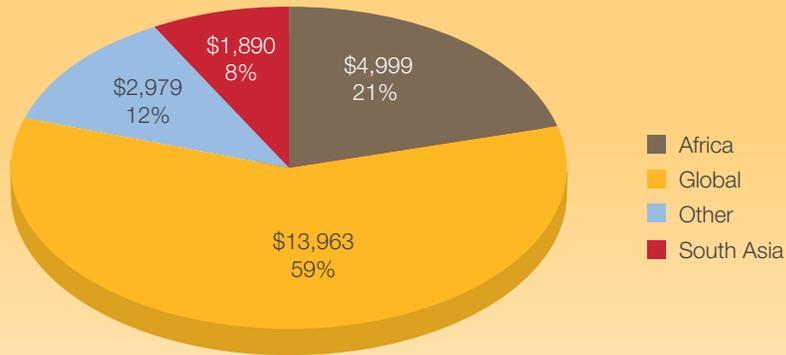


Total = USD 23,833

Source: Program Administration Unit.



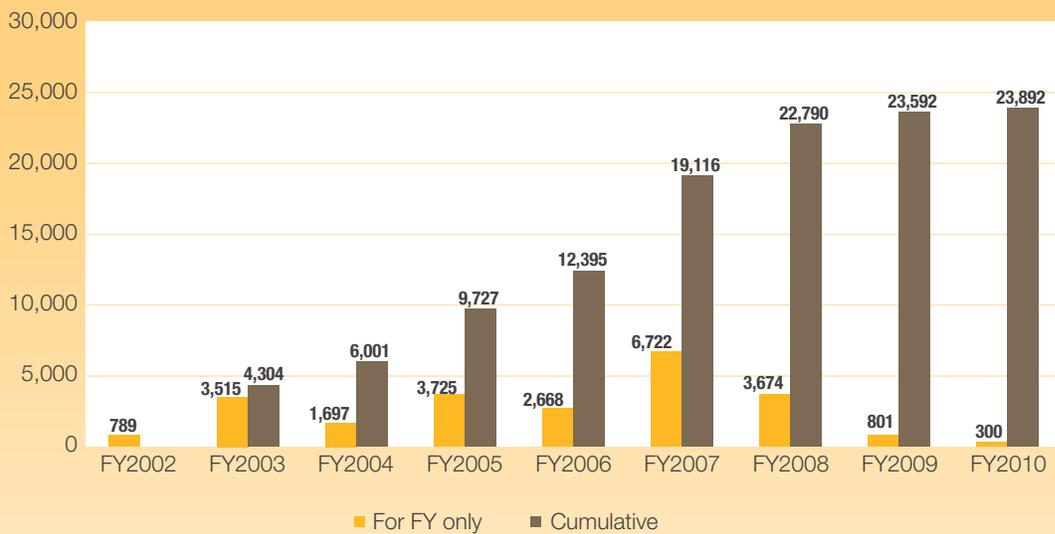
Figure 6. KCP I Disbursements by Region
From Inception to July 31, 2010 (USD, thousands)



Total = USD 23,833

Source: Program Administration Unit.

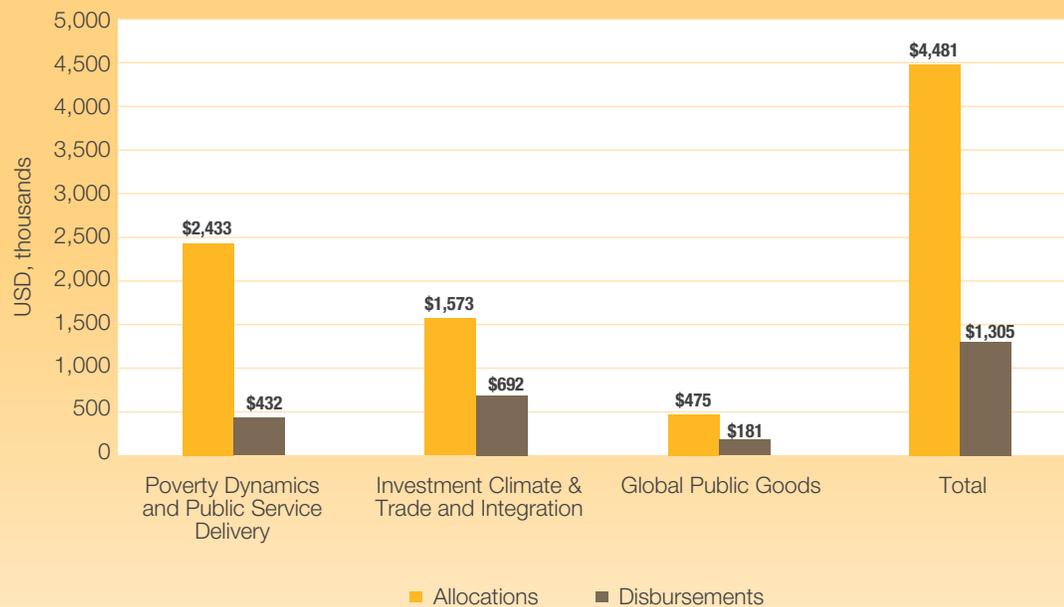
Figure 7. KCP I Donor Contributions by Fiscal Year
From Inception to July 31, 2010 (USD, thousands)



Source: Program Administration Unit.

Figure 8. KCP II Allocations and Disbursements

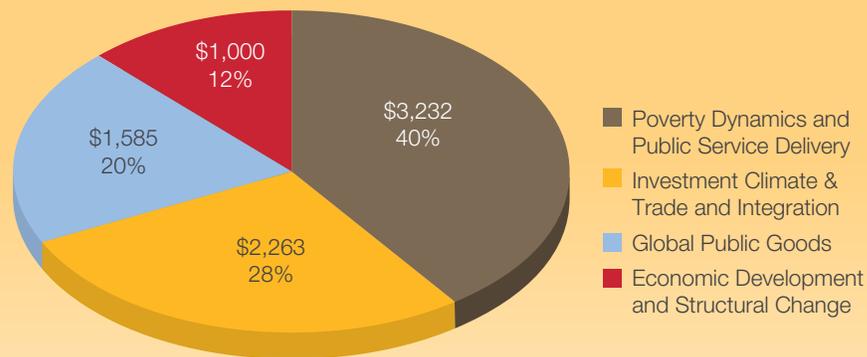
As of June 30, 2010



Note: New projects approved in June 2010 are excluded because they had not started during the reporting period.
Source: Program Administration Unit.

Figure 9. KCP II Allocations by Window

From Inception to June 30, 2010 (USD, thousands)



Total = USD 8,080

Source: Program Administration Unit.



donor, pledged EUR 2.25 million payable in three tranches to be allocated equally among the first three windows. The **United Kingdom**, the second contributor, made an initial pledge of GBP 1.5 million payable in three tranches but with allocation among the first three windows at the discretion of the World Bank. In February 2010, DfID became the first donor of the newly-established fourth window on Economic Development and Structural Change, with its contribution of GBP 500,000. The third signatory is **Australia** with its pledge of USD 2 million payable in three tranches with allocation as follows: 40 percent to the Poverty Dynamics and Public Service Delivery Trust Fund, 40 percent to the Investment Climate & Trade and Integration Trust Fund, and 20 percent to the Global Public Goods Trust Fund. Sweden, as the KCP II's fourth donor, pledged SEK 8.5 million to be allocated entirely to the Poverty Dynamics and Public Service Delivery Trust Fund, with a preference that it be used to finance the *World Development Report 2011: Conflict, Security, and Development*. **Canada** joined in April 2010 with a pledge of CAD 1.2 million allocated as follows: CAD 400,000 to the Poverty Dynamics and Public Service Delivery

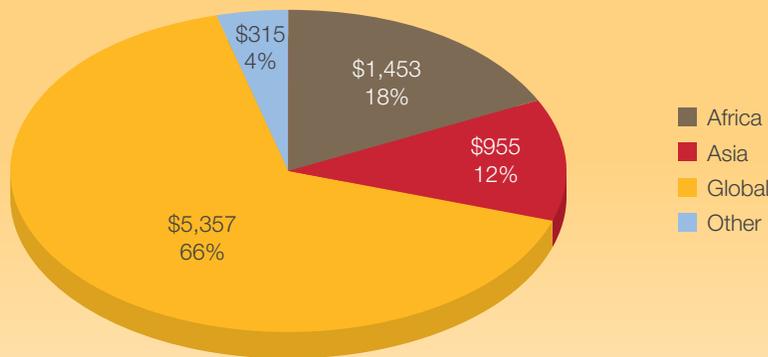
Trust Fund (of which CAD 200,000 is for the *World Development Report 2011: Conflict, Security, and Development*); CAD 300,000 to the Investment Climate & Trade and Integration Trust Fund; CAD 200,000 to the Global Public Goods Trust Fund; and CAD 300,000 to the Economic Development and Structural Change Trust Fund.

Discussions are at an advanced stage with China, Denmark, and Singapore for their pledges to the Economic Development and Structural Change Trust Fund. China will contribute USD 500,000; Denmark, DKK 5 million; and Singapore, USD 300,000.

Project Portfolio

Demand for research funds continues to be strong and quite unprecedented. The KCP team manages the project allocation process in such a way as to minimize use of staff time in preparing proposals that cannot be funded over and above available resources. A brief concept note no longer than one page is initially submitted to the managers with final approval by the directors for preparation of full proposals.

Figure 10. KCP II Allocations by Region
From Inception to June 30, 2010 (USD, thousands)



Total = USD 8,080

Table 3. KCP II Applications

STATUS	FY2009		FY2010	
	COUNT	AMOUNT	COUNT	AMOUNT
Approved in full	28	2,808,000	17	2,887,667
Approved with reduced award	2	200,000	13	2,185,000
Reduction in award		100,000		1,065,000
Approved with changes requested				
Approved but funds returned				
Declined	4	260,000	21	2,220,000
Withdrawn	1	50,000		
Total Applications	35	3,418,000	51	8,357,667

The KCP II has had two annual calls for proposals. In the first round held in May 2009, 30 projects totaling USD 3 million were awarded grants ranging from USD 40,000 to USD 250,000. In fiscal year 2010, 30 projects for a total of USD 5.1 million were approved and these range from USD 35,000 to USD 400,000.

Table 3 summarizes the KCP II applications received through June 30, 2010. Despite a vigorous internal vetting of concept notes, a substantial number of proposals could not be funded due to lack of funding.

As of June 30, 2010, there were 60 projects approved under the KCP II. The Poverty Dynamics and Public Service Delivery Trust Fund had 15 projects with allocations of USD 3.2 million (40 percent); the Investment Climate & Trade and Integration Trust Fund had 27 projects with allocations of USD 2.3 million (28 percent); the Global Public Goods Trust Fund had 11 projects with USD 1.6 million (20 per-

cent); and the new Economic Development and Structural Change Trust Fund had 7 projects with USD 1 million (12 percent) (see Figure 9). For the lists of KCP II projects, see Annex 1, Tables A.7 and A.8, pages 54–57.

Expenditures

In its first full year of operation, the KCP II projects registered total disbursements of USD 1.3 million (see Figure 8). The largest expense line item was for Consultant Fees and Contractual Services at 92 percent. These are the costs of hiring international and local experts with specialized skills and knowledge in specific fields. As of June 30, 2010, which was the first operational year of the KCP II, total disbursements represented 29 percent of the allocated amount of USD 4.5 million (excluding June 2010 approved projects because they did not commence operational activity during the reporting period).



Annex I: The KCP Portfolio

Table A.1. KCP I Parent Fund Accounts As of July 31, 2010 (USD, thousands)

				UNAUDITED
	POVERTY DYNAMICS AND BASIC SERVICE DELIVERY	INVESTMENT CLIMATE AND TRADE AND INTEGRATION	GLOBAL PUBLIC GOODS	TOTAL
Contributions				
Finland	3,294,491	2,367,314		5,661,804
United Kingdom	2,886,043	2,498,625	172,980	5,557,647
Japan	700,000	300,000	1,000,000	2,000,000
Norway	1,903,919	250,000		2,153,919
European Commission		1,578,063		1,578,063
Australia	1,600,000	400,000		2,000,000
Canada	169,133	703,166		872,299
Sweden	590,714	275,653		866,367
France			787,040	787,040
Switzerland	614,975			614,975
ABN/AMRO		249,990		249,990
IFAD	200,000			200,000
Denmark	148,171		401,365	549,535
Netherlands	499,910	219,970	80,000	799,880
<i>Total Contributions Received</i>	12,607,356	8,842,781	2,441,385	23,891,521
Administrative fee (5%)	(630,368)	(442,139)	(122,069)	(1,194,576)
<i>Net Contributions Received</i>	11,976,988	8,400,642	2,319,315	22,696,945
Investment income ¹	601,727	457,414	207,734	1,266,875
Less:				
Allocations	(12,560,280)	(8,843,197)	(2,526,970)	(23,930,447)
Reserve for Developing Country Participants				
Expenses in Consultative Group Meetings	(17,672)	(14,382)		(32,053)
Unallocated Fund Balances, July 31, 2010	763	477	79	1,320

¹ Investment income continues to accrue until available fund balances are returned to contributing donors.

Table A.2. KCP II – Parent Fund Accounts As of June 30, 2010 (USD)

					UNAUDITED
	POVERTY DYNAMICS & PUBLIC SERVICE DELIVERY	INVESTMENT CLIMATE & TRADE AND INTEGRATION	GLOBAL PUBLIC GOODS	ECONOMIC DEVELOPMENT AND STRUCTURAL CHANGE	TOTAL
Contributions Received					
Finland ¹	691,775	691,775	691,775		2,075,325
United Kingdom ²	622,590	910,045	41,065	758,050	2,331,750
Australia ³	500,000	500,000	250,000		1,250,000
Sweden ⁴	1,193,016				1,193,016
<i>Total Contributions Received</i>	3,007,381	2,101,820	982,840	758,050	6,850,091
Administrative fee (1%)	(30,074)	(21,018)	(9,828)	(7,581)	(68,501)
<i>Net Contributions Received</i>	2,977,307	2,080,802	973,012	750,470	6,781,590
Outstanding Pledges (Signed)					
Finland ¹	307,200	307,200	307,200		921,600
United Kingdom ²	250,400	250,400	250,400		751,200
Australia ³	300,000	300,000	150,000		750,000
Canada ⁵	387,034	290,276	193,517	290,276	1,161,103
<i>Total Outstanding Pledges</i>	1,244,634	1,147,876	901,117	290,276	3,583,903
Administrative fee (1%)	(12,446)	(11,479)	(9,011)	(2,903)	(35,839)
<i>Net Outstanding Pledges</i>	1,232,188	1,136,397	892,106	287,373	3,548,064
Investment income	19,033	16,974	10,053	2,562	48,622
Less:					
Project allocations	(3,232,667)	(2,263,000)	(1,585,000)	(1,000,000)	(8,080,667)
Program Management & Administration	(75,000)	(75,000)	(75,000)	(75,000)	(300,000)
Technical Reviewers' Fees	(15,000)	(15,000)	(15,000)	(15,000)	(60,000)
Estimated funds available	905,861	881,173	200,171	(49,595)	1,937,609
Pledges in Pipeline (Unsigned)					
Denmark				824,919	824,919
China				500,000	500,000
Singapore				300,000	300,000
Total Pledges in Pipeline	0	0	0	1,624,919	1,624,919

(1) Finland: Total pledge is EUR 2,250,000 with contributions allocated equally among the three parent funds. Outstanding pledge balance of EUR 750,000 is due by December 31, 2010.

(2) United Kingdom: Total pledge is GBP 2,000,000 with contributions allocated among the four parent funds at the discretion of the World Bank. Initial contribution of GBP 500,000 was received on July 17, 2009 and allocated 30 percent to TF071173, 65 percent to TF071177, and 5 percent to TF071178. Second tranche of GBP 500,000 received on March 2, 2010 was allocated 50/50 to TF071173 and TF071177. Outstanding pledge of GBP 500,000 due March 31, 2011 is allocated equally between the first three windows for this report. Additional contribution of GBP 500,000 for the fourth window was received in March 2010.

(3) Australia: Total pledge is USD 2,000,000 with contributions allocated as follows: 40 percent to TF071173, 40 percent to TF071177, and 20 percent to TF071178. Outstanding pledge balance of USD 750,000 due March 31, 2011.

(4) Sweden: Total pledge is SEK 8,500,000 entirely to TF071173 with preference to the *World Development Report 2011: Conflict, Security, and Development*.

(5) Canada: Total pledge is CAD 1,200,000 allocated as follows: CAD 400,000 to TF071173 with 50 percent to the *2011 World Development Report*, CAD 300,000 to TF071177, CAD 200,000 to TF071178, and CAD 300,000 to TF071393.

Note: Exchange rates at June 30, 2010: EUR = 1.2288; GBP = 1.5024; DKK = 6.0612.



Table A.3. KCP I Allocations and Disbursements As of July 31, 2010 (USD)

PROJECT NAME	TRUST FUND	YEAR OF COMPLETION	ALLOCATION	DISBURSEMENTS
POVERTY DYNAMICS (TF050263)				
The Economics of Civil War, Crime, and Violence	TF051166	2005	220,236	220,236
Increasing Access to Land by the Rural Poor in India	TF051294	2007	78,730	78,730
The Long-Run Impacts of Health Shocks in Africa	TF051295	2005	196,959	196,959
China: Enhancing the Poverty Impact of the New Land Law	TF051296	2007	92,999	92,999
The Human Cost of Indoor Air Pollution: New Estimates for Africa and Southern Asia	TF051297	2005	191,352	191,352
M&E Capacity Building in National Statistical Offices, Accountability and Governance in Africa	TF051793	2005	80,846	80,846
Country Case Study for PARIS21 Task Team on Improved Support for Monitoring Development Goals	TF052594	—	0	
Evaluating Long-Run Welfare Impacts: Two Case Studies for East Asia	TF053492	2007	134,090	134,090
World Development Report 2006: Equity and Development	TF053864	2007	1,030,045	1,030,045
Climate Mitigation and Sustainable Development: Risks, Benefits, and Institutional Implications	TF054654	2008	312,351	312,351
Poverty Reduction and Human Development: Analysis of Alternative Strategies within an Economywide Framework	TF055565	2009	183,983	183,983
Dynamics of Slum Formation and Strategies to Improve Lives of Slum Dwellers	TF055550	2007	81,349	81,349
Research on Methodology for Aggregating Poverty-Specific PPPs	TF055692	2007	147,864	147,864
World Development 2007: Development and the Next Generation	TF055926	2009	613,200	613,200
World Development Report 2008: Agriculture, Poverty and Development	TF056943	2009	1,445,908	1,445,908
Research for Improving Survey Data	TF057207	2009	296,502	296,502
Measuring and Understanding the Impacts of Development Projects	TF090459	2010	685,306	684,249
World Development Report 2009: Spatial Disparity and Development	TF090474	2010	892,000	888,512

Continued on next page

Table A.3. KCP I Allocations and Disbursements As of July 31, 2010 (USD) *(continued)*

PROJECT NAME	TRUST FUND	YEAR OF COMPLETION	ALLOCATION	DISBURSEMENTS
Determinants of Low-Income Countries' Access to Private Debt Markets	TF090766	2010	21,764	21,764
An African Green Revolution: Finding Ways to Boost Productivity	TF091034	2010	336,880	329,630
Building on the Methodology Developed for Aggregating Poverty-specific PPPs	TF091083	2009	75,232	75,232
Are Opportunity Profiles Useful to Inform policy Decisions?	TF092602	2010	67,079	67,079
Evaluating the Effectiveness of Sustainable Land Management Interventions in Ethiopia	TF092663	2010	74,946	74,646
China Urban Dibao Study	TF093187	2010	68,000	66,128
The International Income Distribution Database (I2D2)	TF095022	2010	150,000	149,740
TOTAL – POVERTY DYNAMICS			7,477,622	7,463,395
BASIC SERVICE DELIVERY (TF050263)				
Micro-Survey Approach to Health Care Provisions in Poor Countries	TF051009	2005	288,185	288,185
Background Studies for the 2004 World Development Report	TF051183	2005	736,024	736,024
Perspectives on Making Services Work for Poor People	TF051186	2005	188,878	188,878
User Fees in Health Care: An Evaluation of Two Near Natural Experiments of Abolition of User Fees in Africa	TF051762	2005	99,667	99,667
Incentives, Choice, and Accountability in Basic Education Services: Piloting a Micro Survey Approach	TF051764	2006	180,317	180,317
Evaluating Frontline Service Delivery: Management and Analysis	TF052376	2005	79,945	79,945
Evaluating the Impact of AIDS Prevention and Treatment Services	TF053517	2007	134,916	134,916
Political Institutions, Development, and a Domestic Civil Peace	TF055286	2009	649,948	649,948
Identifying Policy Interventions to Overcome Political Obstacles to Serving the Poor	TF055689	2009	306,274	306,274
Impact Evaluations of Interventions Aiming to Improve Education Outcomes of Vulnerable Children	TF055581	2007	60,000	60,000
Improving Educational Outcomes through Choice and Decentralized Management	TF055582	2007	134,100	134,100
AID Effectiveness: New Research Directions	TF057010	2010	136,884	136,884

Continued on next page



Table A.3. KCP I Allocations and Disbursements As of July 31, 2010 (USD) *(continued)*

PROJECT NAME	TRUST FUND	YEAR OF COMPLETION	ALLOCATION	DISBURSEMENTS
Evaluating the Role of Participation in Poverty Reduction	TF058144	2009	149,856	149,856
Labor Issues in Service Delivery for Human Development: Incentives and Performance	TF057011	2009	145,781	145,781
Micro Simulations of Poverty Reduction and Service Delivery in a User-friendly, Economy-wide Framework	TF057817	2010	346,000	340,087
Information and Life Transitions among Youths: Evaluating the Impact of ICT in Two Developing Countries	TF090460	2010	170,000	148,783
Background Work on the Policy Research Report on Local Governance and Local Development	TF090806	2010	198,782	198,578
Peace and Development, Post-Conflict Transitions	TF090895	2010	98,172	98,172
Improving Women's Health in Africa	TF090932	2010	260,000	260,000
Aid Effectiveness: How Unpredictable Aid Influences Service Delivery: Results from Country Case Studies	TF092908	2010	68,928	68,928
World Development Report 2011: Conflict, Security, and Development	TF096413	2010	650,000	649,945
TOTAL – BASIC SERVICE DELIVERY			5,082,657	5,055,269
TOTAL – POVERTY DYNAMICS and BASIC SERVICE DELIVERY			12,560,280	12,518,664
INVESTMENT CLIMATE (TF050264)				
Surveys and Assessments in Low-Income Countries and Regions	TF050718	2005	294,652	294,652
Investment Climate Surveys	TF051760	2007	615,226	615,226
Emerging Trends in Industrial Competitiveness in East Asia	TF051761	2005	34,573	34,573
Micro Indicators of Financial Development	TF051763	2007	119,821	119,821
Ramping Up Investment Climate Surveys	TF051944	2007	313,565	313,565
World Development Report 2005: Investment Climate, Growth, and Poverty	TF052955	2007	708,764	708,764
Investment Climate Extension	TF053568	2007	136,227	136,227
Access to Finance and Poverty Alleviation	TF053518	2009	89,680	89,680
Investment Climate Analysis	TF055285	2008	1,185,365	1,185,365
Decentralization, Community Organizations and Elite Capture	TF055555	2008	99,876	99,876

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Table A.3. KCP I Allocations and Disbursements As of July 31, 2010 (USD) *(continued)*

PROJECT NAME	TRUST FUND	YEAR OF COMPLETION	ALLOCATION	DISBURSEMENTS
Evaluating Investment Climate Improvements and Growth at the Firm Level	TF055556	2009	159,589	159,589
Barriers to Banking	TF056915	2010	249,091	249,091
Household Surveys of Access to Financial Services	TF056916	2010	300,000	296,133
Growth, Innovation, and Reform	TF057095	2009	64,578	64,578
New Research on Firm Informality	TF057096	2010	225,000	225,000
Investment Climate's Contribution to Growth through Firm Dynamics and Allocative Efficiency	TF058171	2009	79,161	79,161
Private Sector Development Research Program	TF090458	2010	300,000	297,959
Worldwide Governance Indicators	TF091228	2010	89,790	89,790
Growth Effects of Public Investments	TF091229	2010	30,000	30,000
Macroeconomic Effects of Allocative Efficiency	TF090797	2010	84,865	84,865
Impact Evaluation of Structural Shift in Supply of Banking Services in Mexico	TF092595	2010	49,862	49,862
Credit Bureau Reform: Testing the Impact of Competition and Private Ownership on Firm Credit	TF092728	—	0	
Innovation and Informality across the Firm Size Spectrum in Sri Lanka	TF092729	2010	50,000	50,000
Capital Raising Activity in Domestic and International Markets	TF092859	2010	65,000	64,709
Role of Private Equity in Emerging Markets	TF092860	2010	51,000	50,788
Labor Markets, Structural Transformation and the Informal Sector	TF092862	2010	68,963	68,963
Macroeconomic Volatility: Causes and Consequences	TF092864	2010	48,000	46,171
Pro-cyclical Effects of Capital Requirements: Theory, Evidence, and Policy Lessons for Middle-Income Countries	TF093985	2010	91,950	91,950
TOTAL – INVESTMENT CLIMATE			5,604,598	5,596,360
TRADE AND INTEGRATION (TF050264)				
Agricultural Trade Policy	TF051758	2005	248,746	248,746
Impact of Liberalization in Textiles and Apparel on Developing Countries	TF051759	2005	24,720	24,720
Migration: Development Problems and Opportunities	TF051860	2005	34,638	34,638

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Table A.3. KCP I Allocations and Disbursements As of July 31, 2010 (USD) *(continued)*

PROJECT NAME	TRUST FUND	YEAR OF COMPLETION	ALLOCATION	DISBURSEMENTS
Developing Countries and WTO Dispute Settlement: Assessment and Lessons from the Experience to Date	TF052672	2005	87,650	87,650
Caribbean Growth and Competitiveness Study	TF053477	2006	137,407	137,407
Agricultural WTO Trade Reform & Their Impact on Poverty: Consumption & Income Effects	TF053519	2005	88,535	88,535
Kenya – Diagnostic Trade Integration Study	TF053882	2005	126,444	126,443
Household Surveys of International Migration and Remittances	TF054731	2010	1,149,713	1,133,213
Migration Policies and Their Impact on Development	TF055563	2008	110,000	110,000
Facilitating Trade and Tariff Data Access and Analysis	TF055693	2007	199,533	199,533
International Migration, Remittances and Development	TF057014	2010	425,000	406,297
The WTO and Economic Development	TF090455	2008	95,000	95,000
U.S. Antidumping on Vietnamese Catfish: Impacts on Mekong Farmers	TF090457	2009	79,132	79,132
Expansion of Global Retail Chains: Implication for Technology Transfer and Pro-competitive Effects in Developing Countries	TF090461	2009	60,000	60,000
Migration, Remittances and Development in Africa: Household Survey with Existing Sampling Frame	TF090763	2010	50,000	50,000
How Do Institutional Investors Manage World Savings?	TF090949	2010	69,891	69,891
Brain Drain and Brain Gain of Ghana's Best and Brightest	TF092706	2010	49,170	42,758
Commodity Prices, Policies, and Poverty	TF092727	2010	49,609	49,609
Migration and Its Impacts on Households and Individuals in Migrant-sending Communities	TF092861	2010	153,410	153,337
TOTAL – TRADE AND INTEGRATION			3,238,598	3,196,909
TOTAL – INVESTMENT CLIMATE and TRADE AND INTEGRATION			8,843,196	8,793,269
GLOBAL PUBLIC GOODS (TF054852)				
Policy Research Report: Forests, Livelihoods, and the Environment	TF055586	2007	140,069	140,069

Continued on next page

Table A.3. KCP I Allocations and Disbursements As of July 31, 2010 (USD) *(continued)*

PROJECT NAME	TRUST FUND	YEAR OF COMPLETION	ALLOCATION	DISBURSEMENTS
Averting a Global Influenza Pandemic by Preventing Virus Re-assortment	TF057409	2009	149,456	149,456
Mitigating Climate Change by Avoiding Lock-ins to High Carbon Energy Systems	TF057372	2010	385,274	385,274
Global Migration Database Extensions – A Global Public Good	TF090456	2009	64,927	64,927
Options for Cleaner Energy in Developing Countries and Overcoming Barriers to Their Adoption and Sustainability	TF090682	2010	444,309	444,309
Global Warming and Developing Countries: An Economy-wide Perspective	TF090762	2010	149,378	149,378
The Social and Economic Impacts of Influenza Epidemics and Policies to Contain Them	TF090811	2009	199,952	199,952
Improving Malaria Outcomes through Evidence-Based Program Design: A Multi-Country Initiative to Support the World Bank's Booster Program for Malaria Control	TF091271	2010	101,673	99,238
Biofuels and Sustainable Development	TF092095	2010	249,492	249,492
World Development Report 2010: Climate Change and Development	TF092568	2010	642,440	639,162
TOTAL – GLOBAL PUBLIC GOODS			2,526,970	2,521,257
KCP I ALLOCATIONS AND DISBURSEMENTS			23,930,446	23,833,190



Table A.4. KCP II Allocations and Disbursements As of June 30, 2010 (USD)

	PROJECT NAME	TRUST FUND	TEAM LEADER	ALLOCATIONS	DISBURSEMENTS	AVAILABLE
POVERTY DYNAMICS and PUBLIC SERVICE DELIVERY (TF071173)						
1.	Economic Growth and Crisis in Africa: Improving Methods for Measuring Poverty	TF094629	Peter Lanjouw	120,000	33,679	86,321
2.	Poverty Mapping in China	TF095034	Qinghao Zhao	50,000	24,078	25,922
3.	The Impact of Providing Land Titles in Ghana	TF094650	Markus Goldstein	70,000	69,991	9
4.	Impact of Urban Land Titling: Evidence from Land Lottery in Burkina Faso	TF094652	Markus Goldstein	70,000	0	70,000
5.	Kagera Health and Development Survey 2010: Long-Run Patterns of Growth and Poverty in Africa	TF094628	Kathleen Beegle	175,000	128,000	47,000
6.	The Effects of Home Based HIV Counseling & Testing: IE of a Program in Kenya	TF094626	Markus Goldstein	100,000	14,000	86,000
7.	HIV/AIDS Treatment and Prevention	TF094627	Damien de Walque	100,000	35,926	64,074
8.	Learning and Educational Achievements in Pakistan (LEAPS): Continuation	TF094625	Jishnu Das	175,000	41,040	133,960
9.	Impact Evaluation of Youth-Friendly Services on Voluntary Counseling and Testing among the Youth Aged 15–24 Years in Kenya	TF094157	Arianna Legovini	100,000	8,100	91,900
10.	World Development Report 2011: Conflict, Security, and Development	TF096467	Gary Milante	1,472,667	76,860	1,395,807
TOTAL – POVERTY DYNAMICS and PUBLIC SERVICE DELIVERY				2,432,667	431,673	2,000,994
INVESTMENT CLIMATE and TRADE AND INTEGRATION (TF071177)						
11.	The Financial Crisis and Foreign Bank Participation in Developing Countries	TF094784	Maria Soledad Martinez Peria	40,000	39,930	70
12.	Employment Creation in Large and Small Firms	TF094563	David McKenzie	50,000	44,685	5,315
13.	How Much Do Management Practices Matter? A Randomized Experiment in India	TF094551	David McKenzie	50,000	49,999	1

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Table A.4. KCP II Allocations and Disbursements As of June 30, 2010 (USD) *(continued)*

	PROJECT NAME	TRUST FUND	TEAM LEADER	ALLOCATIONS	DISBURSEMENTS	AVAILABLE
14.	Regulation and Bank Stability	TF094573	Asli Demirguc-Kunt	250,000	0	250,000
15.	Globalization, Risk, and Crises	TF094565	Sergio Schmukler	70,000	13,400	56,600
16.	Reticent Respondents and Cross-Country Survey Data on Corruption	TF095860	Aart Kraay	75,000	0	75,000
17.	Comparable Disaggregated Census Data across Developing Countries	TF094566	Mary Hallward-Driemeier	70,000	43,384	26,616
18.	The Growth Effects of Fiscal Policy in Developing Countries	TF095859	Aart Kraay	50,000	17,560	32,440
19.	FDI and Macroeconomic Stability	TF095146	Constantino Hevia	40,000	0	40,000
20.	An Experimental Study of 'Poverty Traps' among Micro-Entrepreneur Groups	TF094567	Berk Ozler	128,000	128,000	0
21.	Labor Markets and Impacts of the Financial Crisis: Evidence from China and India	TF094568	John Giles	225,000	97,693	127,307
22.	Transport Costs and Development: Evidence from China's Infrastructure Boom	TF094600	Hanan Jacoby	40,000	34,675	5,325
23.	Services, FDI and Endogenous Productivity Effects in the European Neighborhood Policy—A Quantitative Assessment for Georgia	TF094947	Ana Fernandes	90,000	88,591	1,409
24.	Modeling and Analysis of Consumption Patterns	TF094570	Olivier Dupriez	150,000	42,669	107,331
25.	Analyzing the Impact of Financial Crisis on International Bank Lending to Developing Countries	TF095266	Mansoor Dailami	100,000	0	100,000
26.	Strengthening Agricultural Production Systems and Facilitating Access to Markets: Impact Evaluation of Nigeria's Commercial Agriculture Development	TF094158	Arianna Legovini	100,000	91,659	8,342
27.	Migration of Turkey's Top Students – Brain Drain and Brain Gain	TF095040	Caglar Ozden	45,000	0	45,000
TOTAL – INVESTMENT CLIMATE and TRADE AND INTEGRATION				1,573,000	692,245	880,755

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Table A.4. KCP II Allocations and Disbursements As of June 30, 2010 (USD) *(continued)*

	PROJECT NAME	TRUST FUND	TEAM LEADER	ALLOCATIONS	DISBURSEMENTS	AVAILABLE
GLOBAL PUBLIC GOODS (TF071178)						
28.	Economics of Biofuels and Potential Impacts on Biodiversity	TF094965	Govinda Timilsina	125,000	44,214	80,786
29.	Improving Governance of African River Basins – Determinants of Successes and Failures in Past Reforms	TF094962	Michael Toman	120,000	120,000	0
30.	Improving Efficiency and Climate Change Mitigation – Electricity Market Competition and Low-Carbon Generation Technologies	TF094964	Ioannis Kessides	50,000	0	50,000
31.	Economic Impacts of Low Carbon Growth Scenarios in Selected Developing Countries	TF094963	Michael Toman	180,000	16,707	163,293
TOTAL – GLOBAL PUBLIC GOODS				475,000	180,921	294,079
KCP II ALLOCATIONS and DISBURSEMENTS				4,480,667	1,304,840	3,175,827

Note: This report does not include projects approved in June 2010.

Table A.5. Beneficiary Countries

IDA/IDA BLEND	NON-IDA
Angola	Argentina
Azerbaijan	Botswana
Bangladesh	Brazil
Benin	China
Bolivia	Colombia
Burkina Faso	Czech Republic
Cambodia	Ecuador
Cameroon	Egypt
Chad	Guatemala
Côte d'Ivoire	Lebanon
Dominica	Malaysia
East Timor	Mexico
Ethiopia	Morocco
Ghana	Peru
Grenada	Philippines
Guyana	South Africa
Haiti	Syria
Honduras	Thailand
India	Venezuela
Indonesia	
Kenya	
Laos	
Lesotho	
Madagascar	
Malawi	
Mozambique	
Nicaragua	
Nigeria	
Pakistan	
Republic of Yemen	
Senegal	
Serbia and Montenegro	
Sri Lanka	
St. Lucia	
St. Vincent	
Sudan	
Swaziland	
Tanzania	
Uganda	
Vietnam	
Western Samoa	
Zambia	



Table A.6. Completed KCP Projects in FY2010 As of July 31, 2010 (USD)

	PROJECT NAME	TRUST FUND	TEAM LEADER	DISBURSEMENTS
KCP I				
POVERTY DYNAMICS and BASIC SERVICE DELIVERY				
1.	Aid Effectiveness: New Research Directions	TF057010	Stephen Knack	136,884
2.	Micro Simulations of Poverty Reduction and Service	TF057817	Hans Lofgren	340,087
3.	African Green Revolution: Finding Ways to Boost Productivity	TF091034	Donald Larson	329,630
4.	World Development Report 2009: Reshaping Economic Geography	TF090474	Chorching Goh	888,512
5.	Measuring and Understanding the Impacts of Development Projects	TF090459	Adam Wagstaff	684,249
6.	Determinants of Low-Income Countries' Access to Private Debt Markets	TF090766	Mansoor Dailami	21,764
7.	Policy Research Report on Local Governance and Local Development	TF090806	Ghazala Mansuri	198,578
8.	Peace and Development, Post-Conflict Transitions	TF090895	Gary Milante	98,172
9.	Information and Life Transitions Among Youths: Evaluating the Impact of ICT in Two Developing Countries	TF090460	Elizabeth King	148,783
10.	Improving Women's Health in Africa	TF090932	Berk Ozler	260,000
11.	Evaluating the Effectiveness of Sustainable Land Management Interventions in Ethiopia	TF092663	Klaus Deininger	74,646
12.	Are Opportunity Profiles Useful to Inform Policy Decisions?	TF092602	Francisco Ferreira	67,079
13.	Aid Effectiveness – How Unpredictable Aid Influences Service Delivery: Results from Case Studies	TF092908	Punam Chuhan-Pole	68,928
14.	China Urban Di Bao Study	TF093187	Shaohua Chen	66,128
15.	World Development Report 2011: Conflict, Security, and Development	TF096413	Gary Milante	649,945
16.	The International Income Distribution Database (I2D2)	TF095022	Dominique van der Mensbrugghe	149,740
INVESTMENT CLIMATE and TRADE AND INTEGRATION				
17.	Barriers to Banking	TF056915	Asli Demirguc-Kunt	249,091
18.	Household Surveys of Access to Financial Services	TF056916	Asli Demirguc-Kunt	296,133
19.	International Migration, Remittances and Development	TF057014	Maurice Schiff	406,297

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Table A.6. Completed KCP Projects in FY2010 As of July 31, 2010 (USD) *(continued)*

	PROJECT NAME	TRUST FUND	TEAM LEADER	DISBURSEMENTS
20.	New Research on Firm Informality	TF057096	David McKenzie	225,000
21.	Household Surveys of International Migration and Remittances	TF054731	Maurice Schiff	1,133,213
22.	Private Sector Development Research Program	TF090458	Asli Demirguc-Kunt	297,959
23.	Worldwide Governance Indicators	TF091288	Aart Kraay	89,790
24.	Growth Effects of Public Investment	TF091229	Luis Serven	30,000
25.	Migration, Remittances and Development in Africa: Household Survey with Existing Sampling Frame	TF090763	Dilip Ratha	50,000
26.	Macroeconomic Effects of Allocative Efficiency	TF090797	Mary Hallward-Driemeier	84,865
27.	How Do Institutional Investors Manage World Savings?	TF090949	Sergio Schmukler	69,891
28.	Brain Drain and Brain Gain of Ghana's Best and Brightest	TF092706	Caglar Ozden	42,758
29.	Impact Evaluation of Structural Shift in Supply of Banking Services in Mexico	TF092595	Miriam Bruhn	49,862
30.	Commodity Prices, Policies, and Poverty	TF092727	Caglar Ozden	49,609
31.	Innovation and Informality across the Firm Size Spectrum in Sri Lanka	TF092729	David McKenzie	50,000
32.	Capital Raising Activity in Domestic and International Markets	TF092859	Sergio Schmukler	64,709
33.	New Research on Private Equity in Developing Countries	TF092859	Leora Klapper	50,788
34.	Migration and Its Impact on Households and Individuals in Migrant-Sending Communities	TF092861	Kathleen Beegle/John Giles	153,337
35.	Labor Markets, Structural Transformations, and the Informal Sector	TF092862	John Giles/Markus Goldstein	68,963
36.	Macroeconomic Volatility: Causes & Consequences	TF092864	Claudio Raddatz	46,171
37.	Pro-Cyclical Effects of Capital Requirements: Theory, Evidence, and Policy Lessons for Middle-Income Countries	TF093985	Luiz Perreira da Silva	91,950
GLOBAL PUBLIC GOODS				
38.	Mitigating Climate Change by Avoiding Lock-ins to High Carbon Energy Systems	TF057372	Michael Toman	385,274
39.	Options for Cleaner Energy in Developing Countries and Overcoming Barriers to Their Adoption and Sustainability	TF090682	Michael Toman	444,309

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Table A.6. Completed KCP Projects in FY2010 As of July 31, 2010 (USD) *(continued)*

	PROJECT NAME	TRUST FUND	TEAM LEADER	DISBURSEMENTS
40.	Global Warming and Developing Countries: An Economy-wide Perspective	TF090762	Dominique van der Mensbrugghe	149,378
41.	Improving Malaria Outcomes through Evidence-Based Program Design: A Multi-Country Initiative to Support the World Bank's Booster Program for Malaria Control	TF091271	Jed Friedman	99,238
43.	Biofuels and Sustainable Development	TF092095	Govinda Timilsina	249,492

KCP II

INVESTMENT CLIMATE & TRADE AND INTEGRATION				
44.	How Much Do Management Practices Matter? A Randomized Experiment in India	TF094551	David McKenzie	49,999

Table A.7. Ongoing KCP II Projects in FY2010

	PROJECT NAME	TRUST FUND	ALLOCATION (USD)	TEAM LEADER
POVERTY DYNAMICS & PUBLIC SERVICE DELIVERY				
1.	Economic Growth and Crisis in Africa: Improving Methods for Measuring Poverty	TF094629	120,000	Peter Lanjouw
2.	Poverty Mapping in China	TF095034	50,000	Shaohua Chen
3.	The Impact of Providing Land Titles in Ghana	TF094650	70,000	Markus Goldstein
4.	Impact of Urban Land Titling: Evidence from Land Lottery in Burkina Faso	TF094652	70,000	Markus Goldstein
5.	Kagera Health and Development Survey 2010: Long-Run Patterns of Growth and Poverty in Africa	TF094628	175,000	Kathleen Beegle
6.	The Effects of Home Based HIV Counseling & Testing: IE of a Program in Kenya	TF094626	100,000	Markus Goldstein
7.	HIV/AIDS Treatment and Prevention	TF094627	100,000	Damien de Walque
8.	Learning and Educational Achievements in Pakistan (LEAPS): Continuation	TF094625	175,000	Jishnu Das
9.	Impact Evaluation of Youth-Friendly Services on Voluntary Counseling and Testing among the Youth Aged 15–24 Years in Kenya	TF094157	100,000	Arianna Legovini
10.	World Development Report 2011: Conflict, Security, and Development	TF096467	1,472,667	Gary Milante
INVESTMENT CLIMATE & TRADE AND INTEGRATION				
11.	The Financial Crisis and Foreign Bank Participation in Developing Countries	TF094784	40,000	Maria Soledad Martinez Peria
12.	Employment Creation in Large and Small firms	TF094563	50,000	David McKenzie
13.	Regulation and Bank Stability	TF094573	250,000	Asli Demirguc-Kunt
14.	Globalization, Risk, and Crises	TF094565	70,000	Sergio Schmukler
15.	Reticent Respondents and Cross-Country Survey Data on Corruption	TF095860	75,000	Aart Kraay
16.	Comparable Disaggregated Census Data across Developing Countries	TF094566	70,000	Mary Hallward-Driemeier
17.	The Growth Effects of Fiscal Policy in Developing Countries	TF095859	50,000	Aart Kraay
18.	FDI and Macroeconomic Stability	TF095146	40,000	Constantino Hevia
19.	An Experimental Study of 'Poverty Traps' among Micro-Entrepreneur Groups	TF094567	128,000	Berk Ozler
20.	Labor Markets and Impacts of the Financial Crisis: Evidence from China and India	TF094568	225,000	John Giles
21.	Transport Costs and Development: Evidence from China's Infrastructure Boom	TF094600	40,000	Hanan Jacoby

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Table A.7. Ongoing KCP II Projects in FY2010 *(continued)*

	PROJECT NAME	TRUST FUND	ALLOCATION (USD)	TEAM LEADER
22.	Services, FDI and Endogenous Productivity Effects in the European Neighborhood Policy—A Quantitative Assessment for Georgia	TF094947	90,000	Ana Fernandes
23.	Modeling and Analysis of Consumption Patterns	TF094570	150,000	Olivier Dupriez
24.	Analyzing the Impact of Financial Crisis on International Bank Lending to Developing Countries	TF095266	100,000	Mansoor Dailami
25.	Strengthening Agricultural Production Systems and Facilitating Access to Markets: Impact Evaluation of Nigeria’s Commercial Agriculture Development	TF094158	100,000	Arianna Legovini
26.	Migration of Turkey’s Top Students – Brain Drain and Brain Gain	TF095040	45,000	Caglar Ozden
GLOBAL PUBLIC GOODS				
27.	Economics of Biofuels and Potential Impacts on Biodiversity	TF094965	125,000	Govinda Timilsina
28.	Improving Governance of African River Basins – Determinants of Successes and Failures in Past Reforms	TF094962	120,000	Michael Toman
29.	Improving Efficiency and Climate Change Mitigation – Electricity Market Competition and Low-Carbon Generation Technologies	TF094964	50,000	Ioannis Kessides
30.	Economic Impacts of Low Carbon Growth Scenarios in Selected Developing Countries	TF094963	180,000	Dominique van der Mensbrugge/ Michael Toman

Table A.8. New KCP II Projects in FY2010

	PROJECT NAME	APPROVED AMOUNT (USD)	TEAM LEADER
POVERTY DYNAMICS and PUBLIC SERVICE DELIVERY			
1.	Correcting the Sampling Bias of the China Urban Household Survey	55,000	Shaohua Chen
2.	World Development Report 2011: Conflict, Security, and Development	1,472,667	Gary Milante
3.	World Development Report 2012: Gender Equity and Development	270,000	Ana Revenga/Sudhir Shetty
4.	Implications for Poverty of Productivity Growth in Agriculture & Non-Agriculture	100,000	William Martin
5.	LSMS: Improving the Quality and Comparability of Income Data through Research and Dissemination	150,000	Kinnon Scott
6.	Policy, Governance and the Private Sector in the Provision of Public Services: Evidence from Indonesia's Health Sector	225,000	John Giles
INVESTMENT CLIMATE and TRADE AND INTEGRATION			
7.	Can Microfinance Foster Entrepreneurship in Poor Communities?	75,000	David McKenzie
8.	Reducing Informality among Firms in Minas Gerais, Brazil	80,000	Arianna Legovini
9.	Least Developed Countries and the Externality Impact of WTO Dispute Settlement	80,000	Chad Bown
10.	Will There Be a Phoenix Miracle? Firm-level Evidence from Financial Crises	50,000	Asli Demirguc-Kunt
11.	On FDI Spillovers	35,000	Hiau Looi Kee
12.	Worldwide Governance Indicators	100,000	Aart Kraay
13.	Private Sector Dynamics in Côte d'Ivoire	40,000	Leora Klapper
14.	Innovation and Growth	70,000	William Maloney
15.	Bank Competition and Access to Finance	60,000	Maria Soledad Martinez Peria
16.	On the Use of Domestic and International Debt Markets	100,000	Sergio Schmukler
GLOBAL PUBLIC GOODS			
17.	Green Growth Opportunities in Developing Countries	400,000	Michael Toman
18.	Survey Data Repository and Management Toolkit	220,000	Olivier Dupriez
19.	Global Demand System for Consumer Behavior	100,000	Dominique van der Mensbrugghe
20.	Research on HIV/AIDS Prevention and Treatment	55,000	Damien de Walque
21.	Enhanced Global Macro/Financial Model for Developing Countries	100,000	Hans Lofgren
22.	Quantifying the Transaction Costs of Selected Energy Efficiency Measures to Reduce GHG Emissions	75,000	Govinda Timilsina
23.	Data Resource Center for Structural Economic Analysis	160,000	Eric Swanson

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Table A.8. New KCP II Projects in FY2010 *(continued)*

	PROJECT NAME	APPROVED AMOUNT (USD)	TEAM LEADER
ECONOMIC DEVELOPMENT AND STRUCTURAL CHANGE			
24.	Stimulating Industrial Upgrading in Sub-Saharan Africa	200,000	Markus Goldstein
25.	Research Agenda in New Structural Economics	150,000	Ann Harrison/Claudia Sepulveda
26.	Industrial Structure, Productivity, Growth and Welfare	150,000	Mary Hallward-Driemeier
27.	Structural Transformation, Enterprise Policies, and Economic Growth	150,000	Ann Harrison/Claudia Sepulveda
28.	Export Transaction Database	75,000	Caroline Freund
29.	Country Case Studies on Structural Change and Industrial Policies	200,000	Claudia Sepulveda
30.	Industrial Policy in an Uncertain Environment	75,000	Norman Loayza





Annex II: KCP Projects in Profile

1. World Development Report 2011: Conflict, Security, and Development

The *World Development Report 2011: Conflict, Security, and Development* has received support from both the KCP I and the KCP II. At the time of writing this KCP Annual Report, the *2011 World Development Report* still has about six months of intensive work and reviews before being launched in February 2011. This means that this update is not final, and the Report may look somewhat different when it is finally released. The reason for the extended period of the *2011 World Development Report* is the nature of the topic. A substantial part of the report is based on an extensive consultative process with a large number of stakeholders, as well as countries that are or were affected by some type of conflict or violence. The *World Development Report* team has aimed to build a substantive analytical foundation and policy momentum to ensure the Report will have a far-reaching impact on the global agenda for peace and security.

The World Development Report's early findings include the following:

Conflict-affected and fragile states are experiencing repeated and interlinked violence that crosses borders. Analysis reveals the persistence of conflict and marked increase in fighting after formal ceasefires, as well as cross-border violence, trafficking, and organized crime. Lack of focus on the continuing risk of violence during “post-conflict” recovery, and excessive focus on assistance to the individual nation state are mismatched with the challenge of transnational and cyclical violence.

Internal and external stresses burden countries with low capability to respond. Stresses that are both external (economic shocks, cross-border trafficking, external interference) and internal (rising inequality, youth bulges, legacies of violence



and trauma) overwhelm national capabilities. Both formal and informal institutions often lack the tech-



nical capability and, critically, leadership, shared values, and social cohesion to respond.

The quality of governance is linked to the onset of conflict. Preliminary findings from the background research by Fearon and others suggest that weak governance and institutions are a much more significant correlate of the onset of conflict than previously understood. These findings will open the door for new research on the relationship between institutions and development in conflict-affected countries.

Institutional transformations take time and should focus on function, not form. Institutional transformations to address conflict and fragility take time—the fastest 20 reformers in the latter part of the 20th century took 20–25 years to improve performance from the levels in Haiti, to the levels now seen in Ghana. The forms that legitimate institutions can take also vary significantly between countries (political systems, public versus private provision of services, etc.).

Progress is needed in the security, justice/inclusion, and economic domains to move from

initial elite pacts to broader social compacts.

Country case reviews indicate that most successful cases of recovery from conflict and sustained prevention of further violence involve moving from initial pacts between elite groups to a broader social compact, and that doing so requires developing legitimate institutions in the security, justice/inclusion, and economic domains. The early stages of institutional transformations are particularly prone to risks of political backlash and systemic failure—due to the innate institutional fragility they are trying to overcome.

A deficit in international support that is coherent, flexible, and well-targeted.

In conflict-affected and fragile states, building national capability is paramount, but external support can be essential. However, international supplementary capacity is plagued by fragmented strategy between political, security, and development actors; unpredictable and inflexible aid flows; unrealistic timelines for progress; risk-averse instruments; and a lack of global measures to track progress. The World Development Report is also exploring the dual accountability dilemma faced by donors, who need to serve their own domestic constituencies as well as their fragile clients (whose interests are sometimes at odds with one another).

The World Development Report's early recommendations include:

Renewed international and regional commitments to norms and standards in areas such as unconstitutional changes in government, corruption, and human rights abuses. The *World Development Report* will advocate that commitments should be based not on specific *forms* but on *functionality*—the two often being confused. (Thus in the area of corruption they would include mechanisms to ensure integrity, such as the transparent reporting of expenditures or investigation of complaints, and not specific institutional forms, such as anti-corruption commissions.)



Apply new instruments for prevention and regional action to manage conflict. International investment should be increased to prevent the onset or recurrence of conflict, with a greater focus on supporting preventative transitions and countries undertaking difficult reform processes, as well as greater use of standby arrangements for political, security, and economic assistance that can be drawn upon in the case of rapid shifts in priorities and new conflict risks. Innovative regional initiatives should be explored to address transnational threats, including joint action on trafficking, organized crime, resource scarcity, cross-border violence, and regional economic and administrative integration.

More appropriate support for institutional transformations, which requires addressing the damage done by unrealistic international expectations and uncoordinated assistance—as well as more emphasis on south-south assistance and regional peer review processes. The *World Development Report* will also advocate more stable levels of financing for fragile states, varying the modality by which aid is delivered rather than the volume.

Coordinate strategy, improve performance of international assistance. Complex conflict environments require integrated strategy across political, security, and development interventions as well as improvements in the speed, duration, and predictability of aid. More realistic international benchmarks for institutional progress are also needed, based on average and “fastest-ever” transition times as well as faster assistance, more flexible aid allocations, over-the-horizon security guarantees, and better global monitoring of conflict and conflict prevention.

Invest in under-resourced sectors. International assistance should be targeted to fill gaps, including bridging institutional and financing deficits in the rule of law sector (in particular for justice and policing systems), to promote public-private partnerships for job creation, and to reach insecure areas, including agriculture investment.

Monitor success. Current Millennium Development Goals do not measure progress based on the unique challenges faced by conflict-affected states. Simple global measures of actual levels of violence and popular perceptions of progress toward stability would allow the international community to track progress, alongside the MDGs.

Dissemination details

To enrich the *World Development Report's* empirical base and to communicate important insights to diverse audiences, the *World Development Report* is also making use of the web and social media and using video and film to underline the realities of conflict and the development challenge it poses. The active *World Development Report* blog can be found at: <http://blogs.worldbank.org/conflict> and twitter: <http://twitter.com/wbConflict>.

Following the Report's release in early February 2011, the *World Development Report* plans an extensive regional launch and dissemination process, building on the *World Development Report* network established during the consultation phase.

2. Improving Women's Health in Africa

For years, the global community has zeroed in on behavior change as a key to fighting the global HIV epidemic. But so far the approach has brought only limited success in reducing HIV infections in developing countries.

The frustrations are especially evident in Sub-Saharan Africa, which has two-thirds of the world's HIV infections and an equally alarming share of new infections among adults. Women and girls, in particular, are at greater risk, partly because of the biological, social, and economic challenges they face.



The KCP-supported research project on Improving Women's Health in Africa, which has used randomized trials involving cash incentives, is showing promise in reducing sexually-transmitted infections in Malawi. The innovative study, if proven to be equally effective on a larger scale, could help make a dent in reversing the HIV epidemic.

The study looks “outside the box” while at the same time relying on rigorous experimental evaluation methods. The project used cash incentives to persuade people to change their behavior in a way that benefits them in the medium term. The first results are promising and suggest that the idea of using incentives as a tool for HIV prevention should be further explored and tested.

The KCP project is modeled on conditional cash transfer programs, which use cash payments to encourage good behaviors, such as attending schools or getting basic health care. For ex-

ample, studies show that one such program in Mexico, Oportunidades, which is being funded in part by the World Bank, led to better education and health care among poor families receiving monthly payments.

Similarly, the Malawi program gave girls ages 13 to 22 and their parents as much as \$15 each month if the girls attended school regularly. A control group, however, did not receive any cash reward for schooling. In total, the study enrolled 3,796 never-married schoolgirls in Zomba, a district in southern Malawi. A year later, as in the Mexican program, more schoolgirls receiving cash (95 percent) stayed in school than the control group (89 percent).

But there is a surprise finding: 18 months after the program began in January 2008, biomarker data show that HIV infection rates among girls who received cash was 1.2 percent versus the control group's 3 percent. This translates to 60 percent lower prevalence. Girls in the cash group also had a lower infection rate of herpes simplex virus type 2, the common cause of genital herpes (0.7 vs. 3 percent). Those findings hold even for a third group of girls who received cash without any schooling or other strings attached.

How did this happen? The key seems to be an “income effect” on the sexual behaviors of young women receiving cash payments. A year after the program started, girls who received payments not only had less sex, but when they did, they tended to choose safer partners, according to the study. In fact, the infection rate among those partners is estimated to be half of that of partners of the control group.

The cash transfers may have led to a drop in so-called “transactional sex.” At the beginning of the study, a quarter of sexually-active participants said they started relationships because they “needed his assistance” or “wanted gifts/money.” Meanwhile,

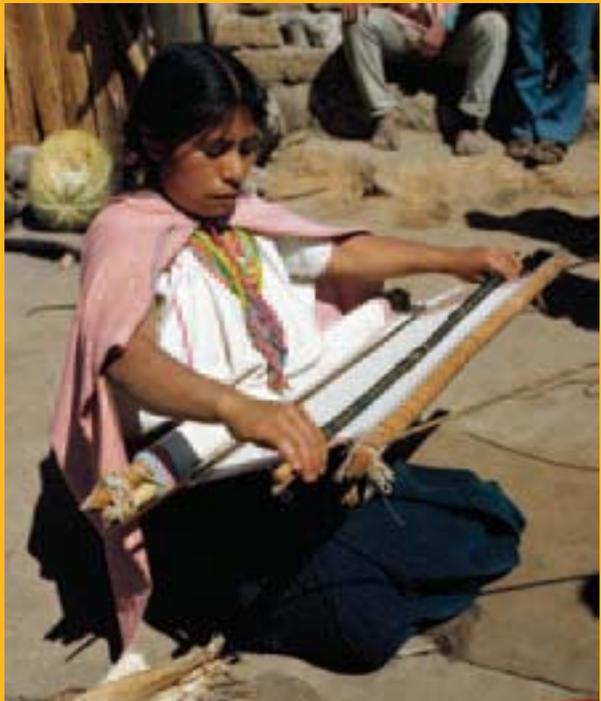


among the sexually-active schoolgirls in the control group, 90 percent said they received an average of US\$6.50 a month in gifts or cash from their partners. Such “gifts” are significant, given the country’s GDP per capita was \$287.5 in 2008.

After a year, schoolgirls receiving payments from the cash-transfer program seemed to avoid older men, who tend to be wealthier and are much more likely to be HIV positive than schoolboys. The sexual partners were two years older on average than the girls, compared with three years for the control group.

“The program immediately boosted income for many poor girls and their families as well as invested in their health and education. This type of program could become an important part of effective HIV-prevention strategies.

In addition to the KCP, the two-year research program was partially funded by the Global Development Network, the Bill and Melinda Gates Foundation, the Spanish Impact Evaluation Fund, and the World Bank’s Research Support Budget.





Knowledge for Change Program

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