

# KNOWLEDGE *for* CHANGE

Annual Report 2014



## KCP AND THE NEW BANK

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# MISSION STATEMENT

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

# KNOWLEDGE *for* CHANGE

Annual Report 2014



ENDING EXTREME POVERTY  
PROMOTING SHARED PROSPERITY



# Foreword

In October 2013, the World Bank Group (WBG) member countries endorsed a new WBG strategy that will guide the institution's efforts to achieve its twin goals of ending extreme poverty and promoting shared prosperity.



Based on the new strategy, the WBG has undergone a substantive reorganization. This will transform the focus and modalities of the WBG's work and enhance its capacity to deliver development solutions that support the twin goals. In support of the new strategy, there are three changes that are currently underway that are of special relevance to the Knowledge for Change Program (KCP).

First, a new WBG Country Engagement Model has been introduced, which will center its focus on the twin goals. The Country Partnership Frameworks and WBG support will link the country strategies and policies to the goals. This link will be facilitated through stronger analytics developed in Systematic Country Diagnostics and reinforced by an enhanced emphasis on implementation—with the goal of improving results on the ground and learning from experience. KCP can play a vital role in undertaking important research that can underpin the Systematic Country Diagnostics.

Second, new Global Practices and Cross-Cutting Solution Areas have been established to enhance the WBG's engagement at the global level. These changes will strengthen the focus on developing and deploying global knowledge and best practices in support of policy design and implementation. KCP can advance the knowledge objectives of the global practices through research on key priority themes. These changes will also help strengthen external partnerships by providing the WBG with a central hub to engage with groups focused on practice.

There is a major effort underway in the WBG to strengthen data and research on the twin goals, including the Data for Goals Initiative, to substantially improve availability and quality of data on poverty and shared prosperity to inform policy and track progress.

This effort will be complemented by the basic research being conducted at the World Bank under the KCP on poverty dynamics and public service delivery and economic development and structural change. Another aspect of the change process that can be supported by the research of KCP II and hopefully KCP III is

the renewed focus on international coordination and cooperation. This focus plays a key role in the shared prosperity agenda, not only in the traditional areas such as trade and financing, but also in new domains like taxation policy. Research under the global public goods window can support our understanding of these new challenges and opportunities as the WBG seeks to shape the post-2015 development agenda and the formulation of the Sustainable Development Goals (SDGs). The WBG's twin goals are not just consistent with the emerging SDGs but are reinforced by them.

Third, the World Bank, International Finance Corporation, and Multilateral Investment Guarantee Agency have decided to work more closely together as One World Bank Group. This will place the institution in a more advantageous position to engage the private sector and governments in promoting strong and inclusive growth. There is already a lot of innovative cross-WBG activities, spanning areas such as infrastructure, education and health, access to finance, and climate change, which are some of the areas KCP also supports.

The changes that are underway at the Bank magnify the impact potential of the Knowledge for Change Program, which has already funded many innovative and pathbreaking research projects for the development community. Donors' continued generosity and input will help ensure that KCP plays a key role in the new WBG strategy.

A handwritten signature in black ink, appearing to read 'Kaushik Basu', written in a cursive style.

**Kaushik Basu**  
*Senior Vice President and Chief Economist*  
World Bank

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Message from  
the World Bank's

Research Director

1





# The World Bank's Twin Goals of Ending Poverty and Boosting Shared Prosperity and Their Measurement Challenges

The entrance to the World Bank's headquarters in Washington, DC, is inscribed with the words "Our dream is a world free of poverty." In pursuit of this dream, in April 2013 World Bank President Jim Yong Kim announced to the international community two new goals to guide the World Bank's work. The first goal is to end global poverty, reducing the share of people living in extreme poverty to 3 percent of the global population by 2030. The second goal is to boost shared prosperity, understood as increasing the average incomes of the bottom 40 percent of the population in each country. The accompanying narrative emphasized that both goals should be attained in a sustainable and inclusive manner, ensuring that today's development is not reversed tomorrow and does not compromise the planet's future or that of subsequent generations.

The announcement of these two bold yet concrete goals places renewed emphasis on an area that has long been at the heart of work supported by the KCP: data and measurement.<sup>1</sup> Consistent and reliable data play a critical role in the design of good policies, motivate economic theory, and allow for the monitoring and evaluation of economic policies in practice. Indeed, far from being an issue of secondary importance, data and measurement are pivotal to assessment of the World Bank's new goals and, thereby, their achievement. To assess progress toward the goals, it is necessary to have a clear understanding of how progress is defined and measured. Without a clear understanding of the meaning of the goals and how to measure progress, what would be the basis for selectivity and prioritization? And how would lessons be learned from past experience?

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<sup>1</sup> For example, Measuring Inequality and Inequality of Opportunity using DIME Microdata (TF099007), Poverty Mapping in China (TF095034), Tanzania Social Action Funds R3 Survey Support (TF098792), Measuring Development Indicators for Pastoralist Populations (TF098893), LSMS: Improving the Quality and Comparability of Income Data Through Research and Dissemination (TF098797), How to Improve the World Bank's Global Poverty Monitoring (TF012967), Global Poverty and Inequality Monitoring in the 21st Century (TF015451), and many others.





Asli Demirguc-Kunt

### **Why a goal of 3 percent and is it achievable?**

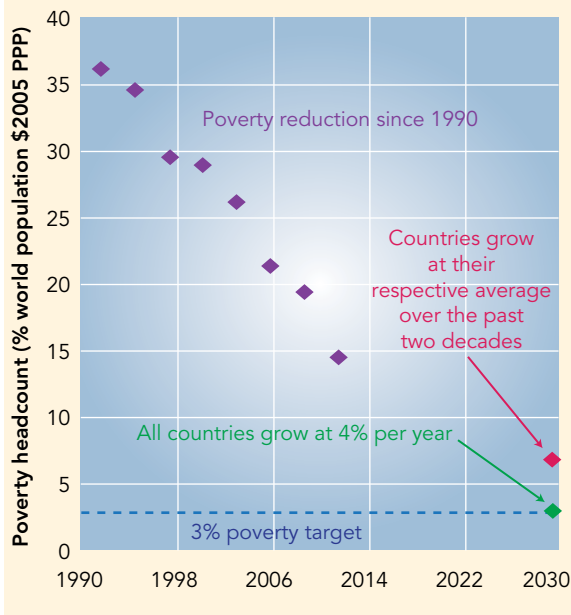
In the past few decades, substantial progress has been made in reducing global poverty. Between 1990 and 2011, the number of people living in extreme poverty has more than halved, to around one billion people, or 14.5 percent of the world's population. Seen from a different perspective, however, the fact that so many people remain poor is sobering. To estimate the number of people living in extreme poverty, the World Bank currently uses an international poverty line of \$1.25 per day, in 2005 prices. That more than a billion people in 2011 eked out a living on such a low threshold living standard makes the need to increase efforts to reduce global poverty self-evident.

Why set the global target for poverty reduction to 3 percent of the world's population by 2030? Conceptually, it may be desirable to set a target to end global poverty altogether. However, a global goal of zero poverty would require fully eliminating poverty in each and every country. Poverty in some countries remains deep and

widespread, however, and it is simply not realistic to expect to be able to eliminate poverty in these countries by 2030. It is also the case that at any moment in time there is likely to be some churning taking place in which some people, possibly for reasons beyond their control, fall into poverty, even if only temporarily. It is thus practical to set a global target at a level that is close to zero, but which allows for some heterogeneity at the country level.

Empirically, simple back-of-the-envelope simulations can be conducted to assess the plausibility of the goal to end poverty by 2030. When such simulations are based on stylized and highly optimistic assumptions—such as stable and continuous annual growth rates in consumption per capita of at least 4 percent in all developing countries and an unchanging distribution of income—then a global poverty rate of 3 percent is achievable. Although per capita growth of 4 percent in each country is roughly equivalent to the average for developing countries as a whole from 2000 to 2010, assuming that all countries could consistently grow at this rate is highly implausible. If each developing country

**Figure 1. Ending Global Poverty: An Ambitious Target**



Source: Based on analysis of World Bank PovcalNet data.  
 Note: For further details on the underlying assumptions for this figure, see World Bank, forthcoming PRR, *A Measured Approach to Ending Poverty and Boosting Shared Prosperity: Concepts, Data, and the Twin Goals*.

were instead to grow at its respective annual average growth rate of the past 20 years, global poverty would remain at around 6.8 percent of the world’s population by 2030, a considerable distance from the 3 percent target (Figure 1). The World Bank’s forthcoming Policy Research Report (PRR), *A Measured Approach to Ending Poverty and Boosting Shared Prosperity: Concepts, Data, and the Twin Goals*, examines an array of possible growth outcomes and attendant drops in poverty based on the same type of simulation. The simulations suggest that the World Bank’s dream of ending global poverty by 2030, while not impossible, is a highly ambitious objective.

## Why focus on shared prosperity and what does the income growth of the bottom 40 percent measure mean for development efforts?

The World Bank’s second goal, of boosting shared prosperity, also shifts focus toward the poor. Discussion of inclusive growth is not new. However, although there is an extensive literature emphasizing the importance of thinking about inclusion of the poorest in society in defining goals for development, until now there has not been agreement on a single summary indicator. The World Bank’s new shared prosperity goal—to boost the incomes of the bottom 40 percent of the population—provides an explicit definition of inclusive growth, as well as a means to measure it.

One way to think about the World Bank’s new shared prosperity goal is as an alternative to average income as the benchmark of development progress. Instead of assessing and measuring economic development in terms of overall average growth in a country, the shared prosperity goal places emphasis on the bottom 40 percent of the population. In other words, good progress is judged to occur not only when an economy is growing but, more specifically, when that growth is reaching the least well-off in society. Thus, the shared prosperity goal seeks to increase sensitivity to distributional issues, shifting the common understanding of development progress away from per capita income and emphasizing that good growth should benefit the least well-off in society.

Unlike the World Bank’s global poverty goal, the shared prosperity goal is a country-specific goal that does not have an explicit target. It is unbounded in the sense that boosting shared prosperity requires

a positive growth rate for the average incomes of the bottom 40 percent of the population, but there is no target (or limit) for what that growth rate should be. The shared prosperity indicator is thus similar to measures of average income such as growth in gross domestic product per capita, in the expression of the indicator (as a simple growth rate over time) and in how progress is evaluated (more growth is better—without a specific target rate of growth in each country).

Growth in the incomes of the bottom 40 percent of the population can be decomposed into growth in average incomes and growth in the income share of the bottom 40 percent. Comparison of growth in average incomes of the bottom 40 percent with growth in overall average incomes provides information on how inequality is changing: if the income share of the bottom 40 percent is rising, inequality is falling and those in the bottom 40 percent will see faster growth than those in the upper 60 percent. In this sense, although it is not an inequality goal in and of itself, the shared prosperity measure implicitly places emphasis on changes in inequality in society.

Simulations presented in the forthcoming PRR show how boosting the income growth of the bottom 40 percent of the population, relative to average growth, can add considerable impetus to further poverty reduction toward the 3 percent poverty target. It is in this sense that the global poverty and shared prosperity goals can be considered “twin” goals: faster and more equitable growth will lead to progress toward both goals.

Both goals represent a choice by the World Bank to focus on particular welfare measures that emphasize progress among the poorest in society.

However, the welfare measures chosen by the World Bank are by no means the only relevant ones. Different countries might choose to use different welfare measures to evaluate their policies and progress. Careful poverty analysis quickly moves beyond simple measures, such as the headcount, to measures such as the poverty gap, which are informative about the depth of poverty. Similarly, although the Bank’s shared prosperity target emphasizes the performance of the bottom 40 percent, for other purposes countries may find it useful to track other measures to emphasize the performance of different groups in the income distribution.

## **A need for transformational policies**

The critical role of continued growth in helping to reduce poverty and boost shared prosperity is a central theme in the forthcoming PRR. The PRR also suggests, however, that continued growth in line with what has been experienced in recent decades will not be sufficient to end poverty. Thus, achieving the poverty and shared prosperity goals will require concerted action and transformational policies that go well beyond “business as usual” practices.

In particular, ending global poverty and boosting shared prosperity will require focus not just on overall levels of growth, but attention to the nature and patterns of growth. Although the incomes of the poorest have tended to be correlated with average income growth in the past, there are also notable exceptions, where overall growth has not translated to effective poverty reduction or has taken place alongside *increased* inequality. Such exceptions suggest that it is not just growth, but also the type of growth (growth that benefits the poor) that will be important in achieving the World

Bank's goals. In particular, growth that increases the returns to assets held by the poor (especially the returns to their labor, but also to other assets, such as landholdings) is the most likely to translate into effective poverty reduction. Developing policies that achieve growth in a sustainable way that does not undermine future progress will also be critical.

### **What data do we need to monitor the twin goals?**

One of the key contributions of the World Bank's forthcoming PRR is that it provides a detailed account of the complete set of data needed to measure and assess poverty and shared prosperity consistently. Monitoring the goals requires many inputs, but the critical element is comparable household survey data. Household surveys provide information on people's consumption or income, which are the key variables for assessing poverty and a necessary component for assessing shared prosperity. In the past, poverty has only been periodically assessed and progress in reducing poverty was based only on these relatively infrequent measures. Monitoring progress toward the goals in a way that allows comparison across countries and prompt identification of trouble spots will require more data and new methods. Although the number of household surveys has increased in countries around the world and the quantity and quality of survey data in some developing countries are excellent, overall the frequency and quality of household survey data are highly variable and there are also issues of consistency and comparability within and across countries.

But household survey data are not enough. At a minimum, population data are also needed to convert survey-based estimates into national poverty

counts and to make inferences about poverty for the population as a whole based on survey data. Poverty assessments at the country level are usually denominated in local currency and based on a poverty line that is nationally determined. Cross-country comparisons therefore require additional data to count the poor across countries in terms of a common currency and global poverty line. Purchasing power parity (PPP) indexes, produced by the International Comparison Program, perform this role. When survey data are not available on an annual basis, two additional sources of data are needed to be able to compare poverty across countries in a common (reference) year: inflation data (to account for changes in prices between the survey year and the reference year) and data on growth of real gross domestic product (to account for changes in real economic activity between the survey year and the reference year). Data on prices are also needed to account for differences in the cost of living across different areas within countries.

### **What can development stakeholders do to improve measurement methods and data?**

A well-functioning system of data sources and tools is needed to measure poverty and shared prosperity in a way that helps to monitor and improve policy. Much remains to be done to address the remaining challenges and gaps in poverty data and analysis.

First and foremost is the need to strengthen data measurement and collection capacity at the country level. Although the World Bank's goals are global, they will be achieved through policies at the national level and the path to reaching the global poverty and shared prosperity goals will be heterogeneous across countries. The primary purpose of collecting data



on extreme poverty and shared prosperity should therefore be to inform policy at the national level. The ability to make cross-country comparisons, while important, is secondary to having a solid evidence base to guide countries' policies. This in turn implies that data collection by national statistical agencies should not take a back seat to data collection by international organizations, quality of data should not be compromised in favor of cross-country comparability, and donors should accordingly be cautious in the emphasis they give to cross-country comparisons. The example of the Living Standards Measurement Study approach to working closely with national statistical agencies has been important in this respect.

The timeliness and frequency of data collection need to increase. Even where data have been collected, processing lags can be lengthy and in some cases governments are reluctant to provide access. Greater support to enhance the capacity of statistical agencies and more funding for improved data systems are needed. Even more emphasis needs to be placed on the importance of open access to data. Beyond producing more frequent surveys, however, more attention to the

careful design and collection of data is needed. There is ample scope to improve the standardization of data. Indeed, there needs to be more standardization of guidelines for estimating poverty and more emphasis on maintaining comparable measures of consumption and income. However, in many cases countries may have good reasons to follow a particular approach that is different from that followed in other countries. Although this heterogeneity comes at the cost of comparability across countries, the benefits of data that can provide locally useful information may at times outweigh this cost. In all cases, the quality of national data, rather than its comparability, should be the primary concern. The implication is that donors need to be realistic about how much can be inferred from cross-country comparisons, not only because poverty and shared prosperity estimates may be imprecise, but also because of heterogeneity in data across countries. This underscores the importance of informing funding decisions on the basis of a wide spectrum of evidence, rather than only a few indicators.

New technologies and statistical approaches can help to bridge some of the gaps in data

measurement and assessment. For example, technological innovations, such as computer-assisted interviews or mobile phone-based data collection, can help improve the frequency of surveys, especially in geographically dispersed countries. The use of technologies that can improve data collection and the use of well-designed survey-to-survey imputations should be scaled up. However,

the first-best solution is to strengthen countries' capacity to collect data in a manner that produces high-quality, time-sensitive, and well documented inputs for policy making. The development community urgently needs to mobilize efforts to spur the availability of data for the purpose of poverty analysis.



KCP and the  
New Bank: The Change Process

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In October 2013, the World Bank Group's member countries endorsed a new WBG strategy that will guide the institution's efforts to achieve the twin goals of ending extreme poverty and promoting shared prosperity. The new strategy is built on an internal change process that has been taking place within the WBG over the past year.

The new strategy comes at a time of dramatic change in the global economy. The private sector is driving employment growth in much of the developing world. Increases in connectivity, often facilitated by technology, are changing the nature of trade, business, and finance. And private investment has become the dominant mode of capital transfer worldwide. The new strategy will enable the WBG to engage adaptively with development problems in an increasingly dynamic economic environment.

What is involved in the new WBG strategy? And how do the changes relate to the work of the Knowledge for Change Program?

### **A New Model of Country Engagement**

The WBG has reformulated its problem-solving engagement—shifting its focus away from the project cycle toward a concentration on creating development solutions for its clients. This type of engagement is facilitated by the new WBG Country Engagement Model, which aims to sharpen client focus on the twin goals. This focus will be further augmented by an increase in financial capacity

that the Bank has garnered to support policies and programs. Bank services will encompass the complete cycle from financing and policy design, through implementation, to evaluation of results.

The changes will further leverage the resources of KCP by systematically linking the knowledge it creates on the drivers of economic development to operational staff and their clients. For example, the KCP window on Poverty Dynamics and Public Service Delivery focuses on enhancing knowledge capacity on the implementation challenges faced by clients and on understanding the constraints faced by policy beneficiaries.



## One World Bank

New Global Practices and Cross-Cutting Solution Areas have been established to enhance the WBG's engagement at the global level, providing clients with customized solutions that integrate technical knowledge with financial services. These practices and solution areas will catalyze and leverage the combined resources and expertise within and across the institution, allowing the institution to work more closely together at the corporate, country, and regional levels.

KCP's window on Economic Development and Structural Change, established in 2010, plays an important role in this process. The purpose of this window is to analyze the policies and factors that are necessary to make it possible for a developing country to upgrade its industrial structure continuously and develop rapidly. Economic development and structural change have a reciprocal relationship with global practices and cross-cutting themes. On the one hand, structural change is driven and

facilitated by education and health, two global practice focus areas, and must navigate the adaptive challenges of climate change and fragility, conflict, and violence, which are two cross-cutting solution areas. On the other hand, effective economic development and structural change is essential to the improvement of education systems and mitigation of conflict.

## Working with Partners Toward the Goals

The WBG is expanding its efforts to partner with external organizations. No one institution—the World Bank Group included—can ensure that countries reach the twin goals. At an operational level, the WBG will call on all development actors—at every scale, from village cooperatives to multimillion dollar programs with regional or even global reach—to work in concert toward meeting the goals.

Built on the recognition that global issues require collective action and coordination across countries,

KCP's third window on Global Public Goods, established in 2005, directly addresses and provides support to change within the Bank. The change also has implications for the research community within the Bank, calling on KCP to further increase its collaboration with universities, think tanks, and other research institutions to support research activities related to the WBG's overarching themes of (i) poverty dynamics and delivery of public services; (ii) investment climate and trade and integration; (iii) global public goods; and (iv) economic development and structural change.

## **The Development Agenda, Old and New**

The long fought battle of poverty reduction is quickly being accompanied by new development challenges: the rate of extreme poverty is now half what it was in 1990, but the progress varies across

regions and even within countries—demanding new, more carefully targeted solutions. The threat of climate change grows ever larger—requiring countries and international organizations to work in unison. New public health hazards are emerging, from the recent outbreak of the Ebola virus to the dramatic growth in deaths caused by traffic accidents in recent years—highlighting the need to manage the risks that accompany the benefits of globalization and economic development.

The new WBG strategy is focused on enabling the institution to focus on its twin goals in a rapidly changing world. Research on how best to drive and manage these challenges must continue to guide thinking as the WBG carries out its new strategy. KCP has the capacity to serve as a transparent and efficient vehicle for bringing together the intellectual and financial resources of the global community at this important moment in the history of the WBG.





**K**CP II was originally scheduled to end on April 30, 2016. However, all the donors recently agreed to a no-cost extension through June 30, 2017, in light of the available funds of more than \$4 million. This extension allowed a final Call for Proposals with new research projects commencing in July 2014 that can run through the typical three years of implementation. In parallel, efforts are underway for the establishment of KCP III (see page 26), which will be a reformed KCP that is aligned with the Bank Group's twin goals and reflects the themes for new development research. KCP III will be set up with a more flexible structure that is not limited to the four windows under KCP II, which are Poverty Dynamics and Public Service Delivery, Investment Climate & Trade and Integration, Global Public Goods, and Economic Development and Structural Change. The KCP III Concept Note was cleared internally in the Bank in June 2014 and is now going through the administrative set-up process with an anticipated activation before the end of calendar year 2014. Several donors have made firm multiyear pledges to continue their support to KCP.

In the final FY2014 Call for Proposals, the KCP Internal Management Committee approved 29 new projects for a total of \$4.3 million. Grant sizes range from \$50,000 to \$450,000. Of the 29 new projects (Table A.5), four have strong capacity-building components and received excellent ratings from external ex ante reviewers. In addition, a grant funded by Norway for Nkr 12 million for the Economic Valuation of Changes in Amazon Forest Area project was approved virtually by the Internal Management Committee in May 2014; this research program aims to expand and improve empirical knowledge of the local and regional-scale economic values from the Amazon rainforest and its ecosystem services. The research also aims to show how changes in the value of ecosystem services are differentiated geographically. The program has been developed in close collaboration with the Brazilian government and with the heavy involvement of the Bank's office in Brazil. In addition, the program is supported by

the Ministries of Finance and Environment of the Brazilian government, which provided valuable inputs to the program design.

There are 61 ongoing projects (Table A.4) in various stages of implementation and the progress reports prepared by the task team leaders are available on the KCP website. Four projects (one per window) are highlighted in Annex I.

Twenty-one projects (Table A.3) were completed in FY2014. The project outputs include high-quality papers, databases, data sets, and research tools covering a broad range of development topics and issues.

Table A.3 provides a full list of the completed projects and the completion reports prepared by the Task Team Leaders are available on the KCP website. Highlights of the completed projects are provided below by window.



## Poverty Dynamics and Public Service Delivery

Window I addresses issues at the heart of poverty reduction: empowerment and sustainable development as well as public service delivery for human development. In FY2014, four projects were completed in this window and 15 projects are ongoing. The four completed projects covered a wide range of topics, such as public service delivery (TF013079: The Role of Public Works Programs in Enhancing Food Security: The Malawi Social Action Fund), pro-poor growth (TF099270: Implications for Poverty of Productivity Growth in Agriculture & Non-Agriculture), social inclusion (TF010841: Gender Impacts of Low-Cost Titling in a Post-Conflict Environment: The Case of Rwanda), and poverty measurement and inequality (TF012968: Changeable Inequalities: Facts, Perceptions, and Policies).

### How does land titling impact the productivity of land use?

Increased global demand for land and higher and more volatile food prices, together with the

potential prospect of payments for environmental services, have translated into higher demand for land globally. To increase productivity and safeguard against this pressure depriving the most vulnerable of their land, countries need to improve their land administration institutions.

The Gender Impacts of Low-Cost Titling in a Post-Conflict Environment: The Case of Rwanda project addressed the land tenure issue. With increased pressure on land resources, improving property rights will be critical for African countries to realize their potential. However, there were no operational approaches to do so in a way that is scalable and can be adapted to African conditions and economically viable in light of the region's low land values. Most country programs are too costly to be affordable by the majority of people and have thus failed to achieve broad coverage or sustainability. Rwanda is the first African country to implement an approach building on its Economic Development and Poverty Reduction Strategy, which identifies land registration as a critical element to improve the productivity of land use, improve the functioning of land markets, reduce conflicts, empower women, and improve overall governance. Rwanda's Land Tenure Regularization program is



a national program for first-time registration of all the estimated 11 million land parcels in the country.

This project used a rigorous evaluation strategy to assess impacts on conflict, gender, and legal knowledge. The project carried out analysis of the baseline survey and identifying the short-term impacts of an innovative, low-cost, nationwide land titling project. This is the first study to exploit a randomized impact evaluation design to estimate the effects of a nationwide land titling program, such as the one implemented in Rwanda. In particular, the evaluation helps to identify successes and point out caveats to support the Government of Rwanda in designing complementary interventions.

The credibility of the results not only ensures the usefulness of the study for the Rwandan government, but also generates the potential for the findings to have an impact on policy well beyond the Rwandan context. African governments have already shown a growing interest in the Land Tenure Regularization program and delegations from Nigeria and Ethiopia have visited the Rwanda Natural Resource Authority in Kigali and in the field.

### How do public works programs enhance food security?

To improve public service delivery, KCP supports evaluation and analysis of delivery options. The project *The Role of Public Works Programs in Enhancing Food Security* conducted research on the large-scale public works component of the Malawi Social Action Fund.

The study addressed two research questions of broad interest. First, the project examined the impact of the public works program as an

### Box 1. How to measure inequality?

In the fight against poverty, it is important to know where the poor live and whether their poverty is transitory or chronic. The project *Changeable Inequalities: Facts, Perception, and Policies* aimed to answer these questions. First, the project undertook a careful reexamination of fundamental data issues concerning estimates of national-level and global inequality. Second, the project explored the measurement of inequality of opportunity and its links with economic growth. Third, the project updated the global inequality database and continues to monitor trends in global inequality.

This research program has contributed toward the survey-to-census imputation techniques, which can be used to generate poverty and inequality measures at a very small regional level, such as poverty maps. In addition, the methods developed in this project can be used to estimate chronic poverty rates. By identifying the characteristics of the chronic poor, this type of poverty can be reduced more effectively. For example, a recent application of this method to Rwanda highlighted the importance of agricultural programs for tackling chronic poverty, which generated substantial interest by policy makers.

This research has continued to shape the dialogue on global inequality. Further, it puts into perspective the rapid income gains in some developing countries, on the one hand, and the increasing inequality that has been observed in many countries on the other hand.

The project has generated significant outputs, including 10 working papers, five journal articles, and one book chapter.



income-promoting mechanism via its impact on agricultural productivity through increased access to yield-improving inputs. Second, the project design increased understanding of the implications of alternative payment schemes. This study has important implications for the design of public works programs in general, as well as for understanding the interactions of public works programs with other government programs.

The project had two notable innovations. First, it integrated a large-scale random control test with the actual government implementation of a social protection program. The second innovation was to integrate the data collection exercise of the impact evaluation within the sample of the existing national household survey that is part of the Living Standards Measurement Study – Integrated Surveys on Agriculture project, thus providing three rounds of high-frequency data in the sample of a longitudinal data set administered in 2010/11 and 2014/15.



## Investment Climate & Trade and Integration

Window II focuses on the major elements of a business climate conducive to growth, with emphasis on the role of small- and medium-scale industries. There were seven completed projects, 17 ongoing projects, and one dropped project in FY2014 in the Investment Climate & Trade and Integration window. The seven completed projects covered a wide range of topics, such as jobs (TF013049: Generating Job Matches between Firms and Young Women in

Jordan), stability and growth (TF098652: On FDI Spillovers), migration (TF010695: Database of Emigration Laws and Policies in Developing Countries), governance (TF095860: Reticent Respondents and Cross-Country Survey Data on Corruption), and banking and finance (TF015344: Global Financial Development Report, TF014284: Bank Capital and Systemic Stability: A Cross-Country Analysis, and TF011089: Currency Wars).

### How does job matching impact job growth?

Job growth is a major factor contributing to poverty reduction. The project Generating Job Matches between Firms and Young Women in Jordan involved setting up a pre-employment center that evaluated job candidates through a mixture of real-world skill assessments and psychometric screening. The project investigated whether such evaluation would lower hiring costs, resulting in higher employment for the youth involved.

The results found that youth turned down potential job openings because the jobs were not suitable or not on the right career path. This prestige reservation is an important factor contributing to the unemployment of educated Jordanian youth.

This conclusion suggests that the necessary policy response is more difficult and complicated than if the problem were simply high minimum wages or high search costs. This finding suggests two directions for future policy actions. The first consists of interventions on the firm side to spur the development of a vibrant private sector that provides more skilled jobs. The second suggested response is for more efforts to try to lower the resistance of educated youth to take jobs that they

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## Box 2. Global Financial Development Report

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The broader aim of the Global Financial Development Report (GFDR) series is to be a key driver in the global debate on financial sector development. The 2014 GFDR was the second in the GFDR series. The aim of the 2014 GFDR on Financial Inclusion is to provide a new contribution to the global policy debate on financial inclusion, building on findings from recent and ongoing research and lessons from operational work. The report highlights the importance of financial inclusion for sustainable development and poverty reduction.

The report provides powerful evidence that financial inclusion is crucial for economic development and inclusive growth. New evidence confirms that access to finance for firms, particularly small and young firms, is associated with innovation, job creation, and growth. Considerable evidence also shows that the poor benefit enormously from basic payments, savings, and insurance services.

Financial inclusion, if supported by robust policies, can go hand in hand with financial stability. Many countries have learned the hard way that efforts to “promote financial inclusion” by subsidizing credit can be counterproductive. Such policies can lead to over-indebtedness and financial instability. But new evidence also underscores that use of financial services is often constrained by regulatory impediments or malfunctioning markets that prevent people from accessing beneficial financial services. Addressing those impediments can help financial inclusion without undermining financial stability.

The evidence points to a function for the government in dealing with these impediments by creating the associated legal and regulatory framework (for example, protecting creditor rights, regulating business conduct, and overseeing recourse mechanisms to protect consumers), supporting the information environment (for instance, setting standards for disclosure and transparency and promoting credit information-sharing systems and collateral registries), and educating and protecting consumers.

A crucial part of the policy package is competition policy. Healthy competition among providers rewards better performers and increases the power that consumers can exert in the marketplace. And competition allows for better harnessing the promise of new technologies (such as mobile payments, mobile banking, and improved borrower identification). To achieve these benefits, regulators need to allow competing financial service providers and consumers to take advantage of technological innovations.

There is also new evidence that policies such as granting exemptions from onerous documentation requirements, requiring banks to offer basic accounts, allowing correspondent banking, and using electronic payments into bank accounts for government payments are useful in expanding account penetration.

In contrast, interventions such as directed credit, debt relief, and lending through state-owned banks tend to be politicized and less successful, particularly in weak institutional environments.

consider less prestigious. For more details about this project, please see Annex 2 KCP II Research Projects in Profile.

### Investigating how the exchange rate affects growth and welfare

Many researchers have suggested that a policy of exchange rate undervaluation may serve to promote exports, which under appropriate conditions would raise economic growth and welfare in the countries involved.

However, in the past few years, and especially in the aftermath of the global crisis, capital flows to emerging markets have boomed. As more and more countries have engaged in reserve accumulation and capital controls to keep their exchange rates from appreciating, the sustainability of exchange rate undervaluation policies on the global stage has been put into question, since the competition for export markets by the countries involved would require other countries to run ever larger current account deficits. Brazil's finance minister, for example, has spoken of a "global currency war" to describe what he perceived as the attempts of a large number of countries to keep their exchange rates low so as to promote exports.

In the Currency Wars project, the research was an empirical study to investigate how a country's real exchange rate undervaluation affects its output, exports, productivity, and capital accumulation.

The project has established empirical evidence that the policy is benefiting the country in terms of output growth. The channel is mostly through productivity, not factor accumulation. In other words, the intervening country becomes more

productive when it adopts an undervalued real exchange rate. This striking result suggests that it is good to maintain a low exchange rate. The project also showed theoretically and empirically that one developing country's interventions hurt other developing countries in a similar position. This finding suggests a race to the bottom, where countries might undercut each other's output growth, leading to a currency war. However, the theoretical analysis also showed that such a currency war is in fact Pareto efficient, since it is desirable for each country to internalize its learning externalities.

The project is expected to have a strong influence on countries' exchange rate policies and the resulting effects of exchange rate policies on export competitiveness.

### Exploring the role of capital in systemic stability

The 2008 global financial crisis has demonstrated that the regulatory capital requirements in place were inadequate to prevent a systemwide banking crisis. As a result, there has been significant, renewed interest in refinement of existing capital adequacy rules to increase capital cushions for financial intermediaries.

Given that existing theories produce conflicting predictions regarding the effect of capital on bank risk, the Bank Capital and Systemic Stability: A Cross-Country Analysis project has examined this issue empirically with a bank-level database of 1,200 publicly traded banks in more than 45 countries over 1998 to 2012.

The results find that higher quality forms of capital reduce the systemic risk contribution of banks,

whereas lower quality forms can have a destabilizing impact, particularly during crisis periods. The impact of capital on systemic risk is less pronounced for smaller banks, for banks located in countries with more generous safety nets, and in countries with institutions that allow for better public and private monitoring of financial institutions. The results show that regulatory capital is effective in reducing systemic risk and that regulatory risk weights are correlated with higher future asset volatility, but this relationship is significantly weaker for larger banks. The project finds that increases in regulatory risk-weights not correlated with future asset volatility increase systemic fragility. Overall, the results are consistent with the theoretical literature that emphasizes capital as a potential buffer in absorbing liquidity, information, and economic shocks and reducing contagious defaults. Finally, there is some suggestive evidence that the increased regulatory focus on macro-prudential regulation after the crisis has strengthened the capital-systemic stability association.



public goods (TF010503: Global Demand System for Consumer Behavior), and data and tools for development research (TF010730: Open Metadata and Methods Application).



### Global Public Goods

Window III focuses on global issues, such as climate change, that require collective action and coordination across countries. In FY2014, four projects were completed in this window and there were 15 ongoing projects. The completed projects covered climate change (TF010390: Economic Valuation of Losses Due to “Amazon Dieback” and TF010467: Community Forestry and Pro-Poor Carbon Sequestration in Nepal), other global

### What is the value of the Amazon Rainforest?

The purpose of the research of the Economic Valuation of Losses Due to “Amazon Dieback” project was to provide estimates of global public good value that can be used to evaluate (i) the benefits of Brazilian policy efforts to reduce Amazon deforestation significantly and (ii) the benefits of further investments in forest protection.

In this research, four separate “Delphi surveys” were conducted, surveying experts’ views on the value of preservation of the Amazon Rainforest. Experts were surveyed in Europe, the United States and Canada, Asia, and Australia and New Zealand.

In total, about 220 experts were surveyed in two rounds.

According to the Delphi surveys, expert judgments indicate that average valuation levels per household per year to fund a plan to protect all of the current Amazon Rainforest up to 2050 range from a low of \$4 to \$36 in 12 Asian countries to a high of about \$100 in Canada, Germany, and Norway, with other high-income countries in between. The European expert judgments indicate willingness to pay in Europe for preserving the current Amazon Rainforest of about €28 per household per year on average. The elasticity of experts' willingness to pay assessments with respect to own-country per capita income is in most cases 0.6 to 0.7; but it is near unity when taken with respect to PPP-adjusted incomes and above unity for the Asian and European countries as separate groups.

### Exploring a tool to interpret data correctly: The Open Metadata and Methods Application project

In the past, less focus was placed on metadata systems, particularly when data sets were relatively small and simply organized. Under these circumstances, data were usually used in a desktop environment by only a handful of people who were intimately familiar with each data element's definition, collection source, uses, limitations, and technical characteristics. But the data enterprise has grown in complexity over the recent past, resulting in the seemingly exponential growth of information collected, stored, managed, used, and reported. For example, there are 163 data sets in the World Bank's open data catalog and 10,000+ indicators in databank repositories. Since the

launch of the Open Data Initiative in April 2010, data have become global public goods, as more users have access to them. The need for quality statistics has become critical and comprehensive metadata have become a necessary component of sound data systems.

The objective of the project was to provide users easy access to standardized metadata at various levels (i.e., variable definitions, footnotes, source references, country series, and so forth). With the new metadata system, users have the ability to access far more detailed source information as well as the methods used to generate each data point. The new user interface will enable researchers and others to query and analyze the metadata directly or use these elements to refine their data searches. These new features will be available to all the databases (about 50+, including about 10,000+ indicators) disseminated via the Databank query tool. With proper description of data and methods, users will be able to interpret data correctly, which will improve the quality of research.



### Economic Development and Structural Change

The fourth window analyzes the policies and factors that are necessary to make it possible for a developing country to upgrade its industrial structure continuously and develop rapidly. Five projects were completed and 14 projects are ongoing in this window. The completed projects discussed the evaluation of programs that promote structural transformation (TF097766: Structural

Transformation, Enterprise Policies and Economic Growth and TF098764: Structural Transformation and Rural Social Protection Policies: Evidence from China), country case studies of success and failure (TF097767: Country Case Studies on Structural Change and Industrial Policies), and the consequences and impacts of structural transformation (TF010008: Industrial Structure, Productivity, Growth and Welfare and TF010181: Early Work Experiences and the Skills of Young Adults: Evidence from Senegal).

### What is the impact of China's new rural pension program on poverty reduction and the labor supply decisions of the elderly?

In most currently developed countries, rural pensions were in place by the time old-age dependency ratios started to rise. China's old-age dependency ratio in rural areas is currently relatively low, but it is projected to rise sharply over the next 20 years. In the absence of social support to lower the risk of poverty, an aging population in rural areas continues to hold land and engage in small-scale agricultural production. This situation slows productivity growth and may even lead to declining productivity.

In 2010, China's government introduced a new rural pension scheme in 10 percent of the rural counties. The scheme combines a basic pension, in which the current elderly may receive benefits either by buying in for a very low lump sum payment (¥ 1,500) or through a "family binding" approach and a funded individual account.

This research supported the development and implementation of the county policy and the village and community surveys that enumerated information

on the county-specific rollout and content of the New Rural Pension Plan scheme.

The results of the study show that the social pension component of the New Rural Pension Plan contributes to poverty reduction with relatively modest effects on the timing of retirement. The results suggest that modest pensions may support the elderly without introducing strong disincentives to continue working.

### How does the government's industrial policy transform the country?

The project Structural Transformation, Enterprise Policies and Economic Growth, studied the role of government intervention in productivity growth, the forces that cause (or not) countries to undergo structural transformation, and the underlying determinants of productivity growth.

In the aftermath of the world economic crisis, many economists have questioned the validity of the old economic orthodoxy. The rapid transformation of some economies from primarily agricultural to manufacturing exporters in the 1980s and 1990s stands in sharp contrast to the continued dependence on agriculture and primary product exports for other economies.

The spectacular rise of China is often presented as an example of successful growth in conjunction with targeted interventions by the government. At the same time, there have been many cases where interventions were not successful: intervention in India is thought to have delayed transformation by years if not decades. What are the factors that determine a country's economic structure and how do they change over time and across the stages of



development? What roles do markets and states play in the transformation? Why have some countries been able to move from a low-income agrarian economy to a middle-income industrial economy, while others remain seemingly trapped in poverty or stuck at the middle-income stage?

The project has expanded the understanding of how targeted interventions by the government can be designed to increase firm productivity, as well as the understanding of the limitations of such interventions. The project also generated a lively discussion within and outside the World Bank on the role government interventions can play in facilitating structural transformation.

A surprising result of this research was the challenge made to theoretical as well empirical evidence on the longstanding idea that industrial policy hampers competition. Two of the research papers turn this argument on its head by arguing that when firms focus on the same industry, they compete more intensively and generate more innovation and growth. Thus, industrial policy should encourage competition by reducing the tendency of firms to seek less contested markets. One of the papers discusses how the merits of industrial policy have been reconsidered in the aftermath of the financial crisis.

**Table 1. Key Indicators in FY2014**

	Journal Articles	Working Papers	Data sets	Research tools	Number of conferences and events organized	Number of conferences and events at which research results were presented
Window I	10	13	14	3	9	49
Window II	19	35	18	3	33	102
Window III	3	16	192	8	14	23
Window IV	2	5	11	3	7	32
<b>Total</b>	<b>34</b>	<b>69</b>	<b>235</b>	<b>17</b>	<b>63</b>	<b>206</b>
Developing country partners substantively engaged						
Researchers	208	Institutions	167			
Number of policies in Bank policy documents (e.g., Country Partnership Strategies and Country Economic Memorandums) explicitly inspired by the findings of the research						6
Number of Bank operations (e.g., Development Policy Lending, Poverty Reduction Support Credits, investment lending, and technical assistance)						6
Number of government policy documents explicitly inspired by the findings of the research						3



## Box 3. Putting Knowledge to Work Through the KCP Perspectives

The most recent issue of *KCP Perspectives: Putting Knowledge to Work* was published in September 2014. *KCP Perspectives* is a newsletter that highlights two completed KCP projects that have had a positive impact on development policies. For most research findings, it usually takes years after completing the research to reveal the impact on development policies. Dissemination is an important element of KCP-funded research; hence, task team leaders are required to elaborate on their projects' dissemination activities in their annual progress reports. Outputs, best practices, and lessons learned from completed projects are disseminated extensively and published in various formats, such as journals, books, databases, and web-based publications.

Past issues of *KCP Perspectives* can be found on the KCP website at <http://econ.worldbank.org/WBSITE/EXTERNAL/EXTDEC/EXTRESEARCH/EXTPROGRAMS/EXTKNOWLEDGECHANGE/0,,contentMDK:23300985~pagePK:64168182~piPK:64168060~theSitePK:491543,00.html>.



# KCP III: Going Forward

# 4



## KCP III: Going Forward **4**

**K**CP has been in operation since 2002; it is currently in Phase II, which started in December 2008. Phase II will be operationally complete in February 2017. The final FY2014 Call for Proposals process was concluded in June 2014, and available funds have been fully allocated to projects. These new projects commenced in July 2014 with the last possible end disbursement date of June 30, 2017.

In FY2013, KCP undertook an independent midterm evaluation. The report concluded that KCP is highly successful in meeting its primary objective of providing high-quality, cutting-edge research. At the same time, the report made some recommendations to improve KCP, including deepening the policy impact in developing countries and enhancing local research capacity building. The donors have endorsed these recommendations and changes were made in KCP processes to incorporate these recommendations.

The Development Economics Vice Presidency has aligned its research directions with the twin goals of ending extreme poverty and promoting shared prosperity and focused on the data needed to monitor the twin goals and fill the data gaps as needed.

KCP III will be established to undertake research that is consistent with the World Bank Group's twin goals and the strategy of the Development Economics Vice Presidency, as well as the recommendations of the mid-term evaluation. KCP III will play an important role in the new Bank. A central component of the role of KCP III will be in the form of high-quality, cutting-edge, policy-relevant research and data on development economics to support government efforts toward poverty reduction and shared prosperity. This includes data collection in the context of research, for example, methodological research related to the production or dissemination of development data. KCP III will also include cross-country benchmarking exercises designed to identify successful policies and

their effects on targeted populations. The WBG has a broad coverage of country operations in developing countries and low-income countries, making the WBG well-positioned to provide policy advice for these countries, respond to demands, and feed research into policy discussion.

Another key focus of KCP III is to contribute to policy making in developing countries. In close collaboration with Bank operations, the Bank's research, data collection, and analysis will focus on applied and policy-oriented questions, which will support government officials with policy making guidance and contribute to understanding development issues in developing countries. In addition to these contributions, KCP III will enhance research and data collection capacity in developing countries. KCP III will encourage Bank teams to work with researchers and data specialists from developing countries with the aim of improving research and data collection capacity.





The following is an indicative list of thematic areas on which KCP III will focus:

- Service of Delivery and Aid Effectiveness research, focusing on how to deliver development across multiple sectors.
- Poverty and Shared Prosperity research and data collection, emphasizing the importance of economic growth and inclusion, including strong concerns for equity. This area continues the WBG's leading role in measuring and monitoring poverty and addresses the new areas of shared prosperity and environmental sustainability.
- Growth and Job Creation research and data collection and analysis, focusing on understanding the dynamics of economic growth and job creation.
- Fragility and Risk Management research, data collection, and analysis studying the particular challenges of fragile and conflict-affected areas, which are home to a significant share of the

world's extremely poor people and remain a special concern to the World Bank Group.

- International Cooperation and Global Public Goods research and data collection, addressing the political economy, policy design, and evaluation challenges that arise in international cooperation.
- Innovation in Data Production, Analysis, and Dissemination, addressing the need to establish strong baselines and a monitoring system for the poverty alleviation, shared prosperity, and sustainability goals.

KCP II has funded major policy research reports and World Bank flagship reports such as the *World Development Report*, *Global Financial Development Report*, and *Global Monitoring Report*. It is expected that KCP III will continue to finance these reports, including the *Doing Business Report*, because the reports are expected to address development issues and contribute to the attainment of the WBG twin goals of ending extreme poverty and promoting shared prosperity.



# The KCP Finances

# 5



## Donor Contributions and Pledges

**K**CP II, since its inception in December 2008, has received more than \$28 million in cash contributions from 12 donors, namely, the United Kingdom, Finland, Sweden, Australia, the Republic of Korea, Norway, Canada, Japan, Denmark, Switzerland, China, and Singapore (see Table 2, page 32; Annex 3, Figure A.2, page 46). Outstanding pledges add another \$3.4 million, which brings total donor contributions to over \$31 million.

The **United Kingdom**, as a founding donor together with Finland, has contributed \$7.2 million across all four program windows. The United Kingdom's Department for International Development (DFID) and Sweden give discretion to the Bank in deciding the allocation of their contributions among the four windows based on demand. DFID has expressed interest to continue its financial support in KCP III upon its establishment. In FY2014, DFID contributed £550,000 to the Poverty Dynamics and Public Service Delivery Trust Fund to finance the Global Poverty and Inequality Monitoring in the 21st Century and *World Development Report 2015—Building an Evidence Base for the World Development Report* projects.

**Finland**, KCP II's first signing donor, has contributed \$6 million in support of the four windows. Finland has pledged to renew its financial support for another three years at €750,000 annually, which will go to KCP III.

**Sweden** made an initial pledge of SKr 8.5 million to the Poverty Dynamics and Public Service Delivery Trust Fund, with a preference that it be used to support *World Development Report (WDR) 2011: Conflict, Security and Development*. Sweden made subsequent contributions of SKr 6 million to the four windows and \$150,000 to the Poverty Dynamics and Public Service Delivery Trust Fund to be used to finance *WDR 2012: Gender Equality and Development*.

**Australia** has contributed \$2 million initially, with 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. In May 2013, Australia re-pledged \$A 1.5 million, with 60 percent to the Poverty Dynamics and Public Service Delivery Trust Fund, 20 percent to the Investment Climate & Trade and Integration Trust Fund, and 20 percent to the Global Public Goods Trust Fund.



**The Republic of Korea** contributed ₩2,220 million to the Economic Development and Structural Change Trust Fund and \$1.5 million to the Poverty Dynamics and Public Service Delivery Trust Fund, with preference for the support of WDR 2015: *Mind and Society—How a Better Understanding of Human Behavior Can Improve Development Policy* and research on job creation in low-income countries.

**Canada's** initial pledge of Can\$1.2 million was allocated as follows: Can\$400,000 to the Poverty Dynamics and Public Service Delivery Trust Fund (of which Can\$200,000 was for WDR 2011: *Conflict, Security and Development*); Can\$300,000 to the Investment Climate & Trade and Integration Trust Fund; Can\$200,000 to the Global Public Goods Trust Fund; and Can\$300,000 to the Economic Development and Structural Change Trust Fund. The Department of Foreign Affairs, Trade and Development, formerly, the Canadian International Development Agency, has continued to support the WDR series with subsequent contributions of Can\$200,000 to the Poverty Dynamics and Public Service Delivery Trust Fund for WDR 2012: *Gender, Equality and Development*, Can\$200,000 to the Economic Development and Structural Change Trust Fund for WDR 2013: *Jobs*, Can\$200,000 to the Investment Climate & Trade and Integration Trust Fund for WDR 2014: *Managing Risk for Development*, and Can\$200,000 to the Poverty Dynamics and Public Service Delivery Trust Fund for WDR 2015: *Mind and Society—How a Better Understanding of Human Behavior Can Improve Development Policy*.

**Norway** is KCP II's newest and last donor with contributions of Nkr 10 million from the Ministry

of Foreign Affairs, allocated equally among the four windows, and Nkr 12 million from the Norwegian Agency for Development Cooperation to the Global Public Goods Trust Funds to finance the Economic Valuation of Changes in Amazon Forest Area project.

**Japan** contributed \$1.5 million in February 2013 to the Economic Development and Structural Change Trust Fund for the study Job Creation, Structural Change, and Economic Development in MENA with Lessons from East Asia.

**Denmark** pledged Dkr 5 million to the Economic Development and Structural Change Trust Fund, with a preference that it be used in support of research and data collection that focuses on or is of direct relevance to job creation and promoting economic growth in Africa.

**Switzerland** contributed Sw F 500,000, allocated as follows: Sw F 60,000 to the Poverty Dynamics & Public Service Delivery Trust Fund, Sw F 60,000 to the Investment Climate & Trade and Integration Trust Fund, Sw F 60,000 to the Global Public Goods Trust Fund, and Sw F 320,000 to the Economic Development and Structural Change Trust Fund.

**China** pledged \$500,000 to the Economic Development and Structural Change Trust Fund.

**Singapore** contributed \$300,000 to the Economic Development and Structural Change Trust Fund.

**Estonia** has pledged financial support to KCP III.

Negotiations are ongoing with current and prospective partners to contribute to the KCP III.

**Table 2. KCP II Parent Accounts Statement as of June 30, 2014 (US dollars)**

COUNTRY	TF071173	TF071177	TF071178	TF071393	UNAUDITED
	Poverty Dynamics & Public Service Delivery	Investment Climate & Trade and Integration	Global Public Goods	Economic Development & Structural Change	TOTAL
<i>Contributions received</i>					
United Kingdom	2,958,122	1,636,728	1,684,441	920,740	7,200,030
Finland	1,762,509	1,762,509	1,762,509	741,884	6,029,412
Sweden	1,472,393	28,099	696,118	21,074	2,217,684
Australia	1,354,580	984,860	584,860		2,924,300
Korea, Rep. of	500,000			1,968,064	2,468,064
Canada	773,403	486,942	193,517	492,536	1,946,399
Norway	402,855	402,855	903,156	402,855	2,111,722
Japan				1,000,000	1,000,000
Denmark				924,351	924,351
Switzerland	62,028	62,029	62,028	330,818	516,903
China				500,000	500,000
Singapore				300,000	300,000
<b>Total contributions received</b>	<b>9,285,890</b>	<b>5,364,022</b>	<b>5,886,630</b>	<b>7,602,323</b>	<b>28,138,864</b>
Administrative fee (1%)	(92,859)	(53,640)	(58,866)	(76,023)	(281,389)
<b>Net contributions received</b>	<b>9,193,031</b>	<b>5,310,381</b>	<b>5,827,763</b>	<b>7,526,300</b>	<b>27,857,476</b>
<i>Outstanding pledges (signed)</i>					
Australia	281,925	93,975	93,975		469,875
Japan				500,000	500,000
Korea, Rep. of	1,000,000				1,000,000
Norway			1,459,546		1,459,546
<b>Total outstanding pledges (signed)</b>	<b>1,281,925</b>	<b>93,975</b>	<b>1,553,521</b>	<b>500,000</b>	<b>3,429,421</b>
Administrative fee (1%)	(12,819)	(940)	(15,535)	(5,000)	(34,294)
<b>Net outstanding pledges</b>	<b>1,269,106</b>	<b>93,035</b>	<b>1,537,986</b>	<b>495,000</b>	<b>3,395,127</b>
<i>Investment income</i>	78,152	62,423	55,069	58,411	254,055
<i>Less:</i>					
Project allocations	(9,872,901)	(5,211,810)	(7,094,827)	(7,313,876)	(29,493,413)
Program management and administration	(175,871)	(174,375)	(211,958)	(233,790)	(795,994)
Technical reviewers' fees	(85,142)	(60,342)	(58,142)	(82,567)	(286,193)
<b>ESTIMATED FUNDS AVAILABLE</b>	<b>406,374</b>	<b>19,313</b>	<b>55,892</b>	<b>449,479</b>	<b>931,058</b>



Window I: Poverty Dynamics and Public Service Delivery  
**TF012967: How to Improve the World Bank's Global Poverty Monitoring**  
Task Team Leader: Shaohua Chen  
KCP II Funding: \$150,000  
Region/Country: World  
Timeline: 07/01/2012 – 06/30/2015

### Project Objective and Description

For many years, there has been an increasing demand for international poverty estimates, especially after the Millennium Development Goals were established. Many people criticized or commented on the World Bank's poverty estimates without understanding how these numbers are calculated. This project has responded to these challenges by making the data and methodology transparent. To help clients (inside and outside the Bank) understand the World Bank's official dollar-a-day poverty measures, PovcalNet lets users duplicate the Bank's estimation, from which users can see how the overall aggregates break down for each country and test sensitivity to alternative poverty lines and PPPs. When client countries have doubts about certain parameters of the estimation, they can reestimate the measurements with their own specifications.

The data are from more than 100 government statistics offices that collected the primary household and price survey, population, and national accounts data. When collaborating with countries to check the consistency and reliability of the data and results, the team also provides training to country staff as part of the country's capacity building.

### Progress and Early Findings

After the World Bank announced its new development goals on ending absolute poverty by 2030 and promoting shared prosperity, the use of PovcalNet increased significantly by users within and outside the World Bank. During the past fiscal year (July 2013 to June 2014), PovcalNet completed another round of regional and global poverty estimates, with poverty lines of \$1.25 or \$2 a day (and other poverty lines chosen by the users). PovcalNet has provided poverty estimates for the first Millennium Development Goal to halve the 1990 poverty rate by 2015. And PovcalNet has provided inputs for various World Bank flagship reports, such as the *World Development Indicators and Global Monitoring Report*, the IDA 17 report, as well as the Policy Research Report: *Ending Poverty and Boosting Shared Prosperity: Development Goals and Measurement Challenges*.

PovcalNet is the source for global poverty measurement for many international aid agencies, such as DFID, the U.S. Agency for International Development (USAID), and others. As the chief economist of USAID pointed out: "We rely directly on the PovcalNet data in doing inclusive growth diagnostics, forming country strategies, and even framing the Agency's overall efforts. We also rely on the wide-ranging research that has been conducted using these data both at the Bank and elsewhere."

Window II: Investment Climate & Trade and Integration  
**TF010230: Storage and Trade Policies for Improving Food Security**  
Task Team Leader: William Martin  
KCP II Funding: \$130,000  
Region/Country: World  
Timeline: 07/15/2011 – 12/31/2014

### **Project Objective and Description**

World food prices tend to be volatile and price spikes can cause severely adverse poverty impacts in poor countries because of the large shares of food in the expenditures of the poorest people. Governments of developing countries are understandably concerned about such food price spikes and frequently use measures such as export restrictions and import barrier reductions to reduce the intensity of price surges in their domestic markets. Although these policy responses may reduce the magnitude of price surges in individual small economies, the combined effects of these interventions are self-defeating at the global level. The resulting collective action problem is similar to that arising when everyone in a stadium crowd stands up for a better view. The increase in the volatility of world prices creates a global public bad by magnifying the intensity of the terms-of-trade shocks associated with world price changes. The adverse development impacts of the food trade policies considered in this project are long run and structural, as well as arising during periods of high world food prices.

This project aims to develop a modeling framework to analyze questions of international cooperation in the trade and storage of key staple grains. With this framework, the project is investigating cooperative and noncooperative interactions between countries and assessing the implications of the interactions for market prices and other key variables.

### **Progress and Early Findings**

Work under this KCP project has clarified the policy issues considerably and resulted in several important papers. Versions of these papers were presented to operational staff at the Agriculture and Rural Development Forum and to regional seminar programs and have since met the quality standards for publication.

This study has found some striking patterns. The research on the impact of higher food prices on poverty indicates that surges in food prices typically raise poverty in the short run. However, once sufficient time has elapsed, wages rise and producers increase their output levels, tending to reduce poverty. Consistent with this finding, policy makers in developing countries resist the initial increase in prices by price insulating measures such as export restrictions or reductions in import duties. After a few years, when the benefits for poverty reduction are available, policy makers tend to pass the increase in prices on to domestic markets. For each individual country, this approach to policy is logical and sensible. However, there is a collective action problem in that the initial policy of insulation is ineffective. The use of export restrictions and import duty reductions increases the world price so much that these interventions are, collectively, ineffective in holding down domestic prices.



Window III: Global Public Goods

**TF015268: Supporting Ethiopia's Push for 9 Million Improved Cooking Stoves to Improve Health and Combat Climate Change (Capacity Building)**

Task Team Leader: Michael Toman

KCP II Funding: \$125,000

Region/Country: Ethiopia

Timeline: 07/01/2013 – 06/15/2015

**Project Objective and Description**

The goal of the project is to provide information from research that can support the Bank and low-income country government efforts on poverty alleviation and climate change mitigation in the context of the United Nations Collaborative Programme on Reducing Emissions from Deforestation and Degradation in Developing (REDD+) Countries. Specifically, the proposed project seeks to analyze the role that cleaner and more fuel-efficient cook stoves might play in a REDD+ program, including co-benefits from reduced local pollutant exposure. The project builds directly and extensively on work already underway in the field on community forest management, improved cook stoves, and REDD+ in Ethiopia (funded by the expiring Trust Fund for Environmentally and Socially Sustainable Development).

**Progress and Early Findings**

Cooperation with Ethiopian partners in design and execution of research, not just data collection, has been superlative. Preliminary findings indicate that individuals given access to an improved, more fuelwood-efficient cooking stove find the stove to be an acceptable alternative to more traditional cooking methods. This provides confidence about the potential for uptake of the new stove in the planned national distribution of them and that fuelwood savings from doing so would be significant. In addition, individuals given hypothetical alternatives to evaluate for community payments under REDD+ indicate a considerable willingness to cooperate in forest protection, if assurance is adequate that the burden is shared, and they indicate a preference for receiving compensation for opportunity costs of reduced forest access, versus use of funds for local public goods.

Two papers have been presented at the Bank's annual "land conference" in April 2014 and at the World Congress of Environmental and Resource Economists in June-July 2014. Some smaller-scale, more informal presentations (e.g., in Economic Department Seminars) also have taken place.

The prospect for validating the potential for a national improved-stove program, if adequate preparations are made up front for ensuring uptake, should be useful for the program. The REDD+ work will be useful for the government in further developing its REDD strategy, including a recognition of the limited scale of benefits available from REDD+.

Window IV: Economic Development and Structural Change  
**TF014272: Structural Transformation Analysis with MAMS**

Task Team Leader: Hans Lofgren

KCP II Funding: \$140,000

Region/Country: World

Timeline: 07/02/2012 – 6/30/2015

### **Project Objective and Description**

The project is to develop and apply a replicable and innovative approach to analysis of country strategies for transformation of sector structure, thereby improving the empirical basis for costly, country-level policy decisions. The approach is based on MAMS (Maquette for Millennium Development Goal Simulations, a computable general equilibrium model for country-level strategy analysis). The innovative aspect is that the indicators from product-space analysis will be incorporated into MAMS, influencing the evolution of sector structure in conjunction with economic policies and world market conditions. The model will be used to simulate the consequences of alternative policies, with a focus on policies aimed at structural transformation, and world market conditions on a wide range of economic indicators, including growth in aggregate and sectorally disaggregated production, trade, and employment as well as poverty and human development indicators.

### **Progress and Early Findings**

Thanks to considerable outreach activities (training in ISIM-MAMS and presentations of the framework that is being developed), the project has successfully done the necessary groundwork for relatively wide adoption of the framework by analysts in developing countries and elsewhere. In the process, the project has received valuable feedback that has led to significant improvements.

So far, the project has, as planned, significantly expanded the group of analysts who are able to conduct policy-oriented analysis with ISIM-MAMS. The next step is selectively to guide and incentivize a subset of this group to apply the product-space augmented ISIM-MAMS version to policy analysis in a set of developing countries.

A preliminary insight is that successful transformation of production and export structure should be viewed as a complex, cumulative, country-specific dynamic process with reinforcing elements in which appropriate policies successfully encourage export-oriented expansion in specific sector clusters, leading to sector productivity growth (with spillovers to related sectors) and quality improvements, resulting in improved export prices. The fact that not all countries are successful is because the dynamics may be weakened by multiple failures along the way, including encouragement of sectors for which a country is not ready (because of gaps in capabilities relative to competitors, thwarting productivity growth, quality improvements, and export price increases) and international conditions that are difficult to anticipate (like declining relative international prices for certain types of products).



## 1. World Development Report 2015: Mind and Society—How a Better Understanding of Human Behavior Can Improve Development Policy

**KCP II Funding:** \$679,624

**Timeline:** 06/17/2013 – 12/31/2014

**Partners:** Other World Bank departments

For the past half-century, economics and development policy have centered on a model of human behavior that makes a few simple but powerful assumptions about decision making: individuals have unlimited ability to process information, they calculate the values of the different options they face, and they make decisions that are consistent and purely self-regarding. That is, standard economics assumes that people are rational and selfish. Standard economics has served policy makers well in many contexts. But over the past few decades, research from across the sciences has demonstrated that standard economics cannot explain many aspects of behavior. In fact, predictable social and psychological drivers can explain people's behavior. Innovative policies that use different assumptions about behavior have exhibited impressive results. *World Development Report 2015* paints a portrait of a "new economic man"—who is a profoundly psychological and social actor—and shows that a richer view of behavior can improve policy making.

Economists and development practitioners have long known that the standard economic variables—prices, quantities, incomes, and information—are not the only things that affect behavior. Lab and

field experiments have shown that many psychological, social, and cultural factors have powerful effects on behavior. Some of this research has received enormous resonance, including recent Nobel prizes, suggesting it has something to add. Yet the influences of such factors remain anomalous in standard economics and tend to be used in ad hoc ways in policy making.

The purpose of *World Development Report 2015* is to integrate recent findings on the psychological, social, and cultural underpinnings of behavior and make the findings available for more systematic use by the research and practitioner development communities. The WDR draws on findings from many disciplines—including neuroscience, cognitive science, psychology, behavioral economics, sociology, and anthropology. The findings help explain development-related decisions that individuals make regarding savings, investment, fertility, health, and parents' engagement with young children, among many others. The findings enhance the understanding of how collective behaviors—such as widespread trust or widespread corruption—develop and become entrenched in a society.

This approach expands the set of tools and strategies for promoting development and combatting poverty. The new tools do not displace existing policy approaches, but complement and enhance them. Some of the new approaches have a trivial cost to implement because they depend on nuances in design or implementation, such as changing the timing of cash transfers, applying labels, simplifying the steps for service take-up, offering reminders,

activating a latent social norm, or reducing the salience of a stigmatized identity.

From the hundreds of empirical papers on decision making that are the basis of this WDR, three principles of human decision making stand out in providing the basis for new approaches to understanding behavior and designing and implementing development policy.

First, most judgments and most choices are made automatically, not deliberately. Automatic thinking causes us to simplify problems and see them through narrow frames. We fill in missing information based on our assumptions about the world and evaluate situations based on associations that automatically come to mind and belief systems that we take for granted.

Second, individuals are social animals influenced by social preferences, social networks, and social norms. We care a great deal about what others think about us and what those around us are doing. We act on the basis of shared norms and social identities. We are relentlessly comparative, have social preferences for fairness and reciprocity, and possess a cooperative spirit that plays into good and bad collective outcomes—both high-trust and high-corruption societies require extensive amounts of cooperation. Yet many economic policies assume individuals are autonomous decision makers who are purely self-regarding.

Third, individuals in a given society possess shared mental models, which serve as mental

tools—concepts, categories, identities, causal narratives, and worldviews—to make sense of the world and to understand themselves. Decision making draws on subjective, culturally derived knowledge, along with values that guide decisions that are also influenced by the local social environment.<sup>2</sup>

A premise of the new approaches is that while people shape society, so too does society shape people. Individuals are not simply calculating automatons who doggedly pursue a set of fixed self-interests, but malleable and emotional actors whose decision making is influenced by contextual cues, local social networks and norms, and shared mental models. All of these play a role in determining what individuals perceive to be desirable, possible, or even thinkable for their lives. The title of the WDR, *Mind and Society*, captures the idea that paying attention to how humans think (the universal processes of *mind*) and how history and context shape thinking (the influence of *society*) can improve policy design and implementation. The WDR is not a definitive statement of the implications of this new body of work on decision making for development policy. Instead, the WDR aims to inspire and guide the researchers and practitioners who can help discover the possibilities and limits of a new set of approaches.

The idea that decision making is the product of an interaction between mind and context is far from novel. It is the core principle of human factors design, a multidisciplinary field engaged in the design of products that fit the human body and its cognitive abilities. Human factors design has had

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<sup>2</sup> There is a body of writing by anthropologists and other social scientists pointing out that what people take to be hard evidence and common sense about the world is often shaped by economic relationships, religious affiliations, and social group identities.

many successes. Airplane cockpits, for instance, became increasingly complex environments during the 20th century as flight and engine instruments were developed to help pilots manage their aircraft. The effect of the technological improvements was the opposite of what designers intended: instead of improving pilots' awareness of environmental features, the technical improvements overwhelmed the pilots and exacerbated stress levels. Error rates rose. Human factors design involved paying close attention to how information is packaged and presented. These days, cockpits contain fewer instruments than before and the design of instrument displays is based on a deeper understanding of human cognitive processes.

Firms are similarly preoccupied with understanding customer behavior in its natural contexts. When a company introduces a product, whether a new brand of breakfast cereal, toothpaste, or smartphone, the product is entering a competitive market where small differences in user satisfaction mean the difference between product take-up and rejection. The design phase is often a highly intensive and interactive one in which the company conducts significant qualitative and quantitative research about its customers to understand seemingly trivial but nonetheless critical aspects of behavior: when and where do customers typically eat breakfast? Are they at home, work, school, on a bus, in a train, or in a car? What is the social meaning of the meal? Does it involve valued rituals? Is it a communal or more private event? Does behavior change need to be coordinated across many people or can it occur individually?

The examples may seem trivial in comparison to the challenges that governments and international organizations face in developing countries. Yet the

examples hold an important lesson: when failure is deemed unacceptable, product designers begin to pay close attention to how humans *actually* think and decide. A strength of standard economics is that it “black boxes” human cognition, intentionally simplifying the “messy and mysterious workings of actors.” Yet this approach also has a liability: it ignores the psychological, social, and cultural influences on behavior. Can changing the timing of fertilizer purchases to coincide with harvest earnings alter usage rates? Can providing a role model change a person's opinion of what is possible in life, what is “right” for a society, and what leaders are elected? Can introducing a new behavior in a group setting rather than on an individual basis mean the difference between behavior change and the continuation of the status quo? The answers are a resounding “yes.”

Engineers, private firms, and marketers of all stripes have long paid attention to the inherent limits of human cognitive capacity, the use of mental shortcuts and mental models for filtering and interpreting information, and the role that social preferences and the situation play in our decision making. The development community needs to do the same.

To illustrate how this all matters for development, consider the problem of low personal savings and high household debt—which is common across the developing world (and in many rich countries as well). Much economic policy operates on the assumption that increasing savings rates requires an increase in interest rates. But savings behavior is not well described by standard economics. It is not that an increase in interest rates will not increase savings. But other things affect saving behavior that are beyond the standard variables of prices, incomes, and regulations. Those other things have

been systematically described, are systematic in certain ways, and there are well-defined frameworks for explaining them, including automatic thinking, framing, fairness concerns, and the intrinsic desire to adhere to norms and sanction norm violations, and mental models. These influences cannot be reconciled with standard economics, in which people act as if they have well-defined preferences and always do the best they can in pursuit of their own self-interest. This situation can be seen in studies based on field experiments in Kenya, South Africa, and Ethiopia.

In Kenya, many households report a lack of cash as an impediment to investing in preventive health. Yet by providing people with a lockable metal box, a padlock, and a passbook with the name of a preventive health product that a household would write on the first page, researchers increased savings, which led to an increase in investment in preventive health products by 75 percent. The idea behind the program was that although money is fungible, people tend to allocate funds via mental accounting processes that influence their spending. The intervention is an example of a more general framing or labeling effect in which assigning something to a category influences how it is perceived. The success of the intervention depends on thinking automatically.

Most financial literacy programs in poor countries have had no effect. In contrast, a recent effort in South Africa to teach financial literacy through engaging entertainment improved the financial choices that individuals made. Financial messages were embedded in a soap opera about a financially reckless character. Households that had watched the soap opera for two months were less likely to

gamble and less likely to purchase goods through an expensive installment plan. The households felt emotionally engaged with the show's characters, which made the households more receptive to the financial messages than would be the case in standard financial literacy programs. The success of the intervention depends on thinking socially.

In Ethiopia, the disadvantaged commonly report feelings of low psychological agency, such as having neither a dream nor an imagination or living only for today. In 2010, a randomly selected group of villagers was invited to watch an hour of inspirational videos—four documentaries of individuals from the region telling their stories about how they had improved their socioeconomic position by setting goals and working hard. Six months later, the villagers who had watched the inspirational videos had, on average, increased their savings. Surveys of the Ethiopian villagers revealed that the videos had increased their aspirations and hopes, especially for their children's educational future. The impact of the intervention illustrates the ability of an intervention to change a mental model—one's belief in what is possible in the future.

The view that labeling, role models, and aspirations can affect savings is not inconsistent with the view that there are predictable effects of changes in interest rates or prices and other incentives. The new approaches do not replace standard economics. But the new approaches change our understanding of the development process and the way development policy should be designed and implemented. The new approaches offer new opportunities to development practitioners and although we are in the early stages of understanding these possibilities, the future looks promising.

## 2. Generating Job Matches Between Firms and Young Women in Jordan

**Task Team Leader:** David McKenzie

**KCP II Funding:** \$115,000

**Timeline:** 07/01/2012 – 06/30/2014

**Partners:** Business Development Center (BDC), Jordan; University of Jordan; Dajani Consulting, Jordan

Youth unemployment has become a serious issue in the Middle East and North Africa region. A KCP funded project tried to explore the reasons for youth unemployment in Jordan. The project helped fund data collection and analysis of a job-matching pilot experiment. The intervention involved setting up a pre-employment center that evaluated job candidates through a mixture of real-world skill assessments and psychometric screening, and then testing whether this lowered matching costs and as a result led to higher employment for the youth involved.

### Youth unemployment in Jordan

In Jordan, recent university graduates face difficulties entering the labor market and firms seeking to fill entry-level positions complain that educated youth lack the appropriate interpersonal and technical skills required for the positions. In 2010, unemployment rates for men and women between the ages of 22 to 26 with a post-secondary degree were 19 percent and 47 percent, respectively. In 2011, the project team surveyed 2,000 firms in Amman, the capital city, that were looking to hire new employees. Sixty percent of the firms said they experienced difficulty distinguishing between good and bad job candidates and 64 percent said they

experienced difficulty finding competent graduates in reasonable proximity to the firm.

### Why?

Youth unemployment across the Middle East and North Africa has been described as a “jobs shortage” and is currently a major policy issue. But this raises the question of why the labor market does not clear. Theory offers at least three potential explanations. The first is that high minimum wages exceed the marginal product of workers. However, this seems less relevant for university graduates whose wages are well above the minimum wage. The second potential explanation is offered by search and matching theory, which explains persistent unemployment as the result of high search costs that prevent firms with vacancies from linking with qualified job candidates. Search frictions may be particularly high for youth, especially in Jordan where education may not be a good signaling mechanism for future work productivity. Finally, a third explanation is based on class consciousness and a trade-off between work and leisure; because of reservation prestige, graduates refuse to work in jobs that they consider beneath them even at wages well above minimum wage. The notion of reservation prestige may interact with gender norms, which restrict the set of jobs considered suitable for women.

### Experiments to explain youth unemployment

Search frictions and reservation prestige have intuitive appeal for helping to explain the high unemployment rates and durations among educated youth in the Middle East, but there has been



only anecdotal evidence to support these explanations. This project carried out two randomized experiments in Jordan explicitly to examine these explanations for youth unemployment.

The first experiment involved developing and testing a labor market matching service in Amman. A sample of more than 1,354 unemployed recent university and community college graduates was given a comprehensive set of tests to measure their quantitative, verbal, and spatial reasoning; English and Excel proficiency; soft skills; and personality type. Of this sample, 1,011 were then randomly assigned to a treatment group, which the project team attempted to match to available positions at hundreds of firms.

The second experiment explored reservation prestige more directly. The project team worked with 33 firms that had 178 job vacancies, for a mixture of higher and lower prestige jobs. The team randomly sent announcements of these vacancies to recent graduates, sending a total of 9,820 announcements, and recorded whether the graduates applied to the jobs.

### What has been learned so far?

The goals of the psychometric screening and matching process were to lower search costs and improve match quality for job candidates and firms. More than 1,000 matches were made. However, the young job candidates rejected the opportunity to have an interview in 28 percent of the cases. And when a job offer was received, the candidates rejected the offer or quickly quit the job 83 percent of the time. As a result, only nine individuals ended up in jobs that lasted longer than a month. Thus,

lowering search costs through screening and matching did not result in any meaningful reduction in unemployment.

When the project examined the reasons why youth turned down potential job openings, the main reason given was not that the salary was too low, but that the young job candidates considered the job unsuitable or not on the right career path. The youth appeared unwilling to take on certain types of jobs.

The second experiment tested this result directly. It found that graduates only applied to 3 percent of the job announcements they received, being more likely to apply for high prestige jobs than low prestige jobs. In the end, the second experiment resulted in no recorded job offers, with the majority of youth saying they turned down the position because they did not consider it suitable. Interviews with firms suggested that firms did not see taking a low prestige job as a negative signal for future work, suggesting that the unwillingness to consider low prestige positions reflected the social costs associated with doing so.

### Implications for Policy Making

Taken together, the results of these two experiments suggest that reservation prestige is an important factor underlying the unemployment of educated Jordanian youth. This contrasts with labor markets like that in the United States, where it is much more common for recent graduates to take on a whole range of less prestigious jobs, such as being a waiter, working in sales, working in a coffee house, and so forth, while searching for a job that meets their qualifications. In addition

to providing the first experimental evidence on the (in)effectiveness of matching programs in the developing world, the process of conducting these experiments and collecting rich data on the labor market transitions of educated youth offers a rare insight into the causes of prolonged youth unemployment in the Arab world.

This conclusion suggests that the necessary policy response is more difficult and complicated than if

the problem were simply high minimum wages or high search costs. The findings may suggest two promising directions for future policy actions. The first consists of interventions on the firm side to spur the development of a vibrant private sector that provides more skilled jobs. The second and complementary area is efforts to try to lower the resistance of educated youth to take jobs that they consider less prestigious.

# ANNEX 3 KCP II Projects Portfolio

The annual KCP call for proposals is open to the Bank's Development Economics (DEC) staff and other Bank staff in collaboration with DEC. The yearly process commences in the spring and culminates in a decision meeting by the Internal Management Committee chaired by the DEC Senior Vice President and Chief Economist or his designee.

In FY2014, 47 proposals were received, totaling more than \$11 million, with 32 grants approved for \$7 million. Awarded grant amounts ranged from \$50,000 to \$1,980,000.

Table A.1 provides a summary of KCP II proposals received from inception to June 30, 2014. There continues to be strong demand for research funding that is over and above the available funding, resulting in award rejections and reductions of almost \$4 million. KCP proposals are comprehensive (especially on methodology and data) to allow proper assessment by the external technical review panel and the Internal Management Committee.

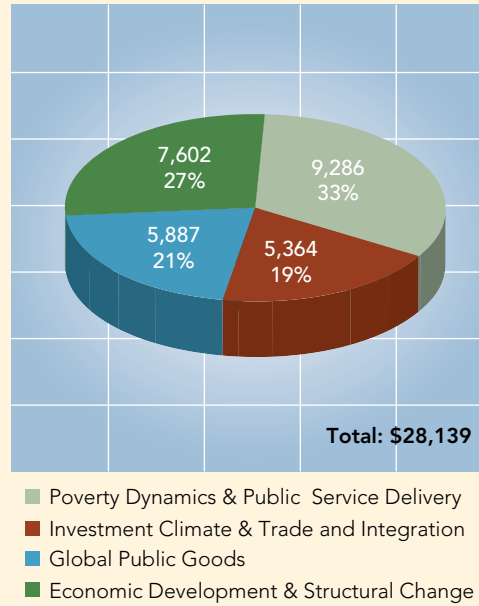
**Table A.1. KCP II Applications (US dollars)**

STATISTIC	FY2009		FY2010		FY2011	
	COUNT	AMOUNT	COUNT	AMOUNT	COUNT	AMOUNT
Approved in full	28	2,808,000	17	2,887,667	29	4,638,906
Approved with reduced award	2	200,000	13	2,185,000	9	1,425,000
Reduction in award		100,000		1,065,000		549,403
Declined	4	260,000	21	2,220,000	28	3,172,602
Withdrawn	1	50,000				
<b>Total applications</b>	<b>35</b>	<b>3,418,000</b>	<b>51</b>	<b>8,357,667</b>	<b>66</b>	<b>9,785,911</b>

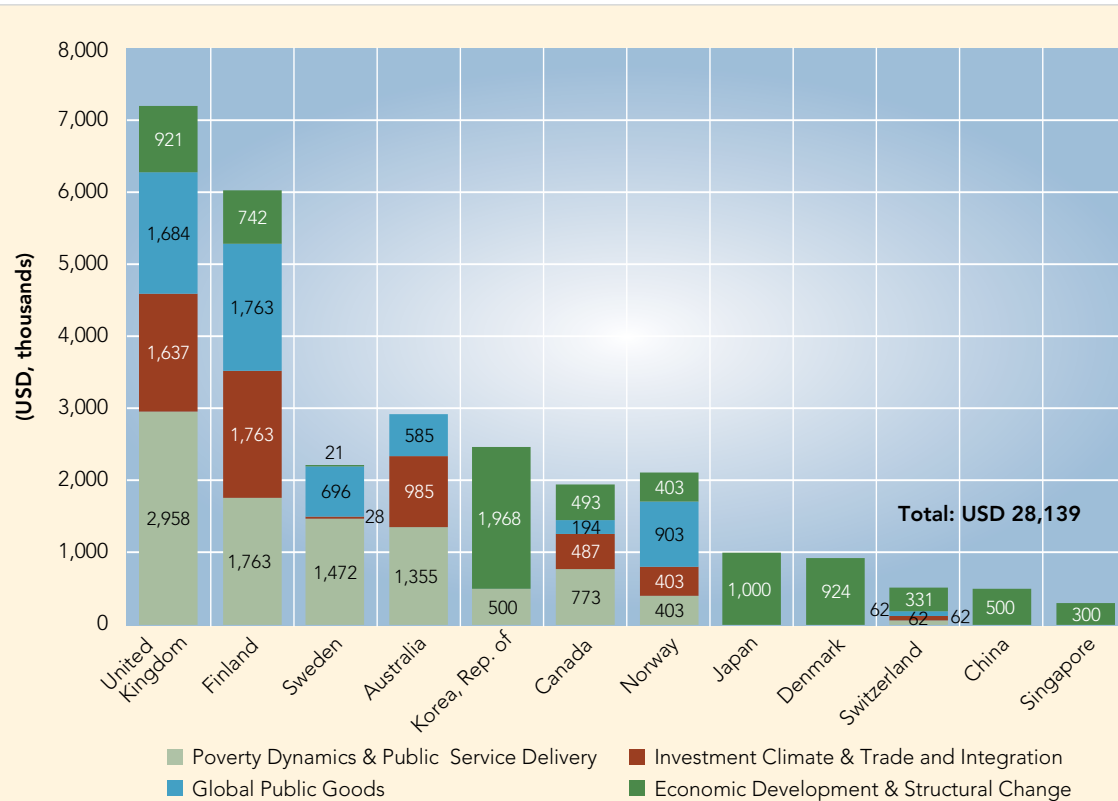
**Table A.1. continued**

STATISTIC	FY2012		FY2013		FY2014	
	COUNT	AMOUNT	COUNT	AMOUNT	COUNT	AMOUNT
Approved in full	4	592,261	4	1,906,667	12	4,009,624
Approved with reduced award	17	3,060,000	24	3,325,000	20	3,266,000
Reduction in award		2,026,616		2,035,000		1,388,483
Declined	21	3,169,100	21	3,194,300	15	2,465,000
Withdrawn						
<b>Total applications</b>	<b>42</b>	<b>8,847,977</b>	<b>49</b>	<b>10,460,967</b>	<b>47</b>	<b>11,129,107</b>

**Figure A.1. KCP II Donor Contributions Received by Window**  
From Inception to June 30, 2014  
(USD, thousands)

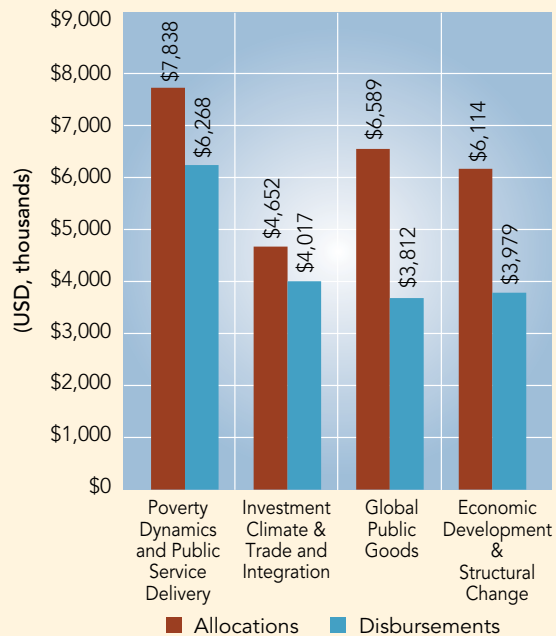


**Figure A.2. KCP II Contributions Received by Donor**  
From Inception to June 30, 2014 (USD, thousands)



**Figure A.3. KCP II Allocations and Disbursements**

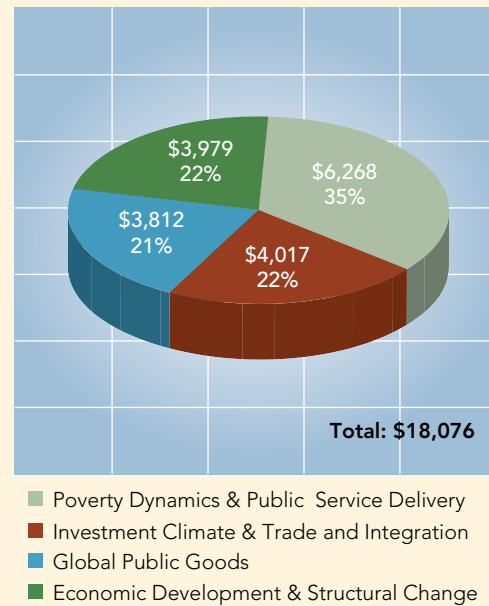
From Inception to June 30, 2014  
(USD, thousands)



Note: Excludes new projects approved in June 2014 because activities have not started.

**Figure A.4. KCP II Disbursements by Window**

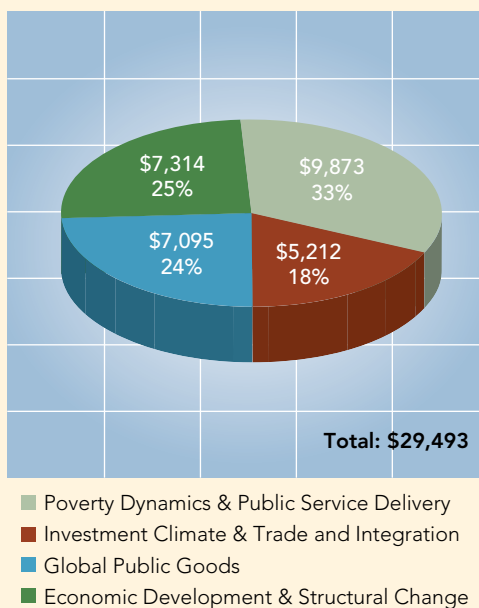
From Inception to June 30, 2014  
(USD, thousands)



Note: Excludes new projects approved in June 2014 because activities have not started.

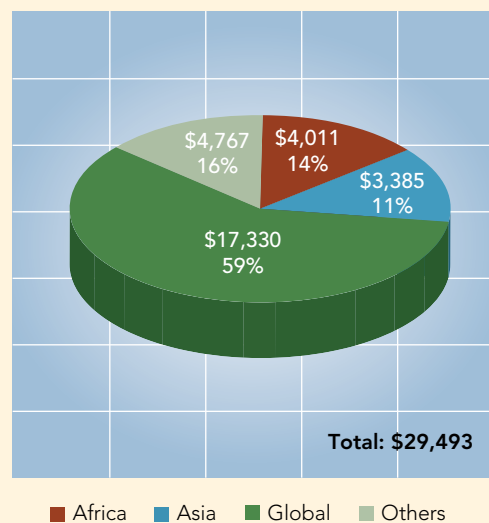
**Figure A.5. KCP II Allocations by Window**

From Inception to June 30, 2014  
(USD, thousands)



**Figure A.6. KCP II Allocations by Region**

From Inception to June 30, 2014  
(USD, thousands)





**Table A.2. KCP II Allocations and Disbursements as of June 30, 2014 (US dollars)**

	Fund	Team Leader	Project Name	Allocations	Disbursements	Available
<b>POVERTY DYNAMICS AND PUBLIC SERVICE DELIVERY (TF071173)</b>						
1	TF094157	Legovini	Impact Evaluation of Youth-Friendly Services on Voluntary Counseling and Testing among Youth Aged 15–24 Years in Kenya	99,659	99,659	0
2	TF094625	Das	Learning and Educational Achievements in Pakistan (LEAPS): Continuation	173,220	173,220	0
3	TF094626	Goldstein	The Effects of Home Based HIV Counselling & Testing: IE of a Program in Kenya	83,010	83,010	0
4	TF094627	de Walque	HIV/AIDS Treatment and Prevention	99,999	99,999	0
5	TF094628	Beegle	Kagera Health and Development Survey 2010: Long-Run Patterns of Growth and Poverty in Africa	162,386	162,386	0
6	TF094629	Lanjouw	Economic Growth and Crisis in Africa: Improving Methods for Measuring Poverty	119,956	119,956	0
7	TF094650	Goldstein	The Impact of Providing Land Titles in Ghana	69,991	69,991	0
8	TF094652	Goldstein	Impact of Urban Land Titling: Evidence from Land Lottery in Burkina Faso	0	0	0
9	TF095034	Chen	Poverty Mapping in China	24,078	24,078	0
10	TF096467	Milante	WDR 2011 – Conflict and Development	1,276,492	1,276,492	0
11	TF097370	Revenga, Shetty	World Development Report 2012 – Gender Equity and Development	817,388	817,388	0
12	TF097381	Giles	Policy, Governance and the Private Sector in the Provision of Public Services: Evidence from Indonesia's Health Sector	224,507	224,507	0
13	TF098362	Chen	Correcting the Sampling Bias of China's Urban Household Survey	54,968	54,968	0
14	TF098792	Ozler	TASAF R3 Survey Support	130,000	130,000	0
15	TF098797	Beegle	LSMS: Improving the Quality and Comparability of Income Data Through Research and Dissemination	147,977	147,977	0
16	TF098893	Beegle	Measuring Development Indicators for Pastoralist Populations	94,999	94,999	0
17	TF098991	Galasso	Learning from Interventions to Improve Parenting Skills in Chile	80,000	80,000	0

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**Table A.2. KCP II Allocations and Disbursements as of June 30, 2014 (US dollars)**

	Fund	Team Leader	Project Name	Allocations	Disbursements	Available
18	TF099007	Legovini	Measuring Inequality and Inequality of Opportunity Using DIME Microdata	27,848	27,848	0
19	TF099270	Martin	Implications for Poverty of Productivity Growth in Agriculture & Non-Agriculture	99,128	99,128	0
20	TF010642	Galasso	A 10-Year Follow-up of a Community-Level Nutrition Program in Madagascar	82,086	82,086	0
21	TF010644	Kondylis	Implementing a Multi-Disciplinary Tool for Social Capital Measurement	99,748	99,748	0
22	TF010746	Das	Quality of Care in Health Markets: Supply- and Demand-Side Perspectives	335,000	253,941	81,059
23	TF010841	Deiningner	Gendered Impacts of Low-Cost Land Titling in a Post-Conflict Environment: The Case of Rwanda	149,939	149,939	0
24	TF010842	Deiningner	Economic and Gender Impacts of Peri-Urban Land Titling: The Case of Dar es Salaam	100,000	56,222	43,778
25	TF010972	Kondylis	Governing Water for Agriculture: What Institutions for Which Contexts?	150,000	111,931	38,069
26	TF012967	Chen	How to Improve the World Bank's Global Poverty Monitoring	150,000	117,379	32,621
27	TF012968	Lanjouw	Changeable Inequalities: Facts, Perceptions and Policies	230,000	228,936	1,064
28	TF012991	Giles	Early Childhood Nutrition, Availability of Health Service Providers and Life Outcomes as Young Adults: Evidence from Indonesia	160,000	20,766	139,234
29	TF013050	van de Walle	Welfare Impacts of Marital Status Shocks in Senegal and the Implications for Social Protection Policy	90,000	17,093	72,907
30	TF013078	Kondylis	Can a Formal Address Do the Job? Favela Pacification in Rio de Janeiro	100,000	0	100,000
31	TF013079	Beegle/ Galasso	The Role of Public Works Programs in Enhancing Food Security: The Malawi Social Action Fund	210,898	210,898	0
32	TF014986	Hoff	WDR 2015 – The Behavioral and Social Foundations of Economic Development	679,624	439,535	240,089

(Continued on next page)

**Table A.2. KCP II Allocations and Disbursements as of June 30, 2014 (US dollars)**

	Fund	Team Leader	Project Name	Allocations	Disbursements	Available
33	TF015397	Khemani	Uganda: Building Institutions for Government Accountability	200,000	0	200,000
34	TF015400	de Walque	An Evaluation of Long-Term Impacts of an Integrated Early Childhood Intervention for Low-Income Families in Rio de Janeiro, Brazil	125,000	0	125,000
35	TF015097	Rao	Using Behavioral Economics to Measure and Improve CDD Operations	100,000	8,800	91,200
36	TF015194	di Maro	Behavioral Economics for Better Public Service Management	125,000	100,193	24,807
37	TF016848	Keefer	How Do We Motivate Public Sector Workers in Developing Countries?	150,000	0	150,000
38	TF015451	Lanjouw	Global Poverty and Inequality Monitoring in the 21st Century	440,000	293,2852	146,715
39	TF015742	Gauri, Hoff	WDR 2015 – Building an Evidence Base for the World Development Report	375,000	291,842	83,158
<b>Total - Poverty Dynamics and Public Service Delivery</b>				<b>7,837,901</b>	<b>6,268,200</b>	<b>1,569,701</b>

**INVESTMENT CLIMATE & TRADE AND INTEGRATION (TF071177)**

40	TF094158	Legovini	Strengthening Agricultural Production Systems and Facilitating Access to Markets: Impact Evaluation of Nigeria's Commercial Agriculture Development	91,519	91,519	0
41	TF094551	McKenzie	How Much Do Management Practices Matter? A Randomized Experiment in India	49,999	49,999	0
42	TF094563	McKenzie	Employment Creation in Large and Small Firms	44,368	44,368	0
43	TF094565	Schmukler	Globalization, Risk, and Crises	69,795	69,795	0
44	TF094566	Hall-Driemeier	Comparable Disaggregated Census Data Across Developing Countries	69,828	69,828	0
45	TF094567	Ozler	An Experimental Study of 'Poverty Traps' Among Micro-Entrepreneur Groups	128,000	128,000	0
46	TF094568	Giles	Labor Markets and Impacts of the Financial Crisis: Evidence from China and India	225,000	225,000	0
47	TF094570	Dupriez	Modeling and Analysis of Consumption Patterns	148,830	148,830	0

*Continued on next page*

**Table A.2. KCP II Allocations and Disbursements as of June 30, 2014 (US dollars)**

	Fund	Team Leader	Project Name	Allocations	Disbursements	Available
48	TF094573	Demirguc-Kunt	Regulation and Bank Stability	250,000	208,695	41,305
49	TF094600	Jacoby	Transport Costs and Development: Evidence from China's Infrastructure Boom	40,000	40,000	0
50	TF094784	Peria	The Financial Crisis and Foreign Bank Participation in Developing Countries	39,930	39,930	0
51	TF094947	Fernandes	Services, FDI and Endogenous Productivity Effects in the European Neighborhood Policy—A Quantitative Assessment for Georgia	89,826	89,826	0
52	TF095040	Ozden	Migration of Turkey's Top Students—Brain Drain and Brain Gain	0	0	0
53	TF095146	Hevia	FDI and Macroeconomic Stability	39,910	39,910	0
54	TF095266	Dailami	Analyzing the Impact of Financial Crisis on International Bank Lending to Developing Countries	98,530	98,530	0
55	TF095859	Kraay	The Growth Effects of Fiscal Policy in Developing Countries	44,940	44,940	0
56	TF095860	Kraay	Reticent Respondents and Cross-Country Survey Data on Corruption	75,000	74,860	140
57	TF097625	Peria	Bank Competition and Access to Finance	56,215	56,215	0
58	TF097641	McKenzie	Can Microfinance Foster Entrepreneurship in Poor Communities?	73,119	73,119	0
59	TF097808	Loayza/Maloney	Innovation and Growth	70,000	41,832	28,168
60	TF097838	Legovini	Reducing Informality Among Firms in Minas Gerais, Brazil	79,464	79,464	0
61	TF097841	Klapper	Private Sector Dynamics in Côte d'Ivoire	30,489	30,489	0
62	TF097855	Keefer/Kraay	Worldwide Governance Indicators	95,950	95,950	0
63	TF097976	Demirguc-Kunt	Will There Be a Phoenix Miracle? Firm-Level Evidence from Financial Crises	49,912	49,912	0
64	TF098583	Schmukler	On the Use of Domestic and International Debt Markets	100,000	89,449	10,552
65	TF098652	Kee	On FDI Spillovers	34,974	34,974	0
66	TF099120	Hevia	Fiscal Multipliers and the State of the Economy	30,000	30,000	0
67	TF099249	Anginer	Bank Bailouts & Moral Hazard	47,300	47,300	0

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**Table A.2. KCP II Allocations and Disbursements as of June 30, 2014 (US dollars)**

	Fund	Team Leader	Project Name	Allocations	Disbursements	Available
68	TF010230	Martin	Storage and Trade Policies for Improving Food Security	130,000	112,479	17,521
69	TF010373	Bown	Least Developed Countries and the Externality Impact of WTO Dispute Settlement	75,472	75,472	0
70	TF010545	Kraay	Macroeconomic Impacts of Aid and Public Spending	50,000	50,000	0
71	TF010688	Schmukler	Understanding Capital Flows to Developing Countries	90,000	64,915	25,085
72	TF010695	Ozden	Database of Emigration Laws and Policies in Developing Countries	40,000	39,893	107
73	TF010705	Klapper	Global Financial Inclusion Indicators	40,000	40,000	0
74	TF010706	Shilpi	Food Prices, Middlemen, and Marketing Institutions: Evidence from Bangladesh	125,000	123,142	1,858
75	TF010782	Kondylis	How Does the Speed of Justice Affect Firms? Experimental Evidence from Senegal	100,000	89,260	10,740
76	TF011089	Nguyen	Currency Wars	32,000	31,875	125
77	TF012954	Loayza	WDR 2014 – Managing Risk for Development	596,667	542,788	53,878
78	TF012955	Deininger	Land Tenure Regularization in Nigeria: Potential Benefits and Implementation Modalities	110,000	60,000	50,000
79	TF012976	Kraay	Macro and Micro Lessons from Project Data	50,000	28,920	21,080
80	TF013049	McKenzie	Generating Job Matches between Firms and Young Women in Jordan	115,000	115,000	0
81	TF014284	Anginer	Bank Capital and Systemic Stability: A Cross-Country Analysis	39,783	39,783	0
82	TF014313	Vashakmadze	Enhanced Global Macro/Financial Model for Developing Countries	135,000	72,460	62,540
83	TF015398	Klapper	Salary Susu Plus: The Impact of Formal Savings on Spending and Borrowing	50,000	3,000	47,000
84	TF015098	Keefer/Kraay	Worldwide Governance Indicators 2014–15	50,000	2,886	47,114
85	TF015108	Schmukler	Firm Financing from Capital Markets	75,000	0	75,000
86	TF015136	McKenzie	Improving the Management and Profits of Small Businesses and Their Measurement	150,000	132,285	17,715

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**Table A.2. KCP II Allocations and Disbursements as of June 30, 2014 (US dollars)**

	Fund	Team Leader	Project Name	Allocations	Disbursements	Available
87	TF015145	Gine	Behaviorally Informed Mystery Shopping Tools for Consumer Protection Policymakers	100,000	99,903	97
88	TF015344	Peria/Cihak	Global Financial Development Report	199,990	199,990	0
89	TF015212	Go	The Gains from International Migration Revisited	125,000	0	125,000
<b>Total - Investment Climate &amp; Trade and Integration</b>				<b>4,651,810</b>	<b>4,016,786</b>	<b>635,024</b>

<b>GLOBAL PUBLIC GOODS (TF071178)</b>						
90	TF094962	Toman	Improving Governance of African River Basins—Determinants of Successes and Failures in Past Reforms	120,000	120,000	0
91	TF094963	Toman	Economic Impacts of Low Carbon Growth Scenarios in Selected Developing Countries	178,800	178,800	0
92	TF094964	Kessides	Improving Efficiency and Climate Change Mitigation—Electricity Market Competition and Low-Carbon Generation Technologies	49,508	49,508	0
93	TF094965	Timilsina	Economics of Biofuels and Potential Impacts on Biodiversity	120,546	120,546	0
94	TF097048	de Walque	Research on HIV/AIDS Prevention and Treatment	51,734	51,734	0
95	TF097696	Toman	Green Growth Opportunities in Developing Countries	400,000	281,750	118,250
96	TF097836	Dupriez/Mistiaen	Survey Data Repository and Management Toolkit	218,464	218,464	0
97	TF098661	Timilsina	Quantifying the Transaction Costs of Selected Energy Efficiency Measures to Reduce GHG Emissions	74,030	74,030	0
98	TF099394	Van Rensburg	Enhanced Global Macro/Financial Model for Developing Countries	81,939	81,939	0
99	TF099603	Lederman	International Survey on Intellectual Property Enforcement Agencies	17,724	17,724	0
100	TF099762	Toman	The Electricity/Groundwater Nexus for Indian Farmers: Implications of Electricity Subsidy Reform for Efficiency and Distribution	0	0	0
101	TF010218	Dasgupta	Mobilizing Spatial Economics and Information for Tiger Habitat Conservation	300,000	288,608	11,392

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**Table A.2. KCP II Allocations and Disbursements as of June 30, 2014 (US dollars)**

	Fund	Team Leader	Project Name	Allocations	Disbursements	Available
102	TF010291	Swanson	Data Resource Center for Structural Economic Analysis	159,837	159,837	0
103	TF010390	Toman	Economic Valuation of Losses Due to "Amazon Dieback"	280,000	275,724	4,276
104	TF010467	Toman	Community Forestry and Pro-Poor Carbon Sequestration in Nepal	393,406	367,062	26,344
105	TF010503	Bussolo/Go	Global Demand System for Consumer Behavior	99,890	99,890	0
106	TF010600	Toman	International Cooperation and Conflict Over Water	47,949	47,949	0
107	TF010730	Farivari	Open Metadata and Methods Application	365,000	364,140	860
108	TF012673	Veerappan	Visualization and Analysis Application	200,000	197,558	2,442
109	TF012675	Dasgupta	The Economics of Adaptation to Salinity Intrusion: The Case of Coastal Bangladesh	140,000	139,682	318
110	TF012996	Timilsina	Linking Bottom-Up and Top-Down Models for Assessing Economy-wide Impacts of Discrete Climate Change Mitigation Measures	70,000	43,129	26,871
111	TF013210	Zhao	Online Data Analysis Toolkit (ODAT)	140,000	58,684	81,316
112	TF014304	Lokshin	Development of Innovative Tools and Technologies for the Global Research Community	300,000	41,261	258,739
113	TF015043	Dupriez	A Microdata Dissemination Challenge: Balancing Data Protection and Data Utility	100,000	77,356	22,644
114	TF015149	Hamadeh	Improving PPP Time Series	100,000	45,822	54,178
115	TF015186	Toman	Hands-On Capacity Building in Environmental Economics: A Proposed Collaboration with the Environment for Development Initiative	175,000	153,350	21,650
116	TF015268	Toman	Supporting Ethiopia's Push for 9 Million Improved Cooking Stoves to Improve Health and Combat Climate Change	125,000	125,000	0
117	TF017347	Chen	Improving and Expanding PovcalNet	100,000	18,575	81,425
118	TF016340	Veerappan	Data Version Management and Linked Data	100,000	10,200	89,800

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**Table A.2. KCP II Allocations and Disbursements as of June 30, 2014 (US dollars)**

	Fund	Team Leader	Project Name	Allocations	Disbursements	Available
119	TF015238	Toman/Strand	Economy-wide Valuation of Local/Regional Ecosystem Services from Amazon Forest Area	100,000	59,746	40,254
120	TF017449	Toman	Economic Valuation of Changes in Amazon Forest Area	1,980,000	43,950	1,936,050
<b>Total - Global Public Goods</b>				<b>6,588,827</b>	<b>3,812,018</b>	<b>2,776,809</b>

<b>ECONOMIC DEVELOPMENT AND STRUCTURAL CHANGE (TF071393)</b>						
121	TF097645	Goldstein	Stimulating Industrial Upgrading in Sub-Saharan Africa	192,992	192,992	0
122	TF097765	Sepulveda	Research Agenda in New Structural Economics	144,553	144,553	0
123	TF097766	Sepulveda	Structural Transformation, Enterprise Policies, and Economic Growth	118,156	118,156	0
124	TF097767	Sepulveda	Country Case Studies on Structural Change and Industrial Policies	297,842	297,842	0
125	TF098053	Loayza	Industrial Policy in an Uncertain Environment	75,000	72,374	2,626
126	TF098106	Fernandes/ Freund	Export Transaction Database	148,794	148,794	0
127	TF098764	Giles	Structural Transformation and Rural Social Protection Policies: Evidence from China	250,000	250,000	0
128	TF099128	Fernandes	Upgrading the Networking and Technological Capacity of Suppliers in South Africa	172,533	172,533	0
129	TF099198	Deichmann	Moving to Density: A Research Program on the Rural-Urban Transformation in Developing Countries	500,000	433,520	66,480
130	TF099203	Deichmann	Testing the Robustness of the Energy Intensity Kuznets Curve	29,996	29,996	0
131	TF099604	Lederman	Commodity Prices, Household Adjustments, and Structural Transformation	42,146	42,146	0
132	TF010008	Hallward-Driemeier	Industrial Structure, Productivity, Growth and Welfare	148,527	148,527	0
133	TF010181	Giles	Early Work Experiences and the Skills of Young Adults: Evidence from Senegal	141,000	140,985	15
134	TF010228	Rama/Beegle	WDR 2013 – Jobs	701,927	701,927	0

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**Table A.2. KCP II Allocations and Disbursements as of June 30, 2014 (US dollars)**

	Fund	Team Leader	Project Name	Allocations	Disbursements	Available
135	TF010795	Hon	Structural Transformation, Macroeconomic Behaviors and Industrial Policies	65,410	65,410	0
136	TF012590	Fernandes	Exporter Dynamics Database	160,000	138,083	21,917
137	TF013183	Go	Structural Change in a Dynamic World	200,000	80,501	119,499
138	TF013506	Deichmann	Understanding the Broader Impacts of Transport Infrastructure Investments	300,000	109,448	190,552
139	TF014272	Lofgren	Structural Transformation Analysis with MAMS	140,000	55,897	84,103
140	TF014655	Hallward-Driemeier	MENA Job Creation, Structural Change and Economic Development	1,485,000	226,466	1,258,534
141	TF015211	Go	Simple Global Analysis with R23 Model and Database for 200+ Countries	100,000	96,184	3,816
142	TF015022	Schmukler	Institutional Investors	50,000	0	50,000
143	TF015048	Deiningner	Promoting Rural-Urban Integration in China	100,000	22,582	77,418
144	TF015161	Giles	Community, Family and Household Support for the Elderly in the Wake of Rapid Urbanization: Evidence from Rural China	200,000	63,376	136,624
145	TF015202	Maliszewska	Aging: The Changing Nature of Intergenerational Flows in Developing Countries	150,000	125,000	25,000
146	TF015375	Maliszewska	The Coming Wave of Educated Workers: Size and Impact on Global Inequality and Poverty	150,000	63,935	86,065
147	TF015374	Martinez Peria/ Anginer	Corporate Governance and Systemic Risk	50,000	38,048	11,953
<b>Total - Economic Development and Structural Change</b>				<b>6,113,876</b>	<b>3,979,275</b>	<b>2,134,601</b>
<b>KCP II TOTAL ALLOCATIONS &amp; DISBURSEMENTS, JUNE 30, 2014</b>				<b>25,192,413</b>	<b>18,076,278</b>	<b>7,116,135</b>

Note: Excludes new projects approved in June 2014 because activities have not started.

**Table A.3. Completed KCP II Projects in FY2014 (US dollars)**

	Project Name	Fund	Team Leader	Disbursements
<b>POVERTY DYNAMICS AND PUBLIC SERVICE DELIVERY</b>				
1	Implications for Poverty of Productivity Growth in Agriculture & Non-Agriculture	TF099270	Martin	99,128
2	Gendered Impacts of Low-Cost Land Titling in a Post-Conflict Environment: The Case of Rwanda	TF010841	Deininger	149,939
3	Changeable Inequalities: Facts, Perceptions and Policies	TF012968	Lanjouw	223,873
4	The Role of Public Works Programs in Enhancing Food Security: The Malawi Social Action Fund	TF013079	Beegle/ Galasso	210,898
<b>Total - Poverty Dynamics And Public Service Delivery</b>				<b>683,838</b>
<b>INVESTMENT CLIMATE &amp; TRADE AND INTEGRATION</b>				
5	Reticent Respondents and Cross-Country Survey Data on Corruption	TF095860	Kraay	74,860
6	On FDI Spillovers	TF098652	Kee	34,974
7	International Survey on Intellectual Property Enforcement Agencies	TF099603	Lederman	17,724
8	Database of Emigration Laws and Policies in Developing Countries	TF010695	Ozden	39,893
9	Currency Wars	TF011089	Nguyen	31,875
10	Generating Job Matches between Firms and Young Women in Jordan	TF013049	McKenzie	115,000
11	Bank Capital and Systemic Stability: A Cross-country Analysis	TF014284	Anginer	39,783
12	Global Financial Development Report	TF015344	Peria/Cihak	199,990
<b>Total - Investment Climate &amp; Trade and Integration</b>				<b>554,100</b>
<b>GLOBAL PUBLIC GOODS</b>				
13	Economic Valuation of Losses Due to "Amazon Dieback"	TF010390	Toman	230,724
14	Community Forestry and Pro-Poor Carbon Sequestration in Nepal	TF010467	Toman	259,841
15	Global Demand System for Consumer Behavior	TF010503	Bussolo/Go	99,890
16	Open Metadata and Methods Application	TF010730	Veerappan	358,485
<b>Total - Global Public Goods</b>				<b>948,940</b>
<b>ECONOMIC DEVELOPMENT AND STRUCTURAL CHANGE</b>				
17	Structural Transformation, Enterprise Policies, and Economic Growth	TF097766	Sepulveda	118,156
18	Country Case Studies on Structural Change and Industrial Policies	TF097767	Sepulveda	297,842
19	Structural Transformation and Rural Social Protection Policies: Evidence from China	TF098764	Giles	250,000
20	Industrial Structure, Productivity, Growth and Welfare	TF010008	Hallward-Driemeier	148,527
21	Early Work Experiences and the Skills of Young Adults: Evidence from Senegal	TF010181	Giles	140,985
<b>Total - Economic Development and Structural Change</b>				<b>955,510</b>
<b>TOTAL</b>				<b>3,142,389</b>



**Table A.4. Ongoing KCP II Projects in FY2014**

	Project Name	Fund	Allocation (US dollars)	Team Leader
<b>POVERTY DYNAMICS AND PUBLIC SERVICE DELIVERY</b>				
1	Governing Water for Agriculture: What Institutions for Which Contexts?	TF010972	150,000	Florence Kondylis
2	Economic and Gender Impacts of Peri-Urban Land Titling: The Case of Dar es Salaam	TF010842	100,000	Klaus Deininger
3	Quality of Care in Health Markets: Supply- and Demand-Side Perspectives	TF010746	335,000	Jishnu Das
4	How to Improve the World Bank's Global Poverty Monitoring	TF012967	150,000	Shaohua Chen
5	Can a formal address do the job? Favela pacification in Rio de Janeiro	TF013078	100,000	Florence Kondylis
6	Early Childhood Nutrition, Availability of Health Service Providers and Life Outcomes as Young Adults: Evidence from Indonesia	TF012991	160,000	John Giles
7	Welfare Impacts of Marital Status Shocks in Senegal and the Implications for Social Protection Policy	TF013050	90,000	Dominique van de Walle
8	World Development Report 2015: The Behavioral and Social Foundations of Economic Development	TF014986	679,624	Karla Hoff
9	Uganda: Building Institutions for Government Accountability	TF015397	200,000	Stuti Khemani
10	An Evaluation of Long-Term Impacts of an Integrated Early Childhood Intervention for Low-Income Families in Rio de Janeiro, Brazil	TF015400	125,000	Damien de Walque
11	Behavioral Economics for Better Public Service Management	TF015194	125,000	Vincenzo Di Maro
12	How do we motivate public sector workers in developing countries?	TF016848	150,000	Philip Keefer
13	Using Behavioral Economics to Measure and Improve CDD Operations	TF015097	100,000	Vijayendra Rao
14	WDR 2015: Building an Evidence Base for the World Development Report	TF015742	375,000	Varun Gauri/ Karla Hoff
15	Global Poverty and Inequality Monitoring in the 21st Century	TF015451	440,000	Peter Lanjouw
<b>INVESTMENT CLIMATE &amp; TRADE AND INTEGRATION</b>				
16	Food Prices, Middlemen, and Marketing Institutions: Evidence from Bangladesh	TF010706	125,000	Forhad Shilpi
17	Storage and Trade Policies for Improving Food Security	TF010230	130,000	Will Martin

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**Table A.4. Ongoing KCP II Projects in FY2014**

	Project Name	Fund	Allocation (US dollars)	Team Leader
18	Understanding Capital Flows to Developing Countries	TF010688	90,000	Sergio Schmukler
19	How Does the Speed of Justice Affect Firms? Experimental Evidence from Senegal	TF010782	100,000	Florence Kondylis
20	Regulation and Bank Stability	TF094573	250,000	Asli Demirguc-Kunt
21	Innovation and Growth	TF097808	70,000	Norman Loayza/ William Maloney
22	On the Use of Domestic and International Debt Markets	TF098583	100,000	Sergio Schmukler
23	Land tenure regularization in Nigeria: Potential benefits and implementation modalities	TF012955	110,000	Klaus Deininger
24	Macro and Micro Lessons from Project Data	TF012976	50,000	Aart Kraay
25	WDR 2014 – Risk, Uncertainty, and Crisis	TF012954	400,000	Norman Loayza
26	Enhanced global macro/financial model for developing countries	TF014313	135,000	Ekaterine Vashakmadze
27	Salary Susu Plus: The Impact of Formal Savings on Spending and Borrowing	TF015398	50,000	Leora Klapper
28	Improving the Management and Profits of Small Businesses and Their Measurement	TF015136	150,000	David McKenzie
29	Worldwide Governance Indicators 2014-15	TF015098	50,000	Philip Keefer/ Aart Kraay
30	Behaviorally Informed Mystery Shopping Tools for Consumer Protection Policymakers	TF015145	100,000	Xavier Gine
31	Firm Financing from Capital Markets	TF015108	75,000	Sergio L. Schmukler
32	The Gains from International Migration Revisited	TF015212	125,000	S. Amer Ahmed
<b>GLOBAL PUBLIC GOODS</b>				
33	Mobilizing Spatial Economics and Information for Tiger Habitat Conservation	TF010218	300,000	Susmita Dasgupta
34	Green Growth Opportunities in Developing Countries	TF097696	400,000	Michael Toman
35	The Economics of Adaptation to Salinity Intrusion: The Case of Coastal Bangladesh	TF012675	140,000	Susmita Dasgupta
36	Linking bottom-up and top-down models for assessing economy-wide impacts of discrete climate change mitigation measures	TF012996	70,000	Govinda Timilsina

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**Table A.4. Ongoing KCP II Projects in FY2014**

	Project Name	Fund	Allocation (US dollars)	Team Leader
37	Development of innovative tools and technologies for the global research community	TF014304	300,000	Michael Lokshin
38	Online Data Analysis Toolkit (ODAT)	TF013210	140,000	Qinghua Zhao
39	Visualization and Analysis Application	TF012673	200,000	Malarvizhi Veerappan
40	A Microdata Dissemination Challenge: Balancing Data Protection and Data Utility	TF015043	100,000	Olivier Dupriez/ Matthew John Welch
41	Improving PPP Time Series	TF015149	100,000	Nada Hamadeh
42	Supporting Ethiopia's Push for 9 Million Improved Cooking Stoves to Improve Health and Combat Climate Change	TF015268	125,000	Michael Toman
43	Hands-On Capacity Building in Environmental Economics: A Proposed Collaboration with the Environment for Development Initiative	TF015186	175,000	Michael Toman
44	Improving and Expanding PovcalNet	TF017347	100,000	Shaohua Chen
45	Data Version Management and Linked Data	TF016340	50,000	Malarvizhi Veerappan
46	Economy-wide Valuation of Local/Regional Ecosystem Services from Amazon Forest Area	TF015238	100,000	Michael Toman/ Jon Strand
47	Economic Valuation of Losses Due to "Amazon Dieback"	TF017449	1,980,000	Michael Toman/ Jon Strand
<b>ECONOMIC DEVELOPMENT AND STRUCTURAL CHANGE</b>				
48	Moving to Density: A Research Program on the Rural-Urban Transformation in Developing Countries	TF099198	500,000	Uwe Deichmann
49	Industrial Policy in an Uncertain Environment	TF098053	75,000	Norman Loayza
50	Exporter Dynamics Database	TF012590	160,000	Ana Margarida Fernandes
51	Structural Transformation Analysis with MAMS	TF014272	140,000	Hans Lofgren
52	Structural Change in a Dynamic World	TF013183	200,000	Delfin Go
53	Understanding the broader impacts of transport infrastructure investments	TF013506	300,000	Uwe Deichmann
54	Job Creation, Structural Change, and Economic Development in MENA with Lessons from East Asia	TF014655	1,485,000	Mary Hallward-Driemeier
55	Simple Global Analysis with R23 Model and Database for 200+ Countries	TF015211	100,000	Delfin Go

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**Table A.4. Ongoing KCP II Projects in FY2014**

	Project Name	Fund	Allocation (US dollars)	Team Leader
56	Promoting rural-urban integration in China	TF015048	100,000	Klaus Deininger
57	Community, Family and Household Support for the Elderly in the Wake of Rapid Urbanization: Evidence from Rural China	TF015161	200,000	John Giles
58	Aging: the changing nature of intergenerational flows in developing countries	TF015202	150,000	Maryla Maliszewska
59	The coming wave of educated workers: size and impact on global inequality and poverty	TF015375	150,000	Maryla Maliszewska
60	Corporate Governance and Systemic Risk	TF015374	50,000	Maria Soledad Martinez Peria/ Deniz Anginer
61	Institutional Investors	TF015022	50,000	Sergio Schmukler

**Table A.5. New KCP II Projects in FY2014**

	Project Name	Approved Amount (US dollars)	Team Leader
<b>POVERTY DYNAMICS AND PUBLIC SERVICE DELIVERY</b>			
1	Improving Data on Population Health and Skills Using Tablet-Compatible Household Survey Diagnostic Instruments	150,000	Adam Wagstaff/Deon Filmer/ Michael Lokshin
2	Demand Curve for Clean Water and Its Determinants in a Low-Income Context	200,000	Quy-Toan Do/Hanan Jacoby
3	Harmonized Microdata for Enhanced Global Poverty Monitoring: The International Income Distribution Database (I2D2)	100,000	Kathleen Beegle
4	Decentralizing Irrigation Management: Evidence from the Indus Basin of Pakistan	150,000	Hanan Jacoby/ Ghazala Mansuri
5	Quality of Care, Its Determinants and How It Can Be Improved	150,000	Jishnu Das
6	Weekend Special: A Sports-Based Intervention to Encourage Uptake of Voluntary Medical Male Circumcision in Zimbabwe	200,000	Berk Ozler/Jed Friedman
7	Assessing the Impact of 2011 ICP PPPs on Global Poverty Estimates	135,000	Shaohua Chen
8	Equality of Opportunity in Global Prosperity	200,000	Federica Saliola
9	National Account vs Survey Based Welfare	150,000	Umar Serajuddin
10	Gender, Insurance and Agricultural Productivity	100,000	Markus Goldstein
11	Census Independent Sampling Strategy Using Satellite Imagery: Validating and Improving a Proposed Methodology in Myanmar	50,000	Espen Prydz/Calogero Carletto
12	Improving Poverty and Shared Prosperity Measurement: An Experiment to Measure Purchases of Food Away from Home	100,000	Renos Vakis/Calogero Carletto
13	GMR 2015-2017 – Monitoring and Reporting the Twin Goals	250,000	Jamus Lim/Jos Verbeek
14	What Happens in Rural Areas When Food Prices Spike?	100,000	Donald Larson
<b>INVESTMENT CLIMATE &amp; TRADE AND INTEGRATION</b>			
15	Demographic Change and International Integration	200,000	Caglar Ozden/Aaditya Mattoo
16	Benchmarking Public Procurement	150,000	Federica Saliola
17	Credit Bureau in Mexico	50,000	Claudia Ruiz Ortega
18	Capital Flows: Geography, Drivers and Implications	110,000	Sergio Schmukler
19	Corporate Governance and Debt Maturity	50,000	Soledad Martinez Peria/ Deniz Anginer

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**Table A.5. New KCP II Projects in FY2014**

	Project Name	Approved Amount (US dollars)	Team Leader
<b>GLOBAL PUBLIC GOODS</b>			
20	Sustainable Poverty Reduction and Shared Prosperity under a Changing Climate	150,000	S. Amer Ahmed/Delfin Go
21	Functionality to Conduct Complex Household and Agricultural Surveys with CAPI	56,000	Zurab Sajaia
22	UNICEF-WHO-The World Bank Joint Child Malnutrition Dataset Expansion	150,000	Juan Feng/Umar Serajuddin
23	Ecologically Cost-Effective Road Investment in Tropical Forests	150,000	Susmita Dasgupta
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