

KNOWLEDGE *for* CHANGE

Annual Report 2012



A World
Free of Poverty

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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.

COVER

Share of the Population Living on Less than \$1.25 a Day

- Less than 2%
- 2% to 10%
- 11% to 25%
- 26% to 50%
- 50% or more
- No data

Data are for 2008, Source: Povcalnet; special thanks to Johan A. Mistiaen of DEC Data Group and his team for creating the map.

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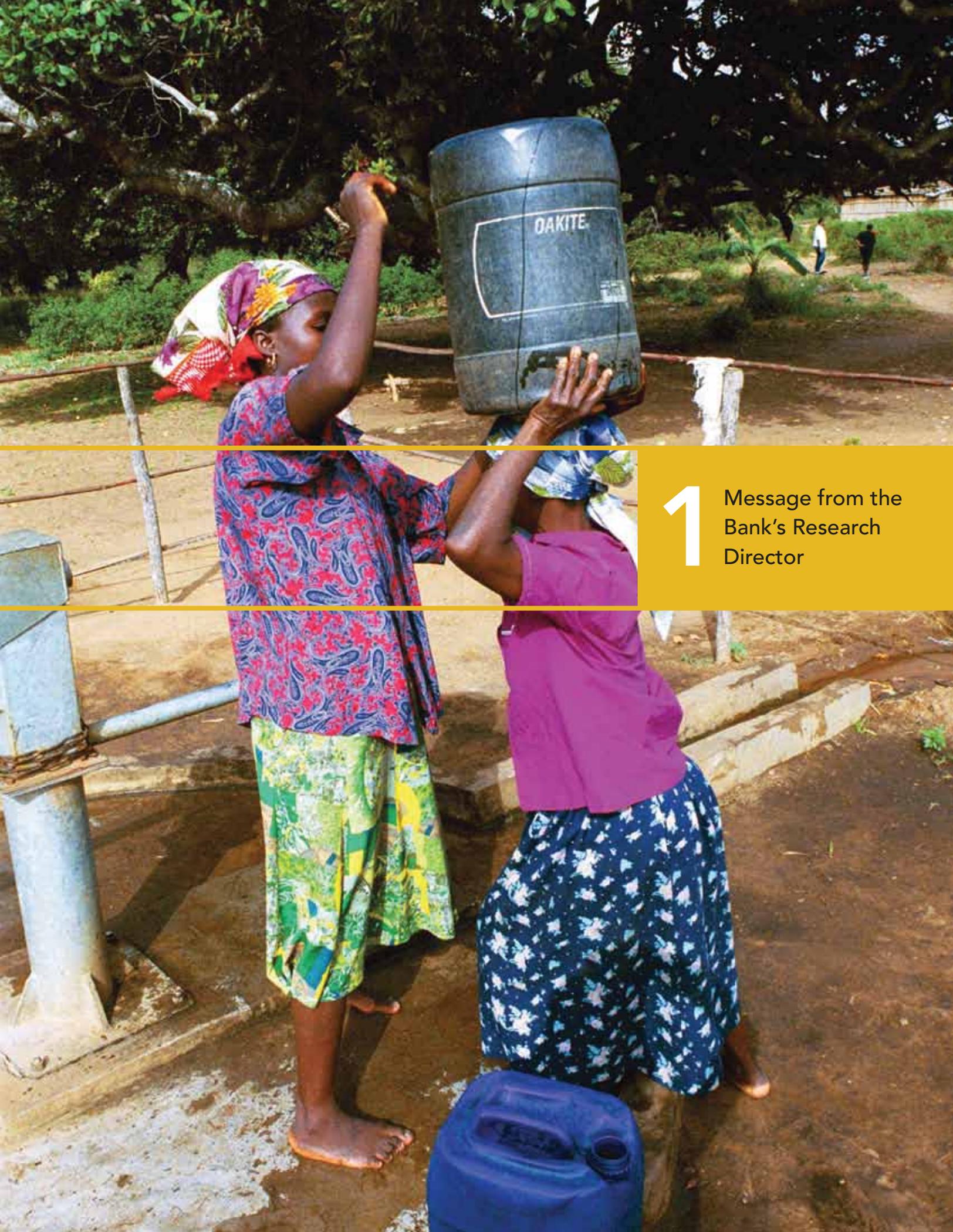


A World Free of Poverty



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Message from the
Bank's Research
Director

Global Poverty: Should the Goalpost Be Moved Up?

It is fitting that this issue of the KCP's Annual Report takes our efforts at poverty monitoring as its theme. Of course, poverty has long been a major theme of the research supported by the KCP.¹ The development community is now thinking hard about global poverty monitoring after 2015, the target date for the *Millennium Development Goals* (MDGs). The first MDG is to halve the 1990 "extreme poverty" rate by 2015. Using \$1.25 a day (at 2005 purchasing power parity) as the standard, the world attained MDG1 in 2010—five years ahead of time. But we should not celebrate yet. Doing the calculations for the developing world excluding China, we have not attained MDG1 and we probably will not do so.² And even the current trajectory will leave slightly more than one billion people living in extreme poverty by 2015. That is utterly unacceptable in today's world. We have to do better.

The idea of what "poverty" means is also changing in the developing world. Rising average living standards in many countries are coming with a re-evaluation of what it means to be considered "poor." While the process of revising poverty lines is fraught with political perils and resistance, a number of growing developing countries have revised the real value of their lines upward. For example, China recently doubled its national poverty line from \$0.90 a day to \$1.80. This is hardly surprising. The poverty measure in any given setting will only be accepted if it accords reasonably well with prevailing ideas of what "poverty" means in that setting. Sustained overall growth will undoubtedly come with higher standards.

What does this ongoing re-evaluation of what "poverty" means imply for how we monitor global poverty

¹ In terms of disbursements, "Poverty Dynamics" has been the largest of the four KCP windows, accounting for more than one-third of disbursements. Of course, all the other windows are also relevant to poverty.

² See Shaohua Chen and Martin Ravallion, "Absolute Poverty Measures for the Developing World," in *Measuring the Real Size of the World Economy – The Framework, Methodology, and Results of the International Comparison Program (ICP)*, Washington, DC: World Bank, 2012.



Martin Ravallion

and assess progress? This takes us back to one of the oldest debates on poverty, namely whether it is “absolute” or “relative.” An absolute poverty line is intended to have constant real value over time and space. By contrast, a relative line is typically set at a constant proportion—around one-half is common—of the country or year-specific mean (or median). This type of measure has been popular in Western Europe.

The choice of method matters to assessments of progress against poverty and has bearing on longstanding policy debates concerning the scope for reducing poverty through economic growth. Indeed, when the poverty line is fixed in real terms, any standard poverty measure will automatically fall during an inequality-neutral growth process, whereby all incomes grow at the same rate. Yet the same growth process will have no effect on the poverty measure when the line is set at a constant proportion of the mean.

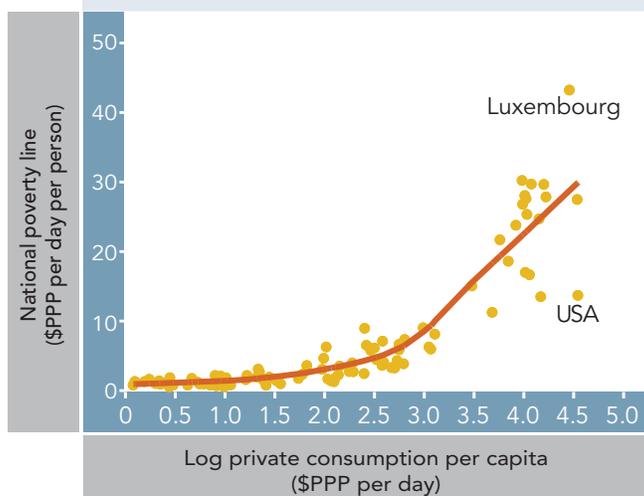
Low and middle-income countries have tended to favor absolute lines while most high-income countries (notably in Western Europe) have preferred relative lines. Alongside this difference, one tends

to find that richer countries use higher poverty lines. We can call this the “relativist gradient” in national poverty lines.

Figure 1 shows this. The figure gives the national poverty lines found across countries. The highest line I know of is in Luxembourg, at \$43 a day. The United States (at a similar level of mean consumption to Luxembourg) has a line of \$13 a day. At the other extreme, the average poverty line of the poorest 20 or so countries is \$1.25 a day—the World Bank’s main international absolute poverty line. Note that we find this relativist gradient among developing countries using absolute lines. (The underlying nutritional norms are similar, but the commodity bundles deemed necessary to attain those norms vary greatly.) Across countries it seems that poverty is indeed relative, even when it is absolute within countries.

Should global poverty monitoring also allow the poverty line to vary with average income? The answer depends on how we interpret the gradient in national lines seen in Figure 1. One can think of a poverty line as the monetary equivalent of an underlying concept of human welfare. The poverty

Figure 1. National poverty lines across countries



Source: Martin Ravallion, “Poverty Lines across the World,” Chapter 3 of the *Oxford Handbook of the Economics of Poverty*, edited by Philip N. Jefferson, Oxford University Press, 2012.

line in the welfare space can be thought of as a social norm, which may well vary from one setting to another. The poverty measure in any given setting will only be accepted if it accords reasonably well with prevailing ideas of what “poverty” means in that setting. Norms are bound to differ between a rich society and a poor one, and evolve over time in growing economies. However, using a lower real poverty line in poorer countries will not then be welfare consistent, in that two people judged to have the same welfare can be treated differently depending on where or when they live. Reasoning along these lines has motivated the past emphasis on measuring absolute poverty in the world using a common real poverty line, such as \$1.25 a day.

However, it must be acknowledged that there is another, very different, interpretation of why richer countries have higher poverty lines. The absolute approach implicitly sees individual welfare as depending on “own consumption.” By this view, the setting in which a person lives is irrelevant to whether that person is deemed to be poor or not, once one knows the person’s own consumption level. By contrast, a relative line is implied by the presence of certain social determinants of welfare, which naturally vary with the context. By this view, relative lines are seen to reflect welfare effects of relative deprivation—that comparing two people at the same real income, the one living in the richer country will feel worse off—and costs of social inclusion, namely the extra expenditures deemed necessary for participation in a rich society as compared with a poor one, including the spending needed to avoid shame in public. Research in various fields—anthropology, psychology, and economics—has taught us that there are such “social effects” on individual welfare.

Notice that, by this second interpretation, poverty comparisons can still be interpreted as absolute in the space of the underlying concept of individual welfare, but (given the social effects) an absolute line in the welfare space requires a relative line in terms of consumption. As Amartya Sen once put it: “...an absolute approach in the space of capabilities translates into a relative approach in the space of commodities.”³

So we have two competing explanations for Figure 1. By the social norms interpretation, individual

³ See Amartya Sen, “Poor, Relatively Speaking,” *Oxford Economic Papers*, 1983, 35(2), pp. 153–69.



welfare depends solely on own consumption. The relativist gradient in Figure 1 is then seen to stem from a tendency for richer countries to use higher welfare norms in deciding who is poor. In contrast, the social effects interpretation does not require different norms, but postulates instead that individual welfare depends (negatively) on how rich the country is, at given own consumption.⁴ Then the welfare-consistent poverty line tends to rise with average consumption, as in Figure 1.

This subtle theoretical distinction between “social norms of welfare” and “social effects on welfare” holds very different implications for global poverty measurement. The social norms interpretation points us toward absolute measures, while the social effects interpretation points us toward some concept of relative poverty. The uncertainty about which interpretation is right makes it compelling

to consider both approaches when measuring global poverty.

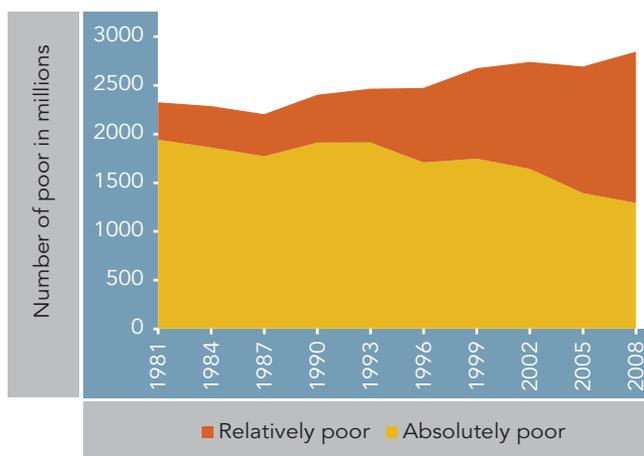
How then might we devise a reasonable global measure of relative poverty, as a complement to the prevailing absolute measures? Past arguments for a relative poverty line set at a constant proportion of the mean require implausible assumptions. Depending on how such a relative line is rationalized, one needs to assume either that people are concerned solely with relative deprivation (that their own consumption does not matter independently of their relative consumption) or that the costs of social inclusion can fall to nearly zero in the poorest places.⁵

The challenge for research is to develop credible relative measures. In fact the original “\$1 a day” poverty measure (and the most recent update to

⁴ For further discussion, see Martin Ravallion, “On the Welfarist Rationale for Relative Poverty Lines,” in Kaushik Basu and Ravi Kanbur (eds.), *The Oxford Handbook of Arguments for a Better World: Essays in Honor of Amartya Sen. Volume I: Ethics, Welfare and Measurement*, Oxford: Oxford University Press, 2008.

⁵ See Martin Ravallion and Shaohua Chen, “Weakly Relative Poverty,” *Review of Economics and Statistics*, 2011, 93(4), pp. 1251–61. Also see Ravallion’s blog post, “What does Adam Smith’s linen shirt have to do with global poverty?”

Figure 2. Numbers of absolutely poor and relatively poor



\$1.25 a day, at 2005 PPP) emerged from a World Bank research project that started in 1989. (The original paper outlining the idea was a background paper for the 1990 *World Development Report* (WDR) entitled “Poverty.”) With KCP support, the same project has recently returned to the issue of how best to measure and monitor global poverty, to ensure that our measures remain relevant. World Bank researchers have developed new poverty measures that take seriously the existence of social effects on welfare.⁶ These are called “weakly relative” measures. They entail that the poverty line only rises with the mean above some (positive) critical value and it does so with an elasticity less than one—meaning that the poverty line does not

rise as a constant proportion of the mean. The absolute measure is only obtained as a special case for sufficiently poor countries.

An obvious place to look for identifying a schedule of weakly relative poverty lines is the set of national poverty lines found across developing countries, as in Figure 1. Weakly relative measures have been constructed that are consistent with the relativist gradient in the figure. And they are consistent with micro evidence on subjective perceptions of welfare in developing countries. Weak relative is also suggested by the recent signs that the idea of what “poverty” means in developing countries is changing. We do not need to think that this reflects a higher welfare threshold—it may instead be that a higher income is deemed necessary to attain the same level of welfare.

Implementing this new approach empirically, we find evidence that the incidence of relative poverty has fallen, from 63 percent in 1981 to 47 percent in 2008.⁷ This was not sufficient to prevent the rising numbers of the relatively poor; indeed, the total number of relatively poor rose by about 360 million over 1981–2008. At the same time, there has been a decline in the incidence of absolute poverty in the developing world. The overall percentage of the population living below \$1.25 a day in 2008 was 22 percent, as compared with 52 percent in 1981. We find that 1.3 billion people in 2008 lived below \$1.25 a day, as compared with 1.9 billion

⁶ Martin Ravallion and Shaohua Chen, “Weakly Relative Poverty” (ibid).

⁷ The data, methods, and results are documented in Shaohua Chen and Martin Ravallion, “More Relatively-Poor People in a Less Absolutely-Poor World,” Policy Research Working Paper 6114, 2012, World Bank.

in 1981. Progress has been uneven across regions, but (encouragingly) all regions have seen falling absolute poverty counts in the 2000s.

Figure 2 plots the counts of the numbers of absolutely and relatively poor people in the developing world over 1981–2008. More than 80 percent of the relatively poor in 1981 were absolutely poor, but by 2008 the proportion had fallen to less than half.

So a substantial increase in the number of people who are relatively poor but no longer absolutely poor has come hand-in-hand with the developing world's success against absolute poverty. Economic growth has generally come with a lower absolute poverty rate, but over time it has also meant that many developing countries have moved into the region in which relative considerations become more important. And the relative measure of poverty is naturally less responsive to economic growth, and puts a higher relative weight on inequality. Rising numbers of relatively poor can thus be seen as the “other side of the coin” to falling numbers of absolutely poor. Success has come with a change in what it means to be successful.

In conclusion, it would not be fair to the more than one billion people in the world who still live below \$1.25 a day to abandon our emphasis on fighting absolute poverty. Eliminating such

extreme poverty must remain the development community's number one priority, as the World Bank's new President Jim Kim has emphasized.⁸ The old MDGs are still relevant today. But (as the World Bank President also realizes fully well) the world is changing rapidly. The convergence in living standards across the globe is also coming with the beginning of a process of convergence in ideas about what “poverty” means (although it will be a long time before, say, China's poverty line reaches the US line, let alone Luxembourg's). New poverty targets will undoubtedly emerge that reflect these new perceptions. We can recognize that fact, and recognize that success against absolute poverty may well generate more relative poverty, without diverting our efforts at bringing the poorest people in the world out of extreme poverty.

And there is still much to do in working out how best to fight poverty. Better data and analytic work are fundamental to that goal, and have arguably been crucial to the progress to date. Research must continue to guide thinking about how best to measure progress and assess how robust the measures are to the assumptions made and to likely errors in the data. Improving the coverage and quality of the primary data that go into poverty measurement must also take a higher priority in development policy dialogues. With your support, the KCP can be instrumental in making all this happen.

⁸ See the interview by Sarah Boseley, “World Bank's Jim Yong Kim: ‘I want to eradicate poverty’” in *The Guardian* newspaper, July 25, 2012.

Box 1. The Millennium Development Goals

- GOAL**
1 ERADICATE EXTREME POVERTY AND HUNGER
- GOAL**
2 ACHIEVE UNIVERSAL PRIMARY EDUCATION
- GOAL**
3 PROMOTE GENDER EQUALITY AND EMPOWER WOMEN
- GOAL**
4 REDUCE CHILD MORTALITY
- GOAL**
5 IMPROVE MATERNAL HEALTH
- GOAL**
6 COMBAT HIV/AIDS, MALARIA AND OTHER DISEASES
- GOAL**
7 ENSURE ENVIRONMENTAL SUSTAINABILITY
- GOAL**
8 DEVELOP A GLOBAL PARTNERSHIP FOR DEVELOPMENT

Source: United Nations. 2008. *Report of the Secretary-General on the Indicators for Monitoring the Millennium Development Goals*. E/CN.3/2008/29. New York.

Note: The Millennium Development Goals and targets come from the Millennium Declaration, signed by 189 countries, including 147 heads of state and government, in September 2000 (<http://www.un.org/millennium/declaration/ares552e.htm>) and from further agreement by member states at the 2005 World Summit (Resolution adopted by the General Assembly–A/RES/60/1). The goals and targets are interrelated and should be seen as a whole. They represent a partnership between the developed countries and the developing countries “to create an environment—at the national and global levels alike—which is conducive to development and the elimination of poverty.”



2 The KCP and the Millennium Development Goals



2 The KCP and the Millennium Development Goals

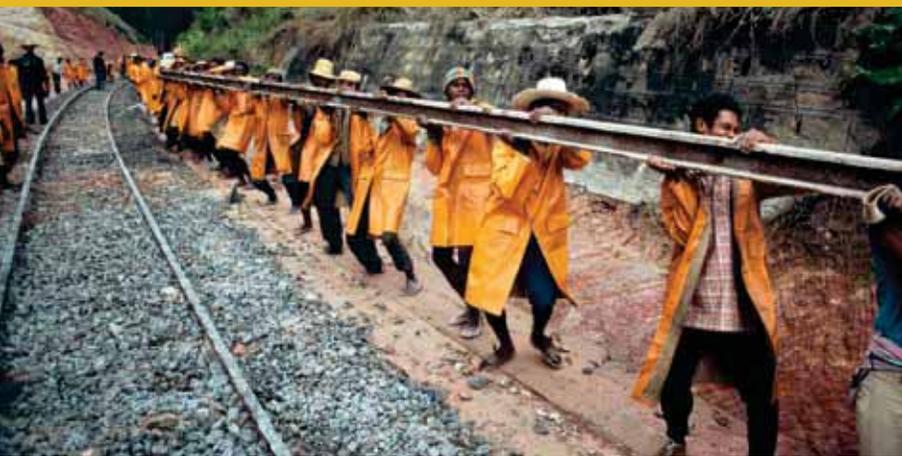
From its inception, the Knowledge for Change Program (KCP) was designed to support not just the Bank's work, but the rather the entire development community in its efforts to meet the MDGs (see Box 1). The global public goods approach combined with an aggressive dissemination strategy has ensured that all knowledge generated through the KCP has been put to work toward the MDGs.

The initial structure of the KCP was built on the two-pillar strategy where the first window (Poverty Dynamics and Public Service Delivery) was about giving voice to the poor and attacking poverty at its roots. The first five MDGs are being addressed by this first window. The following is a list of typical themes in this window:

- **Poverty measurement.** Improving the tools used in the Bank for monitoring, describing, and forecasting income poverty and inequality, including aggregate poverty measures, sharper poverty profiles, and better household surveys.
- **Pro-poor growth.** To advance understanding of what makes pro-poor growth and the role played by government, including the role of initial conditions, what drives distributional changes in survey data, and churning (the gainers and losers).
- **Social inclusion and empowerment.** How best to mitigate different forms of inequality (for example, gender and ethnicity) and promote social inclusion and empowerment, and civic engagement and participation.
- **Conflict.** An analysis of conflict issues: war, terrorism, crime, and violence.
- **Sustainable development.** How to frame poverty reduction strategies that take account of the problems and conflicts caused by socioeconomic inequalities, demographic stresses, the struggle for control of resource rents, and environmental damage and natural resource degradation.
- **Public service delivery for human development.** An evaluation and analysis of delivery options, initially prioritizing the education and health sectors, with a focus on provision at the local level, and examining the hypothesis that greater participation by households using the service acts to improve service performance.
- **Social protection.** How to help people manage risk, cope with adverse shocks, avoid variability in incomes, and smooth consumption.

GOAL

1



The second window (Investment Climate & Trade and Integration) focuses on the notion that the combination of a vibrant private sector and an open business climate is conducive to growth and job creation in particular through small and medium-size enterprises (SMEs). This is the “hard” pillar of the strategy that is the foundation for prosperity and wealth creation. There is no specific MDG target for the private sector or this window, but no MDG target would be reached without the private sector. The following is a list of some of the KCP themes for this window:

- **International migration and development.** This research program aims to advance understanding of the development impact of migration on sending countries as well as to identify policies, regulations, and institutional reforms for improved migration outcomes and a “win-win-win” situation for developing and developed countries and migrants.

- **Stability and growth.** This research program includes the medium-term prospects for world economic growth and developing country growth; a shift in trade policy analysis from the traditional tariff agenda to services and investment liberalization, product standards and property rights, and competition policies; more effective deployment of international resource flows (both public and private); and how to make globalization more pro-poor.
- **Governance and institutions.** The role of institutions and governance in creating an attractive climate for private sector development, including anti-corruption programs; the institutional reforms needed to generate private investment and job creation; and the interactions of behavior and social and economic outcomes.
- **Finance and development.** The program is organized around two areas—access to financial services and finance for the poor, which directly address the empowerment aspects of poverty reduction.



- **Regulation and infrastructure.** A review of the elements of a regulatory framework and the provision of infrastructure conducive to a healthy climate for investment.
- **Urban development.** How to enhance the contribution of urban development to poverty reduction and economic growth.
- **Rural development.** Definition and access regulation of rights to key productive resources (e.g., land and water), the functioning of rural markets, the impact of key public goods services on rural livelihoods, rural non-farm employment, the development impact of community-based rural organizations, and insurance and risk mitigation in agriculture.

In 2005, the KCP Partners agreed to launch a third window. The reason was that global issues that require collective action and coordination across countries could not naturally be addressed by the first two windows. The main reason is that any lack of action or progress in some countries could undermine the benefits for all, and thus needed some kind of supranational cooperation and coordination. In essence, the last three MDGs (GOAL 6 – Combat Hiv/Aids, Malaria, and Other Diseases; GOAL 7 – Ensure Environmental Sustainability; and GOAL 8 – Develop a Global Partnership for Development) are covered by the third window. The following are typical research themes for this window:

- **Climate change – mitigation and adaptation.** Identifying policy and regulatory reforms to mitigate greenhouse gas emissions based on improved understanding of the climate threat, its differentiated economic impact across the globe, the effectiveness and cost-benefit of different interventions and responses, the need to address adaptation problems for vulnerable countries and areas (the longer mitigation actions are delayed), and the need to build local capacity to complement international commitments.
- **Deforestation and biodiversity.** There is a need to better understand how local ecosystem destruction can be slowed down in cost-effective ways before global impacts grow as carbon and hydrological cycles, or species mutation rates, are affected through the scale and speed of human interventions in natural processes.
- **Communicable diseases.** In order to better assess and manage this global risk in a period of rapid and growing trade and travel, policy makers need analysis of the costs and benefits of reducing the risk of disease emergence, early-warning disease monitoring programs, avoidance of emergence of resistant strains, vaccine development, alternate programs for vaccine deployment, alternative quarantine systems, and determinants of compliance.



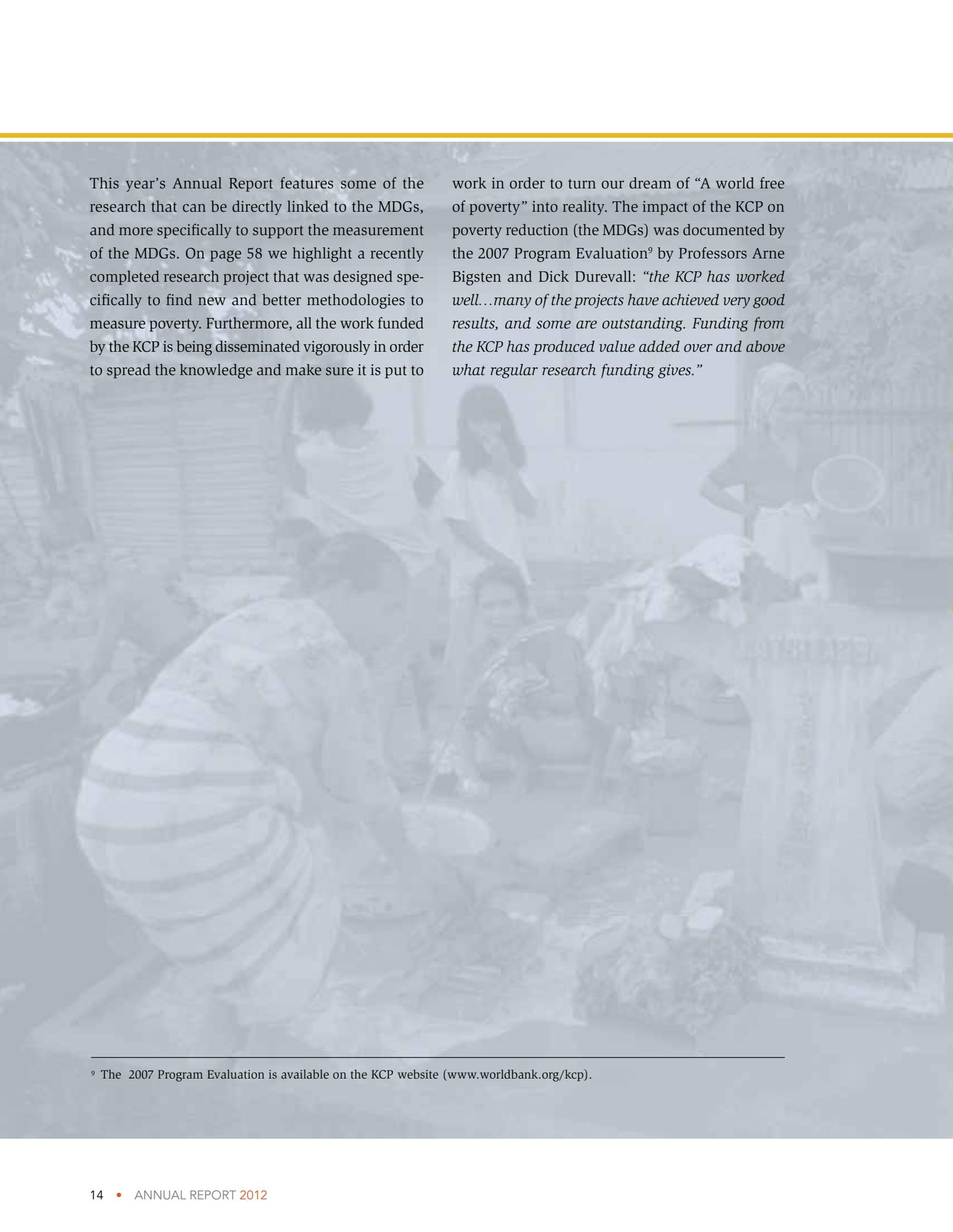
The KCP was complemented by a fourth window in 2010 on “Economic Development and Structural Change,” which, similar to the second window, is supporting all the MDGs. The purpose of this window is to analyze the policies and factors that are necessary to make it possible for a developing country to upgrade its industrial structure continuously and develop rapidly. The research themes under this window include:

- **Patterns of industrialization.** As a foundation for this entire research program, it is crucial to understand, systematically, how countries develop economically, what types of economic transformations take place, and how these are reflected in shifts among sectors of the economy. The research will focus on the role of industrialization in development, and when and how it takes root.
- **Innovation and technological upgrading.** Technological upgrading and innovation are essential ingredients for long-run productivity growth, itself the main driver of long-run income growth. In developing countries, they typically take the form of adaptation and adoption of known technologies rather than introduction of new ones. However, the incentives and obstacles to these processes are still poorly understood. Further, they often involve externalities that may lead to too low a rate of technological upgrading and require some form of policy intervention. The proposed research seeks to shed light on these issues.

- **Country case studies of success and failure.** This research will build on the work on patterns of industrialization. After identifying the countries that have been particularly successful or unsuccessful in industrializing and development, it will use a case-study approach to dig deeply into the strategies and policies that were most responsible.
- **The optimal financial structure.** There is a need to better understand what the optimal financial structure is depending on the level of industrialization and development. The nature of productive activity will vary depending on the development level, and so will the nature of risk and the ability to bear different kinds of risks. Since the financial sector’s purpose is in large part to finance productive activity and to share risk, it seems logical that the optimal financial structure will also vary with the level of development.
- **The process of industrialization in Sub-Saharan Africa.** The development struggles of Sub-Saharan Africa are well known, but it is perhaps less well appreciated how little progress there has been in industrialization. The industrial share of GDP of African economies hardly grew at all between the early 1970s and the late 1990s, and within industry, manufacturing also grew only slowly, in marked contrast to developments in the high-performing Asian economies. By and large, the region has not yet made the manufacturing transition that, in the historical record so far, has been nearly essential to development. This research will focus on the question of why so many Sub-Saharan African countries have not made this transition, and what can be done to hasten it.

GOAL

4



This year's Annual Report features some of the research that can be directly linked to the MDGs, and more specifically to support the measurement of the MDGs. On page 58 we highlight a recently completed research project that was designed specifically to find new and better methodologies to measure poverty. Furthermore, all the work funded by the KCP is being disseminated vigorously in order to spread the knowledge and make sure it is put to

work in order to turn our dream of "A world free of poverty" into reality. The impact of the KCP on poverty reduction (the MDGs) was documented by the 2007 Program Evaluation⁹ by Professors Arne Bigsten and Dick Durevall: *"the KCP has worked well...many of the projects have achieved very good results, and some are outstanding. Funding from the KCP has produced value added over and above what regular research funding gives."*

⁹ The 2007 Program Evaluation is available on the KCP website (www.worldbank.org/kcp).



3 Progress and Accomplishments in 2012



3 Progress and Accomplishments in 2012

In FY2012 (July 1, 2011 to June 30, 2012), 21 new projects were approved with total allocations of USD 3,450,000. These projects are still in the initial phase of operations and consequently have not yet produced any results. The new allocations for the reporting period include a range of grants from USD 40,000 to USD 400,000, averaging USD 164,286 per allocation. Individual summaries of the 21 new projects can be found in Annex 1.

There are currently 56 projects under implementation, for which progress reports have been prepared. Of the 56 progress reports, 8 are highlighted in Annex 2. All progress reports can be found on the KCP website.

A total of 30 completed KCP projects¹⁰ in 2012 have made considerable progress in building capacity in client countries throughout the implementation of each project. Two projects are highlighted in Annex 3. Data and tools developed as a result of KCP efforts will continue to provide reliable statistics and measuring tools for monitoring poverty reduction. Furthermore, as the KCP keeps channels of communication open to development partners, KCP outcomes and findings will be actively shared to support the policies and interventions needed to achieve the MDGs. The full list of completion reports can also be found under the KCP Projects tab of the KCP website. Highlights of the completed projects are provided below by window.

¹⁰ For the full list of completed projects in FY2012, refer to page 72, Annex 4, Table A.5.



Window I Poverty Dynamics and Public Service Delivery

For the first window on **Poverty Dynamics and Public Service Delivery**, there were 10 completed projects in FY2012. Of these, three projects involved research on improving methods of measuring poverty, which is very much in line with the theme of this Annual Report. In terms of sector composition, this window supported research projects on health, education, and gender equality that are all closely linked to the achievement of the MDGs.

Developing tools for poverty measurement and analysis

Monitoring the impact of poverty reduction efforts is an important tool by itself. As seen in Annex 3 KCP II Research Projects in Profile, this is a tricky business where too often the data are missing, incomplete, or non-comparable. The KCP project *“Economic growth and crisis in Africa: Improving methods for measuring poverty”* developed tools that will help fill the gap in data and obtain up-to-date

poverty estimates. This project consisted of multiple parts. One part developed survey-to-survey imputation methods that enable the modeler to impute missing data on a large scale if needed, and to combine variables that are divided over different surveys. Another part of the project is concerned with identifying the spatial variation in consumer prices, while the third part aims to advance the knowledge on index number theory that would ultimately help the modeler to decide on how to account for variation in prices when constructing measures of real income, consumption, and price deflators.

Three empirical applications have been undertaken during the life of the project, aimed specifically at the question of how poverty has evolved in a context where there are gaps in the available consumption data (Morocco, Gaza and the West Bank), or concerns about the appropriate price deflator (Malawi). These three empirical studies have been launched in coordination and close collaboration with the statistical organizations in each of the respective “countries” (Gaza and the West Bank are categorized as a country in this report for practical purposes).

In all three settings, the clear goal was not only to produce an “answer” to the specific question posed in the respective settings, but to transfer the know-how to the counterparts. Training has been provided in all three countries, and as these empirical applications are completed, the counterpart teams will also be in a position to independently apply these techniques and undertake similar analyses with other data configurations. While these examples are focused on tracking poverty on the African continent, the tools developed under this project are applicable worldwide, and are not restricted to poverty.

Promoting correct knowledge of HIV/AIDS and persuading behavioral change

Comprehensive and correct knowledge of HIV and AIDS is fundamental to the up-scaling of HIV services and to behavioral changes. Despite encouraging trends in the increase in the number of people using Voluntary Counseling and Testing (VCT) services,¹¹ it is estimated that nearly 90 percent of people living with HIV are unaware of their status (Global HIV Prevention Working Group, 2004).

In 2009, the Development Impact Evaluation (DIME) team—in close cooperation with the government counterparts and national researchers in Kenya—set out to identify factors affecting individual decisions to seek an HIV test through a KCP project titled *“Impact Evaluation of Youth-Friendly Services on Voluntary Counseling and Testing among the Youth aged 15–24 years in Kenya.”* Utilizing data from a household survey in western Kenya, the research team was able to draft a research paper on the

determinants of HIV testing. One of the important results of the research under this project is that the availability of treatment appears to increase the likelihood that adults will take advantage of VCT services. This result is encouraging since it suggests important complementarities between treatment and testing services. In addition, knowing people who have died of AIDS is also associated with greater probability of testing. Other factors that are strongly associated with testing behavior include respondents’ beliefs about their sexual partner’s faithfulness, which are found to be correlated with the respondents’ own perceived risk of having HIV. The participation of government officials in DIME workshops and hands-on training in the design and implementation of the Impact Evaluation (IE) study has led to a dynamic and flexible tool to ensure the success of the capacity building component of this project. The program also plans in-country seminars to present findings to the Government of Kenya as well as international HIV/AIDS meetings to share the findings with a target audience of African governments, nongovernmental organizations operating in the region, and international donor agencies.

Another KCP project on the fight against HIV/AIDS looked “outside the box,” while at the same time relying on rigorous experimental evaluation methods. *“HIV/AIDS Treatment and Prevention”* is modeled on “conditional cash transfer” programs, which use cash payments to encourage good behaviors, such as attending school or getting basic health care. In Tanzania, two large randomized trials involving cash incentives are showing promise in reducing sexually-transmitted infections. The

¹¹ Voluntary Counseling and Testing (VCT) is client-initiated HIV testing and counseling.

team randomly selected 2,400 males and females, age 18–30, from households in 10 villages included in the research area. Results from the study in Tanzania indicate that financial incentives could be an effective prevention tool in the fight against sexually transmitted infections (STIs) and possibly HIV. In rural Tanzania, study participants who were randomly selected to be eligible for a \$20 payment every 4 months if they tested negative for a set of curable STIs, experienced a 25 percent reduction in the incidence of those STIs. After one year, 9 percent of individuals in the group that received the \$20 quarterly payment were positive for one of the STIs, compared with 12 percent in the control group. The results from the Tanzania experiment have been widely disseminated at the International AIDS Conference in Vienna in 2010, in the press (Financial Times, The Guardian, etc.) and online.



Window 2 Investment Climate & Trade and Integration

During fiscal year 2012, this window produced 13 completed projects. All the projects in this window have a particular focus on economic growth and the investment climate.

Developing a predictable trading and financial system for developing countries

During a period of financial turbulence, such as the current period, it is especially important that regulation and supervision be strengthened, in order to limit currency and maturity mismatches. The current financial and economic crises led to a series of KCP

projects in this window to investigate a framework to streamline crisis support to the poor and vulnerable. The findings of the projects are expected to have a large impact and will provide a broad range of technical assistance to low-income countries.

The KCP project “*Analyzing the impact of financial crisis on international bank lending to developing countries*” quantified how changes in banks’ uncertainty about the value of their asset holdings, access to interbank liquidity, and internal balance sheet considerations altered their supply of credit in the run-up, during, and in the immediate aftermath of the financial crisis. The main findings with respect to these channels are that cross-border lending by international banks contracted primarily due to the liquidity difficulties they faced, and to elevated uncertainty. Another key message is that the reduction in aggregate lending to developing countries by high-income banks during the crisis was not the result of changes in their sensitivity to liquidity shortages or changes in their tolerance of risk, but instead was a normal reaction to an abnormally large shock to liquidity and uncertainty.

This work suggests that, during a financial crisis, policy makers in developing countries that host international banks may wish to supplement liquidity provisions by these banks’ home nations with additional monetary support, rather than limiting their credit window to domestic banks alone. This will limit the deleterious effects of credit contractions during the crisis, especially if such international banks play a significant role in their economies.

Through an intensive data collection effort over several months, the project team updated and expanded the database on bank ownership. These data, along with a new database on cross-border bank mergers

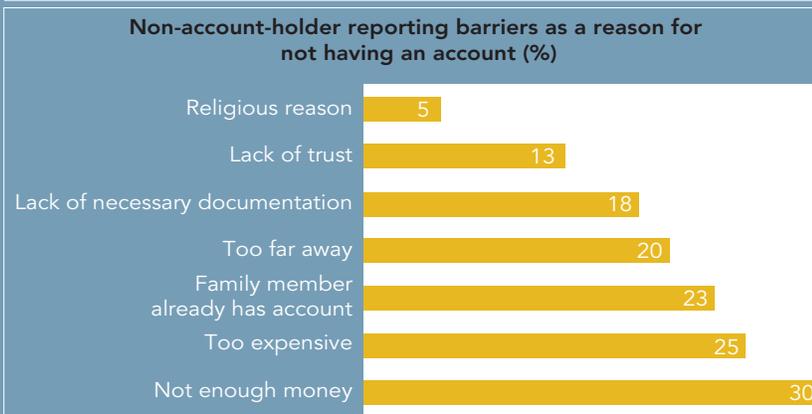
Box 2. Financial Inclusion and Global Findex

The Global Financial Inclusion (Global Findex) Database is a new set of indicators that measure how adults in 148 economies save, borrow, make payments, and manage risk.

In a 2011 survey of 150,000 adults in 148 countries, the Global Findex Survey found that more than 75 percent of adults earning less than \$2 per day are “unbanked” or do not use any kind of formal financial institution.

Of 70,000 respondents without a bank account, 65 percent cited not having enough money to use one as the most important reason. On average, respondents chose 1.7 reasons for not having a bank account, including most commonly the lack of enough money to use an account along with a second barrier. The next most commonly cited reasons for not having an account are that banks or accounts are too expensive and that another family member already has one, a response identifying indirect users. Each of these is cited by about a quarter of adults without an account. The other reasons reported (in order of importance) are banks being too far away, lack of the necessary documentation, lack of trust in banks, and religious reasons.

Self-reported barriers to use of formal accounts



Sources: Derminque-Kunt and Klapper 2012.

Note: Responders could choose more than one reason. The data for “not enough money” refer to the percentage of adults who reported only this reason.





and acquisitions, are being used extensively in the forthcoming *Global Development Horizons 2012*. The data collection and analysis carried out by the team as part of this project is receiving a great deal of attention as the European sovereign debt crisis proceeds and more data pertaining to it become available.

Another question is how the shifts in trust in banks by individuals around the world change during a financial crisis. Using the Global Financial Inclusion (Global Findex) database (see Box 2) to document a link between trust in banks and the use of formal financial services, the KCP project “*Global Financial Inclusion Indicators*” set out to address these issues on a global scale for the first time in this research field. The KCP study found that trust in banks is related to both country and individual characteristics. Countries with more financial sector independence from government interference, stronger protection of borrower and lender rights, and overall better governance report higher levels of trust in banks. It is found that there is no significant relationship between bank trust and measures of banking structure, such as the percentage of state-owned bank assets, financial sector concentration, or foreign and state-owned bank assets. During the financial crisis, trust in banks fell more sharply in countries with greater declines in GDP growth (relative to the pre-crisis period) and the costlier the crisis was in terms of output loss. However, there is no differential impact due to country-level institutions. These findings will help guide World Bank efforts to rebuild trust in banks and other financial institutions following the 2008 financial crisis. Furthermore, this work will assist the World Bank’s agenda to expand financial inclusion around the world.



Global Public Goods

3

The Trust Fund for Global Public Goods has produced five completed projects in 2012. Among the completed projects, two have focused on the increasing concerns related to energy supply security and widespread perceptions about the urgency of mitigating climate change.

Integrating knowledge on sustainable development into country policies

While from a global perspective, biofuels seem to raise major concerns due to their potential conflicts with food supply and potential increase of greenhouse gas emissions in the short run (due to increased deforestation), biofuels could be beneficial to landlocked developing countries that depend entirely on imports for their petroleum supply. To better understand the costs and benefits of production of biofuels in developing countries, the KCP project “*Economics of Biofuels and Potential Impacts on Biodiversity*” completed six country case studies on Argentina, China, Mali, Nepal, Zambia, and Zimbabwe. Some of the results of this study are already being used by the respective governments to address the current stalemate and to shape the future development of ethanol production capacity in the country.

A background paper on biofuels in Zambia prepared during the course of this study helped the government to design biofuel policies to be implemented in the country. The knowledge produced by this



study will play a crucial role in strengthening the capacity in this area. Moreover, given the stewardship role and mandate of the World Bank, the study results will establish a framework that will allow the Bank to contribute to the policy dialogue with client countries on biofuel-related matters.

The KCP project “*Improving Efficiency and Climate Change Mitigation – Electricity Market Competition and Low-Carbon Generation Technologies*” has assessed the emerging international evidence on the impacts of electricity reforms and the application of a new paradigm—the Standard Reform Model (SRM). The research findings clearly suggest that the SRM, if implemented correctly, is a sound guide for successful electricity market restructuring. The findings have been summarized in a paper entitled “The Impacts of Electricity Sector Reforms in Developing Countries.” This paper has been accepted for publication and is forthcoming in *The Electricity Journal*.



Window 4

Economic Development and Structural Change

The fourth window supports projects that 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. Given that this window is relatively new (launched in 2010), there were only two completed projects in FY12.

Addressing the special need for structural change in order to spur growth and job creation

The KCP II project “*Export Transaction Database*” completed under this window generated knowledge on the micro foundations of export growth in developing countries by developing “The Exporter Dynamics Database,” which contains more than 100 measures on exporter dynamics, growth, and diversification

for 45 countries in different regions of the world and for a number of years. With the data collected and the measures created in this project, policy makers and professionals working on export development issues can conduct benchmark analysis to identify the main constraints that firms face in entering foreign markets, accessing new markets, and exporting new products. They will also be able to distinguish the industries and markets where their exporters are struggling to be competitive (i.e., to enter and survive). Using the database, the research team has provided analytical support to the Transport Unit of the Africa region to estimate the impact of oil price increases on the export competitiveness of African countries. The research team has also contributed to the Country Economic Memorandum for Turkey by conducting firm-level analysis in collaboration with the country team.

Launched in May 2012, the database is available to the public free of charge at the following website: <http://econ.worldbank.org/exporter-dynamics-database>.

Box 3. Putting Knowledge to Work through the KCP Perspectives

In an effort to better capture and share knowledge generated by KCP grants, the KCP emphasizes learning by disseminating lessons learned, as well as best practices and innovative approaches from completed research projects. For that purpose, a new initiative was launched in 2011, the "KCP Perspectives," a newsletter, which is published on a periodic basis during the year. The KCP Perspectives highlights "old" KCP projects and assesses the impact of completed research projects on development policies. The reason for going back so many years is that the true impact of the research is not really visible or evident until some time has passed after the completion of the research project. Dissemination is taken very seriously by the individual researchers and the KCP, and that is necessary for creating development impact. The first three issues of "KCP Perspectives" can be found on the KCP website at <http://go.worldbank.org/3V2AT6DND0>.

KCP Perspectives

April 2012 Volume 1 | Issue 3

Message from the Editor

Martin Rauson,
Director
Development Research Group
World Bank

In this issue we look back at two different areas of research, where the KCP was strategically tapped to help us address emerging gaps in knowledge relevant to development policy. The first relates to financial inclusion and the second concerns international migration. Both these research initiatives could not have been launched and concluded so quickly without the flexibility that the KCP offers the Bank to move rapidly into new and innovative research areas.

The KCP-funded work on financial inclusion opened up innovative and influential new research on the importance of access to financial services for the poor. Before this groundbreaking research, the development community was mostly focused on ways to expand microfinance. The KCP-funded research culminated with the Policy Research Report (PRR) *Finance for All*, which established a vital intellectual

(continued on page 3)

KCP Perspectives

April 2012 Volume 1 | Issue 3

Access to Finance: Pioneering Research on the Importance of Financial Inclusion for Poverty Reduction

Financial inclusion is the industry's buzzword these days.¹ Currently, more and more global leaders embrace access to financial services as an important policy objective, as well as a tool for poverty reduction and growth.² At their 2010 summits in Toronto and Seoul, the leaders of the G-20 countries elevated financial inclusion to a top priority of their economic development agenda.

The wide recognition did not come overnight. Ten years ago, people didn't talk much about financial inclusion. Rather, the popular terminology at the time was "Microfinance Strategies." Largely thanks to the success of microfinance, the empowerment dimension of finance gradually entered the policy conversation. That led to the evolution of the thinking: build an inclusive financial system that works for the poor. To assist policymakers in designing effective policies and tracking global progress in financial inclusion, three KCP projects in 2005 collected the first set of indicators of financial access in countries around the world, and updated these indicators for selected countries in 2008.

The start of the financial inclusion saga

Building a more inclusive financial system requires that researchers first get a good knowledge on how well financial systems across countries are directly serving the poor. Even to answer the basic question "how many people use financial services?" we were confronted with a dearth of data and lack of consensus on what ought to be measured," recalls Asli Demirgüç-Kunt, director of development policy and chief economist for the Finance and Private Sector Development Network at the World Bank.

STEP 1: Measuring access

The project *Micro-indicators of Financial Development*, led by Asli with the support of the KCP from 2002 to 2006, generated a database on financial outreach indicators, which has since allowed policymakers and researchers to benchmark countries along various outreach dimensions, such as number of bank branches, ATMs, deposit and loan accounts per capita. Drawing on this new database, a Policy Research Report on Access to Finance, "Finance for All: Policies and Pitfalls in Expanding Access," was published in 2007. This effort also attracted significant

¹ Financial inclusion is the process of ensuring access to appropriate financial products and services needed to improve lives, such as financial education and micro-entrepreneurship, at an affordable cost in a fair and transparent manner by mainstream institutions players.

² A 2010 World Bank Survey on Bank Regulation and Supervision finds that over 70 percent of bank regulators report having a mandate to promote financial inclusion.

KCP Perspectives

April 2012 Volume 1 | Issue 3

KCP Perspectives

January 2012 Volume 1 | Issue 2

Message from the Editor

Martin Rauson,
Director
Development Research Group
World Bank

It's a pleasure to present our second issue of "KCP Perspectives" to our KCP partners. As you know, the rationale for this publication is to examine the findings and impact of completed projects funded by the KCP. Once completed, the outputs are disseminated extensively and published in different media outlets, such as journals, books, databases, and web-based publications. However, the impact is usually not visible until several years later. In this issue, we will take a look at two very different KCP-funded research topics that have had a positive impact.

The first covers three KCP projects in the area of "Trade Policy and Development"; two of them specifically on agricultural trade, which is of great importance to the poorest countries. The findings of the KCP projects indicate that trade liberalization can have both benefits and drawbacks for poor countries, depending on the structure

(continued on page 3)

KCP Perspectives

January 2012 Volume 1 | Issue 2

Trade Policy and Development

Although globalization offers opportunities for economic development, trade liberalization hasn't boosted economic growth in many developing countries, and particularly so in the Least Developed Countries (LDCs). Many of these countries are increasingly marginalized in world trade. From rice farmers in Vietnam to cotton growers in Zambia, poor farmers in the developing world face huge challenges in benefiting from trade opportunities brought on by improved access to export markets. These challenges include financing inputs such as seeds and fertilizer, connecting to local markets and supply chains, and competing with farmers that benefit from high agricultural subsidies in the developed world.

Preparing for the 2005 WTO Hong Kong ministerial meetings, donors and development partners were interested in a comprehensive analysis of these challenges and their policy implications. A series of KCP projects¹ focused on the question of how multilateral disciplines negotiated in the WTO could help address some of these challenges, and sought to quantify the impact of both prevailing trade policies and possible reforms to benefit farmers in developing countries.

Key lessons from the KCP projects

Three projects on trade policy were funded by the KCP. Each concluded that trade and WTO rules can contribute to economic development, provided that certain conditions are met. The first project, *Agricultural WTO Trade Reforms and Their Impact on Poverty, Consumption & Income Effects* (TF026198), focused on the impact of trade reforms in agriculture on household behavior and outcomes in developing countries. This research shows that economic benefits at the household level from global trade reforms are higher when trading opportunities are complemented with domestic reforms. The second, *Agricultural Trade Policy* (TF027158), looked at a large number of case studies in developing countries, which have undertaken significant policy reforms in agriculture. Here too, the research shows that reforms can be conducive to poverty reduction, if they are designed and implemented through a multi-commodity approach. The third KCP project, *The WTO and Economic Development* (TF026450) set out to answer the question: "What is the benefit of the WTO institution from the perspective of developing countries?" The study finds that WTO rules can make a difference in having a stable and pro-development effect on developing countries' trade flows.

Global reform of agriculture: Complementary policies matter

The KCP project *Agricultural WTO Trade Reforms & Their Impact on Poverty, Consumption & Income Effects* (TF026198), developed an empirical model to assess the impact of trade reforms in agriculture on household behavior in developing countries. Specifically, the project developed a model that analyzes the impact of the prices of consumption goods and sources of income

¹ Agricultural Trade Policy (TF027158), Agricultural WTO Trade Reforms & Their Impact on Poverty, Consumption & Income Effects (TF026198) and The WTO and Economic Development (TF026450).

KCP Perspectives

January 2012 Volume 1 | Issue 2

KCP Perspective

September 2011 Volume 1 | Issue 1

Message from the KCP Chairman

In an effort to continue to disseminate the knowledge created through research and analytical work within the Knowledge for Change Program (KCP) framework, we have decided to issue a newsletter to examine past work and assess the impact that these completed research projects have had on development policies worldwide. The idea is to give the reader a perspective on how the knowledge created by the KCP has been used to serve the poor and contribute to sustainable and inclusive growth.

In this first issue of the "KCP Perspective", we are looking at two innovative and groundbreaking KCP research topics that have influenced the way we go about development, specifically the policy changes that these projects have stimulated that directly affect the poor.

The first, "Increasing Access to Land by the Rural Poor in India" was very influential in changing the way we look at land market reforms as a development tool. This report has led to similar projects in other regions, including Sub-Saharan Africa, and also served as an important basis for India's 11th 5-year Economic Plan.

The second example encompasses a series of research projects that culminated in the publication of the World Development Report 2004 "Making Services Work for Poor People". This pioneering research has fundamentally changed the way we look at how public services are delivered. Even years after

(continued on page 3)

KCP Perspective

September 2011 Volume 1 | Issue 1

Increasing Access to Land by the Rural Poor in India

Where is the Most Expensive Land in the World Relative to GDP Per Capita?

Relative to GDP per capita, land prices in India are among the most expensive in the world. Inefficiencies and corruption in land administration, together with land market distortions, have helped raise Indian land prices relative to average incomes to the highest among all countries. For the rural poor, whose main livelihood depends on agriculture, this translates into difficulty in gaining access to land, which prevents them from fully utilizing their productive potential and maximizing their economic output.

Although there have been a series of land reforms in several Indian states since the country's independence in 1947, land policy and regulations to increase tenure security have had the unintended effect of reducing access by the landless. Problems with quality and accessibility of land records pose severe constraints to India's future economic development since they: (i) constrain the operation of land markets and rural-urban migration; (ii) curtail access to credit and the emergence of a financial system secured against mortgages; and (iii) foster endemic corruption and clog up courts with litigations and delays. Although land ownership policies are the subject of a lively debate in India, the lack of empirical evidence on these topics implies that the discussions are often dominated by ideological overtones. Now, with the help of high-quality research and evidence, land policies that improve access to land for the poor are being developed in India, leading to greater productivity of land use.

The KCP-funded project "Increasing Access to Land by the Rural Poor in India" led by Klaus Deininger and a World Bank team, in collaboration with India's National Council of Applied Economic Research (NCAER), drew out possible policy options and their implications from a nationally representative panel data set that spanned the 1989-99 period. From this, they assessed how the local land markets function and the consequences of land reform, identifying several actions for policymakers to undertake.

Key Findings from Empirical Analysis

The project used analytical and empirical evidence to provide rigorous empirical analysis of (i) the functioning of land markets; (ii) the long-term impact of land reforms; and (iii) the impact of recent initiatives to improve land records to inform policy and identify actions that need to be undertaken. To ensure that the results could be fed into the broader national policy dialogue, Indian researchers were included in the research team. The participation of NCAER researchers facilitated the analysis of the results by providing insight over local conditions and also strengthened NCAER's research portfolio on land policy issues.

KCP Perspective

September 2011 Volume 1 | Issue 1



4 The KCP
Supporting
WDR 2014



WDR 2014 – Managing Risk for Development

We usually include a discussion on the future research directions of the KCP in the Annual Report. However, given that the current research strategy for the Bank was adopted fairly recently and discussed in the 2011 KCP CG meeting, we thought it would be useful for our readers to instead get an inside look at the approach to the topic in the forthcoming World Development Report (WDR) 2014.

Since its inception in 2002, the KCP has established the tradition of supporting the WDRs. In fact, the KCP has supported all the WDRs since WDR 2004—*Making Services Work for Poor People*, and thus the KCP has become an important source of funding for the WDRs.

The KCP research strategy is built on four pillars: 1. **Transformations**; 2. **Opportunities**; 3. **Risks**; and 4. **Results**. The theme of WDR 2014 is exclusively focused on the third pillar, **Risks**. Risk and uncertainty probably represent the most difficult challenges with which households, communities, and countries have to deal. Global financial crises, natural disasters, civil conflict, infectious diseases, and volatile food prices are only a few of the many events that can engender the generalized sense of insecurity so prevalent in today's economic and social environment. A host of questions arise: Are global sources of risk becoming more prevalent? Is the pattern of crises changing over time? Are countries, communities, and households getting better at responding to them? Has uncertainty regarding employment, prices, and access to basic services become a permanent feature in both developed and

developing countries? With risk comes opportunity, however. In a rapidly evolving world, embracing change and becoming resilient to risk can open a number of opportunities for improvement, innovation, and development at all levels, from the global economy to communities and households.

Main Themes and Policies

Why does it matter?

Risk, uncertainty, and the likelihood of crisis have a direct impact on people's perception of well-being. For the vast majority of people in the world—those with little wealth and limited access to insurance—the possibility of losing a job, facing higher food prices, or being affected by a natural disaster can be devastating. Risk and uncertainty



can have a negative effect on long-run economic and social development by inducing less or inefficient investment, by discouraging technological innovation, and by compromising the health and education of the most disadvantaged groups in society. In contrast, economic and financial stability fosters development, creates an environment for sustainable growth and employment, and reduces vulnerabilities of individuals and societies. There is, however, a positive side of risk that must be recognized. It consists of the opportunities that new ventures, technologies, and institutions bring for growth and development at all levels of social and economic activity. Inherent in a dynamic world, there are risk and uncertainty, and people have the potential to manage them and turn them into opportunities for progress.

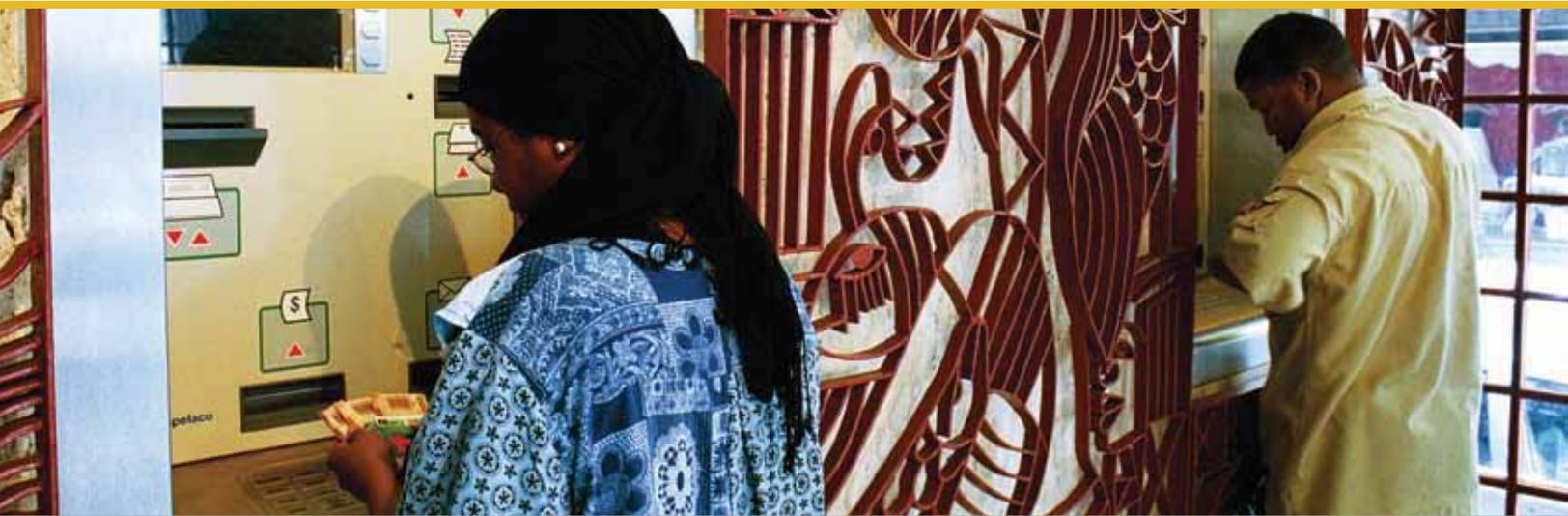
Where does it come from?

Risk, uncertainty, and crises have rather diverse sources and manifestations. They can be socio-political, as expressed in internal and external wars, ethnic conflict, personal and property crime, and drastic legal regime changes. The sources can also be environmental, due to diseases, natural disasters

(such as droughts, floods, and earthquakes), or more subtly through the multiple consequences of climate change.

Not less relevant are the risk and uncertainty derived from economic sources. Typical sources of risk and uncertainty are those related to international and domestic financial crises, which result in volatile capital flows, sharply higher interest rates, bank failures, and significant losses of output and employment. More generally, risk and uncertainty can have short-term or long-term economic sources. Short-term sources are related to international and domestic economic cycles, usually accompanied by terms-of-trade shocks, volatile export volumes, asset price booms and busts, and investment volatility. Long-term sources are related to technological changes and the adoption of new production processes, which may render some labor skills and physical capital obsolete and change the value of certain natural resources.

A weak institutional environment and questionable policy decisions can aggravate the size and impact of the sources of risk and uncertainty. For instance, business cycles can be amplified



by erratic or pro-cyclical fiscal, monetary, and financial policies or by a rigid regulatory environment that hampers economic adjustment and/or creates perverse incentives that encourage excessive risk-taking without adequate hedging. The combination of policy mistakes with environmental and socio-political factors is likely to be behind the recent episodes of food price volatility, with dramatic consequences of famines, particularly in Africa.

WDR 2014 will examine the various sources and consequences of risk, uncertainty, and crises that occurred in the past, with a view to identifying some common elements across different types of crises and shocks. In particular, it will characterize them as to the type of risk (idiosyncratic vs. systematic) and to their distributional impact (with specific attention to their impact on the poor). For instance, for financial crises, it will look at the characteristics of the financial systems to identify some common elements (including, for example, the concentration of the financial system, its level of development, openness, and sophistication, features of the regulatory and crisis management frameworks, and the nature of incentives) as well

as the differential impact on countries and segments of the population. It will compare these elements with the sources of other types of crises to explore some unifying themes.

Has the world become riskier and are developing countries more vulnerable?

Although economic turmoil in Europe has taken over the news lately, historically developing countries have faced more uncertainty and more frequent crises. Increased economic and financial integration and growing complexity of financial systems suggest that all countries will be subject to rising systemic risk and uncertainty. Moreover, the increased mobility of people, capital, goods, and information leads to economic shocks and epidemics flowing rapidly across national borders—as with the food, fuel, and financial crises of 2007–11 and the global influenza pandemic in 2009–10. Natural disasters have increased in frequency—having already doubled between 1990 and 2008.

Developing countries are typically the most vulnerable to risk and crises, since they experience larger external shocks and domestic instability,



and typically make worse policy mistakes. They are also the most hit by natural disasters. Yet, household responses and coping mechanisms have been—and continue to be—more limited in developing countries due to weak availability and access to financial markets, social insurance, and social protection institutions. This has often forced poor households to resort to drastic and harmful measures, such as cutting down on food intake, having children leave school, and separating families by forced migration, all of which can have long-lasting consequences on household welfare and productivity. In this context, the WDR will discuss the role and relative merit of publicly versus privately funded coping and insurance mechanisms in response to different types of shocks.

The WDR will provide some stylized facts on the frequency of the occurrence of economic crises and shocks in advanced and developing/emerging countries. It will explore the consequences of these crises at different levels of aggregation – at the macroeconomic level, in terms of loss of output and jobs, wage growth and inflation, and poverty; and at the household and community

level in terms of human development outcomes, time allocation, migration choices, and indicators of well-being.

What to do?

The WDR will draw on a significant body of literature, organizing and synthesizing the key lessons to help the development community manage risk and uncertainty. One approach to organize the discussion is to divide policies into whether they (i) mitigate the adverse effects of shocks *after* they occur; (ii) reduce households', communities' or countries' exposure to shocks *before* they arise; or (iii) reduce the likelihood of their occurrence through prevention.

Once crises occur, appropriate mechanisms should be in place to help families, communities, and countries cope with adverse events. These mechanisms should vary depending on the nature of the shock and the characteristics of the people affected: social safety nets for the poorest households; unemployment insurance for specific economic sectors; financial safety nets for credit-worthy financial institutions; and stabilizing

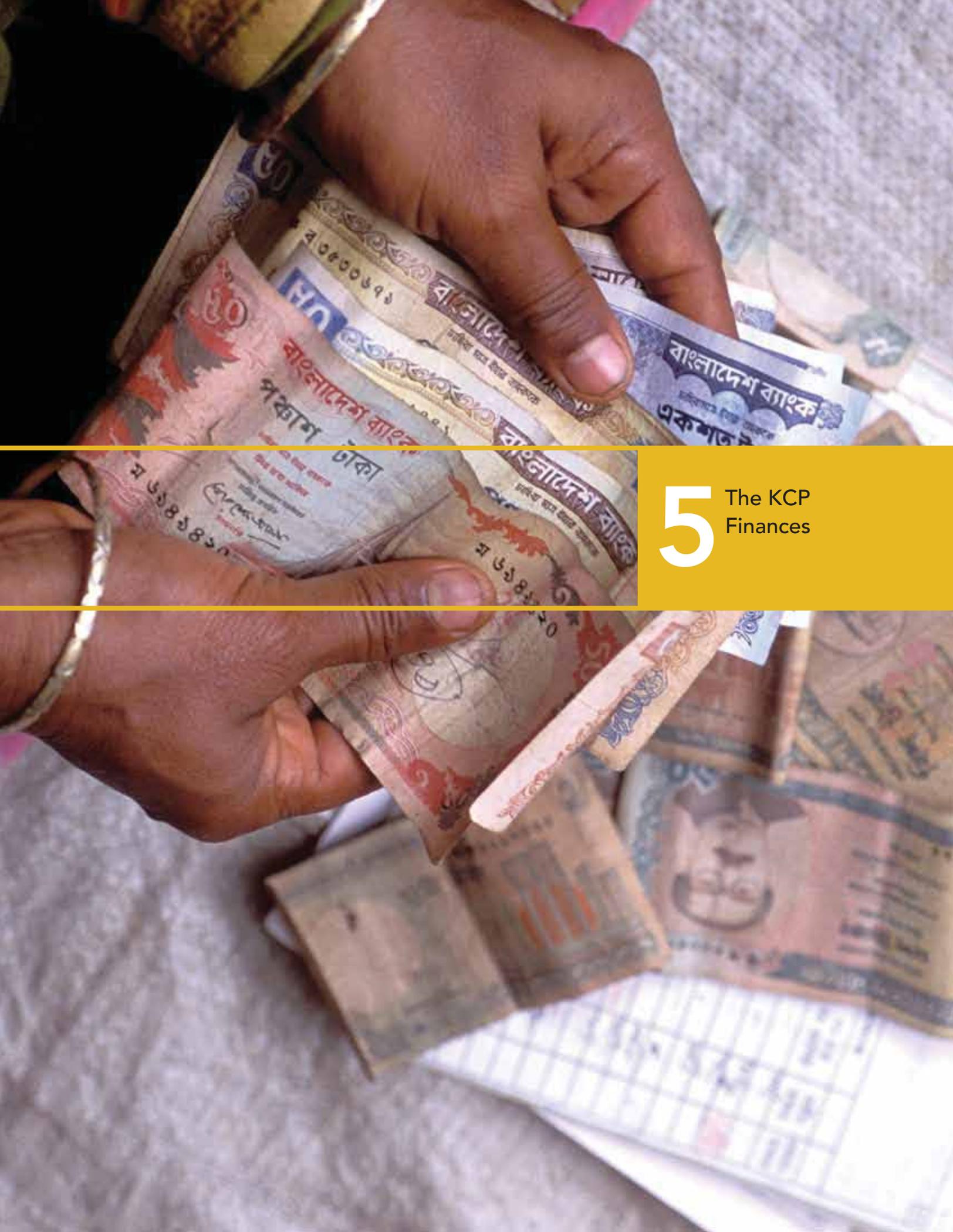
monetary, fiscal, and prudential policies for the overall economy.

However, a better policy framework would not wait for crises to occur. It would first reduce the exposure to risk and uncertainty; second, it would try to eliminate the source. Reducing exposure to risk and uncertainty can take different shapes according to their sources. For instance, crop diversification and appropriate infrastructure construction may be advisable to reduce exposure to droughts and floods. For international economic crises, a regulatory environment that promotes labor flexibility, firm entry and exit, and prudential financial measures to increase the resilience of financial institutions may be needed. For technological shifts, skills upgrading and well-designed education systems that promote cognitive and flexible skills may be useful in response to new employment patterns.

Finally, in the longer run, a more ambitious but possibly more important policy agenda consists

of tackling risk and uncertainty at the source. For example, to reduce the propensity of recurrent financial and fiscal crises, it may be necessary to eliminate the incentives (e.g., bailouts and generous compensation schemes) and (implicit or explicit) subsidies that encourage excessive risk-taking by corporations, banks, and local governments. To lower the incidence of natural disasters, controlling climate change through investments in “green” technologies may be indispensable. Finally, in order to help households reduce the morbidity and incidence of infectious diseases, water and sanitation, preventive health care, social safety nets to avoid destitution, and nutritional programs for children may be essential. In all cases, this has important implications for building strong and reactive institutions in good times for preparedness if and when crises hit.

The WDR will review the various policy responses to risk, uncertainty, and crises and discuss their benefits and costs, drawing on the available literature on various options.



5

The KCP
Finances

5 The KCP Finances

Donor Contributions and Pledges

The KCP II, which has been operational over three and a half years, since December 2008, has received more than USD 19 million in cash contributions from ten donors, namely, the United Kingdom, Finland, Sweden, Australia, Canada, Korea, Denmark, Switzerland, China, and Singapore (see Table A.1, page 34; Annex 4, Figure A.2, page 62).

The **United Kingdom** (UK), as an early and staunch supporter of the KCP, has contributed USD 6.3 million across all four program windows. The UK's Department for International Development (DfID), together with Finland, is a founding donor of the KCP. DfID and Sweden are the two donors that allow the Bank discretion in deciding the allocation of its contributions among the four windows based on demand. **Finland**, the KCP II's

first signing donor, has paid in more than USD 4 million in support of the four windows. Finland renewed its pledge in December 2011 with a new contribution of EUR 2,250,000 payable in three annual tranches. **Sweden** made an initial pledge of SEK 8.5 million to the Poverty Dynamics and Public Service Delivery Trust Fund with a preference that it be used to support *WDR 2011: Conflict, Security and Development*. Sweden made subsequent contributions of SEK 6 million to the four windows and USD 150,000 to the Poverty Dynamics and Public Service Delivery Trust Fund to be used to finance *WDR 2012: Gender Equality and Development*. **Australia** contributed USD 2 million 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. **Canada's** initial pledge of CAD 1.2 million was allocated as



follows: CAD 400,000 to the Poverty Dynamics and Public Service Delivery Trust Fund (of which CAD 200,000 was for *WDR 2011: Conflict, Security and Development*); CAD 300,000 to the Investment Climate & Trade and Integration Trust Fund; CAD 200,000 to the Global Public Goods Trust Fund; and CAD 300,000 to the Economic Development and Structural Change Trust Fund. The Canadian International Development Agency (CIDA) has continued to support the WDR series with subsequent contributions of CAD 200,000 to the Poverty Dynamics and Public Service Delivery Trust Fund for *WDR 2012: Gender, Equality and Development*, and CAD 200,000 to the Economic Development and Structural Change Trust Fund for *WDR 2013 – Jobs*. **Korea**, the KCP II's newest donor, contributed KRW 1,150,000 to the Economic Development and Structural Change Trust Fund. **Denmark** pledged DKK 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 CHF 500,000 allocated as follows: CHF 60,000 to the Poverty Dynamics and Public Service Delivery Trust Fund, CHF 60,000 to the Investment Climate & Trade and Integration Trust Fund, CHF 60,000 to the Global Public Goods Trust Fund, and CHF 320,000 to the Economic Development and Structural Change Trust Fund. **China** pledged USD 500,000 to the Economic Development and Structural Change Trust Fund. And **Singapore** contributed USD 300,000 to the Economic Development and Structural Change Trust Fund.

Negotiations are ongoing with current and prospective partners.

Table A.1. KCP II – Parent Fund Accounts As of June 30, 2012 (USD)

	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 ^a	2,079,992	1,636,728	1,684,441	920,740	6,321,900
Finland ^b	1,260,325	1,260,325	1,260,325	239,700	4,020,675
Sweden ^c	1,472,393	28,099	696,118	21,074	2,217,684
Australia ^d	800,000	800,000	400,000		2,000,000
Canada ^e	591,964	290,276	193,517	492,536	1,568,293
Korea ^f				972,845	972,845
Denmark ^g				924,351	924,351
Switzerland ^h	62,028	62,029	62,028	330,818	516,903
China ⁱ				450,000	450,000
Singapore ^j				200,000	200,000
Total Contributions Received	6,266,702	4,077,455	4,296,430	4,552,064	19,192,651
Administrative fee (1%)	(62,667)	(40,775)	(42,964)	(45,521)	(191,927)
Net Contributions Received	6,204,035	4,036,681	4,253,466	4,506,543	19,000,725
<i>Outstanding Pledges (Signed)</i>					
Finland ^b	471,769	471,769	471,769	471,769	1,887,075
China ⁱ				50,000	50,000
Singapore ^j				100,000	100,000
Total Outstanding Pledges	471,769	471,769	471,769	621,769	2,037,075
Administrative fee (1%)	(4,718)	(4,718)	(4,718)	(6,218)	(20,371)
Net Outstanding Pledges	467,051	467,051	467,051	615,551	2,016,704
<i>Investment income</i>	55,160	46,217	35,433	28,693	165,502
<i>Less</i>					
Project Allocations	(5,688,374)	(3,742,892)	(3,883,406)	(3,998,261)	(17,312,933)
Program Management and Administration	(48,136)	(46,660)	(48,043)	(59,353)	(202,192)
Technical Reviewers' Fees	(47,642)	(41,142)	(33,142)	(35,567)	(157,492)
ESTIMATED FUNDS AVAILABLE	942,094	719,254	791,358	1,057,607	3,510,313



Notes to Table A.1

- a United Kingdom.** The total pledge was GBP 4,000,000. Of this amount, GBP 3,500,000 was to be allocated among the four parent funds at the discretion of the World Bank, and GBP 500,000 was for TF071393 “Economic Development & Structural Change” (window 4).
- b Finland.** The total pledge was EUR 4,500,000. The initial pledge of EUR 2,250,000 was allocated equally among the first three windows; the second pledge for EUR 2,250,000 is to be allocated equally among the four windows. Two tranches totaling EUR 1,500,000 are outstanding.
- c Sweden.** The initial pledge from SIDA was SEK 8,500,000, entirely for TF071173 with preference for WDR2011 – Conflict and Fragility. An additional pledge of SEK 6,000,000 was for all windows with allocation at the discretion of the World Bank. The Ministry for Foreign Affairs contributed USD 150,000 to TF071173 for WDR 2012 – Gender Equality and Development.
- d Australia.** The total pledge was USD 2,000,000 with contributions allocated as follows: 40 percent to TF071173, 40 percent to TF071177, and 20 percent to TF071178.
- e Canada.** The initial pledge was CAD 1,200,000 allocated as follows: CAD 400,000 to TF071173 with 50 percent to WDR 2011 – Conflict and Fragility, CAD 300,000 to TF071177, CAD 200,000 to TF071178, and CAD 300,000 to TF071393. An additional contribution of CAD 200,000 was made to TF071173 for WDR 2012 – Gender Equality and Development, and CAD 200,000 to WDR 2013 – Jobs.
- f Korea.** The total pledge of KRW 1,150,000 was for TF071393 “Economic Development & Structural Change.”
- g Denmark.** The total pledge of DKK 5,000,000 was for TF071393 “Economic Development & Structural Change” (window 4) 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.
- h Switzerland.** The total pledge was CHF 500,000, with CHF 60,000 each for TF071173, TF071177, and TF071178, and CHF 320,000 for TF071393.
- i China.** The total pledge was USD 500,000 for TF071393 “Economic Development & Structural Change” (window 4) to be paid in three installments.
- j Singapore.** The total pledge was USD 300,000 for TF071393 “Economic Development & Structural Change” (window 4) to be paid in three installments.
- k Exchange rate on June 30, 2012:** EUR = 1.25805.

Poverty Dynamics and Public Service Delivery

How to Improve the World Bank's Global Poverty Monitoring

Approved Amount: **USD 150,000**
Task Team Leader: **Shaohua Chen**

Measuring poverty, especially global poverty, is a huge challenge to the development community. The project proposes to examine all existing methods and test the robustness and consistency of the Bank's global poverty estimates by using different Purchasing Power Parities (PPPs), national accounts and household survey data. As a result, this KCP project will allow a major upgrading of this research and monitoring tool. It aims to 1) increase the usefulness of PovcalNet* as a research and monitoring tool for poverty and inequality measurement and improve the output functions to meet the client's needs; 2) enhance knowledge about the robustness of the measures to different measurement assumptions; and 3) enhance statistical capacity in client countries. The research findings will help improve the system design of PovcalNet.

* PovcalNet is an interactive computational tool that allows users to replicate the calculations made by the World Bank's researchers in estimating the extent of absolute poverty in the world.

Changeable Inequalities: Facts, Perceptions, and Policies

Approved Amount: **USD 230,000**
Task Team Leader: **Peter Lanjouw**

Do policies affect income differences? Despite growing attention to inequality issues among policy makers in both developed and developing countries, substantial knowledge gaps persist even on some of the basic facts of interest. This project intends to shed light on three broad areas of considerable policy interest. First, the project will undertake a careful re-examination of fundamental data issues concerning estimates of both national-level and global inequality. A second broad research front is to explore the link between inequality of opportunity and economic growth. Finally, this research program aims to answer questions concerning inequality at the global level by updating the Bank's global inequality database. These data will enable us to look at the changes, both in real income terms and in ranks (within the global income distribution), of specific segments of a country's income distribution.

The Role of Public Works Programs in Enhancing Food Security: The Malawi Social Action Fund

Approved Amount: **USD 220,000**
Task Team Leader: **Emanuela Galasso**

This project is a joint effort of the monitoring and evaluation specialists from the Government of Malawi's Malawi Social Action Fund (MASAF) team and the researchers from the World Bank Development Research Group, Poverty and Inequality team, as well as from the Departments of Economics at the Massachusetts Institute of Technology and the University of Maryland. The objective of this research project is to study the large-scale public works component of the MASAF and address two research questions of broad interest. First, the team will examine the impact of the public works program (PWP) as an income promoting mechanism via its impact on agricultural productivity through increased access to yield-improving inputs. Second, the proposed design will allow researchers to understand the implications of alternative payments schemes. The study will have important implications for the design of PWPs in general, as well as for understanding their interactions with other government programs.

Can a Formal Address Do the Job? Favela Pacification in Rio de Janeiro

Approved Amount: **USD 100,000**
Task Team Leader: **Florence Kondylis**

This project will support the implementation of a number of rigorous impact evaluations in partnership with the municipality of Rio de Janeiro and its Unidades de Polícia Pacificadora (UPP)* Social program. The set of actions envisioned under the UPP Social aims to identify innovative solutions to increasing service delivery and indirectly reducing the incidence of crime and violence in a context in many respects akin to that of post-conflict areas. In practice, the research team will work with a World Bank operational team and the implementing agencies to establish a policy-relevant research agenda and bring rigorous evidence to help shape service delivery in the favelas of Rio de Janeiro. The findings will affect policy design during the lifecycle of the UPP Social program, and contribute to the literature on the role of social, urban programs and their links to social capital, and crime and violence in many other contexts.

* UPP is a police peacekeeping initiative, launched in the City of Rio de Janeiro in December 2008.

Early Childhood Nutrition, Availability of Health Service Providers, and Life Outcomes as Young Adults: Evidence from Indonesia

Approved Amount: **USD 160,000**
Task Team Leader: **John Giles**

Recent research has demonstrated that shocks experienced in early childhood may have observable persistent effects on productivity as adults. Finding that community-based midwives in Indonesia influenced educational attainment and life outcomes many years after their exposure to infants would demonstrate long-term returns to investment in health service providers that have not previously been documented. This project will support analytical work examining the effects of expanded access to midwives during the early 1990s on educational decisions and outcomes, and subsequent cognitive ability, employment, and life satisfaction as young adults. The project will provide support for collection of necessary data and innovations in the fifth round of the Indonesia Family Life Survey (IFLS5), a panel survey that has been tracking individuals and households since 1993. The data will be documented and archived along with the first four waves of the IFLS at RAND. They will be available upon registration at <http://www.rand.org/labor/FLS/IFLS.html>.

Welfare Impacts of Marital Status Shocks in Senegal and the Implications for Social Protection Policy

Approved Amount: **USD 90,000**
Task Team Leader: **Dominique van de Walle**

This research will focus on the welfare impacts on women and their children in Senegal of widowhood and divorce at a young age. The project aims to determine whether young widows and divorcees, a group mostly concealed in the data used to inform social policy discussions, are disadvantaged relative to other women; whether that disadvantage persists through remarriage; and how it affects their children's well-being and human capital. It will attempt to better understand the living arrangements that follow marital shocks, including the effects of leviratic unions, the determinants of the heterogeneity in experiences, and the general dynamics of widowhood for women and their children. None of these issues have been examined in the economics literature and little is known about them. The research is intended to benefit policy makers and practitioners and the poor and vulnerable in Africa.

Investment Climate & Trade and Integration

Land Tenure Regularization in Nigeria: Potential Benefits and Implementation Modalities

Approved Amount: **USD 110,000**
Task Team Leader: **Klaus Deininger**

The Government of Nigeria has established a Presidential Technical Committee for Land Reform to deal with problems concerning property rights registration (Nigeria ranks 180 of 183 countries in the property rights registration index). The objective of the activity is to provide evidence on the impact of awarding land ownership certificates to urban and rural dwellers in Nigeria. The project will support land policy in Nigeria by (i) helping to create a randomized design that would allow assessing the impact of this evaluation in various dimensions and differentiated by gender and wealth; (ii) supporting the design, implementation, and analysis of a baseline as well as follow-up surveys to do so; and (iii) extracting a land module that can be applied nationally from the baseline survey and supporting its implementation through the LSMS-ISA* project.

* The Living Standards Measurement Study-Integrated Surveys on Agriculture.

Generating Job Matches between Firms and Young Women in Jordan

Approved Amount: **USD 115,000**
Task Team Leader: **David McKenzie**

The development objective of this grant is to generate new jobs for young women in Jordan and lower hiring costs for firms by means of an innovative job matching pilot, and to contribute to global public knowledge through a rigorous evaluation of this pilot. This KCP project will help fund data collection and analysis of the Jordan New Work Opportunities for Women (Jordan NOW) pilot's second phase. The intervention involves setting up a pre-employment center to evaluate job candidates through a mixture of real world skill assessments and psychometric screening, designed by a World Bank team in collaboration with Dr. Marwan Al-Zoubi, a Jordanian psychology professor specializing in employee selection and organizational structure, and the Business Development Center in Jordan. By sharing the knowledge gained through this pilot and the impacts achieved, the project will inform policy elsewhere in the world.

Bank Capital and Systemic Stability

Approved Amount: **USD 40,000**

Task Team Leaders: **Deniz Anginer**
Asli Demirguc-Kunt

Do higher capital requirements provide a buffer to absorb losses, reducing the risk of insolvency of individual banks, as well as mitigating the effects of systemic risk factors?

The purpose of this project is to contribute to the current debate over the role of capital requirements in strengthening macro-prudential regulations. In particular, the research team will shed light on two important questions that have emerged from this debate:

- What types of capital reduce systemic risk?
- Do various regulatory risk adjustments add value in ensuring systemic stability over simpler, more transparent measures of capital?

By providing empirical evidence, the project will help further the debate on the efficient design of a capital adequacy framework to reduce systemic fragility. Regulators and policy makers will be able to draw important lessons from the empirical results of the study.

Macro and Micro Lessons from Project Data

Approved Amount: **USD 50,000**

Task Team Leader: **Aart Kraay**

This project is broadly concerned with issues of aid effectiveness at the macro and micro levels.

At the macroeconomic level, the project will finance new research using a very large dataset of individual development projects financed by bilateral and multilateral lenders, to isolate a predetermined component of aggregate aid based on the lags between commitment and eventual disbursements.

At the microeconomic level, the project is concerned with the factors contributing to the success of individual development projects, with particular emphasis on the relative importance of country-specific versus project-specific factors.

The intended impact of this work is to provide a better quantitative understanding of the issues described above, in order to better inform policy decisions on these topics. The findings will also have implications for how multilateral development banks manage the identification, implementation, and supervision of their projects.

World Development Report (WDR) 2014 – Managing Risk for Development

Approved Amount: **USD 400,000**
Task Team Leader: **Norman Loayza**

Facing risk and uncertainty is one of the most difficult challenges that households, communities, and countries have to deal with. Global financial crises, natural disasters, personal and property crime, infectious diseases, and volatile food prices are some of the many events that can engender the generalized sense of insecurity so prevalent in today's economic and social environment. In a rapidly evolving world, embracing change and becoming resilient to risk can open a number of opportunities for improvement, innovation, and development at all levels, from the global economy to communities and households. This trust fund will support the production of WDR 2014 on this subject, which will evaluate and organize the available knowledge in order to help the development community better understand why risk and uncertainty matter to people (especially the poor), what their main causes and sources are, and what can be done by governments, communities, and households to manage and even benefit from them.

Enhanced Global Macro/Financial Model for Developing Countries

Approved Amount: **USD 135,000**
Task Team Leader: **Theo Nortje Janse
Van Rensburg**

Tools currently available to the Bank's low-income partners to understand and explore the implications of different international scenarios for their own economies are mainly restricted to the trade and commodity channels. This project incorporates remittances and financial flow models into the World Bank's existing macro model. As a result, the enhanced model will allow better analysis of the short and medium-term macroeconomic impacts on low-income and IDA countries from (and on) global economic developments. The enhanced model will be made available to developing-country practitioners through the I-Simulate (iSIM) platform. It will allow them to explore more fully the interactions between the financial system, the balance of payments (including remittances), and real-side economic growth. They will be able to examine issues such as the impact of tighter financial conditions and the interactions between global financial conditions and international trade, as well as the implications of growth and employment in key migrant-destination countries on workers' remittances, and in turn the impact of remittances on current account balances, external debt sustainability, consumption, investment demand, and poverty in the remittance-recipient countries.

Global Public Goods

The Economics of Adaptation to Salinity Intrusion: The Case of Coastal Bangladesh

Approved Amount: **USD 140,000**

Task Team Leader: **Susmita Dasgupta**

The potential impacts of climate change on coastal regions include progressive inundation from sea level rise, heightened storm damage, loss of wetlands, and increased salinity from saltwater intrusion. While most research has focused on inundation and losses from heightened storm surges, increased salinity from saltwater intrusion may actually pose the greatest threat to livelihoods and public health through its impacts on agriculture, aquaculture, infrastructure, coastal ecosystems, and the availability of fresh water for household and commercial use. The main objective of this project is to determine cost-effective options for adaptation to saltwater intrusion by developing and applying an integrated, spatially explicit methodology for identifying appropriate public policies and investment strategies by location and sector. Bangladesh provides an excellent setting for development of the methodology, because it is one of the countries most threatened by sea level rise and saltwater intrusion.

Linking Bottom-Up and Top-Down Models for Assessing Economy-Wide Impacts of Discrete Climate Change Mitigation Measures

Approved Amount: **USD 70,000**

Task Team Leader: **Govinda Timilsina**

Most of the current low-carbon economic growth studies suffer from a common drawback—ranking the economic attractiveness of discrete greenhouse gas (GHG) mitigation measures solely based on the direct cash flows generated by these measures, thereby ignoring the positive and negative “spillovers” these measures generate through their inter-linkages with various economic agents. A GHG mitigation measure that appears to be attractive in project based or bottom-up analysis would not necessarily remain attractive if its indirect impacts to the overall economy are taken into account. Economy-wide impacts of GHG mitigation measures need to be assessed using top-down computable general equilibrium (CGE) models. The project will expand current KCP research on low-carbon economic growth, making national scale CGE models fully capable to link with bottom-up models developed for estimating marginal abatement cost curves. The project will enable these models to incorporate GHG abatement cost information based on specific technology options, most prominently energy efficiency improvements and renewable energy deployment.

Development of Innovative Tools and Technologies for the Global Research Community

Approved Amount: **USD 300,000**

Task Team Leader: **Michael Lokshin**

The project funds activities that will contribute to each element of Open Data, Open Knowledge, and Open Solution. It combines research activities with the development of tools and methods to empower further research. On Open Data, it will develop a Computer Assisted Personal Interview System (CAPI)—a software to help collect data using tablet PCs (e.g., iPad). This will revolutionize the field of data collection by improving the quality of the data, significantly shortening the process of data cleaning and verification, and providing researchers with new survey instruments. On Open Knowledge, it will develop new modules for ADePT—the free analytical software widely used in the World Bank and its client countries. The new modules will simulate the impact of changes in food and fuel prices on labor markets and poverty, and model the impact of various labor market policies among other functions. On Open Solution, the project will develop a Management Information System for implementing country-wide systems of social protection. It will also invest in Open Source Software tools and a High Power Computer Center (HPCC). The Open Source Software tools will better enable local researchers and policy practitioners to actively engage in the design and development of the tools for their own countries; the HPCC will support the functioning of these new systems and tools.

Online Data Analysis Toolkit (ODAT)

Approved Amount: **USD 140,000**

Task Team Leader: **Qinghua Zhao**

The project will develop a new way of accessing and analyzing data—the Online Data Analysis Toolkit (ODAT). The ODAT system will be designed to address many common problems in data access and data utilization in developing countries. It will provide a set of software components, with which data authorities can set up their own online data analysis portal. Under the system, the dataset will be kept in its unit record form in a central data center, the unit record will not leave the data center, and all the statistical results will not carry any individual information. Tabulation or analysis can be provided to different policy makers and researchers in various areas with real-time unit record data processing; different levels of aggregation for different users will maximize the usage of the country's existing data collection. Since all the analysis is conducted on the server side, users will not need to install or buy any statistical software.

Visualization and Analysis Application

Approved Amount: **USD 200,000**

Task Team Leader: **Malarvizhi Veerappan**

With the carrying out of the Open Data Initiative, information is growing exponentially. But simply providing access to data is not enough. For the most effective use of data, there is a need to help and guide users on how to aggregate, filter, and analyze information to gain valuable insights and aid decision-making. The objective of this project is to fund development and implementation of a web-based, powerful visualization and analytical tool that can efficiently allow researchers to do cross tabulations and explore complex and large datasets. The envisaged system will allow subject matter experts to easily publish datasets, cross tabulations, and visualizations of aggregated data. In cases where the Bank does not have permission to release the underlying raw data, the system will facilitate end users to perform further transformations to do their own analysis while preserving the anonymity of underlying raw datasets. The system also will allow users to quickly surface data trends, patterns, and anomalies as well as allow users to summarize and present data using a variety of customizable charts on different topics.

Economic Development and Structural Change

Global Analysis of the Impact of Policies and Firm Dynamics in Trade

Approved Amount: **USD 160,000**
Task Team Leader: **Ana Margarida Fernandes**

Building on the work started with the Exporter Dynamics Database (EDD)—a project partially funded by KCP I—this project aims to expand the research by delving deeper into the functioning of export and import markets at a very micro (firm) level and by looking at the interaction between firm dynamics, firm productivity, and trade and industrial policies. In particular, it will expand the coverage of the EDD (in terms of years and number of countries included) and also merge the exporter-level export data with other firm-level sources of information on imports and domestic production for a number of countries. The final goal is to have a comprehensive firm-level dataset for a number of countries such that, on the one hand, we will be able to compare the links between input-output linkages, exporter dynamics, and productivity across countries; on the other hand, we will also analyze the impact of different policies and shocks on exporters' growth, dynamics, and productivity, applying uniform methodologies that allow for comparisons across countries.

Structural Transformation Analysis with MAMS

Approved Amount: **USD 140,000**
Task Team Leader: **Hans Lofgren**

The project is to develop an innovative and replicable approach to analyze country strategies for sector structure transformation, thereby improving the empirical basis for costly, country-level policy decisions. The approach is based on MAMS (Maquette for MDG Simulations, a CGE 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 project will analyze the consequences of alternative strategies for transformations toward more flexible, diversified, and income-generating sector structures for developing countries. The project will focus on low-income countries, considering their current state of development and structure of trade and production. As a practical guide to the approach, country case studies will be produced; MAMS training courses will be organized; and papers, data, models, and training materials will be made available online.

Structural Change in a Dynamic World

Approved Amount: **USD 200,000**

Task Team Leader: **Delfin Sia Go**

This project will use recent updates of global information regarding the actual structure of the world economy made available from the Global Trade Analysis Project (GTAP). The project will use the World Bank's global economic framework to analyze and understand how the interactions of global and country structural change have shaped worldwide economic development during recent decades, and how changes in comparative advantage, globalization, and other factors explain the structure of production, consumption, and trade at the global, regional, and country levels. It aims to strengthen the capacity of global economic analysis in large-scale models through a modified back-casting exercise that replicates the actual global economic structure at two end points. The project will test the methodology and document the findings in order to provide an alternative back-casting approach to draw conclusions and validate key assumptions and parameters in global economic models as well as country or regional applications where two points of structural data are available.

Understanding the Broader Impacts of Transport Infrastructure Investments

Approved Amount: **USD 300,000**

Task Team Leader: **Uwe Deichmann**

The project intends to improve understanding of the broader benefits from transport sector investments. It will fund closely related empirical research activities in Bangladesh, China, and India that will analyze the impacts of three different types of public transport infrastructure investments in terms of different non-sector specific outcome variables. It will develop datasets and design and implement analytical methods that will help both ex-post and ex-ante impact evaluation. Particular questions the project intends to answer include: 1) What is the labor market/migration response to the shifts in the spatial patterns of economic activity, wages, and productivity due to the construction and upgrading of China's national expressway network? 2) What are the impacts on the productivity and geography of agricultural production, employment, and welfare due to the construction of the Jamuna Bridge in Bangladesh, which connected a previously isolated and lagging region to the dynamic areas of the country? 3) What have been the changes in land and real estate prices due first to the announcement and subsequently to the construction of the metro system in Delhi, India?

ANNEX **2** KCP II Ongoing
Research: Project
Highlights

Window 1	Angola, Azerbaijan, Burkina-Faso, Cambodia, Central African Republic, Nigeria, Sudan	Implementing a Multi-Disciplinary Tool for Social Capital Measurement
	Tanzania	Tanzania Social Action Fund (TASAF) R3 Survey Support
Window 2	World	Understanding Capital Flows to Developing Countries
	Bangladesh	Food Prices, Middlemen, and Marketing Institutions: Evidence from Bangladesh
Window 3	Nepal	Community Forestry and Pro-Poor Carbon Sequestration in Nepal
	Developing Countries	"Green Growth" Opportunities in Developing Countries
Window 4	World	WDR 2013 "Jobs"
	Cape Verde, Mozambique, Togo	Stimulating Industrial Upgrading in Sub-Saharan Africa

IMPLEMENTING A MULTI-DISCIPLINARY TOOL FOR SOCIAL CAPITAL MEASUREMENT

Angola, Azerbaijan, Burkina-Faso, Cambodia, Central African Republic, Nigeria, Sudan

POVERTY DYNAMICS and PUBLIC SERVICE DELIVERY

- KCP II funding: USD 100,000
- Timeline: 07/15/2011–07/15/2013
- Partners:

Angola

- Social Support Fund (FAS), Government Agency
- Universidade Nova de Lisboa (PI affiliation)

Azerbaijan

- State Agency on Agricultural Credits – Ministry of Agriculture

Burkina Faso

- Ministry of Territorial Administration and Decentralization
- Ministry of Health
- Ministry of Basic Education

Cambodia

- Ministry of Interior

Central African Republic

- Ministry of Social Affairs, National Solidarity, and Gender
- Institut Centrafricain des Statistiques, des Etudes Economiques et Sociales – Central African Institute of Statistics and Economic and Social Studies

Nigeria

- Federal Ministry of Health
- Anambra State Ministry of Health
- Gombe State Ministry of Health
- Sudan
- Community Development Fund, Government Agency

RATIONALE AND OBJECTIVE

This project is a multi-country research program for developing and implementing a multi-disciplinary tool to measure social capital at the level of local communities. The tool will include household and community level surveys, behavioral game theory-based methods (such as dictator, trust, and public goods games), and network analysis. Measuring social capital will be part of prospective impact evaluations implemented by the Development Impact Evaluation (DIME) Initiative in collaboration with Bank operations. The impact evaluations (IE) embedded in the operational cycle will generate rigorous, policy-relevant evidence that improves the effectiveness of operations.

SUCCESS STORIES AND PRELIMINARY FINDINGS

The recently completed IE of the Sudan Community Development Fund (CDF) included behavioral measurement of social capital. In the case of the CDF, the authors of a draft working paper find that social capital in targeted communities has not increased, suggesting that the claim that community-driven development (CDD) programs work through increasing social capital may not hold in all settings, at least not in the short run. This claim is often used to motivate CDD programs, hence the need to critically examine whether it can be supported by empirical evidence. The study does find, however, that program villages perceived marked improvement in the cohesion of their communities over the last year, suggesting that the stock of social capital may be growing. In critically examining this issue, the paper adds to a nascent literature on the mechanisms through which CDD programs may produce (or fail to produce) their intended outcomes. As such, it is important not only in improving our understanding of the CDF project, but in improving our knowledge of CDD programs in general. The draft paper is currently being peer reviewed, and will be discussed at a review meeting in early September. Following this, it will be published as a World Bank Impact Evaluation Working Paper.

TANZANIA SOCIAL ACTION FUND (TASAF) R3 SURVEY SUPPORT

Tanzania

POVERTY DYNAMICS and PUBLIC SERVICE DELIVERY

- KCP II funding: USD 130,000
- Timeline: 12/15/2010–12/15/2012

RATIONALE AND OBJECTIVE

Poverty is a multidimensional problem, but rarely are we able to conduct interventions that address multiple market failures simultaneously. A set of social protection interventions that took place in Tanzania as part of the second phase of the Tanzania Social Action Fund (TASAF II) during 2008-2010 has generated a unique group of overlapping randomized interventions for poverty reduction, each evaluating a distinct channel through which long-term poverty and vulnerability may be decreased. To understand the full impacts of the TASAF intervention as well as to understand the additional impact of the provision of human capital and cash transfers, a third round of data collection is needed. Hence, this research seeks to round out the last wave of the long-term tracking survey (3–4 years after the original TASAF intervention), so as to exploit fully the rich experimental variation and provide a public good through this unique panel dataset.

SUCCESS STORIES AND PRELIMINARY FINDINGS

Preliminary findings suggest that additional training provided to vulnerable groups that receive large grants from the TASAF can have effects on both the profitability of the income generating activity as well as the equitable distribution of profits among group members. These are important lessons that, if confirmed, would be of great use for policymakers designing similar interventions for poor and vulnerable groups while working with Social Action Funds. The study also finds that the targeting performance of such programs is unsatisfactory, mainly because many of the potential beneficiaries cannot access the system – because they are not informed, or they are not educated, or they do not have the right connections. The team has published a working paper on the targeting performance of TASAF II and discussed this issue in detail.

UNDERSTANDING CAPITAL FLOWS TO DEVELOPING COUNTRIES

World

INVESTMENT CLIMATE & TRADE AND INTEGRATION

- KCPH funding: USD 90,000
- Timeline: 07/15/2011–07/31/2014
- Partners:
Offices of the Chief Economists and the Country Management Units of East Asia and the Pacific, Latin America and the Caribbean, and South Asia at the World Bank

RATIONALE

Developing countries have been receiving large capital inflows that are exerting upward pressure on currencies and inflation rates and, in some cases, are generating large booms in the domestic financial sector and asset prices. A key question for policymakers is how to deal with these large and volatile capital inflows. The answer hinges, among other aspects, on how permanent these flows are and how volatile they might become.

OBJECTIVE

This project is to understand the nature of capital flows (mainly, portfolio bond and equity flows) to all developing countries by using mostly a novel micro-level dataset on portfolio flows by institutional investors. The goal is to shed more light on how financial institutions behave during good times and before, during, and after crises and shocks. In addition to this micro work, the team plans to also provide a more macro and descriptive analysis on how countries have been dealing with capital flows.

ACHIEVEMENTS TO DATE

The team has produced a paper titled “On the International Transmission of Shocks: Micro-Evidence from Mutual Fund Portfolios,” authored by Claudio Raddatz and Sergio Schmukler. The paper is forthcoming in the *Journal of International Economics*. The paper appeared previously as NBER Working Paper 17358, August 2011, and as World Bank Policy Research Working Paper No. WPS 6072, May 2012. The paper is being widely disseminated. Among other places, the team has already presented it at the AEA Annual Meeting (Chicago, IL), the Bank of Spain World Bank Conference (Madrid, Spain), and the CREI-U. Torcuato Di Tella Workshop (Barcelona, Spain), the Darden International Finance Conference (Charlottesville, VA), the LACEA-LAMES Annual Meeting (Santiago, Chile), the MIT-NBER Global Financial Crisis Project (Bretton Woods, NH), and the NIPFPDEA Workshop on Capital Flows (Delhi, India). The paper has also been featured in NBER conferences, large public events, and a report, since it was part of a broader NBER project on the Global Financial Crisis.

Moreover, the team has written a chapter for a LAC Report presented at the Spring Meetings and widely covered by the media. The report is called “Latin America Copes with Volatility, The Dark Side of Globalization,” issued in spring 2012. The report is also available in Spanish.

FOOD PRICES, MIDDLEMEN, AND MARKETING INSTITUTIONS: EVIDENCE FROM BANGLADESH

Bangladesh

INVESTMENT CLIMATE & TRADE AND INTEGRATION

- KCPII funding: USD 125,000
- Timeline: 07/15/2011–07/15/2014
- Partners:
Dhaka University, Bangladesh
Department of Agricultural
Marketing, Bangladesh

RATIONALE

It is a widely held belief among politicians, bureaucrats, and the general population in many developing countries that collusion—especially among the middlemen—and the resulting market power are responsible for price anomalies in food markets. In Bangladesh, the government has identified the middlemen in the edible oil market called DO Holders (Delivery Order Holders) as the main source of market power and destabilizing speculation. However, to the best of our knowledge, the collusion hypothesis has not been subjected to rigorous scrutiny in the context of developing countries, and there are plausible alternative explanations for the observed price patterns.

OBJECTIVE

The aim of this study is to gather evidence on the nature of marketing institutions in Bangladesh as well as high-frequency data on prices and costs at different layers of the distribution chain in order to discriminate between these competing explanations. It is extremely important, especially from a policy perspective, to test for the existence and identify the location of any market power in the marketing chain. When there is credible evidence of market power, it is equally important to determine if it is because of collusion (explicit or tacit) among the market participants, or due to factors such as consumers' search frictions, market segmentation, and local monopoly arising from transport, power, and storage bottlenecks, among other things.

COMMUNITY FORESTRY AND PRO-POOR CARBON SEQUESTRATION IN NEPAL

Nepal

GLOBAL PUBLIC GOODS

- KCP II funding: USD 393,406
- Timeline: 07/01/2011–06/30/2014
- Partners:
 - Forest Action Nepal
 - United Nations University
 - Princeton University

RATIONALE

Even as the world faces the challenge of reducing GHG emissions, there is also a global policy imperative to raise the welfare of hundreds of millions of low-income households around the world, most of which depend on forests for timber, fuel wood, animal raising, and nutrient transfer to farms. An important expression of this imperative is the Millennium Development Goals, which were adopted by UN member nations in September 2000. It is now well recognized that forests have a key role to play in reducing poverty, reducing disease, and improving water quality in low-income countries. Approximately 2 billion people are known to rely heavily on forest resources for their livelihoods and many if not most of these are part of the poor identified in the Millennium Development Goals. Reconciling livelihood improvement with climate change mitigation is therefore of critical importance.

OBJECTIVE

This project in progress is related to “Global Public Goods” as identified in the KCP II Charter. It is in line with DEC’s research priority on climate change issues in the Bank’s client countries. The overall objective of the study is to gain knowledge and insights that help the World Bank Group and client countries understand the trade-offs between economic growth and the risks from climate change, and thereby help elucidate long-term strategies that address climate change and sustainable development.

ACHIEVEMENTS TO DATE

The project has gotten off to a fine start with an inception workshop in Katmandu that allowed team members to discuss key methodological challenges and means to resolve them, plan the details of the first year of project implementation activity, and vet the project plan with a variety of local stakeholders. It also provided a good opportunity for dialogue with key Nepal Bank office staff about the project, who signaled their appreciation of the purpose and plan of research.

"GREEN GROWTH" OPPORTUNITIES IN DEVELOPING COUNTRIES

Developing Countries

GLOBAL PUBLIC GOODS

- KCP II funding: USD 450,000
- Timeline: 06/15/2010–06/15/2013
- Partners:
 - Michael Rock, Bryn Mawr (China case study)
 - Gilbert Metcalfe, Tufts (energy efficiency study)
 - Cees Withagen, Free University Amsterdam (technical innovation modeling and simulation)

RATIONALE

The prospects for "Green Growth" in developing countries are receiving significantly increased attention in the context of efforts to restart economic growth after the financial crisis, and the ongoing debate concerning global reduction of greenhouse gas emissions (GHGs). The project feeds into broader and persistent questions about how to elevate long-term growth rates and sustain reductions in poverty. However, the general conditions under which different combinations of policies can accelerate growth and reduce poverty while also reducing long-term environmental degradation are uncertain or unknown.

OBJECTIVE

The objective of the research is to better specify the different pathways through which green growth can occur; to identify the information and methods needed to empirically investigate these pathways, and then carry out such investigation; and to use the lessons of the research to draw conclusions relevant to environmental, growth, innovation, and public investment policies in order to take better advantage of beneficial green growth opportunities.

ACHIEVEMENTS TO DATE

The project is successfully addressing two important objectives: (1) understanding empirically links between industrial energy efficiency and overall sector modernization, and (2) taking stock of the overall knowledge base on environment development synergies as well as trade-offs. With respect to (1), four case studies of Chinese industrial modernization and energy efficiency improvement (iron and steel, pulp and paper, aluminum, cement) have been completed (with Chinese co-authors), along with a soon-to-be-issued synthesis paper showing how technology learning as well as industrial policies led to the improvements. With respect to (2), a Working Paper has been completed examining the intellectual foundations and knowledge gaps surrounding green growth. Roughly ten soon-to-be-issued Working Papers produced in collaboration with (and leveraging support of) the Bank's new Green Growth Knowledge Platform examine how green growth can be understood in the context of macroeconomic growth and development, trade, innovation, transport, ecosystem services, and behavioral economics. Additional papers on poverty and green growth and infrastructure are forthcoming.

WDR 2013 "JOBS"

Nepal

GLOBAL PUBLIC GOODS

- KCPH funding: USD 702,261
- Timeline: 07/15/2011–12/31/2012
- Partners:
Other departments in the World Bank (such as PREM and HD anchors)

RATIONALE

Recent world developments have put jobs at the center of the policy debate. The global financial crisis resulted in massive job losses in emerging and industrial countries alike. These events are a reminder that jobs are the cornerstone of economic and social development. Labor is the main source of income for most of the world's population, and particularly for the poor. Thus, to reduce poverty and increase living standards, it is essential to enhance access to "good" jobs and improve productivity and earnings from labor. The last time the World Bank itself took a view on labor markets was 16 years ago, with the WDR on "Workers in an Integrating World."

OBJECTIVE

The objective of this work is to produce a WDR on jobs with an approach that recognizes the need for an integrated view of the jobs challenge, building on knowledge and research currently scattered across disciplines and practices. The WDR 2013 will set in place a coherent strategy for the World Bank to work cross sectorally toward actionable solutions.

ACHIEVEMENTS TO DATE

Consultations proceeded through fall 2011, and the draft outline was circulated later in the year. The first draft report was distributed for comment in March 2012. The report was presented to the Board in summer 2012 and dissemination of the final report will continue through fall 2012. The activities financed with the KCP grant span the range of activities that encompass producing a WDR, including consultations with key stakeholders, production of background papers, and data analysis.

STIMULATING INDUSTRIAL UPGRADING IN SUB-SAHARAN AFRICA

Cape Verde, Ethiopia, Malawi, and Mauritius

GLOBAL PUBLIC GOODS

- KCPII funding: USD 200,000
- Timeline: 06/01/2011–12/31/2012

RATIONALE AND OBJECTIVE

New World Bank loans in Cape Verde, Ethiopia, Malawi, and Mauritius are using matching grant programs to support enterprise productivity and competitiveness, with the goal of stimulating industrial development in Sub-Saharan Africa. The matching grants are designed to encourage SMEs to purchase specialized services such as training for employees, implementation of standards and quality certification, product development, and support in technology upgrading. Given the excess demand likely for these grants, the teams have agreed that randomization based on oversubscription provides a fair way of providing access to these scarce resources, as well as providing a credible identification strategy for measuring the impacts. This project will evaluate the effectiveness of matching grant programs in four Sub-Saharan African countries.

ACHIEVEMENTS TO DATE

The activities this year involved working with the governments in the implementation of the impact evaluations. In Cape Verde, the team worked with the government on an initial window period of applications, but the government decided to restrict this to a small pilot of less than 20 companies, limiting its use for the impact evaluation. In Mozambique, the work involved obtaining from the National Statistics Office the census of firms that would qualify to apply to the program. The firms in this list are being used under the impact evaluation design to match the applicants of the matching grant scheme in pre-program characteristics. In addition, the team designed the questionnaire for the baseline survey, which is now being implemented after the government process of contracting a survey firm took 15 months. In Togo, the team provided support on an assessment of formal firms, helped the government in the preparation of the operations manual for the matching grant program, and provided support in the design and implementation of two initial impact evaluations of training programs. The implementation of these programs will precede the matching grant scheme because the government considered that the firms in Togo were not at a stage of development to take the matching grants without these initial initiatives.

1. World Development Report 2013 – Jobs

New economic opportunities create new jobs and better ways of doing existing jobs. The private sector must drive this dynamic process, because that is where 90 percent of all jobs in the developing world are. This requires sound development fundamentals, from macroeconomic stability to the rule of law and a supportive investment climate. But these may not create enough good jobs for development—jobs that provide income and identity to those who hold them, including poor people, jobs that empower women, channel new technical and managerial knowledge to better uses, or provide alternatives to conflict. WDR 2013 shows the centrality of jobs to the development process and analyzes how policy can support (or hinder) the private sector in creating jobs and in maximizing their development payoff.

The challenge. Jobs are at the center of policy debates the world over due to massive changes in the world of work and the lasting impacts of the international financial crisis. Around 600 million new jobs will be needed, mainly in Asia and Sub-Saharan Africa, over the next 15 years. Countries that fail to meet the jobs challenge may fall into a repeating pattern of small gains in living standards, slow productivity growth, and eroding social cohesion. In contrast, countries that successfully address these jobs challenges can develop virtuous circles.

The approach. This WDR highlights the centrality of jobs—not just wage employment—in the development process. Jobs are not only an outcome of

development; they are also instrumental in achieving it. Jobs are more than a source of income for individual workers: they are the foundation of better living standards, higher productivity, and social cohesion.

Understanding these wider payoffs from jobs has shaped recent development thinking. Creating job opportunities for young people is catalytic for future economic and social development (WDR 2007 – *Development and the Next Generation*); reaping the benefits of agglomeration, which happens through jobs, is an important source of economic growth (WDR 2009 – *Reshaping Economic Geography*); jobs are a key element for stabilization in post-conflict societies (WDR 2011 – *Conflict, Security, and Development*); and jobs are the medium for transforming gender equity into social and economic progress (WDR 2012 – *Gender Equality and Development*).

Building on these insights, the *Jobs* WDR contends that the development payoff of jobs is especially high for those jobs that reduce poverty, support agglomeration effects, connect the economy to global markets, do not damage the environment, and foster trust and civic engagement. Sometimes these developmental values are not realized because of distortionary policies, e.g., policies that hinder people from moving to more productive areas and better jobs, limit access to new ideas and technologies, or undermine the earnings and opportunities of others in society. In other cases, distortionary policies may be due to market failures, such as environmental damage not internalized by employers and workers. Major

obstacles may be in the labor market but, most often they lie outside.

This WDR argues that the nature of the jobs with the highest development impact varies across countries, depending on their phase of development, endowments, and institutional features. Jobs agendas are connected by the international migration of people and jobs, and these flows open up opportunities for countries to address their own challenges.

Policy implications. The role of government is to ensure that the conditions are in place for strong private-sector led growth, to understand why there are not more good jobs for development in a particular country context, and to remove or mitigate the constraints that prevent the private sector from creating more of them. The Report puts forward a three-stage approach to attain these objectives:

- **Fundamentals.** Macroeconomic stability, an enabling business environment, and the rule of law are essential for growth and job creation.
- **Labor policies.** Well-known labor market imperfections should not be exacerbated by institutional failures. Well-designed policies can help, but the key obstacles to job creation are often outside the labor market.
- **Priorities.** Because some jobs do more for development than others, it is necessary to understand the nature of the jobs challenges and align policy choices accordingly.

Partnerships for jobs. Policy actions in one country can affect living standards, productivity, and social cohesion in others, positively and negatively. The impact is positive when policies for jobs in one country enhance global public goods, such as

respect for rights, poverty reduction, gender equality, and peace. Or when they open up opportunities for migrants and their families to improve their lives and build networks for trade and investment. They can be negative when they distort the global allocation of resources. Areas where progress is possible include respect for rights, services liberalization, and bilateral agreements on migration.

The WDR also identifies areas for further research and charts a data agenda supporting the design of well-informed country policies for jobs, and allowing the monitoring of progress.

Operationalization. A task force for the operationalization of the WDR was established in May 2012 under the oversight of Managing Director Mahmoud Mohieldin. The task force comprises representatives from all networks, the WDR team, and the International Finance Corporation team that is preparing the forthcoming *IFC Jobs Study*.

Consultations and in-country engagement. The work of the WDR builds on seven detailed case studies (Bangladesh, Mexico, Mozambique, Papua New Guinea, South Sudan, Tunisia, and Ukraine) led by local researchers. The WDR team also conducted consultations in 22 countries, reaching policy makers, academics, business leaders, trade union representatives, and civil society organizations. The team had a very constructive, year-long engagement with the International Labour Organization (ILO) on matters of both substance and language. Other consultations with multilateral organizations included the European Commission (EC), the International Monetary Fund (IMF), the Organization for Economic Cooperation and Development (OECD), and the United Nations Economic and Social Council (ECOSOC).

The team would like to acknowledge generous contributions by Australia, Canada, Denmark, Germany, Japan, Norway, Sweden, and Switzerland, as well as support by the Knowledge for Change Program and the Nordic Trust Fund for Human Rights.

Audience and dissemination. The WDR – along with the database, the country case studies, and background papers – will be released on October 2, 2012. The audience for this WDR includes policy makers and reform champions in developing countries as well as their partners in bilateral and multilateral development agencies. The messages should also resonate with business communities, labor representatives, and civil society organizations.

2. Economic Growth and Crisis in Africa: Improving Methods for Measuring Poverty – Getting the Numbers Right

Poverty reduction has long been a major theme of the development agenda. However, to measure the effectiveness of these efforts will hugely depend on whether we can accurately track the progress in poverty reduction.

A striking example is the measurement of poverty in Malawi. When the Integrated Household Survey (IHS) consumption data are corrected for inflation using the official Consumer Price Index (CPI), the poverty rate in Malawi is observed to decline from 52.4 percent of the population in 2004/5 to 37.7 percent in 2010/11. However, when the price information collected in the IHS surveys themselves is used to construct a temporal price index, and this index is then used to adjust consumption data for inflation, the poverty rate is judged to have *risen* from 52.4 percent to 63.7 percent in 2010/11. Using

different price indices not only results in different rates of progress, but also in the direction of change.

Policy makers' decisions depend on the reliability of poverty tracking. However, quite frequently, tracking poverty and its determinants is hampered by problems of missing, incomplete, or non-comparable data. Working with imputed data with focus on missing consumption poverty and consumer price data in particular offers a potential solution. Motivated by such challenges, this KCP project examines different methods of imputing data and advances the knowledge of dealing with imputed data.

The contexts in which imputation methods can be applied are wide-ranging. For example, in tracking welfare, often the household expenditure survey is outdated and/or conducted infrequently. A viable solution may then be to impute household poverty into an alternative survey that is conducted more regularly, such as a Demographic Health Survey or a Labor Force Survey; even if household expenditure surveys are up-to-date, the comparison of consumption poverty between time periods may be hampered by a lack of comparability due to significant changes in the questionnaires. A solution could be to work with imputed consumption that is deemed comparable over time.

This KCP project consists of multiple parts. One part develops survey-to-survey imputation methods that enable modelers to impute missing data on a large scale if needed, and to combine variables that are divided over different surveys. This method may also be used to resolve the problem of incomparable consumption data, for example due to changes in the questionnaire or ambiguity concerning the price deflator, which would otherwise hamper efforts to track poverty. Another part of the research project

is concerned with identifying the spatial variation in consumer prices, while the third part aims to advance the knowledge on index number theory that would ultimately help modelers to decide on how to account for variation in prices when constructing measures of real income, consumption, and price deflators. All these components will provide important tools for poverty measurement and analysis.

The KCP-funded research has been encouraged to find that descriptive statistics based on imputed data can be fairly precisely estimated. The team obtained the analytic standard errors by deriving the asymptotic distribution of the various estimators involved. Simulation results suggest that the asymptotic standard errors are remarkably accurate even for small sample sizes. Having analytic standard errors that are easy to compute as well as being accurate makes the imputation-based methods a user-friendly tool for a wide audience of applied users. Of course, the application of imputation-based methods does often involve additional non-statistical assumptions that cannot always be formally tested. For this reason, the KCP research project has been concerned to validate its proposed methods with data in settings where the necessary assumptions can be checked. While this does not guarantee that assumptions will always hold, it does help to delineate those settings where the methods may be expected to perform well.

Results and Impacts: What have we learned so far?

This research has largely been focused on developing the methodology. However, the goal has been to develop methods that allow one to confront problems that are commonly encountered when attempting to track poverty changes over time.

Several empirical applications have been undertaken during the project, aimed specifically at the question of how poverty has evolved in a context where there are gaps in available consumption data (Morocco, Gaza and the West Bank), or concerns about the appropriate price deflator (Malawi).

Tracking Poverty in Morocco

In Morocco, official statistics reveal that between 2001 and 2007 poverty declined. However, recent years have seen a global crisis unfold and large swings in international food prices that may have potentially put many households at risk of falling back into poverty. At the same time, Morocco has in recent years been fortunate with abundant rainfall, which has boosted agricultural production, and may have reduced poverty. What has been the actual trajectory of poverty in Morocco in recent years? The most recent household consumption survey for Morocco does not allow researchers to look beyond 2007. To fill this gap, the research team used an alternative method for estimating poverty rates by imputing household consumption data into the Labor Force Survey, which offers representative data for each quarter of the year, and thus allows obtaining up-to-date poverty estimates. Results shows that poverty in Morocco has continued its decline beyond 2007 (poverty is estimated until the end of 2009), which confirms that the stimulus to the agricultural sector in the form of higher than normal rainfall has offset the potential impact of the international crisis as far as Morocco's poor are concerned.

Estimating Poverty Trends and the Spatial Distribution of Poverty and Unemployment in Gaza and the West Bank

Using the same approach, the team reconstructed the poverty trend for Gaza, and the estimates were

found sufficiently precise to observe the impact of the political turbulence on poverty in the region.

To estimate poverty and unemployment for all populated areas in the West Bank while survey data were available for only a sample of locations, the team adopted an alternative “spatial smoothing” imputation method: imputed data are obtained as a weighted average of observed data where the weights decline with the spatial distance between the observations and the target location.

Using this approach, the team identified clear leading and lagging areas in the West Bank. In particular, they found that areas dominated by high levels of poverty also tended to be areas with severe mobility restrictions, poor access to markets, high rates of unemployment, a dominance of low-wage sectors, and a reliance on employment opportunities in Israel. The opposite holds true for the West Bank’s non-poor areas.

Tracking Poverty in Malawi

In light of the two strikingly different poverty rates calculated using the different price deflators mentioned above, the World Bank and the National Statistical Office launched a careful assessment and evaluation of the data and methods that underpin Malawi’s CPI. In the meantime, survey-to-survey imputation techniques have been applied in order to gain a sense of how Malawi’s poverty has evolved during the 2000s, absent agreement as

to the precise evolution of the general price level. When an imputation model is specified that does not include any explanatory variable expressed in monetary terms, then the exercise dispenses with the need to adjust for cost-of-living change. Applying this methodology to the Malawi IHS surveys yields an estimate of the poverty rate in 2010/11 of 51.7 percent, almost identical to the 52.4 percent estimated for 2004/5. With this approach, the evidence thus suggests that poverty in Malawi remained broadly stable over this time period—certainly there seems little support for the notion that poverty declined dramatically.

As it is not uncommon that survey data are plagued by comparability problems, especially in Africa, it is anticipated that this methodology will see an expansion of applications beyond Malawi.

The research tools developed under the project have proved to be able to help modelers with tracking poverty over time, and are in high demand. The empirical studies were all launched in coordination and close collaboration with the statistical organizations in each of the respective countries. Researchers and practitioners both inside and outside the World Bank have already been using these tools to solve practical questions. The work funded by this KCP project offers inspiration for a number of different directions for future research, such as capturing the dynamics of poverty, measuring multi-dimensional poverty, etc.

ANNEX 4 KCP II Projects Portfolio

The KCP is open to proposals from the World Bank’s Development Economics (DEC) staff or other Bank staff in collaboration with DEC. The process starts with a call for proposals typically commencing in the spring, leading to a decision meeting by the Internal Management Committee chaired by the DEC Senior Vice President and Chief Economist or his designee.

In FY2012, there were 42 proposals for more than USD 8 million with 21 approved totaling USD 3.65 million. Awarded grants ranged from USD 40,000 to USD 400,000.

Table A.2 provides a summary of KCP II applications received from inception to June 30, 2012. As shown by the number and amounts of the FY2012 proposals, demand for research funds continues to be high and over and above available funding. Applicants are aware that research funds are scarce and very competitive. Hence it is in their best interest to submit a comprehensive proposal (especially on methodology and data) to allow proper assessment by the external technical review panel and the Internal Management Committee.

Table A.2. KCP II Applications (in USD)

STATUS	FY2009		FY2010		FY2011		FY2012	
	COUNT	AMOUNT	COUNT	AMOUNT	COUNT	AMOUNT	COUNT	AMOUNT
Approved in full	28	2,808,000	17	2,887,667	29	4,638,906	4	592,261
Approved with reduced award	2	200,000	13	2,185,000	9	1,425,000	17	3,060,000
Reduction in award		100,000		1,065,000		549,403		2,026,616
Declined	4	260,000	21	2,220,000	28	3,172,602	21	3,169,100
Withdrawn	1	50,000						
Total applications	35	3,418,000	51	8,357,667	66	9,785,911	42	8,847,977

Figure A.1. KCP II Donor Contributions Received by Window
 From Inception to June 30, 2012
 (USD, thousands)

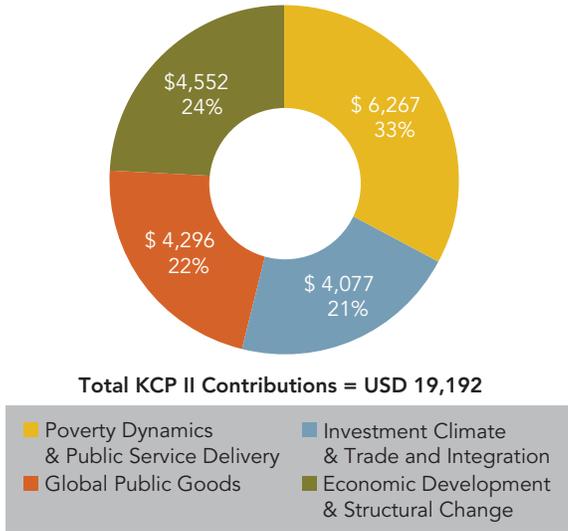


Figure A.2. KCP II Contributions Received by Donor
 From Inception to June 30, 2012 (USD, thousands)

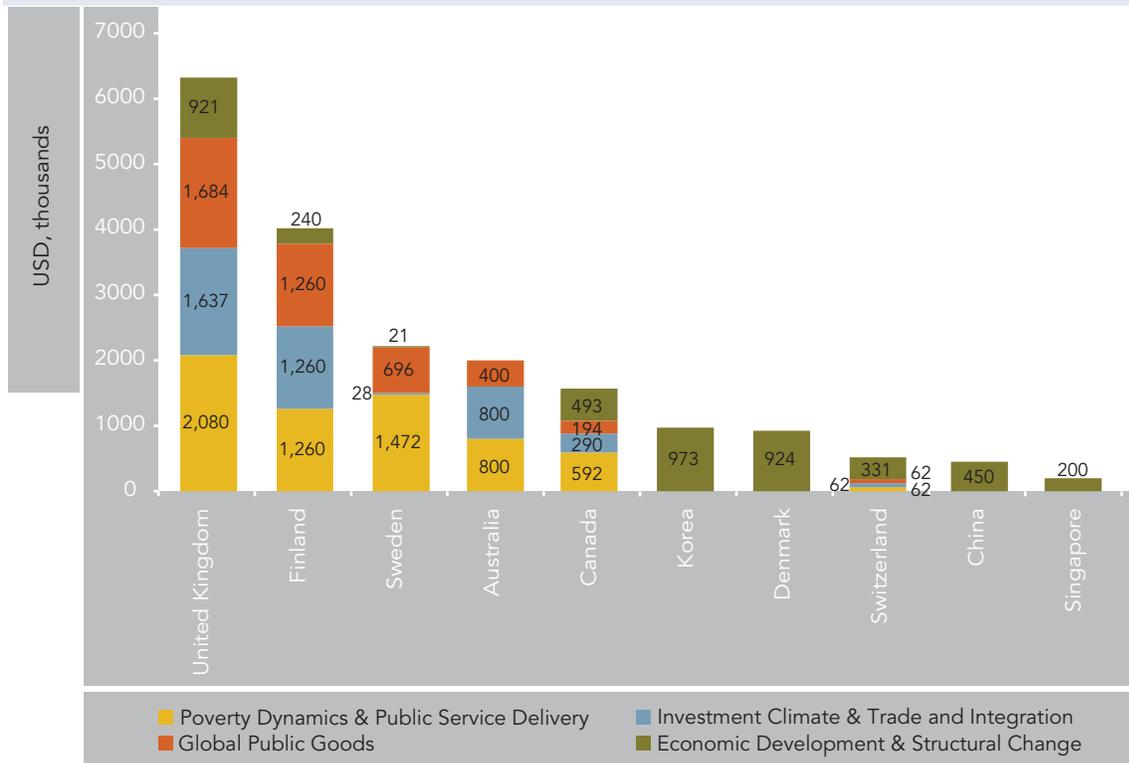
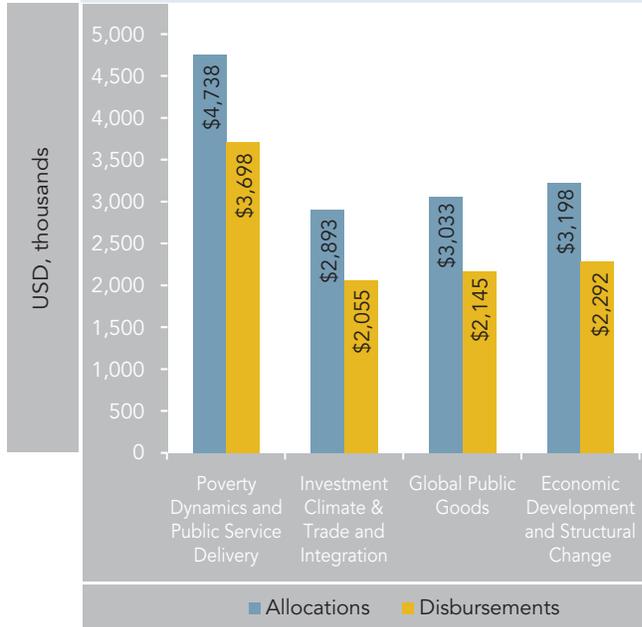
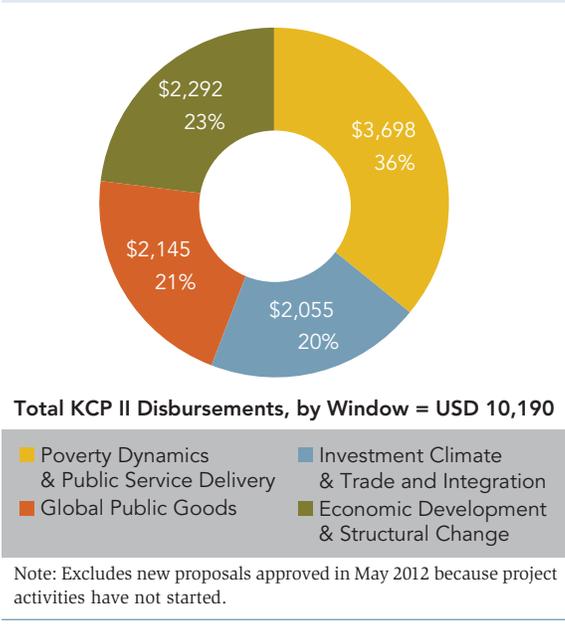


Figure A.3. KCP II Allocations and Disbursements
From Inception to June 30, 2012
(USD, thousands)



Note: Excludes new proposals approved in May 2012 because project activities have not started.

Figure A.4. KCP II Disbursements by Window
From Inception to June 30, 2012
(USD, thousands)



Note: Excludes new proposals approved in May 2012 because project activities have not started.

Figure A.5. KCP II Allocations by Window
From Inception to June 30, 2012
(USD, thousands)

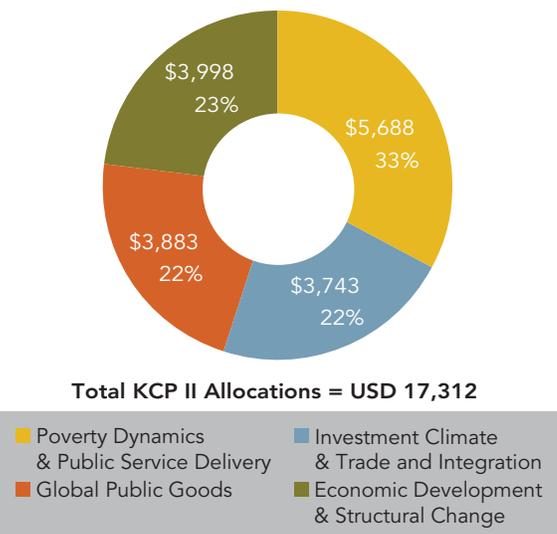


Figure A.6. KCP II Allocations by Region
From Inception to June 30, 2012
(USD, Thousands)

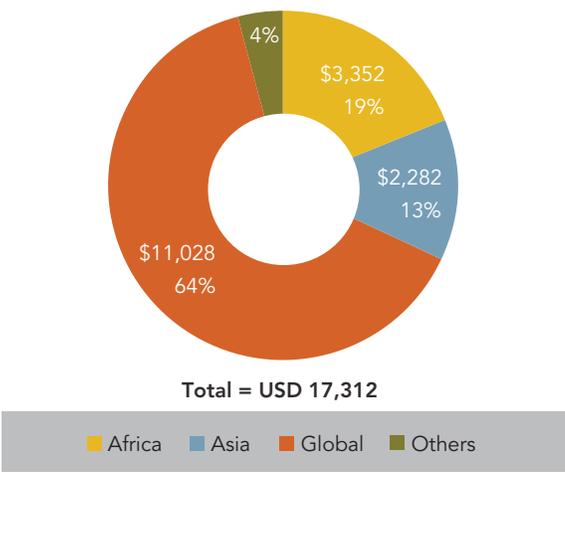


Table A.3. KCP II Allocations and Disbursements As of June 30, 2012 (USD)

	Fund	Project Name	Team Leader	Allocations	Disbursements	Available
POVERTY DYNAMICS and PUBLIC SERVICE DELIVERY (TF071173)						
1	TF094157	Impact Evaluation of Youth-Friendly Services on Voluntary Counseling and Testing among the Youth aged 15–24 Years in Kenya	Legovini	100,000	99,659	341
2	TF094625	Learning and Educational Achievements in Pakistan (LEAPS): Continuation	Das	175,000	173,220	1,780
3	TF094626	The Effects of Home Based HIV Counselling & Testing: IE of a Program in Kenya	Goldstein	100,000	79,620	20,380
4	TF094627	HIV/AIDS Treatment and Prevention	de Walque	100,000	100,000	0
5	TF094628	Kagera Health and Development Survey 2010: Long-Run Patterns of Growth and Poverty in Africa	Beegle	162,386	162,386	0
6	TF094629	Economic Growth and Crisis in Africa: Improving Methods for Measuring Poverty	Lanjouw	119,956	119,956	0
7	TF094650	The impact of providing land titles in Ghana	Goldstein	69,991	69,991	0
8	TF094652	Impact of Urban Land Titling: Evidence from Land Lottery in Burkina Faso	Goldstein	0	—	0
9	TF095034	Poverty Mapping in China	Chen	24,078	24,078	0
10	TF096467	WDR 2011 "Conflict and Development"	Milante	1,276,615	1,276,492	123
11	TF097370	World Development Report 2012 – Gender Equity and Development	Revenga/ Shetty	821,500	818,005	3,495
12	TF097381	Policy, Governance and the Private Sector in the Provision of Public Services: Evidence from Indonesia's Health Sector	Giles	225,000	96,242	128,758
13	TF098362	Correcting the sampling bias of China's urban household survey	Chen	55,000	54,968	32
14	TF098792	TASAF R3 Survey Support	Ozler	130,000	130,000	0
15	TF098797	LSMS: Improving the Quality and Comparability of Income Data through Research and Dissemination	Beegle	150,000	146,684	3,316

Continued on next page.

Table A.3. KCP II Allocations and Disbursements As of June 30, 2012 (USD) *(continued)*

	Fund	Project Name	Team Leader	Allocations	Disbursements	Available
POVERTY DYNAMICS and PUBLIC SERVICE DELIVERY (TF071173) (continued)						
16	TF098893	Measuring Development Indicators for Pastoralist Populations	Beegle	95,000	56,069	38,931
17	TF098991	Learning from Interventions to Improve Parenting Skills in Chile	Galasso	80,000	80,000	0
18	TF099007	Measuring Inequality and Inequality of Opportunity Using DIME Microdata	Kondylis	27,848	27,848	0
19	TF099270	Implications for Poverty of Productivity Growth in Agriculture & Non-Agriculture	Martin	100,000	—	100,000
20	TF010642	A 10-Year Follow-up of a Community-Level Nutrition Program in Madagascar	Galasso	91,000	22,466	68,534
21	TF010644	Implementing a Multi-Disciplinary Tool for Social Capital Measurement	Di Maro	100,000	67,008	32,992
22	TF010746	Quality of Care in Health Markets: Supply- and Demand-Side Perspectives	Das	335,000	35,000	300,000
23	TF010841	Gendered impacts of low-cost land titling in a post-conflict environment: The case of Rwanda	Deiningner	150,000	47,091	102,909
24	TF010842	Economic and gender impacts of peri-urban land titling: The case of Dar es Salaam	Deiningner	100,000	—	100,000
25	TF010972	Governing Water for Agriculture: What Institutions for Which Contexts?	Kondylis	150,000	11,270	138,730
TOTAL POVERTY DYNAMICS AND PUBLIC SERVICE DELIVERY				4,738,374	3,698,052	1,040,322
INVESTMENT CLIMATE & TRADE AND INTEGRATION (TF071177)						
26	TF094158	Strengthening agricultural production systems and facilitating access to markets: Impact Evaluation of Nigeria's Commercial Agriculture Development	Legovini	100,000	91,519	8,481

Continued on next page.

Table A.3. KCP II Allocations and Disbursements As of June 30, 2012 (USD) *(continued)*

	Fund	Project Name	Team Leader	Allocations	Disbursements	Available
INVESTMENT CLIMATE & TRADE AND INTEGRATION (TF071177) (continued)						
27	TF094551	How much do management practices matter? A randomized experiment in India	McKenzie	49,999	49,999	0
28	TF094563	Employment creation in large and small firms	McKenzie	44,368	44,368	0
29	TF094565	Globalization, Risk, and Crises	Schmukler	70,000	69,795	205
30	TF094566	Comparable Disaggregated Census Data across Developing Countries	Hall-Driemeier	70,000	69,951	49
31	TF094567	An Experimental Study of 'Poverty Traps' among Micro-Entrepreneur Groups	Ozler	128,000	128,000	0
32	TF094568	Labor Markets and Impacts of the Financial Crisis: Evidence from China and India	Giles	225,000	211,812	13,188
33	TF094570	Modeling and Analysis of Consumption Patterns	Dupriez	148,830	148,830	0
34	TF094573	Regulation and Bank Stability	Demirguc-Kunt	250,000	84,934	165,066
35	TF094600	Transport Costs and Development: Evidence from China's Infrastructure Boom	Jacoby	40,000	40,000	0
36	TF094784	The Financial Crisis and Foreign Bank Participation in Developing Countries	Peria	39,930	39,930	0
37	TF094947	Services, FDI and Endogenous Productivity Effects in the European Neighborhood Policy—A quantitative assessment for Georgia	Fernandes	89,826	89,826	0
38	TF095040	Migration of Turkey's Top Students - Brain Drain and Brain Gain	Ozden	0	—	0
39	TF095146	FDI and Macroeconomic Stability	Hevia	40,000	27,660	12,340
40	TF095266	Analyzing the impact of financial crisis on international bank lending to developing countries	Dailami	100,000	98,530	1,470
41	TF095859	The growth effects of fiscal policy in developing countries	Kraay	44,940	44,940	0

Continued on next page.

Table A.3. KCP II Allocations and Disbursements As of June 30, 2012 (USD) *(continued)*

	Fund	Project Name	Team Leader	Allocations	Disbursements	Available
INVESTMENT CLIMATE & TRADE AND INTEGRATION (TF071177) (continued)						
42	TF095860	Reticent Respondents and Cross-Country Survey Data on Corruption	Kraay	75,000	35,240	39,760
43	TF097625	Bank competition and access to finance	Peria	60,000	54,079	5,921
44	TF097641	Can Microfinance Foster Entrepreneurship in Poor Communities?	McKenzie	75,000	73,119	1,881
45	TF097808	Innovation and Growth	Loayza/ Maloney	70,000	13,729	56,271
46	TF097838	Reducing informality among firms in Minas Gerais, Brazil	Legovini	80,000	39,407	40,593
47	TF097841	Private Sector Dynamics in Cote d'Ivoire	Klapper	40,000	30,489	9,511
48	TF097855	Worldwide Governance Indicators	Keefer/ Kraay	100,000	55,448	44,552
49	TF097976	Will there be a Phoenix Miracle? Firm-level evidence from financial crises	Demirguc-Kunt	50,000	49,912	88
50	TF098583	On the use of domestic and international debt markets	Schmukler	100,000	98,803	1,197
51	TF098652	On FDI Spillovers	Kee	35,000	26,889	8,111
52	TF099120	Fiscal multipliers and the state of the economy	Loayza	30,000	18,000	12,000
53	TF099249	Bank Bailouts & Moral Hazard	Anginer	50,000	49,700	300
54	TF010230	Storage and Trade Policies for Improving Food Security	Martin	130,000	37,158	92,842
55	TF010373	Least Developed Countries and the Externality Impact of WTO Dispute Settlement	Bown	80,000	36,811	43,189
56	TF010545	Macroeconomic Impacts of Aid and Public Spending	Kraay	50,000	41,548	8,452
57	TF010688	Understanding Capital Flows to Developing Countries	Schmukler	90,000	39,600	50,400
58	TF010695	Database of Emigration Laws and Policies in Developing Countries	Ozden	40,000	—	40,000
59	TF010705	Global Financial Inclusion Indicators	Klapper	40,000	40,000	0

Continued on next page.

Table A.3. KCP II Allocations and Disbursements As of June 30, 2012 (USD) *(continued)*

	Fund	Project Name	Team Leader	Allocations	Disbursements	Available
INVESTMENT CLIMATE & TRADE AND INTEGRATION (TF071177) (continued)						
60	TF010706	Food Prices, Middlemen, and Marketing Institutions: Evidence from Bangladesh	Shilpi	125,000	35,613	89,387
61	TF010782	How Does the Speed of Justice Affect Firms? Experimental Evidence from Senegal	Kondylis	100,000	10,070	89,930
62	TF011089	Currency Wars	Nguyen	32,000	29,000	3,000
TOTAL INVESTMENT CLIMATE & TRADE AND INTEGRATION				2,892,892	2,054,708	838,185
GLOBAL PUBLIC GOODS (TF071178)						
63	TF094962	Improving Governance of African River Basins – Determinants of Successes and Failures in Past Reforms	Toman	120,000	120,000	0
64	TF094963	Economic Impacts of Low Carbon Growth Scenarios in Selected Developing Countries	Toman	180,000	133,494	46,506
65	TF094964	Improving Efficiency and Climate Change Mitigation – Electricity Market Competition and Low-Carbon Generation Technologies	Kessides	50,000	49,508	492
66	TF094965	Economics of Biofuels and Potential Impacts on Biodiversity	Timilsina	125,000	121,039	3,961
67	TF097048	Research on HIV/AIDS Prevention and Treatment	de Walque	55,000	51,810	3,190
68	TF097696	Green Growth Opportunities in Developing Countries	Toman	400,000	260,871	139,129
69	TF097836	Survey Data Repository and Management Toolkit	Dupriez	220,000	219,864	136
70	TF098661	Quantifying the Transaction Costs of Selected Energy Efficiency Measures to Reduce GHG Emissions	Timilsina	75,000	23,400	51,600
71	TF099394	Enhanced global macro/financial model for developing countries	Van Rensburg	100,000	81,939	18,061
72	TF099603	International Survey on Intellectual Property Enforcement Agencies	Lederman	60,000	12,120	47,880

Continued on next page.

Table A.3. KCP II Allocations and Disbursements As of June 30, 2012 (USD) *(continued)*

	Fund	Project Name	Team Leader	Allocations	Disbursements	Available
GLOBAL PUBLIC GOODS (TF071178) (continued)						
73	TF099762	The Electricity/Groundwater Nexus for Indian Farmers: Implications of Electricity Subsidy Reform for Efficiency and Distribution	Toman	0	0	0
74	TF010218	Mobilizing Spatial Economics and Information for Tiger Habitat Conservation	Dasgupta	300,000	216,618	83,382
75	TF010291	Data Resource Center for Structural Economic Analysis	Fantom	160,000	159,837	163
76	TF010390	Economic valuation of losses due to "Amazon dieback"	Toman	280,000	142,838	137,162
77	TF010467	Community Forestry and Pro-Poor Carbon Sequestration in Nepal	Toman	393,406	328,984	64,422
78	TF010503	Global Demand System for Consumer Behavior	Go	100,000	19,414	80,586
79	TF010600	International Cooperation and Conflict over Water	Toman	50,000	47,949	2,051
80	TF010730	Open Metadata and Methods Application	Veerappan	365,000	155,729	209,271
TOTAL GLOBAL PUBLIC GOODS				3,033,406	2,145,414	887,992
ECONOMIC DEVELOPMENT AND STRUCTURAL CHANGE (TF071393)						
81	TF097645	Stimulating Industrial Upgrading in Sub-Saharan Africa	Goldstein	200,000	186,232	13,768
82	TF097765	Research Agenda in New Structural Economics	Sepulveda	150,000	144,553	5,447
83	TF097766	Structural Transformation, Enterprise Policies, and Economic Growth	Sepulveda	150,000	115,404	34,596
84	TF097767	Country case studies on structural change and industrial policies	Sepulveda	350,000	290,694	59,306
85	TF098053	Industrial Policy in an Uncertain Environment	Loayza	75,000	47,237	27,763
86	TF098106	Export Transaction Database	Fernandes	150,000	148,596	1,404
87	TF098764	Structural Transformation and Rural Social Protection Policies: Evidence from China	Giles	250,000	232,807	17,193

Continued on next page.

Table A.3. KCP II Allocations and Disbursements As of June 30, 2012 (USD) *(continued)*

	Fund	Project Name	Team Leader	Allocations	Disbursements	Available
ECONOMIC DEVELOPMENT AND STRUCTURAL CHANGE (TF071393) (continued)						
88	TF099128	Upgrading the Networking and Technological Capacity of suppliers in South Africa	Fernandes	180,000	123,684	56,316
89	TF099198	Moving to Density: A research program on the rural-urban transformation in developing countries	Deichmann	500,000	254,304	245,696
90	TF099203	Testing the Robustness of the Energy Intensity Kuznets Curve	Deichmann	50,000	28,760	21,240
91	TF099604	Commodity Prices, Household Adjustments, and Structural Transformation	Lederman	50,000	21,944	28,056
92	TF010008	Industrial structure, productivity, growth and welfare	Hallward-Driemeier	150,000	59,680	90,320
93	TF010181	Early Work Experiences and the Skills of Young Adults: Evidence from Senegal	Giles	141,000	20,214	120,786
94	TF010228	WDR 2013 "Jobs"	Rama/Beegle	702,261	554,854	147,407
95	TF010795	Structural Transformation, Macroeconomic Behaviors and Industrial Policies	Hon	100,000	62,619	37,381
TOTAL ECONOMIC DEV'T. AND STRUCTURAL CHANGE				3,198,261	2,291,581	906,680
KCP II ALLOCATIONS & DISBURSEMENTS, June 30, 2012				13,862,933	10,189,755	3,673,178

Note: This report does not include projects approved in May 2012.

Table A.4. Beneficiary Countries and Territories

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

Table A.5. Completed KCP II Projects in FY2012 (USD)

	Project Name	Trust Fund	Team Leader	Disbursements
POVERTY DYNAMICS AND PUBLIC SERVICE DELIVERY				
1	Measuring Inequality and Inequality of Opportunity Using DIME Microdata	TF099007	Florence Kondylis	27,848
2	Learning from Interventions to Improve Parenting Skills in Chile	TF098991	Emanuela Galasso	80,000
3	Economic Growth and Crisis in Africa: Improving Methods for Measuring Poverty	TF094629	Peter Lanjouw	119,956
4	The impact of providing land titles in Ghana	TF094650	Markus Goldstein	69,991
5	HIV/AIDS Treatment and Prevention	TF094627	Damien de Walque	99,999
6	Learning and Educational Achievements in Pakistan (LEAPS): Continuation	TF094625	Jishnu Das	173,220
7	Impact Evaluation of Youth-Friendly Services on Voluntary Counseling and Testing among the Youth Aged 15-24 Years in Kenya	TF094157	Arianna Legovini	99,659
8	WDR 2011 "Conflict and Development"	TF096467	Gary Milante	1,276,492
9	Correcting the sampling bias of China's urban household survey	TF098362	Shaohua Chen	49,810
10	World Development Report 2012 – Gender Equity and Development	TF097370	Ana Revenga/Sudhir Shetty	818,005
INVESTMENT CLIMATE & TRADE AND INTEGRATION				
11	Global Financial Inclusion Indicators	TF010705	Leora Klapper	40,000
12	Bank Bailouts & Moral Hazard	TF099249	Deniz Anginer	49,700
13	Globalization, Risk, and Crises	TF094565	Sergio Schmukler	69,795
14	An Experimental Study of 'Poverty Traps' among Micro-Entrepreneur Groups	TF094567	Berk Ozler	128,000
15	Transport Costs and Development: Evidence from China's Infrastructure Boom	TF094600	Hanan Jacoby	40,000
16	Services, FDI and Endogenous Productivity Effects in the European Neighborhood Policy – A quantitative assessment for Georgia	TF094947	Ana Margarida Fernandes	89,826
17	Modeling and Analysis of Consumption Patterns	TF094570	Olivier Dupriez	148,830

Continued on next page.

Table A.5. Completed KCP II Projects in FY2012 (USD) *(continued)*

	Project Name	Trust Fund	Team Leader	Disbursements
INVESTMENT CLIMATE & TRADE AND INTEGRATION (continued)				
18	Analyzing the impact of financial crisis on international bank lending to developing countries	TF095266	Mansoor Dailami	98,530
19	Strengthening agricultural production systems and facilitating access to markets: Impact Evaluation of Nigeria's Commercial Agriculture Development	TF094158	Arianna Legovini	91,519
20	Can Microfinance Foster Entrepreneurship in Poor Communities?	TF097641	David McKenzie	73,119
21	Reducing informality among firms in Minas Gerais, Brazil	TF097838	Arianna Legovini	79,407
22	Will there be a Phoenix Miracle? Firm-level evidence from financial crises	TF097976	Asli Demirguc-Kunt	49,912
23	Private Sector Dynamics in Cote d'Ivoire	TF097841	Leora Klapper	30,489
GLOBAL PUBLIC GOODS				
24	Economics of Biofuels and Potential Impacts on Biodiversity	TF094965	Govinda Timilsina	121,039
25	Improving Governance of African River Basins – Determinants of Successes and Failures in Past Reforms	TF094962	Michael Toman	120,000
26	Improving Efficiency and Climate Change Mitigation – Electricity Market Competition and Low-Carbon Generation Technologies	TF094964	Ioannis Kessides	49,508
27	Research on HIV/AIDS Prevention and Treatment	TF097048	Damien de Walque	51,819
28	Enhanced global macro/financial model for developing countries	TF099394	Theo Nortje Janse Van Rensburg	81,939
ECONOMIC DEVELOPMENT AND STRUCTURAL CHANGE				
29	Research Agenda in New Structural Economics	TF097765	Claudia Sepulveda	144,553
30	Export Transaction Database	TF098106	Ana Margarida Fernandes/Caroline Freund	148,596

Table A.6. Ongoing KCP II Projects in FY2012

	Project Name	Trust Fund	Allocation (USD)	Team Leader
POVERTY DYNAMICS and PUBLIC SERVICE DELIVERY				
1	Gendered Impacts of Low-cost Land Titling in a Post-conflict Environment: The Case of Rwanda	TF010841	150,000	Klaus Deininger
2	Implementing a Multi-Disciplinary Tool for Social Capital Measurement	TF010644	100,000	Vincenzo Di Maro
3	Governing Water for Agriculture: What Institutions for Which Contexts?	TF010972	150,000	Florence Kondylis
4	Economic and Gender Impacts of Peri-urban Land Titling: The Case of Dar es Salaam	TF010842	100,000	Klaus Deininger
5	A 10-Year Follow-up of a Community-Level Nutrition Program in Madagascar	TF010642	91,000	Emanuela Galasso
6	Quality of Care in Health Markets: Supply- and Demand-Side Perspectives	TF010746	335,000	Jishnu Das
7	TASAF R3 Survey Support	TF098792	130,000	Berk Ozler
8	Measuring Development Indicators for Pastoralist Populations	TF098893	95,000	Calogero Carletto
9	The Effects of Home Based HIV Counseling & Testing: IE of a Program in Kenya	TF094626	100,000	Markus Goldstein
10	Implications for Poverty of Productivity Growth in Agriculture & Non-Agriculture	TF099270	100,000	Will Martin
11	LSMS: Improving the Quality and Comparability of Income Data through Research and Dissemination	TF098797	150,000	Kinnon Scott/Kathleen Beegle
12	Policy, Governance and the Private Sector in the Provision of Public Services: Evidence from Indonesia's Health Sector	TF097381	225,000	John Giles
INVESTMENT CLIMATE & TRADE AND INTEGRATION				
13	Food Prices, Middlemen, and Marketing Institutions: Evidence from Bangladesh	TF010706	125,000	Forhad Shilpi
14	Database of Emigration Laws and Policies in Developing Countries	TF010695	40,000	Caglar Ozden
15	Storage and Trade Policies for Improving Food Security	TF010230	130,000	Will Martin
16	Understanding Capital Flows to Developing Countries	TF010688	90,000	Sergio Schmukler
17	Currency Wars	TF011089	32,000	Ha Minh Nguyen
18	Macroeconomic Impacts of Aid and Public Spending	TF010545	50,000	Aart Kraay

Continued on next page.

Table A.6. Ongoing KCP II Projects in FY2012 *(continued)*

	Project Name	Trust Fund	Allocation (USD)	Team Leader
INVESTMENT CLIMATE & TRADE AND INTEGRATION <i>(continued)</i>				
19	How Does the Speed of Justice Affect Firms? Experimental Evidence from Senegal	TF010782	100,000	Florence Kondylis
20	Fiscal Multipliers and the State of the Economy	TF099120	30,000	Norman Loayza
21	Regulation and Bank Stability	TF094573	250,000	Asli Demirguc-Kunt
22	Reticent Respondents and Cross-Country Survey Data on Corruption	TF095860	75,000	Aart Kraay
23	Comparable Disaggregated Census Data across Developing Countries	TF094566	70,000	Mary Hallward-Driemeier
24	FDI and Macroeconomic Stability	TF095146	40,000	Constantino Hevia
25	Labor Markets and Impacts of the Financial Crisis: Evidence from China and India	TF094568	225,000	John Giles
26	Least Developed Countries and the Externality Impact of WTO Dispute Settlement	TF010373	80,000	Chad Bown
27	On FDI Spillovers	TF098652	35,000	Hiau Looi Kee
28	Worldwide Governance Indicators	TF097855	100,000	Philip Keefer
29	Innovation and Growth	TF097808	70,000	Norman Loayza/William Maloney
30	Bank Competition and Access to Finance	TF097625	60,000	Maria Soledad Martinez Peria
31	On the Use of Domestic and International Debt Markets	TF098583	100,000	Sergio Schmukler
GLOBAL PUBLIC GOODS				
32	Community Forestry and Pro-Poor Carbon Sequestration in Nepal	TF010467	393,406	Michael Toman
33	Mobilizing Spatial Economics and Information for Tiger Habitat Conservation	TF010218	300,000	Susmita Dasgupta
34	Economic Valuation of Losses Due to "Amazon Dieback"	TF010390	280,000	Michael Toman
35	Open Metadata and Methods Application	TF010730	365,000	Malarvizhi Veerappan
36	International Survey on Intellectual Property Enforcement Agencies	TF099603	60,000	Daniel Lederman
37	International Cooperation and Conflict over Water	TF010600	50,000	Michael Toman
38	Green Growth Opportunities in Developing Countries	TF097696	400,000	Michael Toman

Continued on next page.

Table A.6. Ongoing KCP II Projects in FY2012 *(continued)*

	Project Name	Trust Fund	Allocation (USD)	Team Leader
GLOBAL PUBLIC GOODS (continued)				
39	Economic Impacts of Low Carbon Growth Scenarios in Selected Developing Countries	TF094963	180,000	Michael Toman
40	Quantifying the Transaction Costs of Selected Energy Efficiency Measures to Reduce GHG Emissions	TF098661	75,000	Govinda Timilsina
41	Survey Data Repository and Management Toolkit	TF097836	220,000	Johan Mistiaen
42	Global Demand System for Consumer Behavior	TF010503	100,000	Delfin Sia Go
43	Data Resource Center for Structural Economic Analysis	TF010291	160,000	Neil James Fantom
ECONOMIC DEVELOPMENT AND STRUCTURAL CHANGE				
44	WDR 2013 – Jobs	TF010228	702,261	Martin Rama/Kathleen Beegle
45	Early Work Experiences and the Skills of Young Adults: Evidence from Senegal	TF010181	141,000	John Giles
46	Structural Transformation, Macroeconomic Behaviors and Industrial Policies	TF010795	100,000	Vivian Hon
47	Structural Transformation and Rural Social Protection Policies: Evidence from China	TF098764	250,000	John Giles
48	Moving to Density: A Research Program on the Rural-Urban Transformation in Developing Countries	TF099198	500,000	Uwe Deichmann
49	Upgrading the Networking and Technological Capacity of Suppliers in South Africa	TF099128	180,000	Ana Margarida Fernandes
50	Commodity Prices, Household Adjustments, and Structural Transformation	TF099604	50,000	Daniel Lederman
51	Testing the Robustness of the Energy Intensity Kuznets Curve	TF099203	50,000	Uwe Deichmann
52	Stimulating Industrial Upgrading in Sub-Saharan Africa	TF097645	200,000	Markus Goldstein
53	Industrial Structure, Productivity, Growth and Welfare	TF010008	150,000	Mary Hallward-Driemeier
54	Structural Transformation, Enterprise Policies, and Economic Growth	TF097766	150,000	Claudia Sepulveda
55	Country Case Studies on Structural Change and Industrial Policies	TF097767	350,000	Claudia Sepulveda
56	Industrial Policy in an Uncertain Environment	TF098053	75,000	Norman Loayza

Continued on next page.

Table A.7. New KCP II Projects in FY2012

	Project Name	Approved Amount (USD)	Team Leader
POVERTY DYNAMICS AND PUBLIC SERVICE DELIVERY			
1	How to Improve the World Bank's Global Poverty Monitoring	150,000	Shaohua Chen
2	Changeable inequalities: Facts, perceptions and policies	230,000	Peter Lanjouw
3	The Role of Public Works Programs in Enhancing Food Security: The Malawi Social Action Fund	220,000	Kathleen Beegle/Emanuela Galasso
4	Can a formal address do the job? Favela pacification in Rio de Janeiro	100,000	Florence Kondylis
5	Early Childhood Nutrition, Availability of Health Service Providers and Life Outcomes as Young Adults: Evidence from Indonesia	160,000	John Giles
6	Welfare Impacts of Marital Status Shocks in Senegal and the Implications for Social Protection Policy	90,000	Dominique van de Walle
INVESTMENT CLIMATE & TRADE AND INTEGRATION			
7	Land tenure regularization in Nigeria: Potential benefits and implementation modalities	110,000	Klaus Deininger
8	Generating Job Matches between Firms and Young Women in Jordan	115,000	David McKenzie
9	Bank Capital and Systemic Stability: A Cross-country Analysis	40,000	Deniz Anginer
10	Macro and Micro Lessons from Project Data	50,000	Aart Kraay
11	WDR 2014 "Managing Risk for Development"	400,000	Norman Loayza
12	Enhanced global macro/financial model for developing countries	135,000	Theo Nortje Janse Van Rensburg
GLOBAL PUBLIC GOODS			
13	The Economics of Adaptation to Salinity Intrusion: The Case of Coastal Bangladesh	140,000	Susmita Dasgupta
14	Linking bottom-up and top-down models for assessing economy-wide impacts of discrete climate change mitigation measures	70,000	Govinda Timilsina

Continued on next page.

Table A.7. New KCP II Projects in FY2012 *(continued)*

	Project Name	Approved Amount (USD)	Team Leader
GLOBAL PUBLIC GOODS (continued)			
15	Development of innovative tools and technologies for the global research community	300,000	Michael Lokshin
16	Online Data Analysis Toolkit (ODAT)	140,000	Qinghua Zhao
17	Visualization and Analysis Application	200,000	Malarvizhi Veerappan
ECONOMIC DEVELOPMENT AND STRUCTURAL CHANGE			
18	Exporter Dynamics Database	160,000	Ana Margarida Fernandes
19	Structural Transformation Analysis with MAMS	140,000	Hans Lofgren
20	Structural Change in a Dynamic World	200,000	Delfin Sia Go
21	Understanding the broader impacts of transport infrastructure investments	300,000	Uwe Deichmann



KNOWLEDGE FOR CHANGE PROGRAM II DONORS

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