

Trust Fund for Environmentally and Socially Sustainable Development

FY12 Call for Proposals

Final version January 19, 2011

The Trust Fund for Environmentally and Socially Sustainable Development (TFESSD) funds strategic and innovative work on environmental, social, and poverty dimensions of sustainable development. TFESSD was established in 1999 and is funded by Norway and Finland. This Call for concept notes invites proposals from Bank teams for analytic work, action research, and capacity building on inequality and social exclusion.

The application process consists of two stages. This Call is the first step and invites the submission of a concept note no longer than two pages. The concept notes will be assessed by a panel of technical reviewers according to their relevance to the themes and other selection criteria outlined below. Teams with successful concept notes will be invited to submit a longer full proposal. The concept note template is attached below.

Deadline for concept notes is January 28, 2011. Please send to Rasmus Heltberg and Carmen Martinel along with an email indicating Sector Manager approval.¹ Teams with selected concept notes will be invited to submit a full proposal by March, 2010.

Reducing inequality

For grants commencing in FY2012, the TFESSD welcomes innovative and operationally relevant proposals aimed at reducing inequality and social exclusion via Bank-led activities. This note describes the context of the theme, its relevance to the Bank, the main text of the Call, and the assessment criteria and rules of eligibility.

Context

Notwithstanding the impressive worldwide progress over the last 60 years in economic and social development, inequality remains high and persistent in many countries. Income, wealth, health, nutrition, and education outcomes and access to environmental goods continue to be unequally distributed among various socio-economic groups and between women and men. This inequality is often persistent over long periods and in countries experiencing positive change.

High and growing inequality in many countries constrains development progress in numerous ways. Inequality in the distribution of health, nutrition, and education outcomes translates into work forces with reduced productive potential and jeopardizes progress toward reaching the

¹ We ask for Sector Manager approval of the concept notes and Country Director approval of the full proposals; an email is sufficient.

MDGs. Health and education inequalities tend to reproduce across generations, potentially persisting over very long time periods and causing inequality traps. Inequality is the anti-thesis to inclusive growth: high inequality slows growth and reduces the amount by which poverty falls for any given level of growth. Many countries experience economic growth that is regionally highly unbalanced, leading to potentially destabilizing problems of lagging regions. Also, marked inequalities in the distribution of benefits of market reforms can create resentment and undermine support for such reforms.²

Gender inequality is arguably one of the most deep-rooted and persistent of all types of inequality. Despite progress in some regions, gender inequalities permeate almost all societies in multiple ways. Gender inequalities are reproduced via economic and non-economic channels in labor market, family, and social domains of life. They reduce the ability of one-half of humanity to contribute to its fullest potential.

Environmental inequalities are also important and include inequality in access to, and quality of, natural resources. Although data tends to be patchy, pollution of air, land, and water is rarely distribution neutral. Many hazardous materials are unsafely disposed of in the poorest neighborhoods of the poorest states in the poorest countries. Environmental justice has sprung up as a political and social movement to address inequality in the distribution of environmental hazards and benefits.³ Ownership and rules governing access to natural resources such as land, water, forests, and biodiversity are another source of environmental inequality. Too often, 'modern' development entails dispossessing the poor from ancestral lands and resources. At other times, lack of clarity of property and usage rights trigger conflicts between traditional or informal users and investors in natural resource-using industries. Likewise, traditional rights governing use of natural resources such as grazing, hunting, charcoal production, etc sometimes conflict with conservation initiatives. With the continued increase in population in many parts of the developing world, such conflicts over competing resource demands are only set to increase. Finally, the impacts of the recently adopted Nagoya Protocol on "Access to Genetic Resources and the Fair and Equitable Sharing of Benefits Arising from their Utilization to the Convention on Biological Diversity" is closely linked to the theme of this Call.

Social exclusion is another important dimension of inequality. Where inequality is *distributional*, social exclusion is *relational* and refers to entrenched, systematic barriers in access to power, rights, and natural and economic resources for specific ethnic or socio-cultural groups, regions, or households. According to one definition,⁴ "Social exclusion is a process and a state that prevents individuals or groups from full participation in social, economic and political life and from asserting their rights. It derives from exclusionary relationships based on

² World Development Report 2006 "Equity and Development".

³ In the US, for example, studies have shown that commercial hazardous waste landfills often are located in predominantly African-American counties. See Andrew Szasz and Michael Meuse, *Environmental Inequalities: Literature Review and Proposals for New Directions in Research and Theory*, *Current Sociology* 1997; 45; 99. See also the works of Clifford Rechtschaffen, including *Environmental Justice: Law, Policy, & Regulation*, 2009 (with Eileen P. Gauna).

⁴ Jo Beall and Laure-Hélène Piron "DFID Social Exclusion Review", Overseas Development Institute, May 2005.

power". Moreover, cultural stereotypes, for example of racial inferiority, tend to exacerbate exclusion. And while social exclusion usually results in group-based inequalities along race, caste, gender, or religious lines, its defining characteristics are the structural processes and relationships that limit excluded people's economic and political opportunities.

Inequality and Public Policy

Given that inequality is multifaceted, what aspects of inequality should policy makers be concerned about? Is equality, in and of itself, a legitimate development goal? If not, policymakers need to be convinced that addressing inequality specifically helps promote development generally. If the advice to tackle inequality is linked with solving a particular problem such as reaching the MDGs, is it possible to identify and address those specific aspects of inequality that lead to specific problems?

It has become common to distinguish **inequality of outcomes** (such as income, consumption, health, and wealth) from **inequality of opportunity** (resulting from inherent traits such as race, gender, or location). The idea is that whereas individual effort plays a role for outcomes, inequality of opportunity is entirely independent of individual skill and effort, being determined instead by traits inherited at birth. Inequality of opportunity is indisputably unfair; it has been calculated to contribute one-quarter to one-half of total consumption inequality.^{5 6} Analysis focused on inequality of opportunity typically leads to policy recommendations to level the playing field (*e.g.*, education for all) or to broaden procedural fairness (*e.g.*, access to a functioning justice system).⁷ Analysis of **social exclusion** complements these approaches by focusing on the processes that lead to the exclusion of certain groups.

Research demonstrates that a high level of income inequality is bad for growth and poverty reduction. Although there is greater consensus about the inherent unfairness of inequality of opportunities, many governments recognize that inequality of outcomes, regardless of its cause, also matters. And the reduction in inequality of outcomes is a policy goal for these governments. Thus many developed countries, particularly the Nordic countries, lowered their levels of income inequality by simultaneously leveling the playing field and redistributing income through taxes and transfers. These countries have also quite successfully provided health, nutrition, and education to all segments of society and undertaken initiatives to improve gender equality.

Relevance to the Bank

In the World Development Report 2006 on *'Equity and Development'*, the Bank embraced, at least rhetorically, the need to improve equity. Arguably, progress on the equity agenda has

⁵ World Development Report 2006 "Equity and Development".

⁶ Ricardo Paes de Barros and others (2008) "Measuring inequality of opportunities in Latin America and the Caribbean". World Bank.

⁷ World Development Report 2006 "Equity and Development".

since been modest. There is an absence of good indicators on how much or how well Bank operations reduce various types of inequalities. It is thus probably fair to say that inequality is an area where theory and measurement is far ahead of operational practice.

At the country level, it is legitimate to ask if the Bank could do more to promote equality via its policy and investment lending. Bank-supported programs and projects in the social sectors often cite the need to reduce disparities in access to services and other opportunities. But it is not always clear that actual project design and implementation deliver on the promise to close gaps in access, whether by gender, caste, or income group. It seems that general sector investments are sometimes prioritized over specific mechanisms to enhance access by women and the poor, in part because doing so would require tackling political economy challenges. Moreover, is the Bank doing enough to address broader aspects of inequality beyond access to social services, for example in governance and fiscal policy?

Although there is renewed interest in the role of taxes and transfers to influence income distribution, it is not clear to what extent fiscal and macroeconomic policy dialogue emphasizes distributional aspects. On fiscal policy, even measurement of inequality lacks behind, with limited evidence of the distributional consequences of taxes and spending, especially outside the human development sectors. For example, in India, many central (*i.e.*, federal) anti-poverty programs disburse more in richer states than in poorer ones, in part because of weak capacity to disburse and provide matching contributions in the poorer states.

Inequality and social exclusion complicates efforts to prevent or resolve problems of conflict and violence in many client countries. For example, a study in Brazil found that land invasions by the poor—a form of redistributive conflict—were linked to rainfall shocks and were particularly pronounced in areas with highly unequal land holdings.⁸ Inequality is moreover linked to conflict and fragility in various ways. High inequality has been found to reduce growth, and slowly growing economies are statistically at heightened risk of falling into violent conflict.⁹ Similarly, high levels of inequality and weak capacity typically seen in post-conflict countries contribute to relapses into conflict.¹⁰ Inequalities may also contribute to conflict by creating perceptions of injustice which can undermine political legitimacy and weaken governance. As the Bank gears up to better address conflict situations, a fuller understanding of the links between inequality and conflict is required.

In conclusion, it is pertinent for the Bank to re-examine and re-tool its capacity to effectively reduce inequality and social exclusion in lending, policy dialogue, and technical assistance. We hope that the support of TFESSD can contribute to this end.

⁸ F. Daniel Hidalgo, et. al. (2010). Economic determinants of land invasions. *The Review of Economics and Statistics*, 505-523.

⁹ The literature debates whether this correlation is due to grievances or to heightened opportunities to initiate a rebellion. See Paul Collier and Anke Hoeffler. Greed and grievance in civil war *Oxf. Econ. Pap.* (2004) 56(4): 563-595; Edward Miguel, Shanker Satyanath and Ernest Sergenti Economic Shocks and Civil Conflict: An Instrumental Variables Approach. *Journal of Political Economy*, 2004, 112(4), 725-753.

¹⁰ World Development Report 2011 “Conflict and Development”.

The FY12 Call for Proposals

The TFESSD Call for Proposals for funding in FY2012 welcomes proposals aimed at promoting equality of outcomes, equality of opportunity, and social inclusion via Bank Group-led activities in all sectors. Innovative operational approaches will be given priority and may, for example, focus on:

- Reducing environmental inequalities, including inequality in the distribution of pollution, regulating access to natural resources, and avoiding marginalization of poor communities.
- Improving systems for benefit sharing in a distributionally positive manner.
- Influencing the political economy of equality, including the political economy of redistribution via taxes and transfers in both centralized and decentralized systems.
- Confronting social exclusion, including efforts to provide voice, livelihoods, and employment opportunities for excluded groups and for both women and men.
- Local governance and public sector management for reducing inequality and social exclusion.
- Creating institutions that are more equitable and gender inclusive
- Tackling the linkages between conflict and inequality/ exclusion, including conflicts rooted in unequal access to natural resources.

Results Indicators

This Call will have met with success if:

- Innovative ways to promote equality and social inclusion have been piloted in Bank-supported projects and programs; experiences have been disseminated and reflected in relevant country and sector strategies and practices;
- Strategies, operations, and policy advice by the Bank Group in various sectors pay more and better attention to inequality and social exclusion.

Selection criteria

Selection is highly competitive. We rank proposals according to their relevance to the theme described above and the following criteria:

- Strategic fit: links to WBG corporate, regional, and country strategies, operations, and PRSPs. Proposals for work on Africa will be carefully reviewed for their fit with the region's priorities.
- Overall quality: technical soundness and realism; innovation; quality of the results frameworks.

- Attention to dissemination and knowledge management. We strongly encourage in-country dissemination as well as short (2-4 page) knowledge briefs/dissemination notes for wider distribution.
- Catalytic potential: operational innovations with promise to become part of WBG strategies, dialogue, and lending.¹¹
- Cross-sectoral: promoting collaboration across networks.
- Past performance of the task manager in other TFESSD grants, including a track record of timely reporting.
- Rationale for grant funding versus Bank budget.
- Partnership with Norwegian and/or Finnish researchers and institutions; UN and other multilateral agencies; and developing country institutions.

Eligibility criteria

- *Eligible Task Managers:* The Trust Fund is Bank executed and proposals can only be submitted, and task managed, by Bank Group staff accredited to manage trust funds.
- *Eligible expenditures:* Project preparation work will not be funded, nor components which could be funded as part of ongoing operations. Eligible expenditures are consultant fees/travel, workshops, training, publications etc. Funds cannot be used for sub-grants. A maximum of 20% of individual grant amounts will be allowed for staff time and travel.
- *Budgets.* Please use the same standards for budgets that you would use for ESW and other analytical work. There is no maximum limit for proposals but we discourage proposals below \$50,000.
- *Eligible countries:* TFESSD is limited to financing activities in low and lower middle income countries; higher-middle income countries including Argentina, Brazil, South Africa, and Turkey are not eligible.¹² At least fifty percent of TFESSD funds will go toward work on Sub-Saharan Africa. Elsewhere, preference will be given to IDA countries.
- *Bank Commitment:* At the time of the final proposal, TTLs must indicate adequate Bank budget to supervise the activity.
- *Implementation period.* Work can span up to three fiscal years (FY12-14). While an overall amount is tentatively allocated at the time of approval, funds are released in installments as needed. Funding beyond the first year is released based on performance as reported in annual progress reports.

¹¹ TFESSD funds cannot finance current Bank operations but activities nevertheless need to demonstrate policy and operational relevance. For example, TFESSD has been used to pilot social accountability and environmental assessment tools and approaches that have later been scaled up using other funding sources.

¹² As defined in the OECD/DAC list of ODA recipient countries:
<http://www.oecd.org/dataoecd/32/40/43540882.pdf>

For further information

- www.worldbank.org/tfessd
- Contact Rasmus Heltberg, Program Manager (X35396).

Proposal to TFESSD for FY12¹³

Name of activity:
Task team leader and department of TTL:
Cleared by sector manager (name):
Total TFESSD grant applied for (\$):
Share of requested grant going to activities in Sub-Saharan Africa (in %):
Countries covered: ¹⁴
Development objective:
Links to, and expected influence on, World Bank Group operations:
Why is this proposal innovative?
Major activities:
Outputs/deliverables:
Capacity building and dissemination strategy:
Will you produce a 2-4 page dissemination note?
Expected outcomes (what will change as result of proposed activity):
Major partners (please avoid acronyms):

¹³ Please send to Rasmus Heltberg and Carmen Martinel by January 28, 2011 along with an email indicating your sector manager's approval. Proposal length should be one-two pages. We are unable to accept proposals exceeding two pages. Please avoid acronyms.

¹⁴ Please make sure countries covered are eligible, that is, are low or lower-middle income countries as set out in the OECD/DAC list of ODA recipient countries: <http://www.oecd.org/dataoecd/32/40/43540882.pdf>