

# Knowledge for Change Program

## Minutes from the Fourth Consultative Group Meeting

October 26, 2005  
World Bank Paris Office

### Attendees:

#### *Donors (Current/Prospective)*

- **Australia**, Ms. Julia Newton-Howes
- **Finland**, Ms. Laura Torvinen
- **Germany**, Mr. Klaus Wardenbach, Mr. Jan Schwaab
- **France**, Mr. Emmanuel Aubert, Dr. Hubert de Milly, Mr. Jean Marc Pradelle, Mr. Jacky Amprou
- **Japan**, Mr. Eigo Azukizawa
- **Netherlands**, Mr. Robert Visser
- **Norway**, Mr. Olav Seim
- **Sweden**, Mr. Dag Ehrenpreis, Dr. Ingrid Widlund
- **United Kingdom**, Mr. Tony Venables
- **ABN/AMRO**, Mr. Khalid Sheikh

#### *Developing Country Participants*

- **Bangladesh**, Dr. Debapriya Bhattacharya
- **Morocco**, Dr. Aziz Ajbilou

#### *Evaluators*

- Prof. Jim Rollo, University of Sussex, UK
- Prof. Christer Gunnarsson, Lund School of Economics, Sweden

#### *World Bank*

L. Alan Winters, Emmanuel Jimenez, Margret C. Thalwitz, Zmarak Shalizi, Asli Demirguc-Kunt, Luis Servén, Maurice Schiff, Ariel Fiszbein, Francisco H. G. Ferreira, Jane Kirby-Zaki, Stijn Claessens, Ivar Cederholm, Roula Yazigi,

Note: Mr. Robin McLay, Canada, planned to attend but had to cancel due to a scheduling conflict. Mr. Robert de Vogelaere, EU, did not make it due to a last minute impediment.

## 1. Opening Remarks

Alan Winters, Director of the Research Group in the Development Economics Vice Presidency (DECVP), welcomed participants to the fourth CG meeting of the KCP. He conveyed greetings from François Bourguignon and Ines Garcia-Thoumi who unfortunately were unable to participate in the meeting.

He mentioned the two objectives of the meeting:

1. To exchange views and discuss the strategic priorities of the KCP,
2. To present the progress and accomplishments of the KCP, and discuss the next steps of the program.

Participants were asked to introduce themselves briefly.

Alan was happy to announce that Australia, Denmark, France and the Netherlands had agreed to join the KCP.

## 2. New Emphasis in Development and Knowledge Opportunities for Strategic Engagement and Alignment

Alan Winters briefly reviewed the history of the KCP, acknowledging that the program had expanded rapidly from a pilot phase in 2002 to an important research program with accumulated resources of about USD 14 million, and with a large number of valuable intellectual contributions from the Bank and its partners.

Alan summarized the *benefits and advantages* of the program. The KCP is seen as a very efficient vehicle that allows both a flexible and rapid response to new research priorities, while at the same time providing quality controls and direct accountability through the engagement by the Chief Economist and the management structure of the Research Group. DECVP is the home of high-quality research, data collection and analysis, and within it, the Research Group provides a unique environment that combines the traditions of rigor and questioning with an operational angle driven by the requirement that researchers spend 30% of their time providing cross support to operations.

Alan pointed out that the *research agenda*, as well as the usage of both Bank and KCP resources, is guided by the Chief Economist together with the Research Group. Donor interests as expressed during the annual Consultative Group meetings and continuing dialogues are considered as well. He mentioned that the team of research managers, several of whom delivered presentations at the meeting, has active oversight of the research, and that the KCP projects are embedded in the overall strategic research framework, thus enhancing the success of the program.

He then moved on to elaborate on the *outputs* of the KCP highlighted in the KCP Progress and Accomplishment Report sent out to participants ahead of the meeting. He emphasized the high value of the generous contributions from donors in the generation of the knowledge products. Among the KCP outputs are (1) leading Bank publications including the Policy Research Working Papers, the Bank's annual flagship World

Development Report (WDR), and well-received books, and (2) research tools including surveys and data bases.

On the **Policy Research Papers Series**, Alan noted its importance as the most public output that serves as a vehicle to disseminate research findings to stimulate a dialogue and exchange of ideas. Funds from the KCP have supported a broad range of topics from indoor air pollution in Bangladesh to basic service delivery by faith-based providers in Uganda, as well as papers on the economics of civil war, crime and conflict.

On the **WDR**, Alan noted the successes of the three latest WDRs partially funded by the KCP, and which also received valuable intellectual contributions from KCP partners.

On **Books**, the KCP supported the award-winning book on ‘Global Agricultural Trade and Developing Countries’. He mentioned that the KCP allowed the Bank to move quickly into the research on international migration, a topic that has become important in recent years. Each CG participant was presented with the newly-launched (on October 24) book on ‘International Migration, Remittances and the Brain Drain’ comprising four country case studies on the impact of remittances on poverty and expenditure patterns, and chapters on the brain drain. The migration team continues its research, with household surveys planned for Brazil, Ghana and Morocco, as well as several additional papers.

On **Surveys**, the KCP has been instrumental in funding comprehensive surveys on Investment Climate in several developing countries. The data are stored in an online data-driven website which allows for analysis of the investment climate that confronts entrepreneurs in more than 50 developing countries. The KCP also funded Service Provider Surveys generating new micro-level data from pilot quantitative surveys of service providers, specifically to explore various aspects of their behavior. The survey tools are now widely used and the approach has been included in the Bank’s recent Africa Action Plan.

On **Data Bases**, Alan cited the value of the KCP in developing a stronger foundation for research through the collection of data and the building of data bases on a wide range of topics.

He continued by noting that the direction of the Bank’s research agenda was guided by the Millennium Development Goals, although the programs were not defined by them. He mentioned that the Knowledge in Development notes, circulated among participants, were initially prepared to brief President Wolfowitz on the current state of knowledge on the topics. He added that the KCP folders, presented to each attendant, contain write ups on ten research areas where the Bank intends to undertake major efforts.

He concluded by mentioning two areas in the Global Public Goods area where the Bank is planning to commit important resources;

1. The Economic impact of Communicable Diseases and Health Externalities, which include AIDS, TB, malaria and potential pandemics such as the bird flu virus.
2. Climate change and environmental quality, where the Bank was asked by the G8 to take the lead.

### 3. World Development Report 2007, Development and the Next Generation.

**Emmanuel Jimenez**, *Director, WDR 2007*, presented the outline of the next WDR that will focus on challenges and transitions facing youth in developing countries. Youth was defined as the age group between 12 to 24 years. The focus of the report was partially due to the demographic bulge with a record number of the world population in this age group. The WDR team is currently working on a wide breath of consultations with bilateral and multilateral partners in both Part I and Part II countries, including youth groups.

- Participants expressed satisfaction that the had Bank decided to focus on youth in developing countries, and the many challenges they face such as unemployment.
- **UK**, suggested focusing on the transition of leaving home, which for many meant migration, rural to urban in particular. On access to finance, the delegate mentioned that it would be great if the study could involve a larger range of countries instead of the very limited number that was suggested.
- **Netherlands**, asked for clearer links to policies, and a focus on young people's own networks. It was important that the WDR 2007 be a little bolder, and not just another "do no harm" report.
- **Norway**, posed a caveat about the risk of the report becoming a sort of moralistic paper focusing on the negative aspects of youth, rather than looking at opportunities and highlighting the positive aspects.
- **Australia**, expressed that the young generation was a very important issue in developing countries, and in particular when it came to small and fragile states with limited land and job opportunities. Were these problems going to be highlighted in the report, it was asked?
- **Finland**, stated that this was an excellent subject with clear links to the current WDR 2006 on Equity and Development, where equal opportunity to education was a clear continuation of the previous report, much supported by the Nordic countries. On the negative side, the report should focus more on opportunities for youth than on the risks. The question of a second chance for youth was a very important issue not just for developing countries, but also for a country like Finland.
- **Sweden**, was content and supportive of the WDR 2007, and in particular the focus on the demographic bulge, and policies designed to take advantage of this. Perspectives on the poor and children's rights should be added to the report, in the context of the convention of the rights of children, emphasizing the no discrimination, and the right to have a voice. Education was a key issue in the report and the presentation examples were interesting, in particular CCTs to increase school attendance. The working title was a bit problematic, "the generation is very much present today" it was said, and a better title would be; 'Development and the Young Generation. Sweden expected to support the WDR 2007 both financially and intellectually. However, earmarking a contribution was a problem, since the funding would come from the Social Development unit at Sida, which could only spend its funds on social issues.

- **France** expressed satisfaction that it would finally become a member of the KCP. They agreed with the Dutch colleague's comments on the WDR 2007, but also thought that the report would be of great value and interest. A focus on the French speaking countries in Africa had to be included. The low number of web sites in French, on youth issues is in particular, increased the risk of shutting out a large part of the young generation. France would welcome more of the information being translated to French.

#### **4. Growth and the Investment Climate**

**Luis Servén**, *Research Manager, DEC Research Group*, made a presentation on 'Growth and the Investment Climate' with a focus on the micro-underpinnings of growth. He stressed the importance of understanding how individual decisions made up aggregate performance in the economy. The research focuses on the constraints to growth and attempts to identify the factors behind observed heterogeneous policy responses across countries and within countries. He emphasized that the research, which received crucial funding from the KCP, has proven that investment climate has a substantial impact on growth, investment and productivity for developing countries.

- **UK**, mentioned that the work was of great value and expressed satisfaction that the next task was to move on to panel work.
- **Finland**, pointed out that the focus on the informal sector was highly welcome, where most activity took place in the poorest countries. Equally important was to focus on the barriers such as risks and costs to move to the formal sector.
- **Sweden**, was supportive of the proposed work on the informal sector, and its risks and costs. This particular issue had been of high interest to the Swedish government for quite some time.
- **France**, welcomed the work on the informal sector and expected a clear focus on Africa. Background information on the processes, the teams participating and the data behind the conclusions should be presented. Just presenting the results was not enough.
- **ABN/AMRO**, agreed that investment climate was of crucial importance for growth. In addition, it was suggested that policy advice to developing countries should not focus exclusively on the public sector, but also consider the implications for the private sector and the behavior of firm leaders.

#### **5. Finance and Development**

**Asli Demirguc-Kunt**, *Senior Research Manager, DEC Research Group*, discussed the importance of access to finance for development, and the link between financial development and growth. She mentioned though, that very little was known about the impact of access to financial services and in particular the unequal access to financial services in many developing countries. This applied to both household's and firm's access to financial services. As in many other areas, it was the lack of data that hindered a good analysis of the issue. She went on to say that current data gave a good picture of market size, but not about reach and breadth. Data was needed, not only for research, but for policymakers and financial service providers to develop an efficient financial market that would reach all levels of society. She concluded by saying that the Bank would make

a major effort in collecting new data, and increase research in this area, as well as identifying partners for collaboration in order to enhance coordination and speed up the efforts.

- **UK**, mentioned that it would be great if the study could involve a larger range of countries instead of the very limited number that was suggested.
- **Bangladesh**, raised a question on whether the opening up of financial markets, with the entry of foreign financial firms, had shown any increase in access to finance in particular for the poor and rural communities. The second question was if access to finance would be improved by committing the financial sector under GATS.
- **Australia**, pointed out that the idea of benchmarking was very interesting, and similar to the Doing Business, which had a real impact. Presenting the data in a similar way would be of high value, and it would be better to have a larger set of countries, as suggested by UK.
- **ABN/AMRO**, mentioned that the topic was of great interest and relevance to the private sector. It was important to note the change in business culture that was now more in line with general development thinking. It would be very interesting to learn how the access to finance had been affected by the entry of foreign firms in a developing country. However, an important issue not yet discussed, was the proposal on a very rigid compliance structure for the financial sector, which undoubtedly would have a negative effect on the operations of the sector and its possibility of contributing to the development of poor countries.

## 6. Responses to the comments

- **Emmanuel Jimenez**, thanked the group for the positive remarks and thoughtful comments. Some feared that the WDR 2007 would actually cause some harm, hence it was an important topic. Since the report would be cutting across several sectors, it was important to be conscious of the imprint on operational and policy implications. On education and secondary education, the team had already been approached by developing countries seeking advice. Another example was fertility and early child bearing, which were very important issues in developing countries, such as Timor L'Este which had a fertility rate of 7! Small states were a very interesting case, and the team was considering dedicating a special box to this topic. The report would definitely focus on the positive issues, such as opportunities for young and poor. On the title, he agreed with Sweden that it was not perfect.
- **Luis Servén**, expressed his appreciation for the very useful comments, and in particular the interest in the informal sector work. He cited the ongoing research on the issue of policy recommendations which was not included in the presentation. On survey design and the transition from micro to macro, he shared that the Bank was indeed considering the homogeneity and comparability of the surveys. Regarding collaborations and partnerships with the private sector, the research was being done in close collaboration with the private sector group of the Bank, and would welcome any participation by the private sector in the work. He

confirmed that the research work included a particular line on the effects of foreign firms.

- **Asli Demirguc-Kunt**, thanked participants for the useful comments. On the design of the study and the broader selection of countries, she commented that the idea was to use a similar format to the Doing Business study. It was important to carefully select the countries in order to capture the whole spectrum of issues. On access to finance, there had been some work on the impact of state banks versus private banks, as well as on the impact on foreign actors despite the limited amount of data. There were papers written on these topics, and it had been concluded that the participation of foreign banks was indeed conducive to an increase in access to finance, even in respect to smaller firms. Likewise, there was clear evidence that having private banks operating in an economy, stimulates the access to finance on the firm level. State banks had often been promoted in order to increase access to finance. However, there was absolutely no evidence of that thesis in the work, rather the opposite, she stressed. On the surveys, the work on finance regulation was being done with the regulatory institutions in the country, and the bank level surveys were conducted directly with the banks. On the impact of international standards and compliance requirements, she concluded that there were plans in place to do research in this area.

## **7. International Migration and Labor Markets – Strategic Vision**

**Maurice Schiff**, *Lead Economist, DEC Research Group*, and team leader of the International Migration research program, gave an overview of the progress and achievements. The first phase has focused on the development impact of migration and the issue of ‘Brain Drain’ He shared some of the early findings from the initial analysis of the material which is summarized in the book, ‘International Migration, Remittances and the Brain Drain’ launched two days before the meeting. Participants received a copy of the book.

Maurice explained the next phase of the program which included the following main topics: (1) Continuation on the current work on Brain Drain, Temporary Mobility and Remittances, (2) Migration, Trade and FDI, (3) Labor Market Effects, and (4) Impact Evaluation.

- **Norway**, was highly appreciative of the work on international migration, stating that the work was of great relevance and importance for development.
- **UK**, expressed that it was an interesting and multifaceted topic for research, but asked about the expected policy messages to be derived from the work
- **Sweden**, was supportive of the migration work, and the Ministry for Foreign Affairs was currently working on a strategy in this area. The ministry commissioned a study on international migration a few years ago, but the Bank’s work program was more comprehensive and expanded and broadened the insights of that report. Collection of new data was especially welcome since it was needed in order to advance the knowledge and to draw conclusions. On labor market

- responses, would there be a similar study in sending countries as in receiving countries, it was asked?
- **Bangladesh**, the participant stressed that the size of the country was of great importance, when studying international migration. The supply side aspect of the labor market was very important to study, when looking at the demand side on receiving countries. When studying remittances, the benefits on the macro side were evident, but on the household level, there were major unequalizing effects that needed to be studied.
  - **Netherlands**, agreed that migration was a very important topic, but feared that the scope for bilateral or external interventions was very limited.
  - **Finland**, expressed that in the area of international migration, it was important to cooperate with other institutions, such as the UN Commission on International Migration. In addition, a study on 'old' migration cases could reveal some insights, the example of the Finish migration to Sweden in the 50s and 60s was over all very successful, and could render some important lessons.
  - **France**, added that all subjects were very important, but there was very little time to review all suggested work programs, and how would there be time to approve them, as was spelled out in the KCP charter, the participant asked?

## 8. Equity, Pro-Poor Growth, and Human Development

**Francisco H. G. Ferreira**, *Lead Economist, DEC Research Group*, and the Co-Director of the WDR 2006 on Equity and Development, made a presentation on the findings, the policy implications of the report, and the next steps. He highlighted a few examples from the report which showed that unequal opportunities were costly in economic terms, and had a major impact on the economic and social outcomes of individuals. He showed evidence that the right policies made a difference, and could help leveling the playing field.

He ended his presentation by pointing at three areas that needed additional research: (1) Finding better measurements of inequalities of opportunities in countries, and across them, (2) the mechanics of inequality traps, and how to break them, and (3) the long-term costs and benefits of pro-equity policies.

- **Norway**, was very supportive of the continued work on equity after the successful WDR06, to which Norway had contributed financially. In addition, it was important to move more towards the political economy and at the same time, have both a political and a social science focus on the work.
- **UK**, repeated that it was also an interesting topic for research, but asked about the expected policy messages to be derived from the work. It was hard to measure, and to some extent akin to a search for the Holy Grail. The speaker was very supportive of the work on the inequality traps and the methods for solving them; this was very much linked to basic service delivery, which was strongly supported by the UK.
- **Sweden**, stressed that this work was long overdue and of great importance. On the level of acceptable deprivation, the WDR 2006 report should have been more precise. It was also important to look at the vast differences in outcome in poor

countries, and not only on the equality of opportunity. What would the team do to mitigate the fact that the elite in a country would try to introduce obstacles to any changes in creating equality in opportunities, the speaker asked? Due to the importance of this work, Sweden would contribute an additional SEK 2 million for the follow up work on the WDR 2006, on top of its previous contributions to the WDR.

- **Bangladesh**, congratulated the Bank for the move to equity aspects. Emphasizing on the institutions was necessary, but the focus on operational and policy issues was also of high importance. Lessons could be learned from the recent pro-poor growth work done by the Bank, DFID and others.
- **Netherlands**, pointed out that the work on WDR 2006, was revolutionary, but had some questions on the implementation and the operationalization. The speaker also wanted to know what the internal reaction had been in the Bank to the report.
- **Finland**, shared the comments of Sweden. Equity was one of the top priorities of Finland's developing policies, and there was an ongoing effort to try to operationalize this work. A key issue was pro-poor growth, but how could we all actively work in this direction, the delegate asked?

## 9. Evaluating Impact

**Ariel Fiszbein**, *Lead Economist, Latin American & Caribbean Region*, explained that he was leading a rather ambitious program on a more systematic approach to evaluating development impact on Bank projects. He pointed out that Development Impact Evaluations (DIME) were built on several years of research and experimentation. He explained that the idea with the method was to verify the effect and impact of implemented policies and programs, by making comparisons with a counter-factual group that did not receive the intervention. He commented that a series of impact evaluations on similar interventions could provide benchmarks for future comparisons. We learned that the following themes and countries had been studied so far. (1) Conditional Cash Transfers (CCTs) in Bangladesh, Burkina Faso, Cambodia, Ecuador, Nicaragua, Lesotho and Pakistan, (2) Delivery of education services in Benin, Guinea, India, Kenya, Kyrgyz Republic, Nepal, Nicaragua, Niger, Pakistan, Rwanda and Yemen, and 3/ Slum upgrading programs in Brazil, Indonesia, Iran, Jamaica, Swaziland, Tanzania and Vietnam. He concluded by mentioning the growing demand for these comprehensive impact evaluations, and with a larger sample, in particular on CCTs, the need to start to work on the meta-analysis was important, since the findings would serve the whole development community.

- **Norway**, strongly endorsed the work on impact evaluation and its relevance for aid effectiveness.
- **UK**, pointed out that it was very important that the work was done over a very heterogeneous range of projects in order to improve projects and measure efficiency. The META studies would be very important for learning which interventions worked and which didn't.
- **Sweden**, mentioned that it would commission some studies in the educational sector, and hence the findings from evaluations of educational projects would be of high interest, in particular CCTs.

- **Bangladesh**, stressed the great importance of impact evaluations and mentioned the challenges with that particular kind of work. How was the Bank going to tackle the fact that much of the lending and programs had a sectoral focus and much of the lending from the Bank, DFID and others, was directed to budget support, the speaker asked? How tangible and robust was DIME to handle this, he added?
- **Netherlands**, agreed that impact evaluation was very important, but perhaps the program was out a little too early. The general thinking had moved its focus from input to output, but there was a big step to impact thinking. However, it could be very useful for moving forward.
- **Finland**, mentioned that international cooperation and sharing of knowledge was crucial for the work done by the Bank and others on impact evaluation.
- **France**, had a question on impact evaluation; was there any cooperation with DAC on this matter?

## 10. Responses to the comments

- **Alan Winters**, agreed that the agenda was very crowded, and added that the PPPs would be disseminated electronically. In the materials that were sent out ahead of the meeting, the work programs were featured and the idea with the CG meeting was perhaps not to go into too much detail. He added that we would need more than one day for a more detailed discussion, but he felt that the participants would not wish to spend two full days on such a meeting. He agreed that we should dedicate more time to governance matters of the KCP in the next meeting. Alan commented on the migration work program by citing the work on medical brain drain, which had been conducted in close collaboration with the Human Development network and the Africa region. On the question from Finland about collaboration, he mentioned a recent project on migration, funded by the KCP, which was approved in the last round of allocations, and which was basically performed exclusively by IOM, The International Organization on Migration.
- **Maurice Schiff**, mentioned that there were some studies being commissioned on the labor market effects on a sending country such as Egypt. There were some rather substantive work planned for the medical brain drain in Africa and the consequences on the labor market for medical services. He commented that the question on supply side constraints was well taken, and that it was being considered in the study. He mentioned the close collaboration between the Bank and the Commission on International Migration, where the Bank was a contributor in both the initial brain storming session and in sharing the ongoing work and findings. On lessons learned from developing countries, there was a need for more information on the migration between developing countries.
- **Francisco Ferreira**, thanked participants for their useful comments and support. On the question from Norway on the political economy, he mentioned that there was indeed a need for a multidisciplinary approach, and the Bank had both a political and social scientists in the research unit involved in this work. The Bank was learning a lot from the public service area and the exchange went both ways.

In reply to the UK, he said that it was not just a hunt for the Holy Grail, but that some work had been done that was starting to ‘nibble’ on the corners of the issue. On the definition on equity, ‘a good question’, he said that there were the two principles in the report -- equality of opportunity and aversion to deprivation. The second was not dealt with extensively in the report since it wasn’t the place for it. The specifics of economic outcome and income distribution would be more important when moving forward into making the report operational and focusing on the country level. He commented on the internal reactions to the report by mentioning the strong support from the highest levels of the Bank where Mr. Wolfowitz, in a recent meeting with Nordic Baltic governors of the Bank, made commitments to continue the work on making the findings of the WDR 2006 operational. The Bank was currently trying to find intelligent ways of introducing equity matters in its operations, but avoiding just adding a box for Bank project leaders just to tick off. On global inequalities, this work was primarily done in the trade department and the growth & investment group of the research department. He finally added that there was a 40 page report on all the background papers of the WDR 2006, which was available.

- **Ariel Fiszbein**, mentioned that the Bank was using both regular lending projects as well as policy-based lending for impact evaluations. The focus was not to evaluate the Bank operation per se, but the impact of the intervention. He mentioned that the Bank had been able to evaluate country wide interventions such as a policy of general government decentralization. On the question of coordination, national and international, he pointed out that the Bank was using local partners and government agencies to do most of the work. On international coordination, there had been some contacts with bilateral agencies, but the Bank wanted to get its act together first. He pointed out though that the Bank was now in the phase of seeking international partnerships and support for the continuation of the work.

## **11. Climate Change Policy and Strategy**

**Zmarak Shalizi**, *Sr. Research Manager, DEC Research Group*, made a presentation on the effects of Climate Change. He started by pointing out that the global climate had undoubtedly changed (no controversy), and that this was largely due to human activities (very little remaining controversy). The causality was: Additional green house gases > more atmospheric concentrations > higher global temperatures. The effects were both local and global with changes in the location and intensity of precipitation, to glacial melts and storm surges, to shifts in sea streams, such as the Gulf Stream, or other potentially serious events. Zmarak continued to talk about the uncertainties regarding the nature, magnitude and the thresholds at which the medium- and long-term impacts of climate change would occur, and their associated costs. He stressed that actions of mitigation had to start now, due to inertia in both climate and socio-economic systems, despite uncertainties. However, developing countries should not be saddled with mitigation commitments, since they were not the major contributors to current concentrations of emissions, he said. Zmarak did note though, that GHG emissions from developing countries would exceed those from OECD countries in the next two decades, and would have to be controlled and reduced at some point in the future. He mentioned

that the Bank was involved because of the implications for developing countries of climate change, and because of the need to build more knowledge in the area. The Bank had been asked by the G8 to expand its involvement in this topic. At the end of his remarks, he mentioned the research that was underway in DEC on mitigation, adaptation and sequestration. However, he concluded, the work on all three areas was in urgent need of scaling up.

- **Norway**, expressed its full support for the Bank work on climate change. Together with Finland, there was some support through an ESSD trust fund and it was important to include the research work done by DEC.
- **Netherlands**, explained that a lot of work had been done on climate change and that this was a very important topic.
- **UK**, mentioned that as chair of the G8 and the EU, a commission led by Nick Stern was looking into climate change with a development focus. However, it was important to look at the way forward and how to make priorities.
- **Finland**, also agreed that climate change work was highly relevant and of high priority.

## 12. Evaluation of Completed KCP Projects

**Christer Gunnarsson**, *Professor, University of Lund, Sweden*, one of three evaluators, made his presentation on the five KCP funded projects that he had evaluated:

- THE LONG-RUN IMPACTS OF HEALTH SHOCKS IN AFRICA (TF051295)
- THE HUMAN COST OF INDOOR POLLUTION: NEW ESTIMATES FOR AFRICA AND SOUTHERN ASIA (TF051297)
- PILOTING A MICRO SURVEY APPROACH TO HEALTH CARE PROVISION IN POOR COUNTRIES (TF051009)
- BACKGROUND STUDIES FOR WDR 2004 (TF051183)
- PERSPECTIVES ON MAKING SERVICES WORK FOR POOR PEOPLE (TF051186)

Here are some quotes from his presentation:

- All projects address fundamental development issues and are clearly in line with Bank research and lending priorities.
- In all projects, the KCP played a crucial role in co-financing projects with other divisions of the Bank and with other donor agencies
- Two of the projects have made important methodological contributions to both research and development policy
- *Perspectives on Making Services Work for poor people* (TF051186) has potential to improve the Bank's capacity to give policy advice to its members by focusing on consultation processes with participants from developing countries
- For the survey projects, there have been certain delays in implementation, especially in the case of *The long-run impacts of health shocks in Africa* (TF051295), for which the analytical part of the project has barely began.
- *The human cost of indoor pollution: new estimates for Africa and Southern Asia* (TF051297) was reoriented and refocused, and instead of using existing data, the project has created new data, which in some aspects must be considered more

- detailed and technical than what would have been available from the existing sources (i.e. the DHS etc)
- The methodology (the QSDS instrument) created and tested in *Piloting a Micro survey approach to health care provision in poor countries* (TF051009) has the potential to serve as an important tool for assessing service delivery.
  - The project focusing on long-run impacts of health shocks has the opportunity to follow up on an earlier survey but its most innovative part lies in its analytical focus on the possible discord between short-term coping strategies and long-run effects.
  - This project and the project piloting a micro-survey approach to health care provision also make important contributions by helping to systematize information about institutional arrangements for service delivery. Both link up to Living Standards Measurement Surveys (LSMS).
  - Two aspects deserve continued and increased attentions. The Bank and the KCP can play a central role in supporting further research in both of these fields:
    - In poverty assessment studies the long-run perspective should be emphasized in order to avoid static cross-national comparisons
    - Since institutional deficiencies are often the fundamental reason for inefficient development policy, not least demonstrated in service delivery, more resources should be devoted to understanding the fundamental causes of institutional change, and the absence thereof in poor countries

**Jim Rollo**, *Professor, Sussex European Institute, UK*, evaluated the award-winning book on Global Agricultural Trade Policy (TF051758), funded entirely by the KCP.

Here are some quotes from his presentation:

- A series of working papers culminating in a well-received book with a CD-Rom of data and detailed results which are accessible from the DEC web site.
- Series of seminars largely in developed countries with good results.
- Global income gains from liberalization relative to a 2015 base line, all sectors \$384bn and agriculture \$265bn, which are equally shared between developed and developing countries.
- Main gains to developing countries arise from domestic reforms.
- Higher world prices would halve the costs of preference erosion on sugar.
- Liberalization of groundnut protection in China and India is crucial to West Africa.
- Northern food standards offer chance to improve productivity and market access for developing countries.
- Very high quality, relevant and focused research with an excellent team using cutting edge methods.
- Very effectively implemented – on time and on budget, with a superb (prize winning) principle output.
- Excellent value for money for KCP!
- The KCP budget had \$70,000 for capacity building in developing countries and commitment to engage with local research networks.

- Seminars all in developed countries (not necessarily wrong priority for capacity building).
- No evidence presented of engagement with developing country research networks, but perhaps it was an objective too far, given the nature of the project.

The third evaluator, **Robin Burgess**, *Professor, LSE, UK*, could not attend the meeting. However, his evaluation on *Surveys and Assessments in Low Income Countries and Regions (TF050718)* can be found in the KCP Progress and Accomplishment report.

- **Norway**, congratulated the Bank on the evaluation work on the KCP projects, which was a very important step for the program. However, some testing of the relevance with Bank client countries would not hurt.
- **Netherlands**, the speaker noted that the evaluators had not fallen into the trap of only searching and highlighting negative issues and it didn't seem to be any reason for it either.
- **UK**, pointed out that the positive comments by evaluators highlighted two very important characteristics of the KCP; (1) Starting the work with a broad consultative process, and (2) Making a major effort to disseminate the findings. A second issue was capacity building which was important in order to take the lessons learned to the developing countries, but perhaps this was not within the parameters of the KCP.
- **Sweden**, thanked the speakers for their interesting presentations. The speaker also agreed with the Norwegian point to have more involvement from the developing countries for the sake of relevance.

### 13. Responses to the comments

- **Zmarak Shalizi**, mentioned that the Bank was cooperating with the commission led by Nick Stern, and the workshop on November 9, was a joint initiative. The issue of making priorities and quantifying options was of major concern. The Bank was trying to develop reasonable models that could provide counterfactuals and to show the benefits of acting now versus acting later. He explained that given the early stage of the work, it was not yet possible to answer these questions. He mentioned that there was a close cooperation with developing countries such as India and China as well as other international agencies.
- **Christer Gunnarsson**, agreed that developing country participation and relevance was a very important issue, which was included in his evaluation report. The consultation process was also important, and in particular the choice of local contacts. He continued by stressing that capacity building was a key issue when working on projects on development countries, in particular when it came to survey work, where the projects had proven to have a real impact. He mentioned that one of the projects was actually delayed because of low capacity in the country of the study, and before being able to continue, a major capacity building exercise had to be performed before the project could be continued. Mr. Gunnarsson was impressed with the level of capacity building in particular in the three projects that involved survey work.

- **Jim Rollo**, raised the risk of dissemination being sometimes a rather passive exercise. It was more important to focus on how the individual country economy was affected by the WTO. This had been raised in the evaluated KCP project on Global Agricultural Trade, but a more country in depth approach would be necessary to properly disseminate the findings and conclusions of the book. He ended his remarks by noting that the KCP project on Global Agricultural Trade was not the best suited for capacity building.

#### 14. Discussion on the KCP CG meeting procedures and the KCP in general.

- **Australia**, mentioned that it would be joining the KCP with an initial total two-year contribution of \$ 2 million. The delegate brought up capacity building as a very important matter, as well as the study of small and fragile states. Policy advice varied much depending on the country itself. There was however, a clear difference between relatively well performing developing countries and countries with a very poor level of functioning, such as small and fragile countries. It would be beneficial if the Bank could look specifically at these issues.
- **Norway**, supported the comments by the Australian colleague, and that capacity building should be a priority of the KCP. A paper was requested on how the KCP had contributed to local capacity building.
- **Netherlands**, also supported the comments on capacity building. The speaker pointed out the high value of receiving the excellent report on the Progress and Accomplishments of the KCP ahead of the meeting, since it was very rare to receive such comprehensive reports in advance.
- **Finland**, expressed a desire to have more time to discuss general issues and to learn from the KCP. The speaker agreed with the Norwegian position to have a thorough discussion at next year's meeting on capacity building. This topic was high on the agenda and with little progress made. This was not just the Bank or the KCP; it was a challenge for all of us, the speaker ended.
- **Sweden**, agreed with previous speakers. The delegate raised the issue of clarification since various departments of the Bank were mobilizing support for similar programs. The PREM initiative 'Getting out of Poverty' was close to the pro-poor growth and equity work done in DEC. A better coordination when approaching donors would be advisable. The delegate brought up the structure of the mandate of the CG meeting to discuss the research agenda and approve the direction of the KCP.
- **France**, raised the issue of coordination and mentioned the work on Investment Climate and Doing Business which was very similar. The speaker brought up the issue of the link between research and policy implementation. As an example, the work on climate change that was asked for by the G8, perhaps was intended to get a specific country to 'on board'.
- **Alan Winters**, responded that the Bank could disaggregate the work on small and fragile states from the others. The Bank was sensitive to different conditions in different countries, but the Bank often had to work with countries that could provide good data and counterparts in order to understand development issues. Such work was often useful 'to' small countries even if it was not 'on' them. He

also mentioned that doing survey work in countries under stress was extremely difficult and time consuming. On capacity building, he agreed to put capacity building on the agenda for the discussion of the next CG meeting. Everybody likes capacity building, he added, and it was probably a more general issue, than just a KCP matter. However, capacity building was extremely difficult and costly and there was a need to weigh the expectations on research outputs with the efforts on capacity building. He added that the Bank was keen on looking at capacity building and would produce a paper on the topic for the next meeting. On the KCP trust fund compared to other trust funds, he mentioned that the Bank was a large institution with a broad agenda. He pointed out that DEC did not have exclusivity on doing research. Different levels of research were performed throughout the Bank. He pointed out though that the KCP was the only trust fund in the Bank to focus exclusively on research and which was supported by a comprehensive internal research management structure. Other research in the Bank was performed mainly by contracting external experts without a rigorous internal process. He also mentioned that the issue on the difference between Investment Climate work and the Doing Business report, was perhaps somewhat outside the KCP discussion. He stressed though, that the Investment Climate work was using a totally different methodology by asking firms on the business environment in a country and for their particular experience on different issues. Doing Business was put together by asking different experts on issues like the time to set up a limited company etc. Hence, they were very complementary in the sense that they would ask many of the same questions, but offer different perspectives. On the issue of the link between research and operational work, he said that DEC did not do operational work but was influential when it came to operational work. On the notion of binding one particular country on the climate change agenda, he was more inclined to think that it was rather two countries than one that was in mind, the US and China. He agreed that the procedural issues of the CG meeting needed a better attention, but the discussion, in his mind, was perceived as mainly supporting the work program in the broad rather than engaging with specific details. He agreed to reflect on this for the next CG meeting of the KCP.

## **15. KCP Progress Report, Future Funding of the KCP and Implementation**

- **Ivar Cederholm** brought up some administrative issues of the KCP pointing at the allocation of funds both regionally and between the windows. He recognized that the new window on Global Public Goods, where climate change and pandemics fall, was in need of donor support.
- Due to the success and the growth of the KCP, it had been requiring an increasing amount of DEC's own resources to the supervision, monitoring, administration and dissemination of the KCP projects. Hence, DEC would like to propose a modification of the charter to allow for partial funding of some of these staff costs from the KCP trust funds. He explained that a proposal would be put together and sent to donors before the end of the year.

- Ivar proposed to introduce the creation of a standing external technical panel in order to improve an already high quality level in the selection process. Instead of using peer reviewers without any compensation, and sometimes without significant research expertise, the quality review work would be performed by a standing panel that would provide fair and quick reviews on each project. The panel would need to be compensated and he suggested that the trust fund would cover this cost.
- Ivar concluded by explaining that the KCP focused on research priorities identified in the Bank's research agenda, set by the Chief Economist and the Development Research Group after widespread consultation. To help maintain this strategic focus, the idea was to reduce the size of the Internal Management Committee which ultimately selected KCP projects, and to insist that they receive only proposals that were wholly consistent with the priorities. Finally, he mentioned that the existing regional and network review asked referees to connect on the operational relevance of KCP projects. The new arrangement would require all proposals to prove regional and network support for each individual proposal.
- In brief the suggested modifications were the following:
  1. To include some staff costs as eligible expenses
  2. The creation of a standing technical panel for reviews to raise quality standards, and offer a fee as compensation
  3. Request ex ante regional and sector endorsement for each proposal in order to increase administrative efficiency by reducing the number of Internal Management Committee members

Donors did not object to the suggested changes, but requested a written proposal for their review. **Sweden**, mentioned its new and recent support for the dissemination of the WDR 2006, which included a portion for covering staff costs and staff travel. The speaker concluded that he would need a written proposal for the KCP, to submit for review at home. **Norway** added that charging staff costs to trust funds was a trend in the Bank given its constrained administrative budgets. However, he expected DEC to continue to share the costs of the work with donors. **Finland** echoed the same views, and also supported the administrative changes to make the process more efficient.

## **16. Concluding Remarks**

Alan Winters concluded the meeting by thanking the existing and new donors for their generous contributions to the KCP that allowed the Bank to do the very important research work. He noted that they would not have been done without the intellectual and financial contributions by all KCP partners. He thanked the evaluators for their excellent work in reviewing the completed KCP proposals. Alan promised to include the suggestions from participants for next year's meeting which should take place around the same time. He closed the meeting by thanking all participants for their valuable and constructive comments and for their continued support of the KCP.