

## **Knowledge for Change Program**

### **Third Consultative Group Meeting**

**September 9, 2004**

**Hotel Dorint, Brussels**

#### **Summary**

##### **1. Opening Remarks**

François Bourguignon welcomed the participants and gave a brief overview of the substantive agenda. Mr. Bourguignon mentioned the three objectives of the meeting: (i) review the ongoing and completed work programs funded by the KCP, (ii) discuss the strategic priorities for the research agenda over the next 2-3 years, and (iii) propose the introduction of a third window to include research programs in the area of Global Public Goods.

Mr. Bourguignon requested the participants to introduce themselves briefly. He opened the meeting with a statement on the important role of research in the Bank's advisory and lending activities aimed at increasing knowledge in Bank client countries, and to influence the development thinking in general. He pointed out the need to translate knowledge into action and for scaling up. DEC works hand in hand with the Bank's operational departments, i.e. regions and country units, which makes DEC well-placed to have a real impact in terms of policy change. Finally, he emphasized that the KCP Consultative Group provides an opportunity to promote a stronger partnership between donors, multilateral institutions, client policy makers and the Bank in the area of knowledge generation. He then gave the floor to Alan Winters, the new Director of DEC's Research Group .

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

Alan Winters started with an explanation of the role of World Bank research and its unique position with an advantage in empirical and analytical research, while acknowledging the upper hand that universities and other institutions have in theoretical development research. He stressed the important role of Bank research in identifying emerging issues -- to influence the global debate on development, and to keep development matters in the forefront of the debate. He also pointed out the contributions of Bank research in building human capital and capacity in developing countries.

Mr. Winters explained the challenges of the development agenda as a moving target in need of a flexible approach of engagement. They include a growing concern for lagging regions, the lack of comparable and reliable data, the Millennium Development Goals, the delicate task of making policy recommendations with important differences in underlying institutions and social conditions between countries, the need for delivering

measurable results from development policies, and, finally, the resource constraints that will imply a very high degree of selectivity.

Mr. Winters discussed the direction of Bank research. He emphasized the need to continue to focus on pro-poor growth, and to increase knowledge in the dynamics of poverty. Active research needs to be continued on economic growth per se and particularly on investment. The trade agenda and the investment climate assessments still require additional work. He also mentioned emerging areas of importance such as International Migration with its broad impact on both developing and developed countries. The need for better evaluation measures such as the Development Impact Evaluation (DIME) was another important subject that would be covered in more detail by Martin Ravallion in his presentation. Mr. Winters continued by pointing out the need to focus on development from the angle of equity and fair distribution of opportunity and wealth, the theme of the World Development Report 2006 which will study the effects of equality on growth and development. A presentation would be made later by Mr. Bourguignon.

Finally, Mr. Winters mentioned the fact that many emerging issues are of global nature, and thus require a new approach. He cited Climate Change, Biodiversity, Pandemics and the function and organization of the Multilateral system, all of which may have a very large impact on development.

He concluded his remarks by proposing that a new, third window be created for data collection, analysis and research in the area of *Global Public Goods*, in parallel to the existing two windows.

### **3. Trade and the World Development Report 2004**

Bernard Hoekman outlined the Bank's Trade Research agenda at the global, regional and country levels. He expressed his appreciation for KCP's support in extending the studies in this area.

Ritva Reinikka explained that the WDR 2004 constituted a stepping stone for the continuing work on poverty dynamics in general and on basic services delivery in particular. With support from the KCP, extensive work was carried out in the study of absenteeism in the health and educational sectors and its effects on performance.

### **4. Discussion**

A lively discussion followed the morning presentations. Mr. Adrian Wood (United Kingdom) asked for more time for general KCP matters in the afternoon and that the lunch be shortened to one hour.

- Several participants expressed great appreciation for the excellent presentations on trade and the WDR 2004. The latter was also mentioned as a role model for dissemination of knowledge since the team used multiple mediums and forums for this purpose.

- The importance of and the link between dissemination, implementation and policy recommendations based on research findings were stressed.
- The Bank received support for being in the forefront of the research agenda and having a main comparative advantage on empirical and analytical research on development matters.
- Participants expressed strong support for the third window on Global Public Goods. Suggestions include potable water, and the importance of global issues for the achievement of the MDGs. The issue of complementary and the risk for duplication was also highlighted. Further consultations and a more selective approach was suggested when deciding on topics.
- The WDR 2004 was mentioned again as a good example of well-performed consultations with donors while the WDR 2005 provided less opportunities for consultations.

Mr. Bourguignon explained that the Bank's dissemination strategy is to maximize publicity through the media and the main messages directed towards its stakeholders. A comment was made that the research topic has an impact on the level of engagement by donors and other stakeholders. The WDR 2004 was high on the agenda for most donors and therefore, more engagement by the donor community was expected and indeed received, while other topics might not spark the same interest. The donor comments were well-received, and Mr. Bourguignon concluded by characterizing the KCP as an efficient vehicle for making both intellectual and financial contributions to the Bank's research program.

## **5. International Migration and Development**

Mr. Winters gave a presentation on the recently launched International Migration and Development approved by the Bank Board earlier this summer. He explained the collaboration with a large variety of stakeholders as well as the request by the G7/G8 to develop a more comprehensive and empirical study to complement the existing theoretical work. Mr. Winters presented the main pillars of the program -- Remittances, Brain Drain, Mode IV and the Temporary Movement of Persons, Trade-FDI and Migration as well as Demographic Disequilibria and Skills Gaps.

The participants were very supportive of this particular work program. Some participants' comments include, "more than 3 percent of the world's population live in a country other than the country of origin and the impact on development is very ambiguous"; "very little empirical work exists and the lack of relevant and reliable data is limiting the discussion"; and "the anecdotal and theoretical work needs to be complemented by solid data and empirical knowledge". A participant inquired about the selection criteria when choosing countries for the household surveys.

Mr. Giorgio Balzarro of the European Commission (EC) explained that the subject was a "hot topic" for the EC and confirmed that it was high on the G7/G8 agenda as well. The EC plans to look into programs that encourage entrepreneurship and investments by migrants in member countries.

Mr. Winters responded that there is close coordination and collaboration with several educational institutions such as the IDS (Sussex), IOM (International Organization for Migration) and other multilateral institutions including G8. He also mentioned the delicate task of finding suitable policies due to the “brick wall” of determinants. However, the goal is to identify ideas and solutions that benefit both sending and receiving countries as well as the migrants themselves. On country selection, he explained that neither GDP nor remittances flows alone would be the basis. The research team will select 4 receiving and 8 sending countries with large migration flows between them, ensuring that data will be comparable and fairly representative of migration flows.

## **6. World Development Report 2006 “Equity and Development”**

Mr. Bourguignon presented an outline of the study consisting of three parts with the following headlines: I - “How Unequal is the World?”; II - “Does Equity Matter?”; and III - “Institutions and Policies for Greater Equity and Lower Poverty”.

KCP partners expressed overwhelming interest in the WDR 2006. The Nordic countries in particular, indicated a strong desire for close collaboration with the Bank. Mr. Robert Visser (Netherlands) mentioned that the Netherlands was in the process of launching work on the same topic. He likewise suggested close collaboration and consideration of complementary work in the same area.

Ms. Laura Torvinen (Finland) explained that the issue of equity was at the heart of the Finnish agenda. She suggested that Finland could be an interesting case study for the WDR team given that the institutions for equity and land reform were established recently. She mentioned that two researchers have started work on a paper concerning the Finnish Experience that might be of value to the WDR Team. Both Sweden and Norway pledged financial support for the WDR 2006. Mr. Kris Panneels (Belgium) showed strong interest as well, and concluded that it was high time to focus on this issue. Several participants commented that the Bank’s decision to focus on equity and development will undoubtedly raise the profile of equity matters and elevate its place on the development agenda. Participants also acknowledged that data was in short supply in this area. Mr. Giorgio Balzarro of the EC pointed out the large regional differences and that the WDR team should also focus on the security aspects and root causes of conflict which are linked directly to equity. He concluded that the EC would like to interact with the 2006 WDR team and that plans are underway for a conference on the subject in cooperation with the OECD-DAC, UNDP and other multilateral institutions.

Mr. Bourguignon thanked participants for their support and interest in the WDR 2006. He noted the need for further consultations created by the strong interest. The consultations would not only be for collaboration but also for coordination, avoiding redundancy. He stated that the debate on equity and development has gone beyond the study of mathematical models to engagement in real life issues. The Bank team will cover a broad spectrum of equity issues focusing more on the effects on economic development, and will not specifically address human rights.

Mr. Bourguignon pointed at the links between migration and equity where brain drain is an issue given that the labor market is becoming global. He concurred that there is a strong link between security and inequality, and referred to the work done by Paul Collier, with support from the KCP, on the Conflict Trap. He concluded by pointing at Finland as a very interesting case which the team certainly would consider as a possible case study for the report.

## **7. Modeling and Monitoring the MDGs & Development Impact Evaluation (DIME)**

Mr. Hans Timmer, Manager of DECPG (Prospects Group), gave a presentation on modeling and monitoring of the MDGs, and the need to go beyond the costing of the MDGs. Because of its focus on policies and research as a way forward, the MDGs are very popular amongst policy makers and the development community. The dearth of relevant and reliable data makes research and analysis very difficult, and simplification is a risk. Mr. Timmer concluded that the Bank is proceeding with improving country-based data and that the modeling work is underway.

Participants agreed on the importance of going beyond MDG costing but cautioned against undermining. The Bank was encouraged to work more closely with the UN Millennium Development Program to avoid duplication or gaps between the Bank and the UN. The participants emphasized the importance of good data for the modeling work. One participant stressed the need to build local capacity for achieving better data and to focus on absorptive capacity, while another participant wanted more focus on MDG # 8 (to build a Global Partnership for Development). Mr. Timmer mentioned that there has been several meetings and consultations with Mr. J. Sachs of the UN. He cited a joint workshop in Ethiopia between the Bank and UN as an example of coordination between the two organizations.

Mr. Martin Ravallion, Research Manager for the Poverty Team, presented the Development Impact Evaluation Program (DIME). He stressed the importance of comprehensive and accurate evaluations prior to setting any policy recommendations and scaling up. The following are the key elements to successful impact evaluations:

1. Increased focus on effectiveness and results.
2. New evaluation techniques and data needed.
3. Emphasis on client demand.
4. New tools for operational settings based on research.
5. More rigorous understanding of a range of development interventions.
6. Mainstream evaluation methodologies/practices and culture at the operational level.
6. Draw lessons in meta-evaluation that will serve the whole development community.

Participants expressed interest in the DIME approach and acknowledged the need for improved evaluation measures.

## 8. KCP Progress Report, Work Program and Financing Plan

Ines Garcia-Thoumi, DEC's Chief Administrative Officer, provided an update on the progress of ongoing activities as well as the financing plan. These were the highlights:

- As of July 31, 2004, \$8m pledged from 7 donors
- Of this amount, \$6.4 m allocated to 31 projects
- About 50 percent directed to each window (15 projects to IC/TI; 16 projects to PD/BSD)
- Donors' strong preference for the 2004 and 2005 WDRs and a Policy Research Report on the Economics of Civil War
- New website: [www.worldbank.org/kcp](http://www.worldbank.org/kcp)

The following proposed changes to the KCP Charter were approved by the Consultative Group:

- Elimination of the \$300,000 threshold.
- Eligible expenditures
  1. Extended Term Consultants (ETC) (new employment category) with 30 percent benefits (up to 2-year term).
  2. Short Term Consultants (STC) (allowable days per year reduced from 190 to 150 days starting from Calendar Year 2004).
- Creation of a third window on Global Public Goods.

Adrian Wood expressed DFID's continued strong support for the KCP, its important role in Bank research and its efficient use of funds. He agreed that funds should not be tied or earmarked to specific programs since multi-donor trust funds are, by definition, untied with fungible funds. He added that scarce resources available for research should be used efficiently, and decisions on allocations be made solely by DEC. He envisions the KCP as a general purpose partnership to support and influence Bank research. He concluded that the KCP had three options for the future:

1. Stay as it is today.
2. Widen its agenda.
3. Create a "Friends of the KCP" that would participate in the DEC strategy.

He expressed preference that the KCP be without windows in the interest of efficiency, thereby facilitating fund allocations which would minimize transaction costs.

Mr. Bourguignon replied that the size of the KCP was a restriction for influencing the agenda, and that the CG meeting was an opportunity for partners to express their opinions on DEC strategy.

Sweden expressed interest in four areas of the KCP -- Trade, Investment Climate Assessments, WDR 2006 and DIME. Sweden prefers to be specific about its contributions and that the ability to target its funds was important.

Ms. Garcia-Thoumi replied that donors can in fact indicate a strong interest in a particular program within the two existing windows, which will be taken into consideration by DEC and the IMC. That was acceptable to Sweden.

Mr. Rob Visser (Netherlands) showed the same concerns as Sweden and was unable to provide untied funds. However, he expressed a very strong interest in the WDR 2006.

France indicated strong support for the KCP and intends to make its initial contribution in 2005.

The EC expressed strong support for the KCP and pledged EUR 1 million for the Investment Climate Analysis in Africa to be finalized in the coming weeks.

Ms. Laura Torvinen (Finland) supported the views of the UK that the KCP should receive untied funds, and that allocations to specific programs would be made more efficiently by DEC itself. Finland pledged to include additional contributions to the KCP in its budget for 2006 and 2007. Finland was very pleased with the KCP and viewed it as an effective tool for both intellectual and financial partnership with DEC and a viable way to influence the research strategy. Ms. Torvinen stressed the importance of capacity building, a cornerstone of the KCP.

Mr. Olav Seim (Norway) also focused on the partnership aspect of the KCP and a way to influence the research agenda. Norway is for untied and pooled funding of the KCP. Norway also expressed an interest in continued financial support of the KCP.

## **9. Concluding Remarks and Next CG Meeting**

Mr. Bourguignon thanked everyone for their participation, forward thinking, and strong support for the KCP. He stressed that the KCP had leveraged the Bank's research agenda Bank as expressed earlier in the day by Ms. Reinikka and Mr. Hoekman. In the future, more complementarity with other research in developed countries will be sought. He mentioned that earmarking donor contributions to specific work programs was against Bank policy. However, donors could express strong support for a program such as the WDR 2006, and, this would be considered by the IMC during the project deliberation process. So far, donor interests had been considered and satisfied. He concluded that DEC would continue bilateral discussions with specific donors on both substance and strategy. DEC would call for the next CG meeting in about 12 months.

Washington, DC  
September 17, 2004