Poverty and Inequality

Equity and Development: A Research Program on Poverty and Inequality

The first part of this research project aims to enhance the quality and quantity of existing data on poverty and inequality, as conventionally measured in terms of current incomes. It builds on both new data initiatives and past work by members of the group including the global poverty monitoring task and PovcalNet. The study focuses on the main sources of comparability problems and assesses their implications for the measurement of poverty and inequality. The research explores various approaches to operationalizing the concept of using case studies. It also examines the implications for survey data collection and analysis. It includes related work on economic mobility and measurement error problems.

The second part of the project examines newer approaches in measurement, which aim at capturing the concepts of inequality of opportunity, empowerment, and agency. Extra information on people’s own perceptions of well-being is brought into the picture by setting equivalence scales and cost-of-living indices. That information can also throw new light on the importance of relative deprivation. In addition to exploring the scope for using subjective and qualitative data in more systematic and credible ways, some of the analysis relates to measuring empowerment and “voice,” including direct indicators of power or “agency.”

Another part of the work focus on three specific micro-institutional manifestations: political inequality, judicial inequality, and social inequality.

Given that all policies affect inequalities in income and other dimensions, even when that is not their primary aim, the research focuses on a narrow set of policies for improving distribution. The specific policies include community-driven development, disaster relief, institutional reforms for promoting local democracy, land reforms, judicial reforms, institutional reforms for promoting local democracy, programs for the extreme poor, poor-area development programs, and transfer schemes (workfare and conditional cash transfers).


Project Code: P099861.

Completion date: December 2008.

Publications


Das, Jishnu, Quy-Toan Do, Jed Friedman, David McKenzie, and Kinnon Scott. Forthcoming. “Poverty and Mental Health in Developing Countries: Revisiting the Relationship.” Social Science and Medicine.


Dasgupta, Monica, Ghazala Mansuri, Nistha Sinha, and Tara Vishwanath. 2007. “Gender-Based Constraints to the Utilization of Maternal and Child Health Services in Pakistan: The Role of the Doorstep Delivery System.” In Gender and...


Looking Beyond Averages: A Research Program on Poverty and Inequality

This research on poverty and inequality had two components. The first component aimed to improve the data and methodological tools for monitoring and describing poverty and inequality, and for assessing policies that aim to reduce poverty. Part of this work dealt with the discrepancies between surveys and national accounts as part of a wider effort to improve cross-country databases for assessing overall progress in achieving the Millennium Development Goals. The second component focused on why some growth processes have more impact on poverty than others do.

Improving Data and Methodological Tools

The project developed new methods for calculating purchasing power parity exchange rates using unit value data from household surveys, and applied the method to data from India and Indonesia. The study finds that there could be substantial disagreement between subjective perceptions of economic welfare and standard objective measures.

The project helped to develop and apply better tools for the impact evaluation of anti-poverty programs. A number of lessons emerged, including the finding that neither randomization nor baseline surveys are essential for credible ex-post impact assessments. However, high-quality data are essential.

A major part of the work supported under this component was to find ways to improve and expand data through the Comparative Living Standards Project, which was designed to facilitate the use of Living Standards Measurement Survey. The project supported the construction of two databases—a searchable meta database, and a database that contains a subset of variables common to most Living Standards Measurement Surveys.

Inequality and Growth Processes

The project explored the extent to which economic growth is “pro-poor” – and what that means. The project proposed a better measure of pro-poor growth, namely the mean growth rate of the poor, which indicates the direction of change in a theoretically defensible measure of the level of poverty. The project also embarked on a series of country case studies on the determinants of the rate of pro-poor growth.

Furthermore, the project looked at a range of non-income dimensions of welfare, such as mental health and cultural and social factors, in determining inequality and poverty and access to public services by the poor. The analysis also examined the role of political incentives in resource allocation. Project results have been presented at universities and research institutes around the world. The latest results are available at http://econ.worldbank.org/programs/poverty/.


Project Code: P079124.
Completion date: June 2005.
Publications


The Methodology of Poverty Assessments

Policies to fight poverty rely increasingly on data about the living conditions of the poor, as reflected in a poverty profile. But constructing a poverty profile that can be relied on to guide policy choices is often difficult. And the data and methods used can matter greatly for the choice of policies.

This research project investigates the theoretical and empirical foundations of the methods used in constructing poverty profiles. Many of the data routinely used in poverty analysis are full of errors—a situation unlikely to change. There also are unavoidable value judgments underlying measurement practices. The quality of the World Bank’s policy assessments and prescriptions may or may not depend on these errors and assumptions. An important task is to find out just how confident analysts can be in forming poverty comparisons.

The project examines the properties of the measures used
for assessing individual welfare, including the practices used in comparing the welfare of different demographic groups (such as large and small households). It also investigates the different methods used for setting poverty lines and how much they matter to the policy conclusions drawn. And it studies ways of making better use of such non-income indicators of welfare as health and education indicators.

A new strand of the research is investigating the properties of subjective welfare indicators, such as self-rated assessments of the minimum income needed to make ends meet, consumption adequacy, and whether the respondent is poor. A series of case studies (including Jamaica, Nepal, and the Russian Federation) are examining these methods as potential complements to more conventional, objective methods of measuring poverty and welfare.

The research project is tailored to the problems faced by World Bank staff undertaking poverty assessments, and there is an active program of training and dissemination.

**Responsibility:** Development Research Group, Poverty and Human Resources—Martin Ravallion (mravallion@worldbank.org), Peter Lanjouw, Michael Lokshin, Berk Ozler, and Menno Pradhan.

**Project Code:** P027104.  
**Completion date:** Ongoing.

**Publications**


**LSMS Phase III**

The objective of this research project is to support activities that promote and maintain the generation and dissemination of micro-level data to improve the quality of empirically-based policy-making and expand the research possibilities. The project’s main focus is on how to ensure the greatest use of micro level data and how to promote its use and expansion.

The project builds on the initial stages of the Living Standards Measurement Survey (LSMS) program, which developed the LSMS surveys as a new tool for household data collection. Although the previous phases of the project demonstrated the richness of the data sets that could be attained, little work had been done to ensure the greatest use of the data sets. The aim here was to create mechanisms to promote the use of the data while also looking to improve them. Improving the use and relevancy of LSMS data has taken several forms. Obtaining permission to disseminate data, creating the LSMS Web site, and carrying out ongoing maintenance and improvement of it serve to promote accurate and effective use of data. Reviews of existing uses of the data and other information have also led to concrete proposals for improving the quality of household surveys and their relevance for policy-making. Work with counterparts in multi-lateral programs to create and strengthen linkages between data producers and users has also served to ensure the relevance of data and its use.

The LSMS database houses close to 70 LSMS data sets with all the relevant documentation. The basic information document contains information about the survey that an analyst needs to use the data sets correctly as well as all the survey field documents; information on the interviewer, supervisor, data entry manuals, and sample design; and the household, community, and price questionnaires. The LSMS Web page is at http://www.worldbank.org/lsms/.

**Responsibility:** Development Research Group, Poverty Team—Kinnon Scott (Kscott1@worldbank.org), Kathleen Beegle, Calogero Carletto, and Diane Steele. With Juan Munoz, Sistemas Integrales, Chile.

**Project Code:** P027082.  
**Completion date:** December 2009.
**LSMS IV: Research for Improving Survey Data**

The objective of this research project is to increase knowledge on methods and techniques for generating household level data for research and policy purposes. This program of research is designed to ensure that the Living Standards Measurement Survey (LSMS) program meets the new demands for data that are arising from international community’s commitment to the Millennium Development Goals and Heavily Indebted Poor Country Initiative with the related Poverty Reduction Strategies. This demand calls for validation of, or improvement in, the tools used to measure key concepts as well as the development of means to measure new concepts. The research is designed to ensure that the LSMS remains at the forefront of survey methodology and welfare measurement.

The project builds and expands on work already done in the area of survey methodology by developing and implementing controlled experiments. Each experiment is designed to allow the comparison of different techniques and measures to determine the effect measurement differences may have on overall findings and assessments of impacts. In close connection with this, attention is also being given to the latest technologies that can be used to improve data collection.

The research agenda covers three complementary activities. The first is a review of the progress that has been made in improving household surveys in the past five years. The second is a series of methodological and technological experiments aimed at increasing current knowledge on survey methodologies. And the third relates to creating new tools and updating existing ones to expand the dissemination of literature, knowledge, and results in the area of survey methodology in developing countries.

At present the work is still in the design and data collection phase.

**Responsibility:** Development Research Group, Poverty Team—Kinnon Scott (Kscott1@worldbank.org), Calogero Carletto, Diane Steele, and Kathleen Beegle. With the Statistical Office of Ghana; SERPro, Chile; EDI, Tanzania; Centro de Estudios y Documentación de la Frontera Occidental de Guatemala, Guatemala; International Food Policy Research Institute, United States; SEED, Montenegro; John Gibson; Cheryl Doss; Yale University; Dragana; Adolf Faustine Mkende, Tanzania; Nigora Safarova, Tajik; Kristen Himelein; Alonso Sanchez; Maria Prada Fernanda; Adelbertus Kamanzi; and Carlo Azarri.

**Project Code:** P102013.

**Completion date:** December 2008.

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**Measuring and Understanding the Impacts of Development Projects**

The recent emphasis on impact evaluation in World Bank operations has prompted a surge in activity, with numerous evaluations starting up, and many more potential evaluations. At the same time, there have been substantial advances in evaluation methodology coming out of the academic literature in econometrics and statistics, notably in non-experimental evaluation methods. For example, a new econometric method directly addresses a recurrent issue emerging from impact evaluations in developing countries, namely that the impacts can vary greatly according to the context of the intervention, reflecting the various ways that local institutions and participant characteristics influence outcomes. Yet the method has not, to date, been applied in assessing any development project and the method cannot be implemented by any existing “off-the shelf” software package. There are many other examples illustrating the large current lags between evaluation practice in the World Bank and the literature in theoretical econometrics.

The World Bank’s Research Department has traditionally served the role of bridging such methodological developments and operational work at the World Bank. But the high level of demand for technical assistance to staff in operations and government and the rapid advance of the more theoretical literature have put a severe strain on the department’s ability to provide the kind of support that is needed. This research project is helping to expand the capacity to provide the technical support and coordination needed on specific research tasks on impact evaluation.

**Responsibility:** Development Research Group, Human Development and Public Services Team—Elizabeth M. King (Ekving@worldbank.org) and Martin Ravallion.

**Project Code:** P102905.

**Completion date:** Ongoing.

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**Long-Run Impacts of Health Shocks in Africa**

The research agenda of this project covered numerous topics to analyze relationships among AIDS, poverty, and household coping mechanisms. The goal of the project was to understand how individuals are affected in the long run by health shocks due to HIV/AIDS and other economic shocks. The analysis was based on a re-survey of respondents originally surveyed in the northwest region of Tanzania in 1991-94. It is one of the few household surveys that collected data over such a long period and that could address questions concerning the long-term effects of a wide array of topics, includ-
ing orphanhood, disability, lack of education, mortality, and morbidity. As such, it was a unique opportunity to assess who stayed in poverty over this period and why; who moved out of poverty and how.

The objective of the 2004 survey was to re-interview all individuals who were household members in any round of the 1991-94 survey. The 2004 household questionnaire collected information on a wide range of topics, including: housing amenities, consumption, income, assets, time allocation of individuals, business activities, remittances, support from organizations, education, and health, including anthropometric measures. The community questionnaire collects data on the physical, economic, and social infrastructure of the baseline communities. The primary school questionnaire collected information on the amenities at schools, composition of the student body, and assistance to schools. Finally, up to three price observations were collected in each community from local markets/stalls on a list of commonly purchased food and non-food items.

More than 92 percent of all households and more than 80 percent of all surviving respondents were successfully re-interviewed. The survey made considerable efforts to track people who had migrated out of their baseline community (including tracking to other regions of Tanzania). Additional data cleaning continued until June 2005, as well as construction of analytical files (consumption aggregate, asset valuation, and price indices).

The research activities engaged several Part II researchers and project co-collaborators: Flora Kessy (ESRF, Tanzania), Godlike Koda (University of Dar es Salaam), Gideon Kwasigabo (IPH Muhimbili), Phare Mujinja (IPH Muhimbili), and Innocent Semali (IPH Muhimbili). The project also collaborated with two qualitative data collection efforts, and insights from the research project were used in the Tanzania Country Economic Memorandum. The project generated publicly available data (no fee) on the LSMS Web site.


Project Code: PO82486.

Completion date: June 2006.

Publications


Poverty and Health

This research project is developing and applying methods for addressing a broad range of policy and operational questions related to inequalities in the health sector between poor and non-poor, and the factors that give rise to such inequalities. It also aims to develop practical hands-on guides for using these methods.

The project has developed decompositions to help assess
the sources of inequalities, added measures of catastrophe and impoverishment to the measures of progressivity previously used to assess equity in health finance, introduced more general measures of health inequality that allow the analyst to specify attitudes to inequality, and developed an achievement index that allows inequality to be traded off against the mean level of health. The project has developed new analytic methods that have been published and posted on the Web at http://www.worldbank.org/povertyandhealth.

Responsibility: Development Research Group, Human Development and Public Services Team—Adam Wagstaff (awagstaff@worldbank.org) and Magnus Lindelow. With Eddy van Doorslaer, Erasmus University, and Owen O’Donnell, British, University of Macedonia.

Project Code: PO70134.
Completion date: Ongoing.

Publications

Macroeconomic Crises and Child Health

Although macroeconomic crises are relatively short-lived, any detrimental impact on investments in child human capital may have long-run implications for both individual well-being and aggregate economic performance. Moreover, if poorer families are more likely to disinvest in child education or health during economic crises, then crises could result in the intergenerational transmission of poverty.

The basic methodology of this research project involves combining time series of education and health outcomes from household surveys with aggregate information on economic fluctuations from national accounts. Some of the expected research outputs are country specific, others are cross-country in nature.

One of the studies has shown that an unusually deep economic crisis in Peru led to increases in school attainment and decreases in child labor. The positive impact of the crisis on school attainment appears to have been the result of a reduction in the opportunity cost of being in school during the crisis. At the same time, the negative impact of the crisis on child health appears to have been a result of dramatic reductions in public health expenditures, which led to reductions in health care utilization during the crisis. One policy implication of these findings is that it is particularly important for governments to protect health expenditures during a crisis.

Early results work suggest that moderate crises generally do not have a negative impact on child health, although very deep crises have serious consequences for child health, especially where they are associated with reductions in health care utilization. The project findings so far suggest that blanket statements about the impact of crises on human capital accumulation are not informative. Crises have different impacts on different dimensions of human capital, and the impact varies by the nature of the crisis and the government response.


Responsibility: Development Research Group, Human Development and Public Services Team—Norbert Schady (nschady@worldbank.org) and Jed Friedman. With Sarah Baird, University of California at Berkeley; and Christina Paxson, Princeton University.

Project Code: P090505.
Completion date: June 2008.

Publications
Urban Poverty and Social Capital

By examining the role of social networks, this research project aimed at improving the understanding of how the urban poor cope with risk and vulnerability in India. Using a multi-dimensional definition of risk—encompassing health, income, housing, violence, consumption, and water and sanitation—the study analyzed risk and insurance in urban slum areas and modeled economic and social behavior.

Using a case study approach focusing on slum areas in Delhi, it integrated focus group discussions and other participatory methods with economic theory and econometric analysis of survey data. The findings showed that informal governments that form in slums play a crucial role as mediators with the state. And social networks in slums play an important role in determining living standards. The findings have led to a better understanding of how slums are governed and of the potential for community involvement in local projects.

The project also focused on how identity choices have affected aspirations among slum dwellers and how this in turn has affected prospects for mobility.

Project findings have been presented at the World Bank, Cambridge University, the Institute for Social and Economic Change (Bangalore), and the Institute of Economic Growth (Delhi).

Responsibility: Development Research Group, Poverty Team—Vijayendra Rao (vrao@worldbank.org) and Michael Woolcock. With Arup Mitra, Institute of Economic Growth, Delhi; Lester Coutinho, Delhi University; and Saumitra Jha, Stanford University.

Project Code: P068214.
Completion date: July 2007.

Publications

World Poverty Monitoring

This research project started around 1990 with the aim of improving the data available for monitoring progress in reducing aggregate poverty using a consistent compilation of distributional data from household surveys. The project uses primary data sources and re-estimates all poverty measures on a consistent basis, converting local currencies to constant purchasing power parity values. It also tests the robustness of comparisons across regions and over time to measurement assumptions. The data set covers more than 100 countries using 500 nationally representative household surveys, with data for two or more points in time for most countries.

The estimates indicate that by 2004, slightly less than 1 billion people—roughly one-fifth of the population of the developing world—were living on less than a dollar a day at 1993 prices. Looking back to 1981, the incidence of absolute poverty in the developing world has fallen over time, although not evenly, with setbacks for the world’s poor in some periods (such as the late 1980s). But there is marked variation among regions and countries, with the number of poor rising in most of Africa, Europe and Central Asia, and Latin America and the Caribbean, and falling in East Asia. China naturally plays a large role in the overall headcounts, and has seen a dramatic reduction in absolute poverty over this period. Taking China out of the aggregates, the number of poor has remained fairly constant over the period.

The project results are reported in various World Development Reports including World Development Indicators.

Responsibility: Development Research Group, Poverty and Human Resources—Martin Ravallion (mravallion@worldbank.org) and Shaohua Chen.
Project Code: P027088.
Completion date: Ongoing.

Publications

How Does Globalization Affect Middle-Income Strata?
Evidence from Household Budget Surveys

This research project tested how globalization has affected income distribution in developing countries, particularly
the income share of the middle strata. First the project used decile data from household surveys to estimate the effects of various policies and economic outcomes on the entire income distribution. The analysis used new income distribution data derived directly from more than 300 household surveys for three benchmark years, 1988, 1993, and 1998. The data covered about 80 countries.

Running cross-country and panel regressions over the 10 decile shares, the analysis produced strong evidence that at low average incomes, the poor had a smaller share of income in countries more open to trade. As the income level rose, the relative incomes of the poor and the middle class rose. Second, the project investigated what would happen to wage inequality if tariff rates were reduced. The analysis considered wage inequality between occupations (skills premium) and between industries. It used a large World Bank data set of average tariff rates for 1980–2000 and two large databases of wage inequality, both covering more than 100 countries and more than two decades. The results showed that tariff reduction was associated with higher wage inequality between both industries and occupations in poorer countries—but lower inequality in richer countries.

The project pointed to the difficulties poorer countries face during globalization: for these countries, greater openness was associated, most of the time, with greater wage and income inequality. The reason was that many people in poorer countries have low skills or practically no marketable skills, while globally produced goods and services tend to require laborers with at least minimal skill levels. These findings highlight the underlying need for educational and distributional equity for more equitable globalization.


Responsibility: Development Research Group, Poverty Team—Branko Milanovic (bmilanovic@worldbank.org), Lyn Squire, Global Development Network. The Global Development Network contributed funding for the research.

Project Code: P085725.

Completion date: July 2005.

Publications

Community Driven Development

This research project generated evidence on the impact of Community Driven Development initiatives by undertaking rigorous evaluations of the programs. The studies that were undertaken under the project were expected to provide robust inter-regional and inter-sector evidence on a number of questions related to Community Driven Development programs. These included, for example, the relationship between social accountability and good governance; the role of community mobilization in building the capacity for broad-based collective action; the relationship between decentralization and service delivery; and the impact of community based approaches to development on household welfare and other indicators.

The first product of this project was a survey paper that highlighted the need for careful evaluations of Community Driven Development and local development initiatives.

Many of the evaluations undertaken as part of this project used rigorous quantitative evaluation methodologies and, where feasible, as in the Pakistan case, an experimental research design. Others used well designed qualitative techniques to address complex questions such as the impact of Community Driven Development on conflict management at the local level.


Project Code: P077725.

Completion date: December 2005.

Trade, Growth, and Poverty in the Least Developed Countries

The first objective of this project is to deepen the understanding of the medium-to-long-run impact of trade liberalization on poverty in selected African countries. The project analyzes how trade liberalization affects the pattern of growth and, in particular, whether the growth it generates is pro-poor. The second objective is to strengthen the capacity of developing country analysts. The project’s case studies include Ghana, Senegal, and Uganda.

In each country a gender-disaggregated, economy-wide, computable general equilibrium simulation model linking macro (trade) policy to growth and poverty has been constructed in collaboration with local researchers. The models are used to conduct simulations to analyze the growth and poverty impacts of possible trade liberalization scenarios (Doha Round, unilateral trade liberalization, etc.) compar-
ing various accompanying fiscal and redistributive measures. Model results are then linked to microsimulation models estimated on household surveys data. These microsimulations allow the analysis to assess the potential income distribution and poverty effect in greater detail and can be also used to test corrective policies.

In addition, micro-econometric analysis of various labor market outcomes (farm to non-farm employment changes, gender employment and wage rates and education investments) and the resulting poverty implications are the second key analytical approach used in the project.

On the microeconomic side, our preliminary results show that trade liberalization reduces women’s intra-household bargaining power in Senegal. This can lead to a lower than expected increase in long-term human capital accumulation with all its negative effects for future poverty reduction. In the case of Uganda, the evidence shows that trade liberalization does not reduce women’s bargaining power; nevertheless, women working in export-oriented crops face discrimination in the form of lack of access to productive land. Finally, our research in Honduras shows that trade liberalization increased, in a significant way, wages and labor participation of Honduran women in the manufacturing sector.

Preliminary project findings were presented at a WIDER project meeting in Accra, Ghana (May 2007); the Sixth PEP Network General Meeting, Lima, Peru (June 2007); the GTAP Annual Conference, Purdue University (2007); and the PEG-Net Conference in Berlin, Germany (September 2007).

Responsibility: Development Prospects Group—Maurizio Bussolo (mbussolo@worldbank.org). With Rafael De Hoyos, World Bank; Jann Lay, Kiel Institute for the World Economy; John Cockburn, Bernard Decalwe, Veronique Robichaud, and Ismael Fofana, Laval University; Charles Ackah, Institute of Statistical, Social, and Economic Research; and Oscar Nuñes.

Project Code: P100407.
Completion date: January 2008.

Publications

Poverty Impacts of Egypt’s Social Fund for Development

Egypt’s Social Fund for Development, together with its development partners such as the World Bank, wanted to evaluate the Fund’s socioeconomic impacts to assess the future direction of expansion of such programs in Egypt. With this objective in mind, the Social Fund for Development financed and supported the country’s data collection agency (which is called CAPMAS) in designing and implementing surveys to generate appropriate data to help evaluate social fund interventions. The World Bank Institute provided technical support in designing and implementing the surveys.

Local researchers carried out the data analysis with help from the World Bank Institute. A preliminary report on the analysis suggests that the Egypt’s Social Fund for Development has had positive impacts on education, health, water, wastewater, roads, and environmental projects. However, micro-credit interventions sponsored by the Fund have produced mixed results. The findings of the preliminary report need to be considered carefully as additional work is required to estimate the impacts of social fund projects more thoroughly.

This research project seeks to do this exactly. It is using the CAPMAS data and examining more rigorously the poverty and other welfare effects of social fund interventions. Efforts are underway to access the CAPMAS data for the analysis.

Responsibility: World Bank Institute Trade Program Division—Shahidur Khandker (skhandker@worldbank.org).
Project Code: P100416.
Completion date: June 2008.

Aid Effectiveness

In the aid-to-results chain, what are the roles of donors, domestic leadership, governance, institutions, and knowledge in effecting final outcomes? Given uncertainty, weak links along the chain, and known areas of diminishing returns, can aid be scaled up to meet the Millennium Development Goals? What are the necessary conditions?

This research project explored the relationship between external assistance and development outcomes focusing on policy formulation and how policies shape final outcomes. It also explored the conditions necessary for aid to contribute to development outcomes.

The analyses used country data and cross-country financial flows data. The work on aid effectiveness highlighted the limitations (and fallacies) of the cross-country analysis employed in most of the literature. The project results showed
that the complex causality chain linking external finance to
development results needs to be broken into discreet ele-
ments that permit a more complete picture of aid effective-
ness based on existing knowledge. This would help in priori-
tizing additional research issues.

Efficient scaling-up of aid to reach the Millennium Devel-
opment Goals would require linking macro elements (such
as monetary management, export competitiveness, and labor
market interventions) with specific, strategic approaches at
the sector level. This would help in identifying the optimal
sequencing of public investment and institutional interven-
tions to reduce total costs over time, including the potentially
adverse impact on export performance.

The project provided a new conceptual framework on aid
and outcomes, and helped clarify the limitations of conven-
tional analysis and discourse over aid effectiveness. The work
on scaling up explored the interface between the microeco-
nomics and macroeconomics of large aid inflows, providing
new approaches on absorptive capacity and aid sequencing.

Responsibility: Office of Senior Vice President Development
Economics/Chief Economist—Mark Sundberg and Punam
Chuhan-Pole (Msundberg@worldbank.org, Pchuhan@world-
bank.org).

Project Code: P098521.
Completion date: December 2007.

Publications

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Goals.” In George Mavrotas and Anthony Shorrocks, eds. Ad-
vancing Development: Core Themes in Development Economics.
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Are There Lasting Impacts of Aid to Poor Areas?
Evidence from Rural China

This research project assessed the longer-term impacts at the
micro-level (household and village) of a large poor-area pro-
gram. The program—the World Bank–financed Southwest
China Poverty Reduction Project—comprised a package of
multi-sector interventions targeted to poor villages using
community-based participant and activity selection. The aim
was to achieve a large and sustainable reduction in poverty.

To address the selection bias, the study use both propen-
sity-score weighted regression and kernel-matching methods
to balance the observable covariates between villages that did
or did not experience an intervention. The study showed that
average household income in the project villages increased
significantly between 1995 and 2000 (the project’s disburse-
ment period). The gains were significantly larger than those
found in the matched control villages. However, most of
these short-term income gains were saved rather than spent.
As a result, the project’s impact was not evident in current
living standards. Modest gains in consumption occurred in
the longer term, in step with the modest long-term increase
in income that could be linked to the project. Four years after
project disbursements ended, both project and control vil-
lages had seen sizeable economic gains, but only modest net
gains to average income were attributable to the project.

Responsibility: Development Research Group, Poverty Te-
mam—Martin Ravallion (mravallion@worldbank.org), Shaohua
Chen (schen@worldbank.org), and Ren Mu.

Project Codes: PO86037 and P095368.
Completion date: December 2007.

Publications

Chen, Shaohua, Ren Mu, and Martin Ravallion. 2006. “Are There
Lasting Impacts of Aid to Poor Areas? Evidence from Rural
Washington, D.C.