

# KCP Program and Accomplishment Report

**July 31, 2004**

**Development Economics  
DEC  
The World Bank**



[www.worldbank.org/kcp](http://www.worldbank.org/kcp)

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## Progress and Accomplishment Report

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### Overview

Trust funds at the World Bank (Bank) are both an instrument to promote partnership, as well as an instrument for getting financing into the Bank. They are increasingly part of an ongoing structure of Donor-Bank dialogue pursuing a common commitment to improve aid effectiveness, which is evolving through the Millennium Development Goals (MDG) and the international consensus emerging from Monterrey, Doha, and Johannesburg. As the importance of the results agenda is gaining prominence, trust funds are a vehicle for partners in development to coalesce around desired outcomes, including strengthening capacity in our developing country clients to pursue the MDGs. The vision for enhanced cooperation through trust funds is a process where the Bank's own priorities are outlined at the corporate level, where there is donor engagement at an institutional level, and where Donor-Bank priorities are then translated into strategic collaboration. This strategy focuses on moving the donors and the Bank towards a wholesale approach through untied and flexible funding arrangements over time.

The Knowledge for Change Program (KCP) was launched in 2001 by the Bank's Development Economics (DEC) Vice Presidency to create an intellectual and financial partnership between policy makers and those charged with service delivery, and to provide flexibility to donors. While the KCP's mission, simply stated, is to make a difference in the world's fight against poverty, it recognizes the complexities involved in the issues and the need for collaboration in achieving its goal. Through the power of ideas and knowledge, the KCP strives to advance the pace and impact of development interventions. The KCP, a multi-donor programmatic trust fund, became operational in 2002 with \$1.6 million of initial contributions received through the generosity of its first donors, Finland and the United Kingdom. In its brief history, the KCP has more than doubled funding for vital research and now includes Canada, Norway, and Switzerland among its donors. Recently the European Commission joined the ranks of KCP donors, bringing total pledges to \$8.0 million. Flexibility to the donors is provided through the KCP's two trust funds (*Poverty Dynamics and Basic Service Delivery Trust Fund*, and *Investment Climate and Trade and Integration Trust Fund*) with opportunities to express strong preference for a particular task such as the World Development Report.

This progress report reviews the KCP's performance as of July 31, 2004. Based on a structured review process, with participation from the Sector Boards, and discussions at the Internal Management Committee, allocations totaling \$6.4 million have been made to 31 projects, 16 in the *Poverty Dynamics and Basic Service Delivery Trust Fund*, and 15 in the *Investment Climate and Trade and Integration Trust Fund*. KCP information is now available online at <http://www.worldbank.org/KCP>. With continued support from partners, to enhance strategic planning, the KCP is now seeking a replenishment of its resources for the next two-three years.

## **I. Introduction**

The Knowledge for Change Program (KCP) was launched in June 2001 by DEC to create an intellectual and financial partnership among donors, policy makers, and those charged with service delivery. While the KCP's mission, simply stated, is to make a difference in the world's fight against poverty, it recognizes the complexities involved in development issues and the need for information and collaboration in achieving its goal. Through the power of ideas and knowledge, the KCP strives to advance the pace and impact of development interventions.

Two trust funds under the KCP support the Bank/Donors' core activities: the *Trust Fund for Poverty Dynamics and Basic Service Delivery*, and the *Trust Fund for Investment Climate and Trade and Integration*. The KCP supports the Bank's overall twin-pillared strategy: building the climate for investment, job creation, increased productivity and sustainable growth; and empowering poor people to participate in development and investing in them.

Established as a multi-donor program, the KCP began with \$1.6 million received from its first donors, Finland and the United Kingdom. In its brief history, the KCP has more than doubled funding for vital research and now includes Canada, Norway, Sweden, and Switzerland among its donors. Recently, the European Commission joined the ranks of KCP donors, bringing the total funds received to \$6.7 million, of which \$6.4 million has been allocated. Outstanding pledges not yet received bring total contributions to \$8.0 million. After two years of operation, the KCP is now seeking a two-three year replenishment to fund a broader and richer research agenda.

We are pleased to present this progress report to review accomplishments and assess further programmatic needs. The details by project in Annexes II and III have been provided by their respective task team leaders (TTLs), mostly researchers in DEC's Research Group (DECRG).

## **II. KCP Objectives**

### *A. Purpose*

The overall objectives of the KCP are to:

- Act as an effective, transparent, and efficient vehicle for the pooling of intellectual and financial resources for data collection, analysis, and research supporting poverty reduction and sustainable development;
- Encourage and improve dialogue with partner agencies, developing country clients, and other interested parties; and,
- As a subsidiary objective, to assist the development of data collection, analysis, and research capacity in client countries.

To support these objectives, the KCP makes funds available for research. It leverages partner resources with the technical strengths of the Bank. In just three years, the KCP has grown from a start-up program of \$1.6 million to an \$8 million program. Finland's three-year pledge in late 2003 further promotes program efficiency allowing for multi-year planning. The Consultative Group has set the tone for success by providing much-needed resources for research and data collection.

In its brief history, the KCP has allocated funding for 31 projects covering a wide range of topics. KCP projects evaluate and analyze topics using development issues as a measuring stick. From evaluating and analyzing basic service options to looking at education and health sectors from a local perspective, KCP studies are comprehensive and thorough. As an instrument for efficient and swift pooling of both intellectual work and financial resources, the KCP has proven to be a fast-track way to get funds working for shared goals and values.

An excellent example of a typical “KCP project” is the World Development Report (WDR) series. About 30 percent of KCP allocations are attributed to three WDR projects:

- **WDR 2004** - \$738,000 were allocated to the WDR 2004, *Making Services Work for Poor People*, which was one of several Bank publications recently selected as “Notable Documents of 2003” by the American Library Association (ALA) and Government Documents Round Table (GODORT). Released in September 2003, this WDR found that services often fail poor people—in access, quality and affordability. The good news from the report is that there are also success stories in water, sanitation, health, and education services. The Report concludes that best results are found where poor people are directly involved in managing local services, such as schools, and have access to information about their services.
- **WDR 2005** - \$712,000 were allocated to the WDR 2005 *A Better Investment Climate for Everyone*, to be released in September 2004. The Report promises to be a comprehensive look at how countries can improve their investment climates to raise prospects for reducing poverty. The study focuses on small and medium-sized enterprises (SMEs), including farms, as the engines of growth and job creation.
- **WDR 2006** - \$400,000 have recently been allocated to support the preliminary studies for the WDR 2006, *Equity and Development*. This Report will give careful consideration to how inequality of opportunity—from income, education, health, social status, and influence—can affect development.

#### *B. Moving Ahead Knowledge for Change*

Representatives from seven KCP donor countries, the European Commission, the Global Development Network, and the United States attended the second meeting of the KCP Consultative Group on April 10, 2003 in Washington, D.C. This meeting provided an opportunity for donors to discuss their concerns about what research was being conducted and the methods employed to carry out the research. Consultative Group members urged continuation of the two-pillared strategy.

#### *C. Capacity Building*

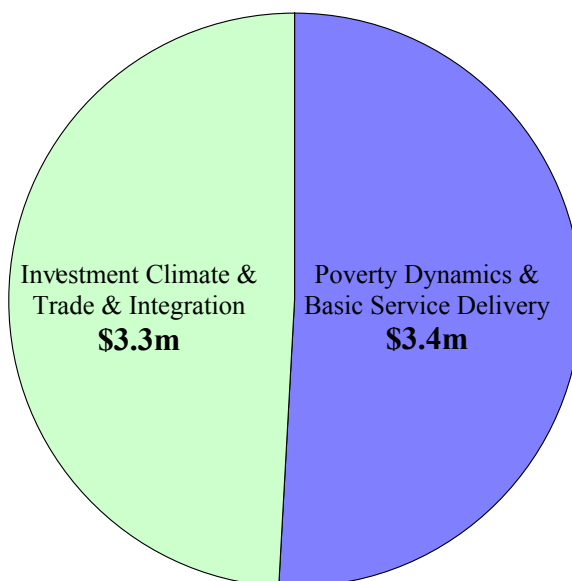
A secondary objective of the KCP is to assist the development of data collection, analysis, and research capacity in client countries. Virtually all the projects have specifically addressed this aim, and in most cases, data collection and analysis are being conducted jointly with local institutions. For example, service delivery surveys and investment climate surveys are conducted in partnership with both local and international institutions, yielding additional benefits of local capacity building and coordinated provision of technical and financial assistance for policy analysis. Working together with local academics, research institutions, and relevant ministries is proving useful in building local capacity and ownership of policy research.

### III. Allocations of Contributions

Since KCP's inception, \$6.7 million has been contributed by and received from seven donors. Based on donor preferences, these contributions have been allocated almost evenly between the two funds (*see* Figure 1).

**Figure 1**

**Donor Contributions Received by Trust Fund**  
*As of July 31, 2004*



Annex I provides details of donor contributions, their distributions into the two trust funds, and their allocations and utilization. The KCP Parent Fund Account Statement, including contributions received for the two trust funds and aggregate allocations made as of July 31, 2004, is shown in Table 1 of Annex I. Contributions by fiscal year is shown in Table 4 of Annex I.

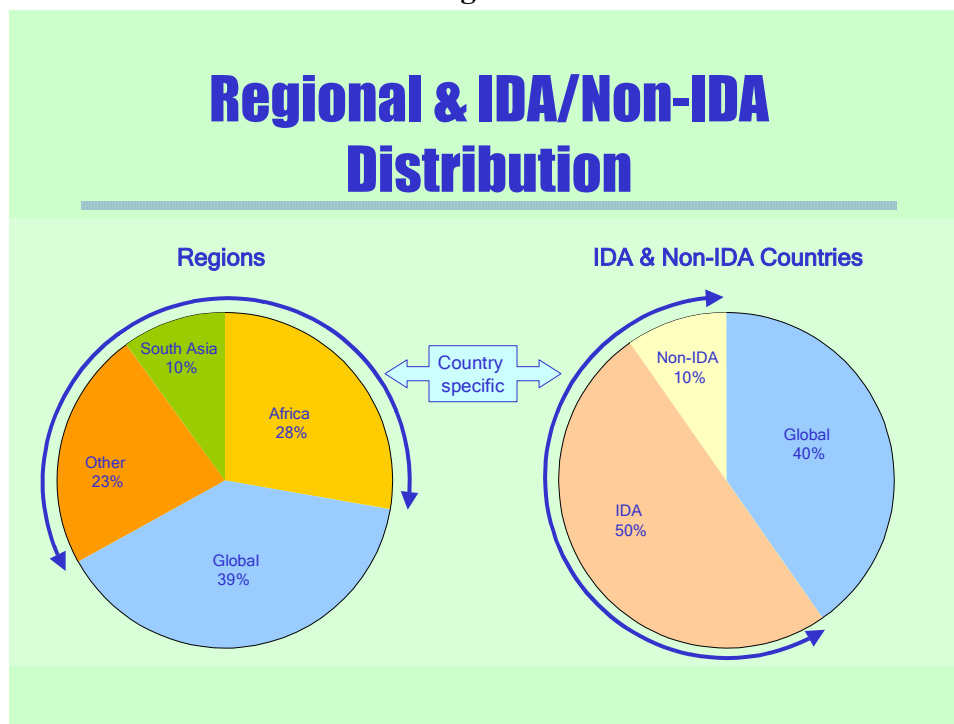
Donor contributions are received by the Bank's Treasury Department, and books are managed by the Bank's Accounting Trust Funds Division. Trust fund monies are invested with investment income accruing to the trust funds supplementing amounts available for allocation. From inception through July 31, 2004, the two KCP funds earned \$138,000.

#### *A. Considerations in Donor Contributions and Pledges*

The KCP has been established as a flexible vehicle that allows the channeling of funds to fit the donors' specific areas of interest. Donors may choose to make a one-time contribution, or preferably, multi-year pledges which allow for more efficient planning and administration. Bank policy precludes donors from specifically earmarking resources under multi-donor trust fund programs like the KCP, however, they may express strong support for certain studies or program activities. KCP donors specify the proportion of funds they wish to contribute to the two KCP trust funds. While some have contributed in equal shares, others have conveyed preferences for one trust fund. To date, there is an almost even split between the two trust funds (*see* Table 4 of Annex I).

In keeping with the KCP charter, funds are targeted toward activities concerning International Development Association (IDA) countries and/or the poorest groups in International Bank for Reconstruction and Development (IBRD) countries, with particular priority for Africa and South Asia. The distribution of the KCP allocations is shown in Figure 2.

**Figure 2**



Approximately 50 percent of the funding is for IDA countries; about 40 percent is for Africa and South Asia. The charts understate the actual impact of total KCP funding on these target countries because research undertaken by the “global” projects is likely to include benefits to the IDA countries (and to Africa and South Asia). The reach of the KCP extends beyond its projects to other countries that could potentially gain from new insights from the KCP knowledge generation projects. A list of countries potentially affected by KCP studies is in Table 5 of Annex I.

#### *B. KCP Proposal Review Process*

Proposed KCP projects go through a rigorous review process, and many do not make it into the KCP review cycle. Proposals are initially reviewed by the directors and research managers in DEC before they advance to the KCP application process. Given that the majority of proposals originate from DEC, it is worth noting DECRG’s review process. The workflow is as follows:

- **DEC’s Research Group (DECRG):** Research managers review proposals within their respective teams. The DECRG management team discusses all prospective applications and ensures that: (i) projects do not compete for the same funding; and (ii) applications are prioritized according to how they fit within the overall research work program. Only a select number of applications make this first phase. The KCP fulfills a unique role in funding activities such as case studies, development of analytic tools and indicators that may not fit the Bank’s more traditional Research Support

Budget (RSB) requirements—in particular, new survey data collection which can bring enormous benefits in knowledge generation. This has been the case for investment climate, public service delivery, and poverty dynamics.

- **Program Administration Unit (PAU):** Since the last Consultative Group meeting in April 2003, the KCP electronic application system has been developed, tested and become operational. The system workflow considers all phases in the decision process -- from the initial request for proposals and up to the final decision made by the Internal Management Committee (IMC). The PAU screens the proposal to ensure that it meets the overall KCP criteria of the charter. The Program Administrator sends the proposal to the respective DEC Director for approval. Once approved, the proposal is sent for peer review. Two reviewers are selected by the relevant Sector Boards. Reviewers provide comments and ratings (good, average, or poor). About 85 percent of all proposals have received the highest rating. The TTL has an opportunity to respond to reviewer comments prior to the IMC meeting.
- **Internal Management Committee (IMC):** The IMC is chaired by the Bank's Chief Economist and Senior Vice President (or his nominee). Other members include DEC's Director of Development Policy, Directors of the Research, Prospects, and Data Groups, the managers from the Partnership and Outreach and the Research Support units, and the KCP Program Manager/Chief Administrative Officer (CAO). Regional Chief Economists and representatives from the networks provide broader Bank perspective. Decisions by the IMC are communicated electronically to the applicants and DEC's management. Separate child trust funds are established for each proposal, and funds are transferred from the parent trust fund accounts. The applications process is completed within 6-8 weeks.

### *C. Progress and Timing of Allocations*

In its brief history, the KCP has accepted 34 applications for consideration and has vetted more than twice that number of project ideas. Thirty-one projects have been approved in all: twenty-four with full requested funding, five with reduced awards, one with change requested, and one with funds subsequently returned because of other available resources for the project; three projects were declined.

<b>KCP Application Statistics</b>	
Approved in full	24
Approved with reduced award	5
Approved with changes requested	1
Approved but funds returned	1
Declined	3
Total Applications	34

All projects approved are summarized in Annex II, by window. Of the 31 projects, 19 were approved as of the last Consultative Group meeting on April 10, 2003. Five of these are operationally complete and another 14 are in progress. Annex III provides progress reports on their utilization.



Since the last Consultative Group meeting in April 2003, allocations to 12 new activities were approved. Profiles of these recently approved activities follow in Annex IV. These projects are just underway in most cases, so the reports outline the proposed projects at this juncture rather than results.

Funding decisions for all projects were based on the criteria outlined in the KCP charter. Proposals should demonstrate relevance to the objectives of the program and provide details of key aspects such as innovation, partners, country participation, deliverables, and development impact. The criteria for assessing proposals includes the degree to which proposals

- are innovative, provide new knowledge and/or pilot/demonstrate impact;
- address the objectives of the Trust Funds (*Poverty Dynamics* and *Basic Service Delivery, and Investment Climate and Trade and Integration*);
- demonstrate country participation and ownership;
- incorporate developing country capacity building;
- can apply to a different country or region;
- achieve results while remaining cost effective, and demonstrate cooperation between different parts of the Bank

#### **IV. Progress on KCP Operations and Funded Activities**

##### *A. Operations*

From an operational perspective, the KCP electronic application system exclusively designed by the PAU for screening, coordination, and administration of research proposals, is working well and efficiently. The application form for funding under the KCP is available by CD-ROM as well as online.

##### *B. Funded Activities*

As of this report, the utilization rate is 70 percent, including projects approved this year. This rate of utilization is solid considering the brief operational period for 12 of the 31 projects. Table 2 of Annex I shows the detailed utilization by project.

#### **V. Conclusion**

The Knowledge for Change Program has contributed significantly to knowledge generation projects in many countries around the world. Much has been accomplished, but more remains to be done to engender partnerships and acquire the needed resources to continue the work already begun. With sustained support of the KCP donors, we will carry on this important work.

## Annex I

**Table 1 - Parent Fund Accounts**

**As of July 31, 2004**

*In US dollars*

	TF050263	TF050264	TOTAL
	Poverty Dynamics & Basic Service Delivery	Investment Climate & Trade and Integration	
Contributions Received			
Finland	2,006,498	1,079,321	3,085,819
United Kingdom	613,720	1,071,080	1,684,800
Canada		703,166	703,166
Norway	503,919		503,919
Sweden		275,653	275,653
Switzerland	265,000		265,000
European Commission		161,059	161,059
<i>Total Contributions Received</i>	3,389,138	3,290,279	6,679,416
Administrative fee (5%)	(169,457)	(164,514)	(333,971)
<i>Net Contributions Received</i>	3,219,681	3,125,765	6,345,446
Investment income	88,754	49,817	138,571
Less:			
Allocations	(3,201,000)	(3,153,356)	(6,354,356)
Reserve for Developing Country Participants			
Expenses in Consultative Group Meetings	(10,000)	(10,000)	(20,000)
<b>Funds available</b>	97,434	12,226	109,660
<b>Notes:</b>			
1 <u>Contributions not yet received</u>			
Finland (EUR 700,000 in CY2005)	429,420	429,420	858,840
European Commission (EUR 132,635 - 50%)		162,732	162,732
United Kingdom (GBP 200,000 of GBP 260,000)		369,191	369,191
<i>Total</i>	429,420	961,343	1,390,763

**Table 2 - Allocations and Utilization**  
**As of July 31, 2004**  
*In US dollars*

<b>Fund</b>	<b>Project Name</b>	<b>Allocation</b>	<b>Actual Disbursed from Inception</b>	<b>Outstanding Commitments</b>	<b>Total Utilization</b>	<b>% Utilized of Allocation</b>
<b><u>POVERTY DYNAMICS (TF050263)</u></b>						
TF051166	The Economics of Civil War, Crime, and Violence	255,000	137,109	87,243	224,352	88%
TF051294	Increasing Access to Land by the Rural Poor in India	81,000	46,599	27,489	74,088	91%
TF051295	The Long-Run Impacts of Health Shocks in Africa	197,000	196,959	0	196,959	100%
TF051296	China: Enhancing the Poverty Impact of the New Land Law	93,000	6,790	22,500	29,290	31%
TF051297	The Human Cost of Indoor Air Pollution: New Estimates for Africa and Southern Asia	197,000	187,160	4,987	192,148	98%
TF051793	M& E Capacity Building in National Statistical Offices, Accountability and Governance in Africa	100,000	43,511	2,400	45,911	46%
TF052594	Country Case Study for PARIS21 Task Team on Improved Support for Monitoring Development Goals <sup>2</sup>	0	0	0	0	0%
TF053492	Evaluating Long-Run Welfare Impacts: Two Case Studies for East Asia	135,000	0	0	0	0%
	<b>TOTAL - POVERTY DYNAMICS</b>	<b>1,058,000</b>	<b>618,129</b>	<b>144,619</b>	<b>762,748</b>	<b>72%</b>
<b><u>BASIC SERVICE DELIVERY (TF050263)</u></b>						
TF051009	Micro-Survey Approach to Health Care Provisions in Poor Countries	290,000	281,607	3,050	284,657	98%
TF051183	Background Studies for WDR 2004	738,000	737,068	400	737,468	100%
TF051186	Perspectives on Making Services Work for Poor People	200,000	191,232	4,200	195,432	98%
TF051762	User Fees in Health Care: An Evaluation of Two Near Natural Experiments of Abolition of User Fees in Africa	100,000	99,667	3	99,670	100%
TF051764	Incentives, Choice, and Accountability in Basic Education Services: Piloting a Micro Survey Approach	200,000	92,967	32,300	125,267	63%
TF052376	Evaluating Frontline Service Delivery: Management and Analysis	80,000	72,769	0	72,769	91%
TF053517	Evaluating the Impact of AIDS Prevention and Treatment Services	135,000	6,442	15,000	21,442	16%
TF053864	World Development Report 2006 : Equity and Development	400,000	6,460	111,650	118,110	30%
	<b>TOTAL - BASIC SERVICE DELIVERY</b>	<b>2,143,000</b>	<b>1,488,211</b>	<b>166,603</b>	<b>1,654,814</b>	<b>77%</b>
<b>TOTAL - POVERTY DYNAMICS &amp; BASIC SERVICE DELIVERY</b>		<b>3,201,000</b>	<b>2,106,340</b>	<b>311,222</b>	<b>2,417,562</b>	<b>76%</b>
<b><u>INVESTMENT CLIMATE (TF050264)</u></b>						
TF050718	Surveys and Assessments in Low-Income Countries and Regions	295,000	294,999	0	294,999	100%
TF051760	Investment Climate Surveys	620,000	569,124	2,205	571,328	92%
TF051761	Emerging Trends in Industrial Competitiveness in East Asia	38,000	34,573	0	34,573	91%
TF051763	Micro Indicators of Financial Development	120,000	46,800	0	46,800	39%
TF051944	Ramping Up Investment Climate Surveys	320,000	239,388	1,200	240,588	75%
TF052955	World Development Report 2005: Investment Climate, Growth, and Poverty <sup>3</sup>	712,000	211,095	37,043	248,138	35%
TF053568	Investment Climate Extension	150,000	0	5,000	5,000	3%
TF053518	Access to Finance and Poverty Alleviation	90,000	0	36,000	36,000	40%
	<b>TOTAL - INVESTMENT CLIMATE</b>	<b>2,345,000</b>	<b>1,395,980</b>	<b>81,448</b>	<b>1,477,428</b>	<b>63%</b>
<b><u>TRADE and INTEGRATION (TF050264)</u></b>						
TF051758	Agricultural Trade Policy	250,000	188,525	25,905	214,430	86%
TF051759	Impact of Liberalization in Textiles and Apparel on Developing Countries	40,000	9,920	3,800	13,720	34%
TF051860	Migration: Development Problems and Opportunities <sup>1</sup>	35,356	35,356	0	35,356	100%
TF052672	Developing Countries and WTO Dispute Settlement: Assessment and Lessons from the Experience to Date	88,000	30,125	50,025	80,150	91%
TF053477	Caribbean Growth and Competitiveness Study <sup>4</sup>	165,000	1,301	132,700	134,001	81%
TF053519	Agricultural WTO Trade Reform & Their Impact on Poverty: Consumption & Income Effects	90,000	0	0	0	0%
TF053882	Kenya - Diagnostic Trade Integration Study <sup>4</sup>	140,000	0	0	0	0%
	<b>TOTAL - TRADE and INTEGRATION</b>	<b>808,356</b>	<b>265,227</b>	<b>212,430</b>	<b>477,657</b>	<b>59%</b>
<b>TOTAL - INVESTMENT CLIMATE and TRADE AND INTEGRATION</b>		<b>3,153,356</b>	<b>1,661,207</b>	<b>293,878</b>	<b>1,955,085</b>	<b>62%</b>
<b>KCP TOTAL ALLOCATIONS (NET OF RETURNS)</b>		<b>6,354,356</b>	<b>3,767,547</b>	<b>605,100</b>	<b>4,372,647</b>	<b>69%</b>

Notes:

1. Project completed. Unused balance of \$ 39,644 returned to parent on February 9, 2004.
2. Project cancelled. Full \$ 70,000 allocation returned to parent on April 7, 2004.
3. Allocation includes GBP 200,000 not yet received from DFID.
4. Allocation includes EUR 132,635 not yet received from the EU.

**Table 3 - Allocations by Fiscal Year**

**As of July 31, 2004**

*In US dollars*

<b>Fund</b>	<b>Project Name</b>	<b>Allocation</b>	<b>2005</b>	<b>2004</b>	<b>2003</b>	<b>2002</b>
<b><u>POVERTY DYNAMICS (TF050263)</u></b>						
TF051166	The Economics of Civil War, Crime, and Violence	255,000			255,000	
TF051294	Increasing Access to Land by the Rural Poor in India	81,000			81,000	
TF051295	The Long-Run Impacts of Health Shocks in Africa	197,000			197,000	
TF051296	China: Enhancing the Poverty Impact of the New Land Law	93,000			93,000	
TF051297	The Human Cost of Indoor Air Pollution: New Estimates for Africa and Southern Asia	197,000			197,000	
TF051793	M& E Capacity Building in National Statistical Offices, Accountability and Governance in Africa	100,000			100,000	
TF052594	Country Case Study for PARIS21 Task Team on Improved Support for Monitoring Development Goals <sup>2</sup>	0			0	
TF053492	Evaluating Long-Run Welfare Impacts: Two Case Studies for East Asia	135,000		135,000		
	<b>TOTAL - POVERTY DYNAMICS</b>	<b>1,058,000</b>	<b>0</b>	<b>135,000</b>	<b>923,000</b>	<b>0</b>
<b><u>BASIC SERVICE DELIVERY (TF050263)</u></b>						
TF051009	Micro-Survey Approach to Health Care Provisions in Poor Countries	290,000				290,000
TF051183	Background Studies for WDR 2004	738,000			738,000	
TF051186	Perspectives on Making Services Work for Poor People	200,000			200,000	
TF051762	User Fees in Health Care: An Evaluation of Two Near Natural Experiments of Abolition of User Fees in Africa	100,000			100,000	
TF051764	Incentives, Choice, and Accountability in Basic Education Services: Piloting a Micro Survey Approach	200,000			200,000	
TF052376	Evaluating Frontline Service Delivery: Management and Analysis	80,000			80,000	
TF053517	Evaluating the Impact of AIDS Prevention and Treatment Services	135,000		135,000		
TF053864	World Development Report 2006 : Equity and Development, Part 1	400,000	400,000			
	<b>TOTAL - BASIC SERVICE DELIVERY</b>	<b>2,143,000</b>	<b>400,000</b>	<b>135,000</b>	<b>1,318,000</b>	<b>290,000</b>
	<b>TOTAL - POVERTY DYNAMICS &amp; BASIC SERVICE DELIVERY</b>	<b>3,201,000</b>	<b>400,000</b>	<b>270,000</b>	<b>2,241,000</b>	<b>290,000</b>
<b><u>INVESTMENT CLIMATE (TF050264)</u></b>						
TF050718	Surveys and Assessments in Low-Income Countries and Regions	295,000				295,000
TF051760	Investment Climate Surveys	620,000			620,000	
TF051761	Emerging Trends in Industrial Competitiveness in East Asia	38,000			38,000	
TF051763	Micro Indicators of Financial Development	120,000			120,000	
TF051944	Ramping Up Investment Climate Surveys	320,000			320,000	
TF052955	World Development Report 2005: Investment Climate, Growth, and Poverty <sup>3</sup>	712,000		712,000		
TF053568	Investment Climate Extension	150,000		150,000		
TF053518	Access to Finance and Poverty Alleviation	90,000		90,000		
	<b>TOTAL - INVESTMENT CLIMATE</b>	<b>2,345,000</b>	<b>0</b>	<b>952,000</b>	<b>1,098,000</b>	<b>295,000</b>
<b><u>TRADE and INTEGRATION (TF050264)</u></b>						
TF051758	Agricultural Trade Policy	250,000			250,000	
TF051759	Impact of Liberalization in Textiles and Apparel on Developing Countries	40,000			40,000	
TF051860	Migration: Development Problems and Opportunities <sup>1</sup>	35,356			35,356	
TF052672	Developing Countries and WTO Dispute Settlement: Assessment and Lessons from the Experience to Date	88,000			88,000	
TF053477	Caribbean Growth and Competitiveness Study <sup>4</sup>	165,000		165,000		
TF053519	Agricultural WTO Trade Reform & Their Impact on Poverty: Consumption & Income Effects	90,000		90,000		
TF053882	Kenya - Diagnostic Trade Integration Study <sup>4</sup>	140,000	140,000			
	<b>TOTAL - TRADE &amp; INTEGRATION</b>	<b>808,356</b>	<b>140,000</b>	<b>255,000</b>	<b>413,356</b>	<b>0</b>
	<b>TOTAL - INVESTMENT CLIMATE &amp; TRADE AND INTEGRATION</b>	<b>3,153,356</b>	<b>140,000</b>	<b>1,207,000</b>	<b>1,511,356</b>	<b>295,000</b>
	<b>KCP TOTAL ALLOCATIONS (NET OF RETURNS)</b>	<b>6,354,356</b>	<b>540,000</b>	<b>1,477,000</b>	<b>3,752,356</b>	<b>585,000</b>
			<b>8.5%</b>	<b>23.2%</b>	<b>59.1%</b>	<b>9.2%</b>

Notes:

1. Project completed. Unused balance of \$ 39,644 returned to parent on February 9, 2004.
2. Project cancelled. Full \$ 70,000 allocation returned to parent on April 7, 2004.
3. Allocation includes GBP 200,000 not yet received from DFID.
4. Allocation includes EUR 132,635 200k not yet received from the EU.

**Table 4 - Contributions Received by Fiscal Year**

**As of July 31, 2004**

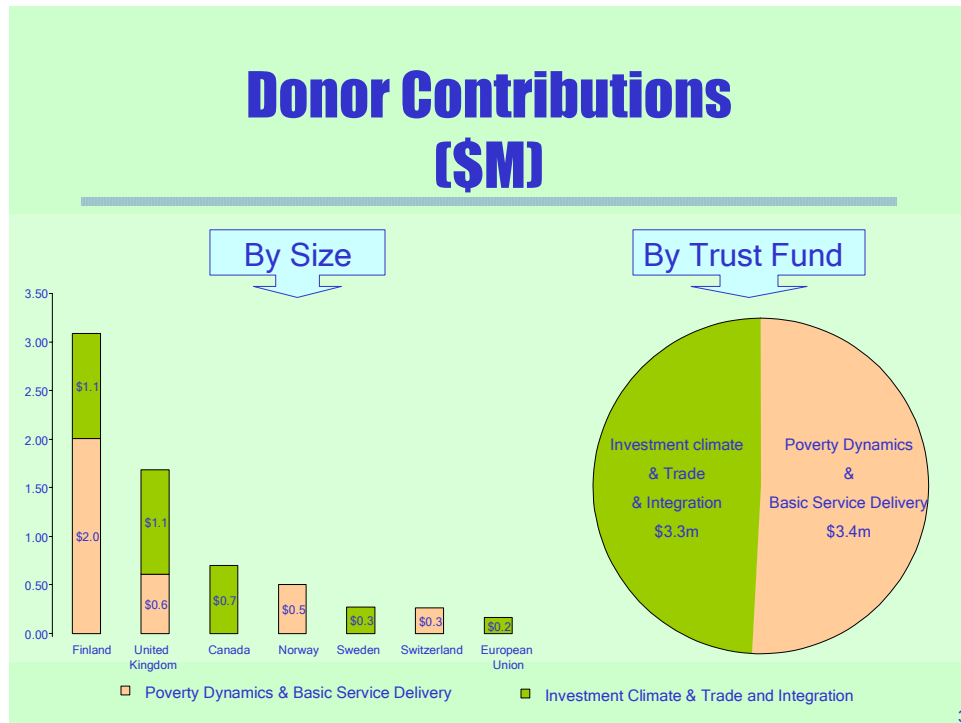
*In US dollars*

DONOR	TF050263 - Poverty Dynamics & Basic Service Delivery					TF050264 - Investment Climate & Trade and Integration					COMBINED				
	TOTAL	FY2005	FY2004	FY2003	FY2002	TOTAL	FY2005	FY2004	FY2003	FY2002	TOTAL	FY2005	FY2004	FY2003	FY2002
Finland	2,006,498	423,570	312,300	825,048	445,580	1,079,321	423,570	312,300		343,451	3,085,819	847,140	624,600	825,048	789,031
United Kingdom	613,720			613,720		1,071,080		108,900	962,180		1,684,800		108,900	1,575,900	
Canada						703,166		358,152	345,014		703,166		358,152	345,014	
Norway	503,919			503,919							503,919		0	503,919	
Sweden						275,653		275,653			275,653		275,653	0	
Switzerland	265,000			265,000							265,000		0	265,000	
European Union						161,059		161,059			161,059		161,059	0	
<i>Total</i>	3,389,138	423,570	312,300	2,207,687	445,580	3,290,279	423,570	1,216,063	1,307,194	343,451	6,679,416	847,140	1,528,364	3,514,882	789,031
<b>Notes:</b> 1 <u>Contributions not yet received</u> Finland (EUR 700,000 in CY2005) European Union (EUR 132,635 - 50%) United Kingdom (GBP 200,000 of GBP 260,000) <i>Total</i>															
	429,420					429,420					858,840				
						162,732					162,732				
						369,191					369,191				
	429,420					961,343					1,390,763				

**Table 5 - Beneficiary Countries**

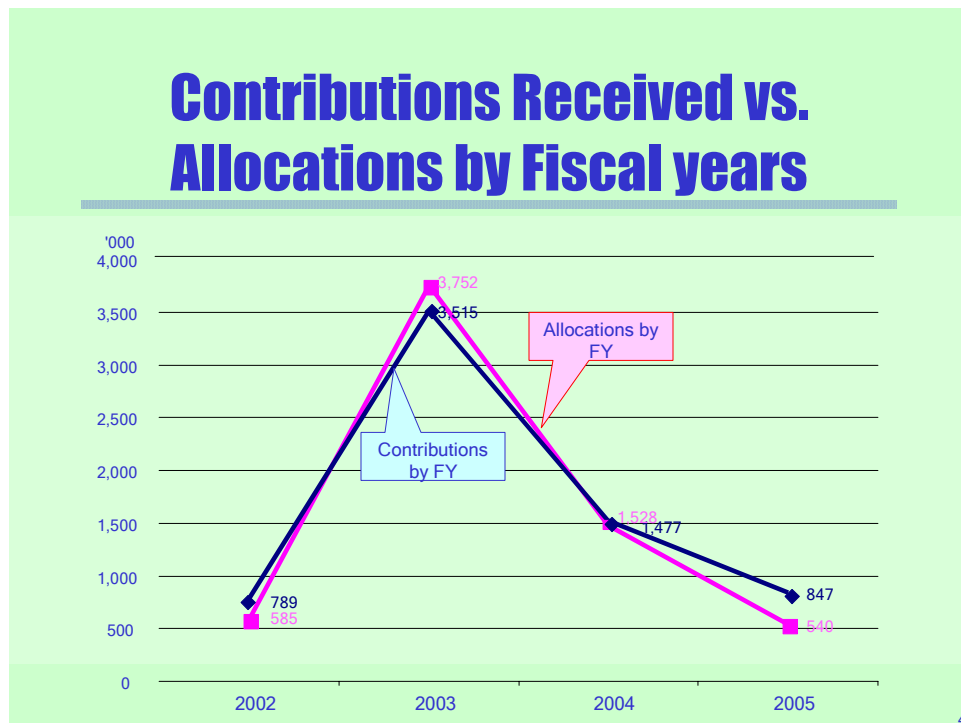
<b>IDA/IDA Blend</b>	<b>Non-IDA</b>
Azerbaijan	Argentina
Bangladesh	Brazil
Bolivia	China
Burkina Faso	Colombia
Cambodia	Czech Republic
Cameroon	Ecuador
Chad	Malaysia
Dominica	Mexico
Ethiopia	Morocco
Ghana	Peru
Grenada	Philippines
Guyana	South Africa
Haiti	Syria
Honduras	Thailand
India	Venezuela
Indonesia	
Kenya	
Madagascar	
Mozambique	
Nicaragua	
Nigeria	
Pakistan	
Senegal	
Serbia and Montenegro	
Sri Lanka	
Tanzania	
Uganda	
Vietnam	
Zambia	

**Chart 1 - Contributions by Donor**



3

**Chart 2 - Allocations by Fiscal Year**



4

Chart 3 - Allocations by Theme

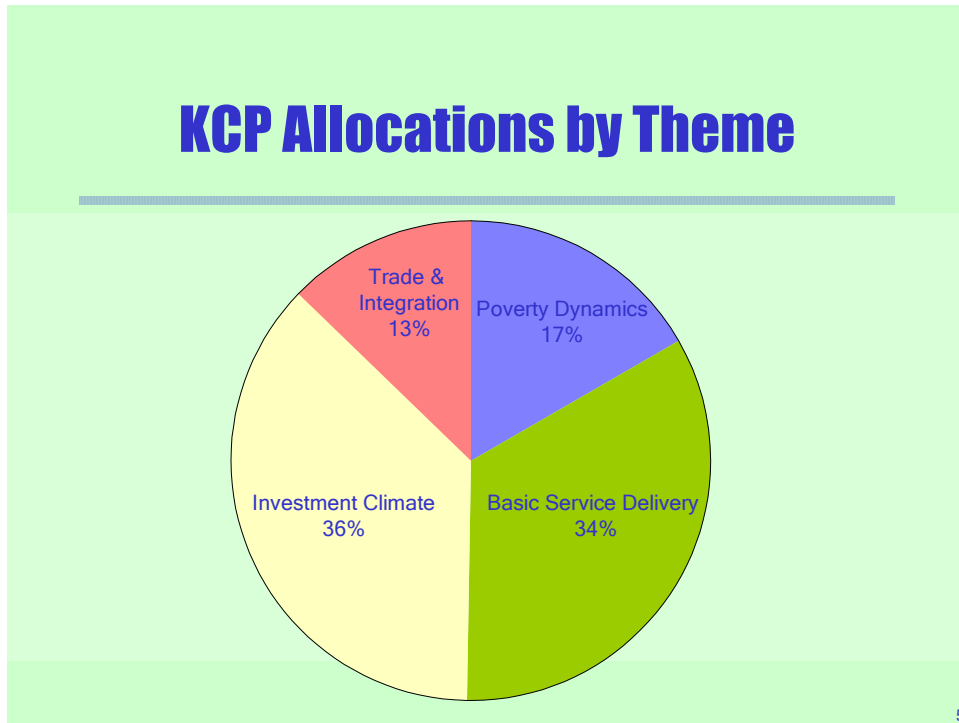
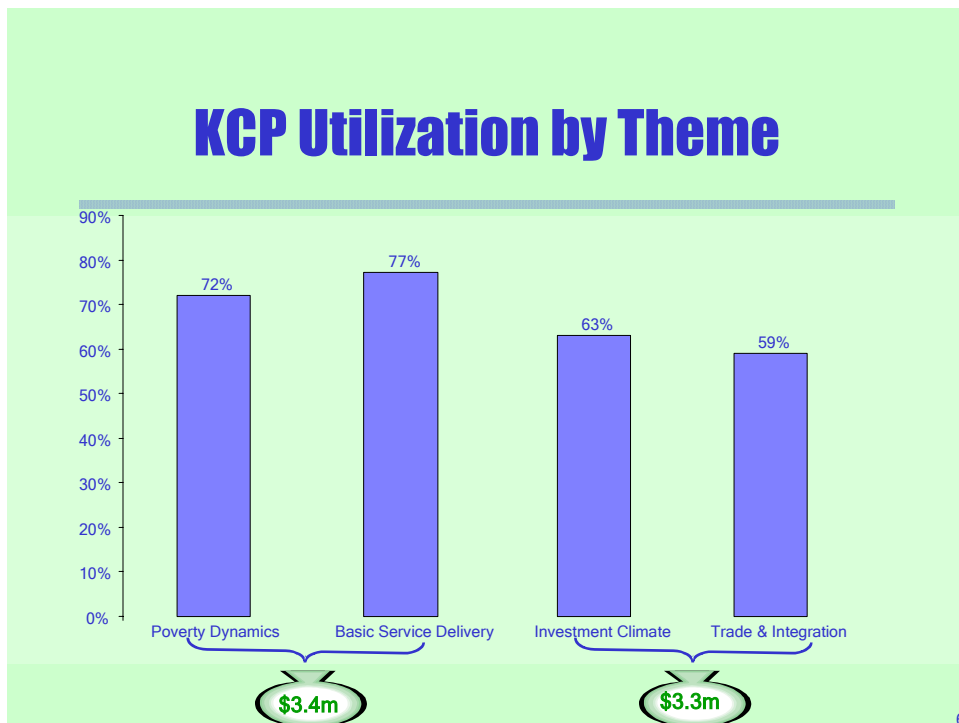


Chart 4 - Utilization by Theme





## **Annex II**

Projects Approved (31) from KCP Inception through July 31, 2004. The information is presented by Trust Fund.

### ***Poverty Dynamics and Basic Service Delivery***

1.	The Economics of Civil War, Crime and Violence	TF051166
2.	Increasing Access to Land by the Rural Poor in India	TF051294
3.	The Long-Run Impacts of Health Shocks in Africa	TF051295
4.	China: Enhancing the Poverty Impact of the New Land Law	TF051296
5.	The Human Cost of Indoor Air Pollution: New Estimates for Africa and Southern Asia	TF051297
6.	M&E Capacity Building in National Statistical Offices: Accountability and Governance in Africa	TF051793
7.	Country Case Study for PARIS 21 Task Team on Improved Services for Monitoring Development Goals ( <i>Allocation Returned to Parent Fund</i> )	TF052594
8.	Evaluating Long-Run Welfare Impacts: Two Case Studies for East Asia	TF053492
9.	A Micro Survey Approach to Health Care Provision in Poor Countries	TF051009
10.	Background Studies for WDR 2004	TF051183
11.	Perspectives on Making Services Work for Poor People	TF051186
12.	User Fees in Health Care: An Evaluation of Two Near Natural Experiments of Abolition of User Fees in Africa	TF051762
13.	Incentives, Choice and Accountability in Basic Education Services: Piloting a Micro Survey Approach	TF051764
14.	Evaluating Frontline Service Delivery: Management and Analysis	TF052376
15.	Evaluating the Impact of AIDS Prevention and Treatment Service	TF053517
16.	World Development Report 2006: Equity and Development	TF053864

### ***Investment Climate and Trade and Integration***

17.	Surveys and Assessments in Low Income Countries and Regions	TF050718
18.	Investment Climate Surveys	TF051760
19.	Emerging Trends in Industrial Competitiveness in East Asia	TF051761
20.	Micro Indicators of Financial Development	TF051763
21.	Ramping Up Investment Climate Surveys	TF051944
22.	World Development Report 2005: Investment Climate, Growth and Poverty	TF052955
23.	Investment Climate Extension	TF053568
24.	Access to Finance and Poverty Alleviation	TF053518
25.	Agricultural Trade Policy	TF051758
26.	Impact of Liberalization in Textiles and Apparel on Developing Countries	TF051759
27.	Migration: Development Problems and Opportunities	TF051860
28.	Developing Countries and WTO Dispute Settlement, Assessment and Lessons from the Experience to Date	TF052672
29.	Caribbean Growth and Competitiveness Study	TF053477
30.	Agricultural WTO Trade Reforms & Their Impact on Poverty: Consumption & Income Effects	TF053519
31.	Kenya – Diagnostic Trade Integration Study	TF053882

### Annex III

Projects Approved (19) from KCP Inception through April 10, 2003 (last Consultative Group Meeting). Of these projects, 60 percent are completed or more than 90 percent utilized. This section reports on the status of the projects as of June 30, 2004.

#### **KNOWLEDGE FOR CHANGE PROGRAM – Semi-Annual Report**

##### **A. BASIC INFORMATION**

Name of activity	KCP-THE ECONOMICS OF CIVIL WAR, CRIME & VIOLENCE	
Which trust fund? <i>(please tick)</i>	x	Poverty dynamics and basic service delivery
		Investment climate and trade and integration
Trust fund number	TF051166	
Closing date	06/30/2005	
Amount allocated	\$255,000	
Executed by <i>(please tick)</i>	x	Bank
		Recipient
Task Team Leader	Ibrahim Elbadawi	

##### **B. FINANCIAL INFORMATION**

###### **1. Is your budget still realistic? If not, in what way?**

Yes, the budget is still realistic; more than 50 percent has been disbursed and the remaining balance will be spent in FY05.

###### **2. Are disbursements still on schedule? Compare with original forecast.**

Yes, disbursements are broadly on schedule.

Disbursements to July 31, 2004	<b>\$137,109</b>
Disbursements for FY04	<b>\$ 21, 014</b>
Outstanding commitments as of July 31, 2004	<b>\$ 87,243</b>

##### **C. PROGRESS MADE DURING REPORTING PERIOD**

###### **1. Summary of activities and progress**

*(Rated Highly Satisfactory; Satisfactory; Unsatisfactory; or Highly Unsatisfactory)*

###### **Research on transitions from conflict (FY04)**

Rating: Highly satisfactory

1. The Policy Research Report on “Breaking the Conflict Trap” released in May 2003, rated highly satisfactory because the report addressed important research and policy implications; has been widely disseminated; and received very positive feedback from

stakeholders inside and outside the Bank. It has also contributed to the shaping of Bank and other donors' agenda in conflict and post-conflict situations.

Civil war conflict is a core development issue. The research identifies the dire impact that civil war has on the development process. Key research findings include: (a) civil wars have adverse ripple effects, which are often not taken into account by those who determine when to start or end a war; (b) some countries are more likely than others to experience civil war conflict and therefore the risks of civil war differ considerably according to a country's characteristics including its economic stability.

Our research suggests that international action to prevent civil wars in poor countries could avert untold suffering, spur poverty reduction, and help to protect people around the world from negative spill-over effects, including drug-trafficking, disease, and terrorism. Contrary to popular opinion, ethnic tensions and ancient political feuds are rarely the primary cause of civil wars. Instead economic forces such as entrenched poverty and heavy dependence on natural resource exports are usually to blame.

The study concludes that the international community has both compelling reasons and the means to prevent such conflicts. It urges three sets of actions to prevent civil wars: more and better-targeted aid for countries at risk, increased transparency of the revenue derived from natural resources, and better timed post-conflict peacekeeping and aid. The study analyzed 52 major civil wars that occurred between 1960 and 1999. The typical conflict lasted about seven years and left a legacy of persistent poverty and disease. The study found that the negative effects of these wars extended far beyond the actual fighting, to neighboring countries and to even to distant, high-income countries.

2. Research proposal on "post-conflict transitions": rated highly satisfactory because it ensures continuity with the earlier themes on causes and consequences of civil wars. It also promises to promote further research on issues of transitions from war to peace. Moreover, this proposal generated very positive feedback within DEC's Research Group.

## **2. Problems encountered/causes for delays**

One contract was delayed as the original consultant could not meet specific conditions of the contract. This has been resolved.

## **3. Changes in project design made or considered**

Changes mainly designed to motivate further research on issues of transitions from war to peace and to research development experiences in post-conflict countries (such as the Comprehensive Development Framework and Poverty Reduction Strategies (PRS) in Post-Conflict Countries).

## **4. Assessment of expected results /impact. *Are you still on track to deliver activities, outputs and project development objective as per your original logframe? If not, please submit revised logframe.***

Yes

**5. Assumptions and risks. *Are there any changes to these from the position in the original application and logframe?***

No
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**6. Other relevant information**

We would hope to apply for further funding in the future to support and envisage follow-up research on transitions from war to peace.
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Completed by: Ibrahim A. Elbadawi

## KNOWLEDGE FOR CHANGE PROGRAM – Semi-Annual Report

### A. BASIC INFORMATION

Name of activity	KCP - INCREASING ACCESS TO LAND BY THE RURAL POOR IN INDIA	
Which trust fund? <i>(please tick)</i>	x	Poverty dynamics and basic service delivery
		Investment climate and trade and integration
Trust fund number	TF051294	
Closing date	06/30/2005	
Amount allocated	\$81,000	
Executed by <i>(please tick)</i>	x	Bank
		Recipient <i>(please specify)</i>
Task Team Leader	Klaus Deininger	

### B. FINANCIAL INFORMATION

#### 1. Is your budget still realistic? If not, in what way?

Yes. The allocation was \$81,000. After an initial setback due to data issues, analysis is now on track.

#### 2. Are disbursements still on schedule? Compare with original forecast.

Given that there has been a significant delay in data availability (see below), there will be a need to extend the implementation period. Also an accounting expense adjustment was made.

Disbursements to July 31, 2004	<b>\$46,599</b>
Disbursements for FY04	<b>\$43,601</b>
Outstanding commitments as of July 31, 2004	<b>\$27,489</b>

### C. PROGRESS MADE DURING REPORTING PERIOD

#### 1. Summary of activities and progress

*(rated Highly Satisfactory; Satisfactory; Unsatisfactory; or Highly Unsatisfactory.)*

Rating: Satisfactory

The objective of this study is to help formulate land policies that promote greater access to land by the poor. We are pleased to report that background information on the legal framework in different states has been collected. The main analytical work was delayed pending the receipt of essential data. To discuss the policy issues and preliminary results and significant support from the Bank's operational department, a 2-day workshop attended by representatives from all states was held in May 2004. This indicated not only the interest in this issue by policy makers but also helped to sharpen the analytical questions.

Despite data collection issues, we have found that it has been possible to expand the scope of the expected work by including specific questions on different modalities of land access as well as demand for land by the poor, differentiated by gender in the monitoring of two Bank sponsored Community Driven Development (CDD) projects that include a land component in Andhra Pradesh (data collection is ongoing). By partnering with the Overseas Development Institute (ODI) and the Department for International Development (DFID), which agreed to conduct supplementary analysis, we can document the extent and impact of informal land transactions, land conflicts, and gender discrimination in land access in the states of Andhra Pradesh and Madhya Pradesh where they have done in-depth village studies.

## **2. Problems encountered/causes for delays**

The National Council of Applied Economic Research (NCAER) encountered significant problems with cleaning and computerization of the panel data that are expected to form the core for analysis. Contrary to expectations, these did not become available during the review period. Due to difficulties encountered by NCAER in data cleaning as well as staff shortages, panel data have just become yet available, implying an extension of the implementation period by 12 months. The region has now issued a draft concept note for a planned piece of Economic and Sector Work (ESW) that would draw on the results of the KCP-funded research, illustrating the immediate operational impact of the work undertaken.

## **3. Changes in project design made or considered**

The NCAER data set is the most reliable nationally on land rental participation, and we have adjusted the project timeframe to allow for the complete collection of data.

## **4. Assessment of expected results /impact.** *Are you still on track to deliver activities, outputs and project development objective as per your original logframe? If not, please submit revised logframe.*

Despite the data challenges, interest from all participants in the topic remains very high, suggesting that the analysis will make a significant impact on the policy discussion.

Completed by: Klaus Deininger

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**KNOWLEDGE FOR CHANGE PROGRAM – Semi-Annual Report**

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**A. BASIC INFORMATION**

Name of activity	KCP - THE LONG-RUN IMPACTS OF HEALTH SHOCKS IN AFRICA	
Which trust fund? <i>(please tick)</i>	<input checked="" type="checkbox"/>	Poverty dynamics and basic service delivery
	<input type="checkbox"/>	Investment climate and trade and integration
Trust fund number	TF051295	
Closing date	06/30/2004	
Amount allocated	\$197,000	
Executed by <i>(please tick)</i>	<input checked="" type="checkbox"/>	Bank
	<input type="checkbox"/>	Recipient <i>(please specify)</i>
Task Team Leader	Kathleen Beegle	

**B. FINANCIAL INFORMATION**

**1. Is your budget still realistic? If not, in what way?**

For the original scope of work, the budget was realistic. Subsequently, we broadened our scope of work to involve surveying more households with a longer household questionnaire. This includes tracking individuals who moved out of the region to other parts of Tanzania. Consequently, the overall cost of the field work has been significantly higher. Funds for the additional field activities have been provided by DANIDA (approximately \$184,000). An additional \$35,000 is pending.

**2. Are disbursements still on schedule? Compare with original forecast.**

Yes.

Disbursements to July 31, 2004	<b>\$ 196,959</b>
Disbursements for FY04	<b>\$ 192,796</b>
Outstanding commitments as of July 31, 2004	<b>\$ 0</b>

## C. PROGRESS MADE DURING REPORTING PERIOD

### 1. Summary of activities and progress

(rated *Highly Satisfactory*; *Satisfactory*; *Unsatisfactory*; or *Highly Unsatisfactory*.)

Rating: Highly satisfactory

The goal of this project is to understand how households are affected by health shocks in the long run. The core activities of this project started as scheduled in FY04. By June, the main field work was successfully completed. This consisted of interviews with over 1,700 households (8,600 individuals), in addition to community, price, and primary school questionnaires administered in 51 communities. All of these data have been entered and verified in the data entry program. We are well on our way to begin the analysis, which we are confident will give us a whole new window of research on assessing the impact of HIV/AIDS on households and individuals.

### 2. Problems encountered/causes for delays

Field work started in January 2004, slightly later than planned to accommodate the large-scale tracking effort in Oct-Dec 2003. Since the fieldwork start, there have been no major problems encountered. Data entry has gone smoothly and the field team has been working effectively and efficiently.

### 3. Changes in project design made or considered

In order to complete as many re-interviews as possible, we have extended the tracking phase of the field work until the end of August 2004. Data entry has thus been extended until the end of October 2004 to accommodate the additional questionnaires. Funding for these activities has come from DANIDA.

### 4. Assessment of expected results /impact. *Are you still on track to deliver activities, outputs and project development objective as per your original logframe? If not, please submit revised logframe.*

Yes, the project is on track. Upon completion of the data entry activities, analysis will begin. This will cover a range of important topics related to assessing the impact of HIV/AIDS on households and individuals, including impact on: living arrangements, schooling and nutritional status of orphans, poverty status, labor allocation, uptake of cash crops, health care patterns, migration patterns, etc. Plans for several papers have been developed with the expectation that by early spring drafts will be prepared for distribution within the Bank, as well as among policymakers and donors in Tanzania.

In addition to producing valuable empirical studies of these long-run impacts, the successful data collection of this project will demonstrate the feasibility of collecting detailed panel data in low-income settings. These data collection efforts are normally conducted in only high-income settings despite the value of such data in understanding long-run processes in developing countries.



**5. Assumptions and risks.** *Are there any changes to these from the position in the original application and logframe?*

There have been no changes from the position in the original application and logframe.

**6. Other relevant information**

The project is proceeding successfully and has been expanded with additional funding from DANIDA, which will strengthen the analytical studies from these data.

Despite the widely held view that the HIV/AIDS epidemic is a major threat to social and economic development, household-level socioeconomic data and research that examine the dynamics of the impact of a prime-age death on survivors are scarce for short-run impacts and speculative and anecdotal for long-run implications. The unique set of information in this data set will offer the opportunity to evaluate how individuals are affected by prime-age adult mortality due to HIV/AIDS and other causes.

Completed by: Kathleen Beegle

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## KNOWLEDGE FOR CHANGE PROGRAM – Semi-Annual Report

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### A. BASIC INFORMATION

Name of activity	KCP - CHINA: ENHANCING POVERTY IMPACT OF THE NEW LAND LAW	
Which trust fund? <i>(please tick)</i>	X	Poverty dynamics and basic service delivery
		Investment climate and trade and integration
Trust fund number	TF051296	
Closing date	12/31/2004	
Amount allocated	\$93,000	
Executed by <i>(please tick)</i>	X	Bank
		Recipient <i>(please specify)</i>
Task Team Leader	Klaus Deininger	

### B. FINANCIAL INFORMATION

#### 1. Is your budget still realistic? If not, in what way?

Yes. The preliminary analysis of village-level data indicated a need to expand on the household survey component and to add some information on land takings. To do so within the budget allocated, discussions are being held with DFID and the Bank's operational department to obtain additional funding.

#### 2. Are disbursements still on schedule? Compare with original forecast.

While the need to adjust implementation schedules by the National Bureau of Statistics (NBS) so as not to conflict with periods where their field staff is busy with those activities required an extension of the implementation period, a contract for \$50,000 for the main field work will be finalized within the next couple of weeks to bring the disbursement schedule up to expectations.

Disbursements to July 31, 2004	<b>\$ 6,790</b>
Disbursements for FY04	<b>\$ 0</b>
Outstanding commitments as of July 31, 2004	<b>\$22,500</b>

### C. PROGRESS MADE DURING REPORTING PERIOD

#### 1. Summary of activities and progress

*(rated Highly Satisfactory; Satisfactory; Unsatisfactory; or Highly Unsatisfactory.)*

Rating: Highly satisfactory

Even though the decision to start a village survey very soon after the law had been passed entailed some risk (the law may not be implemented), field work that was carried out in preparation of the village survey in September 2003 revealed high awareness of the law and a considerable amount of implementation activity. This allowed us to design an

interesting and timely village survey instrument.

Following a national workshop to train enumerators, this village-level instrument was administered in November and December 2003 to village leaders in 1,105 villages all over China, with data delivered in early January 2004. NBS staff visited Washington early in 2004 to work jointly on the analysis of these data and to develop a household survey instrument to complement the village level assessment.

NBS has also made available a 30 percent sample of their regular household survey for analysis; a paper analyzing these data is underway and due for publication as a working paper and has been submitted to *World Development*.

Over and above its commitments under the project, NBS added a number of questions to the schedule administered to households in January 2004, illustrating their interest in the issue.

Based on discussions with policy makers during the September 2003 mission, I made a presentation at the March 2004 meeting of the Expert Group on rural development organized by the Chinese Academy of Sciences. The paper made strong recommendations that we hope will have a direct impact on policy making. Also, partly as a result of the interest generated through the project, the region is considering a formal and major piece of economic and sector work (ESW) in FY05.

## **2. Problems encountered/causes for delays**

None, except the need to fit the time schedule to NBS's regular activities.

## **3. Changes in project design made or considered**

We are discussing with NBS the possibility to include a module on land-taking to provide empirically based insights on this highly controversial issue.

## **4. Assessment of expected results /impact. *Are you still on track to deliver activities, outputs and project development objective as per your original logframe? If not, please submit revised logframe.***

Despite considerable interest by policy makers in the impact of land policy, for more than 20 years, information on this issue has been limited to small samples that lacked national representation. The project demonstrates for the first time the huge regional variations in institutional arrangements, implying a quantum leap in the type of information available. Even though serious analysis has not yet started, the task team leader (TTL) has already been invited to present preliminary descriptive statistics at a high-level meeting. This indicates that, over and above the insights into the evolution of property rights, it is expected that the information that this project will produce will be of great use in the policymaking process.

Completed by: Klaus Deininger

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**KNOWLEDGE FOR CHANGE PROGRAM – Semi-Annual Report**

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**A. BASIC INFORMATION**

Name of activity	KCP-THE HUMAN COST OF INDOOR AIR POLLUTION: NEW ESTIMATES FOR AFRICA AND SOUTHERN ASIA	
Which trust fund? <i>(please tick)</i>	<input checked="" type="checkbox"/>	Poverty dynamics and basic service delivery
	<input type="checkbox"/>	Investment climate and trade and integration
Trust fund number	TF051297	
Closing date	06/30/2004	
Amount allocated	\$197,000	
Executed by <i>(please tick)</i>	<input checked="" type="checkbox"/>	Bank
	<input type="checkbox"/>	Recipient <i>(please specify)</i>
Task Team Leader	David Wheeler	

**B. FINANCIAL INFORMATION**

**1. Is your budget still realistic? If not, in what way?**

Project funds have been sufficient to cover an in-depth South Asian study, in Bangladesh, and production of the indoor air pollution atlas will be possible. Extension of the same in-depth study to Africa will require financial support by an AFR Operations team. A funding proposal for the required study has been prepared and will soon be submitted to the Energy Sector Management Assistance Programme (ESMAP).

**2. Are disbursements still on schedule? Compare with original forecast.**

Yes

Disbursements to July 31, 2004	<b>\$187,160</b>
Estimated Disbursements for FY04	<b>\$168,910</b>
Outstanding commitments as of July 31, 2004	<b>\$ 4,987</b>

**C. PROGRESS MADE DURING REPORTING PERIOD**

**1. Summary of activities and progress**

( rated Highly Satisfactory; Satisfactory; Unsatisfactory; or Highly Unsatisfactory)

Rating: Highly satisfactory

We have been reminded through this study that capacity building through training and implementation by a local team is a critical factor in success. This local team approach will be used in Bank operations for Zambia to do similar work on indoor air quality. Funds have been secured from the Bank's Environmentally and Socially Sustainable Development Network (ESSD) to do the work—thus leveraging KCP research to do

similar projects in other countries. The same team can continue to do the work in neighboring countries.

Consultation with South Asia Operations colleagues has led to inclusion of this project in the region's work program for FY04-05. The in-depth study for Bangladesh has been particularly welcomed by Operations, because little concrete information has been available on indoor air pollution and health impacts in Bangladesh. The Bangladesh study features real-time monitoring of air quality in several hundred poor households, along with detailed surveys of socioeconomic conditions that determine the use of biomass fuels and household members' exposure to the resulting indoor pollution. Air quality monitoring and the household survey work have been implemented in two stages. For this project, a key result will be a detailed model of the relationships linking socioeconomic conditions, biomass fuel use, exposure to indoor air pollution, and health damage in poor households.

Three main research findings produced by the Bangladesh Survey include *Air Quality and Its Determinants*, a working paper published in the DECRG Series; *Personal Exposure to Indoor Air Pollution*, a working paper in process and soon to be finalized; and a working paper on "Self Assessed Health," which will be forthcoming. The study has sparked a demand for further research and analyses as a follow up to the KCP study.

Notable project accomplishments mentioned in previous donor reports include:

- (1) Full implementation by an all-Bangladeshi team, trained for this project and led by an internationally respected Bangladeshi scientist who specializes in monitoring air quality. The team and its equipment are fully prepared to continue this important work in Asia, with possible deployment to Africa as part of Operations' new work program on indoor air pollution in that region.
- (2) First employment of real-time, 24-hour monitoring equipment at the village level, with very large quantities of information generated on patterns of pollution exposure in poor households.
- (3) First measurement at the village level of the air pollutant now estimated to cause the most serious health damage: fine particulates of diameter 2.5 microns or less (PM 2.5).
- (4) Household-matched information on monitored pollution and detailed activity patterns, so that actual exposures and health impacts can be assessed along with levels of indoor air pollution.

Other valuable research underway is the compilation of lists of local and inexpensive building materials that promote good indoor air environment and of cost effective improvements to existing homes.

## 2. Problems encountered/causes for delays

Training the team and debugging the monitoring equipment took time, but the village survey work in Bangladesh has remained on schedule.

## 3. Changes in project design made or considered

Per Item 1, the in-depth survey will focus on South Asia (Bangladesh).

## 4. Assessment of expected results /impact. Are you still on track to deliver activities, outputs and project development objective as per your original logframe? If not, please submit revised logframe.

Narrative Summary	Key Performance Indicators	Monitoring and Evaluation	Critical Assumptions
3. Expected Outputs	3A Output indicators	3B	3C (Link from Outputs to Objective)
<ul style="list-style-type: none"> <li>Integrated, geo-coded database</li> <li>PC-driven model for projection of health damage from indoor air pollution</li> <li>Risk atlases for Africa and Southern Asia</li> <li>International dissemination</li> </ul>	<ul style="list-style-type: none"> <li>Formatted, documented database available by Q2, FY05</li> <li>Published report and documentation</li> <li>Published atlases</li> <li>Workshop in South Asia (Bangladesh)</li> </ul>	<ul style="list-style-type: none"> <li>Publication of database manual</li> <li>Content of report and documentation.</li> <li>Content of atlases</li> <li>Workshop reports</li> </ul>	<ul style="list-style-type: none"> <li>Distribution of database to interested partner-country agencies and NGO's.</li> <li>Distribution of PC-driven model and risk atlases to interested partner-country agencies and NGO's.</li> <li>Workshop attendance by key implementing agents from partner countries.</li> </ul>

Completed by: David Wheeler

## KNOWLEDGE FOR CHANGE PROGRAM – Semi-Annual Report

### A. BASIC INFORMATION

Name of activity	KCP - M&E CAPACITY BUILDING IN NATIONAL STATISTICAL OFFICES: ACCOUNTABILITY AND GOVERNANCE IN AFRICA	
Which trust fund? <i>(please tick)</i>	<input checked="" type="checkbox"/>	Poverty dynamics and basic service delivery
	<input type="checkbox"/>	Investment climate and trade and integration
Trust fund number	TF051793	
Closing date	12/31/2004	
Amount allocated	\$100,000	
Executed by <i>(please tick)</i>	<input checked="" type="checkbox"/>	Bank
	<input type="checkbox"/>	Recipient <i>(please specify)</i>
Task Team Leader	Vilas Mandlekar	

### B. INANCIAL INFORMATION

#### 1. Is your budget still realistic? If not, in what way?

The budget amount of \$100,000 is realistic based on the deliverables agreed to in this project. Currently, \$43,500 has been disbursed. The remaining funds will be utilized by the end of 2004.

#### 2. Are disbursements still on schedule? Compare with original forecast?

Disbursements are current at this juncture.

Disbursements to July 31, 2004	<b>\$ 43,511</b>
Disbursements for FY04	<b>\$ 21,131</b>
Outstanding commitments as of July 31, 2004	<b>\$ 2,400</b>

### C. PROGRESS MADE DURING REPORTING PERIOD

#### 1. Summary of activities and progress

*(rated Highly Satisfactory; Satisfactory; Unsatisfactory; or Highly Unsatisfactory)*

Rating: Satisfactory

The overall goal of this project is to build statistical capacity in NSOs in African countries. We are also aiming for two specific outcomes—standardized file manuals and training materials in English and French to provide training to NSO staff on standardizing their household survey data. Two successful in-house (at Headquarters) training sessions were held for participants from the Cameroon and Zambian NSOs.

Two in-country two-week workshops were held in March and April 2004 in Guinea and Uganda. Based on the results of these workshops, we plan to have a regional workshop during late summer or fall 2004, to which 10-12 country participants would be invited. Participants from the in-country workshops already conducted would possibly return for the regional workshop.

## **2. Problems encountered/causes for delays**

We have had some scheduling problems with the in-country workshops for NSO staff in some countries. The scheduling problems were compounded due to the unavailability of expert consultants in AFR to undertake these workshops.

We have tried timing in-country workshops soon after a country has conducted a household survey. That gives the NSOs tools to build statistical capacity using their own data and thereby see the results right away. However, this is not always possible. Doing so has run into scheduling problems both for the Bank consultants and also for the NSO staff. We were not able to conduct a workshop in some of our target countries during the second or third quarter of FY04.

## **3. Changes in project design made or considered**

No changes are being considered at present.

## **4. Assessment of expected results /impact.** Are you still on track to deliver activities, outputs and project development objective as per your original logframe? If not, please submit revised logframe.

As indicated, we are still on track to deliver the country and regional workshops, which can be used as models to replicate in other regions. A critical step is the assessment we make of our in-country workshops in terms of the sustainability of the knowledge transfer to these countries. Another concern is how to adjust the training delivery so that the focus of preparing standardized files, and therefore the monitoring of poverty trends, moves to the country NSOs.

## **5. Assumptions and risks.** *Are there any changes to these from the position in the original application and logframe?*

The risk outlined in the proposal about the countries being unwilling to share their household survey data, though it exists, is a much smaller risk given our experience in the region thus far.

Completed by: Vilas Mandlekar



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## KNOWLEDGE FOR CHANGE PROGRAM – Semi-Annual Report

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### A. BASIC INFORMATION

Name of activity	KCP - KNOWLEDGE FOR CHANGE : PILOTING A MICRO SURVEY APPROACH TO HEALTH CARE PROVISION IN POOR COUNTRIES	
Which trust fund? <i>(please tick)</i>	X	Poverty dynamics and basic service delivery
		Investment climate and trade and integration
Trust fund number	TF051009	
Closing date	12/31/04	
Amount allocated	\$290,000	
Executed by <i>(please tick)</i>	X	Bank
		Recipient <i>(please specify)</i>
Task Team Leader	Ritva Reinikka	

### B. FINANCIAL INFORMATION

#### 1. Is your budget still realistic? If not, in what way?

The budget is realistic for FY05 extension to 12/31/04. We will commit and disburse the remainder of the funds during September – December 2004 for ongoing survey work, production of reports, and dissemination.

#### 2. Are disbursements still on schedule? Compare with original forecast.

Only a small amount yet to be committed and disbursed. Disbursements are on schedule.

Disbursements to July 31, 2004	<b>\$ 281,607</b>
Disbursements for FY04	<b>\$ 50,533</b>
Outstanding commitments as of July 31, 2004	<b>\$ 3,050</b>

### C. PROGRESS MADE DURING REPORTING PERIOD

#### 1. Summary of activities and progress

*(rated Highly Satisfactory; Satisfactory; Unsatisfactory; or Highly Unsatisfactory)*

Ratings:

**Chad:** Satisfactory

After long delays due to public sector rigidities and difficulties in finalizing an agreement with a local consulting team, the Chad health facility survey was conducted during May-June 2004. A training session of the local consulting team was held in N'Djamena and a pilot of the questionnaires took place in late April-early May. Data was collected from mid-May to mid-

June. Data processing and analysis is planned now underway and a diagnostic report on service delivery in the health sector is expected to be completed this Fall (2004).

The diagnostic report will examine the main characteristics of health facility centers, the behavior of the health personnel and the allocation and use of financial resources and their main sources. The report should help understand the observed variation in the performance of health centers, to improve efficiency and propose measures to reduce these differences.

**Madagascar:** Satisfactory

The Madagascar study is part of this pilot, but it receives most of its KCP support through another window/project, which focuses on the impact of user fees on service delivery. The first survey of health facilities in Madagascar was completed in 2003, and less than perfect data collection in 2003 led to an extended period of data cleaning.

The data for the first round of health facilities surveys has been finally cleaned and put to use. The analysis so far shows timid but encouraging results. Two papers in the early draft stage will be circulated soon for comment: (1) community financing using willingness to pay techniques and (2) determinants of health facilities (in)efficiency using a stochastic frontier approach. Several papers to follow will include the impact of user fees on demand and quality of care.

The second round of the survey has been financed and should be fielded in the second half of 2005. Institut National de la Statistique (INSTAT) in Madagascar will again field the survey, but more controls will be put in the data entry programs with the help of our data management specialist. We will also provide more supervision to ensure higher quality data in a shorter time span. INSTAT has already internalized the questionnaires and gained much experience on this particular type of survey from learning-by-doing on the first round.

**Mozambique:** Highly satisfactory

The Mozambique Expenditure Tracking and Service Delivery Survey (ETSDS) focuses on the primary level of the national health system, which is the main provider of health services in Mozambique. The objective of the survey was to provide quantitative and qualitative evidence on how current systems and procedures for budgeting and supply management impact efficiency, equity, and quality in the delivery of primary health care. By collecting linked survey data from district authorities, health facilities, health workers, and users, the survey provides evidence on service delivery unavailable from routine management information systems. In doing so, it offered a unique perspective on a number of system weaknesses that impact frontline services.

The survey fieldwork was completed in October 2002, after which the data were analyzed and a preliminary report was prepared. The survey showed how a lack of clear and enforceable resource allocation criteria combined with weak implementation capacity results in notable inequities across districts and facilities in the allocation of drugs, staff, and other resources. It also documented inconsistencies and gaps in record-keeping on finances, drugs, and human resources that hamper both control and strategic resource allocation. Finally, the survey provided evidence on a striking heterogeneity across districts and facilities in the implementation of user charge policy, which had an inequitable impact on users and

implications for transparency and control. The findings shed new light on public expenditure management and service delivery issues in the health sector in Mozambique, and offered an illustration of how detailed survey work can complement more traditional public expenditure analysis.

The PETS/QSDS findings were presented at the Annual Consultative Meeting of the Ministry of Health (MOH) in June 2003. The report was subsequently revised and the final report was published by MOH and Ministry of Finance (MOF) as a book in January 2004. As a final dissemination exercise, three regional workshops were held in January 2004. Each workshop included representatives from MOH and MOF, from both central, provincial, and district level. During the workshops, presentations of key findings were followed by a plenary discussion and group work to identify solutions to the problems identified in the survey. After the workshop, a summary of conclusions and recommendations was prepared, and is currently being discussed jointly by the MOF and MOH. Overall, the findings have generated considerable discussion of a number of key policy issues and were reported extensively in the media.

**Outputs:**

Primary Health Care in Mozambique: Service Delivery in a Complex Hierarchy (April 2004). Africa Region Human Developing Working Paper 69. World Bank, Washington, D.C.  
<http://www.worldbank.org/afr/hd/wps/ww1-1888%20final%20p%201.pdf>

O Nível Primário do Sector da Saude em Moçambique: Resultados de Um Inquérito sobre Financiamento, Gestão e Prestação de Serviços, (Portuguese) November 2003. Maputo, Moçambique: PRINCIPIA, Publicações Universitárias e Científicas; Ministério do Plano e Finanças e Ministério da Saúde da República de Moçambique. Description of the book:  
<http://www.worldbank.org/research/projects/publicspending/tools/newtools.htm#Mozambique>.

The book: [http://www.worldbank.org/research/projects/publicspending/tools/Mozambique/PETS/Copy of Despesa publica.com.a.saude.2004.pdf](http://www.worldbank.org/research/projects/publicspending/tools/Mozambique/PETS/Copy%20of%20Despesa%20publica.com.a.saude.2004.pdf)

Results were featured in a public services research newsletter (Spring 2004) sent to subscribers inside and outside the Bank.  
<http://www.worldbank.org/research/projects/publicspending/psnewsletters/psnewsletters.spring.2004.htm>

**Nigeria: Satisfactory**

The data obtained through a health facility and local government survey was analyzed during February-May 2003. The analysis focused on the role of local governments and community participation in primary health service delivery in Nigeria. This was the broad area of analysis agreed upon with our government partners for this study. A report was prepared in June 2003, cleared by a peer review process in the country team, and submitted to the government. We have received no feedback as yet as to the government's response.

The report contains valuable new evidence on the functioning of decentralized service delivery institutions, which is highly relevant for policies to promote public accountability for basic

services. It presents findings from a survey of 252 primary health facilities and 30 local governments carried out in the states of Kogi and Lagos in Nigeria in the latter part of 2002. Nigeria is one of the few countries in the developing world to systematically decentralize the delivery of basic health and education services to locally elected governments. Its health policy has also been guided by the Bamako Initiative to encourage and sustain community participation in primary health care services. The survey data provide systematic evidence on how these institutions of decentralization are functioning at the level local—governments and community based organizations—to deliver primary health service. The evidence shows that locally elected governments indeed do assume responsibility for services provided in primary health care facilities. However, the service delivery environments between the two states are strikingly different. In largely urban Lagos, public delivery by local governments is influenced by the availability of private facilities and proximity to referral centers in the state. In largely rural Kogi, primary health services are predominantly provided in public facilities, but with extensive community participation in the maintenance of service delivery. The non-payment of health staff salaries in Kogi—which is suggestive of problems with local accountability when local governments are heavily dependent on fiscal transfers from higher tiers of government—is highly relevant for decentralization policies.

Further research on emerging issues of interest identified in the report (on local governance and community participation, as discussed below) will be disseminated through publications in leading journals on health and development in Africa.

**Outputs:**

Primary Health Care in Nigeria: Decentralized Delivery of Primary Health Services in Nigeria (forthcoming). Africa Region Human Development Working Paper 70. Washington, D.C. Final draft available at <http://www.worldbank.org/research/projects/publicspending/tools/Nigeria/AFRHDWP S70.Nigeria.June15.2004.pdf>

Local Government Accountability for Service Delivery in Nigeria. Paper presented at Growth, Poverty Reduction, and Human Development in Africa Conference, Center for the Study of African Economies (CSAE), Oxford University, March 16, 2004) and Politics and Service Delivery Conference at the World Bank (April 2004)

Processed draft: [http://www.worldbank.org/research/wdr/WDR2004/papers/stuti\\_nigeria.pdf](http://www.worldbank.org/research/wdr/WDR2004/papers/stuti_nigeria.pdf)

Results were featured in a public services research newsletter (Spring 2004) sent to subscribers inside and outside the Bank. <http://www.worldbank.org/research/projects/publicspending/psnewsletters/psnewsletters.spring.2004.htm>

**Uganda:** Highly satisfactory

The first QSDS survey was completed in 2001 in collaboration with the Makerere Institute for Social Research. Two outputs have been published from the first QSDS survey in health care in Uganda. They have been widely disseminated in Uganda and elsewhere, both in print and in seminars and conferences. Specifically, the 2004 World Development Report made use of the second research output, highlighting the role of not-for-profit service providers.

**Outputs:**

“Health Care on the Frontline: Survey Evidence on Public and Private Providers in Uganda.” 2003. Africa Region Human Development Working Paper 38 (June). World Bank, Washington, D.C. [Magnus Lindelöw, Ritva Reinikka, and Jakob Svensson] <http://www.worldbank.org/afr/hd/wps/>

“Working for God? Evaluating Service Delivery of Religious Not-for-Profit Health Care Providers in Uganda.” 2003. Policy Research Working Paper 3058 (May). Development Research Group, World Bank, Washington, D.C. [Ritva Reinikka and Jakob Svensson] <http://econ.worldbank.org/view.php?type=5&id=26991>

Results were featured in a public services research newsletter (Spring 2004) sent to subscribers inside and outside the Bank.  
<http://www.worldbank.org/research/projects/publicspending/psnewsletters/psnewsletter.s.spring.2004.htm>

**2. Problems encountered/causes for delays**

There were initial implementation delays in Madagascar and Chad, but both projects are now moving ahead.

**3. Changes in project design made or considered**

No major changes in the project design but fine-tuning and learning as the work progresses.

**4. Assessment of expected results /impact.** *Are you still on track to deliver activities, outputs and project development objective as per your original logframe? If not, please submit revised logframe.*

By and large on track to deliver on the log frame.

**5. Assumptions and risks.** *Are there any changes to these from the position in the original application and logframe?*

We have just completed the survey in Chad and will publish the results of the analysis in the Fall of 2004. The second round of health facility surveys is now scheduled for the second half of 2005.

Completed by: Ritva Reinikka

## KNOWLEDGE FOR CHANGE PROGRAM – Semi-Annual Report

### A. BASIC INFORMATION

Name of activity	KCP - BACKGROUND STUDIES FOR WORLD DEVELOPMENT REPORT 2004	
Which trust fund? <i>(please tick)</i>	x	Poverty dynamics and basic service delivery
		Investment climate and trade and integration
Trust fund number	TF051183	
Closing date	06/30/2004	
Amount allocated	\$738,000	
Executed by <i>(please tick)</i>	x	Bank
		Recipient <i>(please specify)</i>
Task Team Leader	Ritva Reinikka	

### B. FINANCIAL INFORMATION

#### 1. Is your budget still realistic? If not, in what way?

Yes. The funds were utilized and the project was completed in early 2004.

#### 2. Are disbursements still on schedule? Compare with original forecast.

Yes. Funds are practically all disbursed at the time of writing.

Disbursements to July 31, 2004	<b>\$ 737,068</b>
Disbursements for FY04	<b>\$ 316,394</b>
Outstanding commitments as of July 31, 2004	<b>\$ 400</b>

### C. PROGRESS MADE DURING REPORTING PERIOD

#### 1. Summary of activities and progress

*(rated Highly Satisfactory; Satisfactory; Unsatisfactory; or Highly Unsatisfactory).*

Rating: Highly satisfactory

All the background studies were completed as envisioned in our original KCP application. This impressive set of background studies contributed enormously to the 2004 WDR. More than 100 background papers and research reports were produced for the Report and were available on CD. The CDs, which include the full text of the WDR 2004, offer access to a wide range of thinking and research on the theme, *Making Services Work for Poor People*.

The CD-ROM, is available to developing countries free of charge. Several background papers have also been published in peer-reviewed journals. A good example is a recent issue of the Indian *Economic and Political Weekly*, which carried a special issue on service delivery, including a number of the WDR background papers.

Completed by: Ritva Reinikka

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## KNOWLEDGE FOR CHANGE PROGRAM – Semi-Annual Report

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### A. BASIC INFORMATION

Name of activity	KCP-PERSPECTIVES ON MAKING SERVICES WORK FOR POOR PEOPLE (WDR 2004)	
Which trust fund? <i>(please tick)</i>	<input checked="" type="checkbox"/>	Poverty dynamics and basic service delivery
	<input type="checkbox"/>	Investment climate and trade and integration
Trust fund number	TF051186	
Closing date	06/30/2004	
Amount allocated	\$200,000	
Executed by <i>(please tick)</i>	<input checked="" type="checkbox"/>	Bank
	<input type="checkbox"/>	Recipient <i>(please specify)</i>
Task Team Leader	Stephen Commins	

### B. FINANCIAL INFORMATION

#### 1. Is your budget still realistic? If not, in what way?

Yes, the budget is realistic.

#### 2. Are disbursements still on schedule? Compare with original forecast.

Disbursements on track and almost complete.

Disbursements to July 31, 2004	<b>\$ 191,232</b>
Disbursements for FY04	<b>\$ 130,454</b>
Outstanding commitments as of July 31, 2004	<b>\$ 4,200</b>

### C. PROGRESS MADE DURING REPORTING PERIOD

#### 1. Summary of activities and progress

(Highly Satisfactory; Satisfactory; Unsatisfactory; or Highly Unsatisfactory)

Ratings:

**Electronic dialogue:** Satisfactory

As part of its outreach to civil society organizations and government officials, the WDR 2004 team commissioned the organization, Public World, to moderate a seven week e-dialogue on the draft World Development Report. This e-dialogue was conducted in six languages (English, Spanish, French, Portuguese, Arabic, Russian), with five assisting moderators working in the non-English formats in cooperation with the overall moderator. The 'weekly themes' were the product of consultation between the WDR and Civil Society teams at the Bank and Public World.

Samplings of the reactions to the e-discussion were very positive and evaluations

included comments like “the idea to conduct the discussion in several languages is brilliant.” The moderator of the e-discussion has said that the main lesson learned in conducting this e-discussion is that it is a useful complement to the other forms of consultation.

The e-discussion provided many useful contributions and revealed a great deal of potential. We strongly recommend that the lessons of this experience are absorbed into future planning. In particular, we very much hope that the low level of participation in non-English languages will be regarded in the context of the benefits that did derive from the attempt to open up the discussion in those languages. We recommend that the World Bank perseveres with this.

**Production of WDR CD-ROM:** Highly satisfactory

One major goal for the process around the consultations and subsequent dissemination of the WDR is the recognition that many excellent background papers and submissions were not available to either government or civil society organizations after the publication of the WDR. The WDR team sought to ensure that as the information and consultation work went forward, the input from individuals in government, business, academia, the media, formal nongovernmental organizations, and civil society was preserved for future use. By providing access to the wide range of background work as well as the feedback on successive drafts and sharing concerns and opinions in a public format of the report and external views, it was possible to ensure that the report results took into account representation of various and alternative points of view.

The 2004 WDR team expanded the collaborative process by broadening the range of participants in the consultations and by soliciting more than 80 background papers and research reports from them. These materials, along with the World Development Report 2004, have been made available on a newly developed CD-ROM. Designed to offer access to the wide range of thinking and research on this year’s theme—Making Services Work for Poor People—the CD-ROM provides an excellent resource for obtaining a sense of the many points of view that emerge in any dialogue on development.

In addition to bringing together various background materials, the WDR team also commissioned specific resources for the CD-ROM in such areas as disability and access to services, the impact of HIV/AIDS on services, and access to the on going debate regarding what is public about public services.

Within the first two months of its production, more than 3,000 copies of the CD-ROM have been distributed to governments, civil society organizations, other donors and at various seminars and workshops. Several hundred have been sent to countries such as Cambodia and Ghana for distribution to government officials.

**WDR curriculum framework:** Highly satisfactory

A consultant with extensive experience in curriculum programs developed a framework for a six module Learning Program on the WDR. Following negotiations with CIDA, an award of \$300,000 has been provided to the World Bank Institute for the full development and use of this curriculum.



This new Learning Program encompasses a core curriculum focused on the overall framework and key findings of the WDR. It will be designed to stimulate policy dialogue around the major existing constraints to enhancing service provision as well as, importantly, potentially catalyzing reforms at the national, regional and local level to really make services work for poor people. It will be complemented by modules which apply the WDR framework to help guide improvements in delivery of social services in selected sectors of crucial importance to poverty reduction, including basic education, health and nutrition, and drinking water, sanitation and electricity.

**WDR video conferences, February 2003: Satisfactory**

The World Bank held three video-conferences on February 17-19, 2003 as part of the consultation efforts for the WDR 2004 on *Making Services Work for Poor People*. Representatives from civil society, government, private-sector, and donor agencies from 14 countries participated in the 3-hour sessions.

Each videoconference opened with an introduction by the moderator, followed by a 30-minute presentation by a WDR director. After the presentation, there were 2-hour discussions with the participants.

If there was a single message that emerged from the conferences overall it was “Invest in information, public education, and communication.” Many of the comments and questions raised by the participants related to these issues and it was in knowledge-related areas that a majority of participants were looking for the tools to *Make Services Work for Poor People*. Clearly for them, these issues are at the crux of empowerment and positive change, and this supports one of the main conclusions of the WDR team.

## **2. Problems encountered/causes for delays**

The WDR 2004 consultation and implementation processes have been assessed by outside organizations and by WB colleagues as quite successful. The extension of the funding into FY04 allowed for the completion of key tasks that could not be completed prior to the final version of the WDR being delivered, along with the complex task of ensuring that all the background papers on the WDR CD-ROM had been cleared with the authors.

Completed by: Stephen Commins

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## KNOWLEDGE FOR CHANGE PROGRAM – Semi-Annual Report

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### A. BASIC INFORMATION

Name of activity	KCP-USER FEES IN HEALTH CARE: AN EVALUATION OF TWO NEAR NATURAL EXPERIMENTS OF ABOLITION OF USER FEES IN AFRICA	
Which trust fund? <i>(please tick)</i>	<input checked="" type="checkbox"/>	Poverty dynamics and basic service delivery
	<input type="checkbox"/>	Investment climate and trade and integration
Trust fund number	TF051762	
Closing date	12/31/2004	
Amount allocated	\$100,000	
Executed by <i>(please tick)</i>	<input checked="" type="checkbox"/>	Bank
	<input type="checkbox"/>	Recipient <i>(please specify)</i>
Task Team Leader	Ritva Reinikka	

### B. FINANCIAL INFORMATION

#### 1. Is your budget still realistic? If not, in what way?

The budget is realistic, given that other sources of funding have been available to finance the two large surveys and their data analysis.

#### 2. Are disbursements still on schedule? Compare with original forecast.

We requested an extension of the closing date by six months from June 30, 2004 to December 31, 2004 to ensure that the Madagascar data cleaning will be fully completed before the local consultants receive their final payment. The second Uganda QSDS survey was completed in January 2004 and most disbursements have been made at the time of writing.

Disbursements to July 31, 2004	<b>\$ 99,667</b>
Disbursements for FY04	<b>\$ 95,356</b>
Outstanding commitments as of July 31, 2004	<b>\$ 3</b>

### C. PROGRESS MADE DURING REPORTING PERIOD

#### 1. Summary of activities and progress

*(rated Highly Satisfactory; Satisfactory; Unsatisfactory; or Highly Unsatisfactory).*

Ratings:

**Madagascar:** Satisfactory

The Madagascar study focuses on the impact of recently introduced user fees on service delivery. The first survey of health facilities in Madagascar was completed in 2003, and

the second round completed in early 2004. Data cleaning took more time than anticipated. This has prompted us to pay special attention to data entry management to expedite the process and to ensure better quality data in all future provider surveys.

**Uganda:** Highly satisfactory

The second round of the survey of 155 primary health care facilities (dispensaries and dispensaries with maternity units) was carried out over November 2003 – January 2004, including government, private not-for-profit, and for-profit providers. The second wave will explore the impact of removal of user fees, which took place between the two surveys. Data analysis began in earnest in April 2004.

The QSDS-II is also part of an impact evaluation of citizen report cards at community level on access and quality of health care. In this approach the facility survey provides quantitative data on service delivery, including quality, and health care providers' self-assessment of their performance. This will then be contrasted with a household survey data to be collected in early-2004 for the citizen report card (funded from other sources). Thereafter, a third party, such as NGOs and/or community based organizations will engage in an interface between providers and clients to find ways to improve quality of health care. The two surveys will be repeated at the end of the interface. In brief, this study highlights the many possibilities in the use of our new provider-level data.

## **2. Problems encountered/causes for delays**

There were some implementation difficulties in Madagascar. Specifically, data collection and entry were less than perfect which has led to an extended period of data cleaning. This provided us a useful lesson, nevertheless. From now we will pay much closer attention to data entry and management.

## **3. Changes in project design made or considered**

No major changes in the project design but fine-tuning and learning as the work progresses. However, the use of the QSDS data will expand as evidenced by the plans for an impact evaluation of the citizen report cards, which is a new and promising accountability tool yet to be evaluated for impact.

**4. Assessment of expected results /impact.** *Are you still on track to deliver activities, outputs and project development objective as per your original logframe? If not, please submit revised logframe.*

On track.

**5. Assumptions and risks.** *Are there any changes to these from the position in the original application and logframe?*

No major changes (only a delay in the case of Madagascar).

Completed by: Ritva Reinikka

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## KNOWLEDGE FOR CHANGE PROGRAM – Semi-Annual Report

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### A. BASIC INFORMATION

Name of activity	KCP - INCENTIVES, CHOICE AND ACCOUNTABILITY IN BASIC EDUCATION SERVICES: PILOTING A MICRO SURVEY APPROACH	
Which trust fund? <i>(please tick)</i>	<input checked="" type="checkbox"/>	Poverty dynamics and basic service delivery
	<input type="checkbox"/>	Investment climate and trade and integration
Trust fund number	TF051764	
Closing date	12/31/2004	
Amount allocated	\$200,000	
Executed by <i>(please tick)</i>	<input checked="" type="checkbox"/>	Bank
	<input type="checkbox"/>	Recipient <i>(please specify)</i>
Task Team Leader	Ritva Reinikka	

### B. FINANCIAL INFORMATION

#### 1. Is your budget still realistic? If not, in what way?

The budget is realistic, but the work has experienced some delays.

#### 2. Are disbursements still on schedule? Compare with original forecast.

The project closing date was extended by six months, and disbursements are expected through the end of 2004.

Disbursements to July 31, 2004	\$ 92,967
Disbursements for FY04	\$ 56,187
Outstanding commitments as of July 31, 2004	\$ 32,300

### C. PROGRESS MADE DURING REPORTING PERIOD

#### 1. Summary of activities and progress

*(rated Highly Satisfactory; Satisfactory; Unsatisfactory; or Highly Unsatisfactory)*

Ratings:

**Pakistan:** Highly satisfactory

A census of 126 villages was carried out in July-September, and as part of this activity, more than 80,000 households were surveyed to provide a sample frame for a household survey. The survey is now in the field. The census also provides detailed information on school choice for a very large sample. Specifically, school choice information for more than 100,000 children was obtained and in combination with an area sample of schools.

This is the first dataset that allows researchers to examine a number of issues of important to Pakistani education, which require a sufficiently large sample. The entire database is now ready to use for analysis, and two papers on school choice are being prepared currently on the basis of this data.

**Papua New Guinea:** Satisfactory

The study of public expenditure and service delivery in Papua New Guinea has proceeded through December 2003, facilitated by KCP funds. The analysis of the detailed data from about 200 schools culminated in a first draft of a report in January 2004. Three main issues emerged from the analysis of the data. First, there has been substantial leakage in the distribution of school subsidies--a per-student government allocation to schools. Leakage was minimized in the periods that funds were distributed directly from the central department of education to schools, and maximized in periods when funds were distributed through multiple administrative levels. Second, there are a sizeable number of ghost teachers--teachers on the payroll but who are not actually working in the schools visited. There have been some efforts in the past to address this issue, but the study has shown that the problems have not been resolved. Third, teacher absenteeism--while lower than in some other countries where it has been measured, particularly for PNG's income level--is a problem. When combined with late starting (teachers arriving at their teaching posts well into the school year) the problem becomes particularly harmful to the effective delivery of education services.

The main findings were discussed in late 2003 with staff from the Department of Education. These discussions served both to air the findings--which are potentially controversial--but also to sharpen hypotheses about their determinants as well as potential policy remedies. Analysis of these determinants is proceeding and a first clean draft that incorporates these was issued in March 2004.

**Zambia:** Highly satisfactory

The Zambia survey was completed in 2003. On the basis of this survey, in the current fiscal year, substantial progress has been made on the preparation of documents, reports, and research papers in the education sector. Specifically, the outputs have been:

1. *Rules. Vs. Discretion.* Incorporated in *Zambian Public Expenditure review*. Forthcoming in *Africa Human Development Working paper series*.
2. *When can school inputs improve test scores.* This research paper was completed and is currently in the working paper series of the World Bank (WP #3217).
3. *Equity in educational expenditures—can government expenditures help?* This research paper has been completed and is shortly forthcoming in the working paper series of the World Bank.
4. Two further papers on teacher absenteeism and the effect of orphan hood on education are currently in the process of completion.

In addition, the second major task for the current fiscal year is the dissemination of the findings from this work. On this front, some progress has been made:

1. Joint work with Joe Kanyika from the Ministry of Education was carried out, particularly in the context of a chapter on the Zambia study for a report published by IIEP.
2. There is coordination with the ongoing poverty assessment in Zambia, and it is hoped that dissemination can be carried out in the country in coordination with the poverty assessment team, but the details are yet to be finalized.

## **2. Problems encountered/causes for delays**

The Pakistan work has been expanded by its scope and hence it has been somewhat delayed. Analysis of the Papua New Guinea data has also taken a bit longer than initially envisioned.

## **3. Changes in project design made or considered**

The initial project design included Laos and South Africa, but as funding was reduced, these were dropped. However, Laos was only “partly excluded,” as a school survey has been implemented together with a household survey.

**4. Assessment of expected results /impact.** *Are you still on track to deliver activities, outputs and project development objective as per your original logframe? If not, please submit revised logframe.*

On track.

**5. Assumptions and risks.** *Are there any changes to these from the position in the original application and logframe?*

No major risks envisioned.

Completed by: Ritva Reinikka

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## KNOWLEDGE FOR CHANGE PROGRAM – Semi-Annual Report

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### A. BASIC INFORMATION

Name of activity	KCP - INVESTMENT CLIMATE SURVEYS AND ASSESSMENTS IN LOW-INCOME COUNTRIES AND REGIONS WITHIN COUNTRIES	
Which trust fund? <i>(please tick)</i>	<input type="checkbox"/>	Poverty dynamics and basic service delivery
	<input checked="" type="checkbox"/>	Investment climate and trade and integration
Trust fund number	TF050718	
Closing date	12/31/2003	
Amount allocated	\$295,000	
Executed by <i>(please tick)</i>	<input checked="" type="checkbox"/>	Bank
	<input type="checkbox"/>	Recipient <i>(please specify)</i>
Task Team Leader	Giuseppe Iarossi	

### B. FINANCIAL INFORMATION

#### 1. Is your budget still realistic? If not, in what way?

Yes
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#### 2. Are disbursements still on schedule? Compare with original forecast.

Yes
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Disbursements to July 31, 2004	<b>\$ 294,999</b>
Disbursements in FY04	<b>\$ 80,477</b>
Outstanding commitments as of July 31, 2004	<b>\$ 0</b>

### C. PROGRESS MADE DURING REPORTING PERIOD

#### 1. Summary of activities and progress

*( rated Highly Satisfactory; Satisfactory; Unsatisfactory; or Highly Unsatisfactory.*

Ratings:

**India:** Highly satisfactory

The survey covered 1993 manufacturing and software businesses in 12 of India's largest states with the aim of generating data needed for state level and all India investment climate assessment and for general development policy research on India.

The survey was carried out jointly by the Bank and the Confederation of Indian Industry (CII) during February-August 2003 as planned. Subsequently a team of staff of the Confederation of Indian Industry, the local counterpart to the study, visited Washington

DC in August to early September 2003 to join Bank staff in preliminary analysis of the data. Results of that analysis were presented to a Bank wide audience in September. The data have also been used to produce state level investment climate assessments for Tamil Nadu and Punjab.

At the moment a joint Bank-CII team is working on a report updating the results of the all India investment climate assessment that was published in year 2002. The update is under peer review.

**Brazil (north east):** Highly satisfactory

The IC survey covered 4 states of the North East region, including 9 sectors (Food, Textiles, Garments, Shoes, Chemicals, Machinery, Electronic products, Auto-parts, & Furniture) distributed in 53 cities. The survey also covered the 'Amazonas' state (in the North region), given its importance for the electronics sector. The project implementation started by end March 2003 and took 6 months to be finalized (this included revision of the responses that were not accurate). Apart from some initial delays (see below), the project implementation followed the original plan and was successfully accomplished with a high rate of response rates.

**Syria:** Satisfactory. The survey has been completed satisfactorily.

**Bangladesh:** Highly satisfactory

Manufacturing sector survey - The field work has been completed with the assistance of Mr. Gantakolla Srivastava from the Confederation of Indian Industry, who traveled to Dhaka to help train the BEI staff on survey management and implementation. The questionnaires have been administered, the data collected and sent electronically to the World Bank. The quality of the data has been checked and considered good, yielding 1001 observations (establishments). The following sectors were covered: Garments, Textiles, Food & Food Processing, Leather & Leather Products, Electronics, and Chemicals & Pharmaceuticals, in two locations: Dhaka and Chittagong.

**Mozambique:** Satisfactory.

The IC survey for Mozambique encountered some difficulties due to the lack of availability of a good list of registered firms and of piloting a new questionnaire. However, data collection was completed roughly on schedule, the ICA was well received and extensively discussed. A final mission to discuss the ICA went to Mozambique in April 2004.

**Zambia:** Highly satisfactory.

The IC survey for Zambia proceeded very smoothly. Data for 350 firms was collected within the timeframe and budget stipulated. The analysis is also complete and dissemination activities are now being planned.



## 2. Problems encountered/causes for delays

**Brazil (north east)** - In the North East in general, the pace of the interviews were slower (than in the rest of the country) as it was sometimes more difficult to reach firms, in some cases because of problems in the transport system in some others because of communications infrastructure failures (for instance, some firms did not have telephone through which could be contacted or had it but it was out of order). Actual interviews in general took more time to be completed, as managers were not always familiar with the concepts the questionnaires were asking for (this was particularly true for accounting concepts and in the cases of small firms).

**Syria** - Field work much slower than expected. Only 130 surveys completed in 4 months. Information on firms database was of very poor quality in terms of addresses and phone numbers. This has slowed down significantly the field work.

Launch in Aleppo Governorate (half of the sample) took place in March 2004. Cause of delay: a separate team has been recruited for the work in Aleppo (Aleppo University, under contract with Damascus University), which implied new training and long negotiations.

## 3. Changes in project design made or considered

**Brazil (north east)** - In order to expedite and facilitate the compilation of information, particularly accounting information from small firms, an additional training by a specialized accountant was provided to supervisors and enumerators of the project on issues regarding accounting identities, definition of concepts, etc. This training proved to be successful, as it facilitated the interview and increase its response rate. In addition, originally one local supervisor was assigned to this region. However, later it was decided to add a second supervisor to this region, to support the work of the first one and ensure the success of the project.

**Syria** - Because of the poor quality of the original sampling database, a new sampling was conducted on a better quality database from the Chambers of Commerce.

**Mozambique** – Initial problems with the questionnaire have been sorted out

## 4. Assessment of expected results /impact. *Are you still on track to deliver activities, outputs and project development objective as per your original logframe? If not, please submit revised logframe.*

India - yes

Brazil – yes

Syria - yes

Bangladesh – Yes. The report was presented at a conference in Dacca in Sept. 2003

Mozambique - The activity is complete and the results are actively discussed in the country. Our expectation is that the document will help shape private sector reforms.

Zambia - The activity is fully on track. Results were disseminated in June 2004.

**5. Assumptions and risks.** *Are there any changes to these from the position in the original application and logframe?*

No
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**6. Other relevant information**

Syria - Capacity building of local institution (Damascus University) highly satisfactory. The team will be recruited to help us in an ICA in Yemen.
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Completed by: Giuseppe Iarossi

## KNOWLEDGE FOR CHANGE PROGRAM – Semi-Annual Report

### A. BASIC INFORMATION

Name of activity	KCP-INVESTMENT CLIMATE SURVEYS	
Which trust fund? <i>(please tick)</i>		Poverty dynamics and basic service delivery
	x	Investment climate and trade and integration
Trust fund number	TF051760	
Closing date	06/30/2005	
Amount allocated	\$620,000	
Executed by <i>(please tick)</i>	x	Bank
		Recipient <i>(please specify)</i>
Task Team Leader	Giuseppe Iarossi	

### B. FINANCIAL INFORMATION

#### 1. Is your budget still realistic? If not, in what way?

Yes

#### 2. Are disbursements still on schedule? Compare with original forecast.

No. Closing date was recently extended by one year to 6/30/2005.

Disbursements to July 31, 2004	<b>\$ 569,124</b>
Disbursements for FY04	<b>\$ 207,082</b>
Outstanding commitments as of July 31, 2004	<b>\$ 2,205</b>

### C. PROGRESS MADE DURING REPORTING PERIOD

#### 1. Summary of activities and progress

*(rated Highly Satisfactory; Satisfactory; Unsatisfactory; or Highly Unsatisfactory)*

Ratings:

**Uganda:** Satisfactory

Survey fatigue by firms which slightly slowed the appointment process. However, the local contractor performed well in a difficult environment.

**Kenya:** Moderately Satisfactory

Survey fatigue by firms which slowed the appointment process, foreign firms especially difficult to reach. The performance of the local contractor was average due to excessive commitments on other activities

**Honduras:** Satisfactory

There were delays associated with the fact that the information in the sample frame, obtained from the Central Bank of Honduras, was often incomplete or outdated. This sample frame was thus complemented with lists of firms obtained from Chambers of Commerce and Industry. The survey also encountered difficulties related to the detailed accounting information requested from the firms. In many cases, the information had to be obtained from accountants operating the firms. In other cases, securing the authorization of senior management for the release of that information required several contacts and visits to the surveyed firms. Finally, after the completion of the survey, it was necessary to perform a considerable number of additional phone interviews to ensure the consistency of the reported information.

**Nicaragua:** Satisfactory

The IC survey implementation in Nicaragua has been completed. It covered 3 great regions (including 11 “*departamentos*”), and 12 sectors (garments, textiles, food and beverages, chemicals, plastics, wood products, furniture, leather products, shoes, minerals non-metallic, metal products, and tobacco). The survey was implemented by a private consultant firm, that started the field work by beginning of May and took 11 months to completely finalized (this period includes revision of the responses that were not accurate). There were some delays, both at the beginning at while implementing the project that extended the period of field implementation.

**Poland, Tajikistan, Uzbekistan, Kyrgystan, Moldova:** Highly Satisfactory

Initially, firms refused to participate in the survey because of the long section gathering accounting data. Once this was reduced to the minimum necessary to estimate enterprise productivity participation rates became satisfactory.

## **2. Problems encountered/causes for delay**

**Nicaragua** At the initial stage of the project, there were delays associated with the incompleteness or inaccuracy of the sample frame, from which the sample had to be drawn. As a result, the original list of firms had to be complemented with information compiled from Chambers of Commerce and Industry.

During the implementation of the survey, there was also a general delay associated with the difficulty in compiling detailed accounting information from firms, either because it was hardly available (in some cases because there was an external accountant in charge of administering this information) and/or because it was considered strategic information that firms were not willing to share. Generally, this was solved by repeated visits to the surveyed establishments in which interviewers not only provided information regarding the confidential future treatment of the data, but also had to build a confidence-based communication with the interviewed. In some extreme cases, however, the unwillingness to provide a minimum set of accounting information lead to the replacement of such firm.

Finally, after the completion of the survey, it was necessary to perform a considerable number of additional phone interviews to ensure the consistency of the reported information.

### 3. Changes in project design made or considered

**Honduras** - During the survey, an additional module of questions was added to the main survey instrument, in order to collect information on logistics costs. Other changes included modifications in the initial data entry procedures to add further quality controls. The survey for Honduras has now been concluded satisfactorily. The survey data has been used as the primary source of information for the writing of an Investment Climate Assessment for which a first draft for discussion only is available.

**Nicaragua** - During the survey implementation, an additional module of logistic questions was added to the main survey instrument in order to collect information on logistics costs and modes. There were no extra payments requested for implementing this module. The module, however, came at a stage where only it could be implemented to the remaining firms to be surveyed. Thus, the information compiled is limited to a sub-sample of firms only. Other changes included modifications in the initial data entry procedures, to add further quality controls.

### 4. Changes in project design made or considered

None

### 5. Assessment of expected results /impact. *Are you still on track to deliver activities, outputs and project development objective as per your original logframe? If not, please submit revised logframe.*

The Uganda ICA report was delivered in early May 2004. Results were presented at a private sector workshop in Kampala, organized by the government, and were very well received. A follow up workshop organized by the Uganda Manufacturers Association Consulting Services is being held September 7. The report has generated a lot of interest from the government, donors, and the private sector. Key portions of the report are being used to design and investment climate project for Uganda using IDA financing.

The Kenya ICA report is to be delivered in September 2004, a few months past the original due date of June. The report will be delivered to the government at a major workshop showcasing the Bank's analytical work in mid September. The findings of the report are already being operationalized in the Bank's work on small and medium enterprises, and further operational work is expected to be developed.

The ICA for Nicaragua has been completed in June 2004. A policy dialogue with government authorities is currently underway.

The activity for Tanzania is complete. The Tanzania ICA was delivered to the government in June 2004 and a major workshop for the private sector is being held by ESRF, our local partner, in September. The results of the Tanzania ICA are also expected to feed into operations. The IC survey for Tanzania proceeded very smoothly. The local partner—ESRF—was extremely capable. Data for 350 firms was collected within the timeframe and budget stipulated. The analysis is complete and the report has been delivered to the government.

**6. Assumptions and risks.** *Are there any changes to these from the position in the original application and logframe?*

Similar projects to be undertaken in the future in countries with similar characteristics should take into account the high likelihood of occurrence of the above mentioned problems encountered in Honduras; namely, problems with the survey sample frame and the need to perform a high number of contacts with respondents to ensure high response rates and consistency of the information provided.

**7. Other relevant information**

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Completed by : Giuseppe Iarossi

## KNOWLEDGE FOR CHANGE PROGRAM – Semi-Annual Report

### A. BASIC INFORMATION

Name of activity	KCP - EMERGING TRENDS IN INDUSTRIAL COMPETITIVENESS IN EAST ASIA	
Which trust fund? <i>(please tick)</i>	<input type="checkbox"/>	Poverty dynamics and basic service delivery
	<input checked="" type="checkbox"/>	Investment climate and trade and integration
Trust fund number	TF051761	
Closing date	05/31/2004	
Amount allocated	\$38,000	
Executed by <i>(please tick)</i>	<input checked="" type="checkbox"/>	Bank
	<input type="checkbox"/>	Recipient <i>(please specify)</i>
Task Team Leader	Shahid Yusuf	

### B. FINANCIAL INFORMATION

#### 1. Is your budget still realistic? If not, in what way?

Yes, it is realistic.

#### 2. Are disbursements still on schedule? Compare with original forecast.

Disbursements were finalized on schedule.

Disbursements to July 31, 2004	<b>\$ 34,573</b>
Disbursements for FY04	<b>\$ 34,573</b>
Outstanding commitments as of July 31, 2004	<b>\$ 0</b>

### C. PROGRESS MADE DURING REPORTING PERIOD

#### 1. Summary of activities and progress

*(rated Highly Satisfactory; Satisfactory; Unsatisfactory; or Highly Unsatisfactory.)*

Rating: Satisfactory

KCP funding financed a key component of the East Asian Prospects Study, the one that covers the factors influencing current and future competitiveness of three major industrial subsectors - auto parts, electronic components and textiles. The resources were used for the case study of Indonesia, which was conducted by three Indonesian consultants specialized in the field of industrial economics. Indonesia is one of four countries covered by the East Asia Project. The others being Japan, Korea and China. The study of Indonesian industry was finalized in June 2004. It incorporated the comments provided by participants of a review seminar held in late 2003 and subsequent detailed comments on a revised draft provided by the Bank team to the Indonesian consultants. This final report, approximately 150 pages long, provides a comprehensive assessment of firm level performance, problems encountered by producers, the business climate and the strategies

adopted by firms to stay competitive in the future. It also presents options for policymakers confronting the challenges of industrial development in a globalizing environment.

The report is based on rigorous quantitative analysis complemented by in-depth interviews of twenty selected firms from each of the three subsectors. The report effectively complements the three companion country studies. The four studies will be edited and published in 2005. In addition, a synthesis volume on the topic of industrial competitiveness, that draws on the case study material and other cross country literature, will also be prepared and finalized in 2005.

## **2. Problems encountered/causes for delays**

None

## **3. Changes in project design made or considered**

No change.

## **4. Assessment of expected results /impact.** *Are you still on track to deliver activities, outputs and project development objective as per your original logframe? If not, please submit revised logframe.*

The final draft of the study was completed in June 2004. This version conforms to our original project design.

## **5. Assumptions and risks.** *Are there any changes to these from the position in the original application and logframe?*

The report is on track.

Completed by: Shahid Yusuf



## KNOWLEDGE FOR CHANGE PROGRAM – Semi-Annual Report

### A. BASIC INFORMATION

Name of activity	KCP - MICRO INDICATORS OF FINANCIAL DEVELOPMENT	
Which trust fund? <i>(please tick)</i>	<input type="checkbox"/>	Poverty dynamics and basic service delivery
	<input checked="" type="checkbox"/>	Investment climate and trade and integration
Trust fund number	TF051763	
Closing date	06/30/2005	
Amount allocated	\$120,000	
Executed by <i>(please tick)</i>	<input checked="" type="checkbox"/>	Bank
	<input type="checkbox"/>	Recipient <i>(please specify)</i>
Task Team Leader	Asli Demirguc-Kunt	

### B. FINANCIAL INFORMATION

#### 1. Is your budget still realistic? If not, in what way?

Yes, we think it is.

#### 2. Are disbursements still on schedule? Compare with original forecast.

There have been some delays on the initial disbursements given that as explained below the surveys were launched a bit later than anticipated. However, we still expect to meet the budget allocations assigned to the overall project.

Disbursements to July 31, 2004	<b>\$ 46,800</b>
Disbursements for FY04	<b>\$ 44,355</b>
Outstanding commitments as of July 31, 2004	<b>\$ 0</b>

### C. PROGRESS MADE DURING REPORTING PERIOD

#### 1. Summary of activities and progress

*(rated Highly Satisfactory; Satisfactory; Unsatisfactory; or Highly Unsatisfactory.)*

Rating: Satisfactory

Over the past year and a half, we have invested significant efforts on this project and made satisfactory progress in our view. First, we conducted a thorough review of the literature on access to financial services to understand what has already been done in this area. We found that existing papers are very much country specific and use detailed survey data over short periods of time. We did not find any paper that tries to compare countries along the access dimension and to examine the impact of access differentials. This is the objective of our research. Second, we searched central bank and other government websites to determine what data on access to financial services is readily available. We found that with few exceptions few countries publish this type of

information. Therefore, the third step in our analysis has been to develop two questionnaires as vehicles to collect information on access to financial services on a cross-country basis. In particular, one questionnaire was prepared and sent to bank regulators in 90 countries and the other was sent to the top 5 largest banks in 60 countries. So far we have received responses from approximately 50 percent of regulators and a bit less than 20 percent of banks (this questionnaire was sent out recently). Currently, we are following up on both questionnaires to increase our response rate. Also, we are conducting preliminary analysis of the data we have gathered so far. Over the coming year, we hope to be able to complete our data collection exercise and to concentrate in the empirical analysis of the data.

## **2. Problems encountered/causes for delays**

While we feel we are largely on track, it took longer than expected to send out the questionnaires because we wanted to have the input of people inside and outside the bank working in this area. Also, in the case of the questionnaire sent to the largest banks we had to establish which are the top 5 banks in each country and find a suitable contact person to whom to send the questionnaire. This took a considerable amount of time. Currently, we are finding that regulators and bankers take quite a bit of time to complete the questionnaires and this has added to some of the delays, but we are working hard on following up with respondents to secure the data we need before the end of this year.

## **3. Changes in project design made or considered**

None so far.

## **4. Assessment of expected results /impact. *Are you still on track to deliver activities, outputs and project development objective as per your original logframe? If not, please submit revised logframe.***

Yes, we are. We expect to have the data ready by the end of 2004 and to write papers using this data over the next two years.

## **5. Assumptions and risks. *Are there any changes to these from the position in the original application and logframe?***

No.

## **6. Other relevant information**

Completed by: Maria Soledad Martinez Peria

## KNOWLEDGE FOR CHANGE PROGRAM – Semi-Annual Report

### A. BASIC INFORMATION

Name of activity	KCP-RAMPING UP INVESTMENT CLIMATE SURVEYS	
Which trust fund? <i>(please tick)</i>	<input type="checkbox"/>	Poverty dynamics and basic service delivery
	<input checked="" type="checkbox"/>	Investment climate and trade and integration
Trust fund number	TF051944	
Project Closing date	06/30/2004	
Amount allocated	\$320,000	
Executed by <i>(please tick)</i>	<input checked="" type="checkbox"/>	Bank
	<input type="checkbox"/>	Recipient <i>(please specify)</i>
Task Team Leader	Giuseppe Iarossi	

### B. FINANCIAL INFORMATION

#### 1. Is your budget still realistic? If not, in what way?

Yes.

#### 2. Are disbursements still on schedule? Compare with original forecast.

Yes, disbursements are on track.

Disbursements to July 31, 2004	<b>\$239,388</b>
Disbursements for FY04	<b>\$177,420</b>
Outstanding commitments as of July 31, 2004	<b>\$ 1,200</b>

### C. PROGRESS MADE DURING REPORTING PERIOD

#### 1. Summary of activities and progress

*(rated Highly Satisfactory; Satisfactory; Unsatisfactory; or Highly Unsatisfactory)*

Ratings:

**Bangladesh, panel survey:** Highly satisfactory

An extension of the manufacturing survey conducted in 2002 was initiated with the goal of creating a panel data sets covering 250-300 firms from the previous survey. The firms included in the survey are part of the manufacturing and service sectors. These firms will be interviewed every 6 months over a 3-year period to better understand firm dynamics.

The first semester of data was completed. Data was cleaned.

**Bangladesh, manufacturing survey:** Highly satisfactory

The survey findings show in rigorous quantifiable ways how much poor investment climate cost firms. The most serious problem was the constraint imposed by poor

electricity. Ranked next highest were problems related to poor governance and finance. Small- and medium-sized firms are disproportionately affected by all these problems. The smaller the firm, the more resources it devotes to bribes and dealing with government inspections and the less likely it is to have access to finance. These barriers can pose great restrictions to market entry and growth for small firms. More specifically:

- Infrastructure poses some of the most severe obstacles facing firms. Bangladesh fares worse than its neighbors on general measures of infrastructure, and the vast majority of firms report that problems in infrastructure seriously hamper their growth.
- Electricity problems plague firms in Bangladesh, which has less generation capacity per capita than its neighbors. Firms report experiencing power outages or surges nearly every day they operate. As a result, more than 70 percent rely on electric generators – at great expense. On average, these generators cost more than \$20,000 to purchase and 50 percent more per kilowatt-hour to operate than the price of power from the public grid.
- Corruption is pervasive. Bangladesh ranks worse on measure of corruption than its neighbors – with more than half the firms reporting it as a major or very severe obstacle.
- Firms view regulation as a serious problem. Starting a firm in Bangladesh is fairly difficult. And once firms are running, they receive frequent visits from government agencies – about 17 a year on average.
- Finance appears to be a looming problem. While most firms appear to have access to finance, it is mostly short term and nearly 60 percent of firms with a line of credit report having exhausted that credit. Moreover, the very large share of non-performing loans portends potential difficulties.
- Small- and medium-size firms are disproportionately affected by all these problems. The smaller the firm, the more of its resources it devotes to bribes and to dealing with government visits and inspections – and the less likely it is to have access to formal finance. These problems can pose great barriers to market entry and growth for small firms.

Dealing with these problems is no simple matter. But their size and prevalence underscore the urgency of reform. Among the potentially most important reforms are unbundling electricity generation and transmission, encouraging private investment in the power sector, corporatizing the ports, increasing accountability in the civil service, and streamlining regulatory procedures while eliminating unnecessary ones.

What would the private sector stand to gain from such reforms? Simulations based on the survey results estimate the potential gains from a 50 percent improvement in critical investment climate measure. While a 50 percent improvement may sound large, such a change would still leave Bangladesh with, for example, less reliable electricity and longer waits in customs than firms in China endure. The simulation results suggest that the improvements could boost sales growth from 7 percent to more than 10 percent, raise the investment rate from about 9.5 percent to 12 percent, and more than double total factor productivity.

**India:** Highly satisfactory

The survey covered 1993 manufacturing and software businesses in 12 of India's largest states with the aim of generating data needed for state-level and all-India investment climate assessment and for general development policy research on India.

The survey was carried out jointly by the Bank and the Confederation of Indian Industry (CII) during February-August 2003 as planned. Subsequently a team of staff of the Confederation of Indian Industry, the local counterpart to the study, visited Washington DC in August to early September 2003 to join Bank staff in preliminary analysis of the data. Results of that analysis were presented to a Bank wide audience in September. The data have also been used to produce state level investment climate assessments for Tamil Nadu and Punjab.

At the moment a joint Bank-CII team is working on a report updating the results of the all India investment climate assessment that was published in year 2002. The update is under peer review.

## **2. Problems encountered/causes for delays**

None

## **3. Changes in project design made or considered**

None

## **4. Assessment of expected results /impact.** *Are you still on track to deliver activities, outputs and project development objective as per your original logframe? If not, please submit revised logframe.*

Bangladesh manufacturing survey - A conference was held in Dhaka in September 2003 to disseminate the findings of the study. The conference brought together wide participation from stakeholders and provided a forum where they could articulate constraints and identify specific recommendations to the government. The findings of the study will also support the preparation of the Poverty Reduction Strategy Poverty which seeks to accelerate growth to 7 percent a year, up from 5 percent in the previous decade.

## **5. Assumptions and risks.** *Are there any changes to these from the position in the original application and logframe?*

No

Completed by: Giuseppe Iarossi

## KNOWLEDGE FOR CHANGE PROGRAM – Semi-Annual Report

### A. BASIC INFORMATION

Name of activity	KCP-AGRICULTURAL TRADE POLICY	
Which trust fund? <i>(please tick)</i>	<input checked="" type="checkbox"/>	Poverty dynamics and basic service delivery
	<input checked="" type="checkbox"/>	Investment climate and trade and integration
Trust fund number	TF051758	
Closing date	12/31/2004	
Amount allocated	\$250,000	
Executed by <i>(please tick)</i>	<input checked="" type="checkbox"/>	Bank
		Recipient <i>(please specify)</i>
Task Team Leader	Bernard Hoekman	

### B. FINANCIAL INFORMATION

#### 1. Is your budget still realistic? If not, in what way?

Yes, it will be sufficient to complete the agricultural trade book with maybe a few thousand dollars difference.

#### 2. Are disbursements still on schedule? Compare with original forecast.

Disbursements are on schedule. We expected to complete the book a few months earlier, but requests to expand the product coverage led to a few months' of delay.

Disbursements to July 31, 2004	<b>\$188,525</b>
Disbursements for FY04	<b>\$109,217</b>
Outstanding commitments as of July 31, 2004	<b>\$ 25,905</b>

### C. PROGRESS MADE DURING REPORTING PERIOD

#### 1. Summary of activities and progress

*(rated Highly Satisfactory; Satisfactory; Unsatisfactory; or Highly Unsatisfactory.)*

Rating: Highly satisfactory

The three outside reviewers for the manuscript rated it very highly, and the presentations of the book have received very positive feedback. Given the size and complexity of the task, we are almost on time.

#### 2. Problems encountered/causes for delays

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### 3. Changes in project design made or considered

We have expanded the coverage of the commodity groups due to requests from both inside and outside the Bank. The basic structure as outlined remains the same.

### 4. **Assessment of expected results /impact.** *Are you still on track to deliver activities, outputs and project development objective as per your original logframe? If not, please submit revised logframe.*

Yes, we are on target.

### 5. **Assumptions and risks.** *Are there any changes to these from the position in the original application and logframe?*

No

### 6. Other relevant information

The Book will be out by the end of November, 2004. It has been reviewed both internally and externally; has been extensively edited and is now in the process of being finalized.

Completed by: Ataman Aksoy

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**KNOWLEDGE FOR CHANGE PROGRAM – Semi-Annual Report**

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**A. BASIC INFORMATION**

Name of activity	KCP-IMPACT OF LIBERALIZATION IN TEXTILES AND APPAREL ON DEVELOPING COUNTRIES	
Which trust fund? <i>(please tick)</i>		Poverty dynamics and basic service delivery
	x	Investment climate and trade and integration
Trust fund number	TF051759	
Closing date	12/31/2004	
Amount allocated	\$40,000	
Executed by <i>(please tick)</i>	x	Bank
		Recipient <i>(please specify)</i>
Task Team Leader	Bernard Hoekman	

**B. FINANCIAL INFORMATION**

**1. Is your budget still realistic? If not, in what way?**

Yes

**2. Are disbursements still on schedule? Compare with original forecast.**

The disbursements have been behind schedule. The consultant who had initially agreed to work on the project withdrew at the last minute. We have contacted other consultants and plan to spend the funds by the end of the scheduled time frame.

Disbursements to July 31, 2004	<b>\$ 9,920</b>
Actual disbursements for FY04	<b>\$ 9,920</b>
Outstanding commitments as of July 31, 2004	<b>\$ 3,800</b>

**C. PROGRESS MADE DURING REPORTING PERIOD**

**1. Summary of activities and progress**

*(rated Highly Satisfactory; Satisfactory; Unsatisfactory; or Highly Unsatisfactory)*

Rating: Satisfactory

Two papers are completed: the first is forthcoming in *The World Economy* and the second is submitted to *The World Bank Economic Review* in February. The first paper for the project focused on analyzing the impact of the United States African Growth and Opportunity Act (AGOA) on apparel exports of the recipient countries. The paper titled “AGOA and Apparel: Who Captures the Tariff Rent in the Presence of Preferential Market Access?” will be published in *The World Economy* during 2004.



The second paper for the project analyzed the impact of the United States Caribbean Basin Initiative (CBI) on the beneficiary exporters of apparel and textiles. The paper is titled “The Price Effects of Preferential Market Access: The Caribbean Basin Initiative and the Apparel Sector” and has been published as World Bank Policy Research Working Paper #3244. It is under review in *The World Bank Economic Review*.

The third paper analyzes the effects of removal of the Multi-fiber Agreement (MFA) quotas on different groups of exporting countries. More specifically, we compare the prices received and quantities sold by exporters in countries which face binding quotas such as China, on one hand, and countries which have preferences such as Mexico, on the other hand.

We have compiled a very detailed dataset on the U.S. trade flows in textiles and apparel over the last 15 years. We can identify quantity, unit prices, preference status and tariff level, quota status and level at a very disaggregated product category level by each exporting country and preference program. There are many other issues that can be analyzed using this dataset in the future by other researchers and policymakers.

The results of our studies have already been used in Bank ESW, including the comprehensive CAFTA study by the Office of the Chief Economist, Latin America and the Caribbean Region and Dominican Republic Trade and Competitiveness Report. It is also being used in the Caribbean region flagship report, Development in a Global 21<sup>st</sup> Century.

## **2. Problems encountered/causes for delays**

As we have stated in the previous report, the main problem is the difficulty in finding comparable European data. The data has been collected by individual countries and is not as detailed. That is why the main focus has been on the U.S. preference programs so far.

Also, a consultant who was very familiar with the dataset, econometric methods and the policy issues withdrew at the last minute after agreeing to work with us. We are in the process of hiring a new consultant who will complete the last paper.

## **3. Changes in project design made or considered**

None

## **4. Assessment of expected results /impact. *Are you still on track to deliver activities, outputs and project development objective as per your original logframe? If not, please submit revised logframe.***

We will deliver the output predicted in the original logframe, in terms of the datasets and the quantitative and detailed studies.

**5. Assumptions and risks.** *Are there any changes to these from the position in the original application and logframe?*

None
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Completed by: Caglar Ozden

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**KNOWLEDGE FOR CHANGE PROGRAM – Semi-Annual Report**

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**A. BASIC INFORMATION**

Name of activity	KCP-MIGRATION DEVELOPMENT PROBLEMS AND OPPORTUNITIES	
Which trust fund? <i>(please tick)</i>		Poverty dynamics and basic service delivery
	x	Investment climate and trade and integration
Trust fund number	TF051860	
Closing date	12/31/2003	
Amount allocated	\$75,000	
Executed by <i>(please tick)</i>	x	Bank
		Recipient <i>(please specify)</i>
Task Team Leader	Ian Goldin	

**B. FINANCIAL INFORMATION**

**1. Is your budget still realistic? If not, in what way?**

Last disbursement was in December 2003. This project is now closed.

**2. Are disbursements still on schedule? Compare with original forecast.**

Disbursements have been completed. Balance returned to parent trust fund account.

Disbursements to July 31, 2004	<b>\$ 35,356</b>
Disbursements for FY04	<b>\$ 7,394</b>
Reflow Balance to Parent Trust Fund	<b>\$ 39,644</b>

**C. PROGRESS MADE DURING REPORTING PERIOD**

**1. Summary of activities and progress**

*( rated Highly Satisfactory; Satisfactory; Unsatisfactory; or Highly Unsatisfactory.*

Rating: Highly satisfactory

The grant was used with very high leverage. It provided a springboard for the Bank's program on migration. Funds were allocated principally for a workshop on research and policy priorities for the Bank in migration, covering background analysis and papers and participation of leading experts.

**2. Problems encountered/causes for delays**

None.

**3. Changes in project design made or considered**

None.

**4. Assessment of expected results /impact.** *Are you still on track to deliver activities, outputs and project development objective as per your original logframe? If not, please submit revised logframe.*

Ambitions exceeded and Bank has launched significant program on migration and development.

**5. Assumptions and risks.** *Are there any changes to these from the position in the original application and logframe?*

None.

**6. Other relevant information**

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Completed by: Ian Goldin

Projects Approved (12) After April 10, 2003 (last Consultative Group Meeting). These projects are in the initial phase of operation.

***Poverty Dynamics and Basic Service Delivery***

Allocations for new projects in this Trust Fund run from a high of \$400,000 to a low of \$70,000. Excluding the \$400,000 grant for WDR 2006, the average grant is \$105,000. These projects represent a diverse mix both geographically and by topic.

**1. “World Development Report 2006: *Equity and Development*”(TF053864).**

Allocation: \$400,000. Michael Walton and Francisco Ferreira will examine the impact of equity issues with regard to development. Inequalities of income, education, health, social status and influence are salient features of societies throughout the world.

The World Development Report 2006 will describe current levels of and recent trends in inequalities along some key dimensions, both within and across countries; discuss whether such inequalities matter and, if so, how it may be possible to reduce them in ways that, rather than harming economic efficiency and growth, may indeed help promote them; and explore the role of domestic policies and international forces, and the potential for international action to reduce inequalities.

**2. “Evaluating Long-Run Welfare Impacts: Two Case Studies for East Asia”**

(TF053492). Allocation: \$135,000. Martin Ravallion will evaluate the long-run socio-economic impacts of two economic events in East Asia: (1) an injection of extra public resources into villages in Southwest China in 1995-2000, and (2) the 2002 bombing in Bali, Indonesia. In both cases, short-term impacts are well documented.

**China Case Study**

The World Bank’s Southwest Poverty Reduction Program (SWPRP) aims to reduce poverty by providing resources to poor farm households and improving local infrastructure. The program was targeted to areas within 35 designated poor counties in southwest China (Guangxi, Guizhou and Yunnan). The SWPRP involved an investment of about \$400 million over the period 1995 to 2001 from both a World Bank loan and counterpart funding from the Government of China. Investments were made in a range of income-generating activities, including methods for raising food grain yields, animal husbandry, and reforestation. As part of the poverty monitoring and evaluating sub-component of the project, detailed community and household survey data were collected for the purpose of monitoring and evaluating SWPRP. However, some of the SWPRP’s impacts will appear after the investment period ending in 2001—for example, the impacts from education, health care, infrastructure, fruit trees, etc.

The objective of this case study is to do a follow-up survey to document the changes in living standard in farming households in the same area after completion of SWPRP, and to analyze these data to determine the long-term impact of SWPRP.

### **Indonesia Case Study**

The first goal of the Bali, Indonesia component is to provide a better understanding of how individuals and households cope with large, unanticipated income shocks not only in the immediate aftermath but over the longer run as well. In addition to providing evidence on the immediate effects of an income shock, the project will identify the strategies adopted by individuals and families that are most effective at mitigating the deleterious impacts of negative income shocks. Moreover, the project will assess the effectiveness of public policies that are intended to assist the most vulnerable and will examine the interactions between those policies, individuals and the communities in which they reside. The project will yield extremely important information for the design and implementation of public programs to assist the most vulnerable in the future.

To fulfill this goal, the project will assess the immediate and longer term impacts of the October 2002 bombing of Kuta Beach, Bali on the social and economic well-being of the Balinese population. The bombing has dealt a potentially devastating blow to the economic well-being of the island's inhabitants given the reliance of the local economy on international tourism. Real earnings collapsed by approximately 20 percent between 2002 and 2003. This project, known as the Economic and Social Transitions in Bali (EST-B) study, will carefully measure longer term effects of this completely unanticipated shock on a wide array of indicators of well-being. These will include changes in economic status such as levels of consumption, as well as work and earnings. In addition, the effect of the bombing on the health, education and living arrangements of the people of Bali will be investigated. The project will develop a new longitudinal survey of individuals, households and communities in Bali, the first wave of which was conducted eight months prior to the bombing in February 2002. The same individuals and households were interviewed again in early 2003, nearly six months after the bombing. This project will conduct another round of surveys with the same respondents in early 2005, 30 months after the bombing. In order to trace the effects of the bombing and understand who was most detrimentally affected, it is critically important to follow the same respondents over time. By following the same individuals over time, we can identify those who were most directly affected as well as those who were able to cope with the bombing. This will also help determine who benefited the most from programs that sought to mitigate the effects of the bombing.

3. **“Evaluating the Impact of AIDS Prevention and Treatment Services in Five Countries”** (TF053517). Allocation: \$135,000. The need for ongoing research in the area of AIDS prevention and the global implications and effects on poverty from AIDS is critical. Mead Over addresses that need in this evaluation study.

The study has four main objectives: (1) to contribute to knowledge regarding the effectiveness and costs of selected AIDS program components by applying rigorous evaluation tools to the delivery of these services to sample populations in five countries;

(2) to complement existing support by the Human Development (HDN) network's Global HIV/AIDS Program for comprehensive monitoring and evaluation activities with in-depth, prospective, randomized or controlled study of specific program components; (3) to strengthen the capacity of local national institutions to conduct impact evaluations in the future; and (4) to strengthen DECRG's programs in AIDS economics and in impact evaluation.

As part of its ongoing commitment approaching \$2 billion to AIDS interventions, the Bank needs evidence regarding what AIDS interventions work and what factors are critical in their success. The study looks at interventions in five countries:

Burkina Faso: Preliminary conversations were conducted by Ouagadougou-based Trust Team Leader Timothy Johnston and Senior Advisor Hans Binswanger with government officials at the national, regional and local levels and with collaborating research institutions in Bobo Dioulasso (the Centre Muraz, ) and in Ouagadougou (Université de Ouagadougou, Unité d'Enseignement et de la Recherche en Démographie). An operational support mission from January 17 - February 1, 2004 strengthened this dialogue and garnered additional evidence of country participation and ownership.

India: Data collection is underway under the management of the Centre for Public Health Research at the Administrative Staff College of Andhra Pradesh, India. Funds for the research and also for the interventions come from India AIDS Initiative of the Gates Foundation, which has offices in New Delhi and the support of the Indian government.

Kenya: The project team includes two Kenyans on the faculty of Daniel Arap Moi University in Eldoret. Dr. Mabel Nangami is the Head of the Department of Health Policy and Management at the Moi University School of Public Health. A principal investigator who has been involved in all aspects of survey and project design, she will be responsible for direct oversight of survey activities as well as coordinating and implementing the qualitative aspects of the research project. Another team member, Dr. Wilson Odero, is Dean of the School of Public Health. He was involved in the project design and will be involved in analysis of the data. Dr. Odero is trained as a medical doctor and epidemiologist and is Kenya's leading expert on domestic violence.

South Africa: The baseline survey is ongoing under the supervision of Professor Frederik le R. Booysen from the Department of Economics and the center for Health System Research and Development at the University of Free State, Bloemfontein.

Thailand: The proposed research is the outgrowth of ongoing economic sector work on the costs and benefits of expanding access to antiretrovirals; this work was initiated at the request of Dr. Sombat Thanprasertsuk, Director, Bureau of AIDS, TB & STIs, Department of Disease Control. Dr. Sombat and Dr. Viroj Tangcharuensathien, Director of the International Health Policy Program (IHPP) of the Health Systems Research Institute, have requested this collaboration on the longer term analysis of the economic impact of the epidemic in order to deepen and broaden the understanding expected from the ongoing shorter term work supported by the Bank's economic and sector work budget. Dr. Viroj has offered to complement our funding with other IHPP resources.

4. **“Country Case Study for PARIS-21 Task Team on Improved Support for Monitoring Development Goals”** (TF052594) Allocation \$70,000. This project managed by Eric Swanson aims to consider how the international statistical community can improve support for monitoring progress towards development goals. The six country-level case studies will examine the processes and data systems for reporting progress.

Because of interest in this project from several other funding sources, the project was dropped from the KCP program and the full allocation was returned to the KCP Parent Fund.

5. **“Evaluating Frontline Service Delivery: Management and Analysis”** (TF052376) Allocation: \$80,000. This pilot study is a partnership between DEC and the Poverty Reduction and Economic Management (PRM) and Human Development (HDN) networks in Africa, East Asia and South Asia regions. Using a pilot survey approach, the project is managed by Ritva S. Reinikka.

This study aims to pilot a micro survey approach to service delivery in basic education in four countries in Africa and Asia (Laos, Pakistan, Papua New Guinea, and Zambia). It also will address health care delivery in Africa (Chad, Madagascar, Mozambique, Nigeria, and Uganda). The objective is to design and test an innovative Quantitative Service Delivery Survey (QSDS) instrument to collect new type of micro-level data from frontline service providers. Second these data will be used to help contribute to education, health care, and public sector reforms to improve the delivery of these services.

### ***Investment Climate and Trade and Integration***

The new allocations under this trust fund include a range of grants from \$88,000 to \$712,000 for the WDR 2005 background studies. Excluding the WDR allocation, the average allocation in this group is \$88,000.

6. **“Investment Climate Extension”** (TF053568). Allocation: \$150,000. Guiseppe Iarossi continues the important task of surveying the investment climate in two countries that have not yet been studied—Guyana and Vietnam. The objective is to measure the investment climate conditions in the two countries using a standardized methodology.

Investment Climate (IC) Surveys and Assessments are the cornerstone of the World Bank’s Board-approved Private Sector Development strategy. IC surveys allow measurement and comparison of investment climate conditions with a standardized methodology. They replace a number of varying, and sometimes ad hoc, methodologies and, specifically, allow the use of objective data to investigate the relationship between investment climate and firm performance.

IC surveys and research are a systematic means to allow (1) better identification of the features of the investment climate that matter most for productivity and hence income growth, especially for the poor; (2) the tracking of changes in the investment climate within a country; and (3) the comparison of countries or regions within countries.



7. **“Access to Finance and Poverty Alleviation”** (TF053518). Allocation: \$90,000). Asli Demirguc-Kunt will conduct this study in order to better understand the impact of the business environment, particularly access to credit and more generally, financial development, on poverty alleviation and income distribution.

In past work, the investigator and others have assessed the relationship between financial development and structure and economic growth, at the country level (e.g. Beck, Levine, and Loayza, 2000), the industry level (e.g. Beck and Levine, 2002) and the individual firm level (e.g. Demirguc-Kunt and Maksimovic, 1998, 2002, 2004). Given the focus of the World Bank and other international donors on poverty alleviation, and the prominence of the Millennium Development Goals, this previous work will be extended to assess the impact of access to finance on poverty alleviation and income inequality both at the country and at the household level. While the finance/growth link has been extensively researched both inside and outside the Bank, the finance/poverty link has not been studied yet on a cross-country basis with aggregate or micro data, which this study will undertake using household surveys in approximately 40 countries.

8. **“Investment Climate, Growth and Poverty”** (TF052955). The World Development Report (WDR) 2005. Allocation: \$712,000.

The KCP received contributions from the United Kingdom and Sweden supporting the work related to the WDR 2005. These contributions have enabled the WDR team, led by Warrick Smith, to extend and deepen the consultations and research in World Bank borrowing countries. Funding for this project supports a range of research and related initiatives addressing the three main areas of inquiry of the WDR: (1) the role of the investment climate in influencing growth and poverty reduction processes; (2) key elements of a sound investment climate; and (3) successful implementation of investment climate reforms.

The theme “Improving the Investment Climate for Growth and Poverty Reduction” aims to strengthen the relationship between the efforts and rewards of firms, whether they are rural micro-entrepreneurs or multinational enterprises. The WDR 2005 will focus on understanding the opportunities as well as the challenges governments face in improving the investment climates of their countries, and suggest practical strategies for accelerating progress. As the World Bank’s flagship annual publication, the WDR 2005 reaches the development community at large, including policymakers in developing countries, donors, nongovernmental organizations, academics and other stakeholders.

9. **“Agricultural WTO Trade Reforms & Their Impact on Poverty”** (TF053519). Allocation: \$90,000. Trade reforms in the agricultural sector are a key factor for growth and development in a majority of the developing countries and in particular in rural areas, which have the highest concentration of poor. In this study, Marcelo Olarreaga looks at the effects on poverty using a mix of methods.

The objective of this research is to better understand how the WTO Doha round negotiations, particularly in terms of agricultural reforms, affect poor households in developing countries. The project outcomes will help inform global negotiations on agricultural trade reforms, and also will help developing countries design their own

reform programs in a way that might mitigate the negative effects on the poor while boosting the positive ones.

Over the last year, the World Bank has undertaken extensive analysis of global agricultural trade regimes, at global and individual commodity levels, estimating the impact of global trade policies and their reform on developing countries. The emphasis on the agricultural sector stems from the strong link between poverty in developing countries and the performance of the agricultural sector, which depends heavily on the progress in reforming the agricultural trade policies in industrial countries. Growth in agriculture generally has a disproportionate effect on overall poverty because more than half the population in developing countries resides in rural areas. Poverty incidence is much higher in rural areas, reaching 82 percent of rural population in low-income developing countries. In addition to the importance of agriculture for poverty alleviation and growth in poor countries, lack of reform in agriculture is now the single most important barrier to a successful conclusion of global trade negotiations. Deepening the intellectual arguments in favor of agricultural reform will have returns beyond its impact on the agricultural sector and can unlock global trade reforms. In the evaluation of trade policies, it is important to investigate consumption effects and factor income effects together; however, most of the current literature deals with these effects separately. Concretely, methods used to examine consumption effects are generally very different from methods used to study factor (labor) markets. This makes a consistent general equilibrium assessment of economic policies difficult to perform. This project proposes to develop an empirical method that will allow for an econometric investigation of the general equilibrium effects of WTO agricultural reforms. The method uses household surveys and modern econometric techniques to assess the poverty impacts of trade reforms.

- 10. “Caribbean Growth and Competitiveness Study” (TF053477).** Allocation: \$165,000. The European Commission is supporting the KCP on a study of the process of trade integration in the Caribbean region. In the study, Mustapha Rouis will suggest key policy options for Caribbean governments to stimulate sustainable, job-creating growth.

The objective of this study is to discuss the critical constraints to such growth and to prioritize and present the key policy options for Caribbean governments in order to stimulate it. This would imply a focus on being better prepared for immediate and imminent challenges and taking advantage of opportunities that lie ahead. The report will adopt a strategic approach, focusing on reforms likely to offer the biggest payoffs. It will serve as the key instrument for the development dialogue that takes place at the biennial Caribbean Forum on Development, tentatively planned for the end of 2004.

- 11. “Increasing Kenya’s Integration in the Global Economy” (TF053882).** Allocation: \$140,000. The European Commission has contributed \$140,000 to the KCP to support a study by Christiane Kraus to employ the World Bank’s successful Diagnostic Trade Integration Studies model in addressing pro- poor trade and export performance in Kenya.

The study aims to support the government in implementing its National Export Strategy (NES); supporting prioritization and sequencing of initiatives, and aligning donors to formulate detailed action plans. The study will also provide diagnostics for an alternative entry point, through the Ministry of Trade and Industry to advance the discussion on issues that critically affect trade and export performance (exchange rate management, revenue generation). Finally, the study will present a streamlined approach to the research agenda by drawing on existing studies that identify constraints and complement those with specific diagnostics in areas where gaps have been identified. One of the main research topics is the linkages between trade and poverty reduction in Kenya. A final report will be prepared based on a series of background papers, and a workshop will be held late in 2004.

- 12. “Developing Countries and WTO Dispute Settlement, Assessment and Lessons Learned from the Experience to Date” (TF052672)** Allocation: \$88,000. This project, managed by Bernard Hoekman, seeks to examine the effectiveness of the dispute settlement mechanisms in place internationally as a new round of World Trade Organization (WTO) negotiations approaches.

The overall goal of this project is to determine if the Dispute Settlement (DS) system is the same for developed and developing countries, differences in trading interests. Work is proposed on three fronts on this project: (a) collection and analysis of data for all cases and all developing countries; (b) case studies of two countries that have been very active users of DS (Argentina and Ecuador); (c) and research to explore possible alternatives to the use of retaliation as the ultimate enforcement device in WTO cases.