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World Development Report 2007: Agriculture for Development

World Development Report (WDR) 2008: Agriculture for Development, calls for placing the sector at the center of the development agenda if the goals of halving extreme poverty and hunger by 2015 are to be realized. The last time a WDR on agriculture was published was in 1982, making this a landmark report that comes when many are calling for an African agricultural revolution. While 75 percent of the world's poor live in rural areas in developing countries, only 4 percent of official development assistance goes to agriculture. In Sub-Saharan Africa, a region heavily reliant on agriculture for overall growth, public spending for farming is also only 4 percent of total government spending and the sector is still taxed at relatively high levels. The report finds that for the poorest people, GDP growth originating in agriculture is about four times more effective in raising incomes of extremely poor people than GDP growth originating outside the sector. The authors argue that a dynamic 'agriculture-for-development' agenda can benefit the estimated 900 million rural people in the developing world who live on less than \$1 a day, most of whom rely on agriculture for a living.

[Website](#) and [Slideshow](#)
[Download complete report](#) or [Order online](#)

Video: Africa's Agriculture for Development Agenda, Oct 19, 2007

This high level forum, moderated by Roger Thurow and Scott Kilman of the Wall Street Journal, was introduced by Robert Zoellick, World Bank Group President, and Ellen Johnson Sirleaf, President of Liberia.

Event video: [Part I](#) | [Part II](#)

New Report Calls for Broader Access to Finance

Between 50 and 80 percent of adults in many developing countries have inadequate access to financial services, finds a new World Bank policy research report entitled "Finance for All? Policies and Pitfalls in Expanding Access". According to the report, failure to provide more households and small and medium enterprises with the financial services they need acts as a brake on development. While noting the microfinance industry's progress in delivering credit to poor people, the report calls for a broader financial strategy that delivers services to all excluded people and firms. Inclusive financial systems ultimately benefit the poorest people and the smallest firms the most, by creating more jobs, raising incomes, and generating more opportunities for small businesses. The report says that governments should strengthen institutions and adopt new technologies to bring down transaction costs. Research suggests that governments should also encourage competition—including foreign bank entry—and provide the right regulatory incentives. In contrast, direct interventions by governments, such as through credit subsidies or government-owned financial institutions, can be counter-productive, reducing incentives for the private sector to deliver services to the poor.

[Download report](#)
[Finance and Private Sector Research Website](#)

Environmental, Economic, and Policy Aspects of Biofuel Production and Use

The world is witnessing a sudden growth in production of biofuels, especially those suited for replacing oil, like ethanol and biodiesel. In a new policy research working paper, Deepak Rajagopal and David Zilberman, consultants to the World Bank's Development Research Group, review predictions about the possible effects of these biofuels from the economic, environmental and policy perspectives. They come to three conclusions: First, the current generation of biofuels, which is derived from food crops, is intensive in land, water, energy, and chemical inputs. Second, the environmental discussion has focused on net carbon offset and net energy gain, while the no less important impact of biofuels on human health, soil quality, biodiversity, and water depletion has received much less attention. Third, while there is considerable economic and policy analysis of the various effects of biofuels from both micro and macro perspectives, several gaps remain. A bewildering array of policies—including on energy, transportation, agriculture, trade, and the environment—is influencing the evolution of biofuels. But neither policies nor the level of subsidies reflect the marginal impact of biofuels on welfare or the environment. The authors warn that all biofuels are not created equal and that there is significant variance in their impacts. They also highlight the role that biomass plays in rural areas of developing countries, suggesting that the use of biomass for producing automobile fuel can affect access to energy and fodder and not just access to food.

[Paper](#)
[Biofuels policy brief](#) (on World Development Report 2008 website)
[World Bank Climate Change Research](#)

"Fiscal Space"—Or Fiscal Policy under Constraints? & more in the Research Digest

The debate on the constraints facing fiscal policy started in the aftermath of the financial crises of the late 1990s. Many developing countries were perceived as sacrificing their long-run growth potential for the sake of fiscal discipline. The concept of "fiscal space," according to a recent survey paper by Roberto Perotti, has confused rather than helped the debate. Perotti, who surveys fiscal policy in developing countries from the point of view of long-run growth, suggests that even when fiscal space and its close cousin, macroeconomic space, are correctly defined, they are not particularly insightful. The key question is what constitutes an optimal fiscal policy under constraints—the main ones being the intertemporal government budget constraint, credit constraints, and political constraints. The paper presents evidence on the cyclical behavior of fiscal policy, and possible reasons for "procyclical" behavior in developing countries, that is, where the budget deficit is positively correlated with measures of economic activity such as the output gap. One obvious question that arises is why governments do not self-insure (accumulate assets in upturns and let go of them in downturns). Perotti finds that the dearth of self-insurance has to do with political economy: in good times it is politically impossible to put aside tax revenues while reducing or eliminating funding for health, education, and infrastructure. Other articles in this issue of the Digest highlight climate change in Africa; analyze teacher compensation in India's public school system; explore the links between disability, poverty and schooling in developing countries; and more.

[Paper](#)
[Research Digest Fall Issue](#)

Democracy by Other Means? Legalizing Demand for Social and Economic Rights

Reforms in institutional design that might make governments more accountable for failures to provide basic services and alleviate poverty have been debated for over a decade. In a new research brief, Varun Gauri explores an important means to increase accountability in democracies—judicial review—that has so far received scant attention. He points out that courts are enforcing constitutionally incorporated economic and social rights, a new trend that has gone largely unnoticed in development circles. For instance, on several occasions, courts in Argentina have required the state to provide or avoid interruptions in the provision of essential medicines, such as a treatment for hemorrhagic fever. But are such judicial interventions really meaningful for policymaking, and do they disproportionately benefit those who are already better off? Among other conclusions, Gauri finds that poor people are more likely to benefit when they share the interests of middle-class litigants or when collective claims are brought on their behalf. Also, legal strategies seem to be producing measurable impacts on access to health care and education, but questions remain about the distribution of those benefits and their impact on democracy and bureaucratic accountability.

[Research Brief](#)

TODAY Nov 15: Live Webcast of Robert E. Lucas Lecture at the World Bank

Nobel Laureate Robert E. Lucas, Jr., Professor of Economics at the University of Chicago will deliver the annual World Bank Development Economics Lecture on Thursday, November 15 from 11 a.m. to 1 p.m. EST. He will present his recent study on global economic growth and cross-country flows of production-related knowledge. He argues in his paper that these flows are the main force for reducing income inequality. Using evidence on successfully industrialized countries, he proposes a model to describe the evolution of real GDPs in the world economy that is intended to apply to all open economies. The five parameters of the model are calibrated using the Sachs-Warner definition of openness and time-series and cross-section data on incomes and other variables from the 19th and 20th centuries. The model predicts convergence of income levels and growth rates and has strong but reasonable implications for transition dynamics.

[Live Webcast](#)

New Policy Research Working Papers

These papers, and all older papers, are also available using the [Document Search](#) on the Bank's Development Economics Research website and on the [Social Sciences Research Network](#).

- [4378. Do regulation and institutional design matter for infrastructure sector performance?](#) (Luis Andres, Jose Luis Guasch, Stephane Straub)
- [4379. Designing economic instruments for the environment in a decentralized fiscal system.](#) (James Alm, H. Spencer Banzhaf)
- [4380. Assessing the governance of electricity regulatory agencies in the Latin American and the Caribbean region : a benchmarking analysis.](#) (Luis Andres, Jose Luis Guasch, Makhtar Diop, Sebastien Lopez Azumendi)
- [4381. The growing role of the euro in emerging market finance.](#) (Paul R. Masson)
- [4382. Fiscal rules, public investment, and growth.](#) (Luis Serven)
- [4383. Challenges to MDG achievement in low income countries : lessons from Ghana and Honduras.](#) (Maurizio Bussolo, Denis Medvedev)
- [4384. More growth or fewer collapses ? a new look at long run growth in Sub-Saharan Africa.](#) (Jorge Saba Arbache, John Page)
- [4385. How relevant is targeting to the success of an antipoverty program?](#) (Martin Ravallion)
- [4386. Psychological health before, during, and after an economic crisis : results from Indonesia, 1993 - 2000.](#) (Jed Friedman, Duncan Thomas)
- [4387. Fear of appreciation.](#) (Eduardo Levy-Yeyati, Federico Sturzenegger)
- [4388. The role of revenue recycling schemes in environmental tax selection : a general equilibrium analysis.](#) (Govinda R. Timilsina)
- [4389. Practical guidelines for effective bank resolution.](#) (Javier Bolzico, Yira Mascaro, Paola Granata)



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