

World Bank Publications

Information and orders: the World Bank, P.O. Box 960, Herndon, VA 20172, U.S.; tel.: +1-703-661-1580, fax: 703-661-1501, <http://www.worldbank.org/publications>, email: books@worldbank.org, or visit the World Bank InfoShop at 701 18th Street, N.W., Washington, D.C., tel.: +1-202-458-5454

World Development Indicators 2007

April 2007, ISBN: 0-8213-6959-8, SKU: 16959

World Development Indicators is the World Bank's premier annual compilation of data about development. This statistical reference combines over 900 indicators for some 150 economies and 14 country groups in more than 80 tables. It provides a current overview of the most recent data available, as well as important regional data and income group analysis in six thematic sections: World View, People, Environment, Economy, States and Markets, and Global Links. The CD-ROM editions contain 45 years of time series data, covering 1960 to 2005, and offer mapping, charting, and data export formats.

Global Monitoring Report 2007: Confronting the Challenges of Gender Equality and Fragile States

April 2007, ISBN: 0-8213-6975-X, SKU: 16975

The 2007 Global Monitoring Report on the Millennium Development Goals, jointly issued by the World Bank and the International Monetary Fund, assesses the contributions of developing countries, developed countries, and international financial institutions toward meeting universally agreed development commitments. Fourth in a series of annual reports leading up to 2015, this year's report reviews key developments of the past year, emerging priorities, and provides a detailed region-by-region picture of performance in the developing regions of the world, drawing on indicators for poverty, education, gender equality, health, and other goals. Subtitled "Confronting the Challenges of Gender Equality and Fragile States", the report highlights two key thematic areas — gender equality and empowerment of women and the special problems of fragile states, where extreme poverty is increasingly concentrated.

J. Edgardo Campos, Sanjay Pradhan (eds.)

The Many Faces of Corruption: Tracking Vulnerabilities at the Sector Level

April 2007, ISBN: 0-8213-6725-0, SKU: 16725

How can policymakers and practitioners better comprehend the many forms and shapes that corruption takes? From the delivery of essential drugs, the reduction in teacher absenteeism, the construction of roads, the provision of water and electricity, the international trade in oil and gas, the conduct of public budgeting and procurement, and the management of public revenues, corruption shows its many faces. *The Many Faces of Corruption* explores the use of prototype road maps to identify corruption vulnerabilities, suggests corresponding "warning signals," and proposes remedial measures in each of several selected sectors and for a selected sample of cross cutting public sector functions that are particularly prone to corruption and that are critical to sector performance. Numerous technical

experts have come together in this effort to develop an operationally useful approach to diagnosing and tackling corruption, which serves as a reference for policymakers, practitioners, and researchers engaged in the business of development.

World Bank Working Papers

<http://econ.worldbank.org/>

Erwin Tiongson, Jean Fares

Youth Unemployment, Labor Market Transitions, and Scarring: Evidence from Bosnia and Herzegovina, 2001-04

WPS4183, April 2007

The authors examine early unemployment spells and their longer-term effects among the youth in Bosnia and Herzegovina, where the labor market transition is made more difficult by the challenges of a post-conflict environment. They use panel data covering up to 4,800 working-age individuals over the 2001 to 2004 period. There are three main findings from their analysis. First, youth unemployment is high — about twice the national average. Younger workers are more likely to go into inactivity or unemployment and are also less likely to make the transition from inactivity to work. Second, initial spells of unemployment or joblessness appear to have lasting adverse effects on earnings and employment ("scarring"). But there is no evidence that the youth are at a greater risk of scarring, or suffer disproportionately worse outcomes from initial joblessness, compared with other age groups. Third, higher educational attainment is generally associated with more favorable labor market outcomes. Skilled workers are less likely to be jobless and are less likely to make the transition from employment into joblessness.

Anna Lukyanova, Rostislav Kapelyushnikov, Vladimir Gimpelson, Yevgenia Savchenko

Skills Shortages and Training in Russian Enterprises

WPS4222, May 2007

In the transition to a market economy, the Russian workforce underwent a wrenching period of change, with excess supply of some industrial skills coexisting with reports of skills shortages by many enterprises. The paper uses data from the *Russia Competitiveness and Investment Climate Survey* and related local research to gain insight into the changing supply and demand for skills over time, and the potential reasons for reported staffing problems and skills shortages, including labor turnover, compensation policies, and the inhibiting effects of labor regulations. It discusses in-service training as an enterprise strategy for meeting staffing and skills needs, and presents evidence on the distribution, intensity, and determinants of in-service training in Russia. It investigates the productivity and wage outcomes of in-service training, and the supportive role of training in firms' research and development and innovative activities, concluding with some policy implications.

Aristomene Varoudakis, Erwin R. Tiongson, Taras Pushak

Public Finance, Governance, and Growth in Transition Economies: Empirical Evidence from 1992-2004

WPS4255, June 2007

Revisiting literature on economic growth in transition economies, with particular focus on fiscal balance and the size of government, the paper expands the data used in previous analyses by up to 10 years and finds unambiguous evidence that fiscal balance matters for growth. A key finding is that determinants of growth may vary in relative importance, depending on the underlying institutional quality. There could be higher growth payoffs from macroeconomic stability and public expenditure in countries characterized by relatively better public sector governance. In addition, the size of government matters for growth in a nonlinear manner: beyond indicative thresholds of expenditure levels, public spending has a negative impact, while at levels below the threshold there is no measurable impact on economic growth.

David Dollar

Poverty, inequality, and social disparities during China's economic reform

WPS4253, June 2007

The rapid growth in China over the past 25 years has fueled a remarkable increase in per capita income and a decline in the poverty rate from 64% at the beginning of reform to 10% in 2004. At the same time, however, different kinds of disparities have increased. Income inequality has risen, propelled by the rural-urban income gap and by the growing disparity between highly educated urban professionals and the urban working class. There have also been increases in inequality of health and education outcomes. Some rise in inequality was inevitable as China introduced a market system, but inequality may have been exacerbated rather than mitigated by a number of policy features. Restrictions on rural-urban migration have limited opportunities for the relatively poor rural population. The inability to sell or mortgage rural land has further reduced opportunities. China has a uniquely decentralized fiscal system that has relied on local government to fund basic health and education. The result has been that poor villages could not afford to provide good services, and poor households could not afford the high private costs of basic public services. Ironically, the large trade surplus that China has built up in recent years is a further problem, in that it stimulates an urban industrial sector that no longer creates many jobs, while restricting the government's ability to increase spending to improve services and address disparities. The government's recent policy shift to encourage migration, fund education and health for poor areas and poor households, and rebalance the economy away from investment and exports toward domestic consumption and public services should help reduce social disparities.

Other Publications

Libor Dusek

Political Risk of Social Security: The Case of the Indexation of Benefits in the Czech Republic

March 2007, CERGE-EI Working Paper 318

http://www.cerge-ei.cz/publications/working_papers/

The trade-off between a risk-free but low-return pay-as-you-go social security system and a high-risk and high-return fully

funded system has long attracted considerable interest in the economics profession and in policy debates. Yet, the pay-as-you-go social security system is not really risk-free. The paper quantifies one element of the political risk of social security in the Czech Republic, namely the risk that those people who already retired face about the future evolution of their benefits, which are being devalued by inflation and revalued by indexations. The author measures how the political risk over the indexations of benefits has affected the people who retired during 1988-1995. The author finds that retirees faced fairly large volatility in the changes of real benefits, which reduced the expected utility of retirees by 0.8-1.3% of equivalent consumption.

Balazs Egert, Carol S. Leonard

Dutch Disease Scare in Kazakhstan: Is It Real?

March 2007, William Davidson Institute Working Paper No. 866

<http://www.wdi.umich.edu/files/Publications/WorkingPaper/slwp866.pdf>

The authors explore the evidence that would establish that Dutch disease is at work in, or poses a threat to, the Kazakh economy. Assessing the mechanism by which fluctuations in the price of oil can damage non-oil manufacturing — and thus long-term growth prospects in an economy that relies heavily on oil production — they find that non-oil manufacturing has so far been spared the perverse effects of oil price increases from 1996 to 2005. The real exchange rate in the open sector has appreciated over the last couple of years, largely due to the appreciation of the nominal exchange rate. The authors analyze to what extent this appreciation is linked to movements in oil prices and oil revenues. The results of real exchange rate models show that the rise in the price of oil and in oil revenues might be linked to an appreciation of the U.S. dollar exchange rate of the oil and non-oil sectors. But appreciation is mainly limited to the real effective exchange rate for the oil sector and is statistically insignificant for non-oil manufacturing.

Ville Kaitila

Free Trade between the EU and Russia — Sectoral Effects and Impacts on Northwest Russia

April 2007

<http://d.repec.org/n?u=RePEc:rif:dpaper:1087&r=tra>

The authors analyze the implications of free trade between the EU-25 and Russia using a computable general equilibrium model. They review the sectoral effects by countries and make an assessment of the impact on the regions in Northwest Russia. Free trade on its own would have a negative terms-of-trade effect in Russia and cause a small decline in welfare. If coupled with an increase in productivity, welfare would increase. This emphasizes the importance of reforms in the Russian economy. The quantity of production in Russia in ferrous and non-ferrous metallurgy, machine building and metal working, and wood and paper are the principal declining sectors with free trade. Production in capital goods, the fuel industry, and services increases. Thus there are some symptoms of Dutch disease. Due to its production structure the Northwest would seem to benefit slightly less than Russia on average in terms of the volume of gross regional product.

Roland Beck, Annette Kamps, Elitza Mileva
Long-Term Growth Prospects for the Russian Economy
March 2007
<http://www.ecb.eu/pub/pdf/scpops/ecbocp58.pdf>

The paper provides an assessment of Russia's long-term growth prospects, in particular, the medium and long-term sustainability of the country's currently high growth rates. Starting from the notion that Russia's fast economic expansion in recent years has benefited from the unprecedented rise in oil prices, the paper presents new evidence on Russia's oil price dependency. The findings indicate that the positive impact of rising oil prices on Russia's GDP growth has increased in recent years, but tends to be buffered by an appreciation of the real effective exchange rate which is stimulating imports. Additionally, growth in the service sector — a symptom usually associated with the Dutch disease phenomenon — is mainly a result of the transition process. Finally, the paper provides an overview of the relevant factors that are likely to affect Russia's growth performance in the future.

Hideki Hiraizumi
Changes in the Foreign Trade Structure of the Russian Far East under the Process of Transition toward a Market Economy
March 2007
<http://www.ide.go.jp/English/Publish/Dp/Abstract/094.html>

During transition toward a market economy, the economic connections of the Russian Far East (RFE) with external economies changed from a division of labor among the regions of Russia to an international division of labor. This happened due to trade liberalization, the presence of rich natural resources and developed processing industries, the advantageous location in proximity to Asia-Pacific countries, and the political and economic division of the once unified national economic space. The changes included: an increase in the value and importance of foreign trade for the RFE economy; the development of different territories of RFE along different trajectories due to differences in industrial structure and geographical location; a growth of exports and imports with China; a sharp increase of the exports of fuel, mineral resources and metal since the end of the 1990s, and the imports of machine, facilities and transportation means since 2002.

Slavo Radosevic
Research and Development and Competitiveness in South Eastern Europe: Asset or Liability for EU Integration?
April 2007, UCL-SEES Economics Working Paper No. 75
<http://www.ssees.ac.uk/wp75sum.htm>

The paper explores the relationship between research and development (R&D) and competitiveness of the SEE economies from the perspective of the EU integration and the EU as a knowledge based economy. Specifically, the paper addresses the question of whether SEE is a potential asset or a liability in this process. SEE countries are quite diverse in terms of levels of competitiveness, with visible effects on the role of R&D which is confirmed by analysis of the demand and supply factors of R&D. The results show that innovation policy that takes account of the supply and demand side factors of R&D is essential to knowledge based growth in the SEE economies.

Christopher Gerry, Tomasz Mickiewicz
Inequality, Democracy and Taxation: Lessons from the Post-Communist Transition
March 2007, UCL-SEES Economics Working Paper No. 74
<http://www.ssees.ac.uk/wp75sum.htm>

Using data for post-communist economies (1989-2002), the authors examine the determinants of income inequality. They find a strong positive association between equality and tax collection but note that this relationship is significantly stronger under authoritarian regimes than under democracies. They also discover that early macroeconomic stabilization resulted in lower inequality; confirm that education fosters equality; and find that larger countries are prone to higher levels of inequality.

Daniel Münich and Jan Svejnar
Unemployment in East and West Europe
May 2007, IZA Discussion Paper No. 2798
<http://ftp.iza.org/dp2798.pdf>

The authors use 1991-2005 panel data on the unemployed, vacancies, inflow into unemployment, and outflow from unemployment in the Czech Republic, Hungary, Poland, and Slovakia and in the western part of Germany (a benchmark western economy) to examine the evolution of unemployment. The results suggest that despite diverse initial conditions and subsequent paths, the patterns observed in all the countries are surprisingly similar. The authors confirm that firms in Central and East European countries have been rapidly increasing labor productivity, often without a major net creation of jobs.

Book Review

Erick Berglof, Gerard Roland (eds.)
The Economics of Transition: The Fifth Nobel Symposium in Economics
Palgrave Macmillan 2007
 ISBN-10: 1-4039-9639-3

The volume contains the papers presented at the Fifth Nobel Symposium in Economics devoted to the Economics of Transition where 50 leading economists met in Stockholm in September 1999 to take stock of the knowledge accumulated in the research on transition and institutional change. The book chapters cover the following topics: soft budget constraints; the effects of changes in ownership following privatization policies in Central Europe; the output fall and the strong increase in barter and inter-firm arrears in many transition economies in the late 1990s; the large reduction in labor supply at the beginning of transition; the effects of reforms and initial conditions on economic performance in the different transition countries; insecurity of property rights as a first order effect explaining the lack of investment by firms in Poland, Slovakia, Romania, Russia and Ukraine; the informal sector and the link to government corruption as well as the causes of corruption; the organization of government, including decentralization; barriers to trade set up by provincial authorities in China in the mid-1980s as well as some positive aspects of the provincial organization of Chinese administration.

BT