



generating, sharing, and applying
knowledge
for development

ANNUALREPORT
2002

better research
better policy
better world

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overview

Global Development Network in brief

Status: **not-for-profit organization**

Chair of the Governing Body: **Lal Jayawardena**

Director: **Lyn Squire**

Number of regional network partners: **11**

Number of organization profiles in the GDN knowledge base: **2,379 in 105 countries**

Number of subscribers to GDN's monthly electronic newsletter: **10,550**

Total budget, including collaborative programs: **\$10.36 million** (fiscal 2002)

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GDN: a global network for development

▶ GDN is an evolving network of research and policy institutes working together to address problems of national and regional development. Launched in 1999 by the World Bank, GDN became independent in 2001.

GDN is global. It:

- > Supports multidisciplinary research in social sciences and mobilizes resources around the world.
- > Produces policy-relevant knowledge on a global scale.
- > Promotes the application of global knowledge through its local "reinvention."

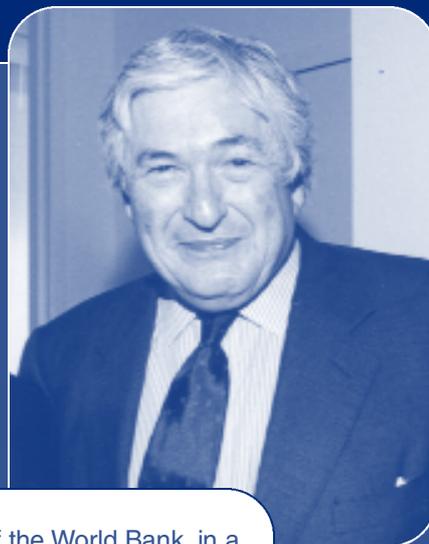
GDN is for development. It:

- > Builds research capacity to advance development and alleviate poverty.
- > Fosters research in developing and transition economies.
- > Disseminates development knowledge to the public and policymakers.
- > Bridges the gap between ideas and policies.

GDN is a network. It:

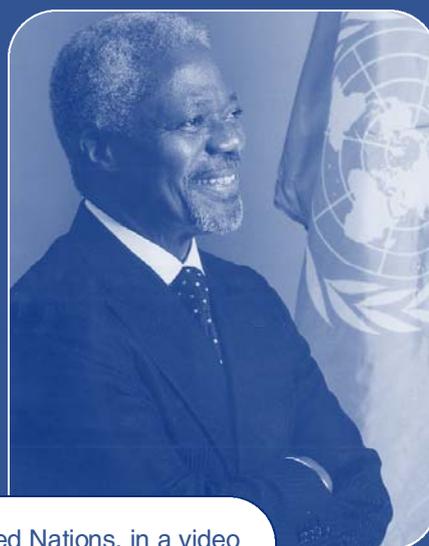
- > Links research institutes from 11 regions and more than 100 countries.
- > Coordinates research and strengthens partnerships worldwide.
- > Facilitates knowledge sharing among researchers and policymakers.
- > Promotes multidisciplinary collaboration.

GDN can help build the analytical capacity that will enable countries to design and implement their own development strategies and programs.



> James Wolfensohn, President of the World Bank, in a letter outlining the Bank's financial support for GDN

The potential to create a more equitable world for everyone is within our grasp. It is good to know that the United Nations can count on the Global Development Network as a partner.



> Kofi Annan, Secretary-General of the United Nations, in a video message at the Second GDN Annual Global Development Conference in Tokyo, Japan, December 2000

Better research, better policy, better world

MESSAGE FROM THE CHAIR OF THE GDN GOVERNING BODY

We all want a better world. GDN's contribution to that goal is based on the premise that better socioeconomic research can guide better policy—to the benefit of all. Since its inception in December 1999, GDN has laid the foundation for a sustained effort to promote development studies and strengthen the links between research and policy. GDN's main activities—such as the Global Development Awards Competition, Regional Research Competitions, Annual Global Development Conference, and GDNNet—have become firmly established vehicles for capacity building.

In addition, GDN has implemented several major research projects. One explains the growth experiences of various regions over the past 30–50 years. Another will help explain why some countries are successful in pursuing reform—and why others are not. Yet another project aims to tighten the links between research results and policy decisions.

My point is not to praise these activities. My point is that in pursuing them, GDN sensed a need and responded. GDN's responsiveness and agenda warrant high marks and promise a better world.



> Lal Jayawardena



> Before becoming Chair of the GDN Governing Body, Dr. Lal Jayawardena served as High Commissioner for Sri Lanka in the United Kingdom (1999–2000), Economic Adviser to the President of Sri Lanka (1994–99), and Assistant Secretary-General of the United Nations as Director of the United Nations University's World Institute for Development Economics Research (1985–93). He was also a member of the group of Eminent Persons appointed to advise to the Brandt Commission on International Development Issues (1978–81). As the Secretary of Finance and Planning of Sri Lanka (1975–78), Dr. Jayawardena negotiated Sri Lanka's major 1977 Economic Reform Program with the IMF.

Linking global and local knowledge to benefit the developing world

MESSAGE FROM THE GDN DIRECTOR

Gunnar Myrdal once wrote: "As the underdeveloped countries now increasingly become articulate about their desires and worries, a change of direction of research can be expected. Economic problems will increasingly be studied from the viewpoint of their interests." A wonderful sentiment—but Myrdal was writing almost 50 years ago, and thinking about development is still dominated by research produced in industrial countries and especially in Washington, D.C.

As Director of the World Bank's Policy Research Department in the mid-1990s, I have seen the power of ideas based on high-quality empirical analysis. Such ideas add real value to development efforts. But as the Bank's Chief Economist for the Middle East and North Africa, I have felt just as keenly the acute dearth of local research. GDN is committed to closing this gap by building local research capacity and strengthening the link between research and policy—and, hopefully, transforming Myrdal's vision into reality. We are proud of our achievements as reflected in this first annual report.



> Lyn Squire



> After completing his Ph.D. at Cambridge University, Lyn Squire joined the World Bank in 1972. He served as Director of the 1990 World Development Report (on poverty), Chief Economist for the Middle East and North Africa (1992–94), and Director of the Policy Research Department (1994–98). He helped establish the Economic Research Forum in Cairo (1993), the South Asia Network of Economic Institutes (1998), and the East Asia Development Network (1999). Dr. Squire's current research focuses on inequality and development.

GDN landmarks and its move to independence

GDN is focused on identifying the challenges of development—and offering solutions. Guided by principles of independence, openness, effectiveness, democracy, and plurality, it promotes research and supports the generation of local knowledge in developing and transition economies.

GDN's move toward independence began in 2001 with its separation from the World Bank and incorporation as an autonomous not-for-profit organization. Although GDN's headquarters are temporarily based in Washington, D.C., relocation to a developing country is planned for July 2004. This move will be a response to the sentiment of the research community that GDN serves—and demonstrate our commitment to operating within and for the good of the developing world. The World Bank's continued support of GDN in fiscal 2002–2006 is reflected in the Memorandum of Understanding between these two organizations.

Prior to its incorporation as a not-for-profit organization independent of the World Bank, GDN's total financial support for all activities amounted to \$7 million. One year later, its total support and revenue is \$10.36 million, including a collaborative program of research on health.^a More impressively, the number of donors has increased dramatically: from two in fiscal 2001, among which the World Bank was the principal contributor, to more than thirteen major donors in fiscal 2002. Thomas Havey, LLP, audited GDN's financial performance in September 2002 and issued an unqualified opinion. The complete financial statements and the auditors' opinion are reproduced at the end of this Annual Report.

^a GDN partners with the National Institutes of Health and other institutions in sponsoring a competitive research program entitled *International Studies on Health and Economic Development (ISHED)*. In the year ended June 30, 2002, the total funding to ISHED was \$1,898,467. GDN's contribution was \$250,000.

GDN LANDMARK TIMELINE



12/00

- > First meeting of the GDN Governing Body held in Tokyo

12/99

- > World Bank launches GDN as a group of seven regional network partners from developing and transition economies

03/01

- > GDN incorporated as a nonprofit organization, independent of the World Bank

Criteria for relocating the GDN Secretariat

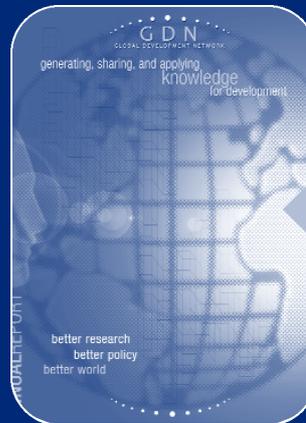
Official support:

- > Provision of tax exemptions.
- > Availability of accommodation (office space) and facilities, including technology.
- > Sponsorship of a research medal in the Global Development Awards Competition (see below).
- > Security assurance.

Local conditions:

- > Central location as an air hub accessible from various regions.
- > Strong information technology and telecommunications infrastructure.
- > Strong research community and intellectual openness, plurality, and democracy in the chosen country.

Candidate developing country cities for the GDN Secretariat's office include: Cairo (Egypt), Istanbul (Turkey), Mexico City (Mexico), New Delhi (India), and Prague (Czech Republic).



07/01

- > GDN Secretariat relocates outside World Bank offices

11/02

- > GDN's first annual report published

12/01

- > Third GDN Annual Global Development Conference held in Rio de Janeiro, Brazil, its first meeting in a developing country

07/04

- > GDN Secretariat will relocate to a developing country

Networking to build research capacity

SERVING THE DEVELOPING WORLD

*ELEVEN NETWORKS ON THE GLOBE

Building research capacity is surely one of the highest priorities of governments and political leaders in the developing world.

—Robert McNamara, former President of the World Bank and U.S. Secretary of Defense, in a letter to Lal Jayawardena, Chair of the GDN Governing Body

GDN operates through a network of networks, incorporating 11 regional partners (table 1). Each partner links numerous research institutes in a region and facilitates their contact with policymakers.

The GDN network is constantly evolving. Some regional research hubs in developing and transition economies preceded GDN's formation—such as the African Economic Research Consortium (AERC), Economic Research Forum for the Arab Countries, Iran, and Turkey (ERF), and Economics Education and Research Consortium (EERC) in the Commonwealth of Independent States. But new partners are joining. And in 2000–2002 GDN inaugurated three networks in industrial countries to provide expertise and share knowledge with researchers from developing countries. A fourth network, which uniquely brings together researchers from industrial and developing countries, is being formed in the South Pacific region.

GDN uses network coordination as a means of exchanging knowledge and influencing policy. Networking also allows for cross-fertilization of ideas and builds research capacity. GDN sponsors several forums and channels of communication: the Annual Global Development Conference, meetings of the regional network partners, online discussions on GDN's website (www.gdnet.org), and participation in international teams of researchers.

 WASHINGTON, DC
UNITED STATES

 BUENOS AIRES
ARGENTINA

Table 1 GDN's regional network partners

REGION	NETWORK PARTNER	LOCATION	NETWORK HEAD
Commonwealth of Independent States	Economics Education and Research Consortium (EERC)	Moscow, Russian Federation	Eric Livny elivny@eerc.ru
East Asia	East Asian Development Network (EADN)	Singapore	Chia Siow Yue chiasy@singnet.com.sg
Eastern and Central Europe	Center for Economic Research and Graduate Education–Economics Institute (CERGE-EI)	Prague, Czech Republic	Randall Filer randall.filer@cerge-ei.cz
Japan	GDN–Japan	Tokyo, Japan	Tetsuo Konaka t-konaka@jbic.go.jp
Latin America and Caribbean	Latin American and Caribbean Economic Association (LACEA)	Buenos Aires, Argentina	Sebastian Edwards sebastian.edwards@anderson.ucla.edu
Middle East and North Africa	Economic Research Forum for the Arab Countries, Iran, and Turkey (ERF)	Cairo, Egypt	Heba Handoussa hhandoussa@erf.org.eg
North America	GDN–North America (GDN-NA)	Washington, D.C., United States	Nancy Birdsall nbirdsall@iie.com
South Asia	South Asia Network of Economic Research Institutes (SANEI)	New Delhi, India	Arvind Virmani virmani@yojana.nic.in
South Pacific	Pacific, Australia, and New Zealand (PACANZ) network ^a	Brisbane, Australia	Beris Gwynne berisgwynne@fdc.org.au
Sub-Saharan Africa	African Economic Research Consortium (AERC)	Nairobi, Kenya	Delphin Rwegasira exec.dir@aercafrica.org
Western Europe	European Development Research Network (EUDN)	Bonn, Germany	Jan Willem Gunning jgunning@econ.vu.nl

^a PACANZ's inauguration is forthcoming. Until it is fully operational, the Foundation for Development Cooperation serves as a regional hub in Australia and New Zealand.

Institutional partners

- > Institute for Relations between Italy and Africa, Latin America, and the Middle East (IPALMO)
- > Institute of Development Studies (IDS)
- > International Economic Association (IEA)
- > International Monetary Fund (IMF)
- > International Political Science Association (IPSA)
- > International Sociological Association (ISA)
- > Overseas Development Institute (ODI)
- > Pan-American Health Organization (PAHO)
- > Partnership for Educational Revitalization in the Americas (PREAL)
- > United Nations Children's Fund (UNICEF)
- > United Nations Development Programme (UNDP)
- > United Nations University, Tokyo (UNU)
- > U.S. National Institutes of Health (NIH)
- > Vienna Institute for International Economic Studies (WIIW)
- > World Bank

Global development activities

THE POWER OF KNOWLEDGE SHARING

The Global Development Awards Competition is the largest international contest for researchers on development. The competition is held in three categories: most innovative development project, outstanding research on development, and research medals. Prizes in the first two categories include \$100,000 cash payments to the winners and \$10,000 to each of the two other finalists in each category. Competitors can be individuals, groups, or institutions, with prizes awarded to development projects and research that hold the greatest promise for improving understanding of development and benefiting the poor in developing countries (tables 2 and 3). In addition, two research medals, carrying \$10,000 and \$5,000 prizes, are awarded to authors of the best research papers on selected topics (see below). Multidisciplinary panels of experts select finalists in the three categories, who are then invited to present their work at the GDN Annual Global Development Conference, where the awards are presented. GDN pays the costs for finalists to attend the conferences. Since 2000 the awards competition has attracted 1,537 participants from more than 100 countries.

Table 2 Participants of the Global Development Awards Competitions, 2000–2002

YEAR	2000	2001	2002
Number of applicants	784	351	402
Number of countries represented	93	73	80

> Note: A decrease in the number of applicants in 2001, compared to 2000, reflected greater awareness of the high standards of the competition and restriction of the eligibility requirements to residents of developing countries only.

Table 3 Winners of the Global Development Awards Competitions, 2000 and 2001

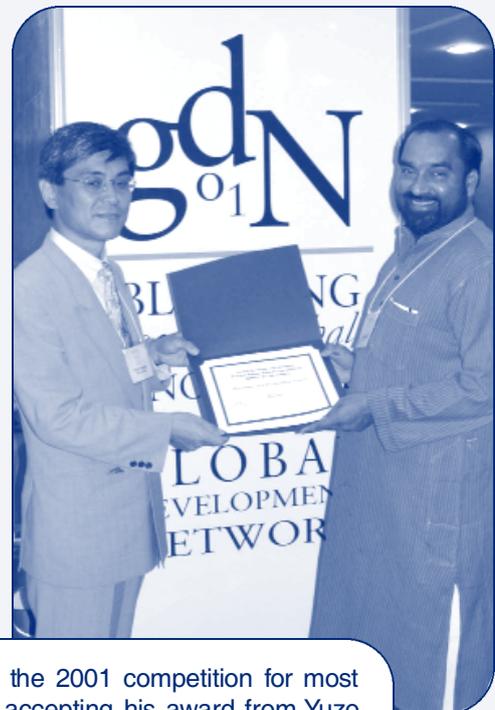
CATEGORY	2001	2000
Most innovative development project	Joe Madiath, India	S.R. Mohanty and Rogi Kalyan Samiti, India
Outstanding research on development	Wilson S. K. Wasike and Mwangi S. Kimenyi, Kenya	Jeanine Anderson, Peru Javier Escobal and Máximo Torero, Peru
Research medals	Javier A. Escobal, Peru Ela Babalik Sutcliffe, Turkey Mohamed Abdelbasset Chemingui and Chokri Thabet, Tunisia Arjunan Subramanian, India Sameh Wahba, Egypt Patricia Avila Garcia, Mexico Vonthanak Saphonn, Cambodia Fred T. Muwanga, Swaziland Santhakumar Velappan Nair, India Ashima Goyal, India	Dilani Gunewardena, Sri Lanka Devanathan Parathasarathy, India Sergei Guriev, Russian Federation Yulia Kossykh, Russian Federation Ashima Goyal, India Lorelei Crisologo Mendoza, Philippines Juan Camilo Cardenas, Colombia Bernard Okumu, Kenya Florence Wambugu, Kenya Aradhna Aggarwal, India

JOE MADIATH

Executive Director of a nongovernmental organization called Gram Vikas ("Village Development"), won the award for most innovative development project in the 2001 Global Development Awards Competition for designing and implementing the Rural Health and Environment Program. This program aims at improving the quality of life in rural communities in terms of both living conditions and economic opportunities. It seeks to harness the physical, natural, social, and human capital in every village through convergent community action, creating a spiraling process of development. A sanitation infrastructure and a supply of piped drinking water serve as starting points in bringing people together and cutting through barriers of patriarchal and caste systems, politics, and economic inequality. In turn, an emerging people's movement enables community members to assert their identities and engage in local self-governance, and thus influence development policies.

Topics of the 2002 Global Development Awards Competition

- > Growth, inequality, and poverty
- > Trade and foreign direct investment
- > Education, knowledge, and technology
- > Financial markets
- > Health, environment, and development



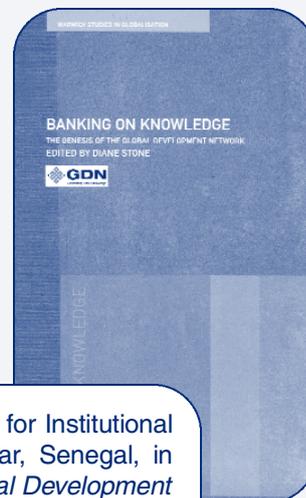
> Joe Madiath of India, winner of the 2001 competition for most innovative development project, accepting his award from Yuzo Harada, World Bank Executive Director for Japan. The prize is sponsored by Japan's Ministry of Finance.

Regional Research Competitions, held every year by GDN's regional network partners, promote high-quality research in developing and transition economies by funding well-conceived, policy-relevant research projects (box 1). These efforts help discover new talent and increase research capacity in the regional networks. The competitions are guided by principles of openness, transparency, and diversity in representation of countries, cities, institutions, and groups of researchers.

Panels of experts from within and outside the region review submitted research proposals and select winners. Workshops are held to discuss the proposals and to review ongoing research. In addition, a midterm review of works in progress is conducted to assess the appropriateness of continued funding. By July 2002 GDN had contributed more than \$11 million to 187 projects in 70 countries through Regional Research Competitions (figures 1 and 2).

Knowledge confers power, but the greater gains can accrue when knowledge is shared.

> Diery Seck, Executive Director of the Secretariat for Institutional Support for Economic Research in Africa, Dakar, Senegal, in *Banking on Knowledge: The Genesis of the Global Development Network*, London: Routledge, 2000



Box 1 A project funded through a Regional Research Competition

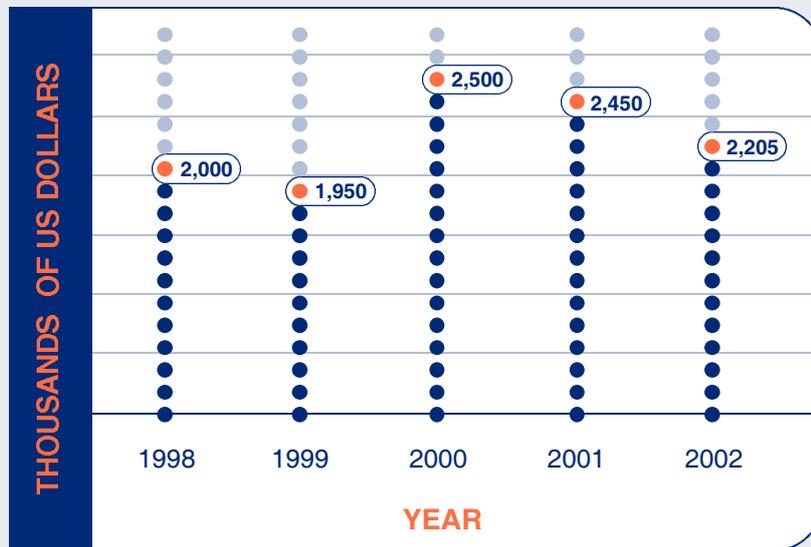
"INDICATORS OF POVERTY IN TRANSITIONAL RUSSIA"

Grantees: Lilia Ovcharova, Evgeny Turuntsev, and Irina Korchagina,
Institute for Socioeconomic Population Studies, Russian Federation

This project examined Russia's official poverty measures and suggested improvements in socioeconomic indicators. Integrating multiple data sources (official statistics, findings of household surveys, and nutritional studies) and using a multidimensional evaluation of well-being, the researchers offered an index of per capita household consumer expenses as an alternative to the indicator of per capita cash income. Taking into account home-produced food, which constitutes nearly 40 percent of food consumption in Russia, the researchers estimated that 24–28 percent of Russians fall below the subsistence level. A similar official estimate is 34–44 percent. This project informed policymakers, including regional governments, about the extent of poverty and so contributed to the development of welfare programs.

>>> Global development activities continued

Figure 1 Funding for Regional Research Competitions, fiscal 1998-2002



> Note: Until GDN was established, Regional Research Competitions were managed through the office of the World Bank's Chief Economist.

Figure 2 Funding for Regional Research Competitions by region, fiscal 2002



> Note: In addition to funding for Regional Research Competitions, Eastern and Central Europe and South Asia each received grants of \$190,000 to support the Education Research Initiative, a new component of the Regional Research Consortia Capacity-Building Program.

>>> Global development activities continued

Regional meetings help translate research into national and regional policies. Organized by GDN's regional network partners, the meetings offer opportunities to discuss and disseminate locally generated knowledge and link researchers with policymakers (table 4).

Table 4 Major regional meetings, fiscal 2002

REGION	GDN NETWORK PARTNER	TITLE OF THE MEETING	LOCATION AND DATES
Commonwealth of Independent States	Economics Education and Research Consortium (EERC)	EERC Fifth Annual Conference: <i>Russia 2015: A Long-Term Strategy</i>	Moscow, Russian Federation, December 2001
East Asia	East Asian Development Network (EADN)	Fourth East Asian Development Network Forum	Singapore, June 2002
Eastern and Central Europe	Center for Economic Research and Graduate Education–Economics Institute (CERGE-EI)	GDN Research Competition Workshop	Prague, Czech Republic, July 2001
Japan	GDN–Japan	GDN–Japan Network Meeting	Tokyo, Japan, March 2002
Latin America and Caribbean	Latin American and Caribbean Economic Association (LACEA)	LACEA Sixth International Meeting	Montevideo, Uruguay, October 2001
Middle East and North Africa	Economic Research Forum for the Arab Countries, Iran, and Turkey (ERF)	ERF Eighth Annual Conference: <i>Building for Future Economic Development</i>	Cairo, Egypt, January 2002
North America	GDN–North America (GDN-NA)	Launch of GDN–North America	Washington, D.C. United States, May 2002
South Asia	South Asia Network of Economic Research Institutes (SANEI)	SANEI Third Annual Conference	New Delhi, India, August 2001
South Pacific	Pacific, Australia, and New Zealand (PACANZ) network ^a	FDC Development Research Symposium: <i>South Pacific Futures</i>	Brisbane, Australia, July 2002
Sub-Saharan Africa	African Economic Research Consortium (AERC)	AERC Biannual Research Workshop	Nairobi, Kenya, May 2002
Western Europe	European Development Research Network (EUDN)	EUDN Member Workshop	Namur, Belgium, March 2002

^a PACANZ's inauguration is forthcoming. Until it is fully operational, the Foundation for Development Cooperation serves as a regional hub in Australia and New Zealand.

>>> Global development activities continued

Development is the outcome of hard work and intelligence. It results from the efforts of each community, drawing upon the best global knowledge available.



> Fernando Henrique Cardoso, President of Brazil, in his keynote address at the Third GDN Annual Global Development Conference, Rio de Janeiro, Brazil, 2001

Annual Global Development Conferences provide a global forum for exchanging ideas on sustainable development and poverty alleviation (table 5). Participants include researchers, government officials, representatives of international organizations, and sponsors of research. Internationally renowned speakers address 400–500 attendees on the most pressing challenges of development. In addition, researchers from developing countries—either selected through the Global Development Awards, Regional Research Competitions, and Global Research Projects, or commissioned to deliver papers—have an opportunity to present their work, and recipients of the Global Development Awards are announced.

The theme of the 2001 conference, held in Rio de Janeiro (Brazil), was "Blending Local and Global Knowledge." Highlights included keynote addresses by Fernando Henrique Cardoso, President of Brazil; Elinor Ostrom, Professor of Political Science at Indiana University; and a panel discussion led by Dani Rodrik, Professor of International Political Economy at Harvard University's Kennedy School of Government. The theme of GDN's forthcoming (2003) conference in Cairo (Egypt) is "Globalization and Equity."

Table 5 GDN Annual Global Development Conferences

THEME	DATE	LOCATION	NUMBER OF PARTICIPANTS	NUMBER OF COUNTRIES
Globalization and Equity	January 2003	Cairo, Egypt	510 ^a	105 ^a
Blending Local and Global Knowledge	December 2001	Rio de Janeiro, Brazil	400	95
Beyond Economics: Multidisciplinary Approaches to Development	December 2000	Tokyo, Japan	500	72
Bridging Knowledge and Policy	December 1999	Bonn, Germany	400	98

^a Expected.



GNet is the umbrella title for a series of ambitious online information initiatives being developed by GDN to support researchers and research institutes in developing countries. GNet serves as the electronic voice of GDN and is a key tool in its capacity-building and communication efforts.

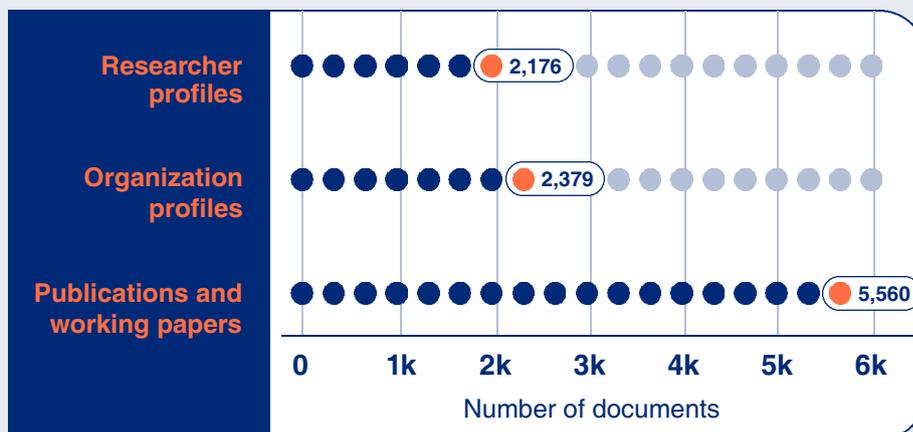
GNet:

- > Communicates locally generated knowledge and research by linking institutes and researchers into a global network and popularizing their work through an online library of scholarly papers and databases of leading institutes and researchers in development studies. GDN members can add and update their profiles and publications through a remote management facility (figure 3).
- > Strengthens social science research in developing countries by offering access to resources—including scholarly journals, a bimonthly newsletter on funding opportunities, and a database of more than 800 cross-country economic, social, and financial indicators.
- > Helps build the capacity of research institutes by providing training, professional support, and other services to upgrade skills in knowledge management and provision of Internet-based services.
- > Provides forums for online discussions among researchers worldwide. In 2001 these discussions focused on ongoing Global Research Projects—Understanding Reform and Bridging Research and Policy (see below).

A free monthly electronic newsletter, with 10,550 subscribers in 138 countries, offers opportunities to participate in GDN and development-related activities.

GDN strives to highlight regional research priorities and policy debates, develop regional expertise, and decentralize the delivery of GNet services, strengthening regional ownership. To that end, in 2002 a series of needs assessments complemented regional coordinators' engagement exercises and GDN's knowledge managers' workshop. As a result additional training opportunities emerged in the areas of organizational strategy and knowledge management, and online communities are being created to support "offline" sharing and learning between regions.

Figure 3 Number of documents in the GNet knowledge base



Global Research Projects for development

KNOWLEDGE PRODUCTS AS PUBLIC GOODS

EXPLAINING GROWTH

The poor country is trying to get from an observable here to a clearly imaginable there, from a lower to a higher level of technology and productivity.

—Robert Solow, Nobel Laureate and Professor Emeritus at the Massachusetts Institute of Technology, in the foreword to Gary McMahon and Lyn Squire, eds., *Explaining Growth: A Global Research Project*, London: Palgrave, forthcoming 2003

One should design policies that liquidate themselves when the need for them no longer exists. The challenge for reformers is to engineer policies that have a chance of acceptance, create virtuous circles, and do not entrench themselves.

—Saman Kelegama, Institute of Policy Studies, Sri Lanka, and Kirit Parikh, Indira Gandhi Institute of Development Research, India, in "Political Economy of Growth and Reforms in South Asia," a paper prepared for the GDN Global Research Project, Washington, D.C., 2000

"Explaining Growth" is the theme of GDN's first Global Research Project. The project's goal is to explain the growth experiences of seven regions—East Asia, South Asia, Latin America and the Caribbean, Eastern and Central Europe, the Commonwealth of Independent States, the Middle East and North Africa, and Sub-Saharan Africa—over the past 30–50 years. Thematic papers, prepared by an impressive international team of authors, have been synthesized in a volume to be published by the International Economic Association in 2003 (boxes 2 and 3). The ensuing 80 country studies build on the ideas of these papers to explain economic performance across regions and countries. Overall, this project has engaged more than 180 researchers from 80 countries. Advisers have included such eminent academics as Robert Solow (Massachusetts Institute of Technology), Dani Rodrik (Harvard University), Angus Deaton (Princeton University), and Robert Bates (Harvard University).

BOX 2 IMPORTANT MESSAGES OF *EXPLAINING GROWTH*: A GLOBAL RESEARCH PROJECT

Edited by Gary McMahon and Lyn Squire, London: Palgrave, forthcoming 2003

This volume synthesizes thematic papers prepared at the regional level on four aspects of growth—sources, micro-level determinants, markets, and political economy. Two important messages of the volume are that:

- > Although cross-country studies reveal important determinants of growth, they are not especially adept at capturing key interactions between variables that can be critical for sustained growth.
- > Countries with similar values for key variables often have different growth records. The regional thematic studies show that factors involving micro-level behavior, markets, and political economy help explain these divergent results. The precise nature and relative importance of the underlying relationships can be determined only at the level of individual countries.

BOX 3 FINDINGS FROM *EXPLAINING GROWTH*

Several observations emerged from the analysis of markets and growth. First, financial market infrastructure is important. Commitments to law and order and to contract enforcement are potentially significant determinants of financial sector development and economic growth. Financial market infrastructure can also affect the outcome of financial liberalization policies. Second, there has been little research on the relationship between labor markets and growth, as opposed to the relationship between human capital production and growth. This gap should be closed, highlighting the importance of labor markets in the efficient allocation of human capital in addition to its production. Third, efficient factor reallocation in response to shocks is important: unsuccessful reallocation following a shock can lead to a low-growth equilibrium with negative long-term effects. The presence of social safety nets and the strength of pressure groups may affect the speed and efficiency with which labor can be reallocated across sectors and regions.

Source: Chapter 4: Markets and Growth, by Štěpán Jurajda, Center for Economic Research and Graduate Education–Economics Institute, Czech Republic, and Janet Mitchell, National Bank of Belgium, Belgium.

Project coordinator: **Gary McMahon**, GDN Secretariat, gcmahon@gdnet.org.



> Ila Patnaik, Senior Fellow (left), and Shankar Acharya, Honorary Professor, Indian Council for Research on International Economic Relations, at the SANEI workshop on Explaining Growth, Dhaka, Bangladesh, 2002.

▶ UNDERSTANDING REFORM

The knowledge bank can "scan globally"; the GDN partners have to reinvent locally.

—Joseph Stiglitz, Nobel Laureate, Professor of International and Public Affairs at Columbia University, and former World Bank Senior Vice President, in *Banking on Knowledge: The Genesis of the Global Development Network*, London: Routledge, 2000

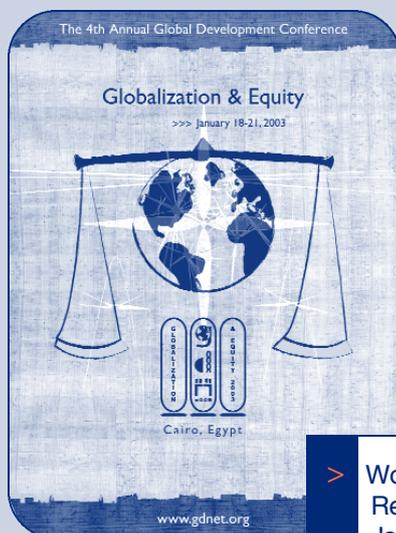
The discussion of reform can be located in three significant domains: market, governance, and civil society. These domains overlap in many ways, but each has its own dynamics.

—Ruben Martinez, Associate Professorial Lecturer II at Dela Salle University, Philippines, in an online GDN discussion on Understanding Reform

A cross-country comparison of reform policies and experiences is GDN's response to the past two decades of institutional transformations in many regions. Emerging from online discussions on GDNNet, this multidisciplinary project aims to explain successes and failures of various reforms, focusing on their internal and external environment, timing, interest groups, and stakeholders, the role of global and regional political and cultural institutions, and the social consequences. In 2002 GDN commissioned teams of researchers from around the world to write 10 thematic papers for presentation at the Fourth GDN Annual Global Development Conference, to be held in Cairo, Egypt, in January 2003. The subsequent 30 country studies, which will be launched in Cairo, will offer a comprehensive analysis of the move toward greater reliance on markets in the context of more open political systems across the globe. Authors of the thematic papers will continue their association with the project as advisers to the country teams.

The project's findings are expected to inform policymakers on promising paths of reform that take into account economic, social, political, and cultural factors and reactions. Particular attention will be given to policies that lower costs and increase benefits to low-income classes, poor minorities, and other disadvantaged groups.

Project coordinator: **José María Fanelli, Centro de Estudios de Estado y Sociedad (CEDES), Buenos Aires, Argentina, josefan@cedes.org.**



> Workshops on two Global Research Projects—Understanding Reform and Bridging Research and Policy—will be held on January 16-17, 2003, immediately before the Cairo conference.

BRIDGING RESEARCH AND POLICY

Ideas matter... Ideas do not matter... Ideas need organizations to propel them within the hearing range of decision-makers.

—Diane Stone, Reader in Politics and International Studies at the University of Warwick (Coventry, United Kingdom), in *Capturing the Political Imagination: Think Tanks and the Policy Process*, London: Frank Cass, 1996

The more democratic the political system is, the more chances are for knowledge-based policymaking. Research should not be influenced, distorted, or twisted by short-sighted political maneuvers.

—Miles Lee, Research Fellow at the China Development Institute, China, in an online GDN discussion on Bridging Research and Policy

Since its inception GDN has been committed to building an international coalition of researchers, policymakers, and professional communicators to strengthen links between research and policy. To that end, in January 2002 it launched a three-year project called "Bridging Research and Policy." The project's goal is to synthesize approaches to closing the gap between ideas and their implementation.

GDN fosters the generation of local ideas and views policy transfer as an adaptation of both local and global knowledge to suit real-life circumstances. Hence this project will involve both regional and global write-shops intended to propose effective research-based policies. During the first stage of the project GDN is surveying researchers and policymakers to understand the challenges that both groups experience in working together and their perceptions of the paths to better collaboration (box 4). GDN is also collecting 50 narratives of cases in which research has or has not influenced policies, to shed light on the factors that determine the impact of research on policymaking and vice versa. The case studies will explore the research-policy link and its outcomes at different levels—local, national, regional, and global—and in different sectors of the economy, including the energy sector, health care, education, and agriculture. A special website, RAPNet, linked to the GDN website, has been created to facilitate execution of the project and dissemination of its results.

BOX 4 SURVEYS OF RESEARCHERS AND POLICYMAKERS

The questionnaires used in the surveys solicit information on the attitudes of researchers and policymakers toward each other as well as their actions and constraints in developing a mutually beneficial relationship. Their approaches to overcoming barriers between research and policy are also probed. The survey of researchers from around the world is being conducted electronically by the Center for Economic Research and Graduate Education—Economics Institute, based in Prague (Czech Republic), while the survey of policymakers is being administered through country offices of the United Nations Development Programme.

Steering committee chair: **Montek S. Ahluwalia, International Monetary Fund, Washington, D.C., United States, Mahluwalia@imf.org.**

Project coordinator: **Leena Shrivastava, Tata Energy Research Institute, New Delhi, India, leena@teri.res.in.**

Members of the GDN Governing Body

- > **Lal Jayawardena**, Chair of the GDN Governing Body, Social Scientists' Association of Sri Lanka, Colombo, Sri Lanka
- > **Bina Agarwal**, Institute of Economic Growth, New Delhi, India
- > **Richard Cooper**, Harvard University, Cambridge, Massachusetts, United States
- > **Vittorio Corbo**, Pontificia Universidad Católica de Chile, Santiago, Chile
- > **Ulrich Hiemenz**, Organisation for Economic Co-operation and Development, Paris, France
- > **Inge Kaul**, United Nations Development Programme, New York, New York, United States
- > **Jan Kmenta**, Charles University, Prague, Czech Republic
- > **Samir Makdisi**, American University of Beirut, Beirut, Lebanon
- > **Krzysztof Palecki**, Jagiellonian University, Krakow, Poland
- > **Sujata Patel**, University of Pune, Pune, India
- > **Guillermo Perry**, World Bank, Bogota, Colombia
- > **Victor Polterovich**, Russian Academy of Sciences, Moscow, Russian Federation
- > **Hoda Rashad**, Social Research Center, The American University in Cairo, Egypt
- > **Akilagpa Sawyerr**, Association of African Universities, Accra, Ghana
- > **Diane Stone**, University of Warwick, Coventry, United Kingdom
- > **Chalongphob Sussangkarn**, Thailand Development Research Institute, Bangkok, Thailand
- > **Shujiro Urata**, Waseda University, Tokyo, Japan

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United Nations Development Programme

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Financial performance

REPORT OF INDEPENDENT AUDITORS

Board of Directors

Global Development Network, Inc.

We have audited the accompanying statement of financial position of Global Development Network, Inc. (GDN) as of June 30, 2002, and the related statements of activities and cash flows for the period from inception (March 15, 2001) through June 30, 2002. These financial statements are the responsibility of GDN's management. Our responsibility is to express an opinion on these financial statements based on our audit.

We conducted our audit in accordance with auditing standards generally accepted in the United States of America. Those standards require that we plan and perform an audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audit provides a reasonable basis for our opinion.

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of Global Development Network, Inc. as of June 30, 2002, and the changes in its net assets and its cash flows for the period from inception (March 15, 2001) through June 30, 2002, in conformity with accounting principles generally accepted in the United States of America.

Thomas Harvey LLP

September 13, 2002

FINANCIAL STATEMENTS

STATEMENT OF FINANCIAL POSITION

JUNE 30, 2002

ASSETS	
CURRENT ASSETS	
Cash and cash equivalents	\$ 409,129
Accounts receivable	9,763
Contributions receivable	628,070
Prepaid expenses	63,942
Total current assets	1,110,904
PROPERTY AND EQUIPMENT, NET	94,382
OTHER ASSETS	
Security deposits	10,007
Total assets	\$1,215,293
LIABILITIES AND NET ASSETS	
CURRENT LIABILITIES	
Accounts payable	\$ 66,415
Accrued expenses	12,566
Total current liabilities	78,981
LONG-TERM LIABILITIES	
Accrued rent	3,027
Total liabilities	82,008
NET ASSETS (DEFICIT)	
Unrestricted	(150,386)
Temporarily restricted	1,283,671
Total net assets	1,133,285
Total liabilities and net assets	<u>\$ 1,215,293</u>

>See accompanying notes to financial statement.

FINANCIAL STATEMENTS



STATEMENT OF ACTIVITIES

FROM INCEPTION (MARCH 15, 2001) THROUGH JUNE 30, 2002

	Unrestricted	Temporarily Restricted	Total
SUPPORT AND REVENUE			
Grants, contracts, and contributions	\$ 50,000	7,380,452	\$ 7,430,452
In-kind contributions	622,564	314,200	936,764
Interest income	38,429	-	38,429
Foreign currency exchange gain	32,577	-	32,577
Other	26,049	-	26,049
Net assets released from restrictions	6,410,981	(6,410,981)	-
Total support and revenue	7,180,600	1,283,671	8,464,271
EXPENSES			
Program services			
Annual Conference	1,392,276	-	1,392,276
Regional Research Competitions	2,079,227	-	2,079,227
Global Development Awards	629,283	-	629,283
Global Research Projects	560,044	-	560,044
GNet	766,020	-	766,020
Other programs	1,366,960	-	1,366,960
Total program	6,793,810	-	6,793,810
SUPPORTING SERVICES			
Donor coordination	235,753	-	235,753
Secretariat (indirect costs)	301,423	-	301,423
TOTAL EXPENSES	7,330,986		7,330,986
CHANGE IN NET ASSETS	(150,386)	1,283,671	1,133,285
NET ASSETS (DEFICIT)			
Beginning of period	-	-	—
End of period	<u>\$ (150,386)</u>	<u>\$ 1,283,671</u>	<u>\$ 1,133,285</u>

> See accompanying notes to financial statement.

FINANCIAL STATEMENTS

STATEMENT OF CASH FLOWS

FROM INCEPTION (MARCH 15, 2001) THROUGH JUNE 30, 2002

CASH FLOWS FROM OPERATING ACTIVITIES	
Contributions, grants, and contract payments received	\$ 6,834,364
Interest income received	38,429
Other revenue received	16,881
Payments to vendors, suppliers and employees	(6,426,180)
Net cash provided by operating activities	463,494
CASH FLOWS FROM INVESTING ACTIVITIES	
Purchases of property and equipment	(54,365)
NET INCREASE IN CASH AND CASH EQUIVALENTS	409,129
CASH AND CASH EQUIVALENTS	
Beginning of period	-
End of period	\$ 409,129
RECONCILIATION OF CHANGE IN NET ASSET TO NET CASH PROVIDED BY OPERATING ACTIVITIES	
Change in net assets	\$ 1,133,285
ADJUSTMENTS	
Donated assets	(62,408)
Depreciation and amortization	12,384
Decrease (increase) in current assets	
Contributions receivable	(9,763)
Accounts receivable	(628,070)
Prepaid expenses	(63,942)
INCREASE (DECREASE) IN LIABILITIES	
Accounts payable and accrued expenses	82,008
Net cash provided by operating activities	\$ <u>463,494</u>
SUPPLEMENTAL NON-CASH INVESTING ACTIVITIES	
	GDN received \$62,408 in donated assets during the period ended June 30, 2002.

>See accompanying notes to financial statement.

Note 1 Summary of Significant Accounting Policies

Financial Statement Presentation - Financial statement presentation follows the guidance contained in Statement of Financial Accounting Standards (SFAS) No. 117, *Financial Statements of Not-for-Profit Organizations*. Accordingly, the Global Development Network, Inc. (GDN) reports information regarding its financial position and activities according to three classes of net assets: unrestricted net assets, temporarily restricted net assets, and permanently restricted net assets.

Contributions - Contributions received are recorded as unrestricted, temporarily restricted, or permanently restricted support depending on the existence and/or nature of any donor restrictions.

Cash and Cash Equivalents - Cash consists of monies held in demand deposit and money market accounts. Cash equivalents are all highly liquid investments with initial maturity dates of three months or less.

Property and Equipment - Property and equipment are recorded at cost. Major additions are capitalized while replacements, maintenance, and repairs that do not improve or extend the lives of the respective assets are expensed currently. Donations of property and equipment are recorded as contributions at their estimated fair value at the date of donation. Such donations are reported as increases in unrestricted net assets unless the donor has restricted the donated asset to a specific purpose. Depreciation and amortization are provided on a straight-line basis over the estimated useful lives of the assets. The cost of property and equipment retired or disposed of is removed from the accounts along with the related accumulated depreciation or amortization, and any gain or loss is reflected in income.

Functional Allocation of Expenses - The costs of providing the various programs and other activities have been summarized on a functional basis in the statement of activities. Accordingly, certain costs have been allocated among the programs and supporting services benefited.

Use of Estimates - The preparation of financial statements in conformity with U.S. generally accepted accounting principles requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenues and expenses during the reporting period. Actual results could differ from those estimates.

Foreign Currency - GDN records pledges received in foreign currencies at the exchange rate at the date of the pledge. Unrealized increases or decreases due to fluctuations in exchange rates are included in "foreign currency exchange gain" in the Statement of Activities.

Note 2 Organization and Tax Status

The Global Development Network is an evolving network of research institutes and think tanks working together to address problems of national and regional development. Launched in 1999 by the World Bank, GDN became incorporated as a not-for-profit organization in March 2001. GDN is governed by a 17-member worldwide governing body of renowned researchers and policymakers from across the globe.

GDN is Global. It:

- > Produces policy-relevant knowledge on a global scale
- > Raises funds for multidisciplinary research and mobilizes resources worldwide
- > Promotes application of global knowledge through its local "reinvention"

NOTES TO FINANCIAL STATEMENTS JUNE 30, 2002

Note 2 Organization and Tax Status (continued)

GDN is for Development. It:

- > Builds research capacity for development and alleviation of poverty
- > Fosters research in developing/transitional countries
- > Disseminates development knowledge to the public and policymakers
- > Bridges the gap between ideas and policies

GDN is a Network. It:

- > Links research institutes from ten regions of the world
- > Coordinates research and strengthens partnerships worldwide
- > Facilitates knowledge sharing among researchers and policy makers
- > Promotes multidisciplinary collaboration

Activities of GDN are designed to meet the needs of research institutes, as assessed through a global survey and regular face-to-face and online consultations. Activities include:

Regional Research Competitions are held every year by GDN's regional network partners - GDN raises funds from donor governments and public and private institutions to provide grants to research institutes in the developing world through the regional research competitions. During 2001 – 2002, GDN has helped to channel \$10 million for this purpose to research intuitions worldwide.

Global Development Awards Competition is the largest worldwide contest for development researchers. Researchers and development practitioners are invited each year to compete for over \$400,000 in prize and travel money. The awards recognize excellence in the fields of development research and project innovation.

Global Research Project - The first global research projects seek to explain economic growth performance across regions using a comprehensive and comparative approach that focuses on macro-growth, political economy, private agents, and markets as institutions in the growth process. Two new global research projects are on the way - Bridging Research and Policy and Understanding Reform.

Annual Global Development Conference provides a global forum for the exchange of ideas on sustainable development and alleviation of poverty. Participants include researchers, government officials, and representatives of international organizations and sponsors of research. Internationally renowned speakers address audiences on many pressing problems of development. The theme of the 2001 conference held in Rio de Janeiro was *Blending Local and Global Knowledge*. The theme of the forthcoming conference in Cairo is *Globalization and Equity*.

GdNet serves as a channel for data sharing and a forum for the exchange of views. Researchers registered with GDN have access to valuable information, including a database of more than 800 cross country economic, social, and financial indicators; micro-data from World Bank research project; an online library of scholarly works on development; academic journals; and funding opportunities. GDN's website www.gdnet.org offers a free monthly electronic newsletter and opportunities to participate in online discussions with researchers worldwide.

Collaborative Activities are such activities that contribute to GDN's goals, are supported in some way (administratively or financially) by GDN but are funded largely outside GDN's budget. For example, the \$2 million provided by NIH to support health issues in developing countries and augmented by GDN funds.

GDN (a Delaware non-profit corporation), is exempt from Federal and District of Columbia income taxes under Section 501(c)(3) of the Internal Revenue Code and Section 47-1802.1 of the District of Columbia Code, respectively, and is classified as a publicly-supported organization by the IRS under an advance ruling that ends June 30, 2005.

NOTES TO FINANCIAL STATEMENTS JUNE 30, 2002

Note 3 Property and Equipment

Property and equipment as of June 30, 2002, consists of the following:

Computer equipment	\$ 54,365
Furniture fixtures	52,401
Less accumulated depreciation and amortization	(12,384)
Total	94,382

Note 4 Net Assets

Unrestricted Net Assets - Unrestricted net assets represent amounts available to carry out the general operations of GDN without restriction imposed by outside parties.

Restricted Net Assets - GDN has received contributions to support specific programs, which have resulted in temporary restrictions on its net assets. The net assets will be released when expenses are incurred which satisfy the purpose restrictions.

Temporarily Restricted Net Assets - Temporarily restricted net assets were available for the following purposes:

Regional Research Competitions	\$ 12,739
Global Development Awards	76,367
Global Research Projects	298,050
GDNet	627,245
Secretariat	176,806
Other	92,464
Total	1,283,671

Net Assets Released from Donor Restrictions - Net assets were released from donor restrictions by incurring expenses satisfying the restricted purposes or by occurrence of other events specified by donors.

Purpose restrictions accomplished during the period from inception through June 30, 2002, were:

Annual Conference	\$ 768,958
Regional Research Competitions	2,051,362
Global Development Awards	587,071
Global Research Projects	507,294
GDNet	687,655
Secretariat	734,413
Donor Coordinator	11,752
Other	1,062,476
Total	6,410,981

NOTES TO FINANCIAL STATEMENTS JUNE 30, 2002

Note 5 Operating Leases

GDN leases its office space under an operating lease expiring June 30, 2004. Annual rent will be adjusted by two and one half percent of the previous year's rent. Annual increases in the basic rent are also based on GDN's pro-rata share of any increases in operating expenses and real estate taxes. The total of all rental payments due under the lease is being recognized on a straight-line basis in the financial statements. Accordingly, there is a liability recorded for accrued rent expense equal to the difference between rent expense charged against income and actual cash payments required under the terms of the lease. Rent expense for the period from inception through June 30, 2002, was \$123,108.

Future minimum annual rental payments required under this operating lease as of June 30, 2002, are as follows:

Year Ending June 30

2003.....	\$ 123,084
2004.....	126,164
Total	\$ 249,248

Note 6 Uninsured Cash Balance

GDN maintains its cash accounts primarily with banks located in the Washington, D.C. area, which at times may exceed the \$100,000 insured by the FDIC. At June 30, 2002 GDN had deposits of \$407,008 in accounts insured by the FDIC, of which \$307,008 exceeded the insured limit.

GDN has not experienced any losses in such accounts and believes it is not exposed to any significant credit risk on cash and cash equivalents.

Note 7 Concentration of Contributions

The Organization receives approximately 73% of its total support and revenue from a single contributor. In addition, 98% of GDN's contribution receivable is due from one contributor. The receivable is expected to be collected in one year.

NOTES TO FINANCIAL STATEMENTS JUNE 30, 2002

Note 8 Donated Materials, Equipment and Services

Donated services are recognized as contributions in accordance with SFAS No. 116, Accounting for Contributions Received and Contributions Made, if the services (a) create or enhance nonfinancial assets or (b) require specialized skills, are performed by people with those skills, and would otherwise be purchased by the Organization. The value of donated services included as contributions in the financial statements and the corresponding program expenses for the period from inception (March 15, 2001) through June 30, 2002, are as follows:

Legal expenses	\$10,015
Consulting services	261,479
Salaries and benefits	402,000
Equipment rental	114,600
Furniture	52,401
Office rent	20,014
Scholarships	52,721
Other	23,534
Total	\$936,764

Note 9 Conditional Promises to Give

Global Development Network has one grant for which the grantor agency's promise to give is conditioned upon the Network raising matching contributions and assessment by the donor of the effectiveness of GDN's programs. At June 30, 2002, these conditional promises to give totaled approximately \$7.2 million over five years. These promises to give will be recognized as revenue when the respective conditions are met in future years.

Note 10 Collaborative Programs

GDN partners with the National Institutes of Health and other institutions in sponsoring a competitive research program entitled International Studies on Health and Economic Development (ISHED). In the year ended June 30, 2002, the total funding to ISHED was \$1,898,467. GDN's contribution was \$250,000.

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