

OTAVIANO CANUTO AND MARCELO GIUGALE, EDITORS

THE DAY AFTER



TOMORROW

A HANDBOOK ON THE FUTURE
OF ECONOMIC POLICY IN THE
DEVELOPING WORLD



THE WORLD BANK

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Policy in the Developing World

OTAVIANO CANUTO

AND

MARCELO GIUGALE

Editors



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TOMORROW**

Preface

The global financial crisis of 2008–09 changed not only the global economic order, but also the way we think about that order. Principles and practices that were once accepted wisdom are now in doubt or discredited. New and fundamental questions have opened. And the search for answers has barely begun.

For the countries of the developing world, this conceptual uncertainty is particularly uncomfortable—through a combination of good policies and good luck, they had begun to achieve real progress. Will all that now be derailed? What does the new horizon hold for them? Can they find new policy ideas that will turn the shock of the crisis into a final run toward “developed” status? How does the future look when seen from various geographic regions?

These are the kind of questions that we asked a group of our colleagues at the World Bank during the summer of 2010. This book is an unfiltered collection of their views. As seasoned practitioners in the leading development institution, they have a unique perspective from which to visualize—we would dare say “to sense”—what may be coming. Some of them look at the big picture of the role that the developing world is about to play and the way it will play that role. Others walk us through the conceptual links around specific issues that will affect that world—say, the likely evolution of macrofinancial regulation. And others take us to continents and countries, teach us about their realities, and tell us how life will differ in the coming years. Put together, they paint a picture of reasoned optimism.

Why?

Because developing countries as a whole face an unprecedented opportunity. Most have shown to themselves that, with good management, prosperity

is possible and need not be the privilege of their elites. These countries are integrating with each other and catching up technologically with advanced economies. Many have natural resources that will remain in high demand. And all are now heard more loudly, their relevance embedded in the fabric of the G-20 and in the improved governance of multilaterals.

Does this situation mean the endgame for the fight against poverty? Will we soon erase the word “developing” from our technical lingo? Probably not—at least not for a while. But it is a time to step up the pace of development. To go for that endgame. To see nations in East and South Asia and Latin America become global icons. To fulfill the long-delayed promise of the Middle East. To help reform where reform is needed—as in Eastern Europe. And, yes, to see Africa finally take off.

In brief, it is a time to debate, decide, do, and deliver. This book is a contribution to that process. It does not seek agreements, propose universal recipes, or invent new paradigms. It just looks forward and describes for us what it sees.

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The World Bank

Summer 2010

Acknowledgments

This volume is the result of a team effort. More to the point, it is the result of the passion and professionalism of a group of colleagues who agreed to lend their time and talent to a collective adventure in thinking. They worked on this book while attending to their busy day jobs—that is, they gave us their personal time. They cut no corners, skipped no idea, and shied away from no debate so they could ensure that their views and positions were clear, substantiated, and honest. They were a development community at its best.

So, we have many people to thank.

First, we thank the authors, each of whom took us on an intellectual journey from the issues and countries on which they worked to the way they saw those issues and countries transforming in the future. We are indebted to them not only for the quality of their contributions, but also for their agreement in letting us bring them together, for the comments they provided on each other's chapters, and for the patient way they dealt with our never-ending questions.

Second, we are grateful to the colleagues who helped us move from a pile of unsynchronized drafts to this neatly produced book: Diane Stamm, our outstanding language editor, who made the writings of mostly non-native English speakers read impeccably well; Michael S. Geller, our production manager who was responsible for, among other tasks, the amazing visuals of the book; Riccardo Trezzi, who set a new, world-class standard in the craft of researching in real time (more frequently than not, that time meant late nights and long weekends); Cristina Palarca, our task programmer who ensured that the many components of the process happened at the right

time and in the right way; and Janet Piller, who helped us allocate and maximize our resources.

To all of them, our sincere gratitude.

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Abbreviations

ASEAN	Association of Southeast Asian Nations
BRIC	Brazil, the Russian Federation, India, and China
CAB	current account balance
CCT	conditional cash transfer
CIC	China Investment Corporation
DRC	Democratic Republic of Congo
DSAs	debt sustainability analyses
ECA	Europe and Central Asia
EPA	export promotion agencies
EPZ	export processing zone
EU	European Union
FDI	foreign direct investment
GAFI	General Authority for Investment (the Arab Republic of Egypt)
GCC	Gulf Cooperation Council
GDP	gross domestic product
GHI	Global Hunger Index
HICs	high-income countries
HOI	Human Opportunity Index
ICT	information and communication technologies
IMF	International Monetary Fund
IT	information technology
LAC	Latin America and the Caribbean
LDCs	least developed countries
LICs	low-income countries
LMICs	Low- and middle-income countries
MENA	Middle East and North Africa

MFN	most favored nation
MICs	middle-income countries
MNC	multinational corporation
NRF	Natural Resource Fund
OECD	Organisation for Economic Co-operation and Development
PPP	purchasing power parity
R&D	research and development
SEM	société d'économie mixte local
SEZ	special economic zone
SMEs	small and medium enterprises
SNG	subnational government
SPV	special-purpose vehicle
SWF	sovereign wealth fund
TFP	total factor productivity
TK	traditional knowledge
UAE	United Arab Emirates
UMICs	upper-middle-income countries

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Saved:

- 15 trees
- 5 million BTU's of total energy
- 1,382 lbs Co₂ equiv. of net greenhouse gases
- 6,658 gallons of waste water
- 404 lbs of solid waste

Contents

<i>Preface</i>	xv
<i>Acknowledgments</i>	xvii
<i>Abbreviations</i>	xix
Synthesis	1
Otaviano Canuto and Marcelo Giugale	
Part 1 Markets	29
1 Recoupling or Switchover? Developing Countries in the Global Economy	31
Otaviano Canuto	
2 Technological Learning: Climbing a Tall Ladder	51
Otaviano Canuto, Mark A. Dutz, and José Guilherme Reis	
3 Trading Places: International Integration after the Crisis	67
Mona E. Haddad and Bernard Hoekman	
4 Exports and the Competitiveness Agenda: Policies to Support the Private Sector	85
José Guilherme Reis and Thomas Farole	

5	Natural Resources and Development Strategy after the Crisis	101
	Milan Brahmbhatt, Otaviano Canuto, and Ekaterina Vostroknutova	
6	The Times, They Are “A-changin”: A New Look at International Economic and Financial Policy	119
	Jeff Chelsky	
7	Macprudential Policies in the Wake of the Global Financial Crisis	129
	Luis Servén	
8	Finance in Crisis: Causes, Lessons, Consequences, and an Application to Latin America	143
	Augusto de la Torre and Alain Ize	
Part 2	Governments	161
9	Tales of the Unexpected: Rebuilding Trust in Government	163
	Nick Manning and Deborah L. Wetzel	
10	Fiscal Quality: A Developing Country’s Priority	181
	Marcelo Giugale	
11	Public Expenditure after the Global Financial Crisis	193
	Jim Brumby and Marijn Verhoeven	
12	Debt Management and the Financial Crisis	207
	Sudarshan Gooptu and Carlos A. Primo Braga	
13	Subnational Debt Finance: Make It Sustainable	219
	Otaviano Canuto and Lili Liu	

14	Sovereign Wealth Funds in the Next Decade	239
	Stefano Curto	
Part 3	People	251
15	Poverty, Equity, and Jobs	253
	Ana Revenga and Jaime Saavedra-Chanduvi	
16	Investing in Gender Equality: Looking Ahead	275
	Mayra Buvinic, Trine Lunde, and Nistha Sinha	
17	The Impact of the Global Financial Crisis on Migration and Remittances	297
	Sanket Mohapatra and Dilip Rath	
Part 4	Regions	321
18	Africa: Leveraging Crisis Response to Tackle Development Challenges	323
	Shantayanan Devarajan and Sudhir Shetty	
19	East Asia and the Pacific Confronts the “New Normal”	331
	Vikram Nehru	
20	Europe and Central Asia: A Time of Reckoning	351
	Luca Barbone	
21	A Brave New World for Latin America	363
	Marcelo M. Giugale	
22	The Financial Crisis, Recovery, and Long-Term Growth in the Middle East and North Africa	377
	Ritva Reinikka	
23	Economic Policy Challenges for South Asia	387
	Dipak Dasgupta, Ejaz Ghani, and Ernesto May	

About the Editors and Authors	407
--------------------------------------	------------

Index	423
--------------	------------

Boxes

4.1	Financing Trade in a Postcrisis World	94
11.1	Desirable Features for Efficient Public Investment Management	200
17.1	Resilience of Remittance Flows Relative to Other Types of Flows during the Current Crisis	301
17.2	Reverse Remittances	307
17.3	Diaspora Bonds as a Source of Financing during Difficult Times	310
17.4	Revised Forecast Methodology Using New Bilateral Migration and Remittance Matrixes	313
23.1	Private Participation in Infrastructure (PPI) Is Bouncing Back	392

Figures

1.1	World Output Growth	32
1.2	Trends and Cycles: Potential and Cyclical GDP Growth	33
1.3	Frequency Distribution of GDP Growth in Developing Countries and High-Income OECD Countries, 2009	34
1.4	General Government Debt, Real and Projected	36
1.5	United States: Personal Savings Rate and Current Account Balance, 1960–2009	37
1.6	Recoupling and Switchover	39
1.7	Rising South-South Trade: Toward an Export-Led Growth v2.0?	46
2.1	Regional Trends in Vertical Specialization as a Percentage of Exports, 1985–2005	54
2.2	Number of Annual Patents Granted in the United States, 1996–2009	55

2.3	Total Number of Scientific and Technical Journal Articles, 1995–2005	56
3.1	Developing Countries Account for an Increasing Share of World Trade	72
3.2	Southern Countries Still Export Fewer Varieties Than Northern Countries	73
3.3	LMIC GDP Growth Helps Drive LIC Export Growth, 2000–08	73
3.4	Tariffs' Drastic Drop in Developing Countries since 2000	74
3.5	Positive Impact of Undervaluation on Export and GDP Growth for Low-Income Countries, 1950–2004	78
4.1	Relationship between Market Access and Trade Growth from Developing Countries	86
4.2	Relationship between Logistics Performance and Exports	92
4.3	Ten-Year Survival Rate of Export Relationships: Pakistan and Germany	93
5.1	Commodity Price Indexes, January 2000 to July 2009	102
5.2	Commodity Price Indexes, January 2000 to August 2009	102
5.3	Developing Countries: Commodity Exports Share, 2003–07	104
5.4	Real Non-energy Commodity Prices, 1900–2015	105
5.5	A Measure of Dutch Disease: Difference between Actual and Normative Size of the Tradable Sector, 1975–2005	110
5.6	Natural Resource Depletion and Net Savings Rates, 2007	112
5.7	Government Choices in Allocating Resource Revenues	114
9.1	Trust in National Institutions: Regional Averages	167
10.1	Comparison of Advanced and Emerging Economies after the 2008–09 Financial Crises: Fiscal Imbalances and Public Debt	182
10.2	Number of Countries with Fiscal Rules	184
10.3	Sovereign Wealth Funds	186

11.1	Public Social Spending	196
11.2	Public Spending	197
11.3	Government Investment as Net Acquisition of Physical Assets	199
12.1	Many Countries Were Able to Respond to the Global Crisis from a Position of Strength . . . Overall Fiscal Balances and General Government Debt, 2007	209
12.2	But this Fortunate Position Is Rapidly Changing . . . Overall Fiscal Balances and General Government Debt, 2009	210
12.3	The Crisis Has Brought with It Increased External and Public (Including Domestic) Debt Levels in MICs	211
12.4	Significant Divergence of Required Postcrisis Primary Balances from Countries' Past Levels	212
13.1	Correlation between Sovereign and Subsovereign Ratings of European Countries	223
15.1	Poverty Rates in the Developing World: People Living on Less than US\$1.25 a Day	254
15.2	Regional Poverty	254
15.3	Annualized Poverty Headcount Change (US\$2.50 a day), Early 2000s to Late 2000s	255
15.4	Indicators of Global Hunger	257
15.5	Inequality in Brazil and China	259
15.6	Differential Probability of Completing Sixth Grade on Time, Circa 2005	263
15.7	Human Opportunity Index for Access to Sanitation	264
15.8	Social Spending and Taxes by Quintile as a Percentage of GDP Per Capita	266
16.1	Women's Earnings, Children's Well-being, and Aggregate Poverty Reduction and Economic Growth—the Gender Pathways	276
16.2	Impact of the Crises: Countries' Progress toward the Millennium Development Goals	278
16.3	Gender Gaps in Development Outcomes Vary by Countries' Demographic Stage	283