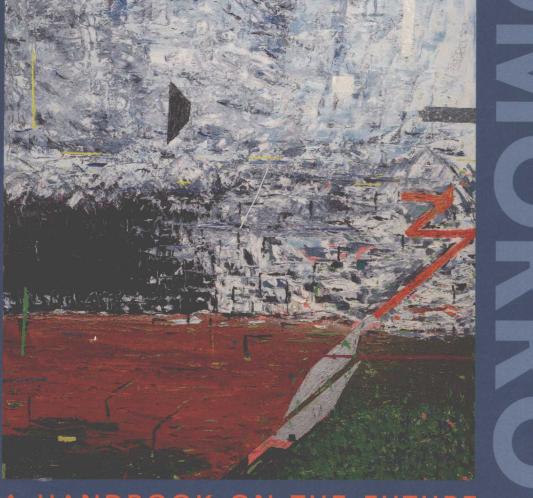
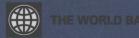
OTAVIANO CANUTO AND MARCELO GIUGALE, EDITORS

# THE DAY AFTER



A HANDBOOK ON THE FUTURE OF ECONOMIC POLICY IN THE



THE WORLD BANK DEVELOPING WORLD

# THE DAY AFTER TOMORROW

A Handbook on the Future of Economic Policy in the Developing World





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# THE DAY AFTER 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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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

#### xviii Acknowledgments

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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 low-income countries

LMICs Low- and middle-income countries

MENA Middle East and North Africa

#### xx Abbreviations

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'economie 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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- 404 lbs of solid waste

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