

Creating Luck in Development

The New Challenge

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This presentation

- The past generation of development
 - What has been done, achieved
 - And what leaders were challenged by
 - ‘convergence and participation’
- What I think we are now missing
 - ‘competitiveness’ and ‘luck’
- A new generation of development
 - Creating luck capabilities
 - A 21st century leadership challenge

The past generation, 1990-2015

- An era of good, better, and best practice
 - Identification, codification, diffusion

Public Debt Management

Public Financial Management

Doing Business

Transparency and Openness

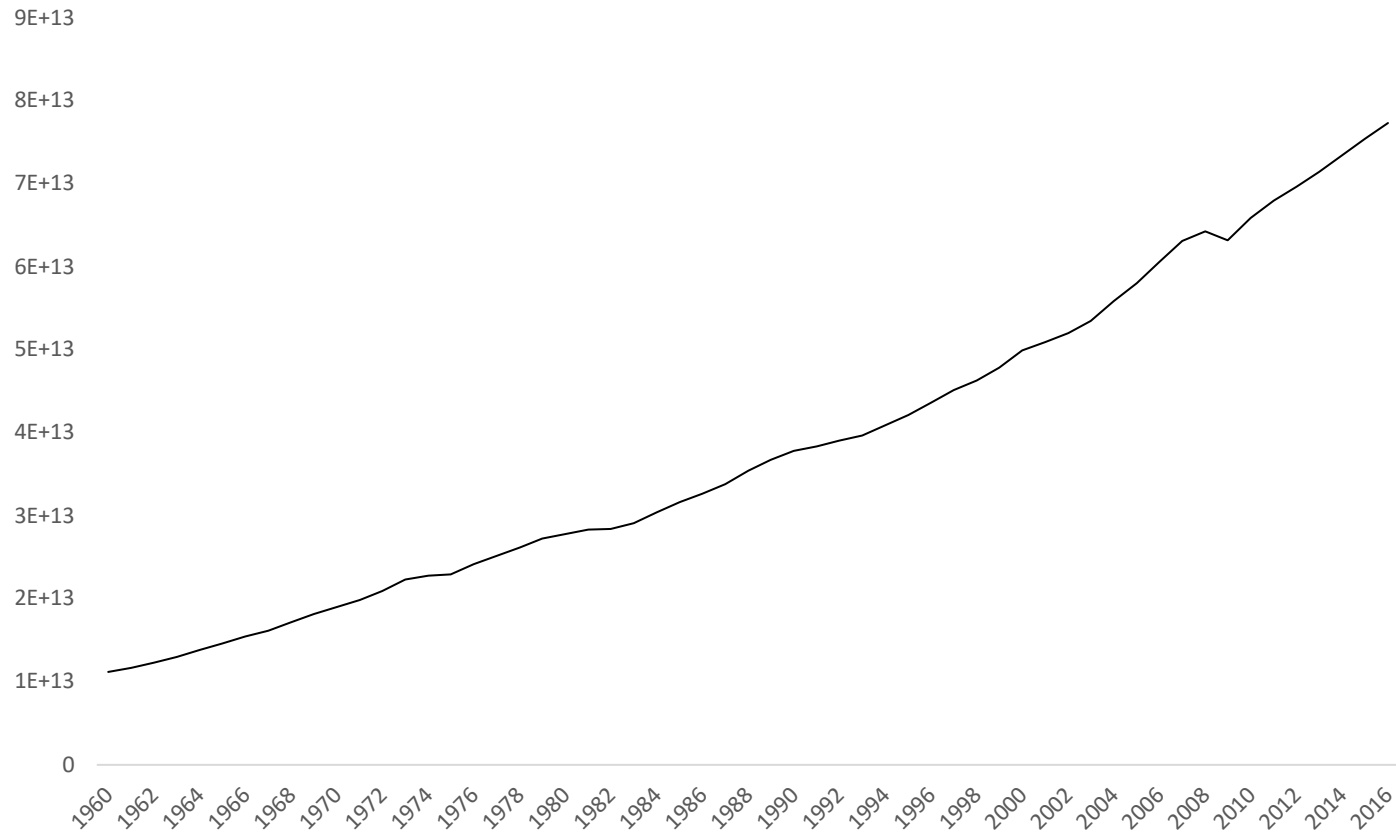
Service delivery

Good Governance

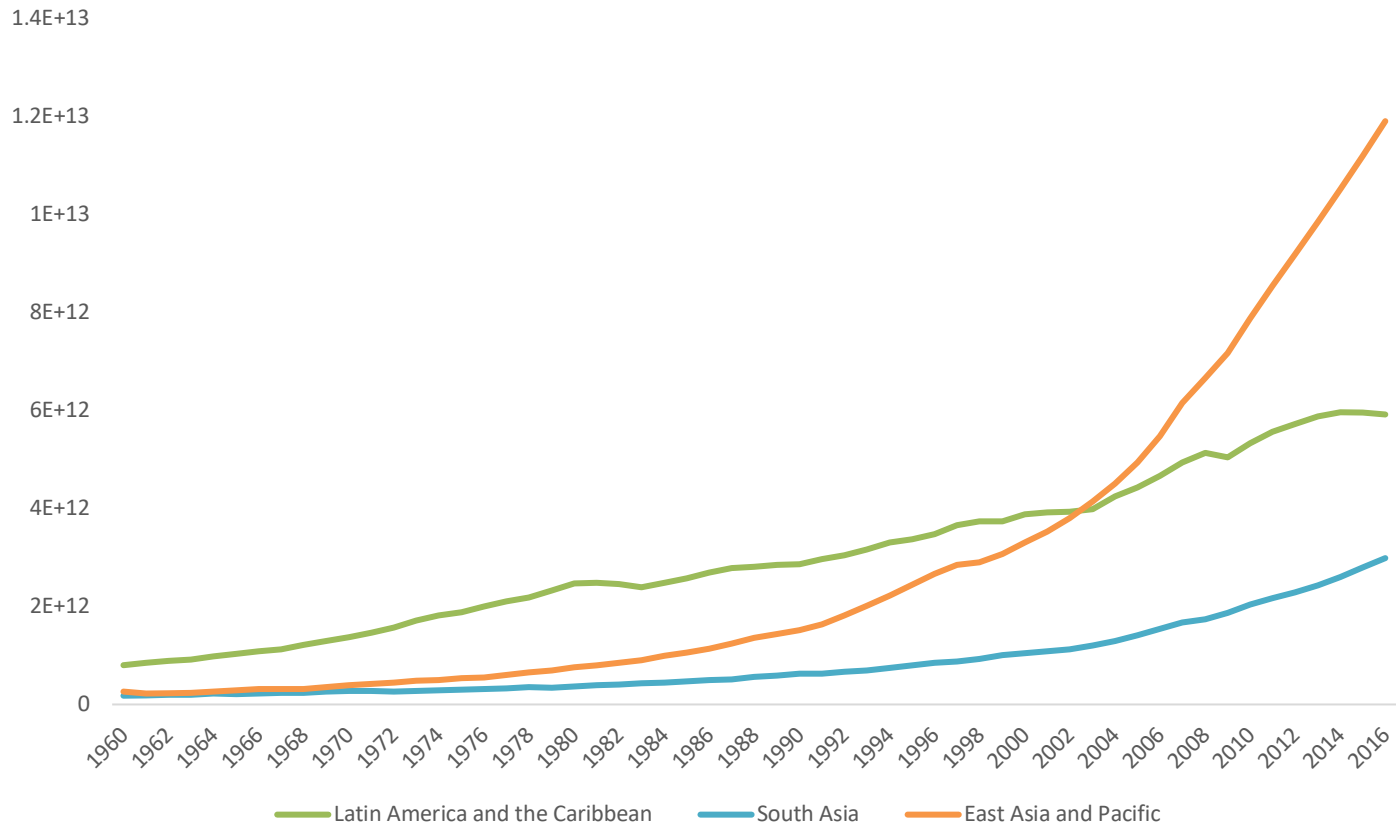
and more

- The leadership challenge: foster convergence
- Stabilized developing countries
- And engaged these countries in global economy
 - With major dividends

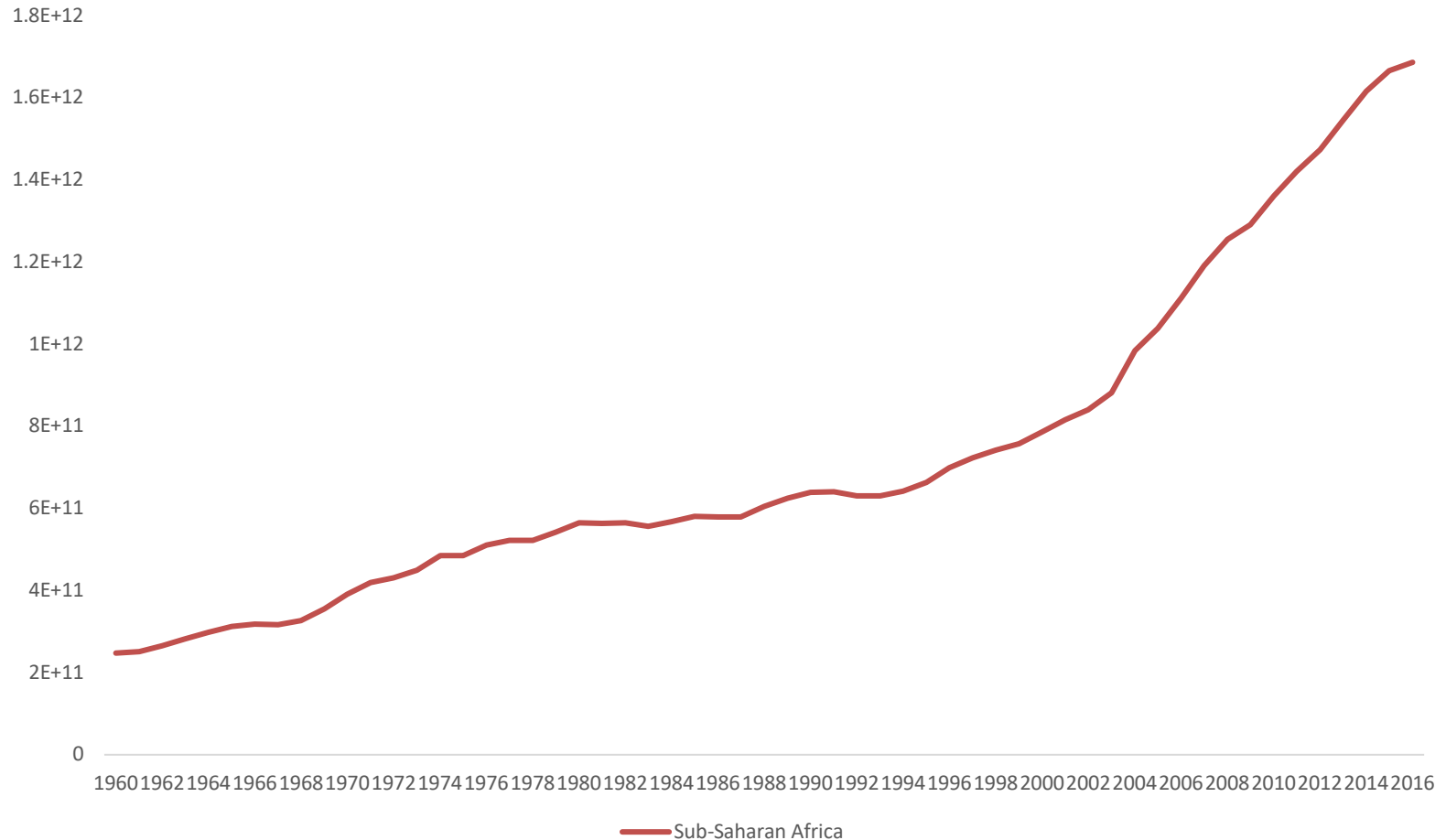
World GDP growth (constant 2010 \$) has been impressive



Emerging regions have seen GDP growth (constant 2010 \$)



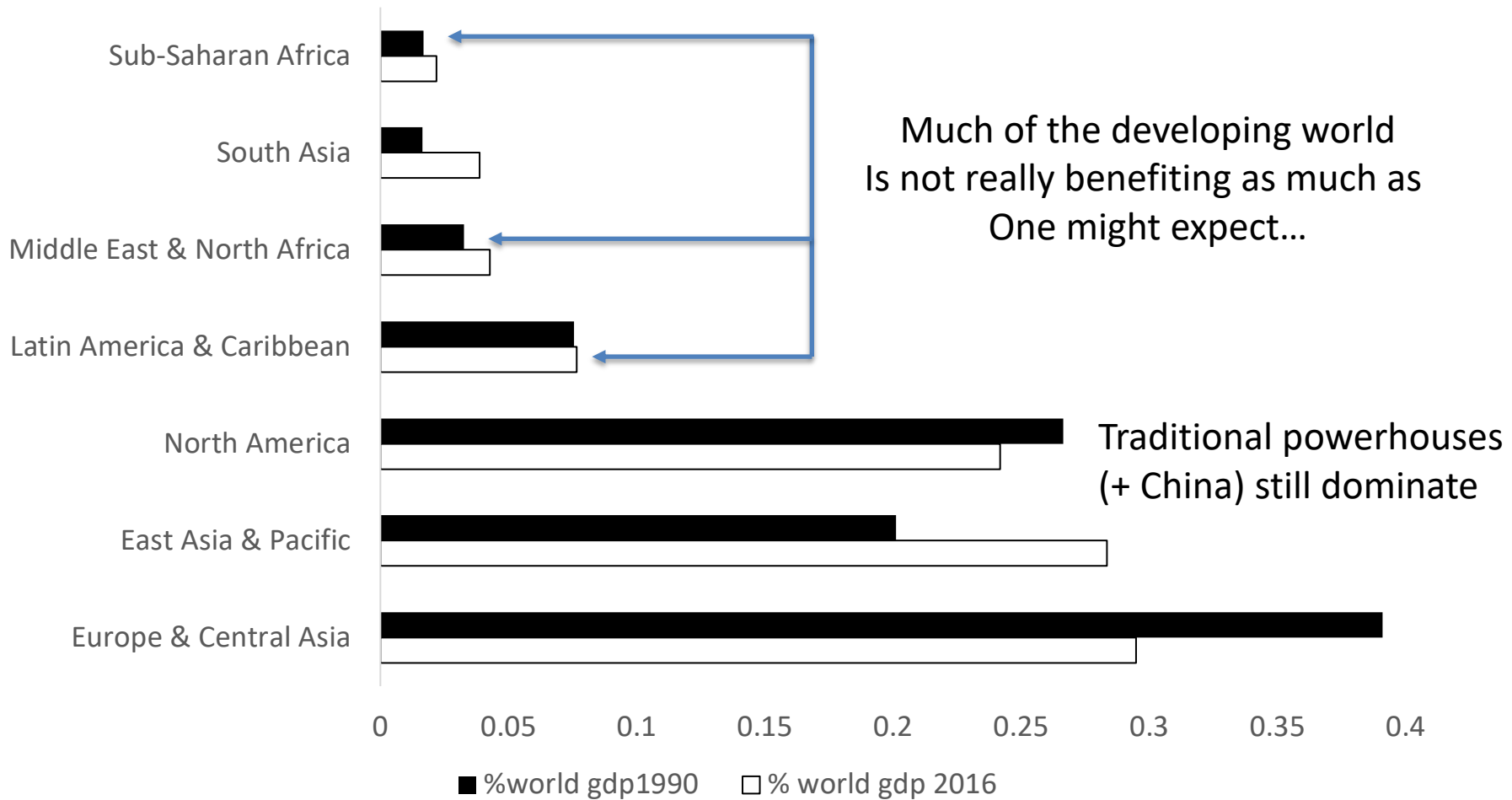
As has Sub Saharan Africa (GDP constant 2010 \$)



The results are good

- Most developing countries are now active participants in the global economy
 - With practices that make them legitimate
- And most countries are benefiting as well
 - With over 80% of world countries seeing higher real GDP per capita in the last generation
- But

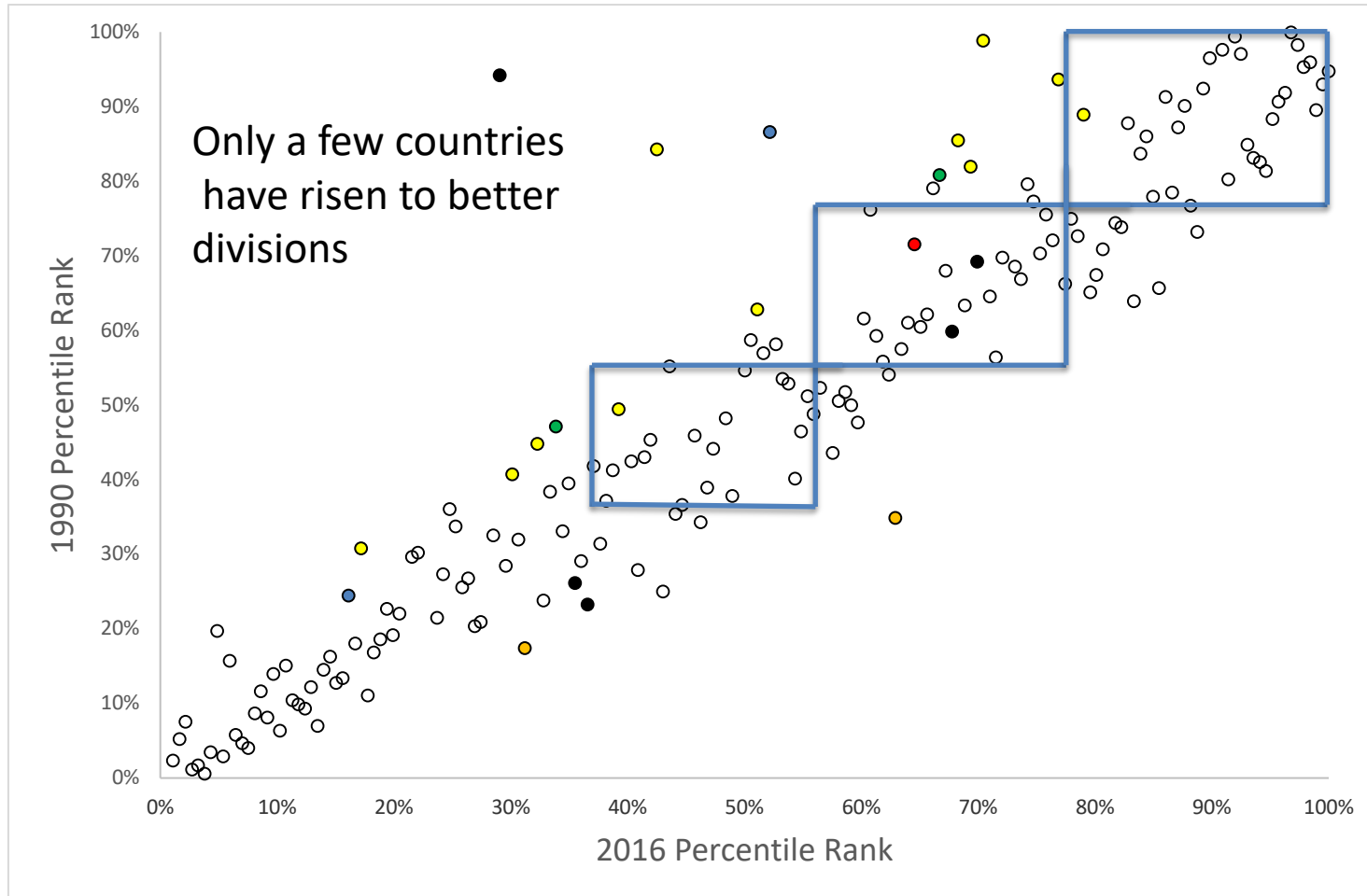
Shares of World GDP, 1990 and 2016



Most countries retained their position in the global economic league

- If we look at per capita GDP, and organize countries from highest to lowest in 1990
 - And then into percentiles
 - And into five divisions – top 20%, etc.
- And then we do the same in 2016
- We find that 75% of countries stayed in the same division over the generation
 - Most developing countries grew but stayed in the same position, even with all their reforms

Most developing countries stay in the lower divisions



Real GDP Per Capita, Global Percentile Ranking 1990 and 2016

Some of the best reformers have 'stayed in the same place' or gotten worse

- Rwanda: 96% to 89%
- Liberia: 96% to 98%
- Tanzania: 86% to 84%
- Kenya: 74% to 81%
- South Africa: 38% to 47%
- Georgia: 44% to 57%
- Costa Rica: 45% to 42%
- Bulgaria: 39% to 35%
- Argentina: 33% to 34%

What I think we are missing

- I see many developing countries that now actively participate in the global economy
- But that are not competitive
- They hold their league position
 - In the lower divisions
 - But don't rise, even with reforms and convergence with good, better, and best practice

What can we learn about being competitive?

- Some countries have leapfrogged across divisions, and up the global growth league
- How did they do it?

The last generation's big movers?

Country Name	1990 PERCENTILE	2016 PERCENTILE	PERCENTILE CHANGE
Equatorial Guinea	94.19%	Oil; natural resource + FDI	-65.15%
China	84.30%		-41.83%
Bosnia and Herzegovina	86.63%		-34.48%
Myanmar	98.84%		-28.41%
Vietnam	85.47%		-17.19%
Cambodia	93.60%		-16.72%
Bhutan		Transport, Energy trade; Location + FDI + Trade know-how	
Ireland	19.77%	4.84%	-14.93%
Cabo Verde	80.81%	66.67%	-14.15%
Korea, Rep.	30.81%	17.20%	-13.61%
Mauritius		Tourism; Sunshine + FDI + Global outreach + service excellence	
India	78.87%	68.28%	-10.59%
Lao PDR	81.98%	69.35%	-12.62%
Panama	44.77%	32.26%	-12.51%
Sri Lanka	62.79%	51.08%	-11.72%
Dominican Republic	55.23%	43.55%	-11.68%
Poland		New industries; FDI + talent + outreach + production expansion + business climate + + +	
Chile			
Thailand	49.42%	39.25%	-10.17%

These countries (apart from Equatorial Guinea) became competitive in new key markets

That is the key to transformational development

It often happened through luck

- But I don't mean cheap luck
 - Like finding oil
 - Which has not been a game changer in most places
- Rather, I mean preparation meeting opportunity
 - Which we see as a part of the story in all examples

The key 'luck capabilities'

- We see these countries developing key capabilities to be 'ready' for opportunity
 - Policies supported experimentation, to find advantages and even build new advantages
 - Policies supported outreach to FDI sources
 - Policies supported responsiveness to investors
 - Policies grew and attracted people and talent
 - Policies punished 'shooting in the foot'
 - Like value-detracting corruption and unrest
- These capabilities are in the public and private sectors
 - And center crucially on connections between the two

The 21st century leadership challenge

- Creating these ‘luck capabilities’
 - In support of the past reforms
- Countries must not stop at limited convergence with norms of good, better or best practice
 - They must find their own advantage
 - By creating their own luck
- By creating luck capabilities
 - The key to transformational development