



The Future of Development Strategy

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The Future of Development Strategy

Succinct, informative tour de force of the knowledge and practice of development policy

- Where we stand
- Where we are (or should be) heading

A selective commentary on three issues

- Growth policy and social policy inseparable: Morocco
- In a world of 'digitech' and GVCs: is RER-led export promotion strategy a passé?
- Agriculture: how to make it look like industry?

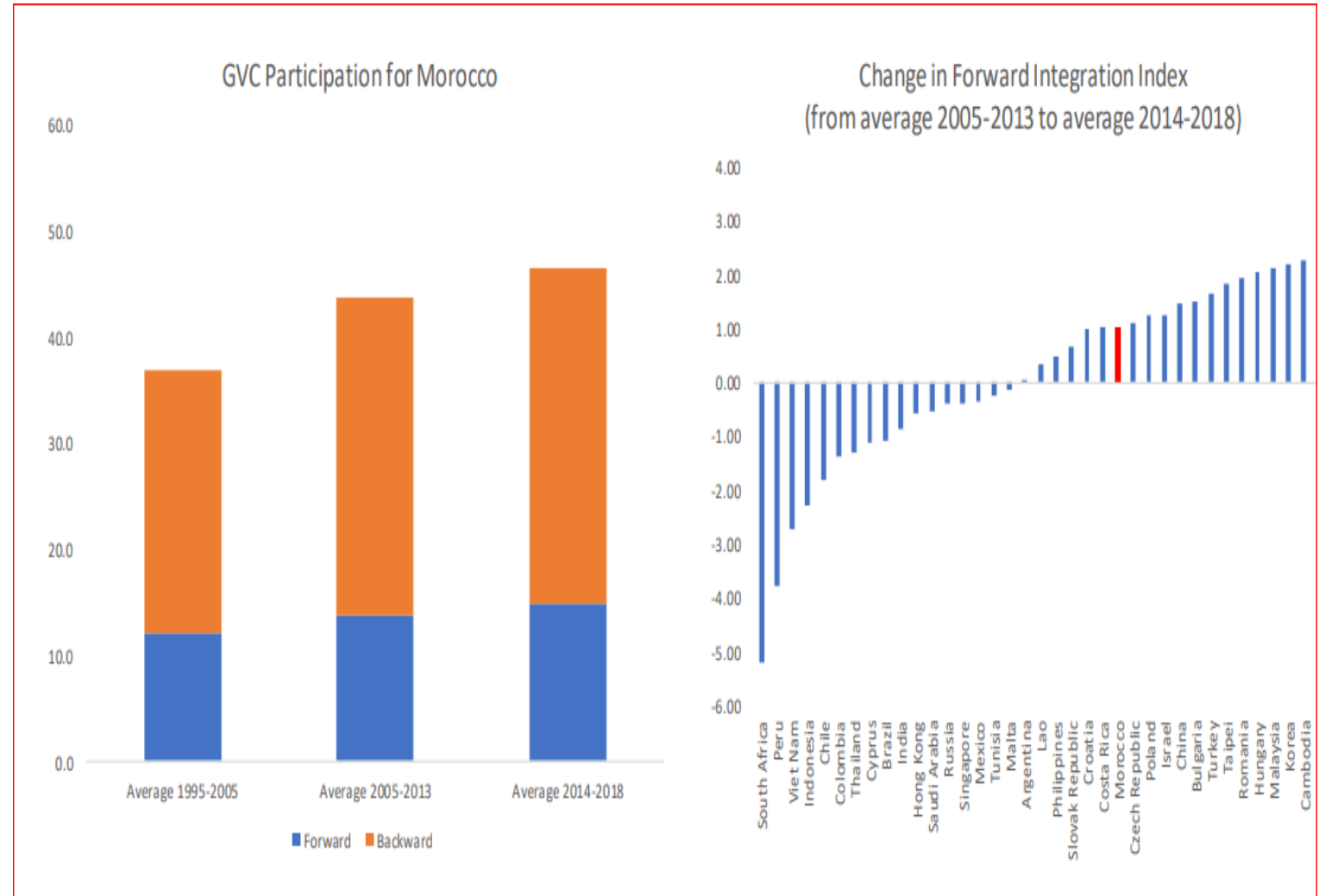


Ideas for the Future Direction of ERF Research

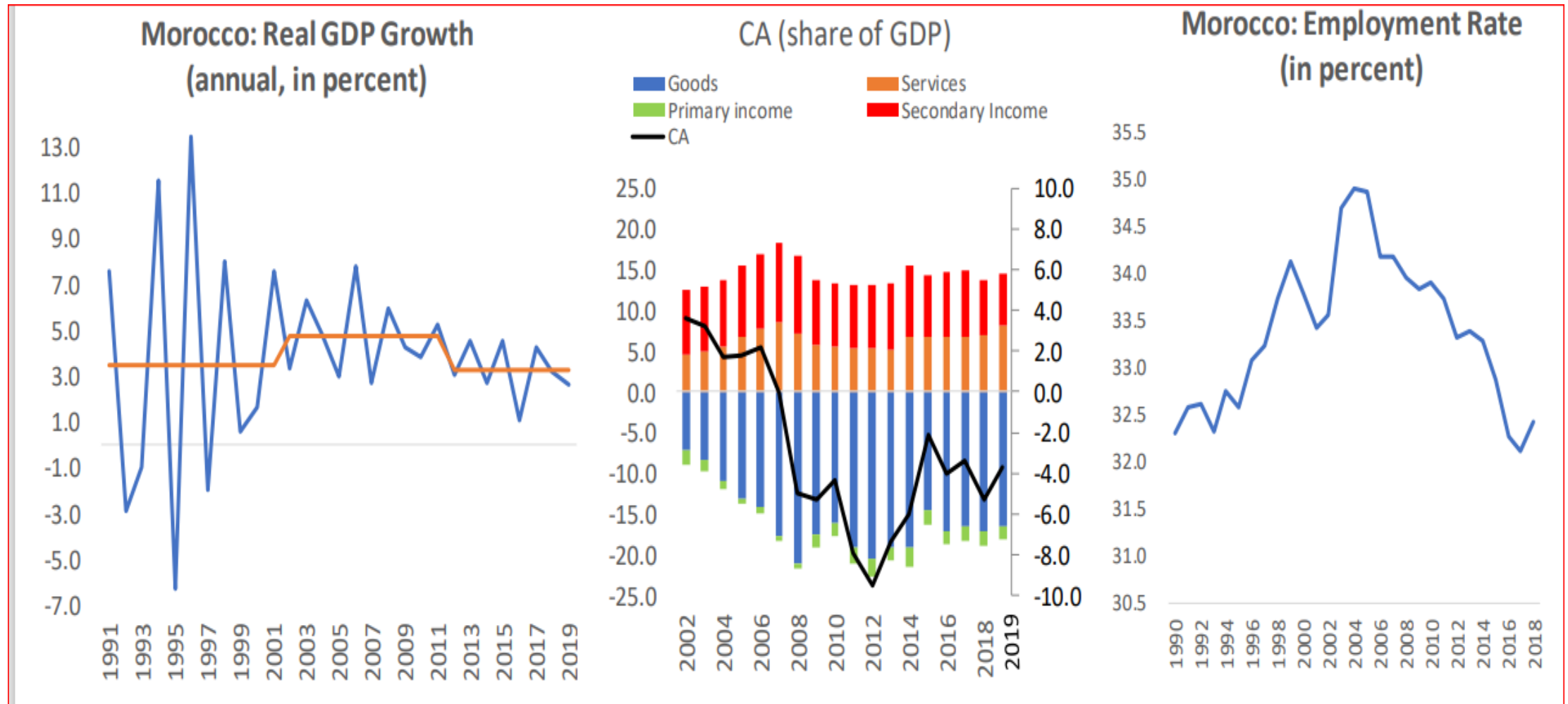
Growth policy and social policy inseparable (1):

Morocco's achieved considerable integration into GVCs
(Roberto Cardarelli. IMF)

- Morocco's Industrial Acceleration Plan in 2014
 - Integration of GVCs into domestic economy
 - Job creation
 - Increasing domestic value-added content in exports
- Integration into high-tech GVCs:
 - Such as, automotive and aerospace
 - Incentives, export processing zones and FTAs with EU and US



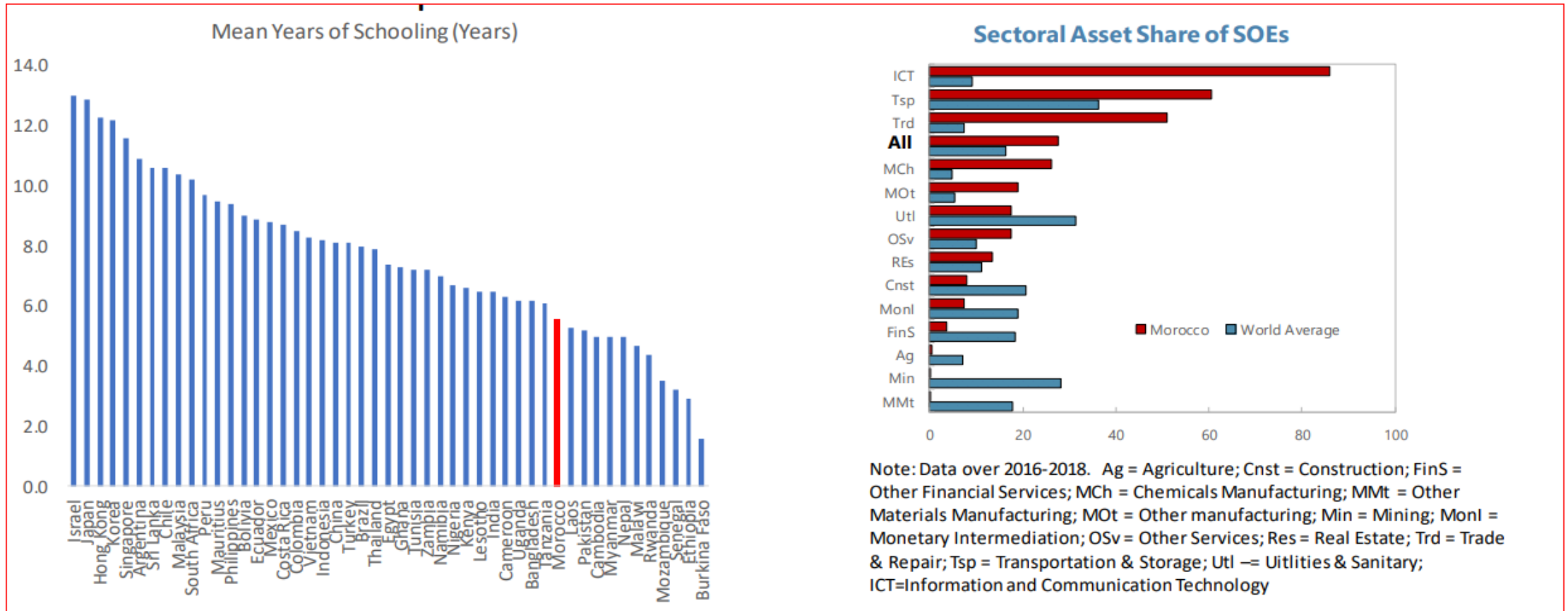
Growth policy and social policy inseparable (2): However, integration into GVCs failed to produce economy-wide ST (Roberto Cardarelli. IMF)



Growth policy and social policy inseparable (3): A new Development Model for scaling up the benefits of GVCs-based economic diversification

“Investment in education and training”

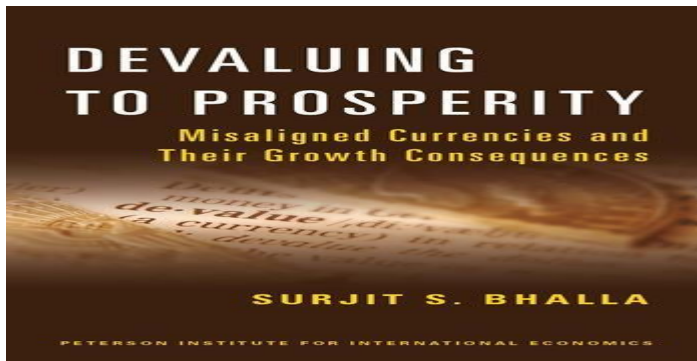
*“New type of industrial policy: collaborative
and iterative relationship with firms”*



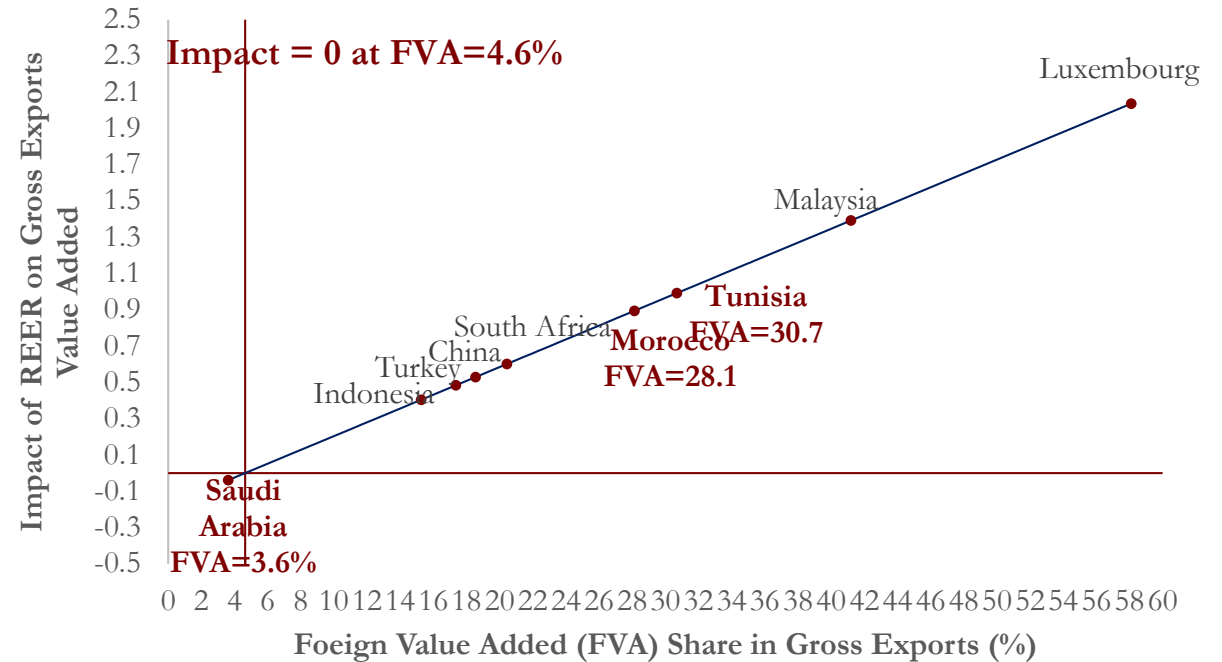
In a world of 'digitech' and GVCs: is RER-led export promotion a passé?

(Elbadawi, Ismail, Zaki: forthcoming)

- We may not any more be able to depreciate ourselves to prosperity:



- However, there is a long way from KSA to Luxemburg: RER not yet a passé
 - The validity of Rodrik's conclusion on real exchange rate and economic growth: factor priority evidence from feature selection approach (Mehdi Seraj et al, 2020)



$$\left(\frac{\partial \log(\text{Gross Exports})}{\partial \log(\text{REER})} \right) = -0.177 + 0.038 \text{ FVA}$$

Source: Tan et al. (2019)

Notes: Graph constructed using average of FVA over 1995-2018 for each country.

Making Agriculture Looking Like Industry:

(Diwan et al, 2013; Elbadawi and Ismail, 2021)

“Significant productivity gains possible in traditional agriculture...possibilities in non-traditional agriculture”

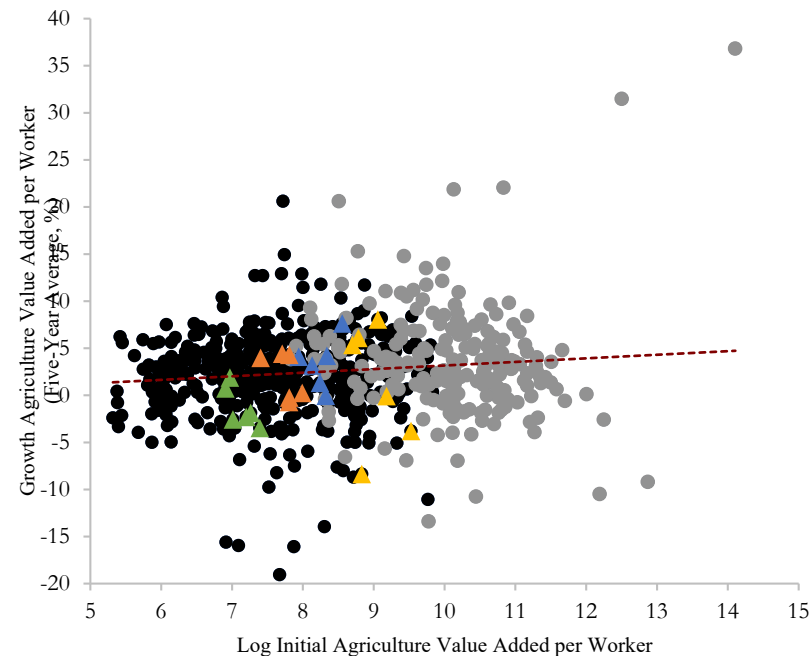
➤ Robust economy-wide horizontal policies

- Investment in rural human and physical capital
- Measured direct taxation
- Avoid indirect taxation: RER overvaluation

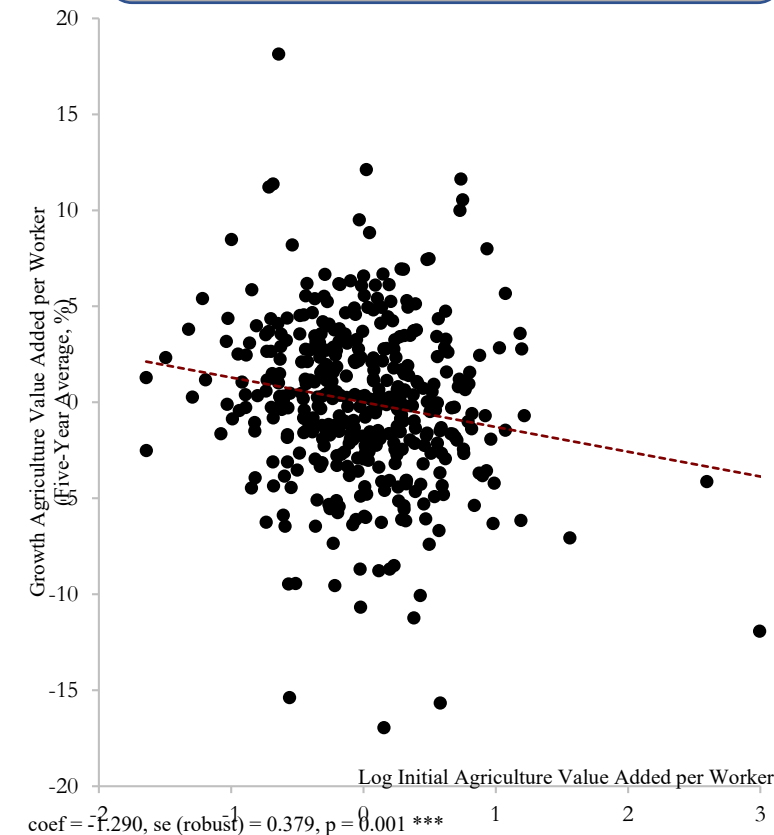
➤ However, vertical strategies for making agriculture looking like industry (Diwan et al):

- Growth corridors
- Plantations
- Contractual agriculture
- Marketing boards
- Cooperatives

Agriculture: unconditional **divergence**



Agriculture: even **conditional** convergence is challenging



Ideas for the Future Direction of ERF Research

- Macroeconomics and political economy of full employment, social protection
 - Growth in highly socially mobilized societies, indebtedness and shrinking fiscal space (forthcoming: ERF, FDL, IDRC)
 - Should do more
- New industrial policy: role of the state, private sector
- “Good jobs” agenda
- Export diversification, Digitech, GCVs, environmental footprint, RER ...etc
 - AERC-ERF project
 - `servicification’ and `servitization’ of manufacturing
 - `servicification’ and `servitization’ of agriculture?
- Making agriculture looking like industry
 - Vertical business models
 - Articulation for Sudanese agriculture (ongoing ERF research project)