Developmental Regimes in Africa
Initiating & sustaining developmental regimes in Africa

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Policy for development in Africa:

Learning from Southeast Asia

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Much of the debate on how to reduce poverty in Africa centres on notions of what it was about Western countries that helped them become rich. This includes most of the thinking on the importance of 'good governance' and the rule of law.

There is less focus on the experience of rapidly developing countries in Asia, where 'good governance' prescriptions have been rare. The little attention that is given to Asian models of development often draws misleading conclusions. Sometimes the wrong models are chosen: Japan and Korea, for example, where institutional conditions were never really comparable with those in African countries.[3] Sometimes, the writers use more appropriate models, such as Malaysia and Indonesia, but focus on their recent industrial growth, overlooking the policy choices that first caused their fortunes to turn, at a time when their economies were still comparable to those of Africa.[4]

By studying the historical turning points in the development of Southeast Asian countries, we can better identify the real policy preconditions for development success.

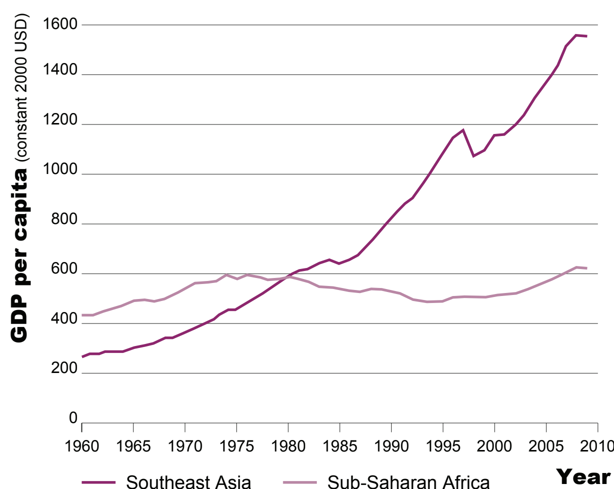
Lessons from Southeast Asia

Southeast Asia is, consistently, the most successful region of the developing world in terms of economic growth and poverty reduction. In 1960 its inhabitants were on average much poorer than Africans; today they are two and a half times richer. In Southeast Asia this entire half century has been one of continuous growth, apart from a brief hiatus at the turn of the millennium caused by the Asian financial crisis. In Africa per capita income stagnated in the 1970s, declined in the 1980s, grew weakly in the 1990s, and today is still barely higher than in 1975 (Figure 1).

Local female farmer from Karurumo village, Kenya
Photo: P. Casier (CGIAR)

Although aggregate growth in Africa was quite rapid from 2000 to 2008, like the previous period of African growth in the 1960s it does not seem to have translated into a commensurate poverty reduction.[5] In many Southeast Asian countries, by contrast, growth has been accompanied by spectacular reductions in poverty.

Figure 1: Real GDP per capita compared



Source: calculated from World Development Indicators online.

Table 1: Timing of the preconditions for sustained growth in Southeast Asia and Sub-Saharan African

Countries studied	1 Macroeconomic stability	2 Economic freedom	3 Pro-poor public spending	Transition to sustained growth enabled
Indonesia	1967	1967	1967	1967
Malaysia	never an issue	no history of over-regulation	1958	1958
Cambodia	1986	1989	1999?▲	1999?
Vietnam	1986	1989	1976	1989
Nigeria	1996	1986	-	-
Kenya	only occasionally an issue (1992)	1997♣	- †	-
Uganda	1989	1989	-	-
Tanzania	1995	1985	1967-82◊	-

Notes:
▲ Since 1999, there has been a new emphasis on rural development, but opaque financing and the short time frame make this hard to assess.
♣ No history of agricultural collectivization, but the rural economy was heavily regulated until recently. 1997 marks the start of the National Cereal and Produce Board Commercialization Project, a key moment in deregulating marketing.
† Budget allocations to agriculture were large in the 1960s but the focus was on an elite of 'progressive' large-scale farmers (Christopher Leo, *J. Modern African Studies* 16, 1978: 619-38).
◊ The Nyerere period saw large transfers of surplus from peasants to the state (Frank Ellis, *J. Peasant Studies* 10, 1983: 214-42). However, here we refer to investment budget allocations.

In Indonesia, for example, 60% of the population lived below the national poverty line in 1970. By 1984, this had fallen to 22%.[6] Malaysia saw a fall from 49% to 18% in the same period.[7] Looking at different start/end dates, the percentage of people below the poverty line in Thailand fell from 57% to 24% between 1963 and 1981. More recently, Vietnam has seen a particularly dramatic fall in poverty rates between 1993 and 2008: a reduction of around three-quarters, from 58% to 14%.

Most of Southeast Asia shares with most of Africa a history of colonial rule during which its economies were based on subsistence agriculture and the export of primary products. The two regions also share a persistent postcolonial record of poor-quality governance. In the 1980s, for example, Indonesia was consistently rated as a more corrupt country than Nigeria in international surveys.[8] The fact that one major Southeast Asian country, Burma (Myanmar), continues to be excluded from the region's growth miracle adds weight to the hypothesis that the success of most countries is determined not by geography, history, or institutional legacy, but by policy choices.

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Policy choices at developmental turning points

Comparative historical study of four national development trajectories from Southeast Asia (Cambodia, Indonesia, Malaysia and Vietnam) and four from Africa (Kenya, Nigeria, Tanzania and Uganda) suggests three essential policy preconditions for sustained growth and poverty reduction.[9] Together, these appear to be sufficient as well as necessary conditions for developmental success. All three, however, must be present simultaneously before a developmental turning point is reached.

1. **Sound macroeconomic management**. Macroeconomic stability is essential, requiring policies that embody a strong commitment to combat inflation. Given such commitment, inflation may exceed 10% without jeopardizing sustained growth; but it must not exceed 20% for any length of time.
2. **Economic freedom for peasants and small entrepreneurs**. In most cases, there has been little or no growth in the countries with development strategies based on accumulation by the state or economies that are state-dominated. Smallholders need to be able to select their own crops and reap the profits.
3. **Pro-poor, pro-rural public spending**. Sustained growth and poverty alleviation depend on the adoption of pro-poor policies directed at agriculture and rural development, particularly to raise the productivity and profitability of smallholder food crop farming through public investment in irrigation,

transport infrastructure, and state-subsidized technological improvement.[10] This involves allocating 20% or more of the development budget to the agricultural sector, and ensuring that most of this benefits peasants rather than large landowners.[11]

While conditions 1 and 2 are being met increasingly in Africa, condition 3 remains elusive. Most African countries have never seen heavy public investments designed to benefit poor farmers. In the few that have, such as Tanzania during the 1970s, those investments were not accompanied by economic freedom and were not, as a result, effective.

By the year 2000, most African countries, including the four in this study, had achieved macroeconomic stability and removed the most serious constraints on the economic freedom of farmers and entrepreneurs. Combined with increased international demand for African primary products, especially minerals, this has led to respectable levels of aggregate economic growth. However, in the continued absence of adequate public investment in rural development, there has been no breakthrough in the productivity of smallholder agriculture to compare with Southeast Asia (Table 1).

As a result, the impact of African economic growth on poverty remains weak, and its future uncertain, amid rising inequality, limited domestic market growth, and continued food insecurity. Nor is there any sign in Africa of the industrial transformation that followed on the heels of the agricultural revolution in Southeast Asia.

What was not included in the successful policies?

Almost as important as positive lessons are negative ones on what was *not* included in the preconditions for sustained growth and poverty reduction in Southeast Asia. Authoritarian rule, for instance, was not essential (Malaysia was at least partly democratic throughout the period); nor were foreign aid (although this was put to good use in Indonesia), the eradication of corruption, liberalization of the financial system, privatization of public utilities, or the emergence of an indigenous bourgeoisie (the Southeast Asian business community was, and is, mostly of Chinese origin).

Industrial policy was not of central importance. While the most successful Southeast Asian countries are now heavily industrialized, there was no industrial growth on a large scale until mass rural poverty reduction was well advanced. As late as 1982, after 15 years of sustained growth

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and poverty reduction, the manufacturing sector in Indonesia accounted for just 11% of GDP and 3% of exports.[12]

When manufacturing growth did happen, it was largely a private-sector response to macroeconomic stability, economic freedom, adequate infrastructure, and a healthy rural economy. These conditions ensured political stability; private saving and investment; enlarged domestic markets; and a cheap, reliable food supply for workers. Attempts by Southeast Asian governments to direct industrial development along Japanese or Korean lines – nurturing ‘infant industries’ to compete in export markets – have generally failed. The enterprises and institutions involved were captured by political interest groups too strong to accept the strict deadlines that must be met to ensure international competitiveness.[13]

What kinds of government succeeded?

The governments that made the right policy choices believed in ‘shared growth’ and were based on ‘growth coalitions’ that included peasant farmers.[14] They prioritized the redistribution of income and assets to the poor and to rural areas.

Their motives varied, from ideology (social justice, nationalism) through political pragmatism (fear of radical or socialist opposition), to a correct interpretation of the historical relationship between agricultural and industrial development.[15]

The successful governments also understood that market forces are essential to successful development, and that market and state are complementary, not alternatives, in the development process. The types of market intervention they favoured involved investment, subsidy, and the supply of public goods (the redistribution of resources) rather than regulation (the use of coercive power beyond the power to tax). Agricultural subsidies and rural roads are of little use if farmers are not free to grow what they want and sell it to the highest bidder.

Policy implications

The implications of these findings for African and international opinion-leaders are clear:

- Where possible, African policy-makers should be encouraged by all appropriate means to promote pro-poor agricultural development. Policy should reinforce the existing pledge by heads of state in the Maputo Declaration of 2003 to allocate at least 10% of national budgets to agriculture and rural development.
- Where political conditions for pro-poor rural development are lacking at national level, it may be possible for development cooperation to help create them at sub-national level. The Office du Niger (Mali), where sustained growth has been achieved on the basis of irrigated rice cultivation with the support of Dutch cooperation, offers a possible model.[16]
- African governments should not be encouraged to imitate the state-directed industrial strategies of Northeast Asia, or to adopt any policies that favour industrialization – even export-oriented industrialization – at the expense of the investment needed for agricultural development.

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