

## Africa's economic transformation: Policy and governance

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Over the 50 years from 1960, a set of countries in Southeast Asia achieved economic growth and poverty reduction rates that far outstripped those achieved by similar countries in Africa. Why?

According to evidence from the Tracking Development (TD) project, the reasons lie in the timing and sequencing of the adoption of three policy features:

- macro-economic stability
- pro-poor, pro-rural public spending
- economic freedom for peasants and small entrepreneurs.

Coming from a multilateral, international research project on the comparative development trajectories of Southeast Asia and sub-Saharan Africa, this finding is important and timely for two reasons.

First, it adds force and some much-needed additional clarity to a growing but still fragile consensus about the limitations of Africa's accelerated economic growth performance over the past decade.

Second, it sharply contradicts the prevailing diagnosis of Africa's lagging development performance for the past 30 years – that the primary problem is institutional and its ultimate cause 'bad governance'.

This policy brief elaborates these arguments and goes on to address the implications of TD's headline finding about the primacy of policy. It explains how this should be understood as a critique of an influential view of the relationship between economic development and governance reform. Far from closing debate on the governance factor in successful development, this critique requires the debate to become more sharply focused.



Boy herding cattle, Nigeria  
Photo: Curt Carnemark / World Bank

### Economic transformation

Since the late 1990s, the performance of an expanding group of sub-Saharan African economies has improved markedly, appearing to justify speculation that the Asian 'tiger' economies are about to be matched by African 'lions'.<sup>2</sup> Africa's higher rates of economic growth have been, for the most part, sustained and are not entirely dependent on high commodity prices. In some countries, this economic growth has been accompanied by reductions in aggregate poverty incidence.

However, an emerging consensus among economists within and outside the region cautions against interpreting the recent upturn in growth as a development breakthrough.<sup>3</sup> African growth is not yet accompanied by the structural changes, widespread improvements in productivity and growing technological capabilities that are the main ingredients of successful development. It does, however, provide a more favourable context in which to tackle the more fundamental challenge, that of economic *transformation*.

TD's conclusions contribute to this emerging consensus. Overwhelmingly, the most important weakness in the pattern of recent growth in sub-Saharan Africa is the neglect of productivity improvement in smallholder agriculture. The idea that agricultural transformation is the necessary foundation for wider structural change is hardly new, but it is endorsed in a particularly compelling way by TD's paired comparisons of Kenya and Malaysia, Nigeria and Indonesia, Tanzania and Vietnam, and Uganda and Cambodia.

TD's case studies also help to clarify the implications of 'transformation' for Africa. They provide a useful corrective to the tendency in some of the new-structuralist literature to focus prematurely (in the African context) on manufacturing growth and industrial upgrading.<sup>4</sup>

Similarly, the TD findings contribute some useful cautionary messages about the extent to which a transformative policy approach implies a more activist role for the state. The favoured forms of market intervention by Southeast Asian states which achieved development successes '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)'.<sup>5</sup>

This contrasts with the pattern associated with state-led development in Northeast Asia (Japan, S. Korea, Taiwan). But – it is argued – Southeast Asia is a more relevant model for sub-Saharan Africa.

## Policies and governance I

The headline findings from TD emphasise the continued failure of African leaders to adopt the 'three-legged' policy approach that was critical to success in Southeast Asia. This implies that governance matters less, and the content of policy more, than has usually been supposed. However, taking policy choice more seriously in the genesis of comparative development performances does not reduce the relevance of research on governance. It rather requires it to be focused more sharply.

**“ lack of a perspective on politics has been the Achilles' heel of heterodox economic approaches.**

A key implication of the TD headline is that the reasons for divergent outcomes between Africa and Southeast Asia are not fundamentally about differences in geographical, historical, cultural or institutional points of departure. Crucially, they are not rooted in any historically inherited divergences in governance structures. Southeast Asian countries were no less 'neo-patrimonial' during their growth acceleration than their African counterparts. In several cases, corruption indicators were higher in Asia. So, Africa does not need to achieve 'good governance' before, and as a precondition for, development success.

TD's findings coincide with those of other current research programmes on comparative development, including Africa Power and Politics (APPP) and the Danish-led Elites, Production and Poverty (EPP) project. These initiatives share with TD the presumption that the good governance agenda is misleading on the prerequisites for economic transformation in Africa. Similarly, concepts like neo-patrimonialism have been used for too long as blanket explanations for Africa's development difficulties.

From this common starting point, APPP and EPP provide insights that help to answer the more refined questions about governance that are prompted by the TD findings. Together, the three programmes fill a gap in the emerging consensus on Africa's need for economic transformation, not just growth.

The recent literature on transformation is strong on the economics but neglects the question of governance beyond the affirmation that more 'developmental' states are required. The only answers provided rely on the threadbare claim that 1980s 'structural adjustment' measures and the hegemony of neoliberal economic prescriptions are entirely responsible for the failure of African states to assume a developmental character.<sup>6</sup> This is serious, as lack of a realistic perspective on the politics of developmental governance in Africa has been the Achilles' heel of heterodox economic approaches since the 1980s.

## Policies and governance II

The more refined questions about governance that TD, EPP and APPP have been addressing may be linked to the second-level implications of the TD findings. These are concerned with the following question: To the extent that pro-peasant policies and investments are demonstrably needed, what specific conditions are necessary and sufficient to have them adopted and effectively implemented?

TD's outputs, published and unpublished, contain rich discussions of the antecedents of the rural-based development visions adopted by political leaderships in Southeast Asia. The factors discussed include the threat or reality of mass rural insurgency under communist

leadership, but also elite mind-set variables that shaped the way leaders responded to threats and crises.

With reference to Africa, it is argued that the failure of countries like Nigeria to adopt sustainable development strategies grounded in rural transformation owes a good deal to ‘flawed vision’ arising from the background and experience of senior officials.<sup>7</sup> However, this cannot be the end of the story.

The ideas in the heads of top civil servants do matter and may be shaped as much by their professional backgrounds and the dominant intellectual currents of the day as by political logics. Nonetheless, politicians select the kinds of officials whose ideas are consistent with their particular legitimation strategies and exigencies of survival. The influence may be mutual, but there is – at the very least – an elective affinity between the bureaucratic mind-sets that come to the fore at different moments in particular countries and the political rationales of the people at the top.

Lewis provides a convincing account of politician-bureaucrat interaction in the Nigerian case. Killick tells a similar story about Ghana.<sup>8</sup> Where political elites are divided and factionalised, regimes are preoccupied with short-term survival and seldom provide political cover to ambitious technocrats. Economic ideas about the requirements of an industrial ‘big push’ are influential under political leaders that associate national grandeur with manufacturing. And so on.

With respect to effective implementation, TD research has shown that rural development programmes in successful Southeast Asian economies were characterised by a particular combination of ‘outreach, urgency and expediency’. As Henley summarises:

1. ‘The primary criterion by which policies and interventions are selected is the *number of people* to whom they provide direct material benefit ...
2. At least at the beginning ... development strategies do not involve meticulous long-term planning [but] establishing clear priorities ... and acting on those priorities using the resources immediately to hand.
3. In successful developmental states, legal principles, administrative procedures, political rights, and ideological precepts all take second place to the goal of improving the material living conditions of as many people as possible, as quickly as possible. Achieving that goal may involve tolerating corruption, bending rules, and infringing rights’.<sup>9</sup>

There is a need to explain how these principles were put into effect and then sustained. One immediate explanation is provided by TD accounts of the role played by specialised technocratic organisations that enjoyed a kind of political protection denied to the public service at large.

“ *politicians select technocrats whose ideas are consistent with their legitimation strategies.* ”

However, the first-level explanation poses, again, the second-level question. What were the political conditions that allowed such protection to be extended in the first place and then to be sustained in the face of challenges?

### **Distinguishing developmental regimes**

APPP’s response to these questions relates to the strategies adopted by politicians under different sub-types of neo-patrimonial regime.

As a rule, political leaders have short time-horizons and limited ability to restrict socially harmful rent-seeking by other members of the political class. Large, complex investments, including those required to support small-scale rural enterprise, are correspondingly difficult.

However, in Africa, as in Asia, some regimes have succeeded in establishing ways to manage economic resources and rents with a view to long-term interests.<sup>10</sup> Without ceasing to display clientelist features, such regimes have been more likely to choose policies (and technocrats) and design implementation mechanisms that meet the needs of economic transformation. Historical examples include Côte d’Ivoire, 1960-75, and Malawi, 1964-79.

There are three further observations:

- Historically, this has happened under dominant leaders and/or dominant political parties emerging from independence movements or internal wars. It has rarely, if ever, been the outcome of multi-party electoral competition.
- Such successes usually incorporate some mechanism to ensure that politically salient ethnic communities share in the benefits; but they are not sustained in the absence of institutionalised arrangements to manage leadership successions.
- The adopted strategies for agricultural transformation have rarely been centred on smallholder agriculture, which has weakened their sustainability.

Of course, this 'developmental neo-patrimonialism' is not in favour in official policy thinking about Africa. It tends to conflict with the 'good governance' principle of maintaining an arm's length, non-interventionist, relationship between politics and business. It also troubles the many who associate progress unreservedly with multi-party electoral competition.

It is, however, supported strongly not just by comparative African experience, but by that of Southeast Asia. Neo-patrimonial yet developmental governance prevailed throughout the early high-growth periods of the most 'African-like' Southeast Asian countries (in terms of history and social makeup): Indonesia and Malaysia.

## Developmental regimes in Africa

Despite reaching highly complementary conclusions, TD and APPP do not have all the answers. This is why the Developmental Regimes in Africa (DRA) project has been launched with two objectives: to engage with the policy community around the implications of the TD and APPP findings; and to address research

questions about the prospects for developmental regimes in Africa that cannot be answered on the basis of current evidence.

These questions are concerned with:

1. The likely origins of developmental regimes that support transformative policies under current African conditions
2. Ways to manage leadership successions to achieve sustainability
3. The different roles that may be played by politically protected technocracies
4. Ways in which international conditions can become more supportive.

As these issues are explored, African and international thought-leaders should remain focused on how to meet just two urgent needs:

- Policies that are effective in supporting productivity growth in smallholder agriculture
- Governance structures that permit politicians to look beyond the very short term and direct sufficient resources to processes of transformation.

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