

Three principles of successful development strategy: outreach, urgency, expediency

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ABSTRACT

Elsewhere, Jan Kees and I have argued that the three policy preconditions for sustained growth and poverty reduction are: (1) adequate macroeconomic management, (2) economic freedom for peasant farmers and small entrepreneurs, and (3) pro-poor, pro-rural public spending. This piece identifies three deeper principles which seem to underlie both the choice of these policies, and their successful implementation, in Southeast Asia:

- (1) The principle of **outreach**, or: 'quantity, not quality'. The primary criterion by which policies and interventions are selected is the *number of people* to whom they provide direct material benefit. Interventions are *not* selected according to the size of the benefit which they bring to each individual beneficiary, and certainly not according to their theoretical elegance, technical sophistication, or aesthetic appeal.
- (2) The principle of **urgency**, or: 'priorities, not plans'. At least at the beginning of the development process, at the point of transition from persistent poverty to sustained growth, successful development strategies do not involve meticulous long-term planning based on what is desirable in the future. They involve establishing clear priorities based on what is *undesirable* in the present, and acting on those priorities quickly using the resources immediately to hand.
- (3) The principle of **expediency**, or: 'results, not rules'. 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.

Development strategies in Africa, by contrast, have suffered persistently from an emphasis on qualitative issues like value added, technology transfer, and human capital rather than on mass impact; on long-term aspirations rather than on immediate needs; and on rules, laws and principles rather than on efficacy. These points are illustrated with particular reference to Malaysia, Kenya, Indonesia and Nigeria.

In earlier work, Tracking Development has identified three policy preconditions for sustained growth and sustained policy reduction: adequate macroeconomic management, leading to low inflation and no currency overvaluation; economic freedom for peasant farmers and small entrepreneurs, meaning that there are no state-imposed monopolies or monopsonies in the marketing of agricultural products and inputs; and pro-poor public spending, meaning in the first place that the state invests heavily in measures to improve the productivity of smallholder agriculture. The present paper is an attempt to describe, in a partly intuitive way, three general principles which at a deeper level seem to underlie both the choice of these policies, and their successful implementation, in Southeast Asia. The paper is concerned in particular with the third and (in Africa) most elusive of the policy preconditions, pro-poor public spending. Although perhaps less firmly grounded in individual country experiences than earlier Tracking Development papers, this one attempts to advance beyond what has been written so far in at least two respects. First, it aspires to more universal validity: whereas our policy preconditions, for instance, apply specifically to countries with a large agrarian hinterland, the 'principles of successful development strategy' identified below are also valid for Singapore (and by extension for other city-states). Second, the discussion here is no longer entirely restricted to issues of policy choice, but also touches on the themes of good governance and effective policy *implementation* which have been more or less absent in earlier papers.

1. Outreach: quantity, not quality

In successful development strategies, the key criterion by which interventions are selected is the *number of people* which they can reach and benefit in economic terms. They are *not* selected according to the size or type of benefit which they bring to each individual beneficiary, and certainly not according to theoretical elegance, technical sophistication, or aesthetic appeal. Since we are here in Malaysia, it is appropriate to begin with Malaysian experiences. Since the 1980s, Malaysia has been associated with a futuristic, technological vision of development in which skills, knowledge, and science bring developed country status within reach. Malaysia's development miracle, however, began not in the 1980s but in the 1950s - specifically in 1958, when the initial transition to sustained per capita income growth took place. At that time development, in this country, was perceived very differently from today: not in terms of a beckoning future of technology and prosperity, but as a desperate race against the rising numbers, falling incomes, and mounting anger of the rural poor. The first five-year development plan for the Federation of Malaya, written in 1956, begins its discussion of policy priorities with a grim synopsis of the problems facing the country.

Of these the rapid increase in population - one of the highest in the world - is the most outstanding. [...] [T]he Government may have 5 years, but not more, in which to promote an expansion in the country's economy sufficient to absorb a rapidly rising labour force in the sixties. [...] [T]he Federation [...] must not merely provide expanding opportunities for productive jobs, but must do so in ways which will reduce the pressure of population on the land and yet raise the standard of living in the farming community nearer to those levels enjoyed in other sectors of the economy. For any widening of the existing gap will generate social and racial tensions [...]. (*Plan of Development* 1956:30.)

'Added to the demands imposed on the economy by rapid population growth', echoed the Second Five-Year Plan in 1961, 'is the further problem of the depressed situation and land hunger of large numbers of people in the rural areas. [...] Without a vigorous and widespread

rural development effort on many fronts, the rural situation can only continue to deteriorate' (*Second Five-Year Plan 1961:14-15*).

Against this backdrop of what was perceived as impending catastrophe, the policies adopted by the government of the newly independent nation were designed with one thing above all in mind: the need to provide income and employment for as many very poor people as possible, as quickly as possible. One of the most important such policies was directed at the rubber industry, in which hundreds of thousands of people were employed as smallholder producers as well as plantation labourers. In the 1950s, Malaysian rubber producers faced a double challenge of declining productivity due to ageing trees, and growing international competition from synthetic rubber. The threat from synthetic rubber could be met with the help of improved varieties of natural rubber, but only if planters could be persuaded to cut down their old stands and forego years of income while newly planted high-yielding trees grew to maturity. In 1955 the federal government started to provide a substantial grant, equivalent to about 4000 US dollars at today's prices, for every hectare of land cleared and replanted. Smallholder rubber planters did not have to repay this grant, although they helped to finance it via a tax on exported rubber. By 1973 over half a million hectares of small rubber holdings, two thirds of the national total, had been rejuvenated in this way, securing the incomes of more than a quarter of a million smallholders for many years to come. Including dependents, the number of people directly helped by the replanting policy in the smallholder sector alone from 1955 to 1973 was probably about one million (Barlow 1978:87, 217, 233).

In the 1960s the focus of Malaysian development policy shifted from rubber to rice, and to the improvement of rice production by means of year-round irrigation. The single most important irrigation project was the Muda scheme, located on the coastal plain of northwestern peninsular Malaysia in the states of Perlis and Kedah. This area produced 40 percent of the country's domestic rice crop and was home to well over half a million people, most of them dependent on rice farming and many of them poor and landless. The irrigation project, begun in 1966 and completed in 1973, transformed the economy of this rice bowl region in a few short years by enabling almost all of its farmers to double their rice production by growing two crops each year instead of one. The resulting increases in income supply and labour demand brought prosperity to what had been one of the poorer parts of Malaysia. Permanent indebtedness almost disappeared, the rate of infant mortality was cut by half, and poverty-driven emigration from the region was replaced by opportunity-driven immigration (Scott 1985:63-68). Besides its half million direct beneficiaries, together with other irrigation schemes around the country the Muda project also helped Malaysia as a whole to reduce its vulnerability to international trade disturbances by becoming virtually self-sufficient in rice for the first time in centuries.

In the 1970s, manufacturing industry began for the first time to play an important role in Malaysia's development. Earlier attempts to promote import-substituting manufactures for the domestic market had failed to generate substantial employment for the poor, so now the government turned to a new strategy of encouraging foreign investment in export-oriented manufacturing industry. A key tactic here was the opening of Free Trade Zones, beginning with Bayan Lepas on Penang island in 1972. These FTZs were industrial estates designed to attract transnational investment by means of good infrastructure and tax exemptions, as well as low wages and freedom from customs duty on imports and exports. They proved very popular with electronics, electrical, textile and garment manufacturers seeking to shift labour-intensive operations away from the high-wage economies of North America, Europe, and Japan. By 1984, 80,000 people were directly employed by manufacturing firms in Malaysia's

ten Free Trade Zones (Rajah Rasiah 1993:134). Although many of the employees were young women, including dependents the total number of beneficiaries can still reasonably be estimated at a quarter of a million.

Now in what we might call qualitative terms, plenty of doubts can be raised about all three of these interventions. Rubber replanting was never going to produce a structural transformation of the Malaysian economy, only give a new lease of life to an already old industry. Technical irrigation, although it helped the very poor as well as the less poor, also widened the income gap between poorer and richer farmers, and within a decade its initial positive effect on wages for landless labourers was being eroded by the introduction of combine harvesters on the larger holdings (Scott 1985:75-6). The jobs created in the Free Trade Zones were mostly unskilled, sometimes dangerous, and other than labour the foreign companies involved purchased almost nothing from Malaysian suppliers, so that there were no significant economic linkages or technology transfers (Rajah Rasiah 1993:134-40). But the important thing to note about these early Malaysian interventions is their sheer scale, their efficiency in reaching very large numbers of people by quick and simple means. Rubber replanting - a once-off grant scheme, easy to administer and monitor: one million people helped. The Muda irrigation scheme - two big dams, seven years, and half a million incomes are raised. Free Trade Zones: a little bit of infrastructure, some clever public relations overseas, and a quarter of a million people benefit. And all this in a country with a total population, in the 1960s, of less than ten million. The leading principle here was: quantity, not quality.

In neighbouring Indonesia, ten times larger than Malaysia in population, the same problems were faced, and the same kinds of solution applied, on a scale that was greater still. The leading figure among the 'technocrats' who shaped Indonesia's spectacular economic transformation after 1965 was Widjojo Nitisastro, who headed Bappenas, the National Planning Agency, from 1967 to 1983. A little-known fact about Widjojo is that he was more a demographer than an economist. This made him acutely aware of what rapid population growth could mean for the economic condition of the Indonesian people. His 1961 Berkeley doctoral dissertation dealt with the relationship between demography and economic development, and his book *Population trends in Indonesia*, published in 1970, consisted of an annotated set of long-term demographic reconstructions and projections for the the period 1775-1991. Very much a work of empirical scholarship rather than a policy document, in its last paragraph this book nevertheless concludes with a short, sharp warning about the implications of demographic change for Indonesia's economic future.

Thus, the high rate of population increase, the large burden of child dependency, the rapid process of urban growth, the heavy concentration of the population on a relatively small island, and the radical rejuvenation of the working-age population, all point sharply to the need for a massive development effort to create expanding employment opportunities, accompanied by a rapid spread of fertility control. (Widjojo 1970:238.)

Under the direction of Widjojo and his colleagues, such a 'massive development effort' was duly launched. As in Malaysia it came in two distinct stages, both of them involving rapid growth in labour-intensive economic sectors: first, from 1967, a productivity revolution in smallholder agriculture based on public investments and subsidies, and later, beginning in 1983, a complementary expansion of export-oriented manufacturing industry, based on economic deregulation and private investment (Widjojo 1995:177). In the Indonesian case the agricultural revolution relied heavily on the new high-yielding, fertilizer-responsive rice

breeds developed in the Philippines in the 1960s, and was driven by a combination of improved extension services and heavy fertilizer subsidies. It affected many millions of peasant farmers: by 1985, 80 percent of all rice land in the country was planted with improved varieties and farmed by intensified methods, as a result of which national rice production had doubled (Hill 2000:132, 135). Since more than half of the national workforce was employed in agriculture, mostly in rice farming, the impact on poverty was swift and dramatic. Between 1970 and 1985 the proportion of the population living below the national poverty line fell from 60 to 20 percent, meaning that in that fifteen-year period more than 50 million Indonesians had escaped for the first time from absolute poverty.

In Indonesia's first five-year development plan, written in 1969, Widjojo explained that the decision to concentrate all efforts on the agricultural sector was in the first place a straightforward matter of arithmetic: the central aim was simply to benefit as many Indonesians as possible.

Above all, agriculture has been selected because the greater part of the Indonesian people lives in this sector, working either as farmer producers or as farm laborers. Agricultural development increases the earnings of the majority of the Indonesian people and thus increases national income. (*First Five-Year Development Plan* 1969:13.)

In Africa, by comparison, the emphasis on scale and numbers in development strategy has been much less strong. While Indonesia was spending its windfall oil revenues on labour-intensive peasant agriculture in the 1970s, another giant, military-ruled, oil-producing country, Nigeria, was spending its own oil windfall on capital-intensive industrial projects, including a massive steelworks that never produced any steel. Even when they did function, the new Nigerian industries employed very few people. In theory they were eventually supposed to create wider income and employment growth by stimulating other sectors of the economy. But in practice, as the leading Nigerian planner of the period, Alison Ayida, once admitted in an unguarded moment, nobody expected this to happen any time soon.

The FMG [Federal Military Government], he [Ayida] acknowledged with disarming frankness, knows perfectly well that its development policies are contributing to an exacerbation of income disparities in Nigeria, but accepts this as part of the price of rapid development. The next generation, he added, will have to deal with the consequences.¹

In the 1980s it was still not the spectacular success of Indonesia's agriculture-led development which inspired Nigerian policy-makers, but rather the 'military-industrial complex' of Brazil, a country of gross inequality and, by that time, increasingly sluggish growth ('Nigeria: the Young Turks?' 1985:2).

In Kenya, where the agricultural sector was not neglected to the same extent as in Nigeria, development efforts were nevertheless hampered by a similarly elitist vision of the development process. In this vision a small group of 'progressive' well-to-do smallholders, who could be relied on to spearhead change for the better, was distinguished from a much larger group of poorer 'laggards', whose conservatism and aversity to risk supposedly made them slow to adopt productivity-enhancing innovations (Ergas 1982:53; Leo 1978:637).

¹ Draft paper by the US Embassy, Lagos, 6 December 1973, in the National Archives of the UK, FCO 65/1529. I am grateful to Stephen Ellis for providing me with this quotation.

When it came to practical spending choices, the instinct of the Kenyan policy-makers was to put their money on the few already prosperous farmers, who they believed would make the best use of it, rather than on the mass of poor farmers who had the greatest need of it. Announcing the country's first major public credit programme for smallholder agriculture, Kenya's first national development plan following independence was explicit that credit would initially be provided only to an elite group of progressive smallholders.

Ambitious as it is, this programme will benefit only about 3 per cent of Kenya's land-owning peasantry (excluding pastoralists); the 3 per cent comprising, moreover, relatively progressive smallholders who are by definition already much better off than the rest. Thus, the programme is only a first step in Kenya's agrarian revolution. (*Development Plan* 1966:133.)

Incredibly given its miniscule outreach, farm credit was to account during the plan period for almost a quarter of all agricultural development spending (*Development Plan* 1966:127-8). Fertilizer, too, was quite generously subsidized in Kenya from 1963 onward, but again, partly by conscious design, it was only the rich who benefited: eighty percent of the subsidized fertilizer was consumed on fewer than 3,000 large farms and estates (ILO 1972:158, 433). Up to the present, Kenya has still never succeeded in making fertilizer accessible and affordable to small farmers on anything like the scale achieved in Southeast Asia. Its irrigation efforts, too, have been characterized by attention to technical detail and commercial profitability rather than to scale and welfare aspects. Although the potential for irrigation in Kenya is intrinsically much more limited than in Malaysia or Indonesia, less than ten percent of it is thought to be exploited at present (Blank, Mutero and Murray-Rust 2002:36).

Time and again here the leading principle seems to have been: quality, not quantity. Attention has been paid not to the most land and the most farmers, but to the best land and the best farmers. Despite equally rapid population growth and equally massive rural poverty, the sense of urgency and foreboding which inspired Indonesian and Malaysian leaders to make scale and outreach their first priorities in development policy has been all but absent in Kenya and Nigeria. In so far as Kenyan policy-makers have had any development priority which involves mass outreach, it is not agriculture, but education. In the first twelve years of independence alone, total enrolment in Kenya's primary schools expanded by a factor of more than three, and in its secondary schools by a factor of almost eight (Eshiwani 1990:21). This impressive effort was undoubtedly in line with popular as well as elite aspirations. 'Perhaps the outstanding fact about education in Kenya', notes one source from 1974, 'has been that everyone has wanted it and wanted it more than any other single thing' (Court and Ghai 1974:10). But at another level the national obsession with education reflects the same elitism, and the same emphasis on qualitative rather than quantitative change, which has made Kenyan agricultural development strategy so narrow and ineffective. The underlying assumption is that development depends on the qualitative improvement of Kenya's human resources; and the flip side of that assumption is a pervasive contempt for the abilities of the uneducated peasant, sometimes even when it comes to his own profession of farming.

By contrast Malaysian and Indonesian policy-makers, while they believed in the value of universal primary education and the need for agricultural extension services, also tended to trust in the wisdom and judgement of peasant farmers, even with respect to radical innovations in agricultural technology. That trust was to prove justified. In Indonesia, the rapid spread of fertilizer use and improved rice breeds took place only partly through the official agricultural extension channels; much of the dissemination process was based on free

markets and on word of mouth (Booth 1988:148-9). In Malaysia, seeds of an experimental rice variety not yet scheduled for public release were at one point actually stolen from a research station in the Muda area by impatient farmers. Within two years of the theft, two thirds of the Muda plain were reportedly planted with the new variety, which had also spread to all other major ricebowl areas in the country (Jenkins and Lai 1989:46).

In recent years, no development strategy has generated as much enthusiasm and optimism as microfinance. In Africa the microfinance scene, while lively and innovative, is characterized by small, diverse institutions with limited individual or collective outreach, many of them based on initiatives by foreign donors but designed with idealistic principles of local ownership and participatory management in mind (Ouédraogo and Gentil 2008; UNHSP 2005). In Southeast Asia, microfinance is characterized by monolithic state-owned banks with massive outreach. Of the top six countries in the world in terms of microfinance penetration rates (measured by borrowing clients as a percentage of population) at the beginning of the present century, four - Indonesia, Thailand, Vietnam and Cambodia - were in Southeast Asia. In Indonesia a single state-owned bank, the Indonesian People's Bank, was serving one quarter of all Indonesian households, comprising more than 50 million people. In Vietnam, three state-owned microfinance institutions reached between them almost half of all rural households in the country. In Thailand, the state microfinance bank BAAC even claimed to be reaching 90 percent of all rural households - 70 percent directly, and another 20 percent indirectly via cooperative societies (Henley and Goenka 2010:5-6).

A final example of Africa's orientation toward quality rather than quantity in development strategy concerns the persistent emphasis placed by African planners, and their foreign advisors, on 'capturing value added' and 'moving up the value chain' into more technologically sophisticated production activities. Take, for instance, Kenya's *Vision 2030* long-term planning document, published in 2007.

Kenya will raise incomes [...] by processing and thereby adding value to her products before they reach the market. [...]. Specific strategies will involve: restructuring key local industries that use local raw materials [...]; exploiting opportunities in adding value to imports and to capture the "last step" of value addition (e.g. in metals and plastics). Kenya will also aim at strategically increasing the level of value addition in niche exports by additional processing of local agricultural products. (*Kenya Vision 2007*:6, 8).

Historically speaking, this kind of strategy in Africa has led at best to projects which create only very limited employment and income for the poor, and at worst to projects which actually reduce the incomes of peasant farmers and poor consumers by forcing them to sell to monopsonistic processors and buy from monopolistic manufacturers. While it is conceivable that future applications of the 'value added' strategy might be less damaging to the interests of the poor, what is certain is that this is a strategy which played little or no role in the transition to sustained growth and poverty reduction in Southeast Asia. In Malaysia and Indonesia, economic growth was based initially on massively increased production of unprocessed rice and raw rubber, and later on the electronics and textile industries, neither of which made use of local raw materials which they could add value to - or indeed of any local inputs at all, other than very large quantities of cheap labour. Quantity, not quality.

That the 'quantity not quality' formula still works under today's conditions is demonstrated by the case of late developer Vietnam, which in the last 20 years has seen economic growth and

poverty reduction on a scale which is exceptional even by Southeast Asian standards. Using a characteristically Southeast Asian combination of rigorous market liberalization with heavy public investment in land settlement, irrigation, farm credit, and rural infrastructure, Vietnam has risen from nowhere to become both the world's second largest producer of coffee after Brazil, and its second largest exporter of rice after Thailand. Almost all Vietnamese coffee is Robusta coffee, the second-rate variety used to make instant coffee, and it is frequently disparaged for its poor quality even by Robusta standards. Most of it is exported in unprocessed form as green beans. Vietnamese rice is likewise a second-grade product, worth much less than Thai rice on international markets. The young but fast-growing Vietnamese export manufacturing sector specializes in very cheap clothing and shoes. Vietnam has succeeded in becoming a major exporter of all these products not by looking for innovative product niches, still less by exploiting new technology or moving up the value chain. Like its predecessors, it succeeded by moving in at the bottom end of the market - the cheap and nasty end - and cleaning up on a massive scale. Quantity, not quality.

2. Urgency: priorities, not plans

It is often assumed that the economic success of Southeast Asia owes much to meticulous planning and long-term vision. But this is only very partly true. Asked about the 'Thai vision of development', a senior Dutch diplomat in Thailand once replied drily: 'I have never met a Thai with vision'. In the Indonesian case, it is true that national planning played an important role in development, and that the planners acted on the assumption that political stability would enable their current plans to form the basis for further development in the future. But if we look at Indonesia's development plans, particularly those covering the transition to sustained growth and the period of mass poverty reduction in the 1970s and 80s, we find that they are surprisingly sketchy, not only about long-term goals, but even about events during the five-year periods to which they refer. The crucial first plan, covering the period 1969-74, contains no macroeconomic framework and none of the customary projections of economic growth, savings and investment. Instead it simply sets out a list of sectoral priorities, and prescribes a series of policy measures with respect to each one of them. These priorities are determined not by long-term goals, but by immediate needs.

If the Indonesian technocrats were not much concerned with the technicalities of economic planning, they were very much concerned with establishing priorities and sticking to them. The first important set of policy advice which they presented to the New Order government, adopted as state policy in 1966 amid a crisis of falling incomes and hyperinflation, had at its core a simple 'scale of national priorities'. In the short term, the top three were: (a) bringing inflation under control; (b) meeting food needs; and (c) rehabilitating the economic infrastructure. In the longer term, the priorities were declared to be: (a) agricultural development; (b) infrastructural development; and (c) the development of industry, mining, and oil production (Widjojo 2010:91, 95). Once inflation had been duly reduced by balancing the state's finances through a combination of spending cuts and foreign aid, it was agriculture that became, in the words of Widjojo in the first five-year plan, 'the central arena in which all efforts are concentrated and results expected' (*First Five-Year Development Plan* 1969:11).

Because agricultural development inevitably took longer to achieve than macroeconomic stability, this priority was maintained long after the crisis in which the New Order was born had passed. Agriculture remained the largest item on the development budget for the next two decades, above transport and industry, ahead too of the health, education, and other social investment which has figured so strongly in African development efforts. Such was the

priority accorded to agricultural development that the national goal of rice self-sufficiency, which was achieved in 1984, has been described as 'Indonesia's equivalent of America's Apollo mission to the moon' (Prawiro 1998:131). Urban problems and interests were entirely subordinated to the rural development effort. 'Any effort to overcome the problems of the urban areas', declared Widjojo, 'will always be defeated if the rural areas themselves are unable to solve the unemployment problem' (*First Five-Year Development Plan* 1969:105-6). Industrialization, in the words of another leading technocrat, 'was not considered desirable' on the grounds that it 'would mainly benefit the large urban centres' (Salim 1997:57).

In Malaysia too the policies associated with economic take-off were not policies of long-term industrial vision, but policies of rural crisis containment, and they were pursued with equal single-mindedness. As we have seen, the onset of sustained growth in Malaysia coincided not with an industrial 'export push' of the type highlighted by the World Bank's interpretation of the 'East Asian Miracle' (1993), but rather with the adoption of a strongly pro-rural, pro-poor development strategy. The foremost architect of this strategy was deputy prime minister (and later prime minister) Tun Abdul Razak, who after his death in 1976 was officially awarded the title - as was Indonesia's Suharto in his own lifetime - of Bapa Pembangunan, the Father of Development. In 1959, as he took personal charge of a new Ministry for Rural Development created to implement his strategy, Abdul Razak explained the nation's development priorities to its citizens in uncompromising terms.

It is the declared policy of the Alliance Government to work for the prosperity and general well-being of the country and its people living both in the urban and the rural areas. With the progressive improvement of the Emergency situation, however, the Alliance Government decided to give top priority to the task of improving the lot of the rural inhabitants. [...] [T]he aim [...] will be to provide a sound economic foundation for peasant agriculture, to ensure that the man on the land receives the full reward for his work and enjoys the amenities of Malayan life in the same measure as his brother in the town. [...] In order that the aim may be achieved in the shortest possible time, it is the intention of the Government to marshall all available resources, and to deploy them with such determination and energy as were used to free the country from the menace of Communist terrorism. (Abdul Razak 1975:5-6.)

In Malaya's national development plan for 1961-65, co-authored by Razak and the first to be drawn up after independence, the first objective of the plan is specified as: 'To provide facilities and opportunities for the rural population to improve its levels of economic and social well-being'. The urban areas are not mentioned at all until the fifth and last objective, which includes a commitment 'to extend the public health services over a wider coverage of the rural as well as urban population' and 'to provide more adequately for rural and urban utilities'. Under the 1961-65 plan, the Malaysian government committed twenty times more development funding to agriculture than to industry (*Second Five Year Plan* 1961:16, 29). As in Indonesia, the bias toward agriculture was maintained consistently for many years: as late as 1981-85, by which time Malaysia was already an industrialized country with a quarter of its work force in manufacturing, the budgetary allocation to agriculture was still much higher than that to industry and commerce (*Fourth Malaysia Plan* 1981:240-41).

African development planners, by contrast, have had a much greater tendency to spread their eggs over a large number of different baskets. In Kenya there was thought to be a need for

'rural-urban balance', entailing *coordination* of rural and urban development rather than the establishment of a clear order of priority.

[A] careful balance must be maintained between them. If rural development lags behind, people will migrate to the urban areas [...]. If urban development proceeds too slowly, the rural areas will suffer from lack of access to supplies and a weak demand for their products [...]. (*Development Plan 1979:45.*)

In Nigeria the watchword was 'diversification', which meant reducing the country's economic dependency not only on the oil sector, but also on agriculture (*Third National Development Plan 1975*, I:31). In the 1970s, as noted, Nigeria pursued diversification partly by pumping state money into capital-intensive manufacturing projects: cement, steel, machine tools, motor vehicles. It has been suggested that 'the *raison d'être* of most of these projects was blatant corruption' (Thorbecke 1998:133), and large import-substituting industrial projects undoubtedly provided more scope for illicit kickbacks than did (for instance) agricultural extension services or free trade zones. But corruption was not the whole story here: the 1970s saw the high point of technocratic power and autonomy in Nigeria, when planners enjoyed more freedom from this kind of pressure than at any other time (Collier and Gunning 2008:211). The industrialization drive also reflected the fact that Nigerian technocrats like Ayida had a vision of the development process which was simply very different from that of their Indonesian or Malaysian counterparts.

The essence of this difference in vision, I would suggest, is that whereas the Southeast Asians saw development as an incremental (albeit potentially rapid) process whereby poor people become richer, the Africans saw it more as a transformative process whereby poor countries acquire various things which rich countries have, and poor ones do not. At some risk of oversimplification, we can say that heavy industry was favoured in Nigeria in the 1970s essentially because Nigerians saw that it was one of those things (others included higher education) which their country did not yet have, but which developed countries did have, and which it was therefore thought necessary to have in order to develop. Their reference point, in other words, was an idealized state of industrial modernity, the desired *end point* of the development process. In Indonesia in the 1970s and Malaysia in the 1960s, by contrast, the reference point was an immediate and grim reality of rural poverty, the *undesired starting point* of the development process. This was a reality which could only be changed by tackling the problems at root using whatever resources lay immediately to hand: not by planning for the future, but by establishing immediate priorities and acting on them. There was a constant sense of acute, energizing urgency: faced with any kind of bureaucratic obstruction or inertia, Abdul Razak liked to chastise those responsible by quoting the Chinese proverb which notes that 'it is impossible to buy an inch of time with an inch of gold' (Shaw 1976:133).

Today in Africa, steelworks and universities have been replaced as perceived hallmarks of development by new symbols of modernity: computers, supermarkets, accountability, human rights. But the underlying vision of development as a matter of acquiring certain attributes of developed status is still very pervasive. Nigeria's 2004 *National Economic Empowerment and Development Strategy*, for instance, contains almost as much text on information technology, the financial services sector, and indeed the film industry as it does on agriculture - and considerably more on education, human rights, and the administration of justice than it does on agriculture (NEEDS 2004:34-8, 68-70, 73-6). A 2008 academic volume entitled *Economic policy options for a prosperous Nigeria*, containing work by more than 30 authors and boasting Paul Collier and Chukwuma Soludo among its editors, contains nothing at all on

agriculture, although readers are referred to an online contribution on 'Agricultural export potential in Nigeria' which somehow never made it into the printed version of the book, which the editors nevertheless decided to go ahead and publish anyway (Collier, Soludo and Pattillo 2008:8).

Kenya's long-term national plan *Kenya Vision 2030*, from 2007, is a striking example of a fantasy of modernity masquerading as a development plan. Its economic platform begins not with agriculture, the sector in which three quarters of the nation's workforce is employed, but with tourism - in which sector the plan, reading more like a travel brochure, promises that Kenya will provide 'a high-end, diverse, and distinctive visitor experience which few of her competitors can offer'. After a brief look at agriculture, with an emphasis on 'improving the value gained in the production and supply chain', *Kenya Vision 2030* then moves on to the third sectoral priority, wholesale and retail trading. Here the main aim, astonishingly, is to 'raise the market share of products sold through formal channels (e.g. supermarkets) from the current 5% to 30% by 2012', a change which will make for 'greater efficiency in the country's marketing system'. If the emphasis on peasant agriculture in the early Malaysian and Indonesian plans was a textbook example of what would nowadays be called a 'pro-poor' development strategy, then here, surely, is an example of an *anti-poor* development strategy. Substituting supermarkets for informal markets, while it may or may not help to raise farm gate prices for agricultural commodities, will certainly rob many poor people of their jobs in the retail sector itself. Appropriately enough given the absurdity of the text, this section of the plan brochure is accompanied by a photo of a hypermarket with a giant saxophone in the car park.

If you tease them about *Kenya Vision 2030*, Kenyans retort indignantly that it is directly inspired by Malaysia's *Vision 2020* development plan of 1991. The problem, however, is that in terms of national income and economic structure, Kenya today is still decades behind where Malaysia was in 1991. Malaysia's national fascination with technological modernity was a late development, a phenomenon of the Mahathir era, by which time the country was beginning to be ready for such things. When Mahathir announced *Vision 2020*, Malaysia already had more than thirty years of sustained growth behind it - growth driven not by tourism, supermarkets, and value added products, but by rubber, rice, and low-wage, labour-intensive manufacturing employment. The original architect of the Malaysian development miracle was not flamboyant Dr Mahathir in the 1980s, but down-to-earth Tun Abdul Razak in the 1950s, and it is Abdul Razak's words and deeds which are today of greater relevance for the still-agrarian economies of Africa.

One final thing to be said under this rubric of 'priorities, not plans' is that getting the policy priorities right is particularly important in countries where the machinery of government is weak, inefficient, or corrupt. Even the most underpaid, most incompetent civil servants, as anyone knows who has ever witnessed a presidential or ministerial visit to any remote, backwater locality in Southeast Asia, tend to be capable of amazing feats of efficiency and discipline when they suddenly feel the heat of power and the danger of displeasing the seriously powerful. But as soon as that danger is no longer acute, discipline quickly lapses. By the same token, only those policies which are known to enjoy the highest priority in the highest political circles have much chance of being implemented efficiently. In addition, high political priority serves to protect key policies from dilution as a result of pressure from competing interest groups or competing ideas on development strategy.

In terms of sectoral priorities, Professor Widjojo was clear from the outset that the overwhelming emphasis should be on agriculture. [...] This absolute priority for agriculture was [...] useful in fending off overly ambitious proposals from other sectors. In responding to requests from Bappenas for proposed activities to be included in the new plan, many agencies found it easier and more compelling to pull out old projects proposals that had been formulated but never approved for funding in previous years. Often these were ambitious, capital-intensive undertakings that had limited economic justification under the prevailing circumstances. Bappenas, under Professor Widjojo's leadership, kept pressing the ministries and departments to focus on less glamorous activities that were likely to yield more immediate benefits at much lower cost. (Cole 2007:126-7.)

In a powerful 1994 retrospective on his country's development achievements, Widjojo emphasized that the first precondition for successful poverty reduction is 'true commitment to achieving it'.

What lessons can be drawn from Indonesia's experience in achieving a rapid reduction of poverty? First and foremost is the need for a true commitment to achieving it. It has to be a true commitment as opposed to adhering passively to [...] fashions in the development debate. Such a commitment has to be translated into operational policies and programs to be implemented in a consistent manner. These policies and programs have to be internally designed and self-imposed rather than being parts of conditions attached to loans or grants. The test of a true commitment arrives when the availability of resources is rapidly declining: whether to forgo other claims or to yield to pressures and sacrifice the poverty-reduction programs. (Widjojo 1995:180.)

The issue of commitment, and its translation into policies which give absolute priority to poverty alleviation, is logically prior to the questions of policy *implementation* and 'good governance' which currently preoccupy many commentators on Africa's problems. Particularly in a context of *poor* governance, political commitment at the highest level is itself a large part of the key to effective policy implementation; and effective implementation of policies which do *not* reflect commitment to poverty alleviation will not help anyway. In Kenya and Nigeria, that commitment seems in general to have been absent among policy-making elites (although no doubt there were many individual exceptions). 'Lip-service', lamented one observer in Kenya in the 1970s, 'is being paid to rural development, but it has no political backing. [...] There is no initiative coming from the high-level political organs [...]' (Heyer 1976:29-30). In Malaysia and Indonesia, by contrast, rural development was the personal concern and responsibility of (respectively) Razak and Suharto, who both staked their own political reputation on its success.

3. Expediency: results, not rules

One thing which strikes Asianists when talking with Africans and Africa specialists is the importance which they typically attach to the rule of law and the eradication of corruption as preconditions for development. While Southeast Asians are generally also in favour of law and against corruption, they are much less convinced of the connection between these things and development performance. Indonesia, in particular, is well known for having combined rapid growth and poverty reduction with a very high level of corruption. The rule of law has never had much significance in Indonesia even at an ideological level, and in day-to-day

practice it hardly exists at all. During the Suharto era 30 percent of all development spending is commonly estimated to have disappeared into private pockets, and at each individual disbursement of funds the illicit commission extracted by the officials involved averaged at least 10 percent. It is often said that Suharto tolerated and even encouraged corruption among lower officials in order to defuse criticism of his own transgressions. But there was also another, less sinister aspect of the New Order's indifference to leakages of public money: its focus was not on obedience to rules, but on the achievement of results.

The fact that a proportion of development funds could be misappropriated with impunity does not mean that there was no institutional control on how those funds were spent. The corruption of the Suharto period was a managed form of corruption. Even at village and district level, three distinct monitoring and auditing mechanisms were at work. The first was the Inspectorate of Finance and Development (BPKP), a branch of the national Ministry of Finance. The second was the Provincial Inspectorate (IWiProp), under the provincial government. And the third was the regional branch of the state political party Golkar, to which all civil servants belonged, and which was always under strong pressure to deliver convincing victories in the managed national elections which the New Order staged every five years, and in which two 'opposition' parties - albeit tame, carefully controlled ones - also participated alongside Golkar.

It was this multiple system of institutional checks, rather than any cultural norm with regard to an 'acceptable' level of corruption, which ensured that the level of abuse remained within predictable limits. The partial breakdown of these checks since the end of the New Order also explains why today, now that organized corruption has given way to disorganized corruption, abuses are frequently more serious and less predictable. But the crucial point to note is that the auditing agencies of the Suharto period were not much interested in inspecting account books, which of course always balanced perfectly anyway, or in interviewing contractors in relation to prices and tendering procedures. The main thing they wanted to see was that the concrete investments for which funds had been designated - be they irrigation canals, feeder roads, or school buildings - were present, complete, and functional. Their inspection reports included photographs and assessments by technical consultants (BPKP 1985:4, 23-24, 27). It was because of this orientation toward concrete results that the national auditing authority at local level was called not the Inspectorate of Finance, but the Inspectorate of Finance *and Development*. Its inspectors were on the hunt not in the first place for stolen funds, but rather for what they called 'fictitious projects'. If they found one, the official involved would typically be sacked and replaced without any possibility of legal recourse.

There was another way, too, in which the developmental state in Indonesia minimized the impact of corruption without actually trying to prevent it: by keeping to a minimum the number of institutions and transactions involved in the implementation of development projects and the disbursement of development funds. Indonesian planners knew that the more hands the money had to pass through before it reached its intended destination, the more of it would inevitably disappear en route. Disbursement mechanisms therefore had to be simple and this meant in the first place a high degree of centralization, with little devolution of public spending responsibilities. Three quarters of the development budget, and 80 percent of total public spending, was controlled and spent directly by the central government and its sectoral agencies without ever passing through lower levels of the state bureaucracy (Morfit 1985:63-65).

Of the 25 percent of development funds which did go to the regional and local authorities, almost all was delivered directly from Jakarta to the authority in question, without passing through intermediate levels of administration, in the form of Inpres or 'Presidential Instruction' grants. In the early years of the New Order these Inpres grants, which were made automatically on an annual basis and did not have to be applied for or justified in advance, went almost exclusively to the most local units of government, the village and the district, which were allowed a high degree of discretion regarding how to spend them. In the sense that spending decisions were delegated to village level, this was a rare piece of decentralization in the Indonesian context. But by bypassing all intermediate tiers of administration, of which there were three between the village and the central government, it eliminated all the leakages which corruption at those levels would otherwise have entailed. Assuming that the rate of illicit appropriation at each level of disbursement was 15 percent, this meant that 85 percent of the village Inpres funds were used productively, as opposed to little more than half if all levels of the bureaucracy had been involved.

In Malaysia, corruption as such was a much less widespread problem than in Indonesia. But in implementing development policy there was still a strong need for simplification in order to minimize bureaucratic delay and inefficiency. One way in which this was tackled was by replacing written communication at the lower levels of the bureaucracy by more frequent face-to-face meetings, thereby 'transforming communications from a predominantly paper process to a predominantly oral process' (Ness 1967:171). More serious problems were faced at higher levels due to the fact that Malaysia, unlike Indonesia, was a federal state with an in some ways cumbersome administrative structure. The function of the new Ministry of Rural Development created in 1959 was partly to bypass the state authorities and enable the central government to intervene directly to promote rural development at the district and village levels (to which levels, as in Indonesia, considerable planning and spending authority was devolved). In pursuing this goal of linking the villages directly to the Ministry, Abdul Razak was not squeamish about using all the means at his disposal.

The power of procedural rules in the bureaucracy gave administrators at all levels some insulation against the power of the new ministry. [...] Legal forms of insulation derived largely from Malaya's federal structure. [...] In breaking through these forms of insulation, the Minister of Rural Development used his wide range of powers in the state. [...] As Deputy Prime Minister he was second in command of the ruling Alliance party, the super-bureaucratic decision-making body. [...] In addition, the Malayanization of the bureaucracy was moving ahead at a rapid pace, giving the Minister opportunities to advance rapidly then men who performed according to his wishes. (Ness 1967:160-162.)

Like Suharto in Indonesia in the 1970s and 80s, and Hun Sen in Cambodia today, Abdul Razak did not hesitate to use special discretionary powers and funds to associate himself in a very personal way with the rural development campaign and its benefits.

The minister himself [...] travels indefatigably [...]. On the ground he will open a new lock or visit a new school or travel over a new road. He will meet local representatives, and hear their views. [...] If he is then shown a footbridge which the old have difficulty in crossing, or a local school that is too small, he will be in the mood to listen and may sanction improvements there and then. [...] To make such on-the-spot sanction possible the Minister secured from the Treasury a Minor Rural Development Schemes Fund [...]. (Moynihan 1964:401.)

This and other expediently direct forms of central government intervention at local level were possible thanks not only to the personal power of Abdul Razak, but also to the rigorous national priority accorded to rural development efforts in Malaysia.

In another federal state, Nigeria, any attempt by the federal government to circumvent the authority of the state governments, particularly where money is involved, tends to lead to acute political struggles, including legal actions in the Supreme Court (Suberu 2008). At least until Indonesia's dramatic political liberalization and decentralization following the fall of Suharto in 1998, far greater value was attached to regional autonomy and decentralization in Africa than in Southeast Asia. The effects of this difference on economic development in Africa were seldom positive. One predictable result of Nigeria's jealously guarded political decentralization is that endemic corruption, being replicated and multiplied at every level of the system, has a much more serious negative effect on the implementation of development policies than it did in Indonesia under Suharto's centralized regime.

In essence, the Nigerian revenue-sharing system has promoted truly monumental levels of corruption and predation at all tiers of the federal system, leading to dysfunctional governance, anti-developmental outcomes, social frustrations, political agitation and violence. (Suberu 2009:82.)

Of course the characteristic African enthusiasm for local rights reflects real configurations of political power, and to interpret it purely as an ideological phenomenon would be naive. Nevertheless it is hard not to see in it an echo of the same legalistic way of thinking which inspires Africans time and again to support 'anticorruption' campaigns that in reality are little more than vendettas against political rivals of incumbent rulers, and which bring no benefit in terms of economic development. Indeed, one (although by no means the only) cause of 'capital flight' in Africa is that so many rich Africans prefer to invest their money overseas where it is relatively safe in the event of attempts to prosecute them for corruption. In Suharto's Indonesia, by contrast, ill-gotten gains were mostly invested domestically, where they benefited the economy as a whole, on the assumption that no serious attempt would ever be made to recover them - and indeed on the whole none was, not even after the fall of the dictatorship.

The negative effects of legalistic thinking on development policy in Africa also extend to the financial sphere, where policy-makers, encouraged by foreign donors and advisors, have put their faith in the idea that the way to make credit available to the poor is to have bureaucrats and lawyers issue them which formal titles to their land which they can use as collateral when applying for loans (Deininger 2003; De Soto 2000). This approach is based purely on an exaggerated view of the importance of the rule of law to economic growth in developed countries, and lacks any basis in real experience with microfinance programmes in today's developing countries. In Southeast Asia, which along with Bangladesh boasts the most successful microfinance schemes in the world, land titles almost never play a significant role - not least because when this was tried in the past, it tended to result in massive appropriation of peasant land by moneylenders. Instead, loan security is based not on collateral but on very small, very regular repayment schedules, and on graduated credit systems in which the initial loan is very small and the ability to borrow more depends on successful repayment of the earlier credit (Henley and Goenka 2010).

In successful developmental states, legal principles, administrative procedures, and political rights 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. It is the end that counts, not the means. This paper has tried to clarify what it is that successful development strategies aim to do: to alleviate poverty on a massive **scale** (outreach), with great **speed** (urgency), and with a pragmatic and sometimes ruthless eye for **simplicity** (expediency). It has not yet attempted to specify the political conditions under which regimes emerge that are likely to commit themselves to these goals. This will be the final stage in our exploration of the developmental divergence between Southeast Asia and Sub-Saharan Africa.

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