Good Growth and Governance in Africa: Implementing Rather than Re-thinking Development Strategies

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Introduction

African economies were ill-prepared to face the "free trade imperialism" of the 1850s. What is astonishing now is that Africa seems to be unprepared to survive in the global economic order. For example, Africa implemented the "two-sector growth model," or "Industrialization by Imitation," strategy of Arthur Lewis, which was endorsed by the United Nations. During the First Development Decade of the 1960s and 1970s to restructure its economy, not only was Africa's industrialization process disappointing but it also devastated the agriculture sector and local knowledge, which were the mainstays of Africa's economy. Furthermore, following the global economic recession of the early and late 1970s, African countries stepped up the need for a reassessment of development strategies and were forced to adopt the Berg Report also known as the 'Washington Consensus model,' or 'market fundamentalism,' or 'neo-liberalism' (See Kofi and Desta, 2008). According to the 'Washington Consensus,' Africa's economic situation deteriorated in the 1980s because of its colonial legacy, poor governance, unfortunate geographical location, highly overvalued exchange rates, macroeconomic instability, irrational and extreme protectionism, counterproductive rent-seeking, bloated bureaucracies and dysfunctional financial services, civil wars, acute political instability, *coups d'état,* as well as excessive state intervention in the economy.

Through the 'Washington Consensus model' Africa introduced the Structural Adjustment Programs (SAP). The SAP was loaded with possible remedies such as 'free market capitalism,' 'democracy,' and 'globalization' as ways to restructure and radically transform Africa's economic relationships and institutions. Instead, the SAP produced repressive regimes with catastrophic results for workers, peasants, women, and children (See Kofi and Desta, 2008). In economic terms for example, after evaluating the policy analysis of the 'Washington Consensus', Africa's Gross National Income per capita was reduced by more than 30 percent between 1980 and 2002. The world's poor living in Africa increased from 11 percent in 1981to 28 percent in 2005, and because it was assumed that it would operate with perfect information, perfect competition, and perfect markets that hardly existed in Africa at that time (p. 20), the 'Washington Consensus' model failed to bring about the positive results that were expected in the African continent. As argued persuasively by Mkandawire (2005), the Structural Adjustment Programs (SAP) were counterproductive and often led to the wrong kind of structural change, which hindered rather than helped economic development of Africa.

By discrediting the Neo-liberal assumption of the 'Washington Consensus,' the book entitled *Good Growth and Governance in Africa: Rethinking Development Strategies*, attempts to answer the question of why the economic growth performance of Sub-Saharan Africa has been disappointing for the last 50 years. (Botswana and Mauritius's GDP recoded GDP increase for a number of years. For Mozambique, Ethiopia, Tanzania, Uganda, and Ghana, their GDP growth rates soared to 6.4 and 6.5 percent during 2006 and 2007 respectively.) On average, Africa's growth of its output was barely enough to cover population increases (Fosu, 2012). Given that the economies of East Asia and South Asia have been growing at dramatic rates, the *Good Growth and Governance in Africa: Rethinking Development Strategies* book suggests that the East Asian Developmental State model could be used as a powerful alternative model for reversing the trend of Africa' slow-growth and low-expectations, thereby improving the possibilities for Africa's industrialization process in the 21st century. Using the 1990s World Bank's study of the '*The East Asian Miracle'* conducted by Stiglitz, the *Good Growth and Governance in Africa: Rethinking Development Strategies* book attempted to investigate how Africa can structurally change and catch up with the developing countries in East Asia that have demonstrated spectacular success because of the active role of the states during the very period when Africa was stagnating economically (Stiglitz, 1996).

Given that the economic growth performance of Africa has in general been disappointing for the last half century, the editors of *Good Growth and Governance in Africa: Rethinking Development Strategies* have presented 18 articles written by top experts in development and by prominent policy makers. The contents of the book were assembled by the Initiative for Policy Dialogue (IPD) in order to reverse the trend of economic stagnation and sustain the accelerated economic growth experienced by a handful of African countries in recent years. To reverse economic stagnation and to sustain economic growth in Africa, the development experts and policy makers who participated in the seminars have suggested the application of East Asian developmental state model to African countries. In short, the book attempts to draw appropriate lessons for Africa from the East Asian developmental experience. The central questions of the study are therefore: 1) what lessons can Africa glean from the experience of Asia? and 2) how can markets and governments work together to best enhance Africa's economic performance? (pp. 3-4).

Based on the assumption that they are late-comers to industrialization, African countries are well-placed to duplicate or incorporate the Asian experience. Because a number of African countries have gone through similar economic restructuring and income level adjustments during their independence from colonial rule, they may find possible answers to the above questions. The book is divided into five parts. In Part I, Norman and Stiglitz give a summary of the policy options needed for Africa to achieve sustained growth and catch up with some developing countries in East Asia. The overarching argument of Norman and Stiglitz is that governments will contribute to development opportunities if they are allowed to play an active role in promoting savings, education, technology, and entrepreneurship, as well as regulating banking and ensuring financial markets. In short, unlike the 'Washington Consensus' which is based on improving efficiency within a static framework, Norman and Stiglitz are convinced that dynamic policies are needed for the long-term success of Africa, and these will require1)learning new technologies, 2)being involved in business, 3) managing the economy, and 4) dealing with other economies (p.7).

In addition, Norman and Stiglitz argue that in Africa it is not only the economics of the developmental state, but also the institutional and political dimensions of implementing the developmental state model that need to be in collaboration with the markets to enhance economic performance. Furthermore, after mapping out Africa's experience in the late 1970s and early 1980s based on its 1) geography and natural resources, 2) global environment, and 3) own policies and 4) failure of governance, Norman and Stiglitz argue that like the East Asian model (which was as developed as that of western countries), governments in Africa need to play a 'minimalist' role in all markets. This would mean taking a minor role in creating the rules of the game that allow markets to function as a legal system that enforces property rights and contracts that ensure competition; maintaining a rule of law, stable property rights; and regulating the financial markets in order to ensure domestic and global competition through democratic institutions.

In Part II, entitled "Governance, Institutions, and the State," the writers undermine the neoliberal paradigm which assigns the state to play a limited role as "nightwatchman". Instead, proponents of developmental state strongly argue that formidable market failures and institutional inadequacies that create vicious cycles and poverty traps in African countries could be addressed only by an activist state. For example, to generate development, Meles argues that an activist state could either be democratic or non-democratic but it needs to have: 1) an accelerated development as the source of its mission;2) a well-designed structure in order to effectively implement its political, institutional, and technical factors;3) a development project broadly shared in the country; 4) a developmental state that is autonomous from the private sector;5) broad support for its developmental agenda, and 6) an activist government that discourages socially wasteful rent-seeking activities (2012, p. 167-169).

Going one step further, Khan suggests that instead of duplicating the dominant liberal approach, generally referred to 'market-enhancing' governance which is applicable to developed economic systems, it is better for the African countries to use 'growth-enhancing' governance because sustainable growth policies need to be supported by appropriate governance capabilities. The growth-enhancing governance perspective can allow political leaders, state officials, emerging entrepreneurs, and representatives in Africa to devise their own political compromises and also can help governance institutions to address pragmatically their growth challenges. Thus, Khan argues that the experiences of successful developers in East Asia can be duplicated in Africa provided their developmental policies are carefully prioritized (p. 115, 2012).

In Part III, entitled "Technology, Industrial, and Trade Policies," the writers argue that Learning, Industrial, and Technology (LIT), particularly on learning by infant industries, and economies, focuses on externalities and knowledge spillovers not only in manufacturing, exports, information technology and

finance. The green revolution in South Asia is regarded as a prime example of LIT policy. The conclusion of the studies in Part III points out that Africa can benefit from appropriately designed LIT policies. However, they suggest that though LIT policies can reap rewards while reducing risks in countries that have the requisite governance capabilities or the ability to acquire them, African countries should be cautions that LIT from full-fledged East Asian developmental states such as Korea or Taiwan may be difficult to replicate (p.26). In concrete terms, Ohno and Ohno note that the problem of weak policy
capacity could be overcome through a focused hands-on-endeavor to achieve concrete results or what they referred to as dynamic capacity development rather than trying to improve governance structure. Bailey, Lenihan and Singh argue that given the extremely high levels of poverty and deprivation witnessed in Africa, they propose "a holistic growth trajectory could lead to a more sustainable industrial development path, in contrast to that of Ireland, which because of its over dependence on US firms, is now suffering severe reverberations from the recent downturn in the US (P. 426)." Thus, Bailey, Lenihan and Singh suggest regional integration and sufficient Overseas Development Assistant (ODA) for infrastructural development rather than copying the highly *dirigiste* East Asian model or any model that may not fit their development challenges (p.427).

In Part IV, the authors correctly argue that a developmental state should not be concerned with promoting growth alone but also needs to enhance the wellbeing of its citizens. Khan argues that an analysis of labor markets in Africa is hindered by a lack of good quality data. Nevertheless, according to Khan, self-employment in family and subsistence level activities hides unemployment in the working poor, which is very high. For instance, 55 percent of employed people in Africa earn less than PPP$1 a day, compared with 34 percent in South Asia (p.35). Instead of focusing on "pro-poor" growth, Khan suggests that Africa should focus on "shared growth" (or simultaneously focusing on distribution) to ignite its sustained growth. A paper by Ansu and Tan stated that in Africa there is a shortage of high-level skills, even though recently Africa has been an exporter of highly-skilled laborers to a number of developed countries. Moreover, those who remain in their countries are often underutilized. Thus, for Africa's development purposes, as in Singapore, African countries could subsidize technical skills training or pay most of the costs of training whilst foreign investment companies supply equipment and trainers.

Part V of the book focuses on the impact of internationalization or globalization on Africa. While Jomo K. S. and Rudiger von Arnim argue that globalization and liberalization are not beneficial to Africa, Nayyer suggests some ways and means how Africa could become more open to aid-giving agencies and stimulate foreign direct investments that might originate from China and India.

Implementing rather than Rethinking Developmental Strategies

The analysis of the articles in the book is very instructive. The book has attempted to present a balanced theoretical and practical argument and has attempted to highlight to African countries wider alternative examples on development state from a number of countries. The book also dwells on arguments against the neo-liberal or 'Washington Consensus' position on the Structural Adjustment Programs in Africa in the 1980s. Also, the book presents controversial debates on the applicability of the East Asian developmental state to African countries.

The purpose of the book is clear and the research problems are specific. The book has included rigorous articles written by distinguished policy makers and well known academicians. One of the editors of the book is Joseph E. Stiglitz, a Nobel laureate in economics. Thus, it is possible to say that the architects of the book "*Good Growth and Governance in Africa*" are well qualified and diversified. However, in addition to giving the overview or summary of the book in Part I, the format of the book would have better served its readers, had it added Part VI to outline the most viable alternative strategies of the developmental state that could best be implemented in Africa. Actually, the book would have been more instructive if some of the existing policy makers in Africa had been inspired to apply the theoretical constructs of the East Asian developmental state models to their own countries and then to write case studies about them. For example, since Ethiopia has been applying developmental state as a means of designing its "Ethiopian Growth and Transformation Plan" the editors of the book could have asked Prime Minister Meles to use the theoretical framework that he has developed in part II of the book to analyze the strengths and limitations encountered in Ethiopia when applying the developmental state model. Similarly, Professor Kwesi Bitchwey, the former Minister of Finance & Economic Planning, could have reflected on the implications of the developmental state to Ghana's economy.

I believe that all Africans would share my sentiment that "*Good Growth and Governance in Africa*" is a noble mission. However, the question that seems to concern a number of African scholars and policy makers about this book is, instead of encouraging the implementation of already existing plans by the Economic Commission for Africa in 2011, why is Africa used as testing ground for a number of development models forged mainly to satisfy western donors? As a common African saying goes, Africa, is "…very good at drawing up strategies and plans, but when it comes to implementation, there is always a difficulty" (an African saying cited by the African Union, 2007, p.41). Therefore, why can't Africa independently develop its own developmental plans to fit its cultures and then design strategies to implement them?

For example, as a result of the global economic recessions of the early and late 1970s, the African countries developed the Monrovia Strategy and the Lagos Plan of Action for the economic development of Africa. The plan was an integral part of the International Development Strategy for the Third United Nations Development Decade and was designed to promote an increasing measure of national self-reliance, the democratization of Africa's development process, and the acceleration of the process of regional economic integration through cooperation. But the World Bank sabotaged the African plan and instead commissioned Professor Elliot Berg to prepare a plan for Africa entitled "Accelerated Development in Sub-Saharan Africa: An Agenda for Action"(Adedeji, A. 1985). More specifically, as stated above, the Berg Agenda instead of helping the African countries to facilitate a viable strategic plan, it was draconian and totally ignored the social fabric and objective conditions of the African culture. It opposed the African Lagos Plan in the following ways:

1. Where the *Lagos Plan* emphasized self-reliance and self-sustaining growth based on integrated and dynamic national, sub-regional, and regional markets, the *Bank* (Berg) Agenda put the emphasis on external markets and on the continuation of primary product exports.
2. Whereas the *Lagos Plan* emphasized the unlinking of Africa, the *Bank* Agenda was regarded as the World Bank's vision of how the global economy should be ordered and how it would like to ensure that Africa remains the storehouse of natural resources necessary for the maintenance of the West's industrial powers and leadership-hegemony. It was felt that too much orthodox Marxist thinking must be counteracted if Africa was to show economic growth (Adedeji, A. 1985).

There is no doubt that there is a synergy between the content of the "*Good Growth and Governance in Africa*" book and the report prepared by Economic Commission of Africa in 2011. For example, in 2011, the Economic Commission for Africa challenged the African states to follow the Malaysian type of development and structurally transform their economies from dependence on agriculture to become a more industrialized and knowledge-based economy. That is, instead of undergoing as before through marginal adjustments under the state-led economic model and following the neo-liberal structural adjustments, the Economic Commission for Africa heavily advised the African states in 2011 to make dramatic structural changes under a democratically-nested developmental state model similar to Malaysia (2011). To become developmental states, African countries were asked specifically by the Commission of Africa to build transformative institutions, primarily run by competent, professional bureaucrats, recruited solely on meritocracy, and independent of the influence of rent-seeking groups. The African Commission advised the African states to have a well-disciplined planning process and expected them to operate in well-designed institutions (African Commission 2011). Furthermore, to attract foreign investors with capital, and management, and marketing know-how which would be used for the effective structural transformation purposes, the African developmental states were advised to have investor-friendly environments endowed with the necessary infrastructure, trained human capital, and politically stable conditions with well-established rules of law (See Desta, 2012).

Given this, can we not say the content of "*Good Growth and Governance in Africa*" is the incarnation of what is outlined by the Economic Commission for Africa. The author of this article feels that the East Asian model needs to be examined critically because it was developed for a different social order (see Desta, 2012). However, since some countries in Africa are already applying the developmental model of Malaysia to map out their development strategies, it could have served a more useful purpose if the editors of "*Good Growth and Governance in Africa"* had developed a common ground to assess the implementation of the Malaysian developmental model and had drawn some lessons that Africa could use to modify or extend the Malaysian Developmental paradigm.

In short, it seems a luxury for Africa to be used as a testing ground for a number of theoretical models tried somewhere else. Over the years, Africa has been doomed to failure when confronted with externally designed models of development. It is time for African countries to develop their own culturally appropriate and environmentally sustainable development plans. Therefore, multilateral financial institutions have to relinquish their direct control over much of the designing of Africa's development strategies. As proposed by Kofi and Desta (2008), the internal development strategies for Africa need to be based on a) an ecologically sensitive and cooperative agricultural development strategy, b) an environmentally designed educational system, and c) the development of small-business cooperative enterprises. Finally, it needs to be understood that government designed programs are not likely not to succeed in Africa because centrally designed projects are ideologically oriented, excessively controlled by the central governments, and are insensitive to local conditions. Therefore, developmental models in Africa have to be designed and implemented by all stakeholders without being dominated by the opinion and the economic set up of Western institutions. In order to salvage and revitalize the African continent and make it a powerhouse of relevant development, it is essential that local community leadership needs to be democratically elected.

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