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**Tracking Development: Summary of some major points during the panel sessions of the first (public) day of the third conference (in Putrajaya, Malaysia, May 2010)**

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# TRACKING DEVELOPMENT

## Summary of the main points emerging from the panel sessions on the first (public) day of the third conference, held in Putrajaya, Malaysia, on 10 May 2010

### On the methodology of comparing countries

- 1 There are of course always differences and similarities when you compare countries. Comparison becomes interesting when crucial contextual variables show a basic similarity and when the comparison concerns understanding the differences in policies/outcomes despite the contextual similarities. Be clear about 'relevant crucial contexts'.
- 2 The comparison should not always be between countries at the same time. It can be revealing to compare Country A at t1 with Country B at t2 (e.g. Malaysia in 1957 with Kenya in 2003).

### Turning points

- 1 A clear, empirically unambiguous definition is needed of turning points and 'sustained growth'.
- 2 The definition of 'turning points' as used in TD is not the same as 'shifts in policies'.
- 3 It is not only interesting to find out when turning points are detected but also where there could have been turning points (situations where it seemed that all three TD conditions were fulfilled but failed, and why they failed).

### The three 'crucial factors' needed for turning points and sustained growth

#### On macro-economic issues and stability

1. The financing of development budgets does not seem to have been a major issue in South-East Asia (SEA). As long as growth accelerates, financing from savings and paying back loans are not perceived as a problem. It is interesting though to look at the initial 'creation' of development finance capital around periods of so-called turning points.
2. It is crucial to understand the behaviour of governments during a crisis. How do they manage to stick to long-term goals? How do governments manage public protests (such as urban riots or rural violence) during a crisis? (For example, after the collapse of the oil boom will Nigeria be RIGHT? forced to abandon agreed – and sound – policies?)
3. Stability is not only about macro-economic policies but also about widespread social trust in political and economic leadership and in law and justice in the long-term predictability of the basic institutions in society.

4. If you criticize SAPs, be clear what elements of SAPs (or of the Washington Consensus) you are criticizing.

### **On economic freedom for peasants and small-scale entrepreneurs**

1. The creation of liberal policies in SEA aimed at rural entrepreneurs (no forced deliveries and supplies; no monopolies and monopsonies; no forced cultivation) did not go together with a withdrawal of state support for entrepreneurs (infrastructure, credit, research). In Sub-Sahara Africa (SSA) it did.
2. In situations where there is no accessible market (low urban demand; bad infrastructure; expensive routes to foreign markets), liberal market conditions do not help farmers and entrepreneurs. Experiences of production success after innovations, and subsequent market failure have often killed incentives. The state should have stepped in to solve coordination problems; in SSA it didn't (and wasn't allowed to do so due to donor pressure when it was most needed).
3. Economic freedom does not necessarily mean (western-style) political freedom. In a situation of 'open voices' it may be very difficult to reach consensus and enforce democratic responsibilities so as to use political freedom in a constructive way. Fast economic growth may demand benign (or not so benign, but at least economically enlightened) dictatorship, as proven by SEA. However, closed political systems with institutionalized fear may also kill incentives and innovations, and enormous damage can be caused when the situation explodes. So where is the balance?

### **On pro-poor, pro-agricultural, pro-rural bias**

1. In SSA during the 1960s there was food self-sufficiency and agriculture did not need a lot of support as it basically took care of itself. In SEA too, the threat for newly-independent governments came from the cities and the military and they had to be appeased with cheap food and urban job creation. The choice for urban bias was politically sound, unlike in SEA where the threats to the state came from the rural areas (the basis for communist rebellions, and violence) and food self-sufficiency became a problem. The choice for pro-rural (and pro-poor) policies here was politically sound.
2. A commitment to the poor among the political elite is one of the clear differences between SEA and SSA. This is not only true for formulated policies and budget allocation priorities but also for follow-up mechanisms and the implementation of policies. The Malaysian experience shows the commitment of the political top in forcing bureaucracies down the line to 'feel the heat of power' and 'scare people into action'. And there is the consistent and visible personal commitment of top personalities (e.g. by surprise visits to the field 'to check, inspire and adjust').
3. If political and urban elites acquire land (as in Kenya), this may mean that non-farmers become owners but lack the required commitment to and knowledge of farming. These landowners can easily become speculative or even predatory rent seekers.

4. The Malaysian example does not suggest that large-scale land reform is needed for rural agricultural breakthroughs but it is important to see where, why and how certain land ownership types can block progress.
5. Don't mistake phrases like 'African socialism' for pro-poor policies.
6. The personal class background of the political elite is not very relevant to understanding their elitist or pro-poor policies. However, their ethnic/racial background was relevant in some cases. To understand the visions of crucial state personalities, use should be made of (auto)biographies. Ethnic or racial fragmentation in itself is not a problem but a lack of social compromise between major ethnic or racial groups (and their leaders) is.
7. Do not only look at agricultural budgets but also at rural development budgets (and even recurrent budgets). These not only cover roads and water but also education and health. And then – if empirically possible – relate the budgets for agriculture to the rural development budget as a whole. Be careful as in a lot of countries not all relevant agricultural budgets and certainly not all rural development budgets come under one ministry (e.g. the Ministry of Agriculture).
8. Kenyans (and Africans in general?) tend to believe that changes on paper in the direction of pro-poor policies (a new constitution or new laws) are sufficient conditions for change and for creating turning points (called 'a legalistic approach to social change'). Others think this is naive.
9. Modernization of the countryside often means the transfer of labour to the cities (triggered by education for instance) or to settlement schemes or even rural depopulation. There is nothing wrong with that. In cases of agricultural modernisation getting larger farms with less farm workers can be a deliberate policy. There is nothing wrong with this. Rural pro-poor policy can mean supporting migration to places with more prospects.
10. Rural poverty reduction not only means pro-poor agricultural policies and pro-poor facilities for farmers but also providing scope for agro-processing industries (rural and urban) and for non-agricultural labour-intensive industries (rural, but mainly urban or peri-urban). Don't think that solving rural poverty means only solving the problems of agriculture.
11. Don't make the mistake of thinking that African farmers derive most of their household income from farming. Most don't.
12. Even if it is true at a macro-regional level that there were land shortages and labour abundance in SEA and labour shortages and land abundance in SSA, there are many exceptions to this rule and even within countries (Kenya!), there are major differences. Try to be regionally (and historically) specific.
13. Kenyans: compare Malaysian FELDA with the Kenyan National Irrigation Board!
14. Talking about agriculture means talking about staple foods and export crops but also about all non-staple, non-export products that feed and support the urban masses (milk, eggs, vegetables, fruits, charcoal). The expanding urban populations in SEA and ever more so in SSA, including the many urban poor, can spend most of their primary consumption budgets on these products.
15. In SSA the quality of labour has been a general problem so a major state effort to improve 'human capital' (more and higher education) was a sound policy. However this created path dependency and when it was

necessary to shift the emphasis from education to creating employment for these educated youth there were institutional blockages both from within (vested interests) and from outside (the Washington Consensus; donors pushing for the soft or social sectors; MDG prominence). In the Malaysian case too a lot of state emphasis has been placed on education (with high budget allocations)!

16. Pro-poor policies might be ‘bought’ by externalizing the costs of the policy, e.g. by opening up forest lands and creating massive environmental destruction. Pro-poor policies then become anti-nature policies, discounting the future. Jungle clearance by FELDA in Malaysia (despite its image as a major success story) can be seen as an example.

### **On the approach: outreach, urgency, expediency**

1. The Kenyan state (and African states in general) have not focused – except on education – and every (sub)ministry wanted to have its flagship projects in each Plan. A lack of priorities has meant that many things were done but all were under-budgeted and thinned out on the ground. One suggestion would be not only to look at percentages in budget allocations but also at budgets per capita in real terms for budget elements like agriculture, rural roads, rural electricity and rural water.
2. A strong government with a few consistent priorities can also mean that they chose and have stubbornly continued with the wrong or even disastrous priorities. So it is not about prioritizing as such, it is more about selecting the right priorities.
3. Fast population growth and population pyramids with a very broad base undermine acquired growth for a variety of reasons: economic progress per capita becomes undermined; a lot of energy in households and families goes into raising children; relatively few adults have to feed relatively many unproductive people; there is a major social and political urge to put a lot of social savings in mother and child health care and in education and not in production, income generation and employment creation.
4. Bad policies have a long path dependency. On the other hand Malaysia shows that as soon as a robust institutional machinery is in place, it may have a long path dependency (and create resilience in bad times).
5. Debate is needed on the costs and benefits of decentralization (or of federal versus central styles of government). In corrupt systems, centralization might mean less leakage and more dependable predatory behaviour (Kenyans call it ‘looting’) than in a decentralized system (*‘kito kidogo’* might then be everywhere). It also depends what institutions there are in a decentralized system (e.g. a rural development fund in the hands of MPs is more ‘lootable’ than if it is in the hands of a local council).
6. In judging the effectiveness of political institutions, don’t only look at expenditure practices but also at taxation practices.
7. For expediency, long-term trust is needed among and between the major players at the top and their protégés at lower levels. The Malaysian experience suggests that major change agents need to be insulated from day-to-day political influences.
8. Do not believe that institutions are the key to success. Only good institutions are. Bad institutions may be more damaging than weak ones.

So the crucial question is: what institutions are needed to make turning points happen? And how could (external support to) policies support these 'good institutional capabilities'? Malaysian political, social and economic institutions offer many clues, both the 'rules of the game' in government and politics, and the institutionalized relationships between the political and economic elites (good mutual information-sharing and trust-building, but avoiding too much resource capture), but also the creation of generous and widespread knowledge sharing.

9. Economic success needs to be celebrated by symbolic policies to create icons of modernity (even if they look extravagant) and a psychology of confidence. Buildings and monuments, but also successes in sports and the arts, may serve as such, but also 'heroes of progress'. Modernization is much more than economic growth alone.

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PS: Allow me to mention three blind spots in the debate so far:

- What about policies to support environmentally sustainable development?
- What about gender (policies)?
- What about policies to support, allow or hinder activities of non-governmental organizations and community-based organizations?