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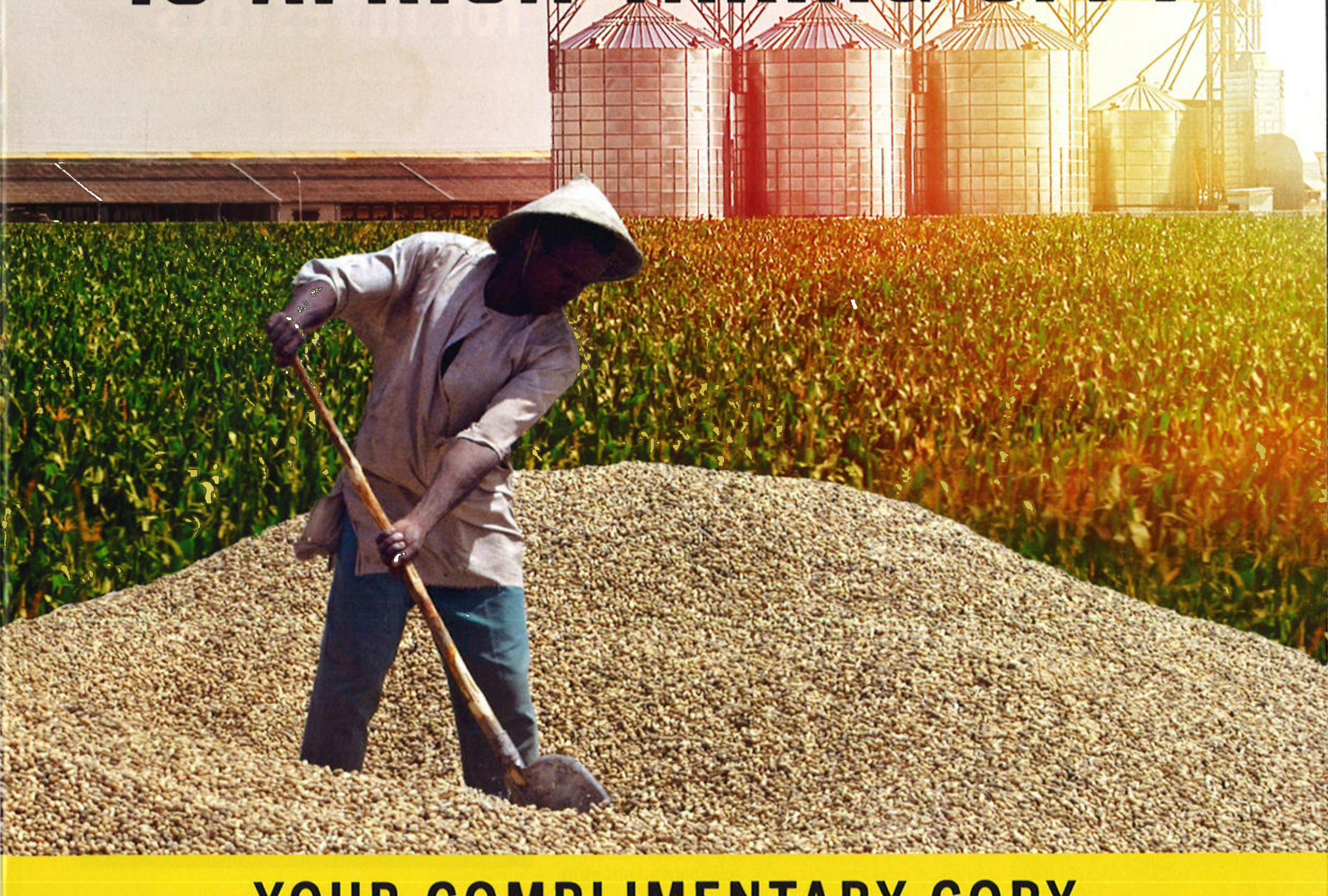

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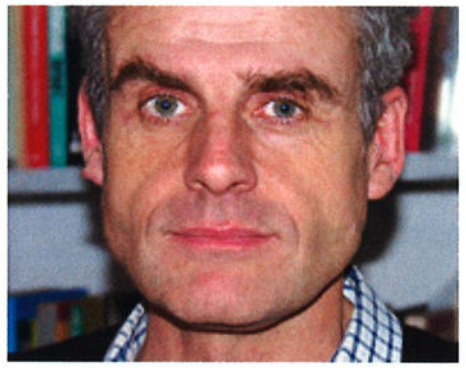
David Henley, Professor at Leiden University

What can Africa learn from SE Asia?

State investment in the rural economy was crucial to the success of agriculture in SE Asia, says Leiden University's Indonesia and Malaysia expert. In conversation with **Tom Collins** he emphasises the need for pro-rural policies and outlines three principles that underly any form of successful development.



Based on your book *Asia-Africa Development Divergence: A Question of Intent*, what are the main factors behind the historical divergence in growth between Southeast Asia and Africa?
First of all, at the most empirical level, development policy is very important. What the state does matters. What the state did in Southeast Asia was threefold: it provided three essential preconditions for development. First, it managed the macroeconomy competently. Second, it provided conditions of economic freedom, especially for small farmers and traders. And thirdly – and this is the greatest contrast with Africa until very recently – it invested very heavily in rural development. Southeast Asian governments invested in rural infrastructure and in boosting productivity of smallholders.

Although the first two policy preconditions are increasingly met in Africa, only in a few countries do we see them combined with the third. Despite the Maputo Declaration, despite all the trends in the right direction, it's still difficult to persuade African governments that rural bias and faith in smallholder farmers is the way to go. The good news now is that Southeast Asian countries are not the only success stories. I think Ethiopia and to an extent Rwanda are examples of countries employing good pro-rural strategies.

Yet there are many different kinds of pro-rural policies. As you have argued Kenya and Tanzania historically gave high priority to the rural sector but didn't achieve the same growth outcomes as Malaysia or Vietnam. What was the difference? What is the best policy framework for meaningful rural development?
First of all they spent a lot more money on rural development and gave it a much higher priority. What stands out is that Tanzania, although it did have a pro-rural focus, even maybe a pro-poor focus, at the time of Nyerere, did not meet the other two critical preconditions for development: a market-orientated economy with economic freedom for small farmers, and sound macroeconomic management. The point about the preconditions is that all of them have to be present at once and in Tanzania that clearly was not the case.

It's still difficult to persuade African governments that rural bias and faith in smallholder farmers is the way to go

Kenya is a bit more complicated. Here there was usually a fair degree of economic freedom, and market orientated policies, and periods where the government focused on agriculture. However, the policy focus tended to be elitist, concentrating on large capital-intensive estates, and there is little precedent for success via that strategy in Asia.

That seems like a strong statement but we have not seen any agricultural success story, or indeed any success story, in Southeast Asia which has been based on estate agriculture, rich farmers or agribusiness.

Why is economic freedom – meaning the right to control labour and property – so important for transforming the rural sector?

Not everybody is a farmer in rural areas. People who don't own land or own too little may not benefit directly from green revolution type advances, from increases in productivity in agriculture.

From the Asian experience these people benefited because increased income for smallholders stimulated the rural non-farm sector through activities such as local services, petty trade, handicraft manufacturing for local markets, transport, construction, thatching, snacks and all manner of things.

Therefore, it's very important not to restrict any of those activities. Rwanda currently does appear to restrict them to some extent, in various ways. Rwanda has improving agricultural yields but there may be problems with overregulation on the non-farming sector.

What role should the private sector play in smallholder development?
Agribusiness did not play a role in most of the Asian success stories; not even the kind of partnerships between smallholder and agribusiness firms which are now being advocated in Africa and to some extent have been successful. I see them myself in the flower industry in Ethiopia, but I don't see an Asian precedent for it. As smallholders increased their incomes and provided the springboard for the economic development of their country, they did not do so as contractual agents for big business.

So how did Asian smallholders get the support they needed?
It was public investment in many things. First of all infrastructure – an asphalt road to every village. Secondly, electricity to every village. Rural public services are also important, from primary schooling to basic healthcare. In agriculture itself irrigation is very important and only the state will do that. Then the introduction of new crops, supply of fertiliser and subsidy of fertiliser which is controversial in Africa but has evidently worked in Asia.

Also micro-finance is an area where the state can play an important role. State microfinance banks have been terrifically important in Asia. The Asian evidence suggests that big state-owned or linked microfinance banks are actually more efficient than private banks. These are the kinds of ways governments can invest directly without going through the medium of organised business institutions. Not that they necessarily shouldn't, it's just that that's not the way it happened in Asia.

In Africa, sparser population means that more power lines are needed over longer distances than in Southeast Asia.

Is there any reason why the Southeast Asian model wouldn't work in Africa?
If there are any reasons why it shouldn't work, they are the same reasons why it has always been more difficult in Africa. For instance ecological and geographical considerations, like the fact that there's less water, make it more expensive to irrigate. Similarly, the fact that Africa's population is much less dense than in Asia so in order to reach the farmers with roads and electricity the services are much more expensive. In most of Africa electrification is not yet advanced, but in Indonesia or Vietnam most people have been on the power grid for decades. This is not just because Africa is behind and poorer: it's because it's more difficult to do that in Africa. You need more power lines over a longer distance. Those are the real obstacles which still make development in Africa more difficult.

Is an agrarian revolution the most effective way to transform a developing country? What about investing in manufacturing for an export-orientated economy?
It's got to be the main way to do it but there are other things which can be done. I have some sympathy for the approach which takes Asian labour-intensive manufacturing based on FDI as its model. That can also be a quick-win strategy, as setting up free trade zones and industrial estates is actually a lot cheaper than doing the agricultural development thing. This can certainly be done concurrently with agriculture, but I doubt that it would ever be a successful stand-alone launchpad for a nation's economic development.

For development, you need to look at the immediate priorities and solve the immediate problems

In my book I tried to suggest three higher-level principles which were not tied specifically to agriculture but could inform non-agricultural development policies as well. Those were the principles of outreach, urgency and expediency.

Outreach is most important and the slogan that I've coined there is "quantity, not quality". Development strategies and public investment especially have to be such that they reach a large number of people, otherwise they should not be attempted.

The next thing is urgency: "priorities, not plans". Whatever you've got to do, you've got to do it quickly. There is an enormous fallacy surrounding economic planning in Asia. It's that the Asians were always looking ahead – 25 years or so – and hence we now see these long-term strategies – vision 20 somethings – in Africa, supposedly in imitation of Asian models.

A lot of people have got the idea that what you need for development is long-term vision. You don't. For development, you need to look at the immediate priorities and solve the immediate problems without too much forward thinking.

The third principle is expediency: "results, not rules". Successful development programmes were often implemented in ways which didn't show much respect for legal procedures. We don't see much "good governance" in Asia, in the sense of public accountability or low levels of corruption. In fact, high levels of corruption were present in most of the Asian states that were successful in reducing poverty quickly. Most were very corrupt by all the international measures. I think it's a mistake to be fixated on that problem.

Development is never about obeying rules or even setting them: it's about getting the result and whatever gets the results in terms of poverty reduction should be applauded. It shouldn't be too procedural. ■

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